

Review of payment difficulty protections in the National Energy Customer Framework.

Submission by Uniting Vic. Tas.

Executive Summary.

To the Australian Energy Regulator,

Uniting Vic. Tas. (Uniting) welcomes the opportunity to provide feedback on the Australian Energy Regulator **Review of payment difficulty protections in the National Energy Customer Framework** Issues Paper (May 2024).

Uniting is the community services organisation of the Uniting Church in Victoria and Tasmania. We deliver programs and services to people experiencing disadvantage including family services, disability and mental health services, employment services, alcohol and other drug services, housing, family violence and early learning.

Uniting's energy assistance and outreach services, financial counsellors and CareRing (our integrated support service) provide assistance to low-income households. Many of these households are experiencing financial difficulty and have engaged with energy retailers under the payment difficulty framework. Our research conducted with these households demonstrates that energy retailers are not meeting their obligations under the payment difficulty framework and energy consumers in vulnerable circumstances continue to have poor outcomes under the current framework.

To prepare for this submission Uniting Vic. Tas. engaged consumers, financial counsellors, and energy assistance outreach services in qualitative research through our 'Voice of the People' consumer research program. A quote from one of our financial counsellors who participated in the research stood out to all of us:

"It's been the same old issues with energy retailers for the last 20 years".

We believe that consumers experiencing payment difficulty have poor outcomes under the current payment difficulty framework because retailers are not delivering service to vulnerable consumers in line with the protections outlined in the framework. It is our view that if the protections were applied consistently by retailers, consumer outcomes would significantly improve.

Therefore, a priority for this review must be for energy retailers to consistently deliver on the basic obligations currently outlined in the framework in a way that delivers better outcomes for consumers. We also support the review testing how well the current provisions support consumers experiencing payment difficulty and if there are any areas that can be improved. We have outlined our recommendations in this submission.

We believe that the consumers voice is central to successful implementation of policy, process and practice and have included a copy of our consumer research with this submission. Our research engaged consumers (mostly in Victoria) who have requested payment difficulty support from their energy retailer within the last 12 months. The insights from this research leave us in no doubt that this review is vitally important. It is even more important that change is implemented across energy retailers so that consumers experiencing vulnerability receive the positive outcomes they deserve.

Yours Sincerely,

Megan McAlpine, Senior Manager, Enterprise Partnerships, Uniting Vic.Tas.

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1 Introduction

1.1 Acknowledgements

This submission was written on the lands of the Wurundjeri people of the Kulan Nation. We work in solidarity with Aboriginal and Torres Strait Islander people as Australia's First Peoples and as the traditional owners and custodians of the lands and waters on which we all live and work. We recognise the continuing sovereignty of Aboriginal and Torres Strait Island peoples over their lands and waters and their inalienable right to self-determination. We offer our respect to all Elders past and present.

1.2 Our experience

Uniting Vic.Tas. (Uniting) is the principal community services organisation of the Uniting Church in Victoria and Tasmania. We are more than 3,500 employees and 1,700 volunteers delivering over programs and services across the full spectrum of community services, intervening early to help people avoid crisis, as well as supporting those who live life at the margins.

Uniting also undertakes research into community needs and advocates for discourse and actions that aim to lessen disadvantage, poverty, and exclusion in the community.

The following response to the Review of Payment Difficulty protections in the National Energy Customer Framework forms part of this advocacy on behalf of our clients.

We celebrate diversity and value the lived experience of people of every faith, ethnicity, age, disability, culture, language, gender identity, sex, and sexual orientation. We work alongside individuals and families that often present with complex health and social needs.

What type of services does Uniting Provide into the Community?

- Financial Counselling
- Family Violence
- CareRing
- Energy Support Programs
- Youth Services
- Advocacy for our clients and the broader community
- Social Enterprises
- Social Consulting
- Alcohol & other drugs
- Housing services

Please see Uniting Vic.Tas | Community Services Organisation (unitingvictas.org.au) for full details.

2 Response

Question 1: Do you have any feedback on the proposed approach for the review?

1. The current protections & priority for this review

It is our view that consumers experiencing payment difficulty have poor outcomes under the current National Energy Consumer Framework (NECF) and Payment Difficulty Framework (PDF) because retailers are not delivering service to vulnerable consumers in line with the protections outlined in these frameworks.

If current protections were applied consistently by retailers, consumer outcomes would significantly improve.

As a first step an objective of this review must be to strengthen the enforcement and compliance of the current Frameworks. This includes that appropriate penalties be applied for energy retailer breaches.

2. Additional Recommendations on the objectives & approach for this review

Recommendation 1

- Expand the intended outcome to include consumers in vulnerable circumstances (not just those facing payment difficulty)
- Change objective to: Strengthen protections to provide extra care for consumers in vulnerable circumstances

Case study

Customer calls their energy provider to discuss their energy usage and bill. They are currently able to pay their bill but disclose that they have just lost their job and may be in financial difficulty in the future. Call centre staff member responds to the identification of vulnerability with extra care including sending out energy efficiency information, discusses benefits of an Energy Worker and provides customer with referral information.

- The benefit of this approach is that the consumer is engaged earlier in the process when there is an indicator of vulnerability giving the consumer the opportunity to make a meaningful reduction in energy consumption and avoid or minimise the risk of falling into energy hardship. This approach also builds consumer trust and engagement with their energy provider.

Recommendation 2

- The indicators to measure intended outcomes to explicitly include consumer financial outcome measures

Customer outcome measure example:

The amount of customer debt when exiting a hardship program is less than the amount of debt when entering the program.

Evidence: Many customers entering hardship programs do not have concessions, URGs/EAPAs etc., & other benefits applied at all, or early enough in the hardship process. Most are not referred to energy audits or where appropriate to financial counsellors for

additional support. Consumers who default on their payment plan or for some other reason exit the hardship process often have a higher level of debt when they enter the program.

Recommendation 3

- The indicators to measure intended outcomes to explicitly include an indicator of early application of concessions and URG/EAPAs etc. (where consumer is eligible)

Customer outcome measure example:

1. Percentage of customers eligible for concessions with concessions applied
2. Percentage of customers eligible for URG/EAPAs (or other grants) with an URG/EAPA benefit claimed in the current period

While this measure may be difficult to implement by energy retailers, we would encourage the AER to investigate opportunities for collecting and reporting this data.

Our research indicates that consumers are not aware of their eligibility for concessions, in particular URGs/EAPAs, and that energy retailers are not making their customers aware of these benefits.

Including a specific metric will create transparency about the size of this issue, while also providing the energy retailer with the incentive to actively market these benefits to their customer base.

Question 2: What can we learn from other approaches to strengthening protections for consumers experiencing payment difficulty?

We agree that the current range of protections for consumers experiencing vulnerability could be strengthened by taking learnings and approaches from other payment difficulty frameworks and approaches to providing extra care.

In reviewing the NECF the AER should not try to 'reinvent the wheel' and look to global approaches including the New Zealand Consumer Care Guidelines and Ofgem Consumers Standards where they provide clearer guidance to energy retailers and better outcomes to energy consumers.

We would also encourage the AER to look to other sectors including the Financial Services Sector where Codes including the Banking Code of Practice have shaped responses to consumer vulnerability.

Question 3: How adequate, effective and appropriate is the current eligibility framework for payment difficulty protections?

We agree that there is a need for clearer definitions of 'hardship' and 'payment difficulty', and a lack of clarity around hardship protections for customers on prepayment meters.

We also support the establishment of minimum standards so that the basic protections are implemented consistently across energy retailers.

Measurement and reporting of the minimum standards must include consumer outcome metrics, and the Regulator must have the appropriate governance frameworks and resources to monitor compliance and respond appropriately to non-compliance.

Question 4: How could the framework better support early identification of consumers experiencing payment difficulty?

Provide extra care to customers with an indicator of vulnerability

We believe that the framework would better support early identification of consumers experiencing payment difficulty by using a prevention/early intervention framework approach.

This could include a requirement to provide extra care to consumers who indicate that they are in vulnerable circumstances (but are not currently experiencing payment difficulty) that may lead to payment difficulty in the future.

A prevention/early intervention extra care approach based on vulnerability extends responsibility of the energy retailer from addressing debt to addressing disadvantage.

This may include, for example, customers who disclose a current experience of family violence (and may be in the planning phase of leaving a violent situation), or indicate they have lost their job, or may be experiencing a medical condition that may reduce their capacity to pay in future.

Energy retailer customer facing staff should have the necessary training to respond to disclosure of vulnerability, and to identify possible indicators of vulnerability and respectfully engage customers in a way that supports disclosure.

The benefit of this approach is that the consumer is engaged earlier in the process when there is an indicator of vulnerability giving the consumer the opportunity to make a meaningful reduction in energy consumption and avoid or minimise falling into energy hardship. This approach also builds consumer trust and engagement with their energy provider.

Customers who are not currently experiencing payment difficulty but disclose vulnerability that may reduce their capacity to pay in future should be offered a payment plan (that anticipates future capacity to pay issues), referral pathways to financial counsellors and Energy Assist programs and the application of concessions and other applicable benefits at a minimum. Ideally energy retailers would also support these customers with 'extra care' information that supports referral to services outside the organisation (refer to Banking Code of Practice extra care requirement for financial services organisations).

Question 5: How could the framework better support effective engagement with consumers experiencing payment difficulty.

We agree that retailers must provide eligible customers with assistance they are entitled to as soon as practicable and must state the steps they will take to ensure customers successfully complete the hardship program.

Our research demonstrates that in many cases energy retailers are breaching their obligations to deliver on the existing protections.

While we believe that the existing protections could be extended consumers have poor outcomes under the current NECF and PDF because retailers are not delivering service to vulnerable consumers in line with the protections outlined in the frameworks.

They set me up on a payment plan I couldn't afford. My payment plan has stopped because I can't make payments.
Over 55, long-term financial hardship

It is our view that if the current Framework protections were applied consistently by retailers, consumer outcomes would significantly improve.

Retailers must close the gap between their performance and their obligations including:

- Vulnerability is not being identified at all, or too late in the customer journey leading to high levels of debt before receiving assistance
- Payment arrangements are unaffordable based on the customers circumstances
- Concessions are not applied consistently to eligible consumers
- URGs are not offered consistently to eligible consumers
- Energy efficiency information is not provided consistently
- Translator services are not available and/or not being used for customers with English as their second language
- Consumers disclosing an experience of family violence are not always escalated to a specialist team
- The skills of energy retailer teams right across the customer journey are often inadequate to identify and respond to vulnerability

Simply energy never offered me the grant. I had to ask. But when I did ask, they did the paperwork which was useful. Under 55, long-term financial hardship

All energy retailers need to have a minimum standard of training in hardship & vulnerability.
Energy worker

- Appropriate referral options based on the needs of consumers experiencing vulnerability and financial hardship are not provided
- Access to hardship support via the hardship team is often withheld unless the consumer accesses it via a financial counsellor.

Question 6: How could the framework better ensure that consumers experiencing payment difficulty are supported appropriately with assistance that is tailored to their individual circumstances?

Our consumer research identified a number of opportunities for the framework to support effective engagement with consumers experiencing payment difficulty including:

1. Customer channel experience

Make it easier for consumers to contact their supplier, including by requiring retailers to have an omni-channel approach across the customer journey. This includes:

Call-centre channel

- All customer facing staff are adequately trained to perform their role. All energy retailers have continuous quality improvement programs in place that monitor the quality of conversations from a customer outcomes perspective.
- Systems and processes in place to ensure that consumers only need to tell their story once when engaging their energy retailer. Customers in vulnerable circumstances can be re-traumatised when they need to tell their story multiple times.
- Reduce the call wait times for consumers. Consumers in financial hardship often make multiple calls and spend long periods of time in call wait queues.
- All retailers to implement a specific phone channel for financial counsellors, who often waste precious time waiting in call queues, reducing the time they work with other clients in financial crisis.
- Resolve customer issues as early in the customer journey as possible to reduce the number of times consumers are passed from person to person. This only adds to their stress, frustration, and trauma at a challenging time.
- Service & support must cater for consumers with English as a second language across all communications (spoken, written). Translator services must be available when needed.
- Reduce the time and complexity of the 'terms and conditions' recording (usually as part of organising a payment plan). These are legalistic and difficult to understand and consumers 'tune out' meaning they may miss important information about their obligations.
- Energy retailers are not calling back when they have indicated they will do so.

It didn't seem like they took notes about my situation. I had to repeat my story over & over again. Domestic violence victim/survivor

I'm always scared. I call to ask for information, but it doesn't make it any easier to understand. There's just no help or support.
CALD, single parent, long-term financial hardship

Online experience

Energy retailers' online experience, particularly for small retailers is poor. Payments are difficult to make online and the content on the websites does not meet the needs of consumers who are looking for support.

- The poor online experience is also contributing to long high usage of more expensive phone channel
- A good experience of apps and other online channels should be hygiene for energy retailers, not a nice to have.

App is extremely confusing – says bill is paid when it's not. When my bill is overdue, I can't use the app to pay. Under 55 years, Powershop customer

1. Consumer affordability

Concessions & URGs (financial assistance)

- Concessions are applied automatically
- Utility Relief Grants and other financial assistance is applied when it benefits the customer, not the retailer.
- Customer needs analysis conducted at least annually to ensure lowest tariff plan is in place. Our Energy Assist workers regularly identify financially and socially vulnerable consumers who are not on the lowest tariff. This can add \$300 - \$500 to the consumers annual energy cost.
- Energy efficiency information is provided early. This includes access to the Energy Assist team for an energy review to align usage with affordability and increased comfort.

I found out about concessions by accident when online. Why do energy companies hide this information. Over 55 years, new to financial hardship

Payment plans aligned to customer circumstances

- Our research shows that payment plan amounts are unaffordable and one of the key reasons for payment plan default.
- Payment plans must be affordable & aligned to the customers current circumstances.
- Front-line call centre staff must have delegation to implement affordable plans and incentives early in the customer journey.
- Eligibility to access a payment plan should be available to any customer in vulnerable circumstances. Customers should be believed when they indicate or disclose vulnerability or financial hardship. There should be no requirement for the customer to provide documentation that 'proves' the customers eligibility for hardship protections.

Don't set payment amounts that people are unable to pay, then wonder why we can't keep up the payment plan. Under 55 years, new to financial hardship

Innovative incentive programs for debt recovery

- Several innovative programs have been developed in water & energy in Australia e.g., Arrange & Save, 1 in 3.
- A few retailers offer innovative payment programs but most only have basic payment plan options available.

- Our view is that where applied effectively, these programs support better outcomes for consumers and for energy providers as a debt collection option.

2. Customers know their rights and available protections

- Australian energy retailers are required to comply with the AER Customer hardship policy guidelines.
- It is our view that the documents developed, published and made available by energy retailers are not effective in creating awareness of the hardship provisions available to consumers. Our review of customer hardship policies demonstrates the following:
 - Most are long documents (at least 10 pages) that require high levels of literacy.
 - Font size is small and difficult to read.
 - Many are buried under multiple levels on the website making them difficult to find.
 - To locate the hardship policy consumers need to know specific search terms (using the search term 'I can't pay my bill' on Energy Australia's website displays a search list of 22 links, with none of them pointing to the hardship policy)
- Consumer Care/Hardship policies must be accessible, easy to understand, published in languages other than English, and where possible published on the home page of the energy retailers website and/or with consumer search terms that make it easy to discover.
- For consumers with low levels of digital literacy, the hardship policy must be made available in hardcopy.
- Energy, Water Ombudsman (EWOV) contact information should be available on the front of the bill and be accessible.

It's sad for my clients because they try to manage the debt themselves. The energy provider won't listen. The consumer doesn't know their rights. The computer says this is how much you have to pay, but the client can't pay. Financial counsellor

3. Disconnection

- Disconnection should not be used as a method to force consumer engagement with the retailer
- Respectful programs are implemented that support the consumer to avoid disconnections now and in the future (e.g., home visits)
- A holistic case management approach is taken with consumers facing disconnection that recognises that they may be in crisis, needing support across multiple services This includes that all consumers who default on a payment plan are given priority access to a financial counsellor and Energy Assist worker.
- The skills of energy retailer teams right across the customer journey are often inadequate to identify and respond to vulnerability
- Appropriate referral options based on the needs of consumers experiencing vulnerability and financial hardship are not provided
- Access to hardship support via the hardship team is often withheld unless the consumer accesses it via a financial counsellor.

I was in a terrible financial state. And to top it all off, the day my son passed away they sent me a disconnection notice. CALD, Vic

Question 7: How could the framework better ensure that disconnection is the last resort?

Given that energy is an essential service the outcome of disconnection should be avoided at all costs.

The threat of disconnection is being used by energy retailers as a last resort attempt at payment. Retailers must review their communication strategy so that engagement occurs earlier in the customer journey. While we acknowledge that it can be difficult to engage a minority of consumers, a more effective engagement strategy that offers better support and customer outcomes will build trust with consumers and encourage earlier collaboration.

Our research also demonstrates some of the barriers that exist around accessing the call-centre channel, including lack of empathy and training, wait times and poor experience in setting up payment plans that are unaffordable make this channel challenging for some consumers. Alternative channels including online will give consumers channel-choice, again building trust and giving customers agency to engage in a way they are comfortable with.

Home visits should also be considered for consumers with complex needs. Home visits are holistic, supportive and provide opportunity for consumers to access other levels of support. This can include concessions and benefits, an energy visit, or referrals to external agencies (e.g., family violence).

Question 8: What are the costs & benefits for potential changes to the framework

Given that it is the consumer who is often unable to meet their existing energy costs it should be the responsibility of the retailer to absorb any costs of compliance. We note that this is a sector that has reported significant profits over many years. Retailers have the capacity to absorb costs of amending their systems to deliver the consumer protections that should have been in place for the last 20 years.

Energy retailers should also look at how they can more effectively engage consumers via their online channels including their website and apps. Sectors such as financial services have effective channel management that cost effectively enhances the customer journey, creating a win-win for the organisation and the customer through reduced number of calls, reduced call time, earlier resolution. Energy retailers should be maximising the utilisation of cost effective online channels for payment hardship, collections activity, lowest tariff plans and referral pathways.

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