



**Australian Energy Market Commission:  
*Review of the Effectiveness of Competition  
of the Electricity Market in the ACT***

**September 2010**

## About ACTCOSS

ACTCOSS acknowledges that Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage they have suffered as a result of European settlement. We celebrate Aboriginal and Torres Strait Islander cultures and ongoing contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory.

ACTCOSS is a member of the nationwide COSS network, made up of each of the state and territory Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' objectives are a community in which all people have the opportunities and resources needed to participate in and benefit from social and economic life and the development of a dynamic, collaborative and viable community sector.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the Community Services Program (CSP) which is funded by the ACT Government.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

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## Introduction

As a voice for people experiencing disadvantage in the ACT, ACTCOSS has significant concerns regarding excessive competition in the energy market. There are many Canberrans experiencing disadvantage, who may be negatively affected by increasing competition in the electricity market. Competition in the market rarely offers improvements in services or pricing for people experiencing disadvantage.

ACTCOSS is concerned the language and content in the *First Draft Report* appears to presume disadvantage is insignificant in the ACT. According to the report, many retailers find the ACT to be an attractive market for electricity as the average weekly income is quite high. Retailers perceive a higher average income could imply a greater propensity to consume electricity. Retailers were also further attracted to the ACT energy market as there is a large demand for electricity in winter.

## Low Income Households in the ACT

It needs to be noted there are a substantial number of families struggling financially. According to the 2008 study by the National Centre for Social and Economic Modelling (NATSEM) *Expenditure of High Low-Income Households in the ACT*, on average people on low-incomes already spend 64% more of their proportionate income on electricity.<sup>1</sup> A 2008 report by the ACT Chief Minister's Department (CMD) *Social Impacts of Climate Change in the ACT* also examined the number of low income households in the ACT. According to this study, there were approximately 20,000 low income households in the ACT earning less than \$650 a week. In 2008, this equated to 17% of all households.<sup>2</sup> In addition, relatively high incomes in the ACT means Canberra can be an expensive place to live as a buoyant local economy creates high living costs.

The extra costs of electricity correlate with the extremes of the Canberra weather. In winter the average low temperatures hover between 1 and -1.<sup>3</sup> An extra cost burden for people experiencing disadvantage in the ACT, it is a situation which is likely to worsen. One of the expected impacts of Climate Change is the increase in extreme weather patterns. Recently, the Bureau of Meteorology stated the Canberra winter of 2010 was the coldest in 10 years.<sup>4</sup> Energy expenditure may be more people experiencing, disadvantage as they are likely to live in homes which require more energy to run and use less energy efficient appliances.

While certain families and individuals in the ACT are eligible for government concessions, the rate of concessions is insufficient. The 2010-2011 ACT Budget saw the concessions rate increase by \$20 per year.

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<sup>1</sup> NATSEM, *Expenditure of Low Income Households in the ACT*, 2008, p.5.

<sup>2</sup> ACT Chief Minister's Department, *Social Impacts of Climate Change in the ACT: Final Report*, 2008, p. ix

<sup>3</sup> Bureau of Meteorology, *Climate Statistics for Australian Locations-Canberra Airport Comparison*, <[http://www.bom.gov.au/climate/averages/tables/cw\\_070014\\_All.shtml](http://www.bom.gov.au/climate/averages/tables/cw_070014_All.shtml)>

<sup>4</sup> ABC News, *Coldest Canberra Winter in a Decade*, <http://www.abc.net.au/news/stories/2010/08/31/2998190.htm>

While this increase in the concession results in a 14% increase since 2004-05, electricity prices have grown on average by 23% over the same period.

## The market and regulation

Electricity benefits of a market need to be spread equitably across the ACT and not increase the divide between the more affluent sectors of society and those experiencing disadvantage. The first issues paper released by the AEMC explains certain customers may be unable to participate effectively in the in the competitive retail electricity market due to temporary or financial hardship. This is an issue for the ACT as people experiencing disadvantage do not have the financial capacity to participate in 'bundled' schemes where discounts are offered if three or more services are used from the same company.

The ACT Civil and Administrative Tribunal submission to the ACT Government's *Draft Sustainable Energy Policy 2010-2020* argued

Creating an unnecessarily high TFT price so that energy companies can compete by offering a lower price than the TFT will have a significant adverse financial impact customers, and in particular vulnerable householders who are less likely to be able to take advantage of competitive programs.<sup>5</sup>

Price regulation is a mechanism to address existing market failure and the inability of customers experiencing disadvantage to participate effectively in the energy market. Regulation of the electricity market should be used to create circumstances where market forces are more likely to operate efficiently and equitably

## Conclusion

It is important to respond to the needs of utility consumers, and ensure any changes to the process do not disproportionately affect low income households. The climate in Canberra, coupled with energy inefficient residences for people experiencing disadvantage raises an additional concern over dependence on the market's effectiveness. A regulated energy market remains an integral part of the protection mechanisms for low income households.

ACTCOSS welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) *Review of the Effectiveness of Competition of the Electricity Market in the ACT* and looks forward to the outcome of the Review.

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<sup>5</sup> ACAT, *Submission to the Draft Sustainable Energy Policy 2010-2020*, March 2010, p.3.