



SUBMISSION TO SENATE SELECT COMMITTEE INTO ELECTRICITY PRICES

**Prepared by
COTA National Policy Office**

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Introduction

COTA Australia is the national policy arm of the eight State and Territory COTAs (Councils on the Ageing) in NSW, Queensland, Tasmania, South Australia, Victoria, Western Australia, ACT and the Northern Territory.

COTA Australia has a focus on national policy issues from the perspective of older people as citizens and consumers and seeks to promote, improve and protect the circumstances and wellbeing of older people in Australia. COTA takes a rights based approach to all of its work.

One of our five guiding principles includes a commitment to seek to ensure that there is an adequate 'safety net' of services and income support which all senior Australians can access according to fair and equitable criteria in order to maintain an acceptable quality of life.

COTA welcomes the opportunity to make a submission to the Select Committee on Electricity Prices. There have been numerous articles in the media in many countries, including Australia, on the adverse impact of rising energy costs on older people, particularly those who are on fixed incomes. COTA NSW undertook a set of case studies on how older people respond to these rising prices and a copy of the report of that study is at Attachment A.

We consider the issues raised by the terms of reference for the inquiry to be broad ranging and that they offer the committee an opportunity to investigate in depth the features of the national electricity supply system and the impact on consumers of electricity. We are focusing on two issues raised within the terms of reference for the inquiry:

1. b. - Impacts on electricity bills and the long term interests of older consumers
1. d. - Mechanisms that could assist older consumers reduce their energy costs.

Issues affecting older consumers of electricity

Older people represent a unique segment of the electricity market by virtue of their patterns of usage and household budgeting habits. In brief, older consumers are more likely to display the following characteristics:

- more likely to spend considerable amount of their time in their own homes and be reliant on their residential energy supply to meet the majority of their energy needs (unlike people who spent parts of their day in a work or school environment);
- more likely to suffer from chronic conditions which may intensify their reliance on electricity (for example, to maintain life support equipment or to assist them with temperature regulation or to charge electric mobility devices);
- more likely to forgo other consumption or activities in order to pay their energy bills on time and in full;
- likely to experience significant hardship in their efforts to meet the rising cost of energy which have increased disproportionately to their fixed incomes;
- less likely to apply for available energy rebates or concessions being unaware of their entitlement or believing that others have a greater need; and
- less likely to be able to take advantage of solar generation opportunities because of the high cost of infrastructure.

Impacts on electricity bills and the long term interests of older consumers (ref 1.b)

These energy-saving methods often even result in Susan having to limit food purchases. "Some fortnights, the dogs eat better than I do." She is very unsatisfied with her current energy company. (Susan, aged 61)¹

Like many other customers, older people do not express much confidence in the electricity retail industry. A recent series of interviews conducted by COTA NSW highlighted a general view amongst older customers that their basic needs were being ignored.² In contrast, those interviewed proudly and resolutely declared that they had never missed an energy bill payment, even if they were forced to make significant sacrifices.

As this research by COTA NSW, and other research highlights, there are many reliable older customers who make significant efforts to meet their obligations but they do not feel confident about future costs of energy or their capacity to accommodate further price rises.

"I always make sure it's paid off." However, with the rising costs, she doesn't s feel that she will continue to pay on time: "it's just not going to happen anymore." (Karen, aged 71)³

This situation results in considerable anxiety for these customers whose health needs and fixed incomes provide little flexibility.

Because Jessica and Tom always pay their bill on time, sacrificing their comfort before missing a payment, their energy company never notified them regarding hardship programs. "I have a good name, and always pay," Jessica says. However, about a year ago, faced with unprecedented costs, Jessica phones her company and was later placed on a payment plan. (Jessica, aged 71)⁴

Strategies used by older people include:

- Cutting back on essential activities in order to meet electricity payments by the due date.
- Changing food consumption patterns to reduce energy use, for example by choosing microwave heated food rather than slow-cooked alternatives.
- Reducing evening lighting to one lamp;
- Retiring to bed earlier to reduce energy requirements; and
- minimising heating and cooling requirements to single rooms and sealing these up to avoid (hot/cool) air loss.

During the day, she closes off the living area and remains in it all day, keeping the air conditioning unit set at 19 degrees C. Then, at night, she cools her bedroom for one hour, and then shuts it off, using a fan for the rest of the night. Even more, she keeps the lights off when not in use, and does her laundry at 6am, and runs the dishwasher in the middle of the night,

¹ Case study from COTA NSW (2011) *Ibid.*, p 19

² COTA NSW (2011) *Energy Security: Protecting Older People from Energy Hardship*, p 6: accessed 11 September 2012 at http://cotansw.com.au/wp-content/uploads/2012/02/Energy_Security_Case_Studies_-_Protecting_Older_People_from_Energy_Hardship_-_Copy.pdf

³ Case study from COTA NSW (2011) *Ibid.*, p 13

⁴ Case study from COTA NSW (2011) *Ibid.*, p 8

during non-peak hours. Thus, Trish genuinely feels that she does all she can to save on energy.
(Trish, aged 66)

In brief, COTA suggests that older consumers are poorly served by the current electricity supply arrangements, are anxious about their capacity to meet increasing costs and have assiduously established personal energy savings strategies to reduce their consumption.

Mechanisms that could assist older consumers reduce their energy costs (ref 1.d)

Improving efficiency

As mentioned above, older consumers on limited fixed incomes are highly motivated to reduce their energy consumption and generally will adopt effective, low cost strategies to minimise their energy use. For many of these consumers, reduced consumption has not translated to a reduction in their energy costs but simply reflects a necessary action to meet their financial obligations.

COTA does not consider that further efficiencies can be expected from older consumers without targeted industry investment or government programs. The issue for older consumers is how to meet their energy needs more efficiently.

COTA is concerned, however, that current energy efficiency and energy savings schemes do not offer value for money or tangible savings for low energy use consumers. Many of these schemes provide a 'broad' rather than 'deep' application of measures. In jurisdictions where the cost of energy efficiency schemes are factored into the supply pricing model (for example, South Australia's Residential Energy Efficiency Scheme) the cost-benefit disparity is more pronounced for older people who live in smaller, more efficient homes. Furthermore, the industry regulator which administers REES, has recommended a review of the scheme noting that the incremental benefits are likely to be low in the future.⁵

It is not just older consumers on limited incomes who are already energy conserving who do not benefit from current schemes. Consumers, including older people who have higher energy use for the reasons listed below, are often financially limited from realising the potential of such schemes. These consumers are unable to improve their efficiency because they:

- use old and inefficient appliances and have no access to finances to replace them;
- have poor thermal efficiency in their homes. This is particularly a problem for people in rental accommodation as there is little or no incentive for landlords to make energy efficiency related improvements;
- have medical conditions that require additional heating and/or cooling, such as Multiple Sclerosis or Parkinson's Disease or require high-energy consumption medical equipment in the home, such as dialysis machines, nebulisers and oxygen concentrators. Even with State and Territory funded concession schemes and the additional funding through the Commonwealth's Essential Medical Equipment Program these consumers are faced with high energy costs and cannot reduce their demand; and
- use mobility aids such as electric wheelchairs and mobility scooters which require recharging.

⁵ ESCOSA (2012) Residential Energy Efficiency Scheme Annual Report, Adelaide, p 9

COTA considers that current energy efficiency scheme and energy reduction measures have not significantly benefited older consumers, leaving governments to deploy concession and rebate schemes with mixed success in terms of improving the capacity of older consumers to meet their electricity use needs.

Peak demand reduction to curb costs

COTA believes that efforts to curb energy costs through such measures as peak pricing and time of use tariffs will do little to alleviate energy poverty experienced by many older consumers. Rather, peak pricing has the potential to disproportionately affect consumers who cannot shift their load due to age or health related factors.

Attempts to limit peak load at the household level have the potential to cause older people to increase their focus on 'energy conserving' rather than 'energy efficient'. This response may have other undesirable consequences. For example, by choosing not to use air conditioning on hot days individuals can experience significant health problems which will, in turn, put pressure on health and emergency services during extreme weather events.

In brief, COTA believes that, to be effective for older people, energy reduction schemes need to focus on energy cost savings for households, rather than energy savings in terms of kWh.

Limitations of market models and consumer choice

One of the principal rationales for introducing market contestability was to establish consumer choice in their retail arrangements and promote opportunities for individuals to negotiate lower electricity costs. However, it is evident in jurisdictions which have established retail electricity markets that older consumers are less likely to exercise consumer choice and tend to stick with the default supplier at the standing contract rate set by the regulator. In South Australia for example, after a ten year transition to competition, the resistance of older customers to adopt what might be considered a savvy consumer approach to the energy market highlights a very real limitation to the competition model. Furthermore, even with continued price regulation, customers have not been protected from substantial increases in electricity costs.

Older customers are also more vulnerable to direct marketing campaigns because they are more likely to be at home during market hours, but lack sufficient comparative information about contractual arrangements. This can mean that they end up paying additional, unexpected charges. There are many plans available, in some jurisdictions such as Victoria they run into the hundreds, with differing fixed and variable tariffs and other conditions.

Older consumers may not have easy access to objective information that supports effective consumer choice as most of the energy comparator information, including the Australian Energy Regulator's information, is predominantly web based. The web based information allows people to compare plans based on their individual circumstances but older people have limited access to the internet and so do not use them all that often. This means they are more likely to rely on traditional and less reliable information sources such as newspaper, magazines, radio and television for information on electricity providers. Often these sources provide conflicting advice for consumers.

COTA does not consider that the market failure experienced by this segment of the population is fully appreciated by the electricity retail industry or policy makers. COTA has consistently advocated for better provision of information in formats that are accessible to older customers.

COTA supports the directions identified for industry at the recent Australian Energy Market Commission forum that:

- Marketing strategies need to significantly improve.
- Consumers should be provided with adequate information about billing and tariff increases.
- Transparency and comparability in retailers' pricing information would support genuine choice.
- Improved disclosure about contract conditions is essential; and
- customer assistance measures should be appropriately targeted to meet need.⁶

Implementation of such measures must also recognise the specific needs of different market segments, including older customers.

COTA observes in the public discussion on electricity market pricing mechanisms, a tendency for older consumers' interests to be moved into a 'vulnerable customer' bracket where remedies devised to address market failure are limited to state government concession schemes and financial hardship measures. COTA does not support this characterisation of older consumers of essential services. As discussed above, older consumers have unique needs and their consumer habits may not always trigger hardship program responses. Equally, these habits do appear to have relegated many older customers to marginal status in the current national regulation process.

We note that the National Energy Market Commission's draft report on consumer choice recommends the adoption of a time varying price mechanism. In response to the inevitable impact on some consumers of electricity, the Commission has proposed that:

"State governments could review the structure of their energy concession schemes in light of the move to time varying pricing. There appears to be scope to improve targeting and to improve flexibility in the payments. In particular, energy rebates tend not to take account of household size and composition ...A low income person may receive the same energy rebate regardless of whether he or she was single with no dependents, or formed part of a larger family cohort. Energy rebates may need to be reviewed to ensure they are appropriately targeted and provide a sufficient quantum of financial support in a changing energy market environment for certain types of consumers.

Also we note that while the existing energy concession schemes and the NECF provide a useful basis to identify the types of consumers who may face financial difficulties under the impacts of cost reflective pricing, there is scope for better reporting and identification measures. This would help to develop better targeted, cost-effective policies in the long term.

⁶ Anna Brakey "Retail markets and consumer participation session", AEMC Strategic Priorities for Energy Market Development Public Forum, 29 August 2012 at University of NSW, Sydney, accessed on 11 September 2012 at <http://www.aemc.gov.au/market-reviews/open/strategic-priorities-for-energy-market-development-20123.html>

Also we suggest that the NECF hardship indicators are extended to include how hardship consumers are managing the transition to time varying pricing.⁷

Conclusion

COTA considers that these measures will not be adequate to meet the needs of older consumers and reiterates the proposition that more needs to be done to support consumers of electricity who have little market power or little prospect of further curbing their electricity consumption to structurally improve the energy efficiency of their homes and electrical goods. Without targeted measures such as significant increases in concessions and different tariff structures it is likely that many older people on low fixed incomes will continue to dispose of assets or take out loans to meet ongoing day to day expenses including electricity.

⁷ National Energy Market Commission (2012) *DRAFT REPORT Power of choice - giving consumers options in the way they use electricity*, p 97-98: accessed 11 September 2012 at <http://www.aemc.gov.au/News/Whats-New/consumer-choices-to-drive-electricity-savings.html>

Energy Security:

Protecting Older People from Energy Hardship



A series of case studies highlighting the impact of energy price rises on older people in NSW.

January 2011

1. Introduction

Commissioned by Council on the Ageing (NSW) (COTA), this report is a follow up to a series of articles in the press about energy hardship experienced by people on low incomes and pensions. The objective of this research is to gain a better awareness of how the recent rise in energy prices is affecting the lives of older people living in NSW. To add to this report, research on energy poverty has been gathered from projects conducted in the United Kingdom, Ireland, New Zealand, and in Australia. However, the emphasis of this report is on the six case studies conducted in NSW in which the veil is lifted on the experiences of older people facing unprecedented price increases on such an essential commodity as energy.

2. Background

From July 2010 to June 2013, energy prices in NSW are set to increase by 40% on average for the typical consumer (IPART 2010). Along with these increases, the age pension indexation has recently increased as of March 2010, albeit at a much lesser rate. For the single pensioner, the pension increased by only 11% on average, and for couples, the pension increased by a mere 4%. Thus, these new price increases will stretch the average older person's wallet significantly over the next few years.

This recent disconnect between pension and energy cost increases has begged the questions, 'What will older people do?' 'How are they coping?' To answer these questions, we've compiled a series of case studies to highlight the experience of age pensioners in NSW.

Fuel Poverty

"Fuel poverty" is a term used in the United Kingdom to characterize those households that would *need* to spend more than 10% of their income on all household energy fuels in order to achieve a satisfactory indoor heating regime (Lloyd 2006). For years, fuel poverty has become an increasing concern in the UK,

after studies have shown vast increases in the number of deaths in winter months as opposed to warmer months. What was more striking was the large number of older people included in the casualties. In line with this, the UK Fuel Poverty Strategy found that nearly 60% of those living in fuel-poverty households in the UK were older people (Wright 2004). As a result, the increase in winter death rates of older people has been argued by many to be attributed to fuel poverty (Collins 1986, McKee 1989, Wright 2004).

Multiple studies in the UK have concluded that those experiencing fuel poverty face significant health consequences. Prolonged exposure to the cold has been shown to lower resistance to infection and also to adversely affect morale (Watt 1994). Furthermore, exposure to colder temperatures, particularly for older people, is “damaging to the cardiovascular and respiratory systems...and can exacerbate current ill health or diminish resistance to infections in healthy persons” (Healy and Clinch 2002). Though the winter season is more extreme in the United Kingdom than in New South Wales, it is relative, as older people feel temperatures more sharply. On the flip side, as well, extreme heat during the summer months is also a major concern for Australians, particularly for older Australians.

The benchmark for acceptable indoor temperatures set by the World Health Organization is between 18 and 21 degrees C. However, this is meant to be increased 2-3 degrees (21-24 degrees C) for those segments who are more vulnerable to extreme temperatures, like older people. A study in Ireland showed that alarmingly, 30% of older peoples’ homes were heated below this range during the winter. “The finding that almost a third of elderly households expose themselves to cold strain during a typical winter night is a cause for concern” (Healy et al. 2002). This excessive exposure to the cold can lead to health problems, like hypothermia or pneumonia. Similar to previous studies, Healy’s research further found that older people in Ireland were suffering the highest incidence of fuel poverty. This was particularly high among single female pensioners (34.8%) and single male pensioners (26.1%).

3. The Australian Context

The Heat

While extreme cold isn't necessarily a major issue in the majority of New South Wales, the heat most certainly is. In the summer, New South Wales regularly reaches temperatures above 30 degrees C, and can often face sweltering heat waves.

Recently, during the January 2009 heatwave, residents in South Australia, Victoria, and southern New South Wales experienced record temperatures. According to Victorian government records, there was a 64 percent increase in deaths during the heatwave in Victoria, with the greatest increase in deaths of those over the age of 75 years. Thus, older residents in Australia in general and NSW in particular are arguably more negatively affected by extreme temperatures than any other age demographic. When extreme temperatures are combined with an inability to meet heating and cooling costs, consequences can be disastrous.

In Queensland, following a recent increase in energy prices, residents are bracing for massive bills. The Queensland Council of Social Services reported in May that those who will be hardest hit are those with medical conditions, many of whom are on low incomes. For example, those living with Multiple Sclerosis are particularly sensitive to heat, and it is estimated that the cost of energy for people with MS in Queensland will reach a whopping \$946 per year (QCOSS 2010). This parallels the experience of Trish, a 66 year-old woman interviewed in the following case studies. She was diagnosed with systemic lupus, a debilitating autoimmune disease that requires her to continuously use air conditioning. As a result, faced with massive energy bills, she says, "I don't think there are enough people who realize what's going on."

Health

In a study undertaken in the UK, it was found that attempts to save costs by heating only part of the house cause temperature differentials that encourage condensation and mould growth (Lowry 1989). Moreover, it was discovered through empirical observation that houses in countries with higher temperatures in winter have less effective insulation than those with more severe winters (McKee 1989). Thus, with this evidence in mind, homes in NSW would be less insulated than those in the UK. So regardless of winter severity, cold air nevertheless can easily make its way into a person's home who doesn't use central heating.

Australian 'Energy Poverty'

The benchmark for "fuel poverty" in the UK is at 10%, whereas in Australia, it has been found that lower income households spend roughly 4% of their income on fuel costs (Richardson et al. 2004). Therefore, 'energy poverty' in New South Wales should be defined as those households that would *need* to spend more than 4% of their income on all household energy sources in order to achieve a satisfactory indoor heating or cooling regime.

According to QCOSS, energy poverty can result from multiple factors. These include low income, poor quality housing, personal circumstances such as unemployment or ageing which result in more hours spent at home, and finally by inefficient pricing structures (QCOSS 2008).

With costs scheduled to steadily rise in NSW over the next three years, residents are already feeling the burn. According to NSW Energy and Water Ombudsman Clare Petre, calls from people fearing disconnection were up a third this financial year. Keeping in mind that a benchmark for energy poverty in Australia is spending roughly 4% of income on energy, IPART (Independent Pricing and Regulatory Tribunal) predicts that given the price increases, a single aged pensioner could be required to spend 7-12 percent of their income on electricity (Rolfe 2010).

Coping

Older people in Australia have been found to deprive themselves of certain conveniences in order to save money. According to a recent study, households relying on the age pension, and older households in general, are more likely to report “missing out” on certain activities in order to save money (Bray 2001). These include holidays away from home, nights out, special meals, or leisure activities.

Thus, it comes as no surprise that older people, when faced with increased energy costs, are more likely to cut back on other essential activities than seek assistance. Typically, if feeling strained, a person would simply miss a bill payment and pay later or contact their energy company seeking to be placed on some sort of reduced payment plan. Instead, older people nearly never miss a bill payment. Thus, in order to cope with increased costs, they adopt different methods to keep energy rates down, like heating only certain rooms, going without air-conditioning altogether in the summer months, or changing cooking or eating habits to limit energy usage.

The case studies detailed in this paper have mirrored past academic studies. Two women interviewed, Karen, 71, and Rebecca, 77, the latter of whom is battling breast cancer, strictly eat pre-packaged frozen meals that can be quickly reheated, in order to minimize use of their stove and oven. They do this in addition to using only one lamp in the house after dark as well as using only one air conditioning unit and heater during non-peak hours. “You just got to adjust and cut back,” Karen says.

A study conducted in Ireland in 1986 found that 20% of those households that declare that rooms in their home go unoccupied because they are unheated are older people’s homes. Older people are similarly more likely to live in homes without central heating. Even if they have central heating, they are more reluctant to turn it on because of fears about payment of bills (Collins 1986).

Furthermore, older people are of a generation that focused on decreasing debt. Thus, even if facing financial hardship, they rarely miss a bill payment. Every energy consumer interviewed in the below case studies proudly and resolutely declared that

they had never missed an energy bill payment, even if they were forced to make significant sacrifices.

4. Case Studies

Overview of case studies

To complement the background research, case studies were completed to provide a more detailed understanding of older people's experiences with rising energy prices. These stories provide insight into the difficulties and everyday stressors that older people face in keeping up with their energy bills.

Common themes that have come up in the case studies are feelings of frustration and uncertainty about one's future ability to manage their energy bills. Across the board, the older people who were interviewed felt that their basic needs were being ignored. Some had written multiple letters to their respective energy companies and political representatives, yet were turned away or written off.

Similarly, a general feeling that has surfaced in interviews has been apprehension for the future. With the recent price increases, those interviewed generally felt that in the near future, they wouldn't be able to afford their energy bills.

Finally, across the board in the case studies, all participants had never missed an energy bill payment. At the same time, rather than contacting their energy company regarding hardship, they generally would make sacrifices in their lives in order to ensure they never miss a payment. In one instance, Trish, 66, rearranges her entire schedule in order to save costs. She wakes up early and does the wash at 6am, during non-peak hours, and runs her dishwasher in the middle of the night, when rates are lowest. Moreover, because of a medical condition, she generally remains in her air-conditioned living room all day with the doors closed, so as not to allow air to escape.

The names below have been changed to protect participants' privacy.

Jessica and Tom's Story

Prior to retirement, Jessica worked as a button-maker in a factory, and her husband, Tom, had a dedicated career working on the railway. Together, they raised four children. Jessica, now 71-years old, and Tom, in his late 70s and is on life support, live in a rural area of NSW about 300 km southeast of Sydney. Jessica is actively involved in the community. Jessica and Tom go to church every week, and she teaches a Sunday school class and volunteers with Wrap for Love, knitting blankets to send overseas. She does this, despite having battled bowel cancer three years ago and having lived with a disability all her life. She and Tom are both age pensioners.

Jessica and Tom live a simple life. They don't drink, don't gamble, and don't often leave their home. Because Tom is on life support, he requires constant heating, and thus uses an electric blanket at all hours of the day and night. Similarly, Jessica needs a motorized gopher to get around, which must regularly be charged. As a result, their energy bill accounts for over 10 percent of their combined pensions. "People don't realize the amounts that are coming out of our pensions," says Jessica. "If it keeps going the way it's going, I don't know what we're going to do...I just don't know."

In order to lower costs, Jessica says she can only afford one small gas heater in the kitchen of her home, and air conditioning in the summer is out of the question. Moreover, she only keeps the heater on during daylight hours in an effort to save money. "We're not starving," she says, "but the rising costs don't leave us a great deal of room."

Because Jessica and Tom always pays their bill on time, sacrificing their comfort before missing a payment, their energy company never notified them regarding hardship programs. "I have a good name, and always pay," Jessica says. However, about a year ago, faced with unprecedented costs, Jessica phoned her company and was later placed on a payment plan.

She was notified by her energy company in late June that her energy costs would be rising. However, she wasn't notified of subsequent increases. These increases, according to her energy company, were placed on the internet for all consumers to view. Jessica laughs at this, however, saying "I couldn't afford to be on the internet."

With rising energy prices, and such a small increase in her and Tom's pensions, Jessica is worried about the future, "If prices keep rising," she says, "there are going to be a lot of people like us who will be in worse situations."

Susan's story

Susan is a single woman living in a rented flat in a rural area of south-eastern Sydney. Susan is an active member of her community, volunteering with Meals on Wheels and the Country Women's Association, among others. She is 61 years old and is dependent upon the disability pension. Susan has osteoporosis, and thus it is necessary that she keeps warm.

The price of Susan's energy bill depends on the season, but averages around \$300 per quarter, which she says takes a large chunk of her income. "By the time I've paid," she says, "there's nothing left." Typical of older people, Susan pays her rent and electricity bill before taking into account any other expenses. She has never missed a payment, and always pays cash.

Despite various methods Susan uses to keep her energy costs down, the bill generally remains the same. These energy-saving methods used often even result in Susan having to limit food purchases. "Some fortnights, the dogs eat better than I do." She says she is very unsatisfied with her current energy company.

Susan says that in the winter, she is barely able to heat her home adequately, ranking her comfort level in the winter as a 1 on a scale of 1-5, with one being the least satisfactory. Similarly, in the summer, she ranks her ability to cool her home comfortably as a 2 on the same scale of comfort.

Susan describes her energy situation as a daunting experience, and feels it will only get worse. She feels that the energy rebates should have been higher. After paying her bills, she emphasizes again, “there’s just nothing left.”

Trish’s Story

Trish is a 66 year-old single woman living in the Lake Macquarie area, southwest of Newcastle. Formerly, she worked as an occupational therapist, and was an avid tennis player and skier. However, she was diagnosed with systemic lupus, a debilitating autoimmune disease that has left her with severely limited mobility. Given her condition, she remains in her home and ventures into the community only to go to the supermarket, library, or to walk her dog.

Another side effect of Trish’s disease is that she cannot regulate her body temperature. Outside of winter, she depends on air conditioning to keep herself cool. This continuous need for air conditioning no doubt increases Trish’s energy bill. Thus, she employs many energy efficient methods to keep costs down. These include using energy efficient light bulbs, ceiling insulation, solar screens, and window curtains. Moreover, she has one air conditioning unit in the living area, and one in her bedroom. During the day, she closes off the living area and remains in it all day, keeping the a/c unit set at 19 degrees C. Then, at night, she cools her bedroom for one hour, and then shuts it off, using a fan for the rest of the night. Even more, she keeps the lights off when not in use, and does her laundry at 6am, and runs the dishwasher in the middle of the night, during non-peak hours. Thus, Trish genuinely feels that she does all she can to save on energy.

Still, it wasn’t enough. In April, she made the decision to power her home using solar panels. From that point, energy bills that normally were \$100 per quarter nearly tripled to \$280 per quarter. Thus ensued a stressful back-and-forth battle between Trish, her energy company, and her local political representatives. Ultimately, it was decided that the company had made a computer error, and she was reimbursed. Still, however, the energy prices continued to increase, from 17 cents per kw/h to 35 cents per kw/h and as of September, to 43 cents per kw/h. “The prices keep

increasing, and no matter what I do, my costs just won't go down. It's not balancing out the way I was told," says a frustrated Trish.

Beyond the costs, however, Trish has simply grown weary of being treated as a second-class citizen. She lives in a retirement village, and says as the whole, the community "isn't heard...they just ignore us."

Janet's Story

Nearly five years ago, Janet, now 64, and her husband moved into a manufactured housing estate in a town located on the border between Victoria and New South Wales. However, only a short time after moving, Janet's husband passed away. She has remained in her home for the past five years. Formerly, she worked as a medical receptionist, and before that, as a sales representative. She has a daughter who lives in Melbourne. Janet is dependent upon the age pension.

Janet looks toward the future with trepidation. Referring to her energy situation, Janet remarked, "It frightens me...what's it going to be like in five years' time?" Since Janet's manufactured estate property manager controls her electricity, she has no say over her energy details. Thus, she pays a fixed rate that is established by her manager, which is 91 cents/kwh.

In order to cut energy costs, Janet never heats her home, and she goes to bed at 7pm, primarily to save costs on lighting. Moreover, she says that in the summer, many days get to 45 degrees C, yet she tries, even on these days, to use only the ceiling fan, and not the air conditioning unit. She claims, "It's just too difficult to live on the pension." Janet has never missed a bill payment, but with rising energy costs, her situation is growing dire.

Paul and Claire's Story

Paul and Claire decided to invest in solar technology in order to save costs. Paul, 62, and his wife, Claire, own their own home in Newcastle. Paul, a former machine ship supervisor, depends on the age pension.

On the 8th of January, Paul and Claire decided to install a solar panel in their home in order to save on energy costs. Their former energy bill ranged from \$520 – 750 per quarter, which Paul says is higher than average, because their son, who has a disability, lives with them.

Nine months down the track, Paul says he's "very pleased" with the decision to go solar. He is confident that it is saving him money in the long-term, and he feels that it would help other pensioners save money. Though he is satisfied with the savings, Paul says that he has had some difficulties with the transition and his energy company. He had issues with his bill, and attempted to contact his energy company, but was repeatedly ignored. He wasn't being charged, and was worried that the future bill would be much higher than he could handle. Ultimately, he had to contact the state government before his energy company took notice of his issue and recognized their mistake. The whole experience was "very frustrating," he says.

He says that the government had some "reasonable incentives," but following the installation, they rescinded many advertised incentives. With the high upfront cost of installation, and a decrease in government incentives, he says, that he understands how switching to solar panels "could take a large chunk of the pension."

Karen and Rebecca's Story

Karen, 71, lives in Pemulwuy with her friend, Rebecca, 77. Both she and Rebecca are dependent upon the age pension. They live in a department of housing apartment, meaning 25% of their income is put toward paying their rent. Rebecca is currently battling breast cancer and takes ten different medications per day. These

are related to her breast cancer, diabetes, rheumatoid arthritis, and hypertension. Karen also takes four medications per day, adding to costs.

Since June, Karen has been writing to many of her public officials in regards to rising energy costs. Each month, she writes a letter to the appropriate minister, and each month, her letters go ignored. It is now September, and Karen feels that she will never receive a response.

This treatment epitomizes what Karen and many older people experience. “They don’t care about us,” she says. “It’s a bloody disgrace,” she says, adding very resolutely that she never swears. This quarter, her energy bill was \$491, compared to the same quarter last year, which was \$325.

To limit energy output and to lower costs, Karen and Rebecca have adjusted their living habits. They only use one lamp at night and have changed their cooking patterns. In the past, they were accustomed to cooking stews and larger meals that took several hours to make and consumed more energy. Instead, they now only eat frozen, pre-prepared food that can be quickly heated in order to save power. “You just got to adjust and cut back,” says Karen. Moreover, they have one small heater in their home and one small air conditioning unit in their living room. To use these, they shut the doors off to the room, and cover the opens and cracks with towels in order to keep the air contained in the room.

Karen has never missed a bill payment. “No, no, no, no, no,” she answers, when asked if she had ever missed a bill. “I always make sure it’s paid off.” However, with the rising costs, she doesn’t feel that she will continue to pay on time: “it’s just not going to happen anymore.”

5. Conclusions

There is no doubt rising energy costs are having an adverse impact on older people in NSW. Energy security is a fundamental human right of all people. The disconnect between policy and practice, the rising cost of living and adequate indexations to pensions and rebates, are leaving many in energy hardship.

It is the responsibility of government and energy providers to understand the social and health costs of energy hardship and to develop responses to provide greater security and certainty to people who are on a fixed and limited income such as pensioners and health card holders. The following recommendations outline the measures COTA believes will alleviate energy hardship and move towards providing energy security to older people in NSW.

6. Recommendations

From the research and case studies, COTA recommends:

1. Provide clear and concise printed information to consumers - detailing the rebates, customer assistance, and solar incentive scheme benefits that are available. Web based provision of information is insufficient.
2. Remove the anomaly where pensioners and Health Card holders do not receive energy rebates if they are not specifically listed on an energy bill – boarding houses, retirement villages, caravan parks etc.
3. Provide more generous indexation of energy rebates and concessions given to pensioners and health Card holders to help offset the recent large increases in energy costs.
4. Energy Accounts Payment Assistance (EAPA) should be made available through a wider network of agencies, providers, and retailers.
5. Customers experiencing “energy hardship” need to be proactively sought out. Case studies repeatedly report that older people tend to pay as many bills as they can before they consider cash purchases on food and other staples! Targeted material, separate to the energy bill, should be sent to older customers.
6. Establish a benchmark definition of “energy hardship”.

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