Submission in response to Discussion Paper:

National Capital to solar Capital: Options for an Expanded ACT Electricity Feed-in Tariff Scheme

Contacts:

Carmel Franklin | Liisa Wallace

Director | Coordinator

Care Inc. Financial Counselling Service and the Consumer law Centre of the ACT

Telephone 02-62571788

carmel.franklin@carefcs.org liisa.wallace@carefcs.org

About Care Inc

Care Inc Financial Counselling Service (Care Inc) has been the main provider of financial counselling and related services to low to moderate income and vulnerable consumers in the ACT, since 1983. Care's core service activities include the provision of information, counselling and advocacy to low income and vulnerable consumers experiencing problems with credit and debt. Care also has a Community Development, Education and Research program, makes policy and law reform comment on issues of importance to its client group and has operated the first No Interest Loans Scheme in the ACT since 1997.

In late 2002, Care was selected as the host agency for the Consumer Law Centre of the ACT. The CLC was officially opened in January 2003 and offers a range of legal services including representation and litigation in relation to consumer law issues. The service employs a full-time practicing solicitor.

Across Care's service delivery programs, the agency responds to over 2000 new requests for assistance every year.

Overview of Care's submission

Care welcomes the opportunity to provide input into the Discussion Paper: National Capital to Solar Capital – Options for an Expanded ACT Electricity Feed in Tariff Scheme. Care supports the ACT Government's commitment to reducing greenhouse gas emissions and is encouraged that the Government is exploring options and incentives for the generation of electricity using renewable technologies. The Feed-In Tariff (FiT) is one such scheme that has been operating in the ACT since March 2009. The FiT scheme contributes to the reduction of greenhouse gas emissions by directly substituting renewable generation for coal based generation.

Care will restrict comments to social considerations in relation to the expansion of the FiT scheme. This submission will focus on issues around eligibility and equity in relation to the scheme. Overall it is Care's view that the scheme in its current structure is fundamentally inequitable and that these issues need to be addressed before any expansion of the FiT scheme is decided upon.

Benefits

The FiT appears to have a number of environmental and financial benefits. Financial benefit is obtained from the payment of a premium tariff rate to consumers who produce electricity from renewable energy sources such as solar and wind generation. Payment is made at a fixed rate per kilowatt for 20 years. The premium rate paid over this period represents a good return for consumers on the investment made by installing renewable energy generators.

The environmental benefits come from the production of electricity using renewable sources, reducing reliance on non renewable sources, thereby contributing to greenhouse gas emission savings.

Impact on electricity prices

It is generally accepted that the impact of the FiT is to increase the cost of electricity prices in the ACT. The cost of the scheme is funded by all electricity customers including those who choose not to, or cannot invest in renewable generation, for financial or other reasons. The FiT scheme currently allows those on higher incomes who live in their own homes, the opportunity to invest in renewable energy generators with the resultant electricity price increases impacting negatively on those consumers in our community on the lowest incomes. Clearly this does not represent an equitable outcome. Consumers who are unable to participate in the FiT scheme for financial reasons are generally those who are on low incomes or otherwise disadvantaged. Low income, vulnerable and disadvantaged consumers already pay a disproportionate percentage of their incomes on utility bills and often struggle to meet all their ongoing essential living costs. In addition many low income consumers live in government housing or private rental accommodation where the water and heating systems are old and inefficient. They already have higher than average electricity bills and are at increased risk of experiencing fuel poverty when compared with the broader community.

According to modelling undertaken by The Independent Competition and Regulatory Commission (ICRC) it is likely that any increases in electricity costs as a result of the FiT scheme are likely to be modest *((ICRC Draft Report on Electricity feed-in Renewable energy Premium, Feb 2010, p49*). However as noted above, lower income, vulnerable and disadvantaged households already pay a larger proportion of their income relative to higher income households to purchase basic goods and services including utilities (see table 1 below). They are exposed to and negatively impacted by even slight changes in the costs of goods and services, including utilities. Additionally, they do not have the financial capacity to respond to increases in costs by purchasing and installing newer more efficient appliances or technologies to assist in reducing their consumption and costs.

Table 1 Basic Comparison of Percentage of Income Spent on Utilities

Income Source	Annual Income	Per Fortnight Average Utility Usage Cost	Per Annum Utility Usage Cost	Percentage Income for Utilities (without any concession)	Percentage Income for Utilities (with concession)
Wages	$75,000	$80	$2080	3%	n/a
Age Pension	$17972	$80	$2080	11%	10.50%
Newstart Allowance	$11,696	$80	$2080	18%	16.26%

Any increase in electricity costs as a result of the FiT will represent a significant financial commitment for low income households and raises issues of affordability and equity for lower income and disadvantaged households in the community. There have been several increases in the costs of electricity in recent years including an increase of approximately 35%[1] between 2004 and 2009.

The ACT Government currently provides an energy rebate of $194.87 per annum for eligible households to offset electricity and gas costs. Over time there has been an ongoing decline in the value of the concession and there urgently needs to be an updated evaluation of the real value of the concession. The ACT government undertook a mapping exercise of ACT concessions in 2008. This review looked at administrative arrangements of concessions available to ACT residents and did not evaluate the adequacy of any concession. It seems timely that with the release of the Discussion Paper that a review of the value of energy concessions be undertaken to ensure that any concession is relevant to the changing nature of the energy landscape and that developments such as FiT do not further disadvantage low income consumers. An important initial step would be to examine the amount of the current concession, then look at future increases factoring in likely rises in energy costs as a result of changes in the energy market and reflecting in the energy concession the actual effect on low income consumers of the rising price of energy.

Care does not support the view that concessions and rebates are a separate issue. Issues of equity and social inclusion should inform Government policy and must therefore be addressed as a matter of priority.

Care has previously supported the position of the Independent Competition and Regulatory Commission (ICRC) that 'there are strong grounds for linking the value of the electricity rebate to increases in the price of electricity'.[2]

If the energy concession is linked to increases in the retail price of electricity, any increase should be automatic and not delayed. Delaying payments to low-income households makes it more difficult for them to budget. Low-income households do not have the resources to catch up on missed payments, and often incur late fees and charges if bills or accounts are not paid on time, compounding their financial difficulty.

[1] ICRC-Draft Decision: Retail prices for non-contestable electricity customers 2009-10 p59
[2] ICRC Draft Decision: Retail prices for non-contestable electricity customers 2009-10 p59

Premium Rate

In preparing this submission, regard was given to the ICRC's recent Draft Report *Electricity Feed-in Renewable Energy Premium: Determination of Premium Rate.* It is outside of Care's scope to comment on the specific or appropriate rate to be paid for electricity supplied by renewable energy generators to the distribution network. We do however, agree with the ICRC's position that the rate should be set at the minimum amount required to provide sufficient incentive whilst minimising the impact on the rest of the community. The rate should not place an unfair burden on those in the community least able to cope with the impact.

Eligibility and inclusions

Renters of properties are currently able to install renewable generation and access the FiT subject to agreement of the landlord/property owner. The reality however is that this is unlikely to happen. Many consumers living in rental properties are unable to afford the initial cost of installing a system. Even those few who do have the financial capacity to purchase a renewable energy system such as photovoltaic panels will face significant barriers. The lack of certainty around tenure for those in the private rental market, for example, provides a substantial disincentive given the time needed to recoup the initial investment. Whilst installed generators can be relocated this is highly unlikely given the associated costs. Tenants also require the permission of the landlord to install a system and there is no certainty that this will be granted

Similarly landlords can chose to install a generator and agree on a basis to share the proceeds with the tenant. In the current tight rental market the price of rental accommodation is determined largely by demand. There is little, if any, incentive for property owners to make any investment in energy efficiency apart from altruistic reasons and the knowledge of creating an environmental benefit.

Public tenants also have limited access to the scheme as Housing ACT, the landlord for about 11,000 public housing properties are unable to participate in the scheme. Current eligibility criteria may need to be addressed to allow for the installation of generation equipment on all suitable housing trust properties. The benefit of this could be shared by the Government and the tenant. The income generated from the production of electricity could be used firstly to cover the cost of the equipment. Any additional income generated should be used to reduce the cost of electricity for the tenant.

Summary

The FiT scheme allows home owners to purchase renewable energy generators, such as photovoltaic systems, connect the generator to the electricity grid and enter in to an agreement with their electricity provide to purchase the electricity produced at a premium rate. It offers significant financial and environmental benefits to those able to participate in the scheme.

The Feed-in Tariff however is an inequitable scheme. It allows higher income earners who live in their own property the option of investing in a sustainable and profitable future, at the expense of those in our community who are on the lowest incomes and often the most vulnerable and disadvantaged. Any measures undertaken by the ACT Government to assist low income earners and address equity issues in relation to access to and benefit from renewable energy schemes should be done in conjunction with or indeed prior to any broader energy policy changes, such as the expansion of the current Feed-in Tariff scheme, are introduced. If not there is the very real risk of isolating and disadvantaging this group further.