

**Jo Benvenuti, Panelist, Grattan Event**  
**Gas: too good to burn? 21 October, 2014**

CUAC acknowledges the traditional owners of the land on which we meet and pay our respect to their elders past and present.

I would also like to thank the Grattan Institute for the invitation to participate in this event.

CUAC is a specialist consumer organisation representing Victorian energy and water consumers in policy and regulatory processes. Our focus is on residential consumers, particularly the needs of low-income, disadvantaged, and vulnerable consumers.



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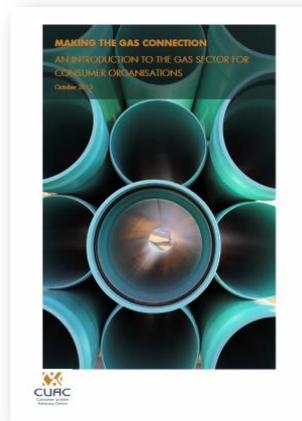
Jo Benvenuti  
Consumer Utilities Advocacy Centre

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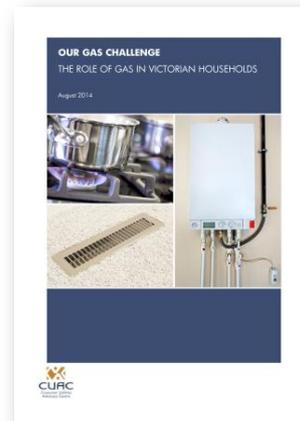
The developments in the eastern gas markets have been several years in the making, but domestic energy users and consumer advocates have been more focused on rises in electricity prices and their consequences.

Recognising this, last year CUAC published a report to help consumer advocates get up to speed with gas.

## CUAC's Gas Reports



Making the Gas Connection, 2013



Our Gas Challenge, 2014

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We followed this up with our recently released report focussing on Victoria: both reports available on our website. I'd like to talk about some of the key findings from the reports and our associated policy recommendations.

### Coverage

The vast majority of Victorians households use gas in the home. Around 83% of Victorians use gas from the mains network, and another 10% use LPG or bottled gas.

Within Melbourne, mains gas penetration rates range from 88% of households to 96%. Beyond Melbourne, mains gas is used by between 40% and 70% of households. Mains gas penetration falls, almost entirely due to the gas network not extending to those regions and LPG usage rises: with 30% penetration in Gippsland, and around 10% across Melbourne.

Gas connections are common across incomes, housing tenure and dwelling types. In Melbourne, owners are a little more likely to have gas than renters; in the rest of the state, it's the other way around.

**The take away is: rising gas prices will directly affect nine out of 10 Victorian households, regardless of whether they are high or low income; owners or renters; living in houses or apartments.**

### Usage quantity

Victorians are the largest household users of gas in Australia, by a large margin; only the ACT comes close. Even a **low usage** Victorian household uses as much or more gas than the **average** household in any other state, and a **high usage** Victorian household uses five times that much.

*(WA and Tasmania aren't on the graph, but WA has similar average per capita consumption levels to SA while Tasmania is a bit lower.)*

## Average annual mains gas usage for AGL customers by state and tertile, 2012 (GJ/a)



Source: AGL

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Usage levels don't vary much with income. A median household in the lowest 20% of equivalised disposable incomes has less than half as much to spend as the overall median, but has gas usage that is 83-95% as high. Low earning households spend almost three times as much of their incomes on energy as the average household.

## Australian weekly gas usage and income by equivalised disposable income quintile, 2012

	Lowest	Second	Third	Fourth	Highest	Overall
Mains Gas	547.9 MJ	610 MJ	690.7 MJ	722.7 MJ	725 MJ	661.9 MJ
% of overall average	83%	92%	104%	109%	110%	100%
LPG/bottled gas	175.0 MJ	167.5 MJ	232.5 MJ	170.0 MJ	182.5 MJ	185.0 MJ
% of overall average	95%	91%	126%	92%	99%	100%
Median Income	\$381	\$583	\$790	\$1,048	\$1,555	\$790
% of overall median	48%	74%	100%	133%	197%	100%

Source: ABS

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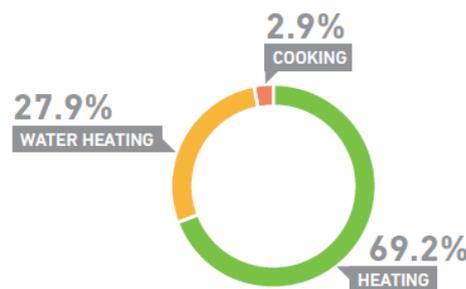
Usage is, as one would expect, strongly seasonal.

Take away: gas prices will affect Victorian households much more severely than those in other states.

## Usage purpose

The big driver of household gas use is heating. Except for Tasmanians, who don't tend to heat with gas, Victorians face the coldest winters in Australia. 68% of Victorians use gas as their main heating source, and unlike other states we also tend to heat our whole homes with it: our rate of ducted gas heaters, at 40%, is 10x as high as anywhere else in Australia except the ACT. We also like gas hot water systems and stovetops, though gas ovens are falling out of fashion.

### Breakdown of the average gas bill in Victorian households, 2014



Source: Sustainability Victoria

#### Gas main fuel source for:

- Heating: 68%  
(43 pp ducted)
- Hot Water: 68%
- Stovetops: 67%
- Ovens: 34%

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Take away: Victorians rely heavily on gas for essential services, though the high rate of ducted heating and the associated higher usage is probably better characterised as being driven by comfort rather than necessity.

## Spending

In 2013, the average Victorian household spent around \$1,200 on gas. Gas makes up around 30-45% of household energy costs.

Retail gas prices have risen 66% since 2008, and are expected to rise another 24% to 2015. **This would add around \$300 to the average annual household gas bill, of which most will fall in the winter bills.**

The size of the increase and the 'lumpiness' of the bills will make them particularly difficult for low income and vulnerable households to deal with. Households on government pensions and allowances spend twice as much on energy as the average household; low earning households spend almost three times as much. Their capacity to cut back on other expenditure to pay energy bills is lower, and the essential nature of energy services means reductions in usage is also limited. They also often lack the financial means to absorb lumpy bills or 'smooth' them over the year.

Along with renters, low income households and those on government support will have less ability to upgrade the energy efficiency of their homes because they can't afford the upfront costs or because they lack the right to make major changes.

## Recommendations:

In concluding, our report identifies a number of policy recommendations aimed at the Victorian and Federal Governments – this is a quick summary.

### Recommendations

1. Information and education strategy
2. Consumer awareness of My Power Planner: choice gas retailer
3. Appliance cross-fuel energy ratings and labels
4. Research into the relative costs of gas versus electric appliances
5. Review choice of appliances in social housing
6. Develop energy efficiency programs to target households with high energy use, particularly low income and vulnerable households
7. Improve the energy efficiency rating of Victoria's housing stock
8. Offer households assistance to upgrade the energy efficiency of their own homes and appliances
9. Household energy policies should become fuel and technology neutral
10. Evaluate the 'Energy for the Regions' program for alternatives
11. Review hardship programs, payment plans, and concessions
12. Consequences of households leaving gas network

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## Policy recommendations:

1. Raise more awareness in the community – information that will help them in their decisions
2. Support gas being inclusion into My Power Planner: more promotion
3. Update appliance energy ratings and labels: comparisons of estimated appliance life cycle costs across fuel types
4. Further research into the relative costs of gas versus electric appliances
5. Base choices of appliances in social housing on research (ATA)
6. Develop energy efficiency programs to target households with high energy use, particularly low income and vulnerable households
7. Improve the energy efficiency rating of Victoria's housing stock to an average of five stars (building standards, retrofit and landlord incentives)
8. Offer households assistance to upgrade the energy efficiency of homes and appliances (including information, behavioural, and – where appropriate – capital barriers)
9. Policies to improve households' energy services should become fuel and technology neutral

10. Evaluate Victorian Energy for the Regions program: more efficient alternatives
11. Review concessions, financial assistance and energy retailer hardship programs
12. Plan for potential effect of consumers leaving gas network and impact on remaining consumers

You will notice that we don't have a recommendation to establish a domestic reserve. To be fair to other consumer advocates I should state that there are a range of views on this and some who strongly support it. I am happy to explain our position in the dialogue that follows.

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