


# Fact Sheet:

## Four ways to cut consumer energy costs and alleviate cost of living pressures


Many untapped opportunities exist to reduce household energy bills, in a way that will deliver long-lasting relief.

### 1




**Shifting to high-efficiency appliances: each year of delay costs Australians \$3.4bn.**

### 2




**Flexible use of water heaters and air conditioners could reduce energy bills and system costs.**

### 3



**Urgent action is needed on networks' supernormal profits, worth billions of dollars.**

### 4

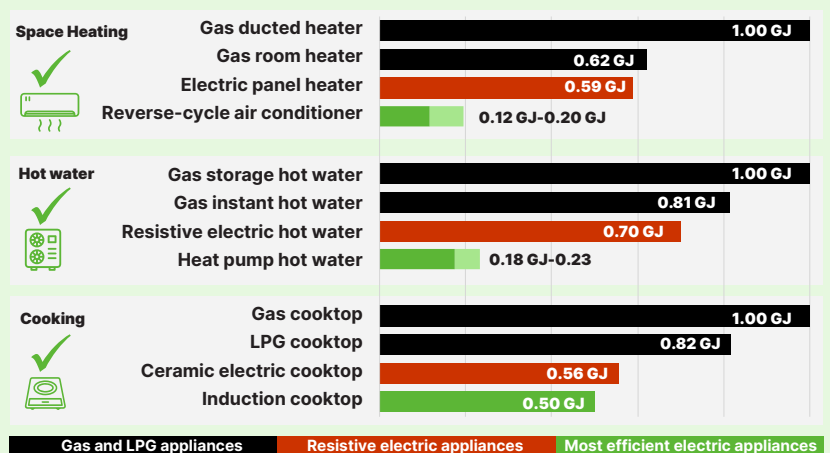


**Reviewing the regulation of distribution networks would prevent over-investment.**

## High-efficiency appliances

- Heat pumps can provide space- and water-heating at a fraction of the energy use of traditional electric and gas appliances.
- Around 940,000 new gas appliances and 800,000 new inefficient electric appliances are installed each year across Australia.
- Each year of delay in shifting to heat pumps is locking Australians into \$3.4 billion in unnecessary costs.
- The shift could be expedited through improved appliance standards.

### Relative energy consumption by type of appliance



Sources for appliance efficiencies outlined in IEEFA – Managing the Transition to All-Electric Homes Technical Appendix (p.24).

IEEFA

**READ  
MORE**



**Appliance standards are key to driving the transition to efficient electric homes**



**Reforming the economic regulation of Australian electricity distribution networks**

# Flexible water heaters and air conditioners

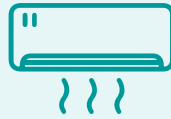
**\$6.7 billion savings by 2040**

Source: UTS

2



Water heaters are still often set up to run at night. They could instead run in the middle of the day on cheap solar power and support the grid through dynamic management.



Hundreds of thousands of Australians already choose to flex use of their air conditioners for financial rewards. The savings could be multiplied if everyone could participate.

## IEEFA recommends:

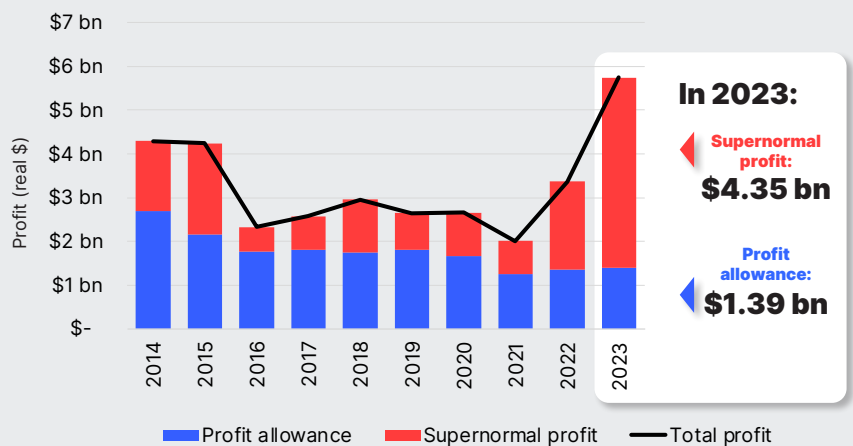
- Flexibility standards for new water heaters and air conditioners – following evaluation of what ‘smart’ requirements make sense nationally.
- Requirement for government-subsidised hot water systems to be managed flexibly.
- Consideration of subsidies for add-on sensors and devices to make existing air conditioners smart.



# Networks' supernormal profits

- Supernormal profits by electricity networks have totalled \$15 billion since 2014.
- In 2023 they reached an unprecedented \$4.35 billion, bringing total network profits to four times more than their allowed level.
- Gas networks also made \$1.8 billion in supernormal profits between 2014 and 2022, nearly doubling their allowed profits.
- This must be addressed urgently by improving the accountability and transparency of the Australian Energy Regulator (AER).

## Estimated electricity network profits



IEEFA

3

# Electricity distribution networks' revenue regulation

- Network costs represent 45% of a typical electricity bill. There is a high risk that another wave of network over-investment will happen in the coming years, driving bills up further.
- Instead, smart integration and use of distributed energy resources (DER) could reduce the need for network upgrades and decrease costs for consumers.
- A first-principles review of electricity distribution networks' revenue regulation is required, in particular questioning whether they are still a monopoly provider of network services.



4

## About IEEFA

The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

[www.ieefa.org](http://www.ieefa.org)