

Ministerial Council on Energy

Energy Community Service Obligations

National Framework

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Purpose

This paper is the Ministerial Council on Energy's response to the request from the Council of Australian Governments for a national review of energy community service obligations (CSOs) and advice on a 'best practice' framework to act as a guide for the design and application of CSOs in the energy sector. The MCE recognises, however, that the implementation of any potential CSO is best dealt with on a case-by-case basis by jurisdictions.

After a brief introduction, including an outline of the energy sector, the paper outlines nine key principles to ensure the best practice design and operation of CSOs.

Introduction

Energy is an essential service that plays an important role in maintaining Australians' living standards. As such it is important that consumers should have access to a supply of energy. In order to facilitate the provision of energy to vulnerable customers, Governments can create a range of CSOs to assist those in need.

The MCE considers that energy CSOs are services that Governments require energy businesses to provide to sections of the community to fulfil Government social policy objectives.¹ Typical energy CSOs include rebates for pensioners and concessions for people on life support but do not include income support or other payments made directly by Government to consumers.

Governments can ensure the delivery of energy CSOs by a range of mechanisms. Some of the most common mechanisms used are subsidies to retailers for providing non – commercial services and concessions on bills for classes of customers to assist them to pay energy bills.

State and Territory governments are responsible for delivering energy CSOs. To date governments have relied on general jurisdictional guidelines for the development of energy CSOs.

The 2007 Energy Reform Implementation Group (ERIG) Report recommended that the Council of Australian Governments (COAG) conduct a review of

¹ This definition is based on a definition used in a 2002 NCC staff discussion paper *Competitive Neutrality: scope for enhancement*, <http://www.ncc.gov.au/pdf/PIReCn-001.pdf>, p31

energy CSO mechanisms. In its response to ERIG of 13 April 2007 COAG asked the Ministerial Council on Energy (MCE) to:

undertake a national review of energy CSO mechanisms with a view to developing a consistent national framework which efficiently targets those in need, while recognising that responsibility for delivering any community service obligations remains a matter for individual jurisdictions.

After reviewing jurisdictional guidelines for the implementation of CSOs and current energy CSOs,² the MCE has developed a national framework for energy CSOs to guide the development of future CSOs. This framework is designed as a best practice guide to the development of a consistent, efficient and transparent approach to energy CSO mechanisms. The intention is to ensure that CSOs are delivered effectively to those in need and with the least distortion of the market for energy.

² see Attachment 1

The Australian Market for Energy

Energy Law and Policy

In considering whether to provide a CSO through an energy retailer, it is useful to recognise the environment in which it would operate. A central goal of energy policy, embodied in the National Gas and Electricity Objectives, is to ensure that the regulatory, institutional and governance arrangements are designed to facilitate efficient investment, operation and usage decisions in the sector in order to improve the efficiency, price and reliability of energy services for the benefit of the Australian economy and the wellbeing of all Australians. The reliable supply of energy at the lowest sustainable price is important for consumers and is a major competitive advantage of the Australian economy.

The National Gas and Electricity Laws and their accompanying rules are designed to achieve these goals by facilitating the efficient economic regulation of energy businesses. Importantly, efficiency objectives are central to both laws. From 1 July 2008 the National Gas Law will apply in all Australian states and territories (with the exception of Western Australia where it is expected to commence in September), while the National Electricity Law will continue to apply in all states and territories apart from Western Australia and the Northern Territory which have separate electricity regulation.

Nature of Energy Supply

To be helpful, any discussion of the design and operation of an energy CSO requires at least a rudimentary understanding of the structure of the supply side of the energy market. This is because energy CSOs may variously impose obligations on the different entities that are responsible for energy supply.

Generally there are several parties that together supply a consumer with its energy. For both electricity and gas the consumers' primary relationship is with their retailer and in most jurisdictions customers may choose their retailer.

In some cases consumers also have a relationship with their distributor who provides the physical infrastructure to allow energy to be supplied to their property. Distribution is a natural monopoly service so consumers cannot choose their distributor. Retailers pay the distributor the network charges (distribution use of system charges which include a transmission component)

assigned for each customer according to the tariff assignment rules. Network charges are regulated under the National Electricity and Gas Laws.

Retailers buy electricity and gas from generators and producers respectively at unregulated wholesale prices and sell it to consumers bundled with the network charges.

The price that appears on the consumer's bill is made up of the retailer's costs (around 10 – 20%), the cost of buying the energy (around 30%) and network supply charges that the retailer pays to transmission and distribution networks (between 50 and 60%).

The Role of CSOs

Governments have established energy CSOs to both address concerns about possible market failures and pursue specific social policy objectives. For example, customers in areas with a dispersed population may be unable to meet the costs of investment in infrastructure. Recognising the needs of these customers, a government may require energy businesses to provide the infrastructure and supply on a non-commercial basis and compensate them by providing CSOs. Some customers may have characteristics, such as a need to use certain medical equipment at home, which cause them to have a higher usage than others. In this case, governments may require suppliers to support these customers with measures to reduce the cost of the energy consumed. Appropriate classes of consumers to target energy CSOs at may include holders of Government issued pension and concession cards.

Regulation of the energy sector is directed to maintaining effective markets and efficient investment in and consumption of energy. This is intended to benefit energy supply businesses, end-users and the economy generally. Government policies and programs which impact on the energy market need to be designed so as to avoid negative impacts on these energy policy goals.

Energy supply is considered to be an essential service and vital to the maintenance of the standard of living of individuals and households. Governments are concerned to avoid the outcomes a loss of supply due to inability to pay (or a refusal to supply) electricity or gas can have on residential users. These outcomes are numerous but include negative impacts on:

- physical and mental health of consumers;
- physical safety;
- employment of individuals;

- education; and
- household financial circumstances as other costs are incurred as a result of a loss of supply of energy.

For these reasons governments have designed and implemented CSOs specific to energy and the situation of certain groups of consumers as users of energy. These CSOs may operate alongside other CSOs or government transfer payments to particular groups of consumers. For example, pensioners may receive a generalised payment from a government or concessions for services such as public transport. However, in many cases governments have chosen to address the costs faced by these consumers relating specifically to their consumption of energy. That is, an energy-related CSO may be implemented which is directed solely at the energy bills of those consumers.

However, as energy reform continues and the competitive market matures it is possible that existing CSOs will need to be reformed or substituted with other measures. If CSOs are to continue to operate in a way which provides benefits to their recipients with minimal impact on the energy market or effect on energy producers and consumers more generally it will be important for governments to review the needs of recipient groups and the design of CSO programs.

This framework is designed to assist that continual evolution and ensure that CSOs complement rather than contradict the goals of an efficient energy market that operates for the long term interests of consumers.

Principles

In the Australian Energy Market Agreement (AEMA), First Ministers agreed that:

Social welfare and equity objectives will be met through clearly specified and transparently funded State or Territory community service obligations that do not materially impede competition.

The Ministerial Council on Energy, in reviewing jurisdictional mechanisms for delivery of energy CSOs, has developed principles to guide the future development and implementation of energy CSOs.

These principles are designed to implement the commitment made by First Ministers in the AEMA:

1. *Energy CSOs should only be used if the service would not be in the commercial interests of an energy business to provide, or if it would only be provided commercially at higher prices than would be consistent with government social welfare policies.*

An energy CSO relates to the provision of non – commercial services that Government requires energy businesses to provide. That is, services the provision of which are not in the commercial interests of a commercial energy business. To qualify as an energy CSO an obligation must be one that would otherwise not be undertaken, or would be priced differently, by commercial energy businesses. Implementation of this principle assumes energy businesses are entitled to earn a normal commercial rate of return on services being delivered on a cost – effective basis but recognises that energy businesses may make a commercial choice to offer individual services that are not profitable.

2. *The obligation to provide the community service should be clearly specified by Government in publicly available documents.*

The service required to be delivered to the community through the energy CSO and the specific social objective it is designed to achieve should be clearly specified by Government. The provision of non – commercially viable services to the community by choice rather than in response to a direct obligation or requirement is not considered to be a CSO.

3. *Energy CSOs should be delivered transparently.*

Transparent funding of energy CSOs provides clarity and, by acting directly, reduces the distortionary impact on the energy market. The cost of providing the CSO will also be evident.

4. *Wherever possible energy CSOs should be directly funded by Government.*

Generally, energy CSO services should be purchased directly by Government rather than be indirectly imposed via regulatory obligations on energy businesses. Direct funding of energy CSOs is preferable as it avoids cross – subsidies between different classes of consumers³. Government funding should cover the costs to businesses of delivering energy CSOs including reasonable administration costs.

Where, however, direct funding of energy CSOs entails unreasonably large transaction costs, Government may choose to allow regulated energy businesses to recover the cost of providing an energy CSO through their regulated revenue. If this method is used the notional cost of providing the energy CSO should be transparently recorded in an auditable manner.

5. *CSOs should be designed to achieve their social policy objectives in a cost effective manner.*

The costs of delivering the energy CSOs should be minimised by ensuring that they are delivered through mechanisms that most effectively target those in need. This is important as it minimises the cost of the CSOs to government while maximising the benefits for the targeted groups. This should not decrease the effect of the CSOs but rather should ensure that they are delivered successfully to their intended groups in the most cost effective way.

6. *An energy CSO should not be delivered by a mechanism employing cross – subsidies from one set of consumers to another.*

Cross subsidies should be avoided where possible as they involve transfers between classes of customers. They can distort efficient consumption, affect production efficiencies and lead to cost padding. Cross subsidisation also reduces the transparency of CSOs as customers

³ As to cross subsidies – see principle 6.

are unaware of the additional costs they impose or are being imposed on them.

7. *CSOs should not materially impede competition, particularly in upstream (generation and gas production) and downstream (including retailing and demand side response) markets.*

Where CSOs implemented in one part of the energy market may also have impacts in other parts of the market they should be avoided or minimised. For example, a regulatory obligation imposed on a distribution business that requires cross subsidisation between classes of customers may have undesirable effects on other parts of the market: it may affect competition amongst retailers, the viability of otherwise efficient generation projects (both large and small) and opportunities for changing consumption patterns or demand side response.

Additionally, in an effort to ensure a level playing field between entities supplying a particular aspect of the energy market, for example retailers, generally a CSO should be uniformly applied to those entities. That is, when purchasing energy CSOs governments should not discriminate among those businesses. The intention is to encourage effective and transparent delivery of non - commercial services with minimal impact on the efficient provision of commercial services.

8. *Energy CSOs should target identified sections of the community and minimise their effect on general consumption patterns.*

Governments should ensure that energy CSOs maintain affordability and access to energy. CSOs may be designed to allow targeted sections of the community to consume energy to a level that achieves Government social policy objectives but should not create incentives for considerable increases in energy use.

9. *Governments should conduct regular, transparent reviews of the performance of the provision of energy CSOs and of the continued need for individual CSOs.*

The implementation of energy CSOs should be regularly reviewed by Governments to ensure that the CSO continues to effectively target those in need and that they are being delivered efficiently.

Examples

The following are hypothetical examples of CSOs that exhibit the principles outlined in this framework. They are included to illustrate how CSOs function and to assist the development of future energy CSOs:

Pensioner Energy Concession

- This concession is specified by government in a direction given under jurisdictional utilities legislation.
- The amount of the CSO is clearly identified on the bill.
- It targets those in need by restricting eligibility to holders of the following identified pensioner or concession cards:
 - Centrelink Pensioner Concession Card (PCC);
 - Centrelink Health Care Card (HCC); and
 - Veteran's Affairs Pensioner Concession Card.
- The rebate is directly funded by Government which ensures that the cost of the CSO is readily apparent.
- The CSO is administered by multiple energy retailers so that the beneficiary of the service is not constrained in the choice of service provider.
- The concession is varied seasonally to align the provision of the CSO with the period of need in the jurisdiction.
- The concession is only available on the principal place of residence and the account must be in the cardholder's name which limits the cost of the CSO to government and ensures that it is targeted at those in need.
- The maximum annual rebate is capped which minimises the impact of the CSO on consumption patterns as recipients are exposed to the full commercial rate if their consumption exceeds a specific level.

Electricity Life Support Concession Scheme

- Is specified by a government in its budget papers.
- This CSO targets a specific in need group by limiting its availability to seriously ill people operating approved home-based life support systems which have been provided rent-free by the health authorities.
- The concession is delivered by retailers to approved applicants and is directly funded by Government, this insures that the cost of the CSO is transparent and that it does not discriminate between energy businesses.
- The concession is limited to a fixed monthly payment which limits its impact on consumption patterns.

Review of existing jurisdictional energy Community Service Obligation mechanisms and other Income Support Payments

Community Service Obligations (CSOs) form a significant component of the social policies of all Australian governments. For the purposes of the review, CSOs are defined as ‘services that Governments require energy businesses to provide to sections of the community to fulfil Government social policy objectives’. Typical energy CSOs include rebates for pensioners and concessions for people on life support but do not include income support or other payments made directly by Government to consumers. This list includes jurisdictional CSOs and other income support payments that have previously been considered CSOs by jurisdictions but that do not satisfy the above definition.

1. TYPES OF CSOs

All jurisdictions in Australia have CSOs relating to energy. The one policy that is common over all the jurisdictions is a pensioner rebate. Life support rebate, health care card rebate and some form of utility relief occur in at least three jurisdictions. The table below provides a summary of the CSOs available in each jurisdiction.

	ACT	NSW	NT	Qld	SA	Tas	Vic	WA
Life support rebate	Y	Y		#			Y	Y
Pensioner rebate	Y	Y	Y	Y	Y	Y	Y	Y
Health care card rebate	Y				Y	Y	Y	Y
Thermoregulatory							Y	Y
Utility relief	Y	Y		Y	^		Y	Y
Capital grants							Y	
Headworks grant								Y
Off-peak electricity concession							Y	
Network tariff rebate (ends 2008)							Y	
Uniform tariff arrangements			Y	Y	Y			Y
Non-contestable tariff CSO								Y
Concessional tariff for charity				Y				Y [†]
Drought relief arrangements				Y*	Y‡			
Air-conditioning allowance								Y
Energy efficiency program								Y

[†] In WA it has been recommended that the concessional tariffs be phased out over the next 4-5 years and replaced with a direct CSO.

‡SA recently extended the energy (pensioner) concession to include recipients of both Farm Help and Exceptional Circumstances Relief Payments.

*Drought relief in Qld is provided through a combination of direct payments from Government to eligible customers and a CSO delivered through Ergon Energy Queensland.

Life support rebates in Qld are delivered as direct payment and are therefore not considered a CSO

^ Utility relief in South Australia is delivered as a direct payment and is therefore not considered a CSO.

In addition to those listed above, there are also a small number of CSOs not provided by the jurisdictional government.

	Jurisdiction	Provided by
Life support discount	Tas	Aurora Energy
Pilbara towns rebates	WA	Electricity Supply Authority (usually iron ore producers)

2. TARGETING OF CSOs

CSO payments are targeted at (1) those in financial need (such as the pensioner rebate and utility relief) and (2) social equity (such as the uniform tariff policy) and provided by an energy business. For the need-based CSOs, eligibility is usually restricted to customers holding some sort of concession card. There are some exceptions, such as the NSW Life Support Rebate, which is not means (income) tested.

Social equity CSOs are aimed at providing equity in electricity pricing across a jurisdiction. The actual costs of providing electricity services to customers in remote and regional areas is more than providing the same services in metropolitan areas due to additional infrastructure costs and the lower density of customers. All regional and remote customers in a particular class (i.e. residential and small business) receive the benefit of the CSO; it is not means tested.

3. JURISDICTIONAL INSTRUMENTS CREATING CSOs

The following table provides for each jurisdiction the legislative and Ministerial ordered instruments through which CSOs have been created.

ACT

CSO	Jurisdictional instrument No instruments
Life support rebate	Administrative Action by DHCS
Discharge of utility debt	s 208, Utilities Act 2000
Requirement to maintain or reconnect supply	s 207, Utilities Act 2000

NSW

CSO	Jurisdictional instrument
Life support rebate	Ministerial Direction to all licensed NSW electricity retailers under Section 75 of the <i>Electricity Supply (General) Regulation 2001</i>
Pensioner energy rebates	As above
Energy accounts payment assistance scheme	As above

NT

CSO	Jurisdictional instrument
Pensioner energy concession	Electricity Reform Act
Uniform tariff	Electricity Reform Act

Queensland

CSO	Jurisdictional instrument
Rebates for pensioners and concession card holders	Community Services Agreements between retailers and the Government, required as licence condition under the <i>Electricity Act 1994</i> and the <i>Gas Supply Act 2003</i>
Uniform tariff	Retail Electricity Prices for Non-Market Customers set by Queensland Competition Authority under the <i>Electricity Act 1994</i> . CSO arrangements for regional customers delivered under contract with Government.
Drought relief from electricity charges	Retail Electricity Prices for Non-Market Customers published in the Government Gazette under the <i>Electricity Act 1994</i>
Home Energy Emergency Assistance (utility relief)	Community Services Agreement between retailers and the Government under the <i>Electricity Act 1994</i> and the <i>Gas Supply Act 2003</i> .
Concessional tariffs for charitable purposes	Retail Electricity Prices for Non-Market Customers published in the Government Gazette under the <i>Electricity Act 1994</i>
Life support rebate	Government Policy

SA

CSO	Jurisdictional instrument
Energy concession	Section 21(1)(h) of the <i>Electricity Act 1996</i> & condition contained in retailer licences.
Emergency electricity payment scheme	Funded directly to customer by department.
Funding assistance (DFC)	Funded directly to customer by department.
Country Equalisation Scheme	Electricity Pricing Order and Section 21 of the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i>

TAS

CSO	Jurisdictional instrument
Heating allowance	Pensioners Act 1971
Healthcare electricity concession	Community Services Agreement between Department of Health and Human Services and Aurora Energy
Pensioner electricity concession	Community Services Agreement between Department of Health and Human Services and Aurora Energy
Life support discount	Community Services Agreement between Department of Health and Human Services and Aurora Energy
Bass Strait Islands	Community Services Obligation Agreement between Hydro Tasmania and the Department of Treasury and Finance under the Government Business Enterprise Act 1995

Victoria

CSO	Jurisdictional instrument
Network tariff rebate	Contractual arrangement for rebate between Minister, VENCORP and retailers. (Ends 2008)
Winter energy concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Life support concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Summer MS concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Service to property charge concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Electricity transfer fee waiver concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Off-peak electricity concession	Community Service Agreements with Dept. Human Services mandated by Electricity Industry Act 2000, s. 47, Gas Industry Act, s. 49 and retail licenses.
Utility relief grant scheme	Directly provided by Dept. Human Services concessions unit.
Capital grants scheme	Directly provided by Dept. Human Services concessions unit.

WA

CSO	Jurisdictional instrument
Energy concession	Energy Operators (Electricity Retail Corporation) By-laws 2006
Account establishment fee concession	Energy Operators (Electricity Retail Corporation) By-laws 2006
Meter-testing fee concession	Energy Operators (Electricity Retail Corporation) By-laws 2006

Caravan park subsidy	Budget papers
Air-conditioning allowance	Budget papers
Life support equipment electricity subsidy	Budget papers
Thermoregulatory dysfunction energy subsidy	Budget papers
Utility relief	Budget papers
Concessional tariff for charitable and voluntary organisations*	Energy Operators (Electricity Retail Corporation) (Charge) By-laws 2006
Uniform tariff policy	Electricity Industry Act 2004 Electricity Industry (Tariff Equalisation) Regulations 2006
Non-contestable tariff CSO	Under development as at May 2008
Headworks grant	Cabinet submission/Budget papers
Energy efficiency program	Budget papers

* It has been recommended that the concessional tariffs be phased out over the next 4-5 years and replaced with a direct CSO.

4. DELIVERY AND ADMINISTRATION OF CSOs

The following tables provide information about who is responsible for the delivery of services and the body which administers the CSOs for each jurisdiction. An example of this is the Energy and Accounts Payment Assistance Scheme in NSW which is delivered by community welfare organisations and administered by the NSW Government, with energy retailers redeeming vouchers.

ACT

CSO	Delivered by:	Administered by:
Energy concession	Electricity retailers	ACT Government
Life support rebate		DHCS
Maintenance of supply	Electricity Retailers	Essential Services Consumer Council (ESCC)
Discharge of utility debt	Electricity Retailers	ESCC
WEST (retrofit program)	Outsourced contractors	ESCC/DHCS/TAMS

NSW

CSO	Delivered by:	Administered by:
Life Support Rebate	Electricity retailers	Department of Water and Energy
Pensioner Energy Rebates	Electricity retailers	Department of Water and Energy
Energy Accounts Payment Assistance Scheme	Community welfare organisations	Department of Water and Energy

NT

CSO	Delivered by:	Administered by:
Concession Rate	Power and Water	Department of Health and

	Corporation	Community Services
Uniform tariff	Power and Water Corporation	Northern Territory Treasury

QLD

CSO	Delivered by:	Administered by:
Pensioner Rebate Schemes	Electricity and gas retailers	Department of Communities
Uniform Tariff	Ergon Energy Queensland	Department of Mines and Energy
Drought Relief	Ergon Energy Queensland	Department of Mines and Energy
Home Energy Emergency Assistance Scheme	Electricity retailers	Department of Communities
Concessional tariffs for charitable purposes	Ergon Energy Queensland	Department of Mines and Energy
Electricity Life Support Concession Scheme	Department of Communities	Department of Communities

SA

CSO	Delivered by:	Administered by:
Energy Concession	Electricity retailers	Department for Families and Communities
Emergency Electricity Payment Scheme	Department for Families and Communities	Department for Families and Communities
Funding Assistance	Non-Government organisations	Department for Families and Communities
Country Equalisation Scheme	Electricity retailers	Department for Transport, Energy and Infrastructure

TAS

CSO	Delivered by:	Administered by:
Heating Allowance	Aurora Energy	Department of Health and Human Services
Healthcare Electricity Concession	Aurora Energy	Department of Health and Human Services
Pensioner Electricity Concession	Aurora Energy	Department of Health and Human Services
Life Support Discount	Aurora Energy	Aurora Energy
Bass Strait Islands	Hydro Tasmania	Department of Treasury and Finance

VIC

CSO	Delivered by:	Administered by:
Network Tariff Rebate	Electricity retailers	Victorian Government
Winter Energy Concession	Electricity and gas retailers	Victorian Government
Life Support Concession	Electricity retailers	Victorian Government
Summer MS Concession	Electricity retailers	Victorian Government
Service to Property Charge	Electricity retailers	Victorian Government

Concession		
Electricity Transfer Fee Waiver Concession	Electricity retailers	Victorian Government
Off-peak Electricity Concession	Electricity retailers	Victorian Government

WA

CSO	Delivered by:	Administered by:
Energy Concession	Synergy and Horizon Power	Office of State Revenue
Electricity Account Establishment Fee Concession	Synergy and Horizon Power	Office of State Revenue
Meter-Testing Fee Concession	Synergy and Horizon Power	Office of State Revenue
Energy Charge Concession	Synergy and Horizon Power	Office of State Revenue
Caravan Park Subsidy	Synergy and Horizon Power	Office of State Revenue
Air-Conditioning Allowance	Horizon Power	Office of State Revenue
Life Support Equipment Electricity Subsidy	Office of State Revenue	Office of State Revenue
Thermoregulatory dysfunction Energy Subsidy	Office of State Revenue	Office of State Revenue
Utility relief	Office of child protection	Office of State Revenue
Concessional Tariff for Charitable and Voluntary Organisations*	Synergy and Horizon Power	Office of State Revenue
Pilbara towns rebate	Electricity Supply Authority	Electricity Supply Authority
Uniform Tariff Policy	Horizon Power	Office of Energy and Department of Treasury and Finance
Non-contestable tariff CSO	Synergy	Office of State Revenue
Headworks grant	Western Power	Western Power
Energy efficiency program	Synergy and Horizon Power	Office of Energy and Office of State Revenue

* It has been recommended that the concessional tariffs be phased out over the next 4-5 years and replaced with a direct CSO.

5. COSTS OF CSOs

ACT 2007/08

- Energy concession \$5.251 million
- Utility debt discharge \$0.2 million

NSW 2007/08 budgets

- EAPA \$9.16M;
- Pensioner Rebates \$81.98M;
- Life-support Rebates \$2.82M.
- Total = \$93.96M

NT 2007/08 budget

- Uniform tariff - \$39.1 million
- Pensioner concession scheme - \$3.4 million

Qld

- Uniform tariffs - \$365 million (2006/07)
- drought relief almost \$1 million per annum
- pensioner and concession holder rebates over \$60 million per annum

SA 2006/07

- Energy Concession, estimated \$25 million.

Tas

- Electricity concession - \$13.5 million, 2006/07
- Heating allowance - \$500,000, 2006/07
- Bass Strait Islands - \$7 million per annum

WA

- General CSOs, \$36 million, 2006/07.
- Utilities relief program \$1.8 million per annum for energy and water (4 years from 2008/09.
- Uniform tariff policy - \$12.1 million, 2006/07
- Non-contestable tariff CSO \$780 million over 3 years from 2009/10. Further funding will be required beyond 3 years.
- Headworks rebate, expected to be less than \$1 million per annum.
- Energy efficiency program \$2 million per annum

6. COMMUNITY SERVICE OBLIGATIONS BY JURISDICTION

ACT

Energy concession administered by DHCS

- This covers both electricity and natural gas.
- Summer rate is 24.39 cents per day from 1 November to 31 May.
- Winter rate is 89.82 cents per day from 1 June to 31 October.
- Maximum annual rebate of \$189.11.
- Available on the principal place of residence only and the account must be in the cardholder's name.
- Holders of the following cards are eligible for the rebate:
 - Centrelink Pensioner Concession Card (PCC);
 - Centrelink Health Care Card (HCC); and
 - Veteran's Affairs Pensioner Concession Card.
 - Life support rebate for electricity bills

The Essential Services Consumer Council has statutory power to order a licensed utility to maintain utility supply or, if disconnected, to restore supply within 24 hours, where a residential customer or consumer is in hardship

- Covers electricity and reticulated gas
- Customers under ESCC protection are case managed by the ESCC to prevent on-going hardship
- No means test is applied to access assistance. Customers with a reasonable income are required to readjust their consumption and to repay outstanding debt at a faster rate than low income customers.
- Customers under ESCC protection are assisted to address ongoing high consumption by systemic interventions such as the WEST retrofit program and incentive discharge.

The ESCC has statutory power to discharge utility debt of residential customers who are in hardship.

- debts are discharged by the retailer and the retailer is reimbursed by DHCS.
- discharge is authorised on various grounds including special compassionate circumstances, incentive discharge, "debt horizon" discharge, interest discharge, and "under consumption" discharge (ie. where the customer is unable to afford their high (but genuine) household cost of energy).

NSW

These three programs are administered by the Department of Water and Energy.

Energy Accounts Payment Assistance Scheme (EAPA)

- Helps individuals experiencing difficulty paying their electricity or gas bill because of a crisis or emergency situation, ensuring people stay connected to their essential services. EAPA operates through a voucher system where each voucher is worth \$30.
- The Department of Water and Energy (DWE) registers Community Welfare Organisations (CWOs) to issue EAPA. Currently, NSW has approximately 900 registered CWOs, such as Lifeline and St Vincent de Paul, issuing EAPA. Each CWO must adhere to the DWE guidelines for issuing EAPA.
- The individual seeking assistance needs to apply directly to a registered CWO which will consider the claim and if appropriate, provide EAPA. Customers are limited to six vouchers (\$180) twice per year, however the CWO can provide additional EAPA to eligible customers by completing and submitting an exceptions report to DWE.

- The energy retailer redeems EAPA vouchers upon payment by the customer and then invoices DWE for reimbursement on a monthly basis. The retailers must also operate within the EAPA guidelines issued by DWE.

Life Support Rebates

- For electricity bills.
- A flat rate for each type of equipment being used. Eligible equipment includes:
 - PAP Devices
 - Enteral Feeding Pump
 - Phototherapy Equipment
 - Home Dialysis
 - Respirator
 - Oxygen Concentrator
- Medical certificate required.
- Electricity retailers are responsible for issuing the rebate. The retailers then claim reimbursement from the NSW Government.
- Can be claimed in addition to the Pensioner Rebate.

Pensioner Energy Rebates

- \$112 per year.
- Addresses total expenditure on energy (ie. both electricity and gas) but the rebate is paid only for electricity.
- The rebate is paid by electricity retailers.
- Calculated daily and appears as a credit on the electricity bill for each billing period.
- Pensioners who are solely or jointly liable for energy bills at their principal place of residence are eligible if they have:
 - Centrelink Pensioner Concession Card; or
 - Department of Veterans' Affairs Pensioner Concession Card; or
 - Receive a Department of Veterans' Affairs Pension for War Widows or War Widowers or a Disability Pension at the *totally and permanently incapacitated* (TPI) rate or *extreme disablement adjustment* (EDA) rate (as shown on the Repatriation Health Card i.e. the 'Gold Card').
- Pensioners are eligible for the rebate regardless of their income or the income of the people they live with, however only one rebate is issued per household.

NT

Pensioner Concession Scheme

- A rebate on electricity charges of the lesser of 50% of the quarterly account, or to a maximum of \$1.00 per day.
- An establishment fee may be waived.
- Available for holders of the Northern Territory Pensioner Card and Carer Concession Card.

Uniform tariff policy

- Entities licensed under the *Electricity Reform Act 2000* are obligated to comply with CSO schemes approved and funded by the Minister.
- The uniform tariff policy requires electricity tariffs be the same for designated customer classes throughout the Territory regardless of cost of supply. A CSO compensates the supplier the difference between the tariff and the cost of supply.

QLD

Uniform Tariff Arrangements

- Electricity retailers licensed under the *Electricity Act 1994* are obliged to charge non-market customers for electricity at notified prices set by the Minister.
- Ergon Energy Queensland is compensated for the difference between the assessed efficient cost of supply and the revenue obtained via the uniform tariffs.
- A CSO Arrangement operates between the State and Ergon Energy Queensland and the level of prices are in the 'Retail Electricity Prices for Non-Market Customers' published in the Government Gazette under *Electricity Act 1994*.

Drought Relief Arrangements

- Provide relief to approximately 3000 customers.
- The vast majority of these customers are in regional Queensland (about 2500).
- The total relief provided is almost \$1 million per annum.
- Eligibility and types of relief are set out in Part 6 of the Tariff Schedule for notified prices. Eligible customers may receive a concessional tariff and/or be reimbursed fixed supply costs.
- Ergon Energy Queensland administers these arrangements for Regional Queensland.
- Eligible customers in Southeast Queensland can apply directly to the Government (Department of Mines and Energy) for relief.
- At present only non-market customers are eligible.
- The drought relief arrangements are scheduled for review before 30 June 2010.

Electricity and Reticulated Natural Gas Rebate Schemes

- Provides a concession towards the cost of the domestic electricity/natural gas supply to eligible holders of a Queensland Pensioner Concession Card, a Queensland Seniors Card or a Repatriation Health Card for All Conditions, who receive a War Widows or Special Rate Totally and Permanently Incapacitated pension.
- In 2007-08, the electricity rebate is \$12.07 per month including GST (part 5 of the Tariff Schedule for notified prices) and the natural gas rebate is \$4.58 per month (including GST).
- Retailers are reimbursed by the Department of Communities.

Home Energy Emergency Assistance Scheme

- Helps people experiencing a crisis or unforeseen emergency limiting their ability to pay their home electricity or natural gas bill and under threat of disconnection.
- Energy users are entitled to up to \$360 in assistance over a two year period.
- The Department of Communities administers the scheme. Payments are made to rebates as a credit on eligible applicant's accounts.

Concessional tariffs for charity

- concessional tariffs are available for energy supplied to premises used solely for the purposes of providing meals on wheels or meals for the needy, charitable residential institutions providing domestic or non-profit accommodation, and crisis accommodation.
- Consumption for these purposes is charged at the domestic tariff (tariff 11), which is lower than the general consumption tariffs that might otherwise apply.
- retailers apply these tariffs directly to eligible customers.

Electricity Life Support Concession Scheme

- Provides a contribution to assist seriously ill people to meet the electricity costs of operating approved home-based life support systems, namely oxygen concentrators and kidney dialysis machines, which have been provided rent-free by Queensland Health.
- The concessions are paid directly to approved applicants by the Department of Communities.
- The concessions payable from 1 July 2007 are \$24.64 per month for an oxygen concentrator and \$16.47 per month for a kidney dialysis machine.

SA

Energy Concession

- \$120⁴ per annum energy concession is paid to pensioners, Centrelink beneficiaries and Commonwealth Seniors Health Card holders (including self-funded retirees) who have an electricity account in their name and do not share their house with a person earning more than \$3000 p.a.
- This concession was recently extended to drought affected families.
- Administered by the SA Department for Families and Communities (DFC).

Other Assistance

- A small amount of funding assistance is provided by non-government organisations funded through DFC to make emergency payments to address utility debt on behalf of clients.
- A small amount of assistance is available from the Emergency Electricity Payment Scheme.
- Country Equalisation Scheme which limits differences between electricity prices charged to small customers in non-metropolitan areas and those charged to corresponding consumers in metropolitan areas. Fund established as part of the scheme.

TAS

Heating Allowance

- Payment of \$28.00 which is paid twice a year (in May and again in September) to eligible pensioners to assist with their heating costs.
- Eligibility is means tested and successful applicants do not need to re-apply each year.
- Administered by the Department of Health and Human Services.

Electricity Concession

In Tasmania the CSOs are administered through a Community Services Agreement between the Minister for Health and Human Services and the local retailer Aurora.

The Tasmanian Treasury funds the electricity concessions arrangements, funding include the administrative costs associated with the agreement. The Treasurer has recently announced these concessions will be reviewed.

⁴ The effective cost to the SA Government has become \$132 by default over the last year as the SA Government doesn't receive input tax credits for this any longer.

Healthcare and electricity concession

- Electricity discount is available to Commonwealth Health Care card holders
- Administered by Aurora Energy on behalf of the Department of Health and Human Services.
- The discount is 85.43 cents per day all year round and eligible customers do not need to reapply each year.
- It is not possible to receive this discount in conjunction with the pensioner electricity concession.

Pensioner electricity concession

- Given to Tasmanian pensioners who have a Pensioner Concession Card issued by Centrelink or the Department of Veterans Affairs.
- Administered by Aurora Energy on behalf of the Department of Health and Human Services.
- The discount is 85.43 cents per day all year round and eligible customers do not need to reapply each year.
- It is not possible to receive the healthcare card concession in conjunction with the pensioner electricity concession.

Life support discount

- Aurora Energy provides an electricity discount to customers who use an approved life support system, or live with someone who uses one.
- The discount is about fifty per cent of the cost to run the life support system.
- Aurora funds this arrangement.

Bass Strait Islands

- Subsidised electricity for residents of the Bass Strait Islands
- Delivered by Hydro Tasmania
- Administered by the Department of Treasury and Finance

VIC

Winter Energy Concession (Gas and electricity)

- Provided to concession card holders connected to mains electricity and mains gas to the value of 17.5 per cent on usage between May and November.
- Also available to residents of group homes.

Life Support Concession

- Concession provides eligible customers with 1,880 free kilowatt hours of electricity per year for the operation of eligible life support machines including:
 - oxygen concentrators;
 - haemodialysis machines;
 - peritoneal dialysis machines; and
 - ventilators for life support (polio only).

Summer Multiple Sclerosis (MS) Concession

- Provided to individuals who suffer from MS or other qualifying medical conditions in recognition that sufferers generally have problems regulating their body temperature and require cooling in warmer months.
- The concession provides a 17.5 per cent discount on electricity bills over the summer months.
- Qualifying conditions include multiple sclerosis, Parkinson's disease, motor neurone disease, post polio syndrome and scleroderma.

Service to Property Charge Concession

- Available to concession cardholders if their electricity usage charge is less than the supply charge.
- The concession reduces the supply charge to equal the cost of the electricity used.

Electricity Transfer Fee Waiver Concession

- Assists concession cardholders who change their residential address and reconnect electricity to a property.
- Electricity connection fee is waived for eligible concession card holders.

Off peak Electricity Concession

- Concession introduced to moderate the significant increase in off-peak electricity tariffs in January 2002.
- A 13 per cent reduction is applied to the off-peak price component of the electricity bill.

Utility Relief Grant Scheme

- Provides 'once-every-two-years' assistance to concession cardholders (who meet at least one 'hardship' criteria) who are unable to pay a utility bill due to a unexpected and temporary financial crisis and who are at risk of disconnection.
- Also provided to non-mains customers.

Capital Grants Scheme

- Provides 'once off' assistance to concession card holders with the cost of the repair or replacement of an essential appliance (for eg hot water systems, wall heaters, fridges, leaking gas or water pipes and cisterns).

Network Tariff Rebate

- Network Tariff Rebate provides a contribution to the electricity bills of regional and outer metropolitan households in SPAusNet and PowerCor distribution areas.
- Rebate program developed to offset electricity network price differentials between regional and outer metropolitan customers and those in the metropolitan areas.

In most instances concessions are provided through an agreement between the relevant Minister and the retailer is reimbursed for the costs of providing the concessions as well as administrative costs. The obligation to provide the concession is in legislation and also usually in licence conditions.

All concessions are subject to periodic assessment by energy retailers to confirm eligibility status.

WA (note that in WA the legislation requires that all CSOs are delivered by the State owned retailers)

Energy rebate

- Available for holders of a Health Care Card, Commonwealth Seniors Health Card, Pensioner Concession Card, Repatriation Health Card or Senior's Card.
- Rebate is equal to the fixed charge payable on electricity accounts (26.57 cents per day) although it has been recommended that the level not be linked to the value of the supply charge in the future.
- Administered and delivered by the Government owned electricity retailers (Horizon Power and Synergy). Synergy currently has a mandate to supply all small customers (less than 50MWh pa) in the south west grid (the South West Interconnected System or SWIS) while Horizon Power is the only supplier for seven towns on the North West Interconnected System and twenty-seven regional towns off the south west grid.
- Funded by Government through a CSO payment.

Horizon Power and Synergy (both GTEs) receive payments for implementing and administering Government concessions that include:

Account establishment fee concession

- Available for holders of a Health Care Card, Commonwealth Seniors Health Card, Pensioner Concession Card or Repatriation Health Card.
- Exemption from payment of the account establishment fee (\$27.50).
- Administered and delivered by the utility.
- Funded by Government through a CSO payment.

Meter-testing fee concession

- Available for holders of a Health Care Card, Commonwealth seniors health card, Pensioner Concession Card or Repatriation Health Card.
- Reduced meter testing fee (\$139.80 compared with \$152.00).
- Administered and delivered by the utility.
- Funded by Government through a CSO payment.

Energy charge concession

- Available for people with dependent children who are also eligible for the energy rebate.
- Entitled to a rebate on a proportion of the energy charge.
- Administered and delivered by the utility.
- Funded by Government through a CSO payment.

Caravan park subsidy

- Enables rebates for concession card holders living as permanent residents in caravan parks as detailed above.
- Administered by the electricity utilities.
- Funded by Government through a CSO payment.

Air-conditioning allowance

- Available for holders of a Western Australian Seniors Card, either a Pensioners Concession Card or a Commonwealth Seniors Health Card and those eligible for the dependant child rebate living in eligible areas (north of the 26th parallel and/or north of the 50-day relative strain index line) and serviced by Horizon Power.
- Equivalent to the cost of 200kWh of electricity per applicable month.
- The number of applicable months is dependent upon the location.
- Administered and delivered by the utility.
- Funded by Government through a CSO payment.

Concessional tariff for charitable and voluntary organisations

- Administered by the electricity retailers.
- Funded through cross subsidies with other tariffs.
- It has been recommended to Government that these tariffs be phased out over the next 4-5 years and assistance be provided by direct CSO.

Under an agreement between the State Government and iron ore producers in the Pilbara which are Electricity Supply Authorities (ESA) and supplying power to residential customers, the ESA is required to provide and fund all the rebates and concessions listed above to eligible customers. This arrangement is not a CSO by the new definition.

Life support equipment electricity subsidy

- Available for holders of a Health Care Card or Pensioner Concession Card.
- Administered and delivered by the Office of State Revenue.
- Funded by Government through a CSO payment.
- This is not a CSO by the new definition.

Thermoregulatory dysfunction energy subsidy

- Available for holders of a Health Care Card or Pensioner Concession Card.
- Administered and delivered by the Office of State Revenue.
- \$335 per annum.
- Funded by Government through a CSO payment.
- This is not a CSO by the new definition.

Uniform tariff policy

- The Government has implemented a uniform tariff policy which provides that tariff customers in regional areas serviced by Horizon Power pay the same for electricity as tariff customers on the SWIS who are supplied by Synergy.
- Horizon Power receives funding for losses associated with providing the uniform tariff in regional areas from the Tariff Equalisation Fund (TEF).
- TEF is administered by the Office of Energy and State Treasury.
- TEF is funded through tariff equalisation contribution payments made by Western Power from network revenue collected from distribution connected customers in the SWIS. The Government is considering a recommendation to fund the TEF from consolidated revenue.
- This is not a CSO by the new definition but if the Government accepts the recommendation to fund the TEF from consolidated revenue, it will become a CSO.

Non-contestable tariff CSO

- To reduce the impact of bringing retail tariffs for residential and small business customers up to cost reflective level, the Government has implemented a glide path approach that will see tariffs increase gradually over the next 6-8 years.

- A CSO will be used to fund the shortfall between the cost reflective tariffs and the glide path tariffs that are actually charged to customers.
- Details of the amount of the CSO will be shown on electricity bills.
- Currently budgeted for 3 years from 2009/10, but will continue beyond this time until the tariffs are cost reflective.

Headworks charge rebate

- Provides a partial rebate on the cost of connecting to the grid in fringe of grid locations.
- For residential and commercial/light industry customers to whom headworks charges apply.
- Aimed at addressing the possible development barrier presented by headworks charges particularly at extreme distances from substations where headworks charges are particularly high.
- The rebate applies in addition to other Government regional development support schemes.
- Delivered and administered by Western Power.
- Funded by the Government through a CSO payment.

Energy efficiency program

- Provides funds to Synergy and Horizon Power to implement energy efficiency measures in households of identified hardship customers.
- Funded by the Government through a CSO payment

Utility relief

- Provides help with utility bills for customers in hardship.
- Paid to Synergy and Horizon Power, who uses the funds to off-set the accounts or bills of identified hardship customers.
- Funded by the Government through a CSO payment