

SUBMISSION

TO | Department of Energy and Mining
(SA Government). dem.consultation@sa.gov.au

TOPIC | Consultation on proposed amendments to
customer payment under the Remote Area
Energy Supply (RAES) Scheme: Issues Paper

DATE | September 2021

Contact

Sarah Warren, Manager Financial Inclusion

E: SarahW@unitingcommunities.org

Ph: 08 8202 5845 | M: 0429 577 519

Mark Henley, Manager, Advocacy and Communication

E: MarkH@unitingcommunities.org

Ph: 08 8202 5135 | M: 0404 067 011

Recommendations

Clarity about 'problem to be solved'

Recommendation 1. That the State government through DEM, publicly confirm the central problem that is to be solved through the solutions proposed in the issues paper. We propose the 'problem statement' to be **"how to provide adequate, cost effective electricity to remote Anangu communities in the future?"**

Boosting cheap renewable generation

Recommendation 2: That active consideration be given to greater use of low cost renewable generation and Stand Alone Power Systems (SAPS) in meeting future electricity needs on Anangu Lands and remote locations, at low cost.

Transition strategy implemented with Anangu and over at least 5 years

Recommendation 3: Any fundamental change from current arrangements will need to be implemented responsibly, with the communities involved, and to occur over an absolute minimum of 5 years.

Options for consumers to effectively and safely change or shift demand

Recommendation 4, Options to enable Anangu to effectively respond to price signals need to be established before pricing is introduced. There is no value in a price signal if consumers cannot respond to it.

Pre-payment meter Code

Recommendation 5. That the ESCoSA "off-grid" consumer protection framework review, which will incorporate pre-payment meter code consideration, is undertaken before pricing for electricity is introduced for Anangu communities.

Alternative billing options available

Recommendation 6. Alternative billing and charging options are established, beyond a singular default, eg pre-payment meter only option

Capacity to pay / Price

Recommendation 7: that the initial price charged be at most 5 cents per kw

Self-disconnection

Recommendation 8. That self-disconnection is closely monitored and carefully developed responses agreed before the implementation of pricing for electricity

Recommendation 9. That in-community support is available where self-disconnection occurs more than twice in a six month period.

Hardship policies

Recommendation 10. That an appropriate, comprehensive and meaningfully hardship strategy is developed, approved by ESCoSA, and readily accessible by Anangu, before pricing is introduced.

Recommendation 11: That Cowell Electric develop a hardship approach and ensure that it is publicly available and build staff capacity to respond to hardship.

Support Programs

Recommendation 12: That adequate support services, including financial counsellors, are locally available to support those people who struggle with payment for electricity and self-disconnection as well as those who forego other essential expenditure to pay for electricity.

Recommendation 13. SA Government to liaise with Energy and Water Ombudsman of SA to determine how independent dispute resolution can occur for Anangu Lands

Access to recharge

Recommendation 14. Access to recharge for those choosing pre-payment is readily available for all people intended to be charged for electricity, including those remote from Umawu

Transition plan

Recommendation 15. That a realistic transition plan is developed with Anangu communities and nominated support organisations, Cowell Electric, ESCoSA and the SA Government before pricing is introduced

About Uniting Communities

Uniting Communities works with South Australian citizens across metropolitan, regional and remote South Australia through more than 100 community service programs. Our vision is: a compassionate, respectful and just community in which all people participate and flourish. We are made up of a team of more than 1500 staff and volunteers who support and engage with more than 20,000 South Australians each year. Recognising that people of all ages and backgrounds will come across challenges in their life, we offer professional and non-judgemental support for individuals and families.

Financial Inclusion

The Financial Inclusion team consists of programs and products that support individuals on low incomes, or experiencing disadvantage:

- Energy Services
- Financial Counselling
- Financial Capability
- Microfinance
- Emergency Assistance

Energy Services

Managing and understanding the electricity, gas and water market can be difficult and confusing. Uniting Communities offers services which are able to support individuals to better manage their energy consumption and to understand the energy market.

- This education includes learning:
- How to read and understand bills
- About managing electricity, gas and water efficiently in the home
- About what to do when things go wrong
- What assistance is available to provide support

Our services include in home and phone energy assessments, group education and worker training.

Perspectives for this Submission

Uniting Communities appreciates the opportunity to make some comments in response to the DEM issues paper about the introduction of customer payment for electricity, using pre-payment meters, initially on Anangu lands.

We highlight that the voices of Anangu people are critical in dealing with the issues raised in the issues paper, as well as a range of other matters that impact on the culture, health and well-being of Anangu.

Uniting Communities is responding to this issues paper from two perspectives, firstly that of our Energy Efficiency service which has worked with “Money Mob^[1]” in providing

^[1] <https://moneymob.org.au/>

information and training to Anangu people with an interest in the proposed transition to payment for electricity

Our second perspective is that of long term energy advocates with policy interest. For example, we were a part of the development of the SA pre-payment meter code, at the time when Aurora Energy was planning to establish a ‘pay as you go’ energy retail product for metropolitan Adelaide.

We have participated in meetings with DEM and other stakeholders over recent months and use this opportunity to reinforce key concerns that we have raised and present some reflections on conversations to date. We recognise that the issues raised in the issues paper are complex and that there is no simple solution

One of the questions that we have asked is “what is the problem to be solved?” and so start with considering this question.

The problem to be solved

Recognising that the issues involved with the actions proposed by DEM are complex, we think that clarity about problem to be solved is crucial as this then helps to provide direction for potential solutions.

The issues paper¹ released by the SA Dept of Energy and Mining (DEM) states: “*Customers living in community housing in the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands, Oak Valley, and Yalata areas are not currently charged for their electricity supply or consumption.*”

We understand that the main reasons for this to be of concern are:

1. The current generator on the APY Lands has reached capacity, so while future supply is fixed, demand continues to grow. Further to this, it is considered to be cost prohibitive, by the SA Government, to build further (diesel) generation capacity.
2. The high cost (in dollars and environmental impact) of diesel fuel to power the existing generator.

Consequently, we frame the problem to be solved as being: “**how to provide adequate, cost effective electricity to remote Anangu communities in the future?**” For simplicity, we refer to this as “the problem” throughout this submission.

Recommendation 1. That the State Government through DEM, publicly confirm the central problem that is to be solved through the solutions proposed in the issues paper.

Given this problem, there are a number of potential solutions, or combinations of solutions of which the proposed solution, introducing demand side pricing with pre-payment

¹ [Proposed amendments to customer payment under the Remote Area Energy Supply \(RAES\) Scheme \(amazonaws.com\)](https://www.amazonaws.com)

metering, is but one of a suite of potential solutions. Both demand and supply solutions need to be closely considered.

Potential solutions to the problem include:

Demand Side

- Education and Community allocation of electricity
- rationing of existing supply
- Improve energy efficiency of appliances
- Improve thermal efficiency of housing
- Introduce indicative price signals, as proposed
- Apply full cost tariffs; marginal cost and time of use based.

Supply Side

- Utilise domestic solar PV and storage solutions to expand generation
- Introduce SAPS (Stand Alone Power Systems) for homelands and smaller, more isolated communities.
- Assist Anangu communities to establish their own community energy enterprises.

This list of potential solutions indicates that there are a number of possible solutions, however only one of them has been actively promoted in the issues paper, which we consider to be an oversight.

We do not explore each of these options but wish to highlight the potential merits of a couple of these suggestions.

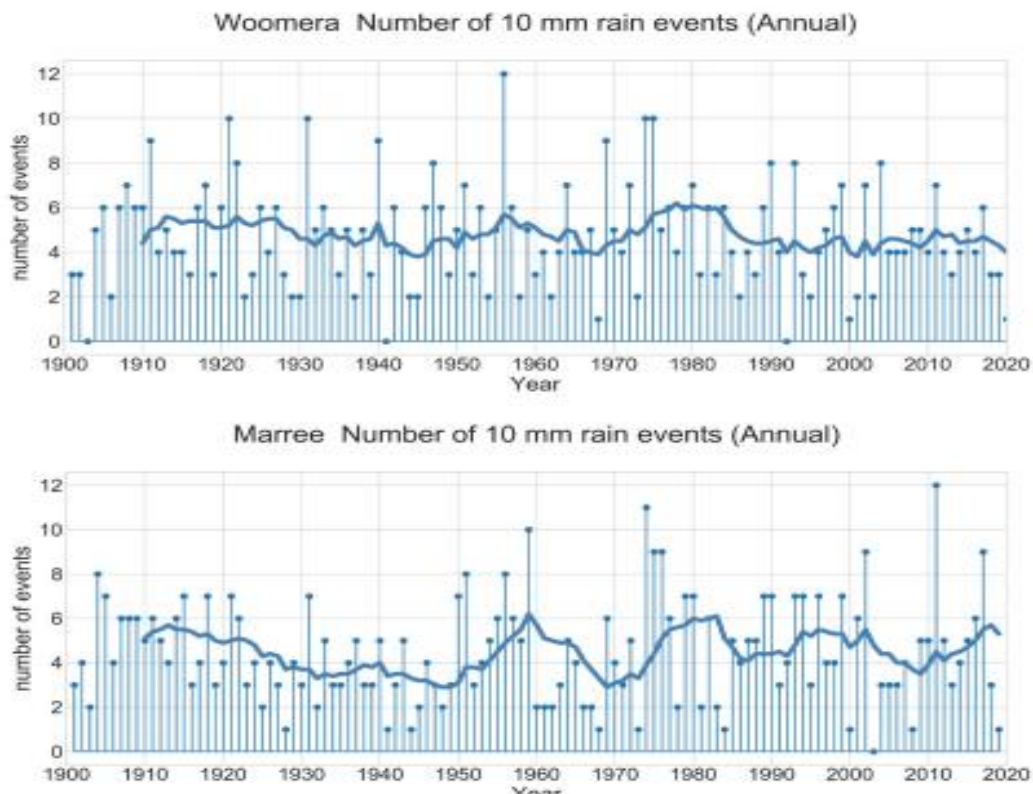
Firstly, taking a supply side view, there is little doubt that solar energy is now a very cheap form of electricity generation, both at the household level and at larger community through grid scale arrays of panels.

Anangu lands are in arid climatic regions with the Bureau of Meteorology reporting that over recent decades there have been about 4 days per year of 'useful' levels of rain in moderately nearby Woomera and Maree, and this is shown in chart 1. These locations are both to the south of APY lands and likely to receive more rain than further north in this Arid region of SA. This indicates that almost every day on Anangu country is sunny and so are ideal locations for electricity generation from photo-voltaic (PV) cells.

Chart 2 shows the declining costs for electricity generated by PV panels over recent decades so that now the cost to produce solar energy is below US\$2.00 per watt.

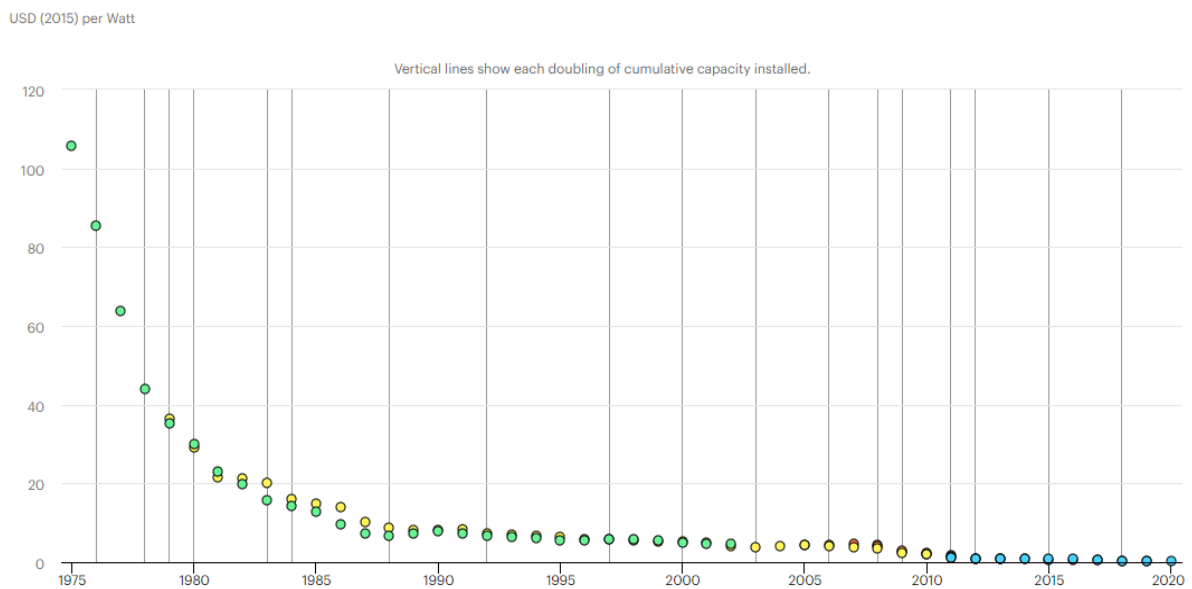
The high number of sunny days coupled with the ever lower cost of generating electricity through solar PV reinforce our option that a supply side response to rising costs of supplying electricity Anangu lands is a viable solution, or at least part solution to the problem.

Chart 1: Rain days in SA arid zone locations



Source BOM: Arid Lands SA Climate Guide²

Chart 2. Cost of PV generated electricity, per watt, over time \$US



Source: International energy Agency³

² <http://www.bom.gov.au/climate/climate-guides/guides/047-Arid-Lands-SA-Climate-Guide.pdf>

³ <https://www.iea.org/data-and-statistics/charts/evolution-of-solar-pv-module-cost-by-data-source-1970-2020>

The barriers to installing PV are recognised and include the costs of transport and installation in a remote location and past experiences of vandalism to PV panels. We believe that proactive community engagement and low cost solutions exist for the vandalism problem and that the isolation costs are modest compared with transporting diesel. We also note that SA Governments have assisted home owners with subsidies for PV and more recently batteries, so this approach can also be applied for people living on Anangu Lands

We are aware that Western Power, Horizon Energy in other electricity businesses have demonstrated success in the provision of Stand Alone Power Systems (SAPS) in other remote and isolated locations in Australia.

We do not see evidence in the issues paper that alternative supply side options have been adequately explored.

Recommendation 2: That active consideration be given to greater use of low cost renewable generation and Stand Alone Power Systems (SAPS) in meeting future electricity needs on Anangu Lands and remote locations, at low cost.

Application of a market model

The issues paper states that part of the reason for the problem occurring is:

“the absence of a price signal (a charge for electricity) means that there is no feedback mechanism for residents to understand their energy consumption, and no financial reason for households to reduce their electricity use.”

Which has led to the proposed solution being:

“The South Australian Government is introducing a package of measures as part of the Future Sustainability Program, aimed at improving service delivery and realising operational efficiencies across the entire RAES scheme. These measures include:

- *Installation of smart meters to improve energy efficiency and service delivery across the entire RAES scheme.*
- *The introduction of more flexible payment options, including development of a customer prepayment framework, to reduce the current and future risk of customer indebtedness.*
- *The staged introduction of electricity charging for community housing residents in the APY Lands, Oak Valley, and Yalata.”*

While recognising that market-based approaches are effective in allocating scarce resources between competing needs, there is a well-established literature about the necessary conditions for effective markets, these being described by Investopedia, for example, as⁴:

⁴ <https://www.investopedia.com/terms/p/perfectcompetition.asp>

- All firms sell an identical product (the product is a "commodity" or "homogeneous").
- All firms are price takers (they cannot influence the market price of their product).
- Market share has no influence on prices.
- Buyers have complete or "perfect" information—in the past, present, and future—about the product being sold and the prices charged by each firm.
- Capital resources and labour are perfectly mobile.
- Firms can enter or exit the market without cost.

We contend that the only one of these conditions that might apply is the first on the list, so market based economic analysis and models simply do not apply to electricity supply on the APY lands and partial application of market approaches is not appropriate. Any economics theory approach to electricity supply on Anangu lands must be considered using ‘theory of second best, refer footnote for summary⁵’ which we believe means that transparent and direct SA Government intervention will be essential for the foreseeable future. This being that The second-best (direct SA government involvement) may look starkly different than the first best (application of market solution)

So, for example, a better “feedback mechanism for residents to understand their energy consumption” may well be information and education, rather than a non market price signal.

Introducing an energy market

We observe that the introduction of charging for electricity use requires significant adjustment by energy users to new arrangements. On 13 December 1998 the NEM Management Company (NEMMCO) took over the controls of the power system in Queensland, New South Wales, Victoria, South Australia and the Australian Capital Territory; and the National Electricity Code came into force. Version 166 of the rules governing the NEM was introduced on 3rd June 2021, with many more rule changes flagged.

We are saying that after about a century of local and state based electricity market experience the Australian energy market is in a constant state of change. To apply a whole new paradigm for energy supply and cost to any group of people and expect this to adjust painlessly overnight (eg 30th June 2022), or even over 2-3 years is simply unreasonable. Any fundamental change from current arrangements will need to be implemented responsibly, with the communities involved, and to occur over an absolute minimum of 5 years.

Recommendation 3: Any fundamental change from current arrangements will need to be implemented responsibly, with the communities involved, and to occur over an absolute minimum of 5 years.

⁵ The theory of the second-best was first laid out in a 1956 paper titled, sensibly enough, "[The General Theory of the Second Best](https://www.economist.com/free-exchange/2007/08/21/making-the-second-best-of-it)", [paid access] by Richard Lipsey and Kelvin Lancaster. Roughly put, Lipsey and Lancaster pointed out that when it comes to the theoretical conditions for an optimal allocation of resources, the absence of any of the jointly necessary conditions does not imply that the next-best allocation is secured by the presence of all the other conditions. Rather, the second-best scenario may require that other of the necessary conditions for optimality also be absent—maybe even all of them. The second-best may look starkly different than the first best. From <https://www.economist.com/free-exchange/2007/08/21/making-the-second-best-of-it>

Uniting Communities accepts that a reasonable public policy outcome for the problem includes fair prices for electricity being charged for electricity use, over a responsible and responsive time. We strongly believe that a well-developed and carefully implemented transition plan to achieve this is crucial.

Implementation.

The introduction of the proposed price signal and associated pre-payment meters poses a number of implementation dilemmas, including the following:

1. Market failure (limited choice)
2. Pre-payment meter Code
3. Capacity to pay / Price
4. Self disconnection
5. Hardship policies and programs
6. Support Programs
7. Access to recharge
8. Transition plan

1. Market failure

In the section above we have demonstrated that effective market criteria are not met with the proposed course of action.

For effective responses to the problem and using a price signal to generate a behavioural response, electricity users need to have alternatives in order to change load profiles and lower use. A range of potential customer responses need to be realistically available so that responses can be made to price signals.

For home owners on the national electricity network, their choices of price response actions include:

- Using appliances with higher energy efficiency
- Improve energy efficiency of their home, eg with insulation, blinds, reducing drafts etc
- Switch retailers for a better market offer.
- Install rooftop PV
- Buy a state subsidised battery
- Home management systems to help shift load
- Join a Virtual Power Plant or third party home energy management service
- Go to the beach or air-conditioned shopping centre on very hot days.

None of these options exist for energy customers on Anangu lands.

The only real 'choice' under the issues paper proposal is to reduce use, which is an unrealistic option when maximum temperatures can be near 50 degrees Celsius in mid

Summer and below zero during mid winter nights, with minimal or inadequate heating and cooling options.

So for price signals to prompt behaviour change to reduce or switch demand, then at least some of these options need to be available to Anangu.

Options to effectively and safely change or shift demand

Recommendation 4, Options to enable Anangu to effectively respond to price signals need to be established before pricing is introduced. There is no value in a price signal if consumers cannot respond to it.

2. Pre-payment meter Code

For energy retail to apply, an appropriate retail code is necessary for the retailer to be licensed by ESCoSA. For pre-payment to be an option, the pre-payment code will need to apply and first it must be relevant.

The pre-payment code in SA has not been applied for about a decade and so is likely to be out of date. The code was first introduced in SA at the prompting of Aurora Energy who wanted to introduce a 'pay as you go' retail offer, using prepayment meters. This option has been absent from the SA market for many years and the code not recently reviewed. The code therefore needs to be reviewed in part with reference to the intended application on Anangu Lands, which is very different to previous applications

We understand that ESCoSA is in the process of initiating an 'off-grid' consumer protection framework review, that will include consideration of pre-payment options.

Appropriate policy is 'joined up' with pertinent regulation and program implementation. Consequently application of pre-payment metering in APY Lands should be deferred until the "off-grid" consumer protection review has been undertaken and relevant codes reviewed and established. They can then be applied to remote locations and inform the conditions that will be applied to Cowell Electric's retail license

We are also concerned that the current pre-payment code has a default to post payment if pre-payment does not deliver acceptable customer outcomes. The proposal for Anangu Lands does not include a default alternative, only a singular payment option of pre-payment. We consider this lack of any alternative to be unacceptable.

Recommendation 5. That the ESCoSA "off-grid" consumer protection framework review, which will incorporate pre-payment meter code consideration, is undertaken before pricing for electricity is introduced for Anangu communities.

Alternative billing options available

Recommendation 6. Alternative billing and charging options are established, beyond a singular default, eg pre-payment meter only option.

3. Capacity to pay / Price

Our financial counsellors are particularly concerned about the capacity of many people on the APY and surrounding lands to have the capacity to pay for electricity in addition to their existing costs. We observe that many Anangu are already living in poverty on very low incomes. All costs, including essential food and groceries are dramatically higher in remote locations, particularly the APY Lands, than in Adelaide or regional centres, yet incomes for many people are no more than the poorest people in cities.

Household budgets are already fully utilised, so an additional essential cost, without any additional income will certainly increase financial stress.

We appreciate that the SA government agencies have been diligent in seeking to maximise concessions and any other support payments, but these will not equate to increased household costs with energy charges.

The creation of an additional cost for already fully committed household budgets will mean that many households will be unable to pay for electricity and so will self disconnect. Others will maintain energy payments, but go without other essential items including nutritious food and medicines.

The introduction of a price signal need to be phased in seeking early response from the heaviest electricity users. These are households using 4-5 times the average statewide use. The proposed 10 cents per kw will mean very high electricity bills are created very quickly and so create financial hardship that will overwhelm any price signal. Consequently, we consider that an introductory price of 3-5 cents per kw be applied initially, to give the price signal capacity to constructively influence behaviour.

Recommendation 7: that the initial price charged be at most 5 cents per kw

4. Self disconnection

Arguably the greatest risk from pre-payment meters is self-disconnection when money runs out and the household has no more money to pay for electricity. Therefore essential energy use, eg for hot water for washing, refrigeration, cooking and heating / cooling, is lost, increasing health and wellbeing risk.

For reasons already explained above, we expect that the introduction of charging for electricity using prepayment meters will produce frequent self-disconnection for many people. This was supported in a recent on-line forum by Dr. Simon Quilty a Senior Lecturer at ANU, who reported experience from other remote locations in the Northern Territory where self-disconnection occurs on a near weekly basis. This outcome must be avoided.

Recommendation 8. That self-disconnection is closely monitored and carefully developed responses agreed before the implementation of pricing for electricity

Recommendation 9. That in-community support is available where self-disconnection occurs more than twice in a six-month period.

5. Hardship Program and Policy

The Cowell Electric website⁶ provides the following information for their customers:

“Electricity Customers

Being situated 100km South of Whyalla on the Eyre Peninsula Cowell Electric is perfectly located to service the regional and remote areas of not only South Australia, but Northern Territory, Western Australia, Queensland and New South Wales. We have a permanent presence in Umuwa, the main township of the Anangu Pitjantjatjara Yankunytjatjara lands as well as the support of Parent Company, Ahrens, key locations in Olympic Dam, Newman, Port Hedland, Karratha, Darwin, Toowoomba and Gilgandra.”

However, we could not find any reference to Hardship policy or support programs on their website (last checked 16th September 2021) suggesting that they do not have a well established hardship program or process.

For comparison, Jacana Energy describe themselves as follows

“Jacana Energy purchases wholesale electricity in bulk from generators, turning it into a range of retail products and services designed to meet our customers’ energy needs.

We provide electricity services to more than 85,000 customers throughout the Northern Territory. As an electricity retailer, we are the principal interface between the electricity industry and customers”⁷

Jacana is a useful energy provider for comparison and has a hardship policy that is accessible from their website

(https://www.jacanaenergy.com.au/residential/payment_options/Jacana-Energy-Hardship-Policy.pdf)

We recognise that Cowell Electric is an established electricity provider with a sound track record, but we observe that they have more work to do to have hardship and related policies and practices in place and tested before a market approach is introduced for Anungu Lands. We also anticipate that Cowell Electric will need to develop a “hardship team” as part of their staffing.

Recommendation 10. That an appropriate, comprehensive and meaningfully hardship strategy is developed, approved by ESCoSA, and readily accessible by Anungu, before pricing is introduced.

Recommendation 11: That Cowell Electric develop a hardship approach and ensure that it is publicly available and build staff capacity to respond to hardship.

⁶ <https://www.cowellelectric.com.au/>

⁷ https://www.jacanaenergy.com.au/about_jacana_energy

6. Support Programs

Uniting Communities is also very concerned that adequate local services need to be available to support people who are unable to meet electricity payments and those people who cannot meet other payments because they are paying for electricity use. Remote access to services will not be adequate as charging for electricity commences.

Recommendation 12: That adequate support services, including financial counsellors, are locally available to support those people who struggle with payment for electricity and self-disconnection as well as those who forego other essential expenditure to pay for electricity.

Recommendation 13. SA Government to liaise with Energy and Water Ombudsman of SA to determine how independent dispute resolution can occur for Anangu Lands

7. Access to recharge

One of the reasons for Aurora Energy withdrawing its pre-payment option from Adelaide was difficulties in maintaining a reliable recharge network. We think that this is also a potential problem on APY Lands where not all communities have a local shop and the shops are not always open – shop keepers need to rest too. So options for access to recharge need to be fully considered.

Recommendation 14. Access to recharge for those choosing pre-payment needs to be readily available for all people intended to be charged for electricity, including those remote from Umuwa

8. Transition plan

Many of the concerns raised in this submission highlight the need for a transition to payment for electricity that has been carefully developed with Anangu communities and their nominees, Cowell Electric, APY stores, SA Government agencies and other stakeholders. It is crucial that a longer-term goal is established and maintained as a focus for implementation. Codes, regulation, programs and genuine choices for Anangu must be established before price signals are introduced. A longer time frame than that envisaged in the issues paper will be needed.

Recommendation 15. That a realistic transition plan is developed with Anangu communities and nominated support organisations, Cowell Electric, ESCoSA and the SA government before pricing is introduced.