

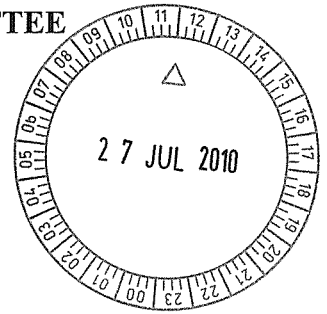
ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

Wednesday 7 July 2010

Office of Energy

Additional Question:

Hon Ljiljanna Ravlich asked:



1. Please provide the model/components for determining electricity and gas tariffs for households and the model/components for determining electricity and gas pricing for small commercial/business users.

2. Please list all energy rebates, concessions and hardship assistance programs, and include the value, number of applicants and number of recipients for the past year.

3. In relation to the [Hardship] Fridge Replacement Program, please provide –

3.1. The number of fridges that have been provided in total;

3.2. The distribution of those fridges by suburb/postcode; and

3.3. The distribution of applications by suburb.

4. In relation to hardship for Synergy, Verve, Western Power and Horizon Power, please provide –

4.1. The number of people who are, or have been under threat of disconnection;

4.2. The number of people who have been disconnected;

4.3. The number of people on special payment programs etc;

4.4. How many people have been referred to accredited financial counsellors; and

4.5. How many people have been declared as being in financial hardship by an accredited financial counsellor.

Answer:

1. Gas tariffs

Gas retailers are required to offer to supply gas to small-use customers on standard contracts at capped tariffs. A small-use customer is defined in the *Energy Coordination Act 1994* as one whose consumption of gas is below 1 terajoule (1000 gigajoules) per year (an average household consumes about 18 to 36 gigajoules of gas per year). Small-use customers include households and small commercial and business customers.

Gas tariff caps are prescribed under the *Energy Coordination (Gas Tariffs) Regulations 2000*. They apply to retailers of gas to small-use customers in three supply areas: Mid West/South West (including the Perth metropolitan area), Kalgoorlie-Boulder and Albany.

Tariff caps are constructed by separately considering each cost that a retailer faces, plus an appropriate retail net margin. This is known as a 'cost stack' analysis.

For the 2010 adjustments to gas tariffs for residential and non-residential customers, the Office of Energy commissioned comparative cost stack analysis incorporating the following components:

- gas commodity (wholesale) cost;
- transmission costs;
- distribution costs;
- retail operating costs;
- retail net margin; and
- an allowance for recovery of a portion of the additional costs incurred by retailers during the Varanus Island supply disruption from those customers supplied from this facility (i.e. excluding Albany).

Electricity tariffs

There are a range of regulated tariffs that apply to households and small commercial and business electricity consumers.

As part of its Electricity Retail Market Review, the Office of Energy commissioned independent consultants Frontier Economics to calculate the cost-reflective level for each of these tariffs using the cost stack approach described above. The cost stack components included:

- black energy costs (the cost to buy electricity from the wholesale market);
- Mandatory Renewable Energy Target costs (the costs associated with the purchase of green energy);
- ancillary services costs (charged by the Independent Market Operator);
- market fees (charged by the Independent Market Operator);
- network costs;
- retail operating costs;
- a net retail margin; and
- the Tariff Equalisation Contribution (levied on network users in the South West Interconnected System (SWIS) to fund the uniform electricity tariff outside the SWIS).

Regulated electricity tariffs are being subsidised by Government and are below cost-reflective levels.

The Frontier Economics analysis on cost-reflective levels is taken into account by Government in determining the appropriate level for each of the regulated electricity tariffs and the amount to be subsidised by Government.

2. The Office of Energy does not provide grants to customers in hardship. Details of the services provided to customers in hardship under the hardship assistance sub-programs that are funded and administered by the Office of Energy are as follows:

HOUSEHOLD AUDITS

Synergy

- 336 Synergy customers received a household energy efficiency assessment, efficiency products and education in 2008/09;
- 695 Synergy customers received a household energy efficiency assessment, efficiency products and education in 2009/10.

Horizon Power

- There was a delay in engaging a contract for Horizon's service area; as a result no assessments were completed in 2008/09;
- 47 Horizon Power customers received a household energy efficiency assessment, efficiency products and education in 2009/10.

Under the Hardship Efficiency Program, 37 private tenants and owner/occupiers in hardship have had ceiling insulation installed following their household assessment. A further 240 public housing tenants (primarily aged 80 and over) have received ceiling insulation – 160 in the Perth Metropolitan Area and 80 in regional areas.

FRIDGE REPLACEMENT SCHEME

Since the scheme's launch in December 2009, 83 fridges have been provided to private tenants in hardship; a further 13 are currently with the service provider for delivery to be arranged. An additional 97 eligible customers have been sent letters informing them of their eligibility and will have delivery organised upon accepting the offer of a replacement fridge.

HORIZON POWER TOWN RESERVES ENERGY EFFICIENCY SPECIAL PROJECT

Around 440 customers across 17 Aboriginal communities (15 town reserves and 2 Aboriginal and Remote Communities Power Supply Program (ARCPSP) 2.1 communities) have received a household energy efficiency assessment and education in Phase 1 of the special project. Phase 2 comprises energy efficiency upgrades and retrofits and further community based education and will commence in 2010/11.

ESPERANCE HARDSHIP EFFICIENCY SPECIAL PROJECT

39 public housing dwellings have been insulated under this special project. 32 of the Horizon Power household energy efficiency assessments were undertaken in Esperance, through the integration of the special project and the Household Audits Sub-program. Connection of 62 public housing dwellings of the Esperance natural gas network and conversion of appliances will commence in 2010/11. The 30 largest households being connected to the natural gas network will be fitted with an efficient water heating system in 2010/11.

ENERGY REBATES

Estimates of Energy Rebates for 2009/10

The Office of Energy has been advised by Synergy and Horizon Power that they are unable to provide accurate statistics on energy rebates for 2009/10 due to the use of 2-monthly billing cycles in their databases and the short timeframe between the end of 2009/10 financial year and the information request.

Synergy and Horizon Power are required to report to the Department of Treasury and Finance on concessions and energy rebates by the end of September, allowing sufficient time to consolidate and verify data. Estimates of rebates for 2009/10 are provided on page 237 of Budget Paper 3.

Estimated Actuals Energy Rebate Figures for 2008/09

Energy (Supply Charge) Rebate – The total estimated value of the energy rebate in 2008/09 was \$20.5m. The estimated number of recipients was 238,965. The average value of the rebate per recipient was approximately \$86 for the year.

Dependent Child Rebate - The total estimated value of the dependent child rebate in 2008/09 was \$8.6m. The estimated number of recipients was 49,310. The average value of the rebate per recipient was approximately \$174 for the year.

Other – Other rebates include rebates on account establishment fees, air-conditioning subsidy, certain fee waivers and permanent caravan park residents' subsidy. The estimated total value of these rebates for 2008/09 was \$1m.

Figures for Life Support Equipment Energy Subsidy Scheme and Thermoregulatory Dysfunction Energy Subsidy Scheme for 2009/10

The Office of State Revenue provided statistics for 2009/10 relating to the Life Support Equipment Energy Subsidy Scheme and Thermoregulatory Dysfunction Energy Subsidy Scheme.

Office of State Revenue Administered Energy Rebates for 2009/10

Subsidy	Applications	Subsidy Count	Subsidy Amount
<i>Life Support Equipment Energy Subsidy Scheme</i>			
Apnoea Monitors (Children only)	21	21	\$3,294
Feeding Pumps	39	41	\$3,774
Heart Pumps	1	1	\$262
Machine Assisted Peritoneal Dialysis Equipment	13	13	\$770
Nebulisers (Children only)	20	20	\$602
Oxygen Concentrator Adult	908	926	\$483,407
Oxygen Concentrator Capacity 7 or >7 lpm	87	93	\$65,795
Oxygen Concentrator Child	25	26	\$20,368

Suction Pumps	38	43	\$5,294
Ventilator (VPAP or BPAP only)	188	191	\$51,467
Total	1340	1375	\$635,033
<i>Thermoregulatory Dysfunction Energy Subsidy</i>	832	832	\$358,604

HARDSHIP UTILITY GRANT SCHEME

The Hardship Utility Grant Scheme (HUGS) is one of the Government's hardship assistance programs. It is administered and funded by the Department for Child Protection. The Office of Energy's role in the administration of the program is limited to its membership and participation on the HUGS Implementation Steering Committee.

3. Since the scheme's launch in December 2009, 83 fridges have been delivered to private tenants in hardship; a further 13 are currently with the service provider for delivery to be arranged. An additional 97 eligible customers have been sent letters informing them of their eligibility and will have delivery organised upon accepting the offer of a replacement fridge.

Customers do not 'apply' as such for a replacement fridge under the scheme. A customer's eligibility is assessed during a Hardship Efficiency Program home energy efficiency assessment. If the customer is eligible, they are advised by letter and are required to contact the utility to accept the offer of a replacement fridge.

Delivered Fridges by Postcode

Postcode	No.	Postcode	No.
6210 Mandurah area	15	6019 Scarborough area	1
6167 Anketell/Parmelia area	6	6053 Bayswater	1
6112 Armadale/Brookdale area	5	6057 High Wycombe area	1
6021 Balcatta/Stirling area	4	6058 Forrestfield	1
6027 Beldon/Joondalup area	4	6060 Joondanna/Yokine area	1
6030 Clarkson area	3	6062 Morley/Noranda area	1
6056 Middle Swan area	3	6064 Girrawheen area	1
6059 Dianella	3	6065 Darch/Landsdale area	1
6061 Balga/Mirrabooka area	3	6103 Rivervale	1
6108 Thornlie	3	6104 Belmont/Redcliffe area	1
6110 Gosnells/Martin area	3	6107 Cannington/Wilson area	1
6111 Illawarra/Kelmscott area	3	6147 Langford/Parkwood area	1
6163 Hilton/Samson area	3	6169 Safety Bay/Warnbro area	1
6164 Atwell/Beeliar area	3	6211 Mandurah area	1
6155 Canning Vale area	2	6230 Bunbury area	1
6006 North Perth	1	6330 Albany area	1
6007 Leederville	1	6530 Geraldton area	1
6018 Gwelup/Karrinyup area	1	Total	83

Eligible Customers – Received Letter of Eligibility or Awaiting Delivery

Postcode	No	Postcode	No.
6210 Mandurah area	16	6051 Maylands	1
6330 Albany area	7	6057 High Wycombe area	1
6163 Hilton/Samson area	6	6060 Joondanna/Yokine area	1
6061 Balga/Mirrabooka area	5	6062 Morley/Noranda area	1
6112 Armadale/Brookdale area	5	6069 Elllenbrook area	1
6230 Bunbury area	5	6073 Mundaring area	1
6056 Middle Swan area	4	6076 Bickley/Kalamunda area	1
6104 Belmont/Redcliffe area	4	6082 Mt Helena area	1
6110 Gosnells/Martin area	4	6100 Victoria Park area	1
6021 Balcatta/Stirling area	3	6105 Cloverdale area	1
6101 Carlisle area	3	6107 Kenwick area	1
6168 Hillman area	3	6108 Thornlie	1
6401 Northam area	3	6152 Karawara area	1
6018 Gwelup/Karrinyup area	2	6156 Attadale/Melville area	1
6025 Craigie area	2	6159 North Fremantle	1
6030 Clarkson area	2	6164 Atwell/Beeliar area	1
6064 Girrawheen area	2	6166 Coogee/Munster area	1
6103 Rivervale	2	6167 Anketell/Parmelia area	1
6111 Illawarra/Kelmscott area	2	6174 Golden Bay	1
6280 Busselton area	2	6208 Pinjarra area	1
6317 Katanning area	2	6232 Eaton/Millbridge area	1
6008 Shenton Park area	1	6255 Bridgetown area	1
6027 Beldon/Joondalup area	1	6324 Mount Barker area	1
6035 Yanchep	1	Total	110

4.1 – 4.5. The Honourable Member will note that the information sought is only relevant to Synergy and Horizon Power, and is held by these Corporations, not the Office of Energy. The information is currently being generated and will be made available when aggregated.



Minister for Energy

Hon Robin Chapple asked:

5. Page 583, Major Spending Changes:

5.1 Please provide more information about the proposed "Cleaner Energy Initiative".

5.2 Why has only \$600,000 been allocated to this work in 10/11, with no further allocation in the out years?

6. Page 583, Major Spending Changes:

6.1 Please provide more information about the 13/14 increase of \$6m referred to as "Hardship Package Continuation". How does that amount relate to the two hardship-related lines items on page 589?

6.2 Why hasn't there been an increased budget allocation for "Solar Water Heater Subsidy Scheme Continuation" in 13/14?

7. Page 584, Social and Environmental Responsibility:

7.1 What are the expected total greenhouse emissions associated with stationary energy in WA during the budget estimates and forward estimates years?

7.2 How do those emissions compare to what would have been expected without the efforts of the Office of Energy?

8. Page 589, 'Hardship – Financial Assistance'

8.1. Why are there no amounts allocated to this program from 11/12 onwards?

9. Page 589, 'subsidised premium net feed-in tariff for microgeneration.'

9.1 Why does the scheme ultimately announced commence on 1 August 2010 rather than the 1 July 2010 promised just 7 days earlier in this budget?

9.2 Why do no other amounts relating to the feed-in tariff actually announced appear in the budget that was handed down just 7 days before the scheme was ultimately announced?

Answer:

5.1. The funding was allocated to conduct a planning exercise, including modelling clearly define and establish baselines for action and the scope for policy measures to improve energy efficiency and increase the use of renewable energy in the State.

5.2. As indicated this is only for a research and planning exercise. The outcome of this initial work program will feed in to the Strategic Energy Initiative and any associated future policy measures.

6.1. The \$6m referred to forms part of the 'Hardship Efficiency Package' line item on p589. The Hardship Efficiency Package originally had a baseline of \$1.735m (grants and subsidies

portion) each year for the first four years (2008/09 – 2011/12). Additional funding has been provided in subsequent budget periods on top of this baseline. The \$7.735m on p589 corresponds to the sum of the \$1.735m baseline and the \$6m for the ‘Hardship Package Continuation’.

6.2. The Solar Water Heater Subsidy Scheme has been extended to the end of the 2012/13 financial year. Funding beyond this time has not yet been sought. Prior to 2012/13, a review of the Scheme will be undertaken to determine its ongoing relevance. Matters such as regulatory requirements for installation of efficient water heaters in new homes, the proposed phase out of emission intensive water heaters (expected in 2012), and changes to the Federal Government’s support mechanisms for small scale renewable energy systems would be considered in that review.

7.1. Forward projections on energy emissions in the past were undertaken and published by the former Australian Greenhouse Office, now the Department of Climate Change and Energy Efficiency. The last forward emissions report was released in 2006.

The modelling planned for the Strategic Energy Initiative will examine energy use scenarios out to 2030, including evaluating the impact on the energy mix of a number of carbon pricing scenarios over this period.

7.2. The Office of Energy key performance indicators are based on energy avoided (kilowatt hours) and energy displaced (kilowatt hours) not greenhouse gas emissions. Reducing energy use (avoided) and increasing the use of renewable energy (displaced) will reduce greenhouse gas emissions.

8.1. The ‘Hardship - Financial Assistance’ line item on p589 is the grants and subsidies portion of the ‘Hardship Measures’ listed on p583. This funding has been allocated for a Tariff and Concessions Framework Review and the provision of efficient water heating in public and community housing. It also includes an amount of \$2m for Hardship Utility Grant Scheme that was in the first instance allocated within the Office of Energy’s budget and which will be transferred to the Department for Child Protection at a later date.

The tariff and concessions review and the efficient water heating scheme are discrete programs of twelve months’ duration and therefore have received funding for the 2010/11 budget period only. These initiatives are in addition to the ongoing Hardship Efficiency Package.

9.1. Synergy and Horizon Power commenced taking applications for the scheme on 1 July 2010. Payments under the scheme will commence on 1 August to allow the electricity retailers to program their billing software to accommodate the feed-in tariff. Recipients will not be affected by the change in dates other than payments will be delayed by a month.

9.2. The Office of Energy is not administering the scheme. The allocation is included on page 237 in BP3, which reflects the CSO amounts Synergy and Horizon Power will receive to fund and administer the scheme.



Minister for Energy