# Response to April 2010 AER Issues Paper

## *Developing National Hardship Indicators*

**June 2010**

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This response to the Issues Paper has been developed with input from a number of Uniting Care agencies across Australia who assist low income and vulnerable people through a wide range of programs and supports. In this instance, particular attention has been given to perspectives of financial counsellors.
This response has also drawn significantly on the National Hardship Indicators project undertaken by QCOSS, led by Roger Church. Uniting Care Australia supported the QCOSS project through participation in a reference group and a forum to consider the draft report.

Before addressing the various questions from the issues paper, we note some general comments from the UnitingCare network and other informants.

Priority for payment of Energy Bills

At the Video Link Forum on 28 May 2010 a comment was made by a retailer that consumers (we think that the implication was lower income consumers) give low priority to paying utility bills. This observation is not generally consistent with the experience of Financial Counsellors in the UnitingCare network, which is that paying utilities bills is a high priority, coming immediately after paying housing expenses, and has a higher priority than food, medical/health and clothing expenses. We are further exploring this question, to gain a deeper understanding on decisions made by low income consumers. Practical experience indicates that electricity bills are given quite high priority by most lower income consumers. This experience tells us that in southern states, electricity is given priority over gas in summer, in places where gas is used for warmth and often hot water, paying gas bills has higher priority over paying electricity bills in winter.

Hardship Program success

The Uniting Care network works successfully with utility companies and with low income households to ensure effective design and successful implementation of hardship programs.

Effective energy hardship programs need:

- *Flexibility with regards to each individual's circumstances.*
- *Sufficient understanding of client history to re-pay debt*
- *An appreciation for the assessment undertaken by financial counselors as being true and correct.*
- *Length of payment plans with review,*
- *Incentives to entice payment of plan,*
- *Support and also assessment of the payment plan in regards to its success.*

UnitingCare Australia also wants to draw your attention to the following views about energy hardship program success. This information is especially important in understanding how best to address the vexed issue raised at the recent video conference about the success of a hardship program if a former participant 'lapses' back into hardship:

- Clients need to be offered more than one chance with consideration to their circumstances. Often clients' budgets are so tight that one small impact may affect their ability to meet a payment commitment. It takes time for clients to embrace change and increase their capacity to sustain making payments according to hardship plans.

- There are varying impacts affecting people's ability to pay such as hospitalisation or incarceration. Problem gamblers or people with substance abuse issues can "fall off the wagon" thus stopping them paying their debts.
- Periods of illness will also affect a clients ability to pay if they stop taking mediation or can no longer afford their medication.

Energy hardship programs are invariably trying to achieve a number of outcomes for the customer in hardship, including:

- Assistance with coping with a short period of financial difficulty
- Behaviour change, to achieve reductions in energy use
- Behaviour change with regard to bill paying
- Dealing with the reality of poverty – just not enough income coming into the household to meet basic and essential costs of living.

Behaviour change invariably involves periods of improvement as well as periods of relapse / difficulty coping with recurring problems. We note that there is extensive literature about 'relapse' in the context of therapeutic and behaviour change programs. We would be happy to point out some of this literature if it was considered useful.

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**WHAT ARE STAKEHOLDERS' VIEWS ON THE APPROPRIATENESS OF THE PURPOSE AND AIMS OF THE NATIONAL HARDSHIP INDICATORS AS SET OUT ABOVE?**

**WHAT ELSE, IF ANYTHING, SHOULD THE INDICATORS SEEK TO ACHIEVE?**

Our responses to these questions incorporate consideration of:

- Current approaches to an understanding of energy hardship
- Reasons for measuring hardship

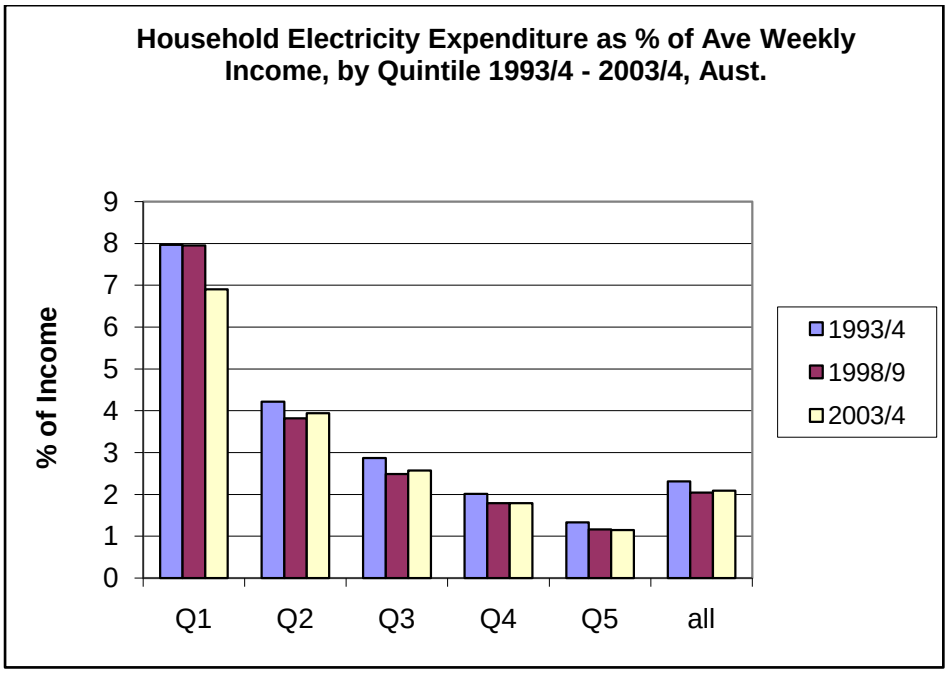
- Proposed definitions for energy hardship related terms
- Approaches to energy hardship
- AER reporting of hardship based on these proposed definitions

## Current Situation with Energy Hardship

The following is taken directly from Uniting Care Australia's submission to the AER re distribution pricing and was used to set context for the Queensland and SA reviews:

"The following discussion considers current challenges with energy affordability for significant numbers of Australian households. We expect that these pressures will be further exacerbated in coming years as the price of energy increases for a range of reasons.

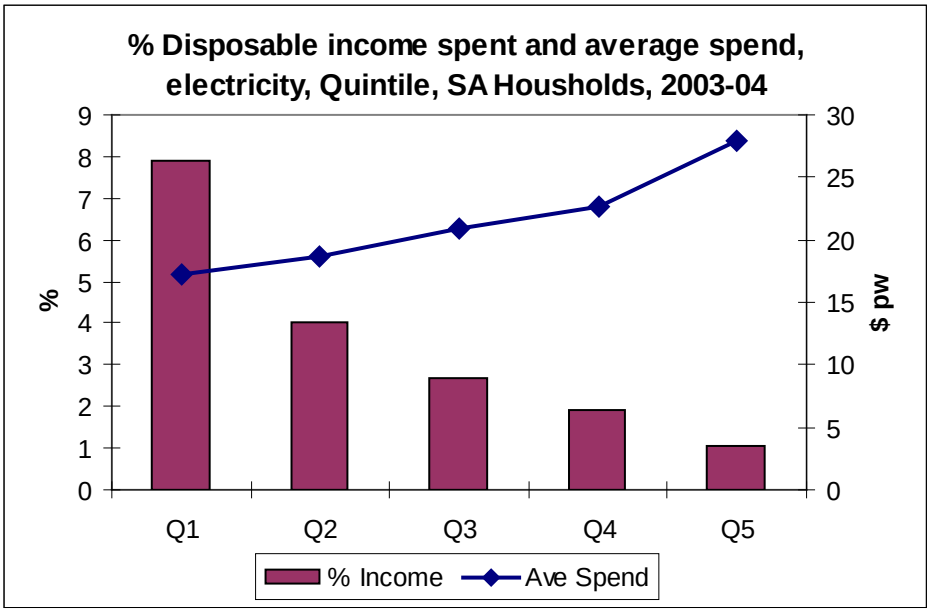
The most recently available Australian Bureau of Statistics (ABS) data on household electricity expenditure is given in Graph 1 below:




Graph 1 Source ABS

A key observation from this graph is that for the poorest 20% of the Australian (equivalised) income distribution, electricity counted for about 7% of expenditure in 2003/4, whereas electricity expenditure was not much more than 1% of weekly income for the richest 20% of households. Indeed, for about half the population, electricity accounts for less than 2½ % of expenditure. Graph 2 shows the household expenditure data from graph 1, for 2003/4 and overlays average electricity use by quintile.

Graph 2 shows that while actual electricity use increases with income, the proportion of household income spent on that electricity decreases sharply with income. This highly regressive incidence of electricity pricing is a crucial issue that needs to inform the current distribution price reviews, and energy policy more generally. Energy pricing needs to be more equitable than is currently the case.




Graph 2 Source ABS

Financial Stress

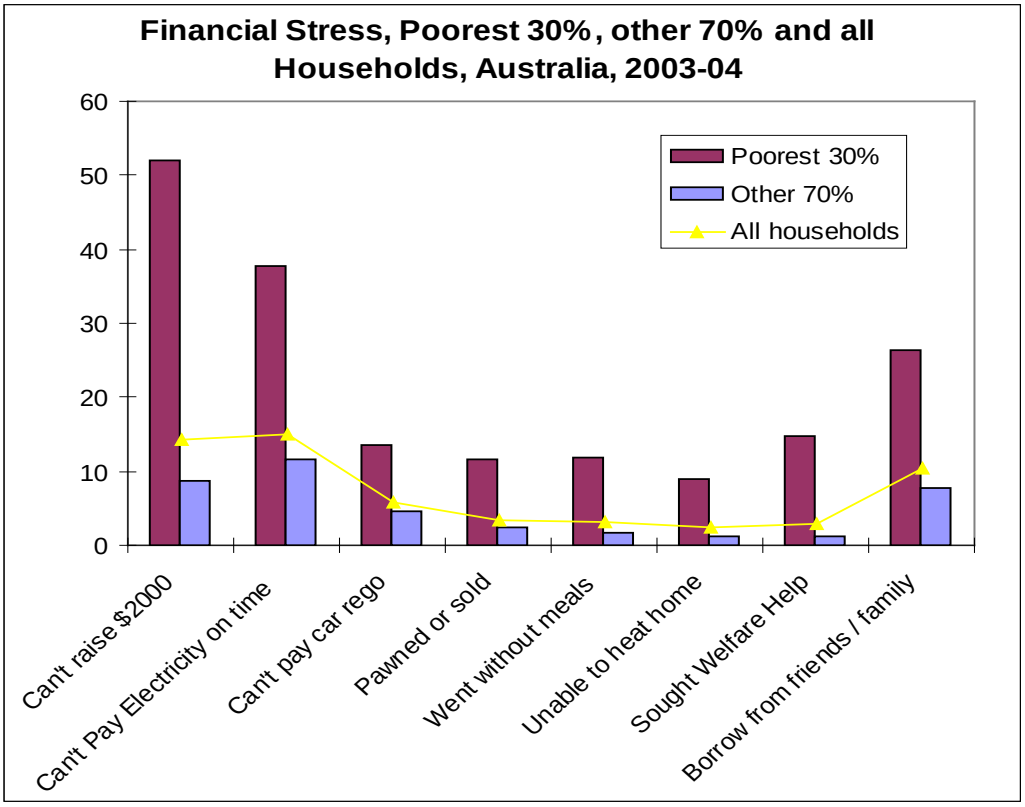
Table 1 shows a number of "financial stress" indicators for Australia, and considers the poorest 30% of the household income distribution, against the remaining 70% of the income distribution, using eight financial stress indicators. The data is taken from the 2003/4 ABS household expenditure survey and was reported in the ABS' Australia's Social Trends 2007.

| Financial Stress Measure | Poorest 30% | Other 70% | All households |
|---|---|---|---|
| Can't raise $2000 | 52.1 | 8.6 | 14.3 |
| Can't Pay Electricity on time | 37.8 | 11.5 | 14.9 |
| Can't pay car rego | 13.5 | 4.6 | 5.7 |
| Pawned or sold | 11.7 | 2.3 | 3.5 |
| Went without meals | 11.8 | 1.8 | 3.1 |
| Unable to heat home | 8.9 | 1.2 | 2.3 |
| Sought Welfare Help | 14.7 | 1.2 | 2.9 |
| Borrow from friends / family | 26.4 | 7.8 | 10.3 |

Table 1, Source ABS

Information from this table is presented in Graph 3. Of particular relevance to this discussion is the observation that 38% (rounded) of the poorest 30% of Australia's households were unable to pay electricity bills on time, due to financial stress, while 15% (rounded) of Australia's total population were unable to pay for electricity on time, a significant indicator of financial stress. Also worthy of note is that, considering the whole Australian population, inability to pay electricity bills on time was the most common indicator of financial stress, in

2003-04. It is most likely that a higher proportion of the population would now be unable to pay electricity bills on time, because electricity costs have grown at a much faster rate than CPI or minimum wages.




Graph 3 Source ABS

Impacts of Full Retail Contestability (FRC)

We note that in South Australia, the introduction of FRC for electricity resulted in immediate increases of over 25% in electricity bills for residential consumers. This translates to an even higher increase in proportion of household income required to meet electricity costs for lower quintile consumers. Electricity costs have continued to rise at rates greater than CPI, in the years following the introduction of FRC. Price shocks for energy supply are felt, almost exclusively, by low income and disadvantaged households.

In July / August 2004, soon after the impacts of major electricity price increases in SA, UnitingCare Wesley Adelaide conducted a survey of financial counselling clients and one of the questions asked was: "what of the following items have you reduced spending on due to electricity price increases?" Responses included:

| | |
|---|---|
| Food | 50% |
| Clothing | 87% |
| Holidays | 83% |
| Movies | 80% |
| Sport and culture | 80% |
| Telephone | 53% |

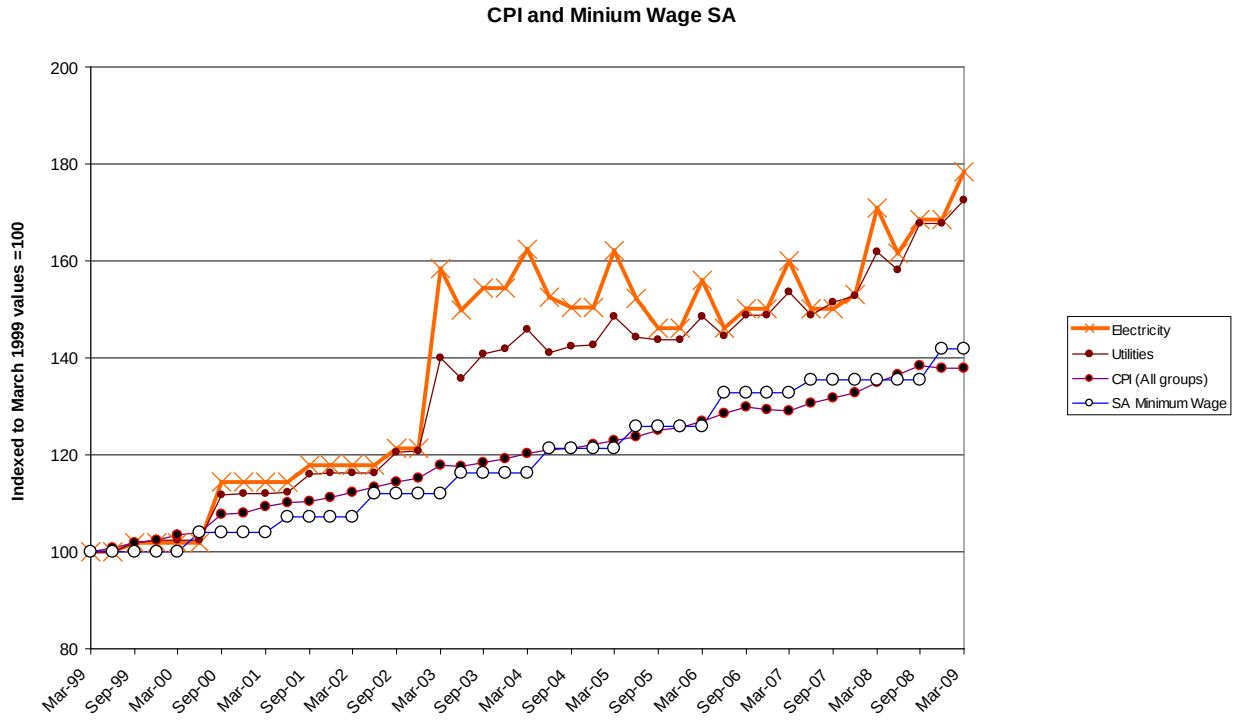
Rising energy costs lead to deprivation of other essential items for low income households. We also note that a vast majority of low income households pay utility bills and rent as their priorities, ahead of food and medications. So for some low income households, paying utility bills means going hungry or remaining ill.

Electricity Price Rises, last decade

Over the past decade, electricity prices have risen at a much higher rate than the Consumer Price Index, (CPI) the measure broadly used to reflect levels of price increases.

Setting CPI component values for the March quarter of 1999 at an index value of 100, graph 4 plots the change in index value for the following decade, to March 2009, for electricity and utilities in aggregate and compares them to minimum wages (South Australia) and CPI (all groups CPI).

We highlight that minimum wages have closely followed CPI changes and that utilities are closely linked with price changes in electricity. The series for electricity, in particular, shows the sharp increase in electricity prices that residential customers experienced with the introduction of FRC in South Australia, taking effect in 2003. The series for electricity also shows that electricity price rises have risen steadily since 2006. The peaks in the graph reflect the higher bills for electricity associated with summer in South Australia and recorded in the March quarter data.




Graph 4, Data Source, ABS, CPI, Cat No 6401.0

Updating estimates

With the most recent, rigorous data set of household energy costs (the Household Expenditure Survey) now being six years old, we have attempted to estimate current household electricity expenditure in the light of the significant increases in electricity costs that consumers have experienced over the last five to six years. We have used both data

from the ABS, CPI data and pricing information from the Essential Services Commission in South Australia.

We suggest that the poorest quintile households in Australia, who were paying about 8% of the household income on electricity in 2003, are now likely to be paying between 11-12% of household disposable income on electricity.

We conclude the following about electricity affordability changes over the past decade:

- The price of electricity for households has grown at double the rate of CPI over the last decade
- Energy prices are highly income sensitive; the lower the household income the more dire the impact of energy price rises.
- Low income households generally use less electricity than higher income households

Future Electricity Costs

Looking to the end of the 2010-15 period, we identify a number of factors that will increase the cost of electricity to consumers, including:

- Global demand for energy; in particular gas, which will be an increasingly important fuel for electricity generation; the price of gas and hence electricity will rise as global demand pushes energy prices higher.
- Potential ongoing impacts of the drought which has reduced hydro-electricity generation for the national grid, and has increased the cost of operating some generation facilities which need freshwater for effective operation. Also there is considerable demand for electricity to pump water.
- Energy efficiency measures; in the form of regulatory requirements placed on retailers, who then 'smear' the cost of the program across all consumers.
- Feed-in tariffs which encourage households to utilise renewable energy and therefore have an important role to play. However, in equity terms, these policies can mean that low income households, who are unable to contemplate the costs of domestic solar or wind generation, end up subsidising higher income households. This occurs where the value of feed-in tariffs are recovered from electricity charges.
- Regulatory costs
- The introduction of the Carbon Pollution Reduction Scheme (CPRS) or a similar program. Uniting Care is strongly supportive of strategies to reduce greenhouse gas emissions, and recognises that the generation of standing energy is the single largest contributor to greenhouse gas emissions. We also accept the national government's commitment to compensate households for CPRS impacts. However, we also recognise that there is the potential for indirect cost impacts on lower income households from climate change policies.

We suggest that a 'status quo' average electricity price increase for households of 50%, in real terms, over the next five-year period, is highly likely, this excludes any CPRS impact. We recognise that the Australian Government has committed to returning CPRS based energy increases to households.

Low wage consumers

At the same time, income increases for low and modest income households are likely to be relatively low. The Fair Pay Commission has ruled that workers on minimum wages, under national awards, are not entitled to any pay increase over the current 12 months, 2009/10. Significant numbers of casual workers, in particular, are also losing hours of work, for example 1.5 million hours of work were lost in July 2009 nationally, hours of work levels are still returning to pre-GFC levels. The trajectory for recovery from the global economic crisis is uncertain. While we suggest that GDP growth will be between 3.5% and 5% from around years 2012-15, income growth will lag behind economic recovery, real wages for lower income workers are unlikely to 'catch up' even once economic growth picks up.

It is, therefore, likely that nominal wages will rise very slowly for lowest income households over the next two to three years, with the potential for some pickup in pay rates and hours worked beyond 2012. This means that low income households are probably facing a decline in real wages for at least the next 2-3 years.

It is not unreasonable, therefore, to suggest that lowest income quintile households could be paying 12-16% of their disposable income on electricity costs by 2015, while the second quintile households could be paying 7-8%, on average, of household disposable income for electricity. We cannot estimate the impact this will have on financial stress measures, but can be certain that increases in energy costs will significantly increase financial stress for more Australian households.

There is no generally accepted measure for 'energy stress' in Australia. However, in the UK, a household needing to pay 10%, or more, of their income for heating is regarded as facing 'fuel poverty'. Using 10% of household disposable income needing to be spent on the essential service of electricity as a 'rough' measure for 'energy stress' in Australia (and more work is needed on this matter), then it is likely that over 20% (and probably nearer 30%) of Australian households are likely to be facing 'energy stress' by 2015.

Australia now faces the very real spectre of electricity prices being a significant driver of poverty. This dramatic conclusion cannot be ignored in determining future regulated price paths for energy, particularly the essential service of electricity for which there is no ready substitute."

This observation that energy costs are likely to be a significant driver of poverty over coming years provides the major context for close and careful consideration of energy affordability and in particular, energy hardship.

## Reasons For Measuring Energy Hardship

Uniting Care Australia believes the objectives for measuring hardship should be broader than the aims set out for the National Hardship Indicators, as listed in the issues paper.

In particular, Uniting Care Australia strongly believes that the critical objective for measuring hardship is to inform policy-making, this being policy-making for government, regulators, industry and community organisations.

Hardship indicators are also needed to monitor affordability and accessibility of energy, with the clear understanding that the energy reform process, of which measuring hardship indicators is part, is predicated on a market that operates in the long-term interests of

consumers. Measuring levels of hardship, particularly over time, is crucial for informing policy decisions that will contribute to achieving this national energy objective.

Hardship indicators also need to provide a basis for setting energy affordability and accessibility performance benchmarks, as well as measuring energy hardship program performance and effectiveness.

## Approach to Energy Hardship

Uniting Care Australia proposes a 'babushka doll' (Russian nesting dolls) approach to measuring energy hardship, that would include:

- energy market performance reporting, nesting within this element
- affordability reporting, then nesting within this element
- hardship reporting, then nesting within this element
- hardship program reporting

### Framework for Energy Affordability

To consider energy hardship reporting, we suggest that some general consideration first needs to be given to, what we suggest is the broader area of energy affordability. Uniting Care Australia understands that responding to energy affordability issues requires a combination of each of the four elements we summarise below as our 'Framework For Energy Affordability'. This framework has also been presented to the AER previously in our submission regarding distribution pricing:

"Recognising that there is no simple solution to the challenge of maintaining affordable and prudent use of energy, Uniting Care is committed to an energy affordability framework that includes four broad policy and program instruments that in combination can help to make energy affordable, particularly for classes of customers who may struggle to maintain reliable supply, particularly people in rural communities and older households. This energy affordability framework applies across the energy market, with different elements having differing areas of responsibility for implementation.

The four elements of the energy affordability framework being:

1. consumer protection
2. energy efficiency
3. pricing
4. concessions

**Consumer Protection**

Regulation and compliance arrangements are needed to ensure that energy provision is safe. Consumer protection requires standards to be made in areas including: billing, information provision, metering, supply, marketing complaints.

**Energy efficiency**

This element relates to both demand management strategies, namely consumer's ability to use energy more efficiently, and to energy-efficient design, particularly for housing but also for electrical appliances, including air-conditioning and hot water.

Note that we regard environmental sustainability matters, e.g CPRS and RET's being considered under this element of our framework, specifically where environmental sustainability factors and energy affordability intersect.

**Pricing**

This element of the framework relates to both collections of aggregate regulated revenues for companies operating natural monopolies**,** as well as businesses competing in energy markets. This element includes tariff design and tariff structure as they relate to individual consumers and their bills.

We recognise that tariff design will always be a compromise between the generally competing objectives of:

- efficient collection of revenue for both regulated and competing energy businesses
- price signals to reflect the real cost of energy division, including environmental costs, specifically, the current circumstances, the cost of carbon in all elements of energy supply, but particularly in the generation of electricity.
- affordability for the essential service of energy, specifically for consumers who may face difficulty in being able to afford reliable supply.

**Concessions**

Uniting Care believes that concessions should be adjustments that occur to ensure affordability for small customers, once consumer protection, energy efficiency and pricing factors have been utilised as effectively as possible. Concessions invariably lag real costs to customers and are politically difficult to target in a cost effective manner."

<u>Public Policy Context For Energy Hardship Approaches</u>

We suggest that the overarching public policy priority associated with measuring energy hardship is the easing of energy related financial stress for consumers and includes specific elements to reduce energy hardship.

This approach has strong resonance with public health approaches to health issues. A definition of public health is as follows:

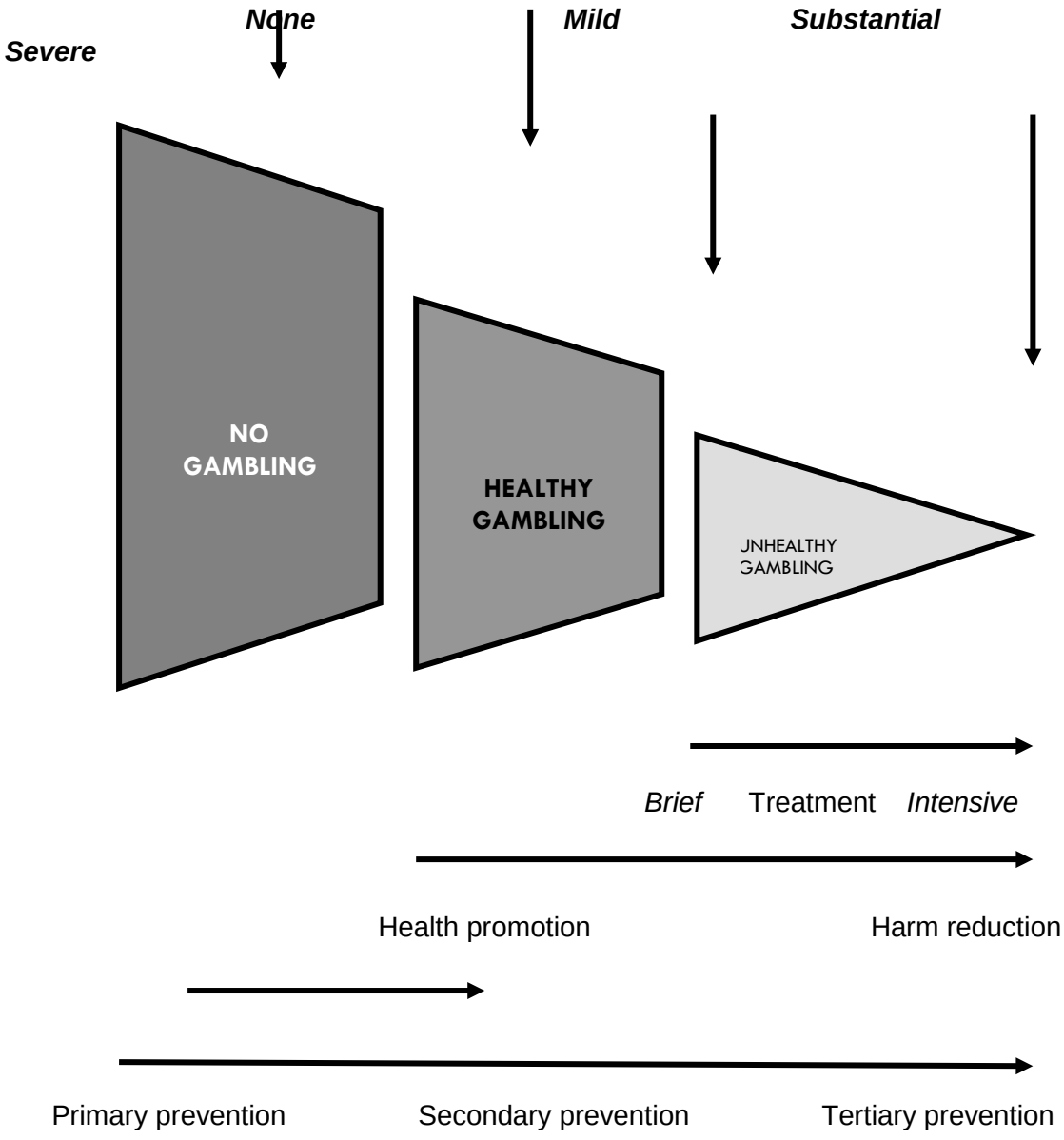
> *Public Health is the organised response by society to protect and promote health, and to prevent illness, injury and disability.*
>
> *Source: National Public Health Partnership (1998),*

Crucial elements of public health approaches include:

- whole population approaches
- focus on prevention and education approaches as well as treatment for health issues, generally referred to as primary, secondary and tertiary level responses.

Dr David Korn, a GP who has extensive experience in implementing public health strategies, including removing smallpox in Ghana for the World Health Organisation, has developed the following diagram to summarise the use of public health approach to the contemporary issue of problem gambling.

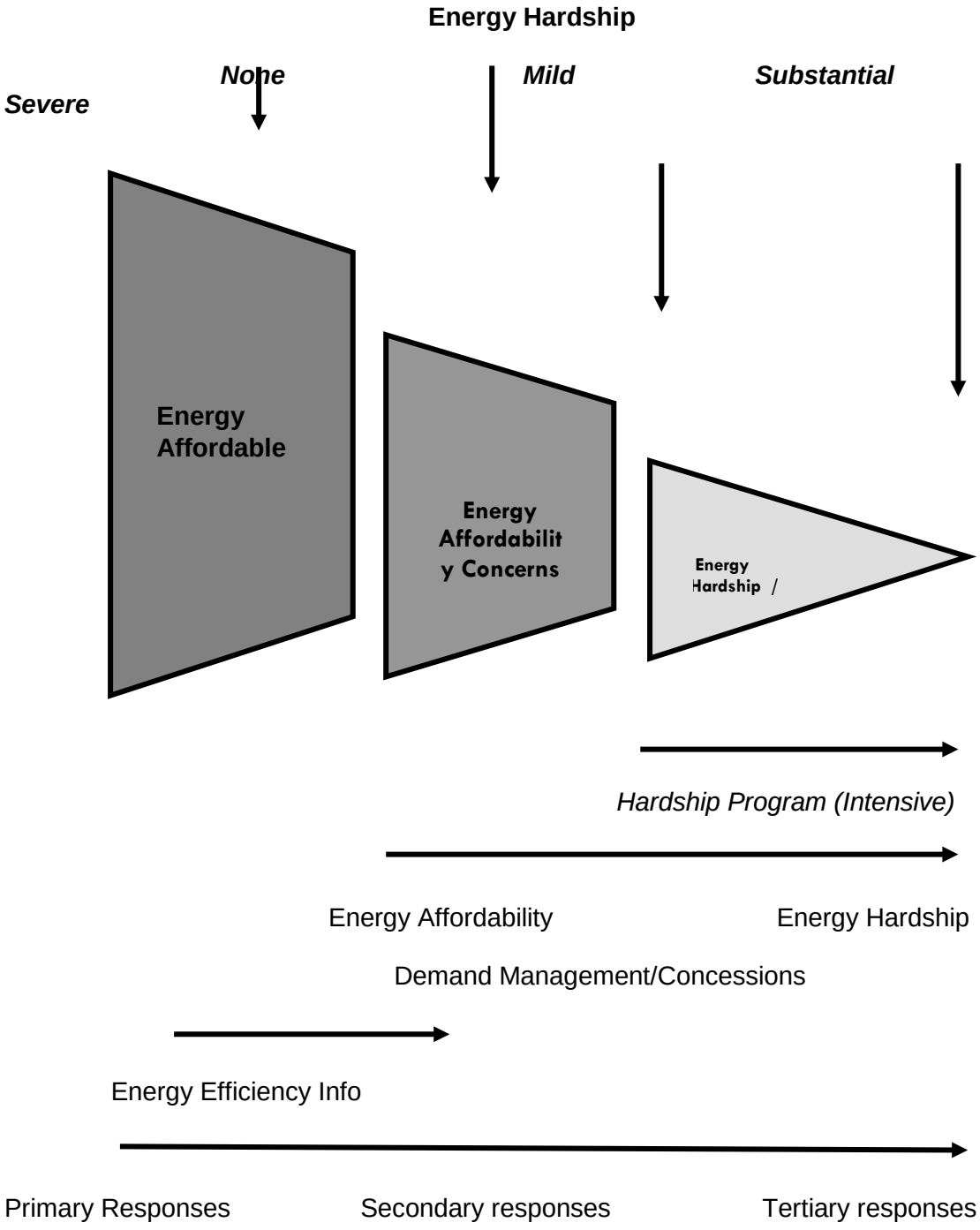
**The Korn and Shaffer 'Public Health Framework for Gambling' 1999**



We suggest that the same diagram can be modified to provide a suggested framework in which to place energy hardship, energy hardship programs and hence energy hardship program indicators.

This approach develops the notion of 'babushka dolls', with more severe elements 'nesting' within elements associated with higher affordability.

**The Korn and Shaffer adapted for 'Public Health Framework for Energy Hardship' 2010**



This model provides a population wide perspective on energy affordability, and indicates a range of policy and program responses, each designed to help reduce the drift of customers towards energy hardship.

Energy hardship programs are seen as the last resort for customers who are experiencing substantial to severe energy hardship, the model clearly shows the importance of primary and secondary responses in reducing the incidence of energy hardship.

## Proposed Definitions of Energy Hardship Related Terms

This energy hardship approach, based on the core elements of a public health approach, suggest to us the following elements associated with energy hardship. We propose a working definition for each element.

Small Energy Consumers

Residential and small business users of energy

Energy Affordability

The capacity of residential and small business users of energy to be able to pay for an adequate amount of energy in order to live in a reasonable level of comfort.

Energy Financial Stress

The inability of a residential or small business user of energy to always be able to pay for the amount of energy that they need. (We suggest that currently this definition would include between 20% and 25% of small customers.)

Energy Hardship (also referred to as energy stress, fuel poverty)

The inability of a residential or small business user of energy to be able to pay for the amount of energy they need, without foregoing other essential consumption [e.g food, health, housing, education and associated expenditure.] (We suggest that currently this definition includes between 10%-15% of small energy consumers.)

Energy Hardship program

A formal, regulated program provided by retailers for customers who are experiencing energy hardship and highly unlikely to be able to pay for their energy needs without direct financial and other energy use associated assistance.

We suggest that these definitions add some clarity to current language associated with energy affordability and energy hardship debates, and also help to locate the specifics of energy hardship program indicators within a broader energy reporting context. This idea is developed below:

## AER Reporting Of Hardship Based On These Proposed Definitions

We understand that the AER will ultimately produce at least 3 reports dealing, at least in part, with aspects of energy affordability and/or energy hardship.

We understand that these reports will be:

1. annual 'state of the market' report
2. energy affordability report
3. hardship program indicators report.

The annual 'state of the market' report has already been produced, and this process deals with hardship program indicators reporting. We understand that discussion about energy affordability reporting will occur a little later in 2010. We suggest that there is value in considering affordability and hardship reporting with these three reports in mind, and bearing in mind the discussion in the previous section about the application of 'public health' ideas to energy affordability/hardship policy and reporting. The following table attempts to bring these ideas together and to give examples of the sort of forward indicators that might be reported in the AER suite of reports.

| **AER Report** | **Affordability Measure** | **"Public Health" categorisation** | **Examples of element for reporting** |
|---|---|---|---|
| State of the Market Report | Small Energy Customers consumption.<br><br>Affordability Overview | Primary responses | Numbers of Customers, by class, Aboriginal and Torres Strait Islander<br><br>Average and median use by household type<br><br>Education and Energy efficiency programmes and campaigns.<br><br>Composite energy affordability Index<br><br>Disconnections due to inability to pay |
| Energy Affordability Report | Energy Affordability.<br><br>Energy Financial Stress.<br><br>Energy Hardship | Secondary responses | Average use by Income quintile.<br><br>% of household budget spent on energy, on average, by income quintile.<br><br>Number and % of households below established national energy stress benchmark (to be determined)<br><br>Energy Audits conducted<br><br>Energy efficiency measures instigated and success measures.<br><br>Financial stress measures (ABS, HES questions)<br><br>Movements in energy costs against CPI<br><br>Concession uptake & adequacy |

| AER Report | Affordability Measure | "Public Health" categorisation | Examples of element for reporting |
|---|---|---|---|
| Hardship Programme | Hardship Programme Indicators | Tertiary Responses | No. Customers on hardship programmes, new entrants.<br>Programme effectiveness.<br>Customer energy debt |

Baseline Hardship Indicators

Uniting Care believes that either a single, or small number of baseline hardship indicators need to be set as a benchmark for public policy and as a focus of general affordability and hardship program development.

IN 2002, ESCoSA commissioned a report on energy hardship measurement. The recommendations for that report are given as Appendix 3. We note and support the current setting, the proposal for a national energy hardship baseline based on this recommendation:

> *e) Hardship Baseline*
>
> A base line should be established, using the latest data from the Household Expenditure Survey, that shows:
>
> - the proportion of households in the bottom 10-50 % of the distribution of household disposable income that spend more than six, eight and ten per cent of income on fuel.
> - The proportion of households in the bottom 10-50% of the distribution of household disposable income that, due to a shortage of money, were unable to heat their home.

It is disappointing that this recommendation was made in 2002 and the data recommended is still not available for Australia, nor do we have an agreed national Hardship Baseline.

***Recommendation***

***Uniting Care Australia recommends the development of a national Energy Hardship Baseline Indicator, as a matter of priority.***

A national Hardship Baseline Indicator enables targets to be set and provides context for hardship indicator development and reporting, and provides context for retailer energy hardship programs.

While we have no strong empirical evidence to suggest what the national Energy Hardship Baselines would be, we suggest that, on the basis of the day-to-day experiences of financial counsellors, that any household spending 8% or more of their available income on energy is likely be in hardship. Although we can see a rationale for aligning an Australian hardship baseline with the United Kingdom's fuel poverty measure of 10% of household income being spent on energy (heating in the UK case)

**Recommendation**

***Uniting Care recommends that the AER consult on the development of a national hardship baseline, and present the developed energy hardship baseline measure as a recommendation to the MCE***

**Specific Hardship Program Indicators**

Uniting Care supports the QCOSS detailed submission on specific indicators for hardship programmes, which includes the following table, that we have taken directly from their submission and augmented with suggestions about frequency of reporting and specific demographic characteristics to support evaluation of programme effectiveness for specific needs groups. (Note that these additions have not yet been discussed with QCOSS, or anybody involved with their submission, and so these views should not be considered to be supported by QCOSS.)

Uniting Care is statistically concerned about particular groups in our community that are more likely to be in poverty and more likely to be experiencing energy hardship. We are convinced that understanding of energy hardship, particularly as experienced by the priority groups, is crucial for the development of policy and programs to alleviate deep disadvantage.

Consequently, we suggest that some indicators need to be collected in a manner that enables the experience of specific demographic groups to be recorded. We recognise that the development of these data sets may take little time, we suggest that key data for priority demographic groups should be available within three years of the commencement of both hardship indicator reporting and hardship program indicator reporting.

The demographic groups of particular interest to Uniting Care are:

- Rural households,
- Households with Children,
- Aboriginal and Torres Strait Islander households
- Customers with high energy Health and / or disability needs, including people on Life Support equipment
- Aged households

We are also interested in the experiences of small-business, and understand that affordability and (general) hardship reporting will include data for both households and small business.

**Proposed set of national hardship program indicators**

| Indicator | Measure | Reporting Frequency | Measurement detail |
|---|---|---|---|
| # customers on the program | At end of period | quarterly | By postcode, reported annually.<br>ABORIGINAL AND TORRES STRAIT ISLANDER |
| # of customers entering the program | During the period | quarterly | By postcode, reported annually<br>ABORIGINAL AND TORRES STRAIT ISLANDER |
| # of customers successfully completing | During the period, in agreement with retailer | annual | |
| For customers entering the program:<br><br>Average energy bill debt in $<br><br># with energy bill debt > $1,500 | At point of entry, new customers during the period | annual | ABORIGINAL AND TORRES STRAIT ISLANDER<br>Households with children<br>Aged |
| For customers successfully completing:<br><br># with energy bill debt = $0 | During the period | annual | By household type |
| A measure of success rate of program:<br>(# successful completions + # in program end of period)<br>(# in program at end of last period + # new customers) | At end of period | annual | |
| # of customers on program receiving an ongoing government energy concession | At end of period | quarterly | By household type |

| Indicator | Measure | Reporting Frequency | Measurement detail |
|---|---|---|---|
| # of customers excluded from the program for non-compliance | During the period | | ABORIGINAL AND TORRES STRAIT ISLANDER |
| # of customers on program for > 2 years | At end of period; continuous participation | annual | |
| # of disconnections for failure to pay<br><br>On hardship program in last 24 months<br><br># of reconnections in same name and address within 7 days | At end of period | quarterly | Postcode<br>ABORIGINAL AND TORRES STRAIT ISLANDER<br>Households with Children |
| Assistance provided to customers in the 12 months before entering the program, including:<br>Use of a flexible payment method, payment extension applied, use of a payment plan, once-off government energy grant/subsidy approved, energy audits conducted, and financial counselling resources provided. | At point of entry, new customers | annual | ABORIGINAL AND TORRES STRAIT ISLANDER<br>Aged<br>Rural<br>Families with Children |
| Assistance provided to customers in the hardship program<br><br>Self-report on assistance measures provided | During the period. Report for both the % of customers in the hardship program and the % of customers to which assistance was available | annual | |

**UnitingCare Australia additions to QCOSS Indicator Set**

| Indicator | Measure | Reporting Frequency | Measurement detail |
|---|---|---|---|
| **Uniting Care Addition to QCOSS indicator set** | | | |
| Number of instances where advice from third parties sought and utilised, relating to customers seeking hardship assistance | During Period | annual | ABORIGINAL AND TORRES STRAIT ISLANDER<br>Families with Children |
| Customer behaviour change (further development needed) | End of period | annual | |

**Other comments regarding data**

The Hardship Indicators issues paper refers only to single measure indicators, with no consideration given to composite indicators (eg weighted averages, Indexes etc). We suggest that there is merit in further exploration of composite indicators that, over time, could become useful summary indicators of change in hardship levels, for example, or in effectiveness of hardship programs.

**Data Sources**

The discussion paper implies that retailers will be the main source of hardship data, however we suggest that while this is likely to be the case for hardship program data, other data sources also need to be considered for the various AER reporting obligations and opportunities.

AEMO, distributors, financial counsellors all hold data that may relevant while the AER may need to investigate commissioning it's own surveys to obtain crucial hardship data.

The ABS is also likely to be increasingly important as they expand their energy related data collection. Major ABS surveys already include energy data, specifically the Household Expenditure Survey (HES) and the Consumer Price Index. HES is an incredibly valuable survey, but is conducted too infrequently to produce regular energy hardship data series. However, the AER could have the energy related questions from HES run more frequently and could even include 'over samples' to capture data from priority demographic groups, eg Indigenous people.

Notes from a recent ABS energy statistics forum are attached as Appendix 1, to give an indication of planned ABS work and also to suggest that closer engagement is needed between ABS, energy policy makers and consumers to develop regular data collection for important energy affordability and hardship indictors.

Appendix 2 summarises recent development associated with the OSLO Group (this is an international network that is focussed on international standards for energy data collection and reporting) regarding Energy Statistics.

**RECOMMENDATIONS**

**A base line should be established as a matter of priority, using the latest data from the Household Expenditure Survey that shows:**

- **the proportion of households in the bottom 10-50 % of the distribution of household disposable income that spend more than six, eight or ten percent of income on energy to heat their home.**
- **The proportion of households in the bottom 10-50% of the distribution of household disposable income that , due to a shortage of money, were unable to heat their home.**

**Uniting Care recommends that the AER consult on the development of a national hardship baseline, and present the developed energy hardship baseline measure as a recommendation to the MCE**

**Appendix 1**

## OVERVIEW: ABS ENERGY STATISTICS WORK PROGRAM 2010

## ABS HOSTED ENERGY STATISTICS FORUM, 10 MAY 2010

## PRESENTER: KAI WALLENIUS, AUSTRALIAN BUREAU OF STATISTICS

The ABS Energy Program has continued to expand over the past year.

1. **Support and progress actions arising from the Strategic Review of Energy Statistics.**
   The Energy Statistics Review was produced by a working group, comprising members from the ABS, ABARE, RET, DEWHA and DCC, with the ABS Energy Program providing the secretariat. The Review identifies likely demands for energy statistics over the next ten years, key priorities in addressing those priorities, critical data gaps which presently exist, and articulates plans to overcome these data gaps.

2. **Evaluate potential of NGERS data.**
   NGERS data to be imported from the DCCEE for the purpose of determining compatibility with ABS data.

   The ABS Energy Program will report on the coherency of NGERS and other existing energy statistics datasets.

   The ABS Energy Program will investigate the potential for linking NGERS data with ABS economic data.

3. **Plan and prepare for regular energy account production.**
   Develop long term strategy for energy account production.

   Identify required data sources and available data sources.

   Document compilation methodology.

4. **Release output from Energy, Water and Environment Survey (EWES).**
   EWES will provide energy by industry for reference year 2008-09. This will be critical benchmark data for Australia's future energy statistics including Australia's energy balance and energy accounts.

   To be released on 24 June 2010.

5. **Release output from Electricity Generators Survey.**
   This survey of electricity generators collected data on electricity generation and water use. Data will feed into the Water Account.

6. **Promote and develop 2011 Energy Use Questions on the Economic Activity Survey.**
   The ABS will collect financial information on energy use across all industries.

7. **Provide support to statistics in the energy domain.**
   Energy Statistics Forum.

   Strategic review steering committee.

   Steering Committee for commercial building mandatory disclosure research study.

8. **Develop Environmental Issues and Trends: Energy Use and Conservation 2011.**
   This household survey will be undertaken in March 2011 and is expected to be similar to the March 2008 survey.

   User consultation and survey development will be undertaken during 2010.

9. **Produce "Energy in Focus" articles.**
   Energy in focus articles are topical, short analytical snapshots of ABS energy statistics. Several articles will be released later this year, the first being a report on research and development expenditure on energy and environment objectives.

10. **Contribute to ABS Yearbook.**
    The latest ABS Yearbook (2010) containing energy data will be released on 4 June 2010. CEES will produce the Energy Chapter for ABS Yearbook 2011 later this year.

11. **Oslo Group on energy statistics.**
    The OSLO Group is a UN city group on energy statistics that addresses methodological issues, international standards and improved methods for official energy statistics.

    Input to development of International Recommendations on Energy Statistics (to be adopted as an international standard by the UN Statistical Commission in Feb 2011).

    The 2011 meeting will be hosted by the ABS.

ABS Energy Work Program – Progress Report 2010

| Program | Status | Due |
|---|---|---|
| **1. Manage developments arising from the Strategic Review of Energy Statistics** | **Ongoing** | **Ongoing** |
| **2. Evaluate statistical potential of NGERS data** | **In progress** | **Early 2011** |
| **3. Plan and prepare for regular energy account production** | **Ongoing** | **Ongoing** |
| **4. Release output from Energy, Water and Environment Survey** | **In progress** | **June 2010** |

| Program | Status | Due |
|---|---|---|
| **5. Release output from Electricity Generators Survey** | **In progress** | **Late 2010** |
| **6. Promote and develop 2011 energy use questions on the Economic Activity Survey** | **Ongoing** | **Early 2011** |
| **7. Provide support to statistics in the energy domain**<br>• **Strategic review steering committee**<br>• **Energy Statistics Forum**<br>• **Participate in steering committee supporting DCCEE commercial building mandatory disclosure research study** | <br>**Ongoing**<br>**In progress**<br>**Ongoing** | <br>**Ongoing**<br>**May 2010**<br>**Ongoing** |
| **8. Develop Environment Issues and Trends: Energy Use and Conservation 2011** | **Ongoing** | **Mid-Late 2010** |
| **9. Produce "Energy in Focus" articles** | **In progress** | **2010** |
| **10. Contribute to ABS Yearbook 2011** | **Ongoing** | **Late 2010** |
| **11. Oslo Group on energy statistics**<br>• **Input to development of IRES**<br>• **Organise 2011 meeting** | <br>**Ongoing**<br>**Ongoing** | <br>**End 2010**<br>**May 2011** |

**Recent ABS energy statistics releases**

**Alternative View of Electricity and Gas Supply Activity, 2006-07 to 2007-08**

http://www.abs.gov.au/ausstats/abs@.nsf/productsbytitle/C904423D135BD9BBCA25763F001625CB?OpenDocument

This publication presented information based on an alternative view of electricity supply and gas supply activity in Australia for the reference years 2006-07 to 2007-08.

Physical quantity and financial estimates were derived from the Australian Bureau of Statistics' (ABS) Economic Activity Survey (EAS) and the Energy Supply Survey (ESS) (as part of the 2007-08 Annual Integrated Collection (AIC)). The data presented are based on the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC).

The estimates of electricity supply and gas supply presented in this publication were designed to complement existing ANZSIC-based electricity and gas industry statistics.

**Energy Supply Survey (As a part of "Australian Industry, 2007-08")**

http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8155.02007-08?OpenDocument

This release included detailed data spreadsheets relating to the Energy Supply industry which were collected for the 2007–08 reference period.

Physical quantity and financial estimates were provided for:

- Electricity supply, including generation, transmission, distribution, and on-selling activities;
- Gas supply, including extraction, pipeline transport and distribution (including wholesaling and retail) activities.

**Energy Account, Australia, 2006-07**

http://www.abs.gov.au/ausstats/abs@.nsf/mf/4604.0/

This publication responded to ongoing demand for information about energy products within Australia's economy. It contains estimates of the physical supply and use of energy products in Australia over the period 2001-02 to 2006-07, and introduces experimental monetary use estimates in respect of 2004-05.

The outputs contained in this publication follow the general principles outlined within the Handbook of National Accounting: Integrated Environmental and Economic Accounting (SEEA) - a satellite system of the International System of National Accounts 1993 (SNA). They serve to integrate environmental and economic data in order to overcome the tendency to analyse economic and environmental issues independently of each other.

**Environmental Issues: Energy Use and Conservation, March 2008**

http://www.abs.gov.au/ausstats/abs@.nsf/productsbytitle/A38DDA7F40718E43CA25750E00112A97?OpenDocument

This publication presented information on environmental behaviour and practices relating to energy use in Australian households for March 2008, for people aged 18 years and over.

The statistics in this publication were compiled from the Energy Use and Conservation survey, conducted in March 2008 as a supplement to the Australian Bureau of Statistics (ABS) monthly Labour Force Survey (LFS). This survey provided information on household practices in relation to domestic energy use. It covered a range of issues including energy sources, appliances and energy saving measures used in households.

**Appendix 2**

## OSLO GROUP RE ENERGY STATISTICS

## ABS HOSTED ENERGY STATISTICS FORUM, 10 MAY 2010

### Introduction

The Oslo Group is a city group created by the United Nations Statistical Commission to address methodological issues related to energy statistics and contribute to improved international standards and improved methods for official energy statistics. It was established as a follow-up to the programme review of energy statistics during the 36th Session of the UN Statistical Commission (1-4 March 2005) and the recommendations of the Ad-hoc Expert Group on Energy Statistics (New York , 23-25 May 2005)

The terms of reference of the Oslo Group are:

(a) Identify users' needs;
(b) Define the scope of official energy statistics;
(c) Identify and collect national and international best practices;
(d) Review and contribute to the updating of the United Nations handbooks and manuals on energy statistics (in particular, the International Recommendations on Energy Statistics {IRES} and the Energy Statistics Compilers Manual {ECSM});
(e) Identify gaps in the coverage of existing methodologies and develop methodologies to cover gaps;
(f) Adopt links or develop bridges to international standard concepts and classifications in economic/environmental statistics to facilitate the integration and interface of energy statistics with other statistical systems;
(g) Recommend a core set of tables as minimum requirements at the national and international level to satisfy the major users' needs.

Members of the Oslo Group include energy statisticians from national statistical offices, energy ministries/authorities and international organizations engaged in energy statistics as well as experts from academia and the private sector on an ad hoc basis as advisers. Statistics Norway serves as the Secretariat of the Oslo Group.

The Oslo Group meets on an annual basis to review and address methodological issues related to energy statistics as well as share country practices. An electronic Discussion Forum has been created by Statistics Norway to facilitate the discussion. The Oslo Group reports regularly to the UN Statistical Commission.

### OSLO group meeting 2011

The next OSLO group meeting will be held next year in Canberra (2-5 May 2011) hosted by the ABS.

On the Friday following the meeting (May 6th), the ABS will be hosting a workshop involving OSLO group members and national energy statistics stakeholders.

**Appendix 3**

## FUEL POVERTY: A CONCEPT WITH POWER IN SOUTH AUSTRALIA?

Professor Sue Richardson
Associate Professor Peter Travers
The National Institute of Labour Studies
October, 2002
Prepared for ESCoSA

Report recommendation

### 8. Recommended Strategy for Monitoring Fuel-Driven Hardship

*e) Hardship **Baseline***

A base line should be established, using the latest data from the Household

Expenditure Survey, that shows:

- The proportion of households in the bottom 10-50 % of the distribution of household disposable income that spend more than **6%, 8% and 10%** of income on fuel.
- The proportion of households in the bottom 10-50% of the distribution of household disposable income that , due to a shortage of money, were unable to heat their home.

These should be updated with every new Household Expenditure Survey, and with the General Social Survey, conducted by the ABS.

The Essential Services Commission of South Australia should consider negotiating with the ABS to increase the sample size for the HES in South Australia.

*Changes in Income*

Report changes in the average incomes of households in each of the second to fifth bottom deciles of the distribution of household disposable income (the first 5 deciles, is the ABS is able to rectify the problem of reporting incomes for the bottom decile). This would be done using data from the annual ABS Income Distribution Survey.

Report changes in the $ value of the main forms of social welfare benefits (including supporting parents and unemployment benefits and the old age pension). Data to be obtained from the Department of Family and Community Services.

*Changes in Prices*

Prices of fuel to the domestic customer should be monitored. The rate of increase of fuel prices should then be compared with the changes incomes (as identified above) of

households in the lower half of the income distribution. If prices rise faster than incomes, this is *prima facie* evidence of an increase in fuel-driven hardship.

*Supplier Actions*

o Monitor and report the extent of fuel debt.

o Monitor and report the number of disconnections.

o Monitor and report all actions taken to reduce the fuel bills faced by low income households.