

18 MAR 2008

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queensland council of social service inc
WORKING FOR A FAIR QUEENSLAND

17 March 2008

John Hall
Chief Executive Office
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Mr Hall,

RE: Submission on QCA Draft Decision on the Benchmark Retail Cost Index for Electricity for 2008-2009.

I write in relation to the recent QCA Draft Decision on the Benchmark Retail Cost Index (BRCI) for Electricity for 2008-2009. QCOSS does not currently have the capacity to prepare a full submission on this matter however, would like to express our support for the submission made by the Queensland Consumers Association and to highlight some of additional issues of concern in relation to utilities pricing.

Queensland Council of Social Service (QCOSS) is the peak body for over 700 welfare and community sector organisations in Queensland. For over 50 years QCOSS has worked to promote social justice and exists to provide a voice for Queenslanders affected by poverty and inequality. We act as a State-wide Council that leads on issues of significance to the social, community and health sectors. We work for a Fair Queensland and develop and advocate socially, economically and environmentally responsible public policy and action by community, government and business.

In recent times QCOSS has increasingly been invited to comment on the extent that Full Retail Competition (FRC) policy, utilities pricing and climate change impact upon Queensland's most disadvantaged residents.

Regulated tariffs and processes for estimating annual changes in electricity pricing including the flow on effect of increases in electricity prices to other goods and services can have a major effect on household expenses, especially for the poor and disadvantaged.

Approximately 10% of Queenslanders are living below the poverty line (defined as 50% of the median disposable household income). The issues and impacts for individuals and families living in poverty as they relate to electricity pricing include:

- Lower than average individual and household incomes result in lesser capacity to afford the costs of adapting to climate change (such as higher utilities costs or access to cooling appliances).
- Fuel poverty. Fuel poverty has been defined as "inability to meet... basic needs for energy and the problems that arise as a result, including under-consumption that is inadequate to support a reasonable standard of living and good health, disconnection from supply, prioritisation of utility payments over other essentials and the accumulation of debt" (quoted in VCOSS 2005:100).
- Low income people are more likely to be living in poor quality housing without insulation and which is inadequately designed resulting in greater consumption of energy and therefore higher ongoing household costs. Many disadvantaged households in Queensland are reliant on inadequate housing in the private rental market.

- Low income people are likely to be reliant on outdated appliances that increase energy consumption particularly in households dependent on the low cost private rental housing market.
- People on lower incomes and/or who are older or who live with a disability, are sometimes more vulnerable to being confined to home resulting in higher household costs for utilities.

One of the selling points proposed by the Queensland government when introducing FRC to small customers in Queensland was that there would be price savings. These savings have failed to occur and in fact, Queensland consumers experienced an 11.37% increase in their electricity prices for the 06-07 and 07-08 period.

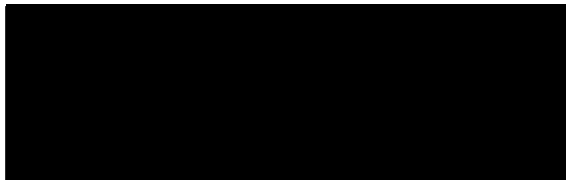
QCROSS is therefore concerned by the recent QCA Draft Decision on the BRCI for Electricity which proposes a further 7% rise in electricity price in the 2008-2009. QCROSS is also concerned that because the calculation of electricity prices is now more closely aligned with the cost of delivery, electricity prices are likely to continue to increase in the future.

We therefore support the view put forward by the QCA in their recent submission, that the BRCI process for adjustments to the regulated tariffs are only part of the policy mix needed by Queensland consumers in relation to energy matters. It is also essential that there be policy objectives and measures to assist lower income and other disadvantaged consumers to cope with increased electricity and other energy prices, including financial assistance and hardship provisions, energy efficiency and demand management.

We also note and support the need for state based funding for research and advocacy on behalf of Queensland household consumers of energy, as occurs in other states, in order to respond to and advocate on these issues into the future.

If you would like any further information or to clarify any aspect of this submission, please feel free to contact me on 3004 6900.

Yours sincerely



Jill Lang
Director

Cc: Hon. Geoff Wilson, MP. Minister for Mines and Energy