

Department of Health

Incorporating: Health, Mental Health and Ageing

50 Lonsdale St
Melbourne
Victoria 3000
GPO Box 4541
Melbourne
Victoria 3001
Telephone: 1300 253 942
Facsimile: 1300 253 964
www.health.vic.gov.au
DX 210311

26 FEB 2014

Our Ref:

Your Ref:

Mr Keir Delaney
Secretary
Standing Committee on Economy and Infrastructure
Spring Street
Parliament House
EAST MELBOURNE VIC 3002

Dear Mr Delaney

I am writing in response to your letter of Friday 21 February 2014 to Ms Frances Diver, Deputy Secretary Department of Health on the inquiry into the impact of the carbon tax on health services in Victoria. Ms Frances Diver is currently on leave and I have been asked to respond on behalf of the Department.

I have attached the requisite information in response to the matters taken on notice, as well as some additional supporting information relating to the Department's carbon audit methodology and the health portfolio's energy performance. I have also included a health service electricity and gas bill which includes itemised costs for carbon.

Further queries can be directed to Mr Tiernan Humphrys, Manager Environmental Sustainability at [REDACTED]

Yours sincerely

[REDACTED]

Leanne Price
Director
Capital Projects and Service Planning

Encs.

Inquiry into the impact of the carbon tax on health services in Victoria

Questions on Notice

An estimate of the cost of the carbon tax payable by health services for types of energy other than electricity

The list tabled during the hearing on the impact of the carbon tax on health services includes the cost of carbon in respect to natural gas and electricity. Natural gas and electricity account for some 97 per cent of the health portfolio's total energy cost.

Liquefied petroleum gas (LPG) is used by some rural health services that are not on the natural gas reticulated network to provide thermal energy. LPG accounts for around 3 per cent of the health portfolio's total energy cost. The carbon cost is not generally itemised on LPG bills and therefore it is not possible to provide an actual cost of carbon for LPG. However, based on the carbon intensity of LPG, it is estimated that the cost of carbon in respect to LPG for 1 July 2012 to 30 June 2013 would be in the order of \$150,000. This would be around 5 per cent of the health portfolio's total LPG cost.

Diesel is used for emergency generators and accounts for around 0.1 per cent of the health portfolio's total energy cost. Therefore any impact on diesel is not considered material to the overall carbon price impact.

Correspondence between the Victorian Minister for Health and Federal Minister for Health and Federal Minister for Climate Change

Letter attached from Minister to Health to the then Commonwealth Minister for Health dated 18 July 2012.

Letter attached from Minister to Health to the then Commonwealth Minister for Climate Change dated 16 April 2013.

Clarification regarding the calculation of carbon tax payable by health services in the Colac Otway Shire

There are two health services in Colac Otway Shire – Colac Area Health and Otway Health and Community Services. Actual data for these two health services was not available and the impact of the carbon price for the period 1 July 2012 to 30 June 2013 on these health services is estimated at \$60,019 and \$4,850 respectively.

This is estimated as an increase in 13 per cent of energy costs for Colac Area Health and 11 per cent for Otway Health and Community Services. This is consistent with the impact on health services where actual invoiced carbon data was used.

A spread sheet indicating which figures in the table provided are actual figures and which are determined by modelling

The list tabled during the hearing on the impact of the carbon tax on health services already includes this information in the second column titled "per cent of carbon price based on actual billing data".

For example, 55 per cent of the carbon cost for Albury Wodonga Health was based on actual billing data and therefore 45 per cent was estimated (see commentary on the audit methodology below). Whereas the carbon cost of Alexandra District Health was based on 100 per cent actual billing data.

Additional supporting information

Department of Health carbon price audit methodology

The carbon audit for the period 1 July 2012 to 30 June 2013 was based on a range of data sources, with the majority – 86 per cent, or \$11.6 million – derived from actual billing data provided by energy retailers. This data was sourced through the Hospital Energy Buying Group, which buys energy on behalf of the majority of large energy users, and requesting energy bills directly from large health services.

14 per cent, or \$1.9 million, was estimated based on historical energy data and a weighted average carbon price. It was necessary to estimate this due to:

- Some energy bills do not itemise the cost of carbon. That is, the bill provided the total energy cost and not all of the various components of the energy cost.
- Smaller health services buy energy directly off the retail market and it would be a resource intensive exercise to collect data from these health services. In any case, energy bills provided through the retail market generally do not itemise the cost of carbon.

For health services where billing data was not available, the impact of the carbon price was estimated by multiplying the most current energy usage data available (2011-12 or 2012-13) with the average carbon price of \$1.25 per gigajoule for gas and \$21.40 per megawatt hour for electricity.

Increase in energy use per bed-day over the period 2011-12 to 2012-13

Energy use in hospitals is influenced by many factors including levels and types of activity, floor area, energy mix, weather and ancillary health services (such as kitchens, laundries and research facilities).

For this reason the Department of Health monitors energy performance using multiple measures which should be considered together. The three currently used indicators (gigajoules per occupied bed-day, gigajoules per metre-squared and gigajoules per separation) viewed together and over the longer term suggest that the energy efficiency of the portfolio is continually improving.

Furthermore, the increase in energy use per bed day was from 0.95 GJ/OBD in 2011-12 to 0.96 GJ/OBD in 2012-13, which is only a 0.01 GJ, or 0.6 per cent, increase and could be considered statistically insignificant.

Department of Health

24 February 2014



Minister for Health

COPY

50 Lonsdale Street
Melbourne
Victoria 3000
GPO Box 4541
Melbourne
Victoria 3001
Telephone: (03) 9096 8561
Facsimile: (03) 9096 3373
www.health.vic.gov.au
DX 210311

e2778881

The Hon Tanya Plibersek MP
Minister for Health
Department of Health and Ageing
GPO Box 9848
CANBERRA ACT 2601

Dear Ms Plibersek

I am writing to you about the impact on Victoria's public health care system of the carbon price, that is part of the Commonwealth Government's *Securing a clean energy future: the Australian Government's Climate Change Plan*.

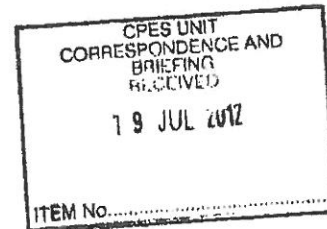
Modelling commissioned by the Victorian Government indicates that in 2013 the total potential additional cost, in real 2011 dollars, is estimated at \$13.4 million, rising to \$19 million in 2020. Although the majority, 90 per cent, of these additional costs relate to energy use in public hospitals, other areas including food, the supply chain, aviation fuel use and capital works will also be impacted. The Victorian modelling indicates that the proportional increase in public hospital electricity and gas prices is higher than the increases modelled by the Commonwealth for the residential sector.

Given there will be an impact on Victorian public health services and individual private health services, the likely outcome is slowed growth in the provision of services such as elective surgery.

The Victorian Government is concerned that the Commonwealth's clean energy package does not provide equitable support to the public health care system compared to other sectors generating similar levels of carbon emissions.

I note that on 26 June 2012 the Commonwealth established the Charities Maritime and Aviation Support Program to assist charities with fuel cost increases due to the carbon price. Ambulance Victoria is forecast to incur additional cost in the order of \$186,000 in 2013, rising to \$256,000 in 2020 (real \$2011) as a result of the carbon price being applied to aviation fuel. However, Ambulance Victoria has minimal options to offset the additional cost due to lack of alternatives.

The national health agreement, which defines the level of Commonwealth funding available to public health services was signed prior to the implementation of the Clean Energy Package and



therefore does not take into account any of the additional costs to the public health system generated by the carbon price.

From 1 July 2012 the health agreement provides for a fixed funding contribution from the Commonwealth for the first 2 years, followed by a defined contribution to growth funding. The Commonwealth fixed funding contribution is equivalent to the Special Purpose Payment (SPP) that would otherwise have been payable under the previous National Healthcare Agreement (NHA). The Inter-governmental Agreement defines that the health-specific cost index for the NHA is based on a five year average of the AIHW health price index.

The key mechanism through which increased system costs under the current health agreement will be captured is an indexation adjustment to the National Efficient Price by the Independent Hospital Pricing Authority (IHPA). At the moment, the hospital costing data used by the IHPA to derive the indexation rate is three or more years old. This means that the cost indexation rate applied under both the NHA and NHRA funding models does not currently reflect increased costs associated with the carbon price and will not do so for a number of years. In addition, a number of elements of the Victorian health system which fall outside the scope of the current health agreement, such as aged care and ambulance services, will incur additional costs from a carbon price.

As well, Victoria will be hit harder because its energy sources will face a greater carbon tax burden than other states given the importance of brown coal as an energy source in Victoria.

Further, I note when the GST was introduced, health care was exempted from the tax and input credits were able to be claimed by health care providers.

The increased costs of the carbon tax will impact on private health care providers as well as public providers, and no provision appears to have been made by the Commonwealth for reimbursement or compensation. This lack of compensation will mean all health services, over time, will be more expensive, with the likely consequences including slower growth in available services and reduced accessibility.

I request that you address this lack of compensation across Victoria's public health care system as a matter of priority, given its impact on health care services' capacity to serve the Victorian community. I also would welcome the opportunity to meet with you to discuss this matter at a time convenient to you.

Yours sincerely



Hon David Davis MP
Minister for Health

18/7/2012

cc: Tiernan Humphrys -

COPY

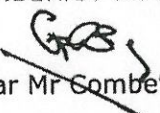


Minister for Health

50 Lonsdale Street
Melbourne
Victoria 3000
GPO Box 4541
Melbourne
Victoria 3001
Telephone: (03) 9096 8561
Facsimile: (03) 9096 3373
www.health.vic.gov.au
DX 210311

e3039787

The Hon Greg Combet MP
Minister for Climate Change, Industry & Innovation
Department of Industry, Innovation, Climate Change,
Science, Research & Tertiary Education
GPO Box 9839
CANBERRA ACT 2601


Dear Mr Combet

I am writing to you about the impact of the Commonwealth carbon price on the aviation fuel costs of Ambulance Victoria.

I note that in recognition of the potential impact on operations the Commonwealth has established the Charities Maritime and Aviation Support Program to "assist charities with maritime and aviation fuel cost increases due to the effective carbon price".

Analysis by the Victorian Department of Health indicates that for the period 1 July to 31 December 2012 Ambulance Victoria has incurred additional aviation fuel costs of \$102,545.40 as a result of the carbon price. This is based on the use of 1,714,806 litres of aviation fuel multiplied by the increase in the excise rate on aviation fuel of 5.98 cents per litre as a result of the carbon price.

This additional cost is being borne directly by Ambulance Victoria and is impacting on the operation of Ambulance Victoria by diverting funding away from patient care. I am therefore requesting that the Commonwealth reimburse Ambulance Victoria for the sum of \$102,545.40 for the first 6 months of the carbon pricing scheme.

Yours sincerely



**Hon David Davis MP
Minister for Health**

16 / 4 / 2013





**Electricity Charge for Hospital at BENDIGO HOSPITAL,62 LUCAN ST,BENDIGO VIC 3550
NMI VCCCCC0003 for the period 01-Jul-2012 to 31-Jul-2012 (31 Days)**

The format and information of the Tax Invoice has been included to meet regulatory and taxation requirements.
The summary immediately below has been provided for ease of reference and includes energy rate, fixed charges and GST:

Total of Contract Charges	33,513.58
Total of Passthrough Charges	27,201.09
Total of Network Charges	42,817.60
TOTAL	103532.27

METERING INFORMATION

	From	To	Units	Multiplier	Quantity
Total Consumption (ex Loss Factors)* -			646,381.63		646,381.63 kWh
Maximum Demand (This Period) - VCCCCC0003			1,681.20		1,681.20 kW

TAX INVOICE

Bendigo Health Care Group, Engineering Dept PO BOX 126,BENDIGO VIC 3552

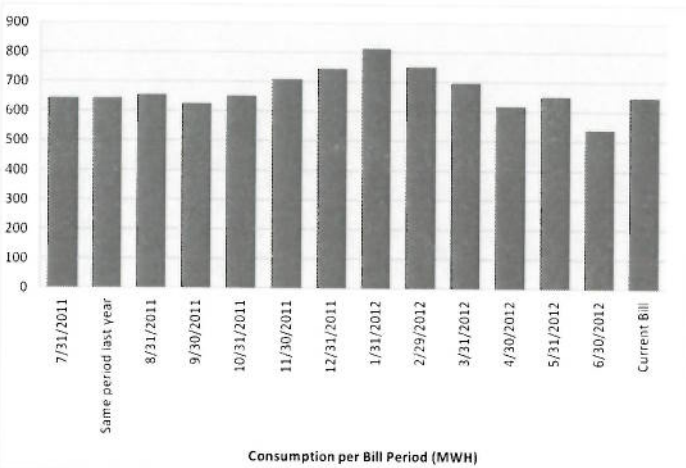
Electricity Charge for Hospital at BENDIGO HOSPITAL,62 LUCAN ST,BENDIGO VIC 3550
NMI VCCCCC0003 for the period 01-Jul-2012 to 31-Jul-2012 (31 Days)

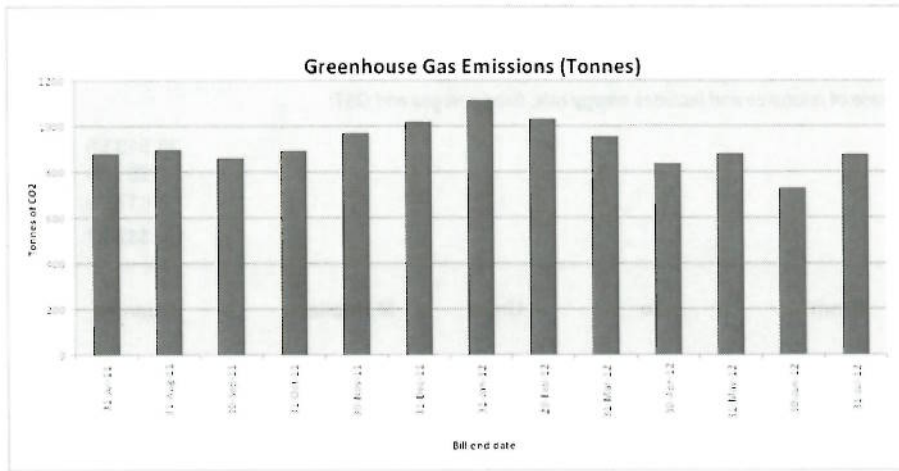
For Emergencies and service difficulties, please call 132412 24 hours a day.

*Transmission Loss Factor: 1.0711000
*Distribution Loss Factor: 1.0633000

Charges	Quantity	Rate(\$)	Amount
Contract Charges			
Peak Energy Consumption (Inc DLF & TLF)	383,746.12 KWH	0.060027	23,035.13
Off Peak Energy Consumption (Inc DLF & TLF)	352,418.33 KWH	0.029733	10,478.45
Passthrough Charges			
Large-Scale Generation Certificate (Inc DLF)	687,297.59 KWH	0.004554	3,129.95
Small-Scale Technology Certificate (Inc DLF)	687,297.59 KWH	0.0089342	6,140.45
AEMO Market Fees (Inc DLF)	687,297.59 KWH	0.000435	298.97
AEMO Ancillary Services (Inc DLF)	687,297.59 KWH	0.00044	302.41
Carbon Charge (Inc DLF & TLF)	736,164.45 KWH	0.02354	17,329.31
Network : Tariff Powercor tariff DL			
Peak Consumption Charge	353,846.13 KWH	0.044572	15,771.63
Off Peak Consumption Charge	292,535.50 KWH	0.026015	7,610.31
Demand Charge (Historic Highest)	1,930.00 KW	10.0702892	19,435.66

Total **103,532.27**
Includes GST payable of **9,412.08**







Whatever makes you shine.

Tax Invoice 201209/14594079 Issued 14 Sep 12

Lumo Energy Australia Pty Ltd ABN 69 100 528 327

Barwon Health
PO BOX 281
GEELONG VIC 3220

ATTN: Building & Support Services

Client Service / Complaints 1300 11 5866

8am-8pm Mon-Fri, 8am-5pm Sat

Electricity Faults – 24 hours 13 27 71

Gas Faults – 24 Hours 13 67 07

SP-Ausnet

Account Details

Previous Account	Payments / Adjustments	Balance	New Charges	Account Number	1577863-60
\$34,760.57	- \$34,760.57 cr	\$0.00	+ \$43,243.50	Total Amount Due	\$43,243.50

New Charges Due **15 Oct 2012**

Other charges \$43,243.50

Total new charges due \$43,243.50

GST included in new charges \$3,931.23

Print Name:		Ph. Ext.	
Nathan Wilson			
Authorised By:		Adds & Extn	
	Department	Account	Amount \$
PAYG	1 2 3 2 0 8 0 0 2 1		()
GST	W 0 2 6 1 7 3 1 0 1		\$3931.23
	R 6 3 0 3 3 1 1 0 6		\$39312.27

Be an early bird and pay your next invoice by the due date



Extra \$7,556.09 due to Carbon Tax.

Paying Your Account



Online

Visit www.lumoenergy.com.au and use payment number 15778636054 to pay by American Express, VISA or MasterCard



Phone

Call 1300 553 615 to pay by American Express, VISA or MasterCard



Direct Debit

Call 1300 11 5866 to arrange direct debit from your bank or financial institution



In Person

You can present this invoice for payment at any Australia Post outlet



Mail

Send cheque payable to Lumo Energy with your Account Number on the back of the cheque to:
Lumo Energy
GPO Box 870
Melbourne VIC 3001



BPAY

Payment via internet or phone banking from your cheque or savings account

Billor Code: 150722
Reference: 157786360

Payments and Adjustments

Payment Received (thank you)	34,760.57 cr
Total Payments and Adjustments	\$34,760.57 cr

Your Other Charges

Description	Date	Total \$
MIRN 5330000296 - Jul 2012	14 Sep 12	39,312.27
Total Other Charges (excluding GST)		\$39,312.27
Total Other Charges (including GST)		\$43,243.50

Service Address	45 Ballarat Rd, North Geelong, VIC, 3215	
MIRN 5330000296	Meter Serial 7439HP	Distribution Zone SP AusNet Central
Total GJ Usage 6733.400	Authorised MDQ (GJ) 533.795	Transmission Zone Geelong
Contract MHQ (GJ) 24.000	Contract MDQ (GJ) 264.000	Meter Type Distribution
Actual MHQ this period (GJ) 17.271	Actual MDQ (GJ) 267.175	10 Peak Injection Day Quantity (GJ) 2319.710
MHQ for Distribution Charge (GJ) 16.425 (excludes UAFG)	Distribution Tariff Tariff D	Days 31

6733-400

Period: 01/07/2012 to 31/07/2012 MDQ for this period occurred on 2/7/2012, MHQ occurred on 19/7/2012 between 8AM and 9AM. All volumes are inclusive of 5% UAFG.

Gas Charges Calculation	Charge Description	Units	Rate \$	Annual \$	YTD \$	Total \$
Energy Charges	Usage	6733.400	4.0593			27,332.96
	Carbon Unit Charge	6403.463	1.1800			7,556.09
Transmission Charges	Peak Injection Charge	2319.710	2.4866		6,004.84	-236.75
	Delivery Charge	6733.400	0.1638		4,841.32	1,102.93
	Cross System Charge	6733.400	0.2015		5,955.59	1,356.78
Distribution Charges	MHQ, First Block	10.000	1106.9886	11,069.89	5,501.68	937.11
	MHQ, Second Block	6.425	755.6104	4,854.93	1,574.33	552.71
	MHQ, Third Block	0.000	426.4823	0.00	0.00	0.00
Industry Charges	Meter Data Handling Fee	31	0.7533			23.35
	AEMO Commodity Charge	6733.400	0.0504			339.57
	AEMO FRC Charge	31	0.0046			0.14
	AEMO Congestion Uplift Charge	0.000	0.0000			0.00
	AEMO Surprise Uplift Charge	3.175	0.0000			0.00
Other Charges	Operations & Maintenance Charges	31				347.33
	Total Gas Charges (excl GST)					39,312.27

106.09 GST from July 2011

Payment Slip

Concessions

Have a valid concession card? You may be eligible for energy concessions. Just contact us to learn more.

Correspondence (not payments)

PO Box 632, Collins St West VIC 3007
 Fax: 1300 136 801
 Email: info@lumbenergy.com.au

Interpreter Service

Servizo Interpret
 Servicio de Interpretación
 Dịch vụ phiên dịch
 خدمة الترجمة الشفوية
 口譯服務
 Υπηρεσία Διαφώνευς
 Call 13 14 50

Account Number 1577863-60

Total Amount Due \$43,243.50

Pay New Charges by 5pm 15 Oct 2012



*844 1354 0000000001577863 94

Amount Paid \$

+00000001577863>

+001354+

<0000000000>

<0004324350>

+444+