


Request for Costing an Election Commitment

Name of election commitment:	<i>Increase the energy concession</i>					
Person and party requesting costing:	Meredith Hunter, ACT Greens Parliamentary Leader					
Date of public release of election commitment, including source:	21 st September 2012, http://act.greens.org.au/sites/greens.org.au/files/CLIMATE-ENERGY_PACKAGE.pdf (point 21, page 7)					
Summary of election commitment:	This commitment is to inflate the ACT Energy Concession by 5.39% (2012-13 CPI + 2%) annually. The indexing should be subject to annual review to ensure that the proposed adjustment provides an appropriate level of compensation for future retail electricity price movements.					
Intention of election commitment:	This initiative aims to ensure that the Energy Concession more accurately reflects retail electricity prices. The current indexing to CPI does not reflect actual retail price movements. ¹					
Signature of person requesting costing:						
Date of request for costing:	10/10/12					
Key assumptions that have been made in the election commitment						
<p>Note: that where the request to cost an election commitment differs from the public announcement, the costing will be on the basis of information provided in the costing request.</p> <p>Note: it will be up to the professional judgment of the Director-General as to whether these assumptions are adopted in the costing of the election commitment.</p>						
Where relevant, is the funding for the policy to be demand driven or a capped amount? N/A.						
Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the election commitment? No.						
Will funding/the cost require indexation? No.						
What are the estimated costs each year (if available)?						
	2012-13	2013-14	2014-15	2015-16	2016-17	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue ^(a)						
Expenses ^(a)		158	330	517	720	1,725
Capital						
(a) A negative number indicates a decrease in revenue or an increase in expenses.						

¹ Excluding carbon price pass-through costs, retail electricity prices have risen at a rate 1.3% higher than CPI over the past 3 years.

What is the likely take up?

It has been assumed that 27,000 households claim the maximum rebate each year for the period 2013-14 to 2016-17.²

What are the capital requirements for this election commitment and estimated costs each year (if available)?

N/A.

Any other assumptions?

- All proposed funding is additional to that already allocated in the budget for ACT energy concessions
- Sufficient funding already exists in the budget to allow for the energy concession to be inflated by CPI on an annual basis.³
- The baseline figure from which all subsequent figures have been calculated is the 2012-13 concession rebate of \$374.82, comprising \$292.82 for the energy concession and \$82 for the utilities concession⁴
- The revised indexation applies to the 2012-13 energy concession component (\$292.82) and not the 2012-13 utilities concession (\$82)⁵ which we are assuming will not change from 2013-14 to 2016-17
- Annual energy price growth over the next 4 years remains constant at its 2012-13 level of 3.39%⁶
- No energy efficiency improvements are made
- An average of 27,000 households claim the maximum rebate for each of the next 4 years
- Staffing costs to manage this initiative are immaterial and will be absorbed by existing Directorate resources

Based on these assumptions, we have estimated the following costs, where:

- BAU Scenario = assumed existing funding allocated by Government
- Greens Scenario = proposed policy

BAU Scenario = (CPI 3.39%) applied to energy concession only						
	Baseline	2013-14	2014-15	2015-16	2016-17	Total
Max energy concession rebate (\$)	292.82	302.75	313.01	323.62	334.59	1,273.97
Max utilities concession rebate (\$)	82	82	82	82	82	328
Max rebate claimable (\$)	374.82	384.75	395.01	405.62	416.59	1,601.97
Annual cost to government (\$'mil)	10.12	10.39	10.67	10.95	11.25	43.25

Greens Scenario = (CPI⁷ + 2%) applied to energy concession only						
	Baseline	2013-14	2014-15	2015-16	2016-17	Total
Max energy concession	292.82	308.603	325.24	342.77	361.24	1,337.85

² This is an approximation based on (a) the Minister's statement to the Assembly in June 2011 that approximately 25,000 households are paid the rebate and (b) the statement from the Community Services Directorate (on p.38 of the Energy Efficiency Improvement Scheme RIS) that the maximum number of claims made in any one month during 2010-11 was 27,395

³ As per p.2 of the 2011 ACT Targeted Assistance Strategy, see also <http://info.cmcd.act.gov.au/archived-media-releases/mediaff06.html?v=10681&m=53&s=8>

⁴ http://www.assistance.act.gov.au/adult/utilities/energy_concession

⁵ As per http://www.assistance.act.gov.au/adult/utilities/energy_concession

⁶ See Independent Competition and regulatory commission, Final report: Retail prices for franchise electricity customers 2012-14, Report 4 of 2012 (June 2012) p19.

⁷ 3.39% per annum see n.6.

rebate (\$)						
Max utilities concession rebate (\$)	82	82	82	82	82	328
Max rebate claimable (\$)	374.82	390.60	407.24	424.77	443.24	1,665.85
Annual cost to government (\$'mil)	10.12	10.55	11	11.47	11.97	44.98
Cost above BAU (\$'mil)	0	0.158	0.33	0.517	0.72	1.725

Administration of the election commitment

How will the election commitment be administered?

The commitment will be overseen by the Community Services Directorate.

Who will administer the election commitment?

The Community Services Directorate.

Has an allowance been made for expenses necessary to support the implementation of this election commitment?

- If no, will the government agency be expected to absorb expenses associated with this election commitment?
- If yes, please specify the key assumptions.

No. It has been assumed that staffing costs within the Directorate to manage this initiative would be immaterial and would be managed within existing resources, hence they have not been included above.

What is the intended implementation date of the election commitment?

2013-14 to 2016-17.

Are there transitional arrangements associated with election commitment implementation?

No.

Are there any other assumptions that need to be considered?

No.

When is the election commitment expected to be fully operational?

Please provide further details i.e. start and end dates, the level of commitment during each period etc?

The adjusted indexation would take effect from the commencement of 2013-14.

Will the election commitment cease and if so when?

N/A.

