

Concession Arrangements In Tasmania

ENA Roundtable – July 2015

Current arrangements (1)

- Tasmania has one of the most generous concession arrangements.
- 38.43 per cent of Tasmanian residential customers received the Annual Electricity Concession (in 2013/14).
- Broad eligibility - Based on Pensioner Concession Card issued by Centrelink or the Department of Veterans Affairs, a Health Care Card issued by Centrelink, an Immigration Card, or a Community Detention Card.
- Paid by Aurora through CSO from Government (\$36.7 M in 2013/14, \$35.4 M in 2012/13).
- Current concession is a flat 125.71 cents per day capped at \$458.54 per year.
- The concession is indexed by the average percentage increase in the retail tariffs for the relevant period.

Current arrangements – other (2)

- Department of Health and Human Services provides an allowance of \$56 a year (in two payments of \$28 in May and September) to eligible pensioners. (means tested)
- Also life support concession, Medical heating and cooling concession.
- Aurora Energy Yes Program also provides residential customers experiencing financial difficulty the ability to take control of their energy usage and bill through the provision of energy-saving tips and tools.
- No Interest Loans Scheme for the purchase of essential items and services such as energy efficient appliances.

Current issues/need for review

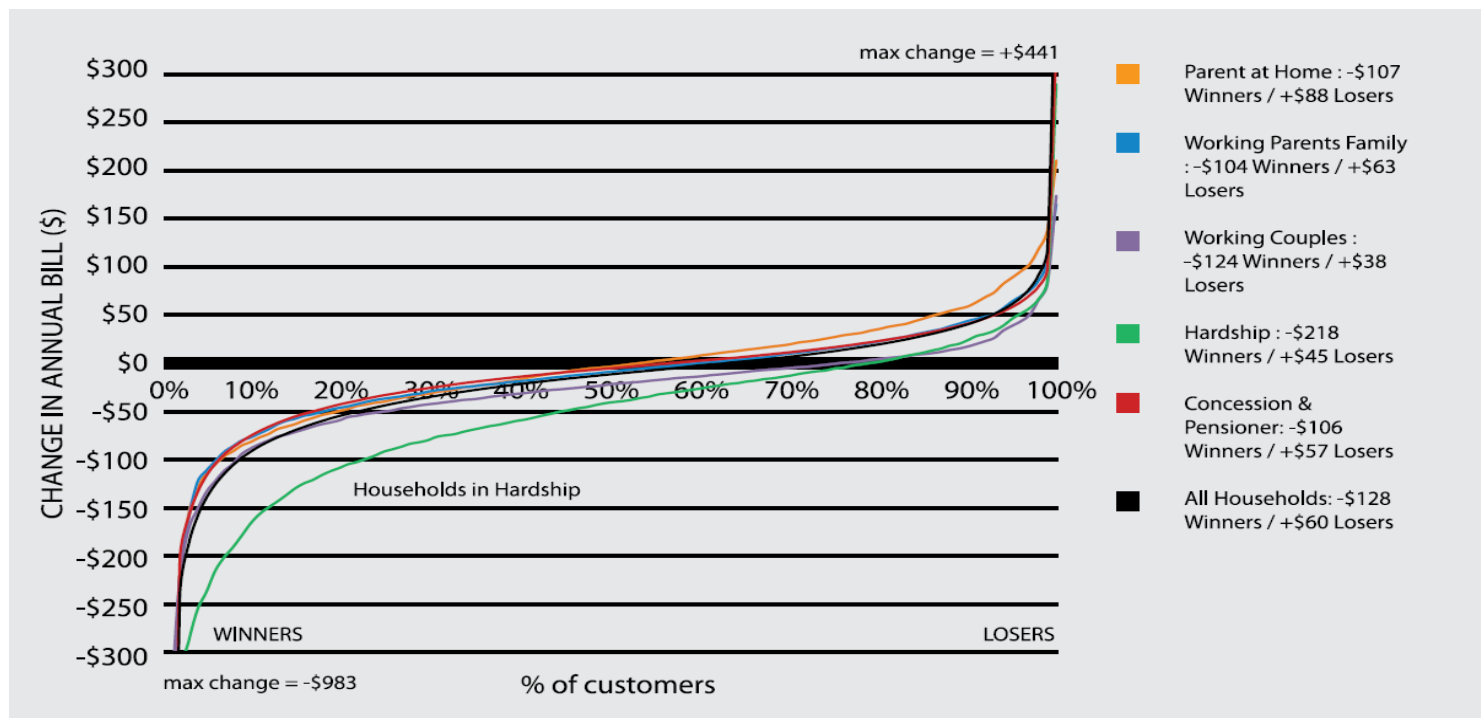
- Low income households in Tasmania spending nearly 10 per cent of disposable income on electricity.
- Flat based payment has perceived equity issues.
- Not all customers under “hardship” receive concession – missing customers who may need assistance.
- Need to anticipate change and keep pace with the impacts resulting from technological and market reform (i.e. changing tariff structure).
- Important that concessions
 - target those most in need;
 - provide adequate support; and
 - are administratively simple and efficient.
- Change to cost reflective tariffs could impact vulnerable customers.

Stakeholder input

TasCOSS recommendations as part of Energy Strategy Development:

- Extend electricity concessions to eligible consumers who purchase their electricity from on-sellers (rather than directly from a retailer).
- Consider and investigate the provision of electricity concessions on a percentage basis.
- Reinstate Government funding for successful energy efficiency programs for low-income households in order to make a long-term improvement in energy affordability.

Change in tariffs may be a benefit



Source – ENA, Simshauser and Downer, On the inequity of flat-rate tariffs, AGL Applied Economic and Policy research, Working paper 41.

- Around 80 per cent of hardship customers would be better off under time of use tariffs.
- Due to Tasmania's different demand profile (heating versus cooling), and a much higher average demand (reflecting a higher dependence on electricity for heating and a colder climate) this may not be directly transferable.

Ministerial Council on Energy - principles of concessions

- **Clear objective:** concessions should achieve clearly articulated outcomes.
- **Adequacy:** households should receive support that is adequate to achieve clearly articulated outcomes.
- **Equity:** concessions should deliver equitable outcomes for consumers .
- **Adaptability:** concessions should be adaptive in order to accommodate changing market developments (prices and price impacts resulting from market developments and new pricing structures) and changing community needs.
- **Transparency:** concessions should be transparent and not dilute pricing signals.
- **Accessibility:** concessions should be easily accessible to eligible persons or households .
- **Complementary assistance:** concessions should be delivered as part of a package of measures to maximise their effectiveness (i.e. energy efficiency measures).
- **Cost effective delivery:** concessions should be delivered cost effectively.
- **Accountability:** roles and accountability for concession policy and delivery should be clearly defined and outcomes clearly monitored.
- **Review mechanisms:** concessions should be implemented with clear and transparent review mechanisms, with comprehensive reviews to be conducted independently.

Common approaches for concession arrangements

- 1) **Flat-payment concession** which provides eligible households with a flat dollar amount.
- 2) **Percentage-based concession** where eligible households receive a percentage discount of their bill.
- 3) **Income-based concession** which involves an eligible household only paying up to a maximum set proportion of their income on energy costs.
- 4) **Consumption-based concession** which provides eligible households with a set level of energy use that is discounted or free.
- 5) **Price-based concession** where eligible households are provided with subsidised tariff rates for their energy consumption.
- 6) **Hybrid approach** – Inclining block approach mixes the principles of the consumption-based concession and the price-based concession to deliver a discount on the bill through a lower price tariff to a limited level of usage.

Path forward

- Assessing the customer impact of cost reflective tariffs may require a review of concession arrangements to manage impacts.
- The timing is likely to be aligned with implementation of new tariff structures.
- Critical to understand those that may lose out and how concessions can mitigate this outcome.
- Possible improvements -
 - Consideration of targeting
 - Review of how payments are calculated.
- Concessions should be transparent to avoid dulling other price signals.
- Need to work closely with TasNetworks and Aurora Energy.
- Tasmanian Energy Strategy has include an action to monitor the effectiveness of concession arrangements (Action 11).

Feedback from participants

ENA Roundtable – hosted by TasNetworks
Supporting Vulnerable Customers
22 July 2015

Each participant was asked to share a key message they would like ENA and TasNetworks to take away

Key messages to take away Top of mind

- **Broad methods of communication:**
 - Recognising differing needs of customers e.g. elderly prefer face to face communication, literacy and financial capability of customers.
- **Education through schools:**
 - primary and secondary schools
- **Understanding kilowatts as a measure of demand:**
 - How do you get customers to understand demand without enabling technology?
 - need to educate customers
- **Shouldn't put too much pressure on expecting vulnerable customers to adjust/change behaviour, they should not be "forced":**
 - What would we be willing and able to do ourselves?
- **Should networks do something? Yes:**
 - Social purpose – we encourage engagement
- **Multiple strategies are needed**
- **Treasury has a consultative approach to concession review and Government should provide concession report:**
 - Not networks. Treasury does not like the social tariff
- **Social tariff vs inclining block tariffs:**
 - need to talk about the design
 - inclining block tariff is not cost reflective
- **Customer engagement is challenging without the link to:**
 - Customer interface
 - What they are using
 - price in real time

Take away Top of mind

- **Need for concession review**
- **Why fixed component for network**
 - What is the allocation of fixed costs to tariffs?
- **Retailer:**
 - Hardship program - YES program - we understand the issues
 - enabling customer visibility of use – to help customers understand how their use impacts on bill – it is a key pillar of our program
 - Network is large part of bill (around 60%) but it's not the whole bill, other parts in the bill, like Renewable Energy Target costs may increase the overall electricity cost to retail customers
 - The AGL tariff reform research is not applicable in Tasmania.
 - Tasmanian demand is different shouldn't be used to understand impacts on customers – we need a Tasmanian specific study.
 - To include demand information in the retail bill adds complexity. Existing bill in kWh is tough to understand. Will need to communicate and educate to help customers understand demand.
 - Significant change & should take account that customer understanding is important & takes time:
 - Should be mindful of that in transition
- **What does energy efficiency look like in demand based tariffs**
 - What do you want customers do? What choices do they have?
- **Long term – need cheaper power**
- **Costs of meters**
 - Tariff change possible without smart meters:
 - Cost impacts of technology
 - Value for customers
 - Technology is out there e.g. smart homes