Review of Queensland Energy Legislation

The Queensland Council of Social Service (QCOSS) is the state-wide peak body representing the interests of individuals experiencing or at risk of experiencing poverty and disadvantage, and organisations working in the social and community service sector. QCOSS thanks the Department of Natural Resources, Mines and Energy (DNRME) for the opportunity to provide a response to the Review of Queensland Energy Legislation Issues Paper (May 2018).

Key messages

QCOSS strongly suggests that Queensland’s energy legislation promote the following principles:

- Energy is an essential service.
- Australia’s energy system exists to serve the community and underpins every aspect of our lives.
- Households experiencing energy stress should receive the supports they need to manage their bills and to stay connected.
- A fair and just transition to renewable energy is important for all Queenslanders.
- People must be able to access effective dispute resolution processes in relation to any issue that affects the rights of energy customers.
- There are broader social, economic and cultural benefits that flow from investing in more effective supports for customers at risk of energy hardship and disconnection, and in supporting equal participation and inclusion in the transition to renewable energy.

Licensing

State based regulation of the electricity industry and electricity use, including licensing and monitoring of electricity industry participants, is an important mechanism to give effect to consumer rights and protections within the energy system. Licencing is also an important source of information for DNRME to monitor and enforce obligations, and can flow into the dispute resolution processes that are available under the Energy and Water Ombudsman Queensland scheme. As such all entities should be licensed, however, differential obligations should apply depending on the scale or nature of the energy activity and the size of the organisation. This is particularly important as the energy market transforms to include a range of energy generation and distribution models. (See Community Energy Projects example below).

Recognition or consideration should also be given to any entity that is registered under an equivalent national or state regulatory regime to avoid duplication and reduce compliance costs. The guidance generally available on the business.qld.gov.au website should also be reviewed to ensure it is more usable for a range of potential participants in Queensland’s energy system.
Reducing licencing barriers for community energy projects

The Electricity Act 1994 and the Electricity Regulation 2006 may require community energy groups to obtain a license to generate, transmit, or distribute electricity or to apply to the Regulator (the Director-General of DNME), for a special approval.

Many community energy models involve the sale of electricity, for example behind the meter to a host site. They generally would have to apply for and obtain a licence authorising this activity, and would also be required to pay annual licence fees. It can take months to obtain authorisation and, if these licenses are granted, each community energy organisation would be required to pay annual license fees. These licensing fees and the cost associated with the applications process would likely make a typical community energy project uneconomic.

Community energy projects offer a great opportunity to assist in achieving Government renewable energy targets, to support low income and vulnerable consumers, and attain greater community support for renewable energy. QCOSS encourages consideration of options to reduce the licencing barriers for community energy projects if certain social benefit criteria are met.

Price control

Energy is an essential service – as such it is imperative that a level of price control is maintained to ensure that households can maintain supply regardless of income.

Bill concern is at the highest levels recorded, with 51% of South East Queensland households and 59% of regional Queensland households being concerned about their ongoing ability to pay their electricity bill.¹ In Queensland the median market offer is around 5.6% of household income for low income and concession holders (Figure 1). However, this only tells part of the story.

- As of 30 March 2018, there were 2.1 million small electricity customers and 203,266 small gas customers in Queensland.²
- For the first three quarters of the 2017-18 year there have already been 8,038 household electricity disconnections and 439 household gas disconnections in Queensland.³
- As at 30 March 2018 there were 19,319 electricity customers on a hardship program, with almost a quarter of these (4,454 customers) outside South East Queensland. There were 1,247 gas customers on a hardship program as at 30 March 2018.⁴
- As at 30 March 2018 there were 39,040 residential electricity customers and 7,604 residential gas customers in Queensland with a debt (average debt for electricity $625 and for gas $430).⁵
- As at 30 March 2018 there were 3,972 residential electricity customers in Queensland with an accumulated debt of more than $1,500.⁶

Low-income households typically spend a higher proportion of their income on essential services. Over the last ten years electricity prices have increased significantly over other goods and services, and while there is now some moderation in price increases, the bills remain too high for people on low incomes and these households will continue to struggle to maintain their budget and remain connected to their energy, water, gas, and telecommunications.

Together with concessions, energy efficiency and demand management initiatives, price controls are an important way to improve energy affordability particularly where competition either does not exist or is not effective. Unfortunately, the current price control mechanism only applies outside SEQ. It would seem that the assumption has been made that competition in SEQ is effective in regulating prices and this may need to be tested.

The current pricing approach outside of SEQ gives little consideration to actual affordability for households. In determining prices in future years, we suggest that the Queensland Competition Authority (QCA) be required to gather and consider information on the cost of living in different parts of regional Queensland. Affordability should be a more central consideration of the QCA in determining prices. This would also help to improve the targeting of concessions, and energy efficiency and demand management initiatives.

Energy efficiency and demand management
As market reforms and new technologies offer consumers more choice and control over their energy use, the evolution of the energy market risks creating a growing divide in our communities – between those who can take advantage of opportunities to reduce their energy costs, and those who cannot. Given the essential nature of energy, the inequitable distribution of energy costs across households has serious social and economic implications.

The Queensland Household Energy Survey 2017 found that:

- Over the past seven years, Queensland households have been performing fewer and fewer energy efficient behaviours – though there was an increase in energy efficient behaviours in 2017.
- Energy efficient behaviours that are less common than they were seven years ago include:
  - Using a clothesline instead of a dryer (76% to 70%).
  - Choosing appliances with the highest energy rating (55% to 49%).
  - Ensuring the household is on the best tariff option (30% to 25%).
- Queensland households are also less likely to consider their usage during peak times with an increase in usage of electric appliances during this time compared to seven years ago.
This shows that there is a need for more concerted focus on energy efficiency and demand management outcomes. While the Queensland Government has had some success with the Energy Affordable Plan such policies need to be inclusive and targeted towards households who currently cannot access such programs.

It is important that Queensland energy legislation should support a fair and just transition to a renewable energy target (whatever that may be). As part of this, consideration must be given to ensuring equal and equitable access to any energy efficiency and demand management incentives. There is currently an inherent bias in energy efficiency and demand management supports and incentives towards traditional home owners (not renters or apartment dwellers). Queensland’s energy legislation needs to go further in supporting this transition. The Queensland Government is currently also reviewing the Residential Tenancies and Rooming Accommodation Act which amongst other things will examine minimum standards for energy efficiency for retail accommodation. Taking a holistic view across the two reviews may provide opportunities to promote improved energy efficiency and demand management outcomes.

**Supporting renewable energy**

To support and contribute to the delivery of the Queensland Government’s 50% renewable energy target, QCOSS suggests that objectives under the revised *Electricity Act 1994* go further than promoting “environmentally sound electricity supply and use.” The Act should promote emissions reductions across the energy sector and accessibility to all consumers, including low income households and renters. We would also support direct reference to an emission reduction target and climate change.

The way in which energy development proposals and market actors contribute to meeting Queensland’s emissions reduction and renewable energy targets need to ensure the interests of consumers are protected, both in terms of costs and access to the transition. QCOSS would like to see the Department of Natural Resources, Mines and Energy (DNRME) monitor and report on the energy sector’s progress against the State’s climate change commitments. The updated energy legislative framework should not take an “energy neutral” approach, as this would risk locking in emissions intensive technologies that may compromise the delivery of the State’s climate change targets.

**Customer protections and dispute resolution**

Customer protections and dispute resolution are an important function of protecting the households who find themselves facing financial hardship and potential disconnection from supply. When an essential service such as energy becomes unaffordable, many households are forced to make decisions about what other essential items they might have to go without. Some households will prioritise their energy bills over food and other essentials to maintain connection to their energy supply.

It is understood that many consumers, particularly those on low incomes or who are experiencing disadvantage in the energy market have difficulty accessing and understanding information about the market, including information to:

- Support selection of a retailer or plan
- Accessing concessions
- Accessing support to make payment including hardship programs
- Energy efficiency and demand management measures
- Consumer protection and dispute resolution

It is therefore critical that all effort is made to support information provision through a variety of channels. Based on our experience, we have found that one of the most effective mechanisms to reach low-income and vulnerable customers is via the community organisations they come into contact with on a day-to-day basis. These organisations have a strong reputation and trust within their local communities, and their staff have specific expertise in engaging and assisting people on a range of issues, including the cost of living.

Customer protections are particularly important for all consumers, particularly those that may at risk of being disadvantaged by the market – particularly give the essential nature of this market. The following table outlines QCOSS vision for consumer protections in the energy market.
Concessions are inadequate, poorly targeted, lack transparency and are hard to access

Improvements have been made to the concessions framework including the extension of access to the Queensland Government Electricity Rebate to health care card holders and asylum seekers. However, there are still groups of people that are missing out but how are struggling to manage cost of living pressures – such as the working poor.

Many consumers are unaware of the concessions available. There is still a need for fundamental change to the way rebates and concessions are delivered and how Queenslanders are engaged to ensure coverage for all those who are eligible.

Lack of support for customers to avoid debt and hardship

Current hardship policies appear to be focused on debt recovery rather than provide genuine protections and support to consumers experiencing financial difficulty. It is not clear how the current protections to customers in financial difficulty are any different from that required to be offered to customers generally (eg, cannot disconnect a customer that is on a payment plan). It is clear from the information about average debt on entering a hardship program that the assistance being offered is too little too late.

Guaranteed service levels are not equitable

The Queensland Competition Authority (QCA) is reviewing the Guaranteed Service Levels (GSLs) which apply to Energex and Ergon Energy. As part of this process, QCOSS raised a number of issues including that current triggers result in unequal levels of service across rural and urban customers, despite all customers paying the same network charges.

Remit of the Energy and Water Ombudsman Queensland (EWOQ)

There are a number of energy customers that are currently not able to access the scheme. For example, bulk hot water, unmetered gas and LPG which come under the Office of Fair Trading, and tenancy disputes around energy efficiency standards which come under the Residential Tenancies Authority, and customers using non-traditional service models (including customers who are provided by an on-supplier; customers who are ‘offgrid’; and customers who enter solar PPAs) cannot make complaints under the EWOQ Act 2006.

These non-traditional services models are emerging rapidly as the market transforms. The current arrangements for EWOQ do not provide the flexibility needed to enable these customers to be easily provided with the consumer protections they need.

Concessions that make a difference

QCOSS recommends well-designed percentage based concessions, targeted to all customers that really need it (means tested), regardless of their supply arrangements, with clear and transparent rules about eligibility.