COTA Victoria & Senior Rights Victoria

Submission response to the Victorian Default Offer 2023 - 24

To:

Essential Services Commission

Level 8, 570 Burke Street, Melbourne Victoria

Melbourne 3000

Via email to: VDO@esc.vic.gov.au

Contact:

Rachel Spencer

Policy Officer

COTA Victoria

Phone: (03) 9655 2123

RSpencer@cotavic.org.au

April 2023

COTA Victoria is supported by financial assistance from the Commonwealth and Victorian Governments.

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About Us

Council on the Ageing (COTA) Victoria is the leading not-for-profit organisation representing the interests and rights of people aged over 50 in Victoria. For over 70 years, we have led government, corporate and community thinking about the positive aspects of ageing in the state.

Today, our focus is on promoting opportunities for and protecting the legal rights of people 50+. We value ageing and embrace its opportunities for personal growth, contribution, and self-expression. This belief drives benefits to the nation and its states alongside communities, families, and individuals.

Seniors Rights Victoria (SRV) is a program of COTA Victoria and the key state-wide service dedicated to advancing the rights of older people and the early intervention into, or prevention of, elder abuse in our community.

SRV has a team of experienced advocates, lawyers, and social workers who provide free information, advice, referral, legal advice, legal casework, and support to older people who are either at risk of or are experiencing elder abuse. SRV supports and empowers older people through the provision of legal advice directly to the older person.

COTA Victoria and Seniors Rights Victoria acknowledge the Traditional Custodians of the land on which we work. We pay respect to elders past and present and those who continue the journey. We recognise the rich Indigenous heritage and culture of this country.

Executive Summary

COTA Victoria appreciates the opportunity from the Essential Services Commission (ESC) to provide feedback on the Victorian Default Offer (VDO) review 2023 - 24.

While we acknowledge the decision to increase the annual VDO price, in reflection of the increased cost of electricity provision, we are concerned about the impact such a drastic rise in the VDO price will have on more vulnerable communities, such as older Victorians.

Daily living expenses and the cost of living should be taken into consideration for reducing the VDO price. The substantial 33.2% increase of average payments for electricity costs will impact vulnerable elements of the older population, with many reliant on government funds and concession prices to help their current financial circumstances. The accompaniment of escalating gas prices will heighten ongoing issues such as an increase in digital exclusion and negative health implications for older Victorians.

COTA Victoria recommends that further detail should be provided on what appropriate supports will be made available to those impacted by the VDO rise. We are increasingly worried about the health and wellbeing of Victoria's older, vulnerable population and the impact that increased energy prices will have on older people's ability to manage their finances.

Response

Key concerns

With inflation prices continuing to impact daily living expenses and ongoing circumstances, we encourage the ESC to consider the implications of what will follow for the vulnerable population if the VDO rises by as much as is proposed. COTA Victoria is concerned the effects that the VDO's increased price rates will have on the older Victorian population.

A recent survey of older Australians, including Victorians, has found that there is increasing concern over the cost of living, particularly energy bills.[1] According to this data, which will shortly be released, 44% of the Victorians surveyed felt that things are getting worse for older people. This is being partially driven by increasing concerns around the cost of living, with almost a quarter of those surveyed consider themselves financially insecure.[2] Among this survey, 19% of older Victorians were found to have overdue bills, with the single largest cause being energy payments.[3] These concerns are not just in Victoria. Across Australia, 45% of respondents feel things are generally getting worse for older people (up from 33% in 2021), associated with an almost doubling of the percentage citing cost of living as a key factor (59%, up from 31% in 2021). This shows that older Australians, and older Victorians, are already feeling the financial pressure, while current energy price increases have had a negative impact before the introduction of the VDO price increase.

Increasing energy prices, and concerns over financial pressures are prompting changes by consumers. Research by the Australian Energy Regulator has found that people are increasingly taking steps to limit their energy use and costs, with those in financial stress taking more extreme steps such as not using their heating.[4]

Older Victorians taking such steps to reduce their energy consumption will likely negatively affect their physical and mental health. Research has established that energy, health, and well-being are inexorably linked, especially for older people.[5] The impacts from low temperatures on the older population include the problematic emphasis on pre-existing medical conditions, increased blood pressure, and blood coagulation; these can result in cardiovascular and respiratory issues.[6] Researchers have identified that concerns over wasting energy, rising fuel costs, and fuel poverty can cause older people to put their health at risk.[7] If older Victorians struggle to afford their energy bills and reduce their energy

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[1] Data from a soon to be released national survey. COTA Victoria is happy to provide further detail when it is published.
[2] Ibid.
[3] Ibid.
[4] Australian Energy Regulatory (2022). CRG Consumer Survey 3: Update on insights into energy consumers' price - service priorities and price impacts. Energy Consumers Australia. August 2022. https://energyconsumersaustralia.com.au/wp-content/uploads/CRG-Consumer-Survey-3-Report.pdf
[5] Gordon, R., Harada, T., Schuster, L., McGregor, A., Waitt, G., Cooper, P (2019). Final Report Prepared for Energy Consumers Australia: Exploring the nexus of energy use, ageing, and health and well-being among older Australians. Sydney: Macquarie University.
[6] Chard, R., & Walker, G. (2016) Living with fuel poverty in older age: Coping strategies and their problematic implications. Energy Research & Social Science, 18(1),62-70. https://doi.org/10.1016/j.erss.2016.03.004
[7] Gordon, R., Harada, T., Schuster, L., McGregor, A., Waitt, G., Cooper, P (2019). Final Report Prepared for Energy Consumers Australia: Exploring the nexus of energy use, ageing, and health and well-being among older Australians. Sydney: Macquarie University

consumption, including the use of necessary heating, this could expose them to health risks as a result of low temperatures.[8] This means that increased energy prices for older Victorians could lead to higher costs for the Victorian society, particularly related to the health system.

This is supported by recent experiences in the UK. Increasing energy costs during a cost-of-living crisis have had a severe impact on older people. Going into their most recent winter, one in seven older people were considering not turning on their heating this winter due to the cost-of-living crisis, while three in ten[9] older person households are living in fuel poverty. The impact during this most recent winter is not known, but charities are warning [10] of an increase in excess deaths.

We are particularly concerned at the impact of the VDO price rise as the number of households on the VDO has more than doubled to 400,000 in less than 18 months.[11] The VDO also applies to the estimated 150,000 customers in embedded networks, including retirement villages, where it is the maximum that can be charged. The VDO is not the best price available, so the increase in users shows that consumers are not getting the support they need to reduce their energy costs. With an increasing reliance on digital technology to shop around for the best energy price, we are worried older Victorians will miss out and pay these increased costs.

We ask for the ESC to take into consideration these concerns, and their potential impact, regarding their final decision on the VDO price rise.

Recommendations

COTA Victoria recommends a reduction in the VDO price, in recognition of the broader financial pressures on the consumers and the increase in its utilisation. While we recognise that energy costs for retailers have increased, the VDO is not a ceiling price. A lower VDO will ensure some of our most vulnerable Victorians, including those in retirement villages, receive a fairer price during a cost-of-living crisis.

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8 Valente, C. P., Morris, A., & Wilkinson, S. J. (2022) Energy poverty, housing and health: the lived experience of older low-income Australians. Building Research & Information, 50(1-2), 6-18. https://doi.org/10.1080/09613218.2021.1968293

9 2.8m older households will still be living in fuel poverty this winter - despite the Government freezing the energy price cap. (2022, September 21). Age UK. https://www.ageuk.org.uk/latest-press/articles/2022/2.8m-older-households-will-still-be-living-in-fuel-poverty-this-winter---despite-the-government-freezing-the-energy-price-cap/

10 Weaver, M. (2022, December 13). Excess deaths could rise as vulnerable skimp on heating, UK charities warn. The Guardian. https://www.theguardian.com/business/2022/dec/12/excess-deaths-could-rise-as-vulnerable-skimp-on-heating-uk-charities-warn

11 Essential Services Commision. (2023). Victorian Default Offer Draft Decision Fact Sheet Draft Decision Factsheet. https://www.esc.vic.gov.au/sites/default/files/documents/Victorian-Default-Offer-2023-24-Draft-Decision-fact-sheet-March-2023.pdf

At the very least, COTA Victoria recommends that the ESC should direct retailers to provide greater support to consumers to leave the VDO for a cheaper offering. The ESC's *Payment difficulty framework implementation review 2022* found that vulnerable customers experiencing payment difficulties are likely to be faced with multiple barriers and are likely to use higher energy levels than the average household – while outcomes for consumers vary between retailers.[12] The review highlighted that vulnerable people who suffer from financial difficulties, and complex health issues, require more responsive, inclusive, and accessible services.[13] A UK study has also found that older people are more likely to be exposed to the implications that come from low temperatures than others due to limited economic and information resources that are prevalent in the older demographic.[14]

With this in mind, accessible face-to-face and online assistance programs need to be made available for older Victorians to navigate relevant supports. COTA Victoria emphasises the need for additional support services to be tailored towards vulnerable older people who require more assistance in accessing these services. For instance, we are concerned that the $250 Power Saving Bonus payments will not reach older, vulnerable Victorians due to digital exclusion, even with an existing community outreach program. Ensuring access to such resources should aid in reducing the likelihood of loneliness, social isolation and stress in older Australians.[15]

Conclusion

COTA Victoria asks for the ESC to consider the effect that high VDO prices will have on older Victorians, and the negative consequences that this will have on the more vulnerable cohorts of the older population. We ask for a reduction in the proposed VDO price and the consideration of accessible face-to-face and online assistance programs to be available to older Victorians who may fall through the gaps and will be impacted by this decision.

While the VDO is not meant to be the best available price for all consumers, more action is needed in ensuring that older people can access and receive needed support, particularly

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[12]Essential Services Commision. (2022). Payment difficulty framework implementation review 2022 Findings report. https://www.esc.vic.gov.au/sites/default/files/documents/RPT%20-%20Payment%20Difficulty%20Framework%20implementation%20review%20-%20Findings%20report%20-%20FINAL%20-%2020220531.pdf

[13] Ibid.

[14] Paavola, J. (2017) Health impacts of climate change and health and social inequalities in the UK. *Enviornmental Health*, 16(113), 61-68. DOI 10.1186/s12940-017-0328-z

[15] Gordon, R., Harada, T., Schuster, L., McGregor, A., Waitt, G., Cooper, P (2019). Final Report Prepared for Energy Consumers Australia: Exploring the nexus of energy use, ageing, and health and well-being among older Australians. Sydney: Macquarie University.

for ongoing protection during the winter season. COTA Victoria is concerned about the health implications that will impact older Victorians, and the strain that government departments will experience if VDO prices are to increase. Further investment, improved performance and engagement is required to ensure that vulnerable older people do not fall into high-risk gaps that place them in danger, with increased energy prices acting as a key contributor.