

# **Submission to the Review of Energy Efficiency Programs for Low Income Households**



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## **About NCOSS**

The Council of Social Service of NSW (NCOSS) is the peak body for the non-government human services sector in NSW. Through its organisational membership, NCOSS represents a vast network of service delivery and consumer groups. NCOSS has a vision of a society where there is social and economic equity, based on cooperation, participation, sustainability and respect. We work with our members, the NSW Government, and other relevant agencies, towards achieving this vision in New South Wales.

## **Review of Energy Efficiency Programs for Low Income Households**

NCOSS welcomes the opportunity to contribute to the NSW Government's review of energy efficiency programs for low income households both through a written submission process and through attendance at the evidence-gathering forum on 6 February 2014.

Below we provide responses to selected questions posed in the Review's Issues Paper. If you would like to discuss any of the issues we raise in further detail, please contact Rhiannon Cook, Senior Policy Officer by email at [Rhiannon@ncoss.org.au](mailto:Rhiannon@ncoss.org.au) or call 9211 2599 ext 128.

### ***1. Is energy efficiency a useful tool to help low income households address energy bill pressure?***

There is little doubt that energy efficiency can be a useful tool in helping low-income households address energy bill pressure. By itself, however, energy efficiency does not adequately address the issue of energy affordability for low income households. Energy efficiency programs typically focus on energy consumption at the household level, yet the problem of affordability results from broader contextual factors that must also be addressed.

Energy efficiency programs often comprise two distinct components: the installation of energy savings devices, and behavior change initiatives. We note that some households are not in a position to reduce their energy consumption through behavior change. NCOSS recommends the NSW Government increase support for those households who have little control over their energy consumption including by:

- Increasing and properly indexing the life support rebate,
- Transitioning to a proportional rather than flat-rate concession system.

### ***2. Has the Home Power Savings Program been successful in addressing barriers to energy efficiency uptake in low income households?***

The Home Power Savings Program has been successful in addressing some of the barriers to energy efficiency uptake in low income households. In particular, the Program supported low income households to implement low-cost energy savings measures such as replacement light globes. However, it has been less successful in addressing the barriers preventing the uptake of those measures that result in higher energy efficiency returns, and that would therefore lead to more substantial cost savings. These measures

typically cost more to install, and are therefore unaffordable for low income households. In addition, many low income households live in rented accommodation and have not been able to benefit from the energy savings generated through the installation of fixed appliances, even when these have been provided free of charge.

**3. *Are there ongoing barriers to reducing bill pressure that existing and non-government programs do not address?***

Existing programs do not address a number of barriers to reducing bill pressure, most notably capital barriers and split incentives.

In addition, while the Home Power Savings Scheme did address barriers relating to information gaps, and lack of skills and time, there is an ongoing need for support for particular groups, such as new arrivals and refugees. Support will also be required as new opportunities for energy saving measures arise (for example, as new approaches to overcoming capital barriers are employed, or as new technologies become available).

**4. *Is the market, the State or the Commonwealth Government most appropriate to deliver programs to address these barriers? Why?***

Government intervention is necessary to support low-income households to overcome barriers to energy efficiency. Market-based mechanisms have clearly failed to address the most significant barriers to energy efficiency uptake for low-income households, and NCOSS is concerned that a purely market-based mechanisms is neither an adequate nor appropriate solution for a number of reasons, including:

- Energy saving outcomes for low-income households being relatively small compared to potential savings from high energy using higher income households. (Existing market-based mechanisms respond only to outcomes in terms of energy savings and do not take the human dimension of these savings into account).
- The need for sensitivity when working with vulnerable people and the need to ensure energy efficiency measures are appropriate for a household's circumstances.
- The inadequacy of current consumer protections, with low-income households likely to be particularly vulnerable to potential scams.
- The level of complexity in relation to certain barriers, particularly split incentives. Addressing these barriers will require approaches that work across a number of fronts.

Further, the State Government must play an active role in addressing the barrier of split incentives. Tenants – particularly low-income renters – continue to miss out on the potential benefits arising from energy efficiency initiatives. The State Government should investigate options to address this inequity, including through the regulation of minimum standards for all rental housing. Previous experience has found that incentives alone provide insufficient motivation for landlords, even when these incentives include

substantial discounts on products and appliances.<sup>1</sup> Furthermore, the Home Power Savings Program found that public housing tenants were less able to benefit from the program as they were unable to gain landlord approval for the installation of fixed energy saving appliances. This is clearly an issue that should be addressed by the State Government.

**5. *Did the Home Power Savings Program target the right households? &***

**6. *If not, which low income households should have been targeted? How could these households be identified and engaged?***

NCOSS considers that the Home Power Savings Program was well targeted. However, future energy efficiency programs could consider the following improvements:

- a. Ensuring equitable access for Aboriginal and Torres Strait Islander people, including by involving them in all stages of design and delivery. The Home Power Savings Program partnership with Murdi Paaki was a positive move towards ensuring Aboriginal and Torres Strait Islander people could benefit from the program, but would have resulted in more substantial benefits had it occurred earlier in the Program's lifespan.
- b. Ensuring equitable access for people living in regional NSW, including rural and remote areas.
- c. Providing some flexibility within the program design to enable assistance to be provided, where appropriate, to low income earners who may not fit strict eligibility criteria.

**7. *Have you directed clients or customers to the Home Power Savings program? If not, why?***

While NCOSS does not deal directly with clients our members report having directed clients to the Home Power Savings program and having seen benefits for their clients as a result. One member commented that the long wait times for appointments experienced by some clients meant that the scheme was less effective than it might otherwise have been.

**8. *Was the Home Power Savings Program effective in reducing bill pressure for low-income households? Why or why not?***

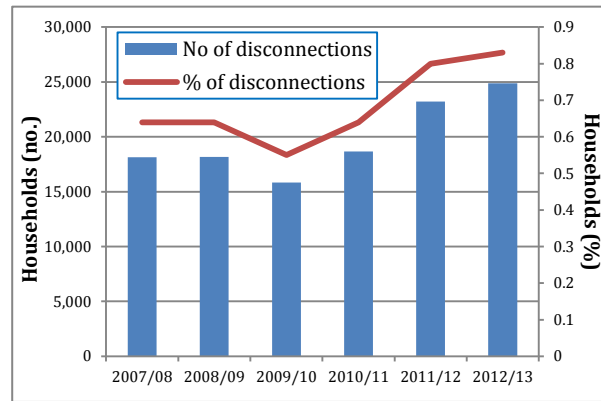
The Home Power Savings Program assisted some low-income households to reduce their energy consumption by 10% or more through energy efficiency measures.

Bill pressure continues to be a significant issue for low income households, however. The steady increase in the number of disconnections is indicative of the extent of the problem (Figure 1).

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<sup>1</sup> Commonwealth Coordinator-General (2009) Department of the Prime Minister and Cabinet, Nation Building – Economic Stimulus Plan, Commonwealth Coordinator-General's Progress Report 3 February 2009–30 June 2009, Canberra.

As noted above, the Home Power Savings Program focused on low-cost energy saving measures rather than on higher cost activities that can result in more substantial savings. In a typical household, almost two-thirds (63%) of expenditure on electricity is for heating, cooling and hot water<sup>2</sup>. These areas – ones that are typically impacted by split incentives and capital barriers – should be addressed if future energy efficiency programs are to more effectively reduce bill pressure for low-income households.



**Figure 1:** Annual residential disconnections for non-payment of electricity bills in NSW (from IPART's 2013 report on Customer Service Performance of electricity retail suppliers)

**9. If so, what aspects of the design or objectives made it effective? If not, how could it have been better designed to improve its effectiveness?**

NCOSS members have commented on two aspects of the design of the Home Power Savings Program that contributed to its effectiveness in supporting low income earners to adopt energy saving measures. These were:

- a) Partnerships with community organisations:** The strong partnerships with community organisations meant that the scheme was able to reach low-income and vulnerable households who may otherwise have been difficult to engage. In particular, community organisations involved in the delivery of Energy Accounts Payment Assistance (EAPA) report that energy savings initiatives were a useful add on to this work. At the same time, because the scheme was administered by the NSW Government, it did not carry the stigma sometimes attached to programs solely delivered through the community sector.
- b) In-home assessments:** The in-home assessments provided the level of support required by some low-income households in order to overcome barriers relating to information and lack of skills and time. However, these assessments are also expensive, and in some cases the money allocated to these assessments may have been better spent directly supporting households to adopt high-cost high energy saving devices such as more efficient hot water heaters. Future programs could triage households – for example providing group information sessions or web-based audits where these are appropriate – to ensure the money available to support households is spent in the most effective manner.

**10. How have barriers been successfully addressed in other past or current programs or policies in NSW or elsewhere?**

<sup>2</sup> Mission Australia (2012) *Submission to the National Energy Savings Initiative Issues Paper*. Downloaded 18 February 2014 from <http://www.climatechange.gov.au/sites/climatechange/files/files/energy-efficiency/submissions/NESI-Submission-MissionAustralia-20120227.pdf>

Numerous policies and programs have attempted to address barriers to take up of energy efficiency measures by low-income people, and there is substantial literature analysing the successes or otherwise of these programs. In particular, the following pieces of work should be taken into consideration:

- The AHURI evidence review of energy efficiency for low income renters<sup>3</sup>
- EWON's work on collating information about Australian and overseas programs for appliance purchase, in response to issues raised through the National Affordability Roundtable.

**11. Do you think energy efficiency programs like the Home Power Savings Program are an efficient way to reduce bill pressure on low income households? &**

**12. If not, how could energy efficiency programs be delivered more efficiently, or what other programs do you think would be more efficient?**

We consider that energy efficiency programs are essential in ensuring that low income households can benefit from energy efficiency gains, and thereby reduce their energy consumption. Where this is achieved there are long-term benefits for low income households who are able to reduce their energy bills. However, as stated above, energy efficiency alone is an inadequate response to the problem of energy affordability, and wider contextual issues must also be addressed.

**13. How could energy efficiency for low income households be delivered through the NSW Energy Savings Scheme?**

The NCOSS submission to the NSW Energy Savings Scheme Rule Change Consultation argued that the introduction of a minimum co-payment for all activities under the ESS would inhibit access to the scheme by low-income households. If a co-payment is introduced, special provisions should be made for low-income households. We also recommended that the NSW Government should introduce a target for participation in the scheme participation in the ESS by low-income households.<sup>4</sup>

Analysis of equivalent schemes in South Australia and SA Victoria suggests that participation by low-income households is high where low-cost residential activities are included. However, participation is more limited when a co-payment is required, and where low cost activities have already achieved a significant market share – such as in NSW.<sup>5</sup>

In order to meet a target for participation in the ESS by low-income households, assistance in over-coming capital barriers will need to be provided. In addition, the scheme does not address the issue of split incentives. The NSW Government should therefore investigate opportunities

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<sup>3</sup> AHURI (2013) *Evidence Review: Can low income tenants rent an energy efficient home?* Downloaded 18 February 2014 from [http://www.ahuri.edu.au/housing\\_information/review/evrev040](http://www.ahuri.edu.au/housing_information/review/evrev040)

<sup>4</sup> NCOSS (2013) Submission to the Energy Savings Scheme Rule Change Consultation 2013. Available at <http://www.ncoss.org.au/resources/131211-NCOSS-Submission-2014-EnergySavingsScheme.pdf>

<sup>5</sup> Australian Government, Department of Resources, Energy and Tourism (2012) Progress Report: National Energy Savings Initiative. Downloaded 18 February 2014 from <http://ee.ret.gov.au/sites/default/files/files/energy-efficiency/esi/ESI-ProgressReport-20121031-PDF.pdf>

to ensure rental households do not miss out on the benefits stemming from energy saving initiatives.

***14. In your experience was it simple to find information about and participate in the Home Power Savings Program? How could participation be simplified?***

Not applicable.

***15. Is there duplication among any existing programs or policies? & 16. How could programs or policies be better aligned to target gaps and avoid duplication?***

The overlap between the Home Power Savings program and the Commonwealth Government's Home Energy Saving Scheme (HESS) did result in some confusion for consumers. However, HESS is due to cease at the end of June 2014, while the Home Power Savings Program will now be wound down by the end of February 2014. The simultaneous removal of both programs will leave a gap in terms of targeted support for low income earners that should be filled.

As stated above, there is also a gap in ensuring that renters can benefit from energy saving measures, and in supporting low-income earners to overcome capital barriers to energy saving initiatives.