

8 December 2011

The Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

RE: AEMC Rule Change — Economic Regulation of Network Service Providers (ERC0134)

Dear Mr Pierce,

The Brotherhood of St Laurence welcomes the opportunity to comment on the rule change proposals submitted by the Australian Energy Regulator and the Energy Users Rule Change Committee regarding economic regulation of network service providers.

The proposals identify significant deficiencies in the framework for the economic regulation of NSPs under the National Electricity Rules (NER). Among other things, as they stand, the NER have allowed major increases in investment expenditure by distribution and transmission networks, well in excess of efficient levels. These increased capital costs are being passed on to consumers, contributing to dramatic increases in residential electricity prices.

Rising electricity prices are causing financial strain for many of the low income and disadvantaged households we work with. Any moves to address deficiencies in the NER, which contribute to unnecessarily high prices for consumers, are to be welcomed.

The attached submission outlines the deficiencies in the NER as outlined by the Proponents, identifies the impact of these deficiencies on low income and disadvantaged households, and assesses the solutions put forward by the Proponents.

Yours sincerely,



Tony Nicholson  
Executive Director

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Brotherhood  
of St Laurence

Working for an Australia free of poverty

## Submission to the Australian Energy Market Commission on the consolidated rule request – National Electricity Amendment (Economic Regulation of Network Service Providers) Rule 2011

AEMC reference ERC0134

Brotherhood of St Laurence

8 December 2011

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## 1. Introduction

The Brotherhood of St Laurence (BSL) is grateful for the opportunity to comment on the rule change proposals submitted by the Australian Energy Regulator (AER) and the Energy Users Rule Change Committee (EURCC) regarding economic regulation of network service providers (NSPs).

The proposals identify significant deficiencies in the framework for the economic regulation of NSPs under the National Electricity Rules (NER). Among other things, as they stand, the NER have allowed major increases in investment expenditure by distribution and transmission networks, well in excess of efficient levels. These increased capital costs are being passed on to consumers, contributing to dramatic increases in residential electricity prices.

Rising electricity prices are causing financial strain for many residential customers. The impact of escalating electricity prices on low-income households is particularly concerning. Low-income households are especially vulnerable to electricity price rises because they spend a greater proportion of their income on electricity and other basic needs compared to other households.

The BSL's core function is to work for an Australia that is free of poverty. The BSL provides a national voice on matters of poverty and disadvantage, focusing on those people at greatest risk. The BSL has seen first-hand the adverse impact of rising electricity prices on vulnerable members of our society, particularly low-income households.

The BSL considers that the proposals to change the regulatory framework for NSPs provide the AEMC with an excellent opportunity to remedy clear deficiencies in the NER which are having a significant and disproportionate impact on low-income households. Unless these deficiencies are remedied, the burden faced by low-income households as a result of rising electricity prices will be exacerbated.

In this submission, the BSL:

- highlights the problems with the NER that have been identified by the rule change Proponents;
- explains the general implications of the deficiencies in the NER;
- discusses the impact of these deficiencies on low-income households; and
- assesses the solutions that have been put forward by the Proponents.

## 2. Problems with the NER identified by the Proponents

The Proponents have identified a raft of problems with the NER. These include:

- *Setting forecasts for capex and opex:* In its proposal, the AER notes that the NER incorporate a systematic bias towards inflated forecasts for capex and opex because the AER is obliged to accept reasonable estimates and can only make marginal adjustments to forecasts put forward by the NSPs. This bias encourages over-investment in network infrastructure, which is at odds with the emphasis on efficient investment in the National Electricity Objective (NEO) and results in excessive network costs that are passed on to electricity consumers.
- *Incentives for expenditure that is in excess of forecasts:* The AER proposal notes that the NER require that all actual capital – including capital that is more than that allowed by the forecast – be rolled into the regulated asset base for NSPs at the start of the next period without further review as to whether the capital investment was efficient or necessary. NSPs are then entitled to earn a return on the capital. As a consequence, some NSPs have spent substantially more than regulatory allowances in previous periods, which has led to significant step changes in prices for consumers at the start of the next regulatory period when the higher expenditure is rolled into the asset base.

- *Weighted average cost of capital (WACC):* The AER proposal notes the problems associated with the process, method and timing for determining the WACC under the NER, which requires the continual assessment of similar arrangements and evidence for each regulatory determination. In addition, both the AER and the EURCC proposals state that the existing methodology for calculating the WACC parameters – particularly the return on debt – is inappropriate. Under the NER, the AER must attempt to calculate an allowance for debt using benchmarks that are not reflective of how the sector is actually managing its debt. As a result of flaws in this methodology, the return on debt allowance provided to the NSPs is higher than is warranted, resulting in excessive profits to NSPs, perverse incentives for inefficient over-investment and higher prices for electricity users.
- *NSP submissions on proposals:* Under the NER, NSPs are permitted to provide submissions on their own proposals, which the AER must consider when making its determination. The AER proposal notes that many NSPs have taken advantage of these rules by submitting regulatory proposals followed by lengthy submissions which often contain significant additional information. The timing of the lodgement of these additional submissions often prevents stakeholders who may be significantly affected by the outcome of the regulatory process (and, for that matter, the AER) from having an opportunity to analyse and meaningfully respond to the NSP proposals.
- *Confidential information submitted by NSPs in proposals:* Confidential information contained in NSP proposals and submissions is not disclosed to interested stakeholders and, therefore, these stakeholders are effectively prevented from commenting on this information. The NER provide the AER with the discretion to ‘give such weight as it considers appropriate’ to confidential information it receives in submissions, having regard to the fact that the information is not publicly available. However, as noted by the AER in its proposal, this discretion does not apply to confidential information contained in NSPs’ proposals or revised proposals. Therefore, the NER do not deter NSPs from unjustifiably classifying information as confidential in their proposals, thereby preventing disclosure to third parties who may have valid arguments to make in response to the information.

### **3. Implications of the deficiencies of the NER**

The problems with the NER identified by the Proponents have many important practical implications, including the following:

- The level of investment in network infrastructure is beyond what is efficient.
- Consequently, network costs are significantly higher than necessary to meet demand.
- These costs are passed on to consumers, who are paying far more than they should for electricity.
- Meanwhile, NSPs are enjoying windfall gains at the expense of consumers, including low-income households.

#### **3.1 Rising electricity prices**

There is clear evidence of rising electricity prices in all Australian jurisdictions. Between 2007 and 2011, residential electricity prices increased 35% in real terms.<sup>1</sup>

The trend of rising electricity prices is illustrated below in Figure 1 for New South Wales, Figure 2 for Queensland, Figure 3 for Victoria, Figure 4 for South Australia, Figure 5 for Tasmania and Figure 6 for the Australian Capital Territory.

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<sup>1</sup> ABS, *Consumer Price Index*, cat. no. 6401.0, ABS, Canberra, 2011.

Figure 1. Retail market standing offers – New South Wales<sup>2</sup>

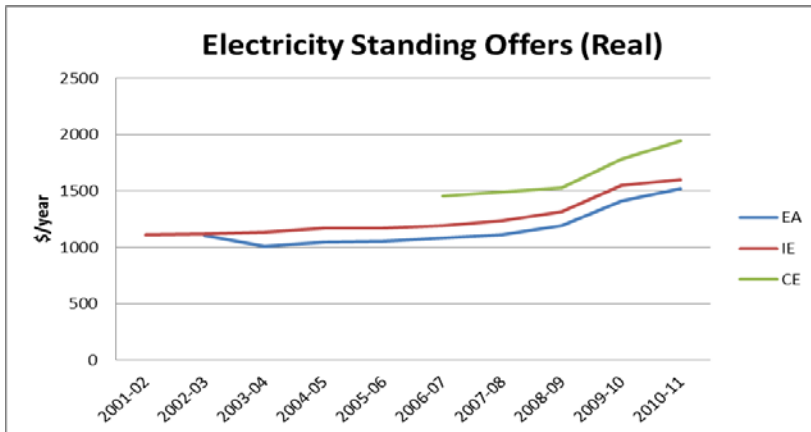


Figure 2. Retail market standing offers – Queensland<sup>3</sup>

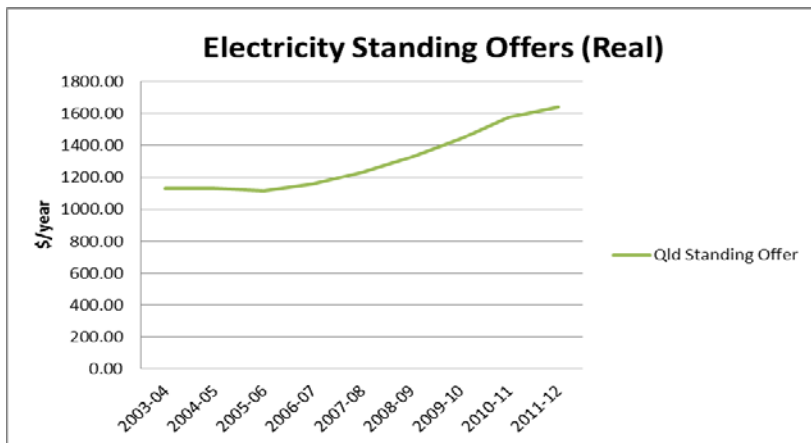
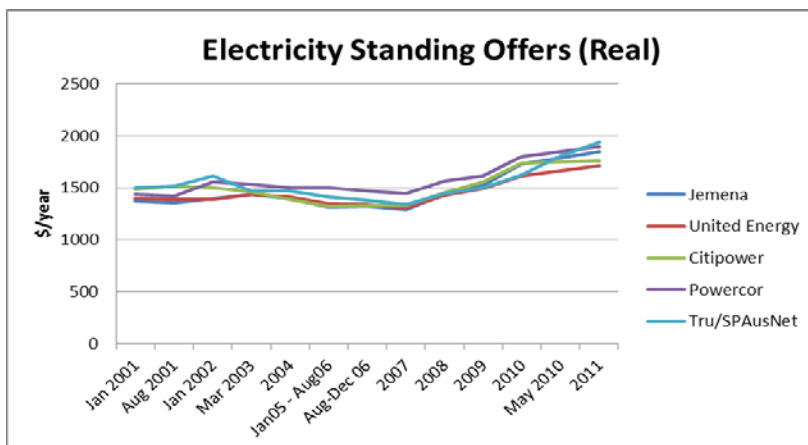


Figure 3. Retail market standing offers – Victoria<sup>4</sup>



<sup>2</sup> Engineroom Infrastructure Consulting 2011, *Mapping retail electricity standing offer prices*, Available at <<http://www.advocacypanel.com.au/fundedReportsResearch.htm>>.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

Figure 4. Retail market standing offers – South Australia<sup>5</sup>

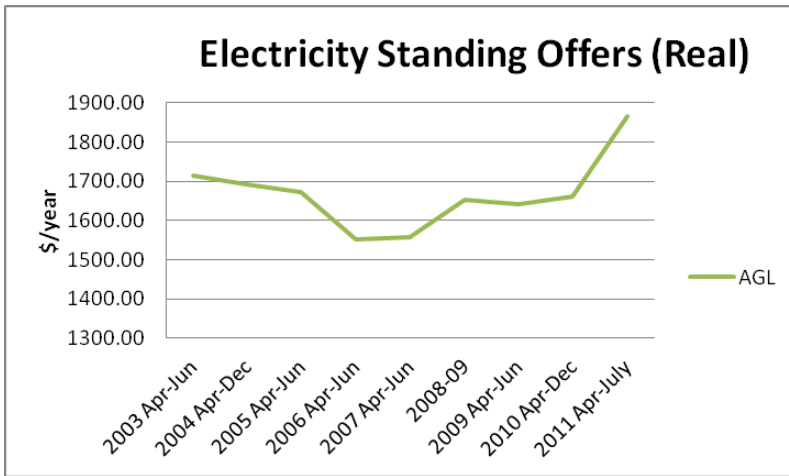


Figure 5. Retail market standing offers – Tasmania<sup>6</sup>

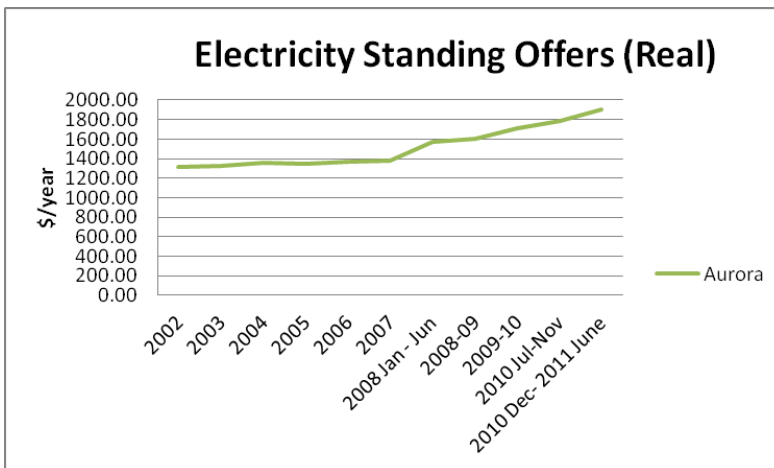
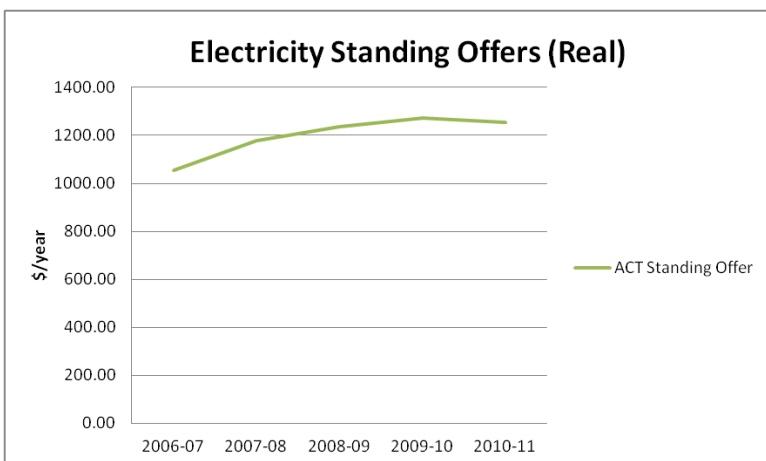


Figure 6. Retail market standing offers – ACT<sup>7</sup>



<sup>5</sup> ibid.

<sup>6</sup> ibid.

<sup>7</sup> ibid.

The AEMC has forecast that electricity prices will continue to rise by 19% in real terms between 2009–2010 and 2012–2013.<sup>8</sup>

### 3.2 Impact of network costs on electricity prices

In addition to evidence that electricity prices are rising and will continue to rise, there is also irrefutable evidence that rising network costs are a major contributor to these rising prices. Charges for use of the transmission and distribution electricity networks, which are passed directly to end-users, represent about half of a customer's electricity bill.<sup>9</sup>

In its summary of the drivers of expected price increases by cost component, the AEMC has predicted significant rises in transmission and distribution costs at a national level and in each of the jurisdictions.<sup>10</sup> The AEMC has stated that, while there are significant variations in the drivers of residential electricity prices in each jurisdiction, the most significant driver is the increasing cost of distribution services. According to the AEMC, the cost of distribution services will increase in most jurisdictions as a result of both increasing levels of capital works and increased costs of undertaking these works. These costs are expected to contribute 41% of the total increase in residential electricity prices at the national level.<sup>11</sup> The AEMC has also found that increasing levels of capital works, higher returns on capital and increased costs of inputs are driving increases in transmission costs, which are estimated to contribute 8% of the forecast increase in residential electricity prices at the national level.<sup>12</sup>

## 4. **Impact of the deficiencies of the NER on low-income households**

As explained in the previous section of this submission, the deficiencies of the NER will lead to escalating residential electricity prices. In the 2011 Garnaut Climate Change Review, Professor Garnaut said that rising electricity prices are putting pressure on low-income households.<sup>13</sup>

The evidence presented below demonstrates how electricity price increases have disproportionately and unfairly disadvantaged low-income households in the past. Ongoing increases in electricity prices, which will inevitably occur as a result of deficiencies in the NER, are likely to exacerbate the difficulties that are already faced by low-income households.

### 4.1 Proportional spend on energy

The 2008 Garnaut Climate Change Review highlighted that low-income households spend more on basic necessities, including electricity, than other households with higher incomes.<sup>14</sup> This fact is starkly illustrated by the results of IPART's 2010 and 2008 surveys of households in Sydney and surrounds,<sup>15</sup> which are summarised below in Figure 7.<sup>16</sup>

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<sup>8</sup> AEMC, *Future possible retail electricity price movements: 1 July 2010 to 30 June 2013, final report*, 30 November 2010, AEMC, Sydney, p. 1.

<sup>9</sup> *ibid.* p. 3.

<sup>10</sup> *ibid.* Table 1, p. iv.

<sup>11</sup> *ibid.* p. 6.

<sup>12</sup> *ibid.* p. ii.

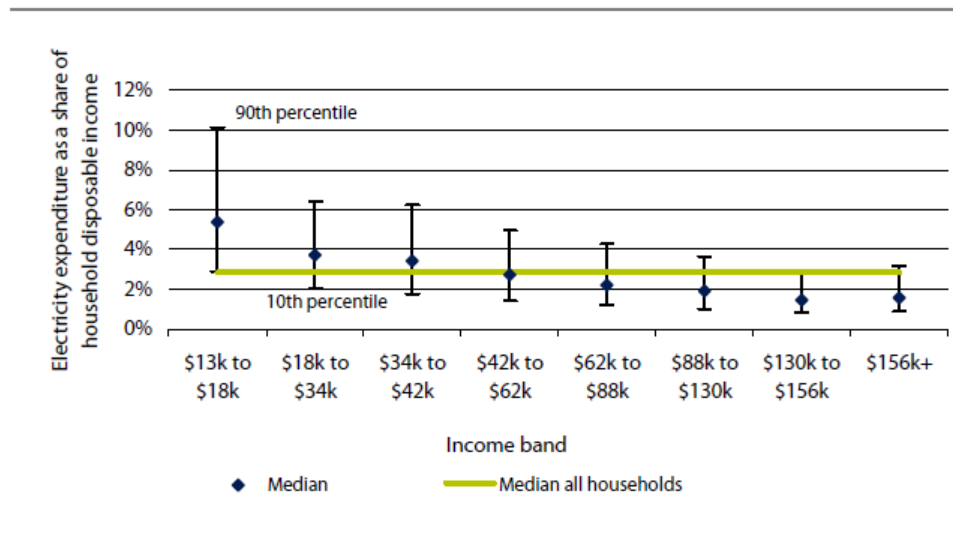
<sup>13</sup> R Garnaut, *The Garnaut Review 2011: Australia in the global response to climate change*, Cambridge University Press, Melbourne, 2011, p. 150.

<sup>14</sup> R Garnaut, *The Garnaut Climate Change Review: final report*, Cambridge University Press, Melbourne, 2008, p. 387.

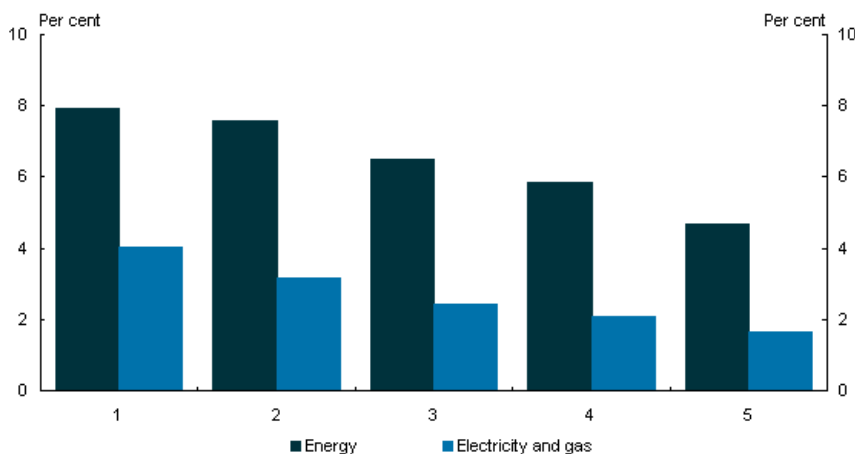
<sup>15</sup> IPART, *Residential energy and water use in Sydney, the Blue Mountains and Illawarra: results from the 2010 household survey, Electricity, Gas and Water — research report*, December 2010.

<sup>16</sup> IPART, *Changes in regulated electricity retail prices from 1 July 2011 — electricity final report*, July 2011, p.10.



**Figure 7. Electricity bills as a share of disposable income, Sydney and surrounds**

Treasury data also demonstrates that low-income households spend more on energy as a proportion of their income than other households. Figure 8 below shows Treasury's estimates of the projected household spending on energy (including stationary energy and transport fuels) as a percentage of all spending, by equivalised disposable income quintile in 2010–11. Group 1 represents the lowest income households whereas group 5 represents the highest income households.

**Figure 8. Projected household spending on energy as a percentage of all spending for 2010–11<sup>17</sup>**

The 2008 Garnaut Climate Change Review also pointed out that low-income households are less able to respond to higher energy prices by utilising energy efficiency technologies because they are unable to meet the capital cost.<sup>18</sup>

<sup>17</sup> Treasury, *Australia's low pollution future: the economics of climate change mitigation – report*, Treasury, Canberra, 2008, Chart 3.43, p. 69.

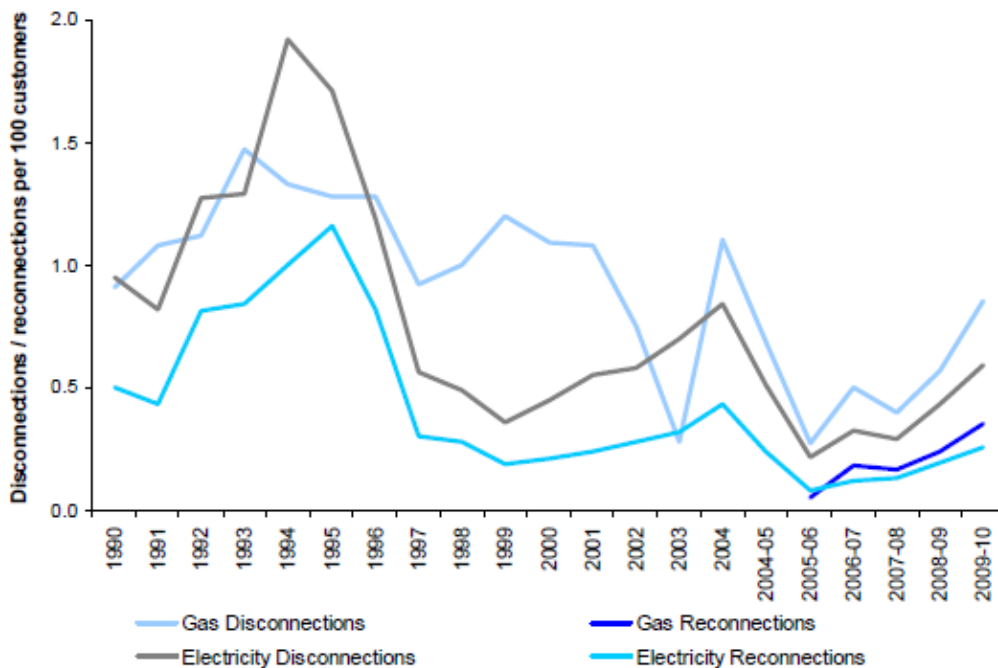
<sup>18</sup> R Garnaut, *The Garnaut Review 2011: Australia in the global response to climate change*, Cambridge University Press, Melbourne, 2011, p. 389.

#### 4.2 Evidence of 'energy hardship'

There is also compelling evidence of 'energy hardship' being suffered by low-income households – that is, there is a growing number of residential consumers experiencing financial difficulties in paying for their energy and at risk of fuel poverty. Simshauser et al. estimate that around 33% of low-income households, or 6.6% of the total households in New South Wales and Queensland, will be in fuel poverty by 2015.<sup>19</sup>

Energy hardship among low-income households is demonstrated by a number of different sources of evidence. First, there is a growing trend in electricity and gas disconnections by residential customers. For example, since 2007–08, there has been a distinct upward trend in disconnections in both gas and electricity in Victoria,<sup>20</sup> as illustrated in Figure 9.

**Figure 9. Residential electricity and gas disconnections in Victoria**<sup>21</sup>



Similar evidence exists for Tasmania<sup>22</sup> and Queensland.<sup>23</sup> In Queensland, small customer disconnections due to non-payment increased by more than 38% between 2009-10 and 2010-11.<sup>24</sup> Furthermore, in its 2010/2011 annual report, the NSW Energy and Water Ombudsman of NSW noted that there had been an 8% increase in customers who were facing disconnection and an 18% increase in customers who had been disconnected due to financial hardship in New South Wales.<sup>25</sup>

Second, the number of emergency grants to cover energy costs is also growing as illustrated in Figure 10 for Victoria, Figure 11 for New South Wales and Figure 12 for Queensland.

<sup>19</sup> P Simshauser, T Nelson & T Doan, 'The Boomerang Paradox: how a nation's wealth is creating fuel poverty - and how to defuse the cycle', *AGL Applied Economic and Policy Working Paper No. 17*, 2010, p. 23.

<sup>20</sup> Essential Services Commission, *Energy retailers comparative performance report – customer service 2009–10*, December 2010, p. 26.

<sup>21</sup> *ibid.*, Figure 4.1, p. 28.

<sup>22</sup> *ibid.*, p. 29.

<sup>23</sup> Queensland Competition Authority, *Small electricity customer disconnection and complaints statistics for the financial year ended 30 June 2010*, October 2010. See also Queensland Competition Authority, *Small electricity customer disconnections, hardship and complaints statistics for June quarter 2011, March quarter 2011, December quarter 2010 and September quarter 2010*.

<sup>24</sup> *ibid.* BSL calculation from data contained in the QCA reports.

<sup>25</sup> Energy and Water Ombudsman, NSW, *Annual report 2010–2011*, p. 2.

Figure 10. Number of utility relief grants for electricity and gas in Victoria<sup>26</sup>

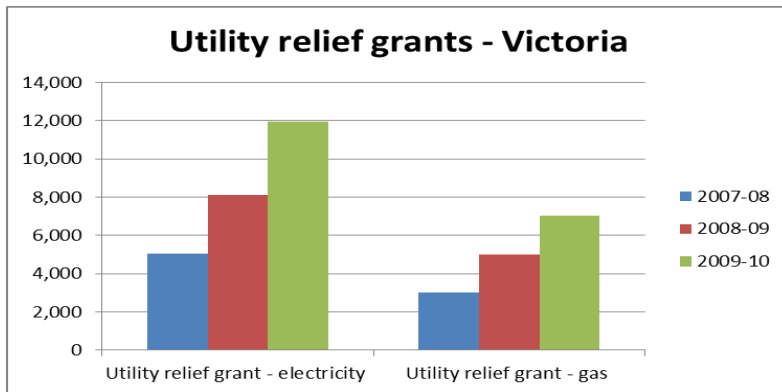


Figure 11. NSW Energy Accounts Payment Assistance Scheme expenditure 2008–09 to 2011–12<sup>27</sup>

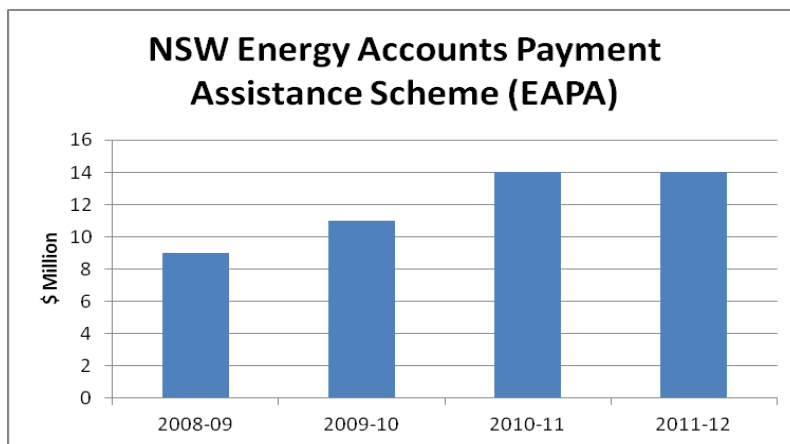
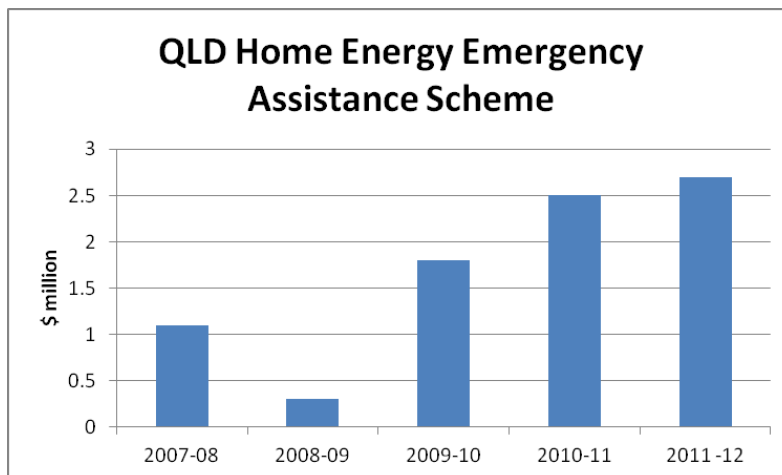


Figure 12. QLD Home Energy Emergency Assistance Scheme expenditure 2007–08 to 2011–12<sup>28</sup>



<sup>26</sup> Department of Human Services, Victoria, *State concessions and hardship programs 2008–09 and 2009–10: reducing barriers to opportunity and making services more affordable*, DHS, Melbourne, 2010, p. 35.

<sup>27</sup> NSW Treasury, *Budget Statement 2011–12, Budget paper no. 2, Appendix E*, p. 25; 2008–09 statistics can be found in NSW Treasury, *Budget Statement 2010–11, Budget paper no. 2 Appendix E*, p. 29.

<sup>28</sup> Queensland Treasury, *Budget strategy and outlook 2008–09*, p. 194; *Budget strategy and outlook 2009–10*, p. 210; *Budget strategy and outlook 2011–12*, p. 208.

Thirdly, complaints to utility ombudsmen have been increasing in most jurisdictions. At least some of these complaints relate to electricity prices and demonstrate growing anxiety about rising electricity prices. For example, the NSW Energy and Water Ombudsman stated in its 2009–10 annual report that:

This year, for the first time, many customers contacted EWON specifically to express anxiety about current and future price increases, particularly in the context of high bill complaints and affordability. While pricing determination is not a matter for EWON, the strength of customers' concerns regarding the issue requires acknowledgement in this report. At our outreach events, community workers reported that utility price increases continued to be a great concern for low-income households and customers living on a fixed income. Some community workers were also experiencing increased demand for their services from a new group of clients who were employed but struggling to meet their housing costs and utility bills.<sup>29</sup>

Finally, there is anecdotal evidence of the existence of hidden energy hardship. Financial counsellors and other community sector workers report that there are many households who are not represented in energy hardship statistics because they go without rather than failing to pay their energy bills. These households are likely to restrict heating in winter and cooling in summer to the detriment of their comfort and, at times, their health and wellbeing.<sup>30</sup>

#### 4.3 Case studies: the impact of energy on low income households

Sourced from the community sector, the following case study, and those in the Appendix, highlight the impact of rising energy prices on low-income and vulnerable households. The case studies include two households who are dramatically reducing their energy consumption to ensure they can pay their bills (Susan's story and Karen and Rebecca's story) and a private tenant with high electricity bills (Ari's story) and insights from Victoria's Indigenous community.

##### **Susan's story**<sup>31</sup>

Susan is a single woman living in a rented flat in a rural area of south-eastern Sydney. Susan is an active member of her community, volunteering with Meals on Wheels and the Country Women's Association, among others. She is 61 years old and is dependent upon the disability pension. Susan has osteoporosis, and thus it is necessary that she keeps warm.

Susan's energy bill depends on the season, but averages around \$300 per quarter, which she says takes a large chunk of her income. 'By the time I've paid,' she says, 'there's nothing left.' Typical of older people, Susan pays her rent and electricity bill before taking into account any other expenses. She has never missed a payment, and always pays cash.

Despite various methods Susan uses to keep her energy costs down, [for each season] the bill generally remains the same. These energy-saving methods used often even result in Susan having to limit food purchases: 'Some fortnights, the dogs eat better than I do.' She says she is very unsatisfied with her current energy company.

Susan says that in the winter, she is barely able to heat her home adequately, ranking her comfort level in the winter as a 1 on a scale of 1–5, with one being the least satisfactory. Similarly, in the summer, she ranks her ability to cool her home comfortably as a 2 on the same scale of comfort.

Susan describes her energy situation as a daunting experience, and feels it will only get worse. She feels that the energy rebates should have been higher. After paying her bills, she emphasizes again, 'there's just nothing left'.

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<sup>29</sup> Energy and Water Ombudsman NSW (EWON) *Annual report 2009–10*, p. 2.

<sup>30</sup> See, for example, Council on the Ageing (COTA) NSW, *Energy security: protecting older people from energy hardship*, COTA NSW, Sydney, 2011; Consumer Utilities Advocacy Centre (CUAC), Wein, paen, ya ang gim: Victorian Aboriginal consumers of energy and water, CUAC, Melbourne, 2011.

<sup>31</sup> Council on the Ageing (COTA) NSW 2011, *Energy security: protecting older people from energy hardship*, Council on the Ageing NSW, Sydney, pp. 9–10.

## 5. Assessment of Proponents' solutions

### 5.1 Summary of Proponents' solutions and assessment

In summary, the Proponents' solutions to remedy the deficiencies in the NER identified above are as follows:

- *AER to determine forecasts for capex and opex*
  - The AER has proposed that, rather than allowing the NSPs to propose forecasts and leaving the evidentiary burden on the AER to prove that the proposed forecast is not efficient and not prudent, the AER would determine the forecast of required expenditure based on the NSP's proposal. In making its determination, the AER would be bound by the requirements in National Electricity Law, which entrenches the principle that NSPs 'should be provided with a reasonable opportunity to recover at least the efficient costs the operator incurs' in providing services and complying with regulatory obligations. The AER would also be guided by a clear, consistent and transparent list of expenditure factors.
  - In the BSL's assessment, such an approach would enable the AER to weigh up all available information, evidence and data in order to reach a balanced decision on forecast expenditure. The result would be an impartial estimate of required expenditure and is likely to be significantly less than forecasts determined under the current regulatory framework. This will improve affordability for low-income households.
- *Changing incentives for capital expenditure*
  - The AER has proposed that only capital expenditure within the approved forecast would be rolled over into the regulated asset base. In cases where an NSP spends more than was forecast, it would only be allowed to add 60% of the value of the overspend to the asset base. The cost of the remaining 40% would be borne by the owners of the network.
  - In BSL's assessment, the AER's proposed changes to the rules limit the incentive to overspend on network infrastructure. These changes are complemented by provisions which provide a reasonable opportunity to recover at least the efficient costs associated with infrastructure needed to respond to unforeseen events.
- *Increasing flexibility regarding weighted average cost of capital (WACC)*
  - The AER has proposed that the WACC process for all electricity and gas networks should be the same. In particular, the AER would undertake WACC reviews at intervals of no more than 5 years and the outcome of each review would apply to subsequent energy network revenue determinations. Both the AER and the EURCC have proposed changes to ensure that the WACC more appropriately reflects how the sector is actually managing its debt. However, whereas the AER has proposed that changes are needed to enhance flexibility regarding how a number of elements of the WACC are to be determined, the EURCC advocates a more prescriptive approach for the return on debt methodology, with different approaches proposed for private and government NSPs.
  - In BSL's assessment, both the AER and EURCC approaches will help to ensure that the WACC determination reflects actual debt financing practices and are likely to result in the allowed return on debt being more closely aligned with the actual cost of debt. In turn, electricity prices are likely to be lower and more affordable for low-income households.

- *NSP submissions to be submitted with proposals*
  - The AER has proposed that NSPs be precluded from making submissions on their own proposals. In practical terms, this will mean that NSPs must submit all their documentation together, including submissions, at the time their proposals are submitted to the AER.
  - In BSL's assessment, this will help to ensure that the AER has sufficient time to review NSP proposals and submissions and that all stakeholders have the opportunity to contribute meaningfully to the revenue determination process. More specifically, changes to the process regarding NSP submissions will make it easier for those representing low-income households to respond to NSP submissions.
- *AER to determine weight attributed to confidential information submitted by NSPs in proposals*
  - The AER has proposed that it should be able to assess the weight that should be given to confidential information contained in NSP proposals, as is currently the case in relation to confidential information contained in submissions.
  - In BSL's assessment, this change is likely to force the NSPs to adopt a more reasonable approach towards the classification of information as confidential in their proposals. As a consequence, the ability of stakeholders – including organisations representing low-income households – to respond to NSP proposals will be enhanced.

## 5.2 National Electricity Objective

The proposals by the AER and the EURCC are consistent with the National Electricity Objective, which aims to 'promote efficient investment in and efficient operation of electrical services in the long-term interests of consumers with respect to price, quality, safety, reliability and security of supply'.

Furthermore, the proposals put forward by the AER and the EURCC to change the NER strike the right balance between, on the one hand, ensuring network reliability and that NSPs are able to recover efficient costs to operate and maintain the network and, on the other hand, making customers pay only the minimum necessary to meet the cost of an efficient service provider for the safe and reliable supply of energy.

The proposals:

- Respect the principle that NSPs should be provided with a reasonable opportunity to recover at least efficient costs.
- Enable NSPs to earn a commercial return on expenditure to fund efficient investment.
- Recognise that network reliability is critical by ensuring that there are adequate mechanisms in the NER to provide sufficient allowance for investment to meet demand and to replace equipment that has reached the end of its life.
- Seek to ensure that customers do not bear the burden of funding inefficient investment.

## 5.3 Costs and benefits

Apart from the limited short-term costs associated with implementing the changes proposed by the AER and the EURCC, the proposals will have significant benefits. These benefits include:

- Improved electricity affordability, particularly for low-income households.
- More efficient investment in network infrastructure.
- Greater participation by stakeholders in the regulatory process.
- Less litigation.

## **6. Conclusions**

Rising electricity prices are causing a financial strain for many ordinary consumers, especially low-income households. The burden on low-income households is likely to increase unless the deficiencies identified by the Proponents in the NER are addressed. The solutions proposed by the Proponents will help to alleviate the burden while furthering the National Electricity Objective. Accordingly, the BSL urges the AEMC to accept the proposed rules changes.

## Appendix 1: Case studies

The case studies below are sourced from reports from the community sector.

### **Karen and Rebecca's story**<sup>32</sup>

Karen, 71, lives in Pemulwuy with her friend, Rebecca, 77. Both she and Rebecca are dependent upon the age pension. They live in a department of housing apartment, meaning 25% of their income is put toward paying their rent. Rebecca is currently battling breast cancer and takes ten different medications per day. These are related to her breast cancer, diabetes, rheumatoid arthritis, and hypertension. Karen also takes four medications per day, adding to costs.

Since June, Karen has been writing to many of her public officials in regards to rising energy costs. Each month, she writes a letter to the appropriate minister, and each month, her letters go ignored. It is now September, and Karen feels that she will never receive a response.

This treatment epitomizes what Karen and many older people experience. 'They don't care about us,' she says. 'It's a bloody disgrace,' she says, adding very resolutely that she never swears. This quarter, her energy bill was \$491, compared to the same quarter last year, which was \$325.

To limit energy output and to lower costs, Karen and Rebecca have adjusted their living habits. They only use one lamp at night and have changed their cooking patterns. In the past, they were accustomed to cooking stews and larger meals that took several hours to make and consumed more energy. Instead, they now only eat frozen, pre-prepared food that can be quickly heated in order to save power. 'You just got to adjust and cut back,' says Karen. Moreover, they have one small heater in their home and one small air conditioning unit in their living room. To use these, they shut the doors off to the room, and cover the openings and cracks with towels in order to keep the air contained in the room.

Karen has never missed a bill payment. 'No, no, no, no, no,' she answers, when asked if she had ever missed a bill. 'I always make sure it's paid off.' However, with the rising costs, she doesn't feel that she will continue to pay on time: 'it's just not going to happen anymore.'

### **Ari's story**<sup>33</sup>

Ari lives in Hastings, a traditionally affordable rental market. The house he lives in is a portable. As such it is poorly insulated, and it loses heat through the ceilings and walls. Moreover, being somewhat elevated, significant cold seeps through the floor as well. In summer it is a classic 'hotbox'. The wooden window frames have rotted and there are many draughts. It has an all-electric with day rate hot water service, which he turns off at the power board until he needs hot water. However he needs space heating around the clock in the winter as he suffers from poor health. Ari is on an easy way payment plan but has still had high electricity bills which have caused him financial stress. As an unemployed person Ari's choice of housing has been highly constrained by what he can afford. While the house is reasonably cheap this has been offset by the cost of making it liveable.

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<sup>32</sup> Council on the Ageing (COTA) NSW, *Energy security: protecting older people from energy hardship*, Council on the Ageing NSW, Sydney, 2011, pp. 12–13.

<sup>33</sup> A Sharam, T Archer, A Barrett & M O'Brien, *Utilities and residential tenancies part 2: future directions for rental housing standards*, Tenants Union of Victoria, Fitzroy, 2010, p. 9.



The following extracts relating to Victorian Indigenous households are drawn from the recent CUAC report, *Wein, paen, ya ang gim: Victorian Aboriginal consumers of energy and water*<sup>34</sup>

**Consumer, the Mallee**<sup>35</sup>

At the moment, I'm paying \$200 per week on my energy bill because I'm catching up on some debt. My kids have asthma and I don't care how much it costs me to keep them warm or cool. Especially in winter, you've got kids that have asthma, older people that have arthritis, they need to be warm and of course because of that their electricity bill is going to be higher'.

**Consumer, Melbourne**<sup>36</sup>

Sometimes you're weighing it up, like do you worry about the electricity or do you worry about putting food on the table. I've gone without electricity. I've gone without it for 6 to 8 months ... I've made choices. I was on a pension ... Do I try and pay a little bit, which I did, and then but you couldn't get the rest up, so you get cut off so you go without, so I just went without. You find other ways of doing things, which I did. I just went without. Like I said you've got to weigh it up, food on the table for the kids or electricity.

**Case worker, the Mallee**<sup>37</sup>

I had an elderly Aboriginal client whose electricity bills were going up. She was getting behind and she started using less heating than she needed. Older people won't use power because they don't like debt and they feel as though they can't afford it.

**Case worker, Gippsland**<sup>38</sup>

Often my Aboriginal clients will be put on a payment plan that is inappropriate – it's too much – and the money will be direct debited from their account. This means that their electricity is prioritised over their rental. As a result, their housing situation becomes vulnerable. This is quite common.

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<sup>34</sup> Consumer Utilities Advocacy Centre (CUAC), *Wein, paen, ya ang gim: Victorian Aboriginal consumers of energy and water*, CUAC, Melbourne, 2011.

<sup>35</sup> *ibid.* p. 32.

<sup>36</sup> *ibid.* p. 33.

<sup>37</sup> *ibid.* p. 56.

<sup>38</sup> *ibid.* p. 58.