

# Future Issues

## **New developments**

We are in a phase of policy, regulatory and physical infrastructure transition. Major new policies include the Carbon Pollution Reduction Scheme and the expanded Mandatory Renewable Energy Target; regulation is being transitioned from state to federal jurisdiction; retail price regulation will be removed; and Victoria has committed to rolling out 'smart meters' – meters measuring energy use in half hour intervals, thus enabling dynamic pricing structures. We can expect to see an increase in energy costs and more price volatility – either on a daily or seasonal basis. Consumers will face a steep learning curve to adjust to the demands being placed on them to become active participants in energy markets.

## **Carbon Pollution Reduction Scheme (CPRS)**

The Federal Government intends to introduce the CPRS in 2010 and it will have a significant impact on the cost of energy, particularly electricity. Treasury modeling released in October 2008 estimates that the average household will spend an extra \$4-5 per week on electricity and \$2 per week on gas. This corresponds to an increase in electricity prices of 17-24 per cent and in gas prices of 11-15 per cent.

## **Assistance measures**

The Federal Government has committed to offer a range of additional assistance measures, particularly for low and middle income households, to help with adjustment costs and improve household energy efficiency. As the Government has pledged that they will use 'every cent raised by the sale of pollution permits to help households and businesses adjust to the scheme and invest in clean energy options', a significant compensation package is expected. In addition to compensation, it is anticipated that the Department of Environment, Heritage and the Arts (DEWHA) will announce a major energy efficiency initiative in the near future.

## **Smart meters and dynamic pricing**

In 2006 the Victorian Government endorsed the deployment of smart meters to all Victorian electricity consumers using less than 160 MWh per annum. The roll out of these meters across Victoria will commence in 2009. As these meters can measure electricity consumption in half hourly intervals, it is expected that electricity distribution businesses and retailers will start offering time varying prices. An example is a time of use tariff that divides a household's consumption into a three rate tariff (peak, off-peak and shoulder periods). Another example is Critical Peak Pricing (CPP). A CPP allows the distribution business or the retailer to call peak events. The aim of a CPP is to provide customers with a price signal to reduce demand at a particular time. The business will notify customers about the event in advance and the price per kWh will be significantly higher than normal for the duration of the event. CPP and time of use tariffs will create various winners and losers. It will depend on the household's ability to reduce consumption or shift demand to other times of the day. As the demand for electricity is highest during the day, households with children, the unemployed and pensioners are less likely to benefit from such arrangements.

## **Deregulation and implications for case workers**

Clearly the deregulation of retail prices from 1 January 2009 will create new challenges for case workers and frontline staff. The price variations between different energy offers may start to increase significantly (especially between standing offers and market offers) and this can place an additional burden on financial counsellors and emergency relief workers trying to assist their clients. The Victorian Government is preparing a community sector information package but it is yet to be confirmed whether training and/or additional resources will be made available.

# Future Issues: Links

Department of Climate Change, CPRS Greenpaper - <http://www.climatechange.gov.au/greenpaper/index.html>

Modeling released by Treasury in October 2008, 'The economics of climate change mitigation' - <http://www.treasury.gov.au/lowpollutionfuture/summary/default.asp>

AEMC Review of energy market design in light of climate change policies  
<http://www.aemc.gov.au/electricity.php?r=20080822.183804>

Department Climate Change consultation on Mandatory Renewable Energy Target scheme design - <http://www.climatechange.gov.au/renewabletarget/consultation/index.html>

MCE Smart Meter Study, Consumer Impacts by NERA Consulting (February 2008) - <http://www.mce.gov.au/assets/documents/mceinternet/Smart%20Metering%20CBA%20Phase%20%20Stream%204%20%2D%20consumers%20%2D%20NERA%202008022920080304153026%2Epdf>

MCE Smart Meter Study, Report on Consumer Focus Groups (January 2008) – <http://www.mce.gov.au/assets/documents/mceinternet/Smart%20Metering%20CBA%20Phase%20%20Stream%204a%20%2D%20consumer%20focus%20groups%20%2D%20NERA%202008022220080304153216%2Epdf>

Victorian Department of Primary Industry's site about the roll out of smart meters (also known as Advanced Metering Infrastructure) - <http://www.dpi.vic.gov.au/dpi/dpinenergy.nsf/LinkView/4EC2E4EA42B821FCCA2572B10079A930A8BAF6E4E66C900FCA2572B20004C403>

Brotherhood of St Laurence and KPMG, Proposal for a National Energy Efficiency Program to Assist Low Income Households (September 2008) - [http://www.bsl.org.au/pdfs/KPMG\\_national\\_energy\\_efficiency\\_program\\_low-income\\_households.pdf](http://www.bsl.org.au/pdfs/KPMG_national_energy_efficiency_program_low-income_households.pdf)

Sustainability Victoria, Rebates and Programs, <http://www.sustainability.vic.gov.au/www/html/1718-our-programs.asp>