



## **Submission to the ACCC inquiry into retail electricity supply and pricing**

Thank you for the opportunity to make a submission to the ACCC inquiry into retail electricity supply and pricing.

I write on behalf of the Comfy Homes Alliance, a community campaign asking the ACT Government to make sure that renters can enjoy comfortable housing by regulating improvements to the energy efficiency of rental properties. We are concerned by the increased financial hardship being caused by increasing power prices, especially in the context in which this may reduce people's ability or intention to keep their homes at a safe temperature.

We are thus most interested in the question of customers and their interaction with the market, as the ACCC has outlined. Within this, areas of concern are:

1. Impediments to informed decision-making,
2. Ways that customer decision making and outcomes could be improved,
3. How electricity usage data is, and can be, provided to and used by customers to enable them to better engage with the retail electricity market,
4. Particular issues that vulnerable customers face in dealing with electricity retailers.

### **Renters are particularly vulnerable to increases in electricity pricing**

We feel that renters occupy a unique, and uniquely disadvantaged position in relation to the electricity market. Compared with homeowners, renters are not able to make upgrades to the envelope of the building they live in. While they may retain choice over their choice of electricity retailer, this simple fact has a material impact on the ability of renters to manage, and efficiently reduce, their own demand.

This is an issue that particularly affects vulnerable customers – low-income households. Almost one in every two people on low incomes are living in rental properties, and low-income tenants are twice as likely as owner-occupiers to live in an un-insulated home.<sup>1</sup> Compared with wealthier households, low-income households have less 'discretionary' energy consumption – the level of consumption is more closely tied to the number of people in the home. While many low-income households do ration their energy usage, this is less about turning things off at the power point and more about avoiding heating – even in the depths of winter.

Any inquiry into the impact of retail pricing on consumers, therefore, should note the unfortunate position of renters. People on low-income are over-represented amongst renters, more likely to live in inefficient homes, and have even less capacity to reduce energy demand through conservation measures. This gives rise to increased consumption, alongside reduced capacity to pay, and

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<sup>1</sup> ABS 2009a: Australian Bureau of Statistics, Household Water, Energy Use and Conservation, October 2009, ABS 4602.2

significant vulnerability to price increases. AGL notes that customers in their hardship program use 40% more electricity per year.<sup>2</sup>

## **The market limits renters' ability to make informed decisions**

Options exist that will assist renters to make informed decisions and potentially seek out more efficient and affordable living options.

In the ACT, it is a requirement that any property for sale discloses its energy efficiency rating. This means that homeowners know what they are buying. This creates a market signal that rewards energy efficiency.

Renters, on the other hand, get the benefit of no such signal (in the ACT and elsewhere). There is no requirement that rental properties obtain and disclose an energy efficiency rating. This perpetuates an inefficient market in rental properties and leaves little incentive for a landlord to make improvements. Even where renters are willing to pay a premium for more efficient properties, they don't necessarily have access to knowledge to make that choice.

Besides recommending mandatory disclosure of energy efficiency ratings for rental properties, there is potentially scope to improve transparency of past usage data to help customers engage better with the market. While individual households will use energy in very different ways, greater transparency regarding the historical consumption patterns within individual houses would help to illuminate potential future costs, such that renters could be more informed and make better plans.

Overall, renters face significant impediments to informed decision-making. It is not possible to know the energy efficiency rating of their rental property, and in the absence of any electricity usage data, they cannot reasonably anticipate what their own usage pattern might be.

Thank you again for the opportunity to make this submission, and we look forward to seeing the results of the inquiry.

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<sup>2</sup> Solomon L, 'Effective Support For Vulnerable Households – Closing The Gap Between Capacity To Pay And Cost Of Consumption – Part 2 - AGL Energy Sustainability Blog' (Aglblog.com.au, 2015) <<http://aglblog.com.au/2015/09/effective-support-for-vulnerable-households-closing-the-gap-between-capacity-to-pay-and-cost-of-consumption-part-2/>>