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Energy Accounts Payment Assistance Review

Industry and Investment NSW

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See Distribution.

LPG AUSTRALIA
SUBMISSION ON
THE REVIEW OF THE ENERGY ASSISTANCE SCHEME

Reference: A. Review of the Energy Accounts Payment Assistance (EAPA) Scheme
Consultation Paper December 2010

The Australian Liquefied Petroleum Gas Association (LPG Australia) welcomes the opportunity to

contribute to the review of the Energy Accounts Payment Assistance (EAPA) Scheme. LPG Australia supports the growth and development of the Australian Liquefied Petroleum Gas (LPG) industry, for the benefit of members and the broader community.

LPG Australia's members include Kleenheat Gas, Vitalgas, Unigas, BP Australia, Shell Australia Ltd, Orbital Autogas Systems, Alternative Fuel Innovations, CEM International and many others.

This Submission captures the industry responses to key review items as they relate to the LPG industry; the inclusion of LPG in the scheme, the mechanism by which assistance is delivered to consumers who are experiencing financial hardship and the essential elements of transparency and accountability that must be an integral part of any assistance process.

Given the very brief period of consultation on these important issues, the industry seeks further engagement with Government representatives on key issues.

1 Executive summary

Pda gau l ke p k b p d a L o p n h e o O i e o d k r a

The LPG industry supports the underlying social welfare principles of the EAPA Scheme

- The value of intervention by Community Welfare Organisations (CWO) is substantial, and should be maintained and extended.
- CWOs provide education and skills enhancement to the householder, which are essential in preventing, or reducing an on-going situation involving financial difficulty.
- In some states of Australia, additional Government funded safeguards are installed to protect lower socio-economic households from higher energy costs on a long term basis, and these safeguards should be considered as part of a scheme designed to assist householders meet energy costs.
- Many energy retailers, including LPG retailers have installed efficient and sensitive processes to address situations where a customer is in financial hardship.

Retailers are not CWOs

- The role of an interventionist, trained and caring CWO is essential in addressing not only the acute economic hardship, but any underlying issues that may have contributed to that hardship or may prevent a speedy recovery.
- Energy retailers have developed processes to delay and amortise energy invoices to assist a customer experiencing hardship, but are not in a position to assess the underlying cause, nor i g a e l r k r a i a p o p k p d a o p k i a n o o g e t h o k n h o u s e h o l d m a n a g e m e n t.
- The processes offered by the CWO and by the retailer can operate independently and are entirely compatible, but are not interchangeable.
- Retailers should not operate within the EAPA Scheme as they are not trained or equipped to be effective and may inadvertently diminish the impact of a trained CWO. Smaller energy retailers will not have resources available to be effectively involved in the EAPA Scheme.

Liquefied Petroleum Gas (LPG) to be included in the household energy mixture

- Australian households use a variety of energies including electricity and gaseous fuels. It is t h e c e h p d p p d a p k p h k o p k b t h a a r c u o a e p d a d k o a d k h o k k g e c s p a n d a p e c s p a c e / s p o t h e a t i n g b e c o n s i d e r e d i n a t i m e o f f i n a n c i a l h a r d s h i p, a s a l l a r e e s s e n t i a l a c t i v i t i e s i n t h e A u s t r a l i a h o u s e h o l d.
- LPG is available to the vast majority of Australians, both in metropolitan and regional / rural areas, rivalling the electricity distribution network and reaching far beyond the grid of natural gas mains.
- Most gas appliance manufacturers offer appliances which use LPG, including cook tops, ovens, hot water systems and space / spot heaters and central heating units.

Liquefied Petroleum Gas (LPG) used in the household is purchased in a different process to that of autogas (for vehicles), and different to that for barbeque gas.

- Household LPG is purchased by;
 - an empty 45 kg cylinder being replaced by a full 45 kg cylinder by the LPG supplier; or
 - an LPG supplier pumping LPG into an empty 45 kg or 90 kg cylinder at the premises; or
 - an LPG supplier operating underground pipe work which delivers LPG to the household. An invoice is raised using consumption data obtained from a gas meter in each property.

In all three scenarios, the purchase of LPG generates a specific invoice / payment document indicating the nature of the sale (exchange, in-situ fill or metered gas).

LPG Suppliers may deal directly through a householder, or may operate through a Distributor, or through a local Agent. In all scenarios the sale process of the LPG is identifiable.

The 45 kg and 90 kg LPG cylinder dominate the household market, with very small use being made of other sized cylinders.

Household LPG cannot be easily used or transferred into automotive cylinders, BBQ cylinders or other leisure cylinders (patio heaters, boats, camping equipment) and the purchase of the automotive and barbecue LPG generates entirely different invoice / payment documents to that of household LPG purchases.

Options 1 and 2 considered.

Neither Option 1 nor Option 2 is ideal, given the diversity of the LPG customer base and the range of businesses (from large business Distributors to small business Agents) that comprise the LPG distribution industry.

An effective assistance scheme must be;

- capable of identifying low income households and those in financial hardship;
- effective in delivering assistance to those households;
- efficient in the use of allocated and incidental resources in delivering assistance;
- structured to operate on a low-cost basis; low cost to the Government and to the industry and effectively no cost to the consumer; and
- transparent and accountable.

The structure of the “ideal assistance model” designed to assist LPG customers is not clear, and further discussion is required. However the wide range of delivery outlets including many small rural businesses demands that any scheme should impose minimal administrative burdens on these businesses if it is to be successful.

Therefore LPG Australia prefers a scheme that operates in a similar manner to that in Victoria. The inclusion of additional schemes, some already in operation, both government and industry based, must also be considered.

2 EAPA Scheme support

The New South Wales State Government uses a variety of essential services to operate, and loss of any or all energy supplies has a significant impact on the quality of life of those living in the household.

Furthermore, the costs involved in disconnections and reconnections to energy supplies can be high, and sometimes disproportionate to the work involved in effecting such disconnections and reconnection. Such costs are punitive, and best avoided if a timely recovery from the financial hardship is to be achieved.

Many energy retailers have processes in place to address situations of economic hardship, and in some states, additional measures are installed to protect low income households from high energy costs on a routine basis.

3 Retailers and CWOs

The current EAPA Scheme is fully operational and the subject of a review (News Release Premier of New South Wales, Tuesday 16 November 2010).

The approach taken in the EAPA Scheme is to arrange for trained field operatives to:

- intervene on behalf of the householder in financial hardship;
- quantify the issues relating to disconnection for household energy supplies and;
 - offer immediate financial assistance by way of vouchers;
 - identify any underlying the root causes that have contributed to the hardship, or will impede a recovery from the hardship;
 - identify any existing hardship, recovering from the hardship and avoiding a recurrence, or any combination of these; and
 - identify any other issues relating to the hardship.

The intervention and root cause analysis by field operatives underpins the success of the current scheme, and must be maintained and enhanced to allow the scheme to meet the increasing challenges.

Energy retailers, and LPG retailers specifically, range in size from large national businesses or networks, down to small agencies who supply a small community with a range of goods and services, including the supply of LPG.

It is inconceivable that all retailers could competently administer a voucher based scheme, or offer the required intervention in a situation of financial hardship. Limitations in resources and skills would be significant obstacles in any approach by smaller retailers, typical of the LPG industry.

4 LPG to be included on the household energy mix

In Australia, around one million households use LPG for cooking, hot water heating / boosting, and space / spot heating, and often a combination thereof.

LPG offers significant benefits to the householder, and include;

- the availability of modern, high efficiency appliances for a range of household activities;
- the availability of LPG across Australia, through a distribution network that rivals electricity and far exceeds the natural gas (mains) network; and
- the avoidance of high connection costs – a typical LPG installation may cost \$200, whereas a natural gas or electricity connection may be many times that figure, particularly in regional and rural Australia.

Supply of a multi-energy household can maintain the convenience of a multi-energy household, and maintain access to modern, high efficiency gas appliances. Gas appliances also offer large reductions in greenhouse gas emissions over their electric equivalents across the entire range of appliances and applications.

Energy assistance programs that include LPG.

Most modern appliances use a combination of energies in normal operation (an example is a gas cook top which has electric igniters and electric timers, or a solar hot water unit which uses gas boosting and electric control circuits in normal operation). To ignore the total energy mix is to defeat the very intent of any intervention.

5 LPG used in the household is discrete

LPG sold in Australia consists of a range of products, ranging from LPG for households, through LPG (Autogas) for vehicles and through to feed-stock for industrial processes.

LPG is sold to households for domestic use via a distribution network which is robust in safe operation, customer satisfaction and in documentation. The typical LPG installation in a household is made up of a cylinder and associated pipe work.

The LPG cylinder size is expressed in terms of its LPG capacity when full. A 45 kg LPG cylinder contains 45 kg of LPG at the point of sale. Two sizes of cylinders, 45 kg and 90 kg are used extensively in household applications, and account for more than 95% of all household LPG use.

45 kg LPG cylinders in a household installation may be removed when empty and replaced with a full 45 kg cylinder. The householder is invoiced for the gas supplied in the full cylinder. This process is called cylinder exchange.

As an alternative, the gas supplier may choose to fill an empty 45 kg at the household, using a tanker of LPG parked in the street. This process is called in-situ cylinder filling. The householder is invoiced for the gas supplied to fill the cylinder.

All 90 kg cylinders must be in-situ filled, as they are too heavy to exchange.

The supplier of the LPG may be a major LPG company, and associated Distributor, or an Agent of the company. Irrespective of the status of the supplier, and the method used to supply the LPG to the household (exchange of in-situ fill), the documentation generated is discrete and identifies the supplier, the customer, the delivery address, the quantity delivered and the delivery date. Accordingly, such transactions are traceable.

LPG supplied to households in 45 kg or 90 kg cylinders cannot be readily transferred to other containers for other uses (transport and leisure). Such transfers would require skills and equipment well beyond the average householder. Furthermore, purchases of LPG at a service station for transport use (Autogas) and leisure use (9 kg for barbeques, patio heaters, boats, caravans and camper trailers) generate documents which are very different to those generated in the supply process to the household.

LPG purchased for household use is identifiable and discrete, its usage can be monitored and calculated, and the documentation generated is traceable.

6 Option 1 and Option 2 considered

The options detailed in Review of the Energy Accounts Payment Assistance (EAPA) Scheme Consultation Paper December 2010, Page 31 may be summarised as;

Option1 - update the Scheme and extend it to include all household energies, which includes LPG, and

Option 2 - adapting parts of an existing Victorian Government Scheme, provide financial assistance to the householder directly, based on documented energy consumption.

Option 1 offers the following benefits;

- identification of factors involved in the hardship;
- identification of impediments to recovery from the hardship; and
- identification of opportunities for corrective action, household skills enhancement, or both.

Option 1 applies to the situation of acute financial hardship and its impact on household operation, specifically, the on-going supply of energy. It does not include protection for low-income families who are not in financial hardship but who expend a substantial percentage of household income on utilities, especially energy.

The use of a voucher system has been criticised for costing more to administer at the retail end than the benefits received by the recipient householders.

Option 2 offers the following benefits;

- the targeted population is identified by Concession Card or similar;
- documentation is required to support any claim for a rebate;
- payment is made directly to the householder, which promotes engagement; and
- the administrative burden on the supplier, industry and Government is reduced.

Option 2 is designed to assist low income households by subsidising energy costs, on an on-going basis, subject to conditions specified in the Scheme. The valuable intervention and assessment process are not automatically included in the scheme and may not be required universally. This approach may reduce the required expenditure of CWO resources, allowing their concentration on the most problematic cases.

Option 2 is operational in a different form in Victoria, but as the financial hardship scenario is not specifically addressed, a separate scheme (Utilities Relief Grant Scheme (URGS)) was created to

assist those cases. URGS is an interventionist program, and is also compatible with the schemes operated by the individual LPG businesses.

Neither Option 1 nor Option 2 considers the role or participation of local government in any part of the identification, remediation and recovery process involved in financial hardship. This is despite the existence of local government capabilities of various calibres across New South Wales.

7 Conclusion

The Australian Liquefied Petroleum Gas Association (LPG Australia) welcomes the opportunity to

LPG is an important household energy source in over one million households in Australia, across a variety of applications in cooking, hot water heating and space / spot heating. LPG consumption must be included in any assessment of household energy use.

The nationwide availability of LPG, and the availability of modern high efficiency appliances is appealing to an increasing number of householders.

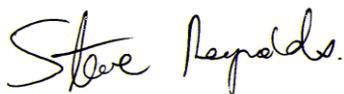
The LPG industry in New South Wales consists of a wide range of businesses with differing customer profiles. The voucher system used to off-set utility costs in cases of financial hardship does not connect well with the structure of the LPG industry, and alternative methods should be considered.

The role of local government has not been considered, and this oversight should be addressed as it may very well be able to assist in the administration process and make the scheme more accessible for regional LPG users.

Neither Option 1 nor Option 2 is a complete approach which addresses or acknowledges the challenges contained within a scheme designed to assist households in time of financial hardship. However at this stage LPG Australia prefers Option 2 but suggests that more analysis is required to better align a scheme to the needs of the NSW LPG market. For instance, the load profile and geography of the NSW customer base needs to be understood to determine when and how support can best be delivered.

The challenge is to maximise the effectiveness of a mixture of limited assistance resources supplied by Government and industry across the maximum number of targeted households.

LPG Australia representatives to develop the most appropriate scheme for NSW.



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