



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition
Date Referred: 10/03/2015

Proposal No: C031
Date Published: 23/03/2015

Proposal Title: **REFORMING ENERGY REBATES**

Cluster: Trade and Investment, Regional Infrastructure and Services

General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)		21,567	25,233	29,422	76,222
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Result:	-	(21,567)	(25,233)	(29,422)	(76,222)

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

Net Lending/(Borrowing)	-	(21,567)	(25,233)	(29,422)	(76,222)
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Net Financial Liabilities:	-	21,567	46,800	76,222	
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Total State Sector Impacts

Net Financial Liabilities:	-	21,567	46,800	76,222	
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Notes and costing assumptions

The policy proposes to offer a \$90 gas rebate for low income households, offer additional electricity rebates for residents of retirement villages and residential parks and extend the medical energy rebates available under the Life Support Rebate scheme.

The cost of the gas rebate and additional medical energy rebates are estimated at \$76 million over the forward estimates.

Key assumptions

The changes to the medical energy rebates and an extension of other rebates to retirement villages and residential parks has been costed in total at \$1.22m over the four years to 2018-19.

Based on IPART changes in gas prices, an escalation rate of 8.4% per annum has been applied over the forward estimates for the \$90 gas rebate.

The number of potential claimants for the gas rebate has been estimated based on the number of people receiving the low income household electricity rebate (LHIR). There are currently 770,000 LHIR recipients. There are 1.2 million households with gas and 3.2 million with electricity in NSW. So the households eligible to claim the gas rebate is estimated to be about 38 per cent of the total eligible households for the electricity rebate.

Costing assumptions continued:

The electricity rebate is \$235, whilst the gas rebate starts at \$90. So it would be expected that take-up of the gas rebate amongst eligible claimants would be lower, especially when first introduced where awareness about the rebate may be lower.

The modelling has effectively assumed take-up rates for the gas rebate are 80 per cent of the take-up rates for the electricity rebate for eligible households in 2015-16, because of the lower price incentive and because the scheme is new. The take-up rate for the gas rebate is assumed to rise each year by 5%, to 85% in 2016-17, and 90% in 2017-18. Total households claiming the gas rebate is estimated at 236,000 in 2015-16 rising to 275,000 in 2017-18.

There may be some households eligible for both the gas and electricity rebates who are currently not claiming the electricity rebate, who become more aware, and start claiming both rebates. Hence, the costs of the current electricity rebate may indirectly rise as a result of this policy. This effect has not been included in this cost estimate, and is more properly attributed to the costs of the electricity rebate.

Costs of administering the policies are assumed to be absorbed within agencies.