



South Australian Council of Social Service Inc

Submission to the

**Essential Services Commission
of South Australia**

**Electricity Standing Contract Price:
Draft Price Determination**

December 2004

For further information

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Background

The South Australian Council of Social Service (SACOSS) is the peak body for the social service organisations in South Australia. Our membership of 270 includes peak bodies in the community sector and other membership organisations. Our members offer such services as counseling, family support, emergency relief, emergency accommodation, advocacy, information and referral to people in crisis, people with disabilities, migrants and refugees, youth, aged, people on low incomes and those otherwise disadvantaged.

SACoSS provided an earlier submission to ESCoSA on the Retail Electricity Price Path Inquiry (October 2004) in conjunction with the Western Region Energy Action Group. The submission was elaborated on at the Commission's public hearing as part of the Inquiry process.

This earlier submission focused on the potential impacts on 'vulnerable households' and on the potential impacts of removing 'cross subsidies' in particular. We acknowledge comments made by the Commission in its DRAFT Final Report of the Inquiry into Retail Electricity Price Path (November 2004):

The Commission has not been able as part of this Inquiry to address the concerns of consumer groups about the impacts of high electricity prices on these consumers. However, the Commission is intending to undertake in early 2005 a major review, with the assistance of the Consumer Advisory Committee, of customer disconnections: The Commission believes that such a review presents an opportunity for the community, retailers and government to examine the underlying issues and to develop innovative solutions that may better address the needs of such consumers.

The projected reduction in prices in July 2005 and the restructuring of tariffs to reduce charges for the first block of consumption and for off-peak water heating, will go some way to assisting certain consumer types (especially those who have low consumption).

However, such changes will not provide much assistance to those vulnerable customers who have high consumption levels (perhaps associated with being at home and requiring on-going air-conditioning, heating or other equipment).

The Commission therefore welcomes the offer of those bodies from the social service sector to work with the Commission in 2005 to examine these issues and to help identify possible improvements in concessions, advisory and tariff arrangements that will allow assistance to be better targeted to the most vulnerable customers. The Commission will commence this work in conjunction with the Consumer Advisory Committee in December 2004, following the release of this draft inquiry report.

However the issues raised in the earlier submission remain valid and we ask that due consideration be given to these concerns when deliberating any changes to the draft determination based on this or other submissions to this particular consultation phase. The short consultation period and competing priorities have made a further joint submission impossible and what follows is a less detailed response to the draft determination than would have been the case otherwise.

Comments

An area of interest raised in the earlier submission is that of the fixed 'supply charge' in each residential bill. There is a clear opportunity for AGL to progressively increase this amount to over \$190 per annum (\$45 per quarter include GST) from the current figure of around \$130. This is based on other figures in the draft determinations for AGL's operating costs (approx \$103 inc GST & 10% profit) and the fixed component of ETSA Utilities household charges (\$91 inc GST).

The tariff 'rebalancing constraint' will allow this to happen at a rate that doesn't vary the overall bill by more than CPI +4%. However, if the supply charge is allowed to increase at this rate it could 'gobble up' almost all of the prospective savings in the reduced ETSA Utilities charges (delivered in savings on distribution charges for the first 4000kWh of annual consumption). AGL have not released any details on what they plan to do in this regard.

It is SACoSS's stated preference for household electricity pricing to follow an inclining block tariff structure with low fixed charges and matched to a targeted concession regime that directly supports householders with high consumption due to health and other factors. We are concerned at the potential for this to be undermined by the tariff rebalancing allowance of CPI+4%.

Noting the Inquiry's terms of reference 3.4.7 regarding cross subsidies:

" ... the Commission is to have regard to:

Any cross-subsidies between, and within, business and residential small customer classes, and whether these cross-subsidies are justified to prevent a disproportionate price impact on any small customer group;"

The information presented so far has not been comprehensive and should be combined with the relevant network tariffs from the Draft Electricity Distribution Price Review and assessed. Based on this, the impact of the rebalancing constraint of CPI+4% could be more effectively assessed as 'justified' or otherwise. Until this has been done we do not believe that the terms of reference of the inquiry have been met.

In the absence of this analysis, SACoSS generally support the Minister for Energy's preference (submission to the Inquiry, as reported in the Draft Final Report of the Inquiry p28) of limiting this to no more than CPI.

We also note that 'bad debt' is now provided for in the allowance for 'Retail Operating Costs (ROC) after having been previously included in the retailer's allowed profit margin. SACoSS understand that this has been set at a level below AGL's current bad debt exposure but believe this has implications for the further work being undertaken by the Commission on the issue of disconnections. SACoSS looks forward to participation in that process.