

28 April 2021

Hon Ivan Dean MLC  
Chair  
Parliamentary Standing Committee of Public Accounts  
Parliament House  
HOBART 7000

Dear Chair

I refer to your letter of 31 August 2020 (ref: pac.inq.c19.cor.200831.QoNTasCOSS.ne.001) regarding TasCOSS' research on energy prices, following our appearance at the Public Accounts Committee hearing on 28 August 2020.

As you are aware, TasCOSS is focussed on energy affordability given it is a key concern for Tasmanians on low incomes. To better understand the key elements of affordability, we commissioned Goanna Energy Consulting to research and report on Tasmanian electricity prices compared to other jurisdictions on the mainland. As you requested, I am pleased to provide you with a copy of the consultant's final report.

This research shows that Tasmanians currently pay the highest electricity bills in the country, reflecting our high levels of electricity consumption driven by factors such as a relatively cool climate, a low penetration of natural gas and older housing stock with poor energy efficiency performance.

It also reveals that most customers in the National Electricity Market (NEM) have greater access to market offers as well as standing offers, with market offers resulting in electricity prices lower than Tasmania's regulated prices.

The report makes a number of findings in relation to prices and recommendations for addressing energy affordability for residential customers in Tasmania, including:

- Tasmanians pay the highest electricity bills in the country and historically have had high bills.
- The Government's promise of Tasmania having the lowest regulated electricity prices in the country by 2022 is not particularly meaningful to Tasmanian households. It would be more meaningful if the Government's aim was for Tasmania to have the most affordable and competitively-priced electricity in the country.
- Tasmanians' electricity bills can be reduced through a combination of lower electricity prices and lower electricity use/consumption.
- The delinking from Victorian wholesale prices and capping of residential electricity prices initially benefited Tasmanian households. However, with the significant reduction in Victorian wholesale market prices this policy is now costing households. Tasmanians are currently paying higher prices (than if linked to the Victorian wholesale market price), but prices have been more stable.

/2...

- Tasmania's electricity concession scheme is the second-highest by value in the country, significantly helping to reduce recipients' bills. However, concession customers' bills are the third-highest in the country.
- Tasmanian residential customers received less financial support with energy costs in response to COVID-19 than households in most other jurisdictions.

The report supports TasCOSS' Budget Priority Statement (BPS) on household energy efficiency (also attached), by identifying that households can lower their electricity bills by improving the energy efficiency performance of their homes. Our BPS proposes a bold investment in a range of measures to improve household energy efficiency and reduce electricity consumption, which will also boost job creation and economic stimulus in our local economy.

TasCOSS is committed to advocating for lower electricity prices and greater investment in household energy efficiency initiatives to help improve energy affordability for Tasmanian households, especially low income households.

If you would like further information, please contact Mr Stephen Durney, Senior Policy Officer, on 03 6169 9508 or [stephen@tascoss.org.au](mailto:stephen@tascoss.org.au).

Yours sincerely



Adrienne Picone  
CEO



**Household Energy  
Efficiency Initiatives:  
creating jobs, stimulating  
our economy and lowering  
power bills**

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**2021/2022**

**TASCOSS BUDGET  
PRIORITIES STATEMENT**



TasCOSS

INTEGRITY  
COMPASSION  
INFLUENCE



The Tasmanian Council of Social Service (TasCOSS) is the peak body for Tasmania's community services industry.

Our Mission is to challenge and change the systems, behaviours and attitudes that create poverty, inequality and exclusion.

Our Vision is of one Tasmania, free of poverty and inequality where everyone has the same opportunity.

This Budget Priorities Statement reflects the expertise of our members and advocates, research and analysis, and the lived experiences of energy consumers.

## EXECUTIVE SUMMARY

**Energy is an essential service — one that is fundamental to community, family, individual health and wellbeing and overall economic activity.**

This Budget Priorities Statement identifies household energy efficiency initiatives targeted to Tasmanians on low incomes as priority actions to improve energy affordability and lower power bills.

Investing in energy efficiency initiatives for low income households will create jobs, stimulate our economy in the post-COVID-19 recovery, lower emissions, help to achieve the State Government's renewable energy goals and improve the health and wellbeing of Tasmanians.

Our goals and recommendations build on the State Government's \$15 million public housing heating and energy efficiency initiative, through a bold program of investment in household energy efficiency that extends the benefits of energy efficiency upgrades

to Tasmanians on low incomes, regardless of whether they are in public housing, community housing, private rentals or owner-occupied homes.

**Our proposals will create around 4,000 jobs for Tasmanians, retrofit 85,000 Tasmanian homes with energy efficiency upgrades, save households over \$45 million every year on energy bills and inject an additional \$475 million into the Tasmanian economy.**

In Tasmania, around 59,000 households are experiencing energy poverty. Living in energy poverty forces low income households to restrict energy consumption by avoiding basic activities like showering and using heaters, as well as resulting in high proportions of income being spent on energy and the inability to pay other bills.

Priority needs to be placed on supporting Tasmanians with equitable access to affordable, safe and efficient energy all year round, regardless of their social or economic circumstances.



# KEY ISSUES

“Improving energy efficiency is one of the most cost-effective ways for households to take control of their energy use, reduce their energy bills, improve their health and help take action to combat climate change ... The Government will continue to help low income households lower their electricity bills by helping them invest in energy efficiency products for their homes.”

— TASMANIAN RENEWABLE ENERGY ACTION PLAN<sup>1</sup>

## Improving household energy efficiency

The average energy efficiency rating of existing homes in Australia is only 1.7 stars compared to 6.1 for new homes.<sup>2</sup> The energy efficiency standard for new homes is increasing to 7 stars in 2024. In Tasmania, existing dwellings have an average star rating of 4, with 65% of dwellings 3.5 stars or less. This compares to 99% of new dwellings since 2016 that have a star rating of 6 or above.<sup>3</sup>

Energy efficiency upgrades that will improve the star rating of housing can include, but are not limited to, reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), insulation, draught sealing, ceiling fans, appliance replacement, lighting and solar systems.

Improving housing energy performance has multiple benefits for people, the community, the electricity grid and governments.

## The benefits of energy efficiency initiatives

Investing in household energy efficiency initiatives for Tasmanians on low incomes will improve energy affordability, assist our COVID-19 recovery and support the State Government's long-term plan for:

- Lowering power bills and easing cost of living pressures,
- Job creation and economic stimulus,
- The Tasmania First Energy Policy,
- The Tasmanian Renewable Energy Action Plan; and
- Improved health and wellbeing.

## Emergence of household energy efficiency initiatives

State governments around Australia are making significant investments in enhancing the energy performance in residential housing and small businesses, particularly with a focus on renewable energy.

The State Government committed \$15 million in the 2020/2021 Tasmanian Budget for public housing heating and energy efficiency initiatives. In announcing this investment, the Treasurer, Hon Peter Gutwein MP, confirmed that energy efficiency initiatives “ease the cost of living pressures for our public housing tenants.”<sup>4</sup> The Minister for Housing, Hon Roger Jaensch MP, reiterated the public housing energy efficiency initiative will “ease the cost of living pressures for tenants, reduce emissions and create jobs.”<sup>5</sup>

The South Australian Government recently announced it would trial a “State Government backed project aimed at reducing energy use for hot water systems at peak times to help manage grid stability and lower costs” by “using solar to power hot water systems and support South Australia's energy grid.”<sup>6</sup>

1 State Government 2020, *Tasmanian Renewable Energy Action Plan*, Department of State Growth.

2 ACOSS 2019, proposal for a NLEPP: National Low Income Energy Productivity Program (Joint Proposal for Economic Stimulus Healthy & Affordable Homes), Appendix A.

3 CSIRO 2021, *States and territories — Australian housing data*.

4 Hon Peter Gutwein MP 2020, 2020/2021 Budget Speech, House of Assembly, 12 November 2020.

5 Hon Roger Jaensch MP 2020, Record investment in housing continues to help vulnerable Tasmanians, State Government media release, 12 November 2020.

6 Hon Angus Taylor MP 2021, *Using solar to power hot water systems and support South Australia's energy grid*, Federal Government media release, 6 February 2021.

The Victorian Government, in partnership with industry, invested in the Victorian Property Fund Environmentally Sustainable Housing Funding Round to assist registered community housing organisations to carry out a range of energy efficiency improvements to their properties, aiming “to improve the environmental sustainability of Victoria’s social housing, increase the thermal comfort of tenants’ homes, reduce utility bills for tenants and community housing organisations and lower carbon emissions.”<sup>7</sup> This project, supporting over 1,400 families in community housing tenancies to benefit from savings from energy efficiency retrofits, includes solar photovoltaic (PV) systems and battery installations resulting in emission reductions.

## Inequitable access to energy efficiency

Equitable access to the benefits of household energy efficiency is an important consideration, but is often denied for those on low incomes, renting or living in social housing.

Tasmanians on low incomes currently have access to the no-interest loan schemes (NILS) to invest in energy efficiency upgrades. NILS, and the funding committed to the scheme by Aurora Energy, is a valuable source of support for Tasmanians. However, this option is only suitable for households able to withstand the financial pressure of additional debt and repayments.

In most cases, the scheme is not appropriate for renters living in accommodation where energy efficiency products require the installation of permanent upgrades (such as draught reduction, heat pumps or insulation) and/or landlords are hesitant to act. TasCOSS is also aware, through advice from Renewables Tasmania, Aurora Energy and NILS, that available loan funds are being rapidly exhausted, leaving many households unable to access much needed support.

Increased State Government support and funding of energy efficiency initiatives for Tasmanians on low incomes is critical to ensure equitable access to energy savings and benefits for those Tasmanian households who need it most.

## Reducing energy poverty

Living in energy poverty forces low income households to restrict energy consumption by avoiding activities like showering, using heaters, spending high proportions of their income on energy or being unable to pay bills.<sup>8</sup>

An estimated 28% of Australian households face energy poverty.<sup>9</sup> In Tasmania, that equates to 59,000 households — or the entire northern region of the state — experiencing energy poverty.

TasCOSS considers energy an essential service — fundamental to community, family and individual health and wellbeing, as well as to overall economic activity. It is unacceptable that Tasmanians should have to make energy poverty-driven decisions.

In 2018-19 in Tasmania, more than 106,000 payment plans were put in place by our major energy retailer Aurora Energy.<sup>10</sup> While acknowledging these are not necessarily unique customers or customers experiencing hardship, these numbers do indicate a large proportion of customers need some form of assistance with managing their energy bills. This existing issue has been exacerbated by the COVID-19 pandemic as people have had their incomes reduced combined with more time spent in their homes. This has resulted in greater numbers of Tasmanians at risk of energy poverty with vulnerable groups such as pensioners, low income households and those with mental and physical illnesses at greater risk.

7 Community Housing Industry Association 2019, [Energy efficiency in the Victorian community housing sector](#).

8 Wilkinson, S, Morris, A & Porto VC 2020, [‘I can’t save money for potential emergencies’: COVID-19 lockdowns drove older Australians into energy poverty](#). The Conversation.

9 Brotherhood of St Laurence 2015, [Fuel poverty household income and energy spending: an empirical analysis for Australia using HILDA data](#).

10 House of Assembly 2019, Government Business Scrutiny Committee — Aurora Energy, Uncorrected Proof Issue, Parliament of Tasmania, 3 December 2019, p. 5.

# THE INVESTMENT

## Improving household energy efficiency

Household Energy Efficiency Program (HEEP) ..... \$125 million over four years

## Providing free and equitable access to customer energy data

Subsidising the cost of energy retailer digital apps ..... \$9.6 million over four years

## Extending existing COVID-19 energy support measures

Maintaining access to the Customer Support Fund ..... \$3.5 million in year one

**Total = \$138.1 million over four years**





# GOALS AND RECOMMENDATIONS

## 1. Improving the household energy efficiency of existing social housing, homeowners and rental properties

### The Proposal

The State Government establishes a Household Energy Efficiency Program (HEEP), co-funded with the Federal Government, that invests in energy efficiency upgrades for social housing, low income owner-occupied homes and rental properties.

These energy efficiency improvements would save low income households \$45.4 million on their power bills every year to spend elsewhere in the Tasmanian economy and contribute an additional \$475 million to the state's GDP.<sup>12</sup>

### The Investment

**\$125 million over four years.<sup>11</sup>**

The HEEP is targeted at low income households and will deliver:

- ✕ Investment in energy efficiency upgrades for all Tasmanian social housing, including public, community and Tasmanian Aboriginal housing (\$40 million).
- ✕ A grant program for homeowners to invest in energy efficiency upgrades to existing homes (\$120 million); and
- ✕ An incentives program targeted to landlords to improve the energy efficiency standard of existing rental properties (\$90 million).

TasCOSS estimates a total funding commitment of \$250 million across three program streams (see Table 1). We anticipate Federal Government co-funding of the HEEP a realistic possibility given national calls for increased federal investment in energy efficiency upgrades, however, the funding and implementation of HEEP should not be contingent on this co-funding. Where such funding is not provided, a similar scheme should be feasible with state funding which retains the focus areas outlined, albeit on a different scale.

The HEEP is estimated to generate jobs for 3,750 Tasmanian workers to retrofit 85,000 Tasmanian homes with energy efficiency upgrades. Retrofitted energy efficiency products can include, but are not limited to, reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), insulation and draught sealing, ceiling fans, appliance replacement, lighting and solar systems, where appropriate.

**Table 1: Estimated Program Costs and Savings**

Program stream	State Government investment	Federal Government co-contribution	Jobs created in Tasmania	Savings on energy bills in Tasmania	Economic stimulus in Tasmania
Social housing upgrades	\$20 million	\$20 million	600	\$5.35 million	\$76 million
Homeowner grants	\$60 million	\$60 million	1,800	\$16.05 million	\$228 million
Rental property incentives	\$45 million	\$45 million	1,350	\$24 million	\$171 million
<b>TOTAL</b>	<b>\$125 million</b>	<b>\$125 million</b>	<b>3,750</b>	<b>\$45.4 million</b>	<b>\$475 million</b>

<sup>11</sup> See Appendix A for full details of HEEP including costing assumptions.

<sup>12</sup> Ibid.

The HEEP will deliver a range of energy affordability, economic stimulus and wellbeing benefits including:

- ✦ **Lower power bills** — Cost of living pressures will be eased through \$45.4 million in savings on energy bills as a result of lower energy consumption and less energy waste due to more energy efficient homes.
- ✦ **Job creation** — Investment in energy efficiency initiatives is estimated to create 15 jobs for every million dollars of investment, resulting in 3,750 jobs estimated to be created for Tasmanians in training, auditing, installation, manufacturing and local retail.<sup>13</sup>
- ✦ **Economic stimulus** — \$250 million injected directly into the Tasmanian economy generating \$475 million in economic activity and creating jobs for Tasmanian suppliers and installers in every region of the state, together with energy cost savings of \$45.4 million every year generating additional economic activity.
- ✦ **Reduced emissions** — Through the replacement of inefficient wood, gas and other fossil fuel sources of heating with more energy efficient heat pumps.
- ✦ **Increased renewable energy outputs** — Expansion of solar installations will contribute to Tasmania's Renewable Energy Target of 200% by 2040.

- ✦ **Improved health and wellbeing** — Housing with poor energy efficiency performance is too cold in winter and too hot in summer, increasing health risks, especially for vulnerable residents and during extreme weather events. People are putting their health and wellbeing at risk when making the choice between going without heating or cooling to save money or foregoing food or medication to pay their energy bills. A recent study estimated that there are more cold-related deaths in Australia than Sweden primarily due to poor energy performance in homes.<sup>14</sup>
- ✦ **Reduction in homelessness and social inequity** — People on low incomes are more likely to live in energy inefficient housing and high energy bills can increase the risk of homelessness as tenants are often forced to choose between paying utility bills or housing costs.

**TasCOSS calls on the State Government to invest in the Household Energy Efficiency Program to lower power bills and improve energy affordability for Tasmanians living on low incomes, while creating jobs and stimulating our economy in this post-COVID-19 recovery.**

<sup>13</sup> IEA 2020, [Sustainable Recovery](#).

<sup>14</sup> Gasparrini, A et al. 2015, "Mortality risk attributable to high and low ambient temperature: a multi-country observational study," *Lancet*, vol. 386, p. 369.

## 2. Providing free and equitable access to customer energy data

### The Proposal

The State Government subsidises the cost of energy retailer digital apps that enable access to customer data, energy usage or costs (such as the *aurora+* product fee of \$40 per year) to ensure Tasmanian customers — in particular low income households — have free access to products and tools that help to manage their energy usage, costs and savings.

### The Investment

**\$9.6 million over four years.<sup>15</sup>**

In 2020, the state-owned company Aurora Energy launched its *aurora+* product to:

*“... Provide all residential customers with the option to gain a better understanding of their energy costs and conveniently be able to manage them via an app. The *aurora+* product makes energy easier for our customers by giving them visibility of their power usage, displaying hourly usage and costs every day.”<sup>16</sup>*

*Aurora+* gives customers the option to monitor their energy consumption as regularly as they like and make smarter choices about when they consume energy according to peak and off-peak tariffs, along with the ability to adopt flexible rather than quarterly payment options.

The product is, however, an opt-in paid service and for many customers the app fee is a barrier to adopting the technology and a barrier to consumer empowerment. As a result, the benefits of managing energy usage and saving power are only available to those customers who can afford the additional fees.

Aurora Energy recognises the app fee is a barrier to customers enjoying the benefits of consumer empowerment. Their disclosure to the Energy Charter stated:

*“We acknowledge feedback we have received that some Tasmanians are unable to access *aurora+*, including those that are unable to afford the opt-in product fee or who prefer to be on a different tariff.”<sup>17</sup>*

While it is laudable that in response to this Aurora Energy offers free access to *aurora+* to hardship customers on their YES program, it is likely that there are many low income households not in that program experiencing financial disadvantage who would greatly benefit from the savings on power bills accessible through *aurora+*.

Aurora Energy has previously provided a free, online portal for customers to access their personal energy and metering data. It has been replaced with a request-based interface where customers can request energy usage data up to four times a year. This process is an unnecessarily laborious one, disadvantaging energy consumers who cannot afford the *aurora+* product fee and preventing access to the savings associated with informed choices around energy use to those who need it most.

<sup>15</sup> See Appendix B.

<sup>16</sup> Aurora Energy 2020, *Energy charter disclosure*, p. 5.

<sup>17</sup> *Ibid.*

**TasCOSS calls on the State Government to enable free access to customers' own energy data by subsidising the fees charged by energy retailers to use their digital app products, such as the *aurora+* product fee. This subsidy should also extend to other energy retailers who introduce similar paid apps.**

**There are clear benefits to energy efficiency and affordability by providing customers with free and simple access to their energy data. With better access to information and tools, customers will be empowered to better manage their energy usage and costs to make savings on their power bills.**

In addition to empowering Tasmanians to reduce their energy bills, providing access to customer energy data would also go a long way to reducing 'bill shock' for many Tasmanian households — a troubling phenomenon that intensified during COVID-19.

Bill shock can occur because of estimated meter reads, increased consumption, lack of understanding of energy usage, or a combination. The fact that customers experience a 'shock' when they receive their power bill indicates they did not have the necessary tools, knowledge or understanding to differentiate between an estimate and an actual read, or visibility of their electricity usage to either adapt their usage or reasonably predict what their energy costs would be.



### 3. Extending existing COVID-19 energy support measures

#### The Proposal

The State Government ensures Aurora Energy is funded to extend existing COVID-19 energy support measures until at least 31 March 2022. This includes the moratorium on disconnections, freezing of debt and debt referrals, waiving of fees and charges and the Customer Support Fund.

#### The Investment

**\$3.5 million in year one.**<sup>18</sup>

COVID-19 has seen an unprecedented rise in Tasmanians experiencing hardship. There has been a significant increase in residential energy consumption with 30% of consumers surveyed by the Consumer Policy Research Centre (CPRC) spending more on energy in May 2020 than before the pandemic.<sup>19</sup> This has translated into greater concerns about paying energy bills, which increased over the course of the CPRC's study.

The State Government acted quickly to support Tasmanian electricity customers during COVID-19. Aurora Energy adopted the Australian Energy Regulator's Statement of Expectations that provided important protections for electricity customers — such as a moratorium on disconnections and freezing of debt and debt referral — as well as establishing the \$5 million COVID-19 Customer Support Fund. However, there is no certainty these protections will continue beyond the expiration of the Statement of Expectations (due 31 March 2021).

COVID-19 has resulted in hardship for many in our community. As a result, growing numbers of Tasmanians have sought out extra support to keep on top of their energy costs. Additional income support has been available through the Coronavirus Supplement, JobKeeper and a range of COVID-19 stimulus measures, such as the Economic Support Payment. However, these supports will be withdrawn by the end of March 2021, leaving tens of thousands of Tasmanian households exposed to increased energy vulnerability and poverty.

**TasCOSS calls on the State Government to extend COVID-19 energy supports to at least 31 March 2022, to ensure energy consumers are protected while the impacts of removing income supports are assessed. This will provide a glide path for residential consumers as the community inches towards greater confidence and certainty resulting from the rollout of COVID-19 vaccinations, an improvement in economic conditions and further improvement in the Tasmanian jobs market.**

**Such protection measures can have a deeply positive impact on the lives of Tasmanians experiencing hardship and at risk of energy poverty.**

<sup>18</sup> See Appendix C.

<sup>19</sup> Consumer Policy Research Centre 2020, Consumers and COVID-19: from crisis to recovery.

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**INTEGRITY  
COMPASSION  
INFLUENCE**



Tasmanian Council of Social Service Inc

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# TasCOSS 2021/2022 Budget Priorities Statement: Household Energy Efficiency Initiatives

Supplementary Figures and Tables



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## Supplementary Figures and Tables

### Appendix A: Household Energy Efficiency Program (HEEP) Streams and Costing

#### 1. Key Assumptions

The table below shows that were the full HEEP investment of \$250 million to be funded, TasCOSS estimates this would create 3,750 new jobs for Tasmanian suppliers and installers in every region of the state — a critical boost to a labour market which during to the COVID-19 pandemic experienced unprecedented volatility.<sup>1</sup> Additionally, low income households would save more than \$45 million every year on their energy bills, with these savings available to be reinvested back into the local economy. The HEEP would generate an additional \$475 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

Combined with the bill savings, the HEEP provides for an economic benefit of more than \$520 million to Tasmania's economy, in addition to lowering energy bills, supporting Tasmania's renewable energy goals and improved wellbeing.

Program stream	Number of houses	Average upgrade cost	Total investment	Bill savings <sup>2</sup>	Jobs created	Economic stimulus
Social Housing Upgrades	10,000	\$4,000	\$40,000,000	\$5,350,000	600	\$76,000,000
Homeowner Grants	30,000	\$4,000	\$120,000,000	\$16,050,000	1,800	\$228,000,000
Rental Property Incentives	45,000	\$2,000	\$90,000,000	\$24,075,000	1,350	\$171,000,000
<b>TOTAL</b>	<b>85,000</b>	<b>—</b>	<b>\$250,000,000</b>	<b>\$45,475,000</b>	<b>3,750</b>	<b>\$475,000,000</b>

#### *Average cost of energy efficiency upgrade*

The Australian Council of Social Service (ACOSS) estimates an average cost of around \$4,000 per dwelling for retrofitted energy efficiency upgrades, acknowledging some will need more or less investment depending on existing energy performance.<sup>2</sup> Retrofitted energy efficient products could include, but are not limited to: reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), draught sealing, ceiling fans, insulation, appliance replacement, lighting and solar photovoltaic (PV), where appropriate.

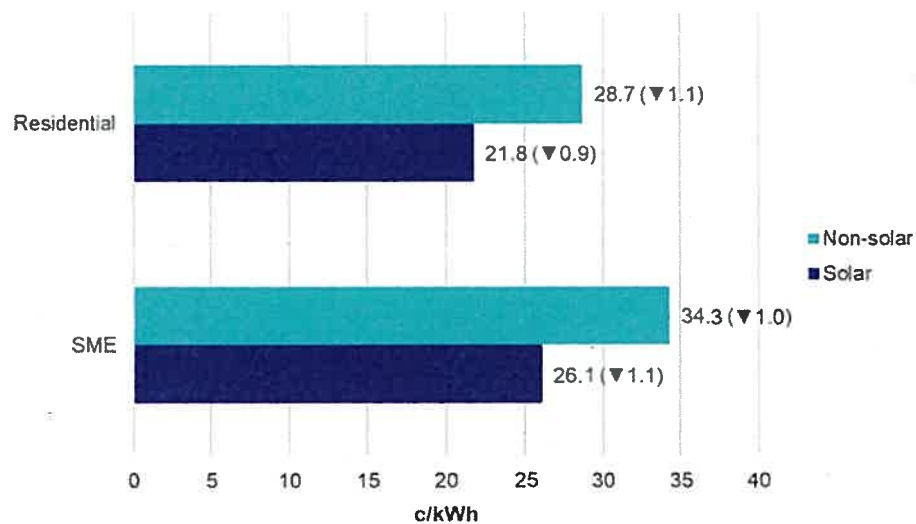
#### *Solar installation*

Installation of solar PV systems have been shown to significantly reduce energy costs, on average, by 24% for residential housing as shown in Figure 1. In addition to lower bills supported by feed-in tariffs, solar PV systems feed unused electricity into the grid. This solar generation has the additional benefit of contributing to Tasmania's renewable energy goals including the Tasmanian Renewable Energy Target.

<sup>1</sup> Nahum, D & Stanford, J 2020, [Year-End Labour Market Review: Insecure work and the COVID-19 pandemic](#), Centre for Future Work.

<sup>2</sup> ACOSS 2019, proposal for a NLEPP: National Low Income Energy Productivity Program (Joint Proposal for Economic Stimulus Healthy & Affordable Homes).

**Figure 1: Median effective prices paid by solar and non-solar customers in 2019 Q3 (change from 2018 Q3)<sup>3</sup>**



### Bill savings

The 2020 Australian Competition and Consumer Commission (ACCC) Inquiry into the National Electricity Market found that nationwide, hardship and payment plan customers used more electricity from the grid in 2019 than other residential customer groups. These groups were least likely to have energy efficiency measures and faced heightened financial risks. While hardship and payment plan customers technically faced lower effective prices (due to concessions and other rebates), their higher usage due to low energy performance housing meant that their median annual bills in 2018–19 were up to 53% higher than the median annual bill for residential customers.<sup>4</sup> These data indicate that enhanced energy performance resulting from efficiency upgrades could save customers approximately \$535 per annum on bills.

### Jobs created

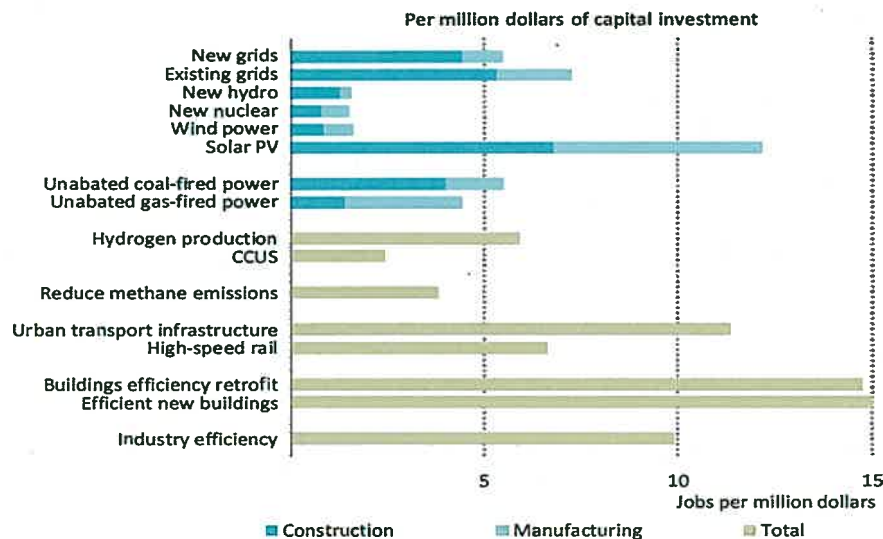
The International Energy Agency (IEA) estimates that 15 jobs are created for every \$1 million spent on energy efficiency upgrades on existing buildings, some of the largest numbers of jobs per unit of investment in the energy sector (see Figure 2).<sup>5</sup>

<sup>3</sup> Australian Competition and Consumer Commission 2020, [Inquiry into the National Electricity Market](#) — Supplementary Report

<sup>4</sup> Ibid.

<sup>5</sup> IEA 2020, [Sustainable Recovery](#).

**Figure 2: Construction and manufacturing jobs created per million dollars of capital investment and spending by measure<sup>6</sup>**



### Economic stimulus

In terms of overall economic activity, a study looking at the overall economic impact of energy efficiency investments in eight American states found that for every dollar invested \$1.90 was added to the state's GDP.<sup>7</sup> Using this metric, the HEEP would inject an additional \$475 million to our economy.

### Co-funded investment

TasCOSS encourages the State Government to seek co-investment with the Federal Government to provide matching funds for the HEEP. Given the former COAG Energy Council agreed to a Trajectory for Low Energy Buildings — a national plan that sets a trajectory towards zero energy (and carbon) ready buildings, including existing homes — we believe there is a joint responsibility for investment in energy efficiency upgrades, affordable energy and healthy homes.

However, the funding and implementation of HEEP is not contingent on co-funding, with the State Government able to fully or partially implement this scheme.

## 2. Social Housing Upgrades

Social housing occupants (including in public, community and Tasmanian Aboriginal housing) experience high levels of financial and related disadvantage. Managing energy usage and power bills in social housing can mean making hard decisions which affect wellbeing, as described here by one Neighbourhood House employee on the West Coast of Tasmania:

*"... A lot of people would ration power. The average electricity bill around here is minimum of \$900 for the quarter, for only a few small heaters — that's \$75/week just for heat. Many houses are not insulated and have holes in the walls, so people will only heat one small part of house and only heat at night. Electricity bills usually*

<sup>6</sup> IEA 2020, *Sustainable Recovery*.

<sup>7</sup> Southeast Energy Efficiency Alliance 2013, [The Economic Impact of EE Investments in the Southeast](#).

*lead to a flood of people needing assistance from the [Neighbourhood] House and there's never enough money to help them."*

TasCOSS proposes an expansion of free energy audits (currently offered by TasNetworks) for all social housing stock. This would contribute to the aims of the former COAG Energy Council's Trajectory for Low Energy Buildings, to test rating tools and build a database of the energy performance of Australian housing stock. Based on audit recommendations, social housing should be retrofitted with energy efficiency upgrades as described above.

### *Costing*

Recent numbers put the social housing stock in Tasmania at around 13,000 dwellings, of which approximately 7,000 are Housing Tasmania stock, 6,000 are community housing and 300 are Tasmanian Aboriginal social housing.<sup>8</sup> Accounting for a percentage of houses that may already be energy efficient, we estimate about 10,000 properties would meet the criteria for an energy efficiency upgrade. Per the costing assumption above of \$4,000, we estimate an investment of approximately \$40 million over four years.

This investment of \$40 million is estimated to create 600 new jobs for Tasmanians and \$5.35 million in bill savings every year for households to spend in other areas of our economy, as well as an additional \$76 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

### **3. Homeowner Grants**

Where household energy performance is poor, homeowners on low incomes are likely to be using a large proportion of their income to pay utility bills, thus having to either sacrifice wellbeing by reducing energy consumption or making cuts on spending elsewhere. This was a commonality among Tasmanians consulted during the 2020 TasCOSS Good Life project:

*"I don't use the heater — it's too expensive. It's ridiculous."*

*"I still have to be so careful with money. Energy is the key expense. I have to be very careful with power use."*

TasCOSS proposes a grant program be established to enable homeowners on low incomes to access energy audits, energy efficiency upgrades as described above and solar PV installations. We acknowledge opportunities provided to support energy efficiency upgrades through other schemes, including NILS, Tasmanian Energy Efficiency Loan Scheme (TEELS) and PowerSmart Homes. However, there is still likely to be a large proportion of homeowners on low incomes who have not accessed, or are ineligible for such programs.

### *Costing*

According to ABS 2016 Census data, TasCOSS estimates there are around 40,000 homeowners on low incomes in Tasmania (income of \$800/week or \$41,600/year).<sup>9</sup> Accounting for a percentage of households that may already be energy efficient or have accessed previous schemes, we estimate about 30,000 houses would meet the criteria for an energy efficiency upgrade. Per the costing assumption above of \$4,000, we estimate an investment of approximately \$120 million over four years.

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<sup>8</sup> Housing Tasmanian data request, 18 September 2019.

<sup>9</sup> Australian Bureau of Statistics 2016, Census TableBuilder.

This investment of \$120 million is estimated to create 1,800 new jobs for Tasmanians and \$16.05 million in bill savings every year for households to spend in other areas of our economy, as well as an additional \$228 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

#### 4. Rental Property Incentives

Renters in the private rental market may experience barriers to accessing energy efficiency schemes. The median rent for a home in Hobart has risen 27% over the past three years. Tenants in the private rental market are, on average, spending more than a third of their household income on housing (the highest percentage of any capital city).<sup>10</sup> Housing stress forces people to choose between basic needs — whether to pay a bill, pay the rent or eat healthy food. As one community member told TasCOSS:

*“My daughter in law got herself into trouble because she couldn’t pay the Aurora [Energy] bill. She ended up cut off from Aurora because she couldn’t afford the rent plus bills. She was offered a payment plan, but it was still over a thousand dollars she had to find. She didn’t want to ask for help. She’s a young mum and wanted to prove that she could do it on her own. Eventually she moved in here with me.”*

TasCOSS proposes existing rental properties be retrofitted with energy efficiency upgrades. To support landlords to comply and ensure costs are not passed on to renters, financial incentives should be offered to landlords to encourage investment and uptake. Specifically, TasCOSS recommends the State Government offer to co-fund with landlords the cost of upgrades through grants of up to \$2,000 for each rental property administered over the next four years. To be eligible, landlords must demonstrate having undertaken an energy audit of their existing rental property(ies) and provide an estimated cost for the retrofitting energy upgrades, of which the government grants will fund half (up to \$2,000 based on the above estimated costing assumptions of approximately \$4,000 per dwelling).

As this incentives scheme rolls out over 2021-25, priority should be given to those landlords who demonstrate their tenants hold a concession card. To prevent an unintended consequence of renters on low incomes facing increased rents following the upgrades, TasCOSS endorses ACOSS’s NLEPP recommendations of restricting the level of rent on the property for two years at either:

- a) Rent at the time of accepting the grant plus CPI; or
- b) An assessed market rent for the property, whichever is lower.

This limitation on rental price increases should be combined with a commitment by landlords that the property continues to be leased to the existing tenants on low incomes for at least three years. Where further support for landlords may be needed, we recommend TEELS also be reinstated to further support landlords and other Tasmanians to upgrade their household energy performance.

#### Costing

Using ABS 2016 Census data, TasCOSS estimates there are around 55,000 rental properties in Tasmania.<sup>11</sup> Accounting for a percentage of properties that may already be energy efficient and/or landlords choosing not to access the scheme, we estimate about 45,000 dwellings accessing an incentive to retrofit energy efficiency upgrades. Per the costing assumption above of \$2,000, we estimate an investment of approximately \$90 million over four years.

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<sup>10</sup> University of Tasmania 2019, [Tasmanian housing update](#).

<sup>11</sup> Australian Bureau of Statistics 2016 Census, TableBuilder.

This investment of \$90 million is estimated to create 1,350 new jobs for Tasmanians and \$24 million in bill savings every year for renters to spend elsewhere in our economy, as well as an additional \$171 million of economic activity to stimulate our economy in the post-COVID-19 recovery.

## Appendix B: Retailer Digital App Subsidy

The State Budget allocation of \$9.6 million over four years is based on the following estimates and assumptions:

Aurora Energy currently charges \$40 per year (11 cents per day) for its *aurora+* digital app. In a submission to the Australian Energy Market Commission in February 2021, Aurora Energy advised there are over 85,000 advanced meters installed across Tasmania with more than 27,000 customers using the digital product *aurora+*.<sup>12</sup> This equates to a penetration rate of around 32% of advanced meter customers using the *aurora+* app. Aurora Energy further advised its rollout schedule for advanced meters over the next year is 6,000 per month.

With a penetration rate of 32% and a rollout schedule of 72,000 advanced meters per year, we estimate the subsidy required as:

Year	Number of advanced meters	Penetration of digital app customers	Current value of annual app fees	Annual cost
1	85,000	27,000	\$40	\$1,080,000
2	157,000	50,240	\$40	\$2,009,600
3	229,000	73,280	\$40	\$2,931,200
4	280,000	89,600	\$40	\$3,584,000
<b>TOTAL COST</b>				<b>\$9,604,800</b>

*NB: This State Budget allocation is the value of the subsidy to Aurora Energy for providing free access to its *aurora+* digital product. This estimate does not take into account an expansion of digital products by other energy retailers into the market or a higher rate of digital app penetration.*

<sup>12</sup> Aurora Energy 2021, [Australian Energy Market Commission submission](#).

### Appendix C: Extending COVID-19 Energy Support

The State Budget allocation of \$3.5 million is based on the following estimates and assumptions:

Aurora Energy established a \$5 million Customer Support Fund to help customers pay their energy bills during the pandemic, through bill relief, waiving fees or charges and freezing debt, in addition to a range of other support measures. Other support measures included a moratorium on disconnections in accordance with the Australian Energy Regulator's (AER) Statement of Expectations.

Advice from Aurora Energy to its Community Consultation Forum on 12 February 2021 was that after 11 months in operation, the Customer Support Fund had \$3.5 million remaining to be expended. The AER's Statement of Expectations is due to end on 31 March 2021 and there is no certainty customer protections will be extended beyond that date.

TasCOSS proposes the 2021/2022 State Budget makes funding available to Aurora Energy to continue supporting customers experiencing financial difficulty through to 31 March 2022. This includes extending existing COVID-19 energy support measures and protections under the AER's Statement of Expectations, in particular the moratorium on disconnections and freezing of debt and debt referrals.