



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Election Costing Request Form

Details of request	
Party:	Liberals/ Nationals
Name of Policy:	Reforming Energy Rebates
Date of request:	10 March 2015

Description of policy	
Summary of policy (please attach copies of relevant policy documents):	Refer to Attachment A
What is the purpose or intention of the policy?	The NSW Government is committed to assisting families with the cost of electricity and gas. We are reforming the energy rebate system, ensuring those in most need of assistance receive it
Has the policy been publicly released yet?	

Your estimated costing of the policy ¹						
	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	4 Yr Total \$'000	Other years ² \$'000
Impact on General Government Sector (GGS) net operating result ³	-	21,568	25,234	29,421	76,223	
Impact on GGS capital expenditure ⁴						
If different from above, impact on total						

¹ Amounts should be expressed in nominal dollars. GGS - General Government Sector.

² Please provide information on other years if spending occurs outside the forward estimate years and will be required to cost the policy.

³ Negative for a saving that reduces expenditure

⁴ Negative for a reduction in capital expenditure.

State Sector net financial liabilities ⁵						
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Note: Has the policy been costed by a third party?
If yes, can you provide a copy of this costing and its assumptions?

Key assumptions made in the policy	
Does the policy relate to a previous announcement? If yes, which announcement?	N/A
What assumptions have been made in deriving the financial impacts in your estimated costing? <i>(See checklist)</i>	See Attachments A & B
Is there a range for the costing or any sensitivity analysis that you have undertaken?	N/A
Are there associated savings, offsets or expenses? If yes, please provide details.	See Attachments A & B

Administration of policy	
Intended date of implementation:	1 July 2015
Intended duration of policy:	Over the forward estimates
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	Resources and Energy
Are there any specific administrative arrangements for the policy that need to be taken into account?	N/A
Are there transitional arrangements associated with policy implementation?	N/A

If the policy is mainly an expenditure⁶ commitment	
Demand driven or a capped amount:	See Attachments A & B
Eligibility criteria or thresholds:	See Attachments A & B

If the policy is mainly a revenue commitment	
Transaction based or capped:	
Thresholds and/or exemptions:	
Collection method:	
Additional expenditure associated with collection:	

⁵ Only required if proposal is outside GGS. Negative for a reduction in net financial liabilities.

⁶ Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

If the policy is mainly a capital costs⁷ commitment	
Type of work, size and capacity:	
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Offsetting expenditure savings:	
Associated asset sell off (if any):	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	

Checklist for key assumptions (please be comprehensive and include all relevant assumptions).

Assumptions could include, but are not limited to, questions such as:

- What is the expected community impact?
- How many people will be affected by the policy?
- What is the likely take up or other behavioural response you expect?
- Is there a cap on total spending proposed, a funding formula, resource agreement or other mechanism of this nature associated with the policy?
- Will third parties have a role in funding or delivering the policy (e.g. Commonwealth Government)?
- Will funding/program cost require indexation?
 - If yes, do you have any assumptions about the index that should be applied?
- What assumptions have you made about costs of administering the policy?
 - For example, will additional staff be needed in the agency responsible for the policy?
 - If you have assumptions on this, how many and at what approximate levels?
 - Are there other administrative resources required?
 - Alternatively, are you assuming administrative costs will be absorbed within the agency?

Please note that:

- The costing will be on the basis of information provided in this costing request.
- The PBO is not bound to accept the assumptions provided by the requester. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requester in advance of the costing being completed.
- Where the details of the policy costing request differ from the announced policy, the costing will be on the basis of the information provided in the costing request.

⁷ Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance. The capital cost of the asset to be acquired will however be included in net financial liabilities.

- These guidelines are intended to facilitate requests for costing election policies. Persons preparing such requests who wish further assistance are invited to contact the staff of the Parliamentary Budget Office.

A re-elected Baird Government will extend energy rebates



The Baird Government is committed to assisting families with the cost of electricity and gas.

The Baird Government is committed to assisting families with the cost of electricity and gas. Over the last 4 years we have got power prices back under control. Prices rose by 57% between 2006 and 2011, but now for the first time this century, those prices are falling. According to the independent Australian Energy Market Commission, they are forecast to fall further - by an average of 6% per annum over the next two years.

To further ensure that power prices do not rise, the Baird Government will require all bidders for the 49% of the poles and wires to guarantee network prices will be lower in 2019 than they were in 2014, and will require Allan Fels to sign off that the lease will put no upward pressure on power prices in the short, medium or long term.

However, we recognise that families are under cost of living pressure. After years of Labor's double digit energy price rises, family budgets are squeezed. In our first term, we:

- increased the Low Income Household Energy Rebate from \$145 to \$235;
- introduced a new \$150 Family Energy Rebate; and
- increased the Medical Energy Rebate from \$145 to \$235.

Now, because of the strong economic management of the Baird Government we have a capacity to do more. We can now further reform the energy rebate system, to ensure those in most need of assistance receive it.

The Baird Government will provide more than \$1 billion to assist households with their energy costs over the next 4 years. Under our plan, more funding will be available to

A re-elected Baird Government will:

- ✓ Introduce a \$90 Gas Rebate to help 290,000 low income households with the cost of gas, which will increase in value every year indexed to the cost of gas
- ✓ Increase the Life Support Rebate by an average 85% to cover the running cost of electricity for life support equipment for 32,000 customers
- ✓ Expand the Life Support Rebate to help an estimated 6000 quadriplegic customers with the cost of powering electric mobility devices
- ✓ Ensure 75,000 residents in retirement villages, residential communities, and embedded network strata schemes have access to every NSW energy rebate

a greater number of households. This means less money spent on energy, and more going back into people's pockets.

Increasing the Life Support Rebate by an average 85% will mean that the electricity used to power their essential medical equipment will on average be fully funded by the rebate. Some customers will receive up to \$1,120 annually to cover the cost of running their life-saving equipment 24 hours a day.

These updated rebates are in addition to the Family Energy Rebate (FER), Low Income Household Rebate, Medical Energy Rebate and the Energy Accounts Payment Assistance Scheme, and will commence from 1 July 2015.

Back The Baird Plan and keep NSW working.

2015 Election Policy Costing

Proposal Title: Reforming NSW Energy Rebates

Lead Agency: Trade & Investment

General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. Depreciation)	0	21,568	25,234	29,421	76,223
Depreciation	0	0	0	0	0
Less: Agency Offsets	0	0	0	0	0
Agency Revenue	0	0	0	0	0
Net Operating Result:	0	-21,568	-25,234	-29,421	-76,223
Capital Expenditure	0	0	0	0	0
Capital Offsets	0	0	0	0	0
Net Capital Expenditure:	0	0	0	0	0
Net Lending/Borrowing:	0	-21,568	-25,234	-29,421	-76,223
Net Financial Liabilities:	0	21,568	46,802	76,223	

Notes and costing assumptions used:

This policy has multiple components:

1. Introduction of a \$90 low income household gas rebate that will sit alongside the existing \$235 low income household electricity rebate. There are 770,000 current LIHR recipients for electricity. Given there are 1.2m gas customers compared to 3.2m electricity customers, it is assumed 38% of LIHR recipients have access to gas = 290,000 in 14-15. This grows at same rate as budgeted growth in LIHR rebates. The take up rate for gas rebate for the next four years is assumed at 80%-85%-90%-95%.
2. The indexation of energy rebates against electricity and gas prices. Gas prices are assumed to rise by 8.4% per annum over the forward estimates (IPART Changes in Gas Prices Fact Sheet). Electricity prices are reported to fall by 5.8% per annum over the forward estimates (AEMC price trends), but the policy is most effectively costed using a flat \$235 rebate over forward estimates.
3. The changes to the medical energy rebates and an extension of other rebates to retirement villages and residential parks has been costed at \$1.22m over the forward estimates.