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This submission provides a brief analysis of the issues that should be taken into consideration by the Australian Energy regulator when reviewing the ACTEWAGL submission regarding the 2014-2019 electricity price Determination.

The *ACTEWAGL position* and our response to this position is summarised below:

**Supported**

*Our electricity prices are the lowest in Australia*

*Our network costs continue to be the lowest in*

*Australia*

*Our network reliability is amongst the best in*

*Australia*

The impact of the AER and ACTEWAGL positions on the average annual electricity bill has been described by the Customer Challenge Panel as:

* An increase of $118pa with ACTEWAGL proposal
* A decrease of $182pa with AER DD

In the ACT we have the highest average incomes of any jurisdiction. This high average is comprised of a relatively large and comfortable middle class and a deeply marginalised significant minority who can’t afford the essential costs of living (ref: <http://www.actcoss.org.au/publications/Publications_2012/1912PUB.pdf> , <http://www.actcoss.org.au/publications/Publications_2013/1113pub-disadvantage-in-the-act.pdf>) .

The hardship statistics cited by the Consumer Challenge Panel (ref:

<http://www.aer.gov.au/sites/default/files/2014%2012%2009%20-%20AER%20pre%20determination%20conference%20for%20ActewAGL%20-%20CCP1%20presentation_0.pdf>) show that over 5,000 households face profound and enduring energy poverty. These statistics reflect some very specific contextual factors:

* Housing costs are very high in Canberra especially for people in the bottom 40 per cent income brackets (ref APW 2013)
* Housing stock is not energy efficient in the lower end rental and purchase markets
* There is a high level of need for energy due to extreme heat and cold

Given we already have the lowest price per kilowatt hour for electricity, we are sceptical that a reduction in prices as proposed in the AER Draft Determination will substantially reduce energy hardship in low income households. As noted above, energy poverty is largely the result of housing costs displacing capacity to spend on other essential items such as food, utilities and healthcare. Best value for low income customers will come from:

* Reducing the need for energy, by providing more energy efficient housing and assistance to purchase efficient appliances
* Increasing access to best practice hardship identification and responses

Whilst demand is moderating and the long term trend is downwards, there is a still a need to fund infrastructure development to cope with peak demand. Peak demand is increasingly an issue during hot weather, when use of air-conditioning peaks. The age profile in the ACT exacerbates this issue, with an older population requiring (and the majority being able to afford) air-conditioning during peak demand times.

We support the ACTEWAGL implementation of changes in capex and opex in a phased way, using a “glide path”. There is potentially a substantial recalibration of business needed and this poses a significant risk to the ACT economy of losing jobs in one of the major employers in a city that is already experiencing increasing unemployment and an economic downturn is forecast for the medium term. ACTEWAGL returns a significant dividend to the ACT Government, a dividend that can be used to increase the capacity of the ACT Government to fund infrastructure and services that the ACT community values. We ask that the AER exercise its discretion in taking these broader economic issues into account in its Final Determination.

**Not supported**

*Our customers are satisfied with our performance*

*Our 2014 Regulatory Proposal represents prudent investment to maintain this situation and tackles emerging challenges facing all electricity distribution businesses*

We note the material presented by ACTEWAGL that informs their view that customers value reliability over cost. However lower income household expectations and preferences were not sufficiently tested in this assessment of customer views. Improved engagement with customer representatives - that has commenced - will assist with better information on this matter into future. We also recommend more active use of the data-base and knowledge of the Energy Ombudsman Office to build a picture of the needs of low income customers and the changes in business practices that will better meet customer needs.

We agree the WACC could be at a lower rate than proposed by ACTEWAGL.

We acknowledge the challenges facing all utilities, including the impacts of climate change and mitigation measures, changing input costs, increased domestic and international competition for supply and growing customer choice. We do not support unfair transfer of risk around these challenges to customers. We do support ACTEWAGL generating enough revenue to support business continuity through a significant business reformation process that delivers a business model that creates a long term sustainable product and service offer at an efficient price.

Thank you for the opportunity to provide this feedback and we look forward to ongoing engagement with the Australian Energy regulator on this important cost of living issues for people in Canberra.

Yours sincerely

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ACT Council of Social Service SEEChange

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