



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party

Proposal No: C1668

Date Referred: 14/3/23

Date Published: 20/03/2023

Proposal Title: Energy Relief Fund

Cluster: Treasury

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)		447,800			447,800
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Balance:	-	(447,800)	-	-	(447,800)

Capital Expenditure	-	-	-	-	-
Capital Offsets					
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(447,800)	-	-	(447,800)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(447,800)	-	-	(447,800)
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Notes and costing assumptions:

This policy proposes to pay rebates to cover the cost of electricity. Eligible households will receive \$250 and eligible small businesses will receive \$315.

Eligible households – must be receiving one of the following forms of Commonwealth income support:

- Pensioner Concession Card
- Health Care Card
- DVA Gold Cards
- Commonwealth Seniors Health Card
- Family Tax Benefit A and B
- Carers Allowance

Eligible small businesses:

- Use a maximum of 100 MWh of electricity per year as per the National Energy Retail Law.

Notes and costing assumptions continued:

Rebates will be paid in quarterly instalments in 2023-24.

Recipients will apply through their retailer and the rebate will be applied directly onto their bill.

The rebates will be in addition to the existing Low Income Household Rebates and Family Energy Rebates.

Costing

The PBO estimates that the policy will cost \$447.8 million. This includes \$200 million for business rebates, \$242.5 million for household rebates, \$2.3 million for additional Family Energy Rebates and \$3 million for administration.

Small business rebates

The PBO assumes the policy is restricted to small businesses with fewer than 20 employees. The ABS reports (8165.0) that NSW had 862,794 businesses as at 30 June 2022, of which 494,161 businesses were non-employing (i.e. sole traders), and 348,072 had between 1 and 19 employees. This gives a total of 842,000 small businesses.

The PBO has assumed that the 100MWh eligibility criterion will not have a material effect on the number of small businesses eligible for the rebates.

- Canstar Blue, a comparison website, reports that the average Australian small business consumes between 13 and 36 MWh of electricity per year.
- For comparison, a typical 4 person household in Sydney consumes around 8.5 MWh per year, so 100 MWh is the equivalent of the electricity consumption of around 12 such households (ie. to reach 100MWh, the electricity consumption of a business with up to 20 employees would be greater than the typical electricity consumption of 48 people at home).

The PBO has assumed a 75% take-up rate from among the eligible population of small businesses. This is in line with general take-up rates for a range of covid business and household support schemes. The assumption results in an estimated 630,000 business applications.

Rebates of \$315 for each of 630,000 businesses gives an estimated cost of around \$200 million.

Households

Under the existing Low Income Household Rebates (LIHR), the Office of Energy and Climate Change (OECC) expects LIHR rebates will be paid to 831,000 households in 2022-23.

The proposed policy expands the set of eligible households by including carers and recipients of Family Tax Benefits. Around 400,000 NSW households in NSW receive Family Tax Benefits, of which the PBO estimates around 64,000 are likely to apply for energy rebates (who are not already eligible under the LIHR program).

- Households that receive a Family Tax Benefit (FTB) are eligible for a NSW Family Energy Rebate. OECC expects 51,000 households will apply for Family Energy Rebates in 2022-23.
- The PBO expects that increasing the rebates available for this group is likely to increase the take-up rate, increasing the number of applicants by around 25%.
- This would also add \$2.3 million to the cost of the existing \$180 Family Energy rebates, by the incremental demand of these additional 13,000 households.

The PBO estimates that households receiving a Carers Allowance would add a further 88,000 households to the eligible group, of which around 75,000 are expected to apply for energy relief.

- Department of Social Security (DSS) data for September 2022 indicates around 200,000 NSW people receive a Carer Allowance.
- Of these, around 100,000 also receive a Carer Payment, and are already eligible for LIHR.

Notes and costing assumptions continued:

- Among the remaining 100,000 people, around 12,000 receive a Family Tax Benefit. DSS data indicate that 5.8% of people receiving Family Tax Benefits also receive a Carer Payment. The PBO assumes that 2.9% of households receiving a Family Tax Benefit would receive a Carer Allowance but not a Carer Payment.
- The PBO assumes a take-up rate of 85% among this group, considering that they may be more likely to apply for government support programs than the general population.

This gives a total of around 970,000 households expected to apply for the new \$250 energy rebates, for a cost of \$242.5 million. In addition, the PBO expects expanded take-up of the existing Family Energy Rebates costing \$2.3 million.

Systems implementation and administration

Based on recent experience with rebate schemes, the PBO considers that a scheme to provide around 1.6 million rebates, paid quarterly, is likely to cost around \$12 million in implementation and administration costs if carried out by the Government.

Under the policy, implementation and administration would be carried out by energy retailers, who would bear the bulk of these costs. Spreading implementation across multiple implementation parties is likely to increase the total cost, but as this would be borne by the private sector it would not have a Budget impact.

Nevertheless, private sector systems would need to be audited when they are established and during their administration, to ensure that correct payments are made to eligible households and businesses. The PBO estimates that these Government verification costs would be around \$3 million.