



Reforming electricity concessions to better meet need

SUMMARY REPORT

December 2022



Reforming electricity concessions to better meet need: Summary Report

This summary report is based on research by Alvis Consulting for the South Australian Council of Social Service (SACOSS) and Australian Council of Social Service (ACOSS).



Acknowledgements

This project was funded by Energy Consumers Australia (www.energyconsumersaustralia.com.au) as part of its grants process for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas. The views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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Introduction

Across Australia, almost three million households – around 28 per cent of all customers¹ – receive financial assistance for their energy costs in the form of concessions or rebates on their electricity bills.

These entitlements are supposed to help ensure that people on low incomes or experiencing financial hardship are able to pay their energy bills without forgoing other essential expenditure. Yet too many people in Australia still can't afford to pay for the energy they need, leading to one or more damaging outcomes:

- ▲ Non-payment of energy bills, leading to growing energy debt to their energy retailer and possible disconnection of their energy supply.
- ▲ Defaulting on other financial obligations in order to pay energy bills, leading to indebtedness and loss of housing or other essential goods or services.
- ▲ Going without other essentials such as food or medicine in order to afford energy bills.
- ▲ Reducing energy use by not heating or cooling their homes, cooking less or taking fewer showers, leading to serious health or social outcomes.

With energy price rises still expected in the next few years,² these problems will only get worse.

For decades, energy consumer advocates have been concerned that the design of most state and territory energy concessions, delivered as a fixed amount (flat-rate), is not adequate to meet needs; not responsive to changes in price, seasons, circumstances, and technology; and leads to inequities in the assistance they provide with some households getting more assistance than they need, and others getting less.

Advocates are also concerned that many people who need additional financial support to afford their energy bills are missing out due to eligibility restrictions or accessibility barriers. Failure to clearly articulate clear objectives and criteria regarding who needs assistance and how much assistance is necessary has hindered good policy design.

This concern was echoed by the Australian Competition and Consumer Commission (ACCC) in 2018 when it concluded that most state and territory energy concession schemes delivered via a fixed amount were not fit for purpose, being poorly targeted and giving disproportionate support for low and high-consumption households. The ACCC recommended Energy Ministers should urgently improve energy concessions schemes in several ways, including means testing and targeting people most in need, giving a fixed rebate on the supply charge and a percentage discount on usage, and improving access. These recommendations have not been acted upon.³

On behalf of the Energy Concessions Enabling Group,⁴ SACOSS and ACOSS commissioned research to better understand the flaws and inequities in existing concessions schemes and propose a new approach that better meets households' needs. This report looks at what is required to deliver effective energy concessions, summarises the research findings, and makes a series of recommendations.

For further detailed results of the energy concessions modelling, refer to the following reports [Assessing Impacts of Changes to Australian Electricity Concessions: Interim Report](#) and [Assessing Impacts of Changes to Australian Electricity Concessions: Final Report](#). These reports and other relevant documents can be found at www.sacoss.org.au/energy-concessions-reform.

¹ ACCC (2021) Inquiry into the National Electricity Market, May 2021 report, p. 8.

² The 2022 Federal Budget predicted electricity prices will increase 56% and gas prices 44% over next two years (<https://www.abc.net.au/news/2022-10-26/federal-budget-anthony-albanese-electricity-prices-intervention/100441256>). The energy market intervention announced on the 9th of December 2022, will reduce the size of the increase but not eliminate it. See <https://www.pm.gov.au/media/energy-price-relief-plan> for details of projected impact on energy price rises.

³ ACCC (2018) Restoring Electricity Affordability and Australia's competitive Advantage, Retail Electricity Pricing Enquiry, Final Report.

⁴ Energy Concessions Enabling Group is a working group of community sector organisations who are members of the National Consumers Roundtable on Energy. The research was auspiced by SACOSS and ACOSS, funded by Energy Consumers Australia's Grants Program, and conducted by Alvis Consulting.

Summary Recommendations

Ensure energy concessions meet need

- ▲ Energy Ministers should commit to undertaking energy concessions reform appropriate to their jurisdictions to better meet the energy needs of people and changing circumstances.
- ▲ Energy Ministers should request the ACCC to model how a percentage-based energy concession could be implemented by jurisdictions.
- ▲ Energy Ministers should work with Social Services Ministers to review and reform eligibility for energy concessions to ensure the inclusion of all people who need additional financial support to access enough energy to support health and well-being. The review should include consultation with the community.
- ▲ Energy Ministers should work with Social Service Ministers and relevant regulators to ensure people who are eligible for energy concessions receive them, including using automation in relevant systems and awareness raising programs.

Complementary measures to support the effectiveness of energy concessions

- ▲ The Federal Government should immediately lift income support to improve the capacity of people on low incomes to manage energy bills, including increasing Jobseeker and related allowances above the poverty line.
- ▲ The Federal, State and Territory governments should co-invest in efficient electric appliances, thermal efficiency and solar upgrade programs for low-income homes.
- ▲ The Federal, State and Territory governments should shift the costs of green schemes off bills or offset the costs for people on low incomes.



1. The objective of energy concessions

Very few jurisdictional energy concession and rebate schemes have a stated policy objective detailing their purpose, desired outcome or targeting principles. The NSW Audit Office has noted that without measurable objectives or outcomes, it is difficult to assess whether particular groups in the community need more or less assistance than others with the cost of energy. For example, whether the level of assistance is adequate to prevent households from being disconnected, and whether concessions budgets are sufficient to meet objectives or be expended efficiently.⁵

The Energy Concessions Enabling Group developed an energy concessions objective and a set of principles to guide their work on improving energy concessions.

The objective of energy concessions and rebates

To improve the affordability of energy bills for people who need additional financial assistance to access enough energy to support health and well-being.

Principles for energy concessions

Energy concessions and rebates should be:

- ▲ **Adequate** to afford enough energy to support health and well-being in line with community expectations⁶ and guard against deprivation, debt and disconnection.
- ▲ **Equitable** to provide assistance in proportion to need.
- ▲ **Responsive** to maintain value through changes in prices, housing conditions, household circumstances, seasonal and regional variations, and market or technology developments.
- ▲ **Available** to people who need them to support health and well-being.
- ▲ **Easily accessible** to people who are eligible.
- ▲ **Complementary** to a package of measures (of governments, energy, and community sectors) to maximise their effectiveness and to promote equity in the standard of living of all people in Australia.

The current state and territory concessions and rebates schemes fail at least partly on one or more of these principles. Some schemes are poorly targeted, and the most common type – a fixed-rate concession that pays the same rebate to all recipients regardless of their energy usage – is not responsive to changes and gives a higher rate of assistance to some households and a lower rate to others.



⁵ Audit Office of NSW (2017) [Energy rebates for low-income households](#).

⁶ Which includes support access to education, employment, social inclusion, health, and wellbeing.

2. The research: Assessing impacts of changes to Australian Electricity Concessions and rebates

The purpose of the research was threefold:

- ▲ Build a robust evidence base to help consumer groups develop shared principles and policy positions regarding concessions reform.
- ▲ Inform and influence key decision makers such as State and Commonwealth Governments.
- ▲ Strengthen the ability of consumer groups to advocate for energy concession and rebate reform in each jurisdiction to better meet the energy needs of people on low incomes.

Research Design

The research used an iterative approach of research, data analysis and modelling, and stakeholder engagement to reach its final report and recommendations.⁷

STAGE 1

Initial Data Analysis

- ▲ Assess outcomes of existing electricity concession schemes in each jurisdiction for typical household types.
- ▲ Model variations of two proposed concession types – (a) a percentage-based concession, and (b) a hybrid concession with fixed and percentage-based components – for the same household types.
- ▲ Analyse the difference in value between existing and proposed concessions for each household type.
- ▲ Interim report summarising key findings from Stage 1.

Stakeholder Workshops

- ▲ Analyse Stage 1 research findings against objectives and principles.
- ▲ Identify additional modelling considerations and policy options needed to meet the Energy Concessions Enabling Group's stated objectives and principles, including transition strategies that might be needed when introducing new concessions.

STAGE 2

More Data Analysis

- ▲ Modelling of scenarios and transition strategies developed in the stakeholder workshops.
- ▲ Budget impact analysis comparing costs of model scenarios and current budgets for concessions.

Impact of COVID-19 and price increases?

The project commenced prior to the full impact of COVID-19, using 2019-20 as the baseline data. Since then, many jurisdictions have provided additional supports and supplements to better assist people struggling with energy affordability.

For example, the ACT Government permanently increased the Utilities Concession by \$50 per year to \$750 in 2021, in addition to two substantial one-off bonus payments of \$50 and \$200 in 2021-22 and another one-off payment of \$50 in 2022-23,* in recognition of increased energy usage, lost or forgone income, and other impacts of extended lockdowns. While the additional support was no doubt welcome by those in the ACT struggling with the impact of COVID-19, it was not necessarily an efficient targeting of expenditure to people most in need.

It could be argued that the need for additional assistance like this illustrates the inability of fixed-rate concession to respond to price increases or give support relative to need. "One-off" concession and rebate announcements are politically popular tools for Governments to demonstrate their commitment to addressing cost of living pressures, but a broader holistic review of concessions is required to better understand inequities across different concessions.

* See <https://www.act.gov.au/our-canberra/latest-news/2021/june/low-income-canberra-households-to-receive-immediate-utilities-financial-support> and <https://www.cmtedd.act.gov.au/open-government/inform/act-government-media-releases/barr/2021/additional-financial-support-during-lockdown>.

⁷ Due to the complexity of energy concessions in different states and territories, analysis was limited to the main electricity concessions in each state.

Methodology and Assumptions

Modelling and analysis of energy concession schemes is almost as complex as the schemes themselves. These schemes vary across jurisdiction and all households are different. The following methodology and assumptions were used. The impacts of these choices are discussed in the next section.

- ▲ Only the main electricity concession in each jurisdiction was included in the model.
- ▲ Four main categories of concession recipients were analysed:
 1. Pensioners.⁸
 2. Health Care Card holders.⁹
 3. Other card holders.¹⁰
 4. Concession recipients in categories 1 – 3 with rooftop solar.
- ▲ AGL provided customer numbers and average annual consumption for each category as well as non-concession card holders for NSW, Vic, SE Qld, and SA. For the remaining states and territories, assumptions based on AGL and other relevant data were used to estimate the number of concession recipients and average annual consumption.
- ▲ Household energy bills were based on the average market offer (single rate tariff including guaranteed and pay-on-time discounts) for each network as of October 2020.

Table 1 outlines the type of energy concession and the 2020/21 rate across each state and territory. Most energy concessions are paid at a fixed rate: a fixed amount per day or quarter or year, paid into recipients' bank accounts or through their energy retailer as a discount on the bill. The amounts vary significantly between states and territories. The NT has the most generous concession followed by the ACT, with South Australia having the least generous concession.

TABLE 1 Electricity concessions included in analysis

Jurisdiction	Name	Type	Concession amount (2020–21) ^{11,12}
NSW	Low Income Households Rebate	Fixed-rate	\$71.25 per quarter = \$285 per year
VIC	Annual Electricity Concession	Percentage	17.5% of electricity usage and services costs. (Not counting the first \$171.60 of the annual bill.)
Qld	Electricity Rebate	Fixed-rate	0.86¢ per day = \$309.86 per year
SA	Energy Bill Concession	Fixed-rate	63.4¢ per day = \$231.41 per year
Tas	Annual Electricity Concession	Fixed-rate	\$1.407 per day = \$513.70 per year
ACT	Utilities Concession	Fixed-rate	89.2¢ per day in summer and \$3.339 per day in winter = \$700 per year
WA	Energy Assistance Payment	Fixed-rate	\$305 per year
NT	Electricity Concession	Hybrid	\$1.274 per day plus 9.1¢ per kWh used. Capped at \$1,200 per year (8,000 kWh)

⁸ Age Pension, Carer Payment, Disability Support Pension, Parenting Payment Single.

⁹ Jobseeker Payment, Parenting Payment Partnered, Austudy, Youth Allowance, Special Benefit, and Low-Income Health Care Card.

¹⁰ Dept of Veterans' Affairs – War Widow (WW); Dept of Veterans' Affairs – Totally & Permanently Incapacitated (TPI); Dept of Veterans' Affairs – Extreme Disablement Adjustment (EDA); Dept of Communities – Commonwealth Seniors Health Card; QLD Dept of Communities – QLD State Seniors Card; Dept of Immigration – Immigration Card; SA Concession Card holders; and Life Support.

¹¹ The analysis was based on 2020–21 energy prices and concession amounts. Prices have increased since then in most jurisdictions, and so have some concession amounts.

¹² Some concessions are not just for electricity. For example, the SA concession is supposed to cover all energy use (including gas, wood, and fuel for generators), but is paid on the electricity bill; and the ACT concession is for electricity, gas, water and sewerage. Some jurisdictions have additional energy concessions, such as Victoria's gas concession and NSW's additional rebates for gas, seniors, and families with children.

3. Findings

The analysis shows that the current fixed-rate energy concessions do not deliver equity between households with different energy usage needs.

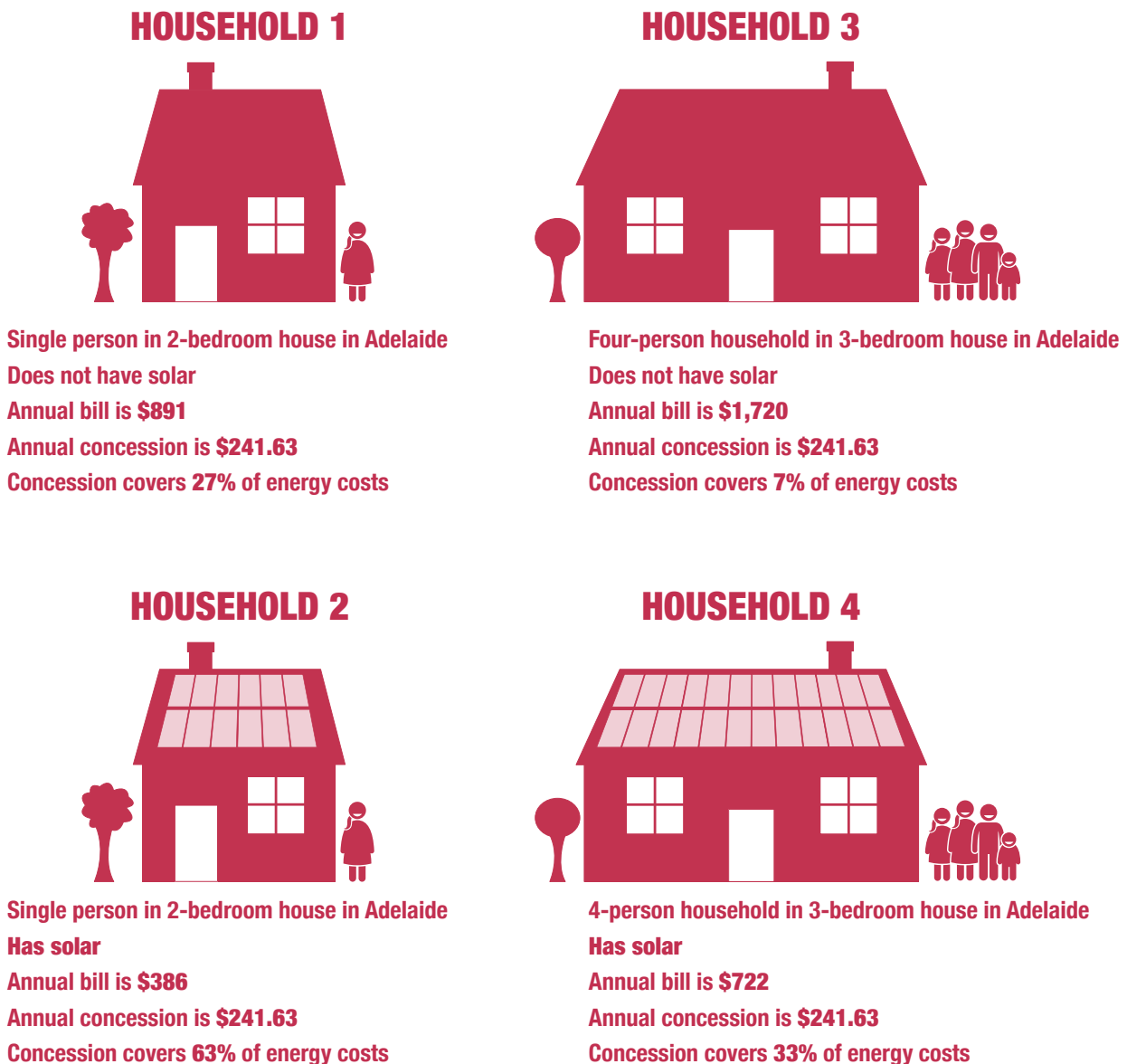
Households with high energy usage

Different households have very different energy usage needs:

- ▲ **Household size** – a household with children or extended family members, will probably have a bigger house, more appliances, much higher hot water consumption and more need for heating, cooling, and cooking energy than a pensioner couple or single with no dependents.
- ▲ **House condition** – a draughty house with no ceiling insulation and an old inefficient heater and air conditioner will cost a lot more to heat and cool than a house with good insulation and efficient appliances.
- ▲ **Specific needs** – an occupant with a chronic medical condition may have medical equipment or additional heating and cooling requirements that use extra energy.

Households with high energy usage needs get less support than those with moderate and low usage because a fixed-rate concession covers less of their total expenditure (see for example **figure 1**). This disproportionately affects Health Care Card (HCC) holders, who are more likely to be larger households with higher consumption than other concession households.

FIGURE 1 Household typology and outcomes of fixed rate energy concession



Households with rooftop solar

Households with solar usually get more value from fixed-rate concessions than those without because they have significantly lower bills than other concession recipients. Their solar panels supply some or all of their daytime electricity use (so they need to buy less from their retailer) and many get paid to export excess energy to the grid – which offsets some of the cost of the energy they do buy. Concession card holders with solar receive an effective rebate from fixed-rate concessions of between 39 and 100 per cent off their annual bills, depending on network area and jurisdiction (see **chart 1**).

Alignment with concessions principles

Adequacy and equity

Adequacy of energy concessions relates to whether the rebate is enough to make energy bills affordable for people that receive them. A full assessment of adequacy would require analysis of household incomes, expenditure, health outcomes and energy usage as well as different prices, appliances, and climates in different jurisdictions – all of which are out of the scope of the current project. But in its simplest form, adequacy would mean concessions provide sufficient support for a household’s electricity bills so that the remaining cost of the electricity they require to meet their needs is affordable. Fixed-rate concessions, giving every household the same dollar amount irrespective of usage, demonstrably fail on this, tending to give greater assistance to low-usage households (over-assisting those with solar) and under-assistance to households with higher energy usage needs.

With regard to the ACCC’s concern that percentage-based concessions (versus a hybrid of fixed and percentage), would result in disproportionate support between low-consumption and high-consumption households, it is worth noting that the current fixed rate arrangements already embed such inequities.

Chart 1 shows that in Victoria (where the percentage-based concession operates), there is greater equity between different types of concession cardholders.

CHART 1 The relative value of the current concession (excl. GST) for pensioners, Health Care Card holders, other card holders and concession recipients with solar based on average market offer as of October 2020, single rate, inclusive of guaranteed and pay on time discounts¹³

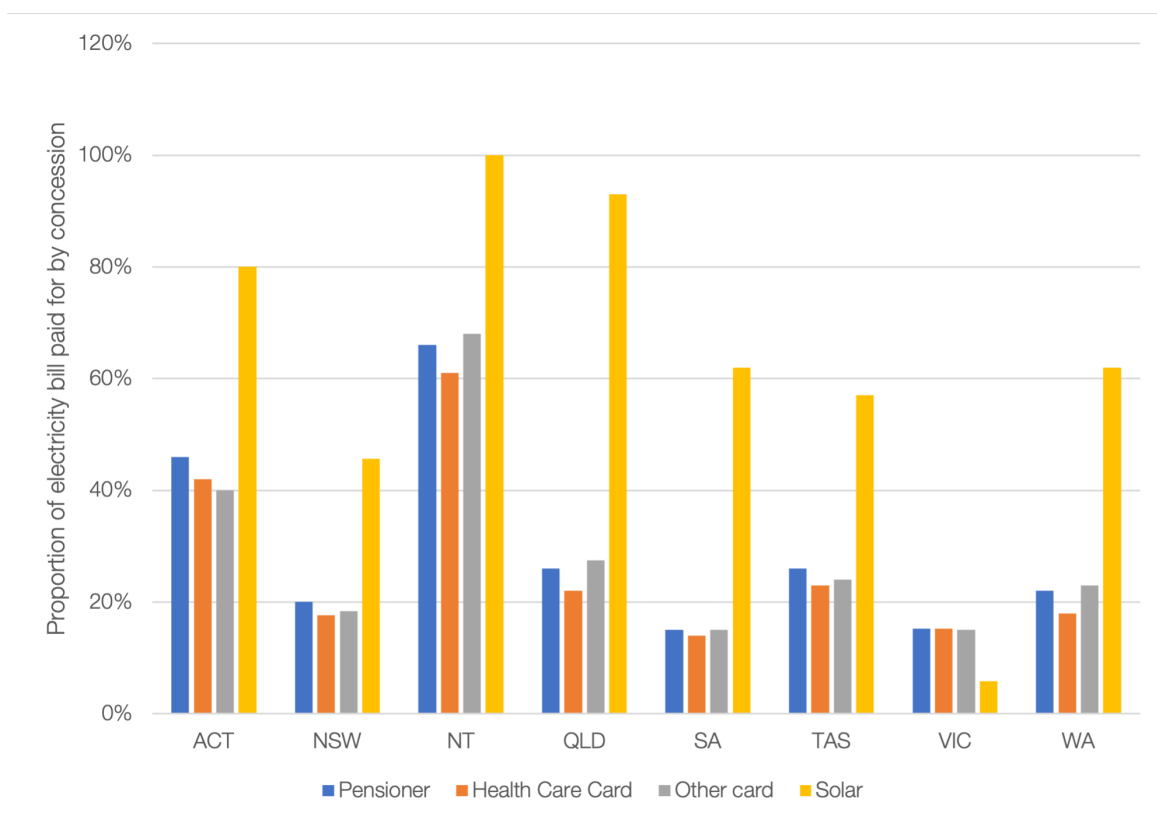


Chart: Alviss Consulting

¹³ Note that this assessment is based on average consumption for each of the concession types and that individual customers will have lower or higher consumption than the average.

Responsiveness

This project adds to evidence that current fixed-rate concession schemes are inequitable and limited in capacity to respond to price, usage, and technology changes. In the context of the ongoing energy market transformation, concessions reform may have a role in managing the impact of price shocks – which are likely to become more common – particularly for those already experiencing financial disadvantage.

A percentage-based concession “self-corrects” support relative to need as circumstances, the energy market, and technology change. For example, when energy prices increase the value of percentage-based energy concessions automatically increases, and then decreases when prices subside. Similarly, as more energy is used during winter months in southern states, percentage-based energy concessions adjust to the higher usage, helping people afford to stay warm and healthy in winter. A household installing solar or installing energy efficiency upgrades and thus reducing energy usage would require and receive less of an energy concession than before they installed it. The percentage-based rebate or concession, therefore, becomes a protective mechanism which can help manage the risks of the energy market transition for those most in need.

Availability and access

One of the jurisdictional inequities with current concessions schemes is eligibility.

- ▲ In all states, pensioners and veterans receive energy concessions.
- ▲ In most states, all Health Care Card holders are eligible; in some (such as NSW), only some are eligible.
- ▲ In some states, refugees and people seeking asylum are eligible.
- ▲ In some states, like Queensland, seniors card holders are eligible – this group includes seniors who are self-funded retirees and not low income.

While not a focus of the research, further work is needed to resolve jurisdictional inequities in eligibility for and access to concessions.¹⁴

Complementarity

Most jurisdictions have complex arrangements around additional concessions or rebates intended to provide support in varying circumstances. These include medical heating and cooling concessions, gas energy rebates, and winter energy concessions. In some jurisdictions, the primary energy concession covers both electricity and gas (e.g. ACT and SA), while jurisdictions like Victoria, Queensland and NSW have a separate concession scheme for electricity and gas (though often using the same eligibility criteria). Dual-fuel households are likely to have different usage profiles. Further research may be required to assess how percentage-based concession models complement other supports. It may be that an effectively designed percentage-based concession negates the need for separate schemes, and provides more efficient, responsive, and targeted support.

Impacts of alternative models

Given the clear finding that fixed-rate concessions and rebates entrench multiple inequities that make them unable to deliver on our concessions principles, the research considered two alternative concession models:

- ▲ A percentage-based concession that rebates a consistent percentage of the electricity bill (like the current Victorian concession, except applied to the entire bill rather than excluding the first \$14.30 per month, which disproportionately reduces the value to low consumption households).
- ▲ A hybrid concession that rebates a fixed amount on the supply charge and a percentage amount on usage (like the current NT concession).

The modelling found that a shift to a percentage-based or hybrid concession model improves equity across households, would be more responsive to changing prices and circumstances, and can lead to budget savings for states and territories.

¹⁴ Refer to Consumer Policy Research Centre, Mind the Gap – Identifying the gap between energy concession eligibility and concessions received, November 2022 (<https://cprc.org.au/mindthegap/>) for data on the extent of access barriers to utilities concessions and recommendations for improving access.



The level of savings depends on the level at which the percentage-based concession is set and the structure of the hybrid concession. This is largely due to allocative efficiency between low-consumption and high-consumption households – that is, some households may get less assistance than they currently get. These will be low-usage households – particularly solar households – who are currently over-compensated by fixed-rate concession. Nevertheless, the potential reduction in energy concession that some people currently get will be real and this impact on existing energy concession holders would potentially need to be managed during a transition.

The ACT concession

The ACT concession deserves special consideration because it is not just for electricity but also gas, water, and sewerage – though it is paid on the electricity bill. A percentage-based energy concession in ACT could be implemented on the electricity and gas component only while preserving a fixed rate for water and sewerage.



4. Benefits of percentage-based concessions

Our analysis shows that percentage-based rebates or concessions are best placed to deliver on achieving our objective and principles for energy concessions.

Percentage-based vs hybrid concessions

Percentage-based concessions are more equitable and responsive to change in both energy price and energy consumption than fixed-rate and hybrid concessions. For the percentage-based concession model, the distributional impact on different households depends simply on the percentage level at which the concession is set. Whether a hybrid concession model would advantage low-consumption households or higher-consumption households depends on the fixed versus variable combination: a high fixed component and a low variable component is better for low-consumption households, while a low fixed component and high variable component benefit higher consumption households.

Some stakeholders favour a hybrid concession because it helps preserve value for low-usage households (compared to the status quo), or because they consider it more aligned with tariff structures, which typically have fixed and variable components. But this becomes complex (and potentially inequitable) in jurisdictions with a high number of retailers and/or considerable diversity in energy offers. Different retailers have different supply charges and some have different supply charges on otherwise similar offers within their portfolios. Because of this, we consider hybrid concessions are not an optimal solution in meeting our objective.

A percentage-based concession, on the other hand, is both consumption and tariff structure agnostic – everyone gets the same percentage discount off the bill and the percentage itself can be determined by the budget and rebate objective alone.

Energy efficiency and solar programs combined with percentage-based concessions would reduce government expenditure

Because percentage-based concessions are proportionate to energy usage, governments can reduce expenditure by targeting energy efficiency programs at concession households, meeting multiple government objectives. One-off expenditure on thermal improvements, upgrading to more efficient appliances and installing rooftop solar on the homes of people on low incomes, reduces energy bills and improves health outcomes for vulnerable people, as well as reducing recurrent expenditure on energy concessions.

Budget impact of percentage-based concessions

We modelled the impact of the proposed hybrid and percentage-based concessions on total concessions expenditure in South Australia, NSW and South-East Queensland¹⁵ for the four categories of concession recipients and the aggregate expenditure on concessions overall. In all cases, concessions could be set at a rate that delivered similar or higher payments to all household types except solar households (who have significantly lower bills and therefore have less need for energy concessions), with greater increases for higher usage households and net savings on total concessions expenditure. A conservative estimate for a budget-neutral percentage-based concession is around 20% in NSW, 32% in South-East Queensland and 18% in South Australia. (These percentage levels were chosen due to their alignment with current expenditure levels – percentage concessions should be set according to the extent to which they meet recipients' needs as articulated in the scheme's objectives.)

TABLE 2 Impacts on concession assistance received and jurisdictional concessions expenditure of percentage concessions designed to achieve budget neutrality

Impacts on expenditure and level of assistance	NSW (20% conc.)	SE Qld (32% conc.)	SA (18% conc.)
Change to annual concession amount received			
Average Pensioner household	+\$4	+\$78	+\$48
Average Health Care Card household	+\$40	+\$154	+\$75
Average other card-holder household	+\$29	+\$55	+\$42
Average solar household	-\$160	-\$224	-\$164
Change to annual jurisdictional concessions budget	-\$4,795,796	-\$6,137,699	-\$1,223,499

¹⁵ Modelling was limited to these states as the detailed consumption data required for the level of analysis was only available in these jurisdictions.

5. Addressing potential issues with percentage-based concessions

Some stakeholders are concerned about the possibility of undesirable outcomes of percentage-based concessions, including the reduced level of assistance to low-consumption households, the lack of an incentive to reduce usage, and potential transitional issues. These are important issues to note but can be addressed with care.

Supporting customers with very low consumption levels

To assist households with very low consumption in the transition to a percentage-based concession, an additional concession could be introduced to ensure that customers do not pay more in supply charges than they do for electricity usage. This would be similar to the Victorian ‘service to property charge concession’: if the supply charge component of bills is greater than the usage charge, the supply charge is reduced to the cost of the usage. For solar customers, the concession is based on usage costs prior to any feed-in credits being applied. The modelling shows that for typical low-usage households in NSW, SE Qld and SA (using 1,000 kWh per year or less) who currently pay between \$180 and \$360 per year, a change to percentage-based concessions would increase their annual bills by \$150–\$200 per year. A service-to-property charge concession would reduce that by around \$130 (NSW and SE Qld) or \$45 (SA). In all three states, the additional cost to the concessions budget of doing this is less than the budget savings from a switch to percentage-based concessions.

CHART 2 Annual bills with current concession, percentage concession only (20% in NSW, 26% in SE Qld and 14% in SA) and percentage-based concession plus additional supply charge concession for customers using less than 1,000 kWh/annum

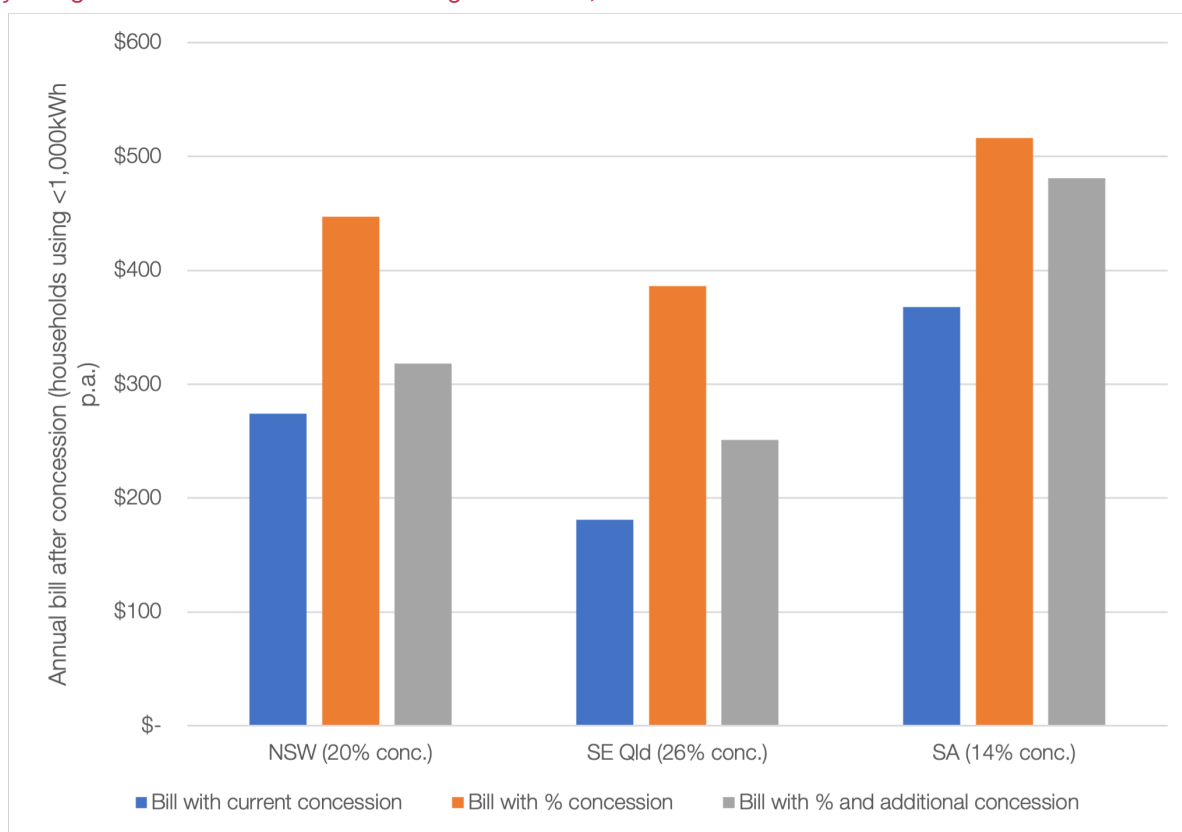


Chart: Alviss Consulting

Additionally, or alternatively, a percentage-based concession could have a minimum value that is paid if the percentage amount would be below it.

In the case where low consumption is due to households being dual-fuel, support could be provided to help these households shift off gas to avoid paying two network costs while also enabling access to more efficient and healthier appliances.

Discouraging high usage and avoiding budget blow-out

Common arguments against percentage-based concessions are that they provide no incentive to reduce consumption or introduce energy efficiency measures, and that they create uncertainty for government budgets. Placing a maximum cap on the annual concession amount (or a trigger for secondary assessment and support) can address these concerns. The research modelled a concessions cap of twice the current fixed rate and showed that a relatively low number of households would be impacted. On average, such a cap would only reduce support by between five and ten per cent compared to what would be received without a cap (noting they would still be receiving twice the current concession).¹⁶

It should be remembered that some households have high usage due to factors outside their control, such as old inefficient appliances they can't afford to replace, uninsulated rental houses, overcrowding or health needs. They may be unable to reduce usage even with an incentive. This is a reason for an excess electricity concession (such as Victoria's) where a household can apply to receive a concession above the cap, and such an application triggers government assistance with energy efficiency upgrades. Other jurisdictions have separate concessions for unavoidable high usage for some households, such as the Medical Heating and Cooling Concessions in South Australia and Victoria.

Grandfathering current concessions

Transitioning to percentage-based concessions will likely create some perceived 'winners' and 'losers' among current energy concession holders, as some households will get more under the new arrangements, and others less. It's important to recognise that this is a feature, not a bug. The new arrangements are designed to better meet need and correct inequities in current schemes that over-assist some households and under-assist others. A 'winners and losers' frame implicitly anchors current concessions as the default and ignores their inbuilt inequities. The efficacy of new concessions should be judged on the degree to which they make energy affordable and meet changing needs – in line with the concessions principles – not their value compared to the old model.

Nevertheless, for those that may experience a reduced energy concession, it will be unexpected and impact on budgetary decisions they may have made expecting they would receive a certain fixed income. A managed transition for these households could be implemented.

One approach that can help manage this transition is the grandfathering of current concession arrangements for existing concession card holders who will face price shocks. The research modelled two grandfathering options on a few different percentage concession rates in NSW, SA and SE Qld:

- ▲ **Option 1:** All concession card holders can opt-in to grandfather current concession rates.
- ▲ **Option 2:** Only non-solar concession card holders can opt-in to grandfather current concession rates.

If only households that are worse off under more equitable concessions are grandfathered, a budget neutral concession remains budget-neutral in SA and SE Qld, but drives a modest (11%) budget increase in NSW.

However, grandfathering in this way could be a short-term impact if the new more equitable and responsive concessions are applied to solar installs and new connections.

Another approach could be to de-increment grandfathered concessions over time to bring them in line with the new concessions.

As mentioned above, a better and more durable approach would be to align one-off government expenditure on thermal improvements, upgrading to more efficient appliances, fuel switching from gas and installing rooftop solar for low-income homes. This would help with transitioning and provide long-term benefits to both people on low incomes and government budgets.

We note New South Wales is offering energy efficiency upgrades in exchange for forgoing fixed energy concessions, which is problematic as the savings from upgrades are unlikely to be enough to make energy bills affordable by themselves. Such a trade-off is a serious risk for rebate households and would not be necessary under a percentage-based energy concession scheme.

¹⁶ Note the 'doubling' example was only chosen as an indication and that the level of a cap should be set at a level appropriate to the objective and wider design of the support – rather than an arbitrary amount.

6. Recommendations

To align with our concessions principles, the main energy rebates or concessions must respond to need. This means they should:

- ▲ Be targeted at people who need financial assistance with energy bills to afford sufficient energy to support their health and wellbeing.
- ▲ Pay people with high energy needs more than they pay those with lower needs.
- ▲ As a baseline, give the same degree of assistance irrespective household variance such as region or tariff structure, fuel mix (electricity only, or electricity plus gas), and whether a house has solar.
- ▲ Be easy to apply for and receive.

Based on the research underpinning this project, we believe a percentage-based rebate or concession set at an adequate level, with appropriate transition measures and commensurate to jurisdictional circumstances, is the best way to deliver energy concessions to people on low incomes.

Current energy concessions schemes are failing to prevent hundreds and thousands of people from falling into energy hardship where they experience energy deprivation, debt and disconnection. They are inadequate to meet needs, inequitable and are not responsive to changing household and energy market circumstances.

To prevent energy hardship, and ensure people have enough energy to support health and well-being we recommend the following.

Ensure energy concessions better meet needs

- 1) As part of the National Energy Transformation Partnership, Energy Ministers commit to working with Social Service Ministers, to undertake energy concessions reform appropriate to their jurisdictions to better meet people's energy needs and changing circumstances.

Ensure energy concessions are adequate, equitable and responsive

- 2) Energy Ministers should request the ACCC¹⁷ to model how percentage-based (or hybrid-based) energy concessions can be implemented across all jurisdictions. The analysis should be done within 6 months and include:
 - a. What quantum (%) is required to better meet need – adequate and equitable.
 - b. Ability to meet changing circumstances (including current and future price shocks) – responsive.
 - c. Possible transitional arrangements and complementary measures (including grandfathering, energy efficiency and solar retrofits, and other additional support needed by households unable to access solar).
 - d. Impacts on low-income households types of a,b and c.
 - e. Impact on government budget of a, b and c.

Ensure people in need of energy concessions are eligible and can access them

While the research summarised in this report did not specifically address the principles regarding access and eligibility, it is essential that progress is made to ensure those most in need of financial support to afford their energy needs, can and are accessing them. Analysis by the Consumer Policy Research Centre found that between 12 and 38% of people eligible for energy concessions are not receiving them.¹⁸ While some of the most vulnerable in our society are shut out of many safety nets and are not even eligible for energy concessions in some States and Territories.

- 3) Energy Ministers should work with Social Services Ministers to review and reform eligibility for energy concessions to ensure the inclusion of all people who need additional financial support to access enough energy to support health and well-being. This should explicitly include people on bridging visas and people seeking asylum who miss out on a range of other benefits. The review should include consultation with the community.

¹⁷ As part of its electricity market monitoring inquiry, the ACCC are required to publish 6-monthly reports until the end of the inquiry on 31 August 2025. The terms of reference includes the scope to make recommendations to government(s) to take any proportional and targeted action considered necessary to remedy a failure the market to deliver competitive and efficient electricity prices for customers. It is proposed that the next 6 month report focuses on concessions reform <https://www.accc.gov.au/system/files/EMM%20direction%2021%20August%202018.pdf>.

¹⁸ CPRC (2022) [Mind the Gap: identifying the gap between energy concessions eligibility and concessions received](#).

- 4) Energy Ministers should work with Social Service Ministers to do the following to improve access to energy concessions:¹⁹
- a. Conduct a coordinated review of energy concessions access to ensure people who are eligible for the energy rebates and concessions are receiving them. This review should be done in parallel to but separate from the review at recommendation 2.²⁰ The review should include an analysis of:
 - i. How many people are receiving full Commonwealth concession entitlements that current jurisdictional energy rebates and concessions are based on.
 - ii. What barriers prevent access – including what barriers prevent the Department of Social Services from linking new concessions cards, and what barriers prevent retailers and jurisdictional governments from helping eligible customers access energy concessions.
 - b. Work with energy regulators to conduct an ‘audit’²¹ to identify unnecessary friction consumers face when accessing and applying for utility rebates and concessions.
 - c. Adopt data sharing about concessions as a priority work area.²²
 - d. Require departments, regulators and energy retail businesses to implement default mechanisms to automatically apply, re-validate or roll-over concessions to reduce the administrative burden on consumers.
 - e. Require departments that administer concession and health care cards and energy retailers to increase awareness of energy concessions.
 - f. Ensure energy regulators require that energy bills more effectively and consistently communicate when concessions are applied.
 - g. Require energy retailers’ to systematically cross-check and apply entitlements for dual-fuel customers.

Preventive and complementary measures – improving income support payments and providing access to energy-saving technology.

There are policies federal and state governments can implement to prevent reliance on energy concessions.

Providing adequate incomes for people in income support payments above the poverty line, will contribute to bill affordability, and reduce energy debt, deprivation and disconnection

Government investment in thermal improvements, upgrading to more efficient appliances, and installing rooftop solar for low-income homes (including rentals and apartments) will reduce household energy usage and costs. Combined with a percentage-based concession there would be a long-term reduction in government expenditure on energy concessions, as well as ancillary benefits to health budgets.

- 5) The Federal Government should immediately lift income support to improve the capacity of people on low incomes to manage energy bills, including increasing Jobseeker, Youth Allowances and other income support payments above the poverty line, index payments to wages as well as CPI, and increase Commonwealth Rent Assistance.
- 6) Federal, State and Territory governments should co-invest in an efficient electric appliance, gas disconnection, thermal efficiency and solar upgrade program for low-income homes – including public housing, community housing, Aboriginal and Torres Strait Islander housing, low-income homeowners and low-income private rental properties.
- 7) Federal, State and Territory governments should review how green schemes (like solar feed-in-tariffs, Small-scale Renewable Energy Scheme (SRES) and Large-scale Renewable Energy Target (LRET)) are allocated to energy bills for fairness, transition and cost allocation, and explore ways to shift these costs off bills or offset the costs.

¹⁹ Drawing on recommendations from the Consumer Policy Research Centre made in their report Mind the Gap November 2022.

²⁰ We believe the Productivity Commission would be well placed to undertake this review.

²¹ Unnecessary frictions could include excessive or unjustified frictions, such as paperwork burdens, that cost time or money; that may make life difficult to navigate; that may be frustrating, stigmatizing or humiliating; and that might end up depriving people of access to important services.

²² This could include, for example, exploring with the intergovernmental Steering Committee for the Review of Government Service Provision (RoGS) the inclusion of energy concessions (and/or other energy efficiency and affordability related programs) within that annual comparative reporting regime: <https://www.pc.gov.au/ongoing/report-on-government-services/criteria-for-selecting-service-provision-sectors>.



Reforming electricity concessions to better meet need: Summary Report

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