



Sustainable payment plans

A good practice framework for assessing customers' capacity to pay

Version 1
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Introduction

Payment plans are one of the main ways retailers can help customers who are experiencing financial difficulties to better manage their energy bills. Under the National Energy Retail Law and Rules, when establishing a payment plan energy retailers must have regard to a customer's capacity to pay, any amount they owe, and how much energy they are expected to use over the next year.

One of the Australian Energy Regulator's (AER) roles is to monitor retailers' compliance with their obligations under the National Energy Retail Law and Rules. Through our work, we identified an opportunity to build on the experience and expertise of consumer representatives, financial counsellors and retailers to improve the ways in which energy retailers considered their customers' capacity to pay when establishing payment plans.

We have worked collaboratively with a wide range of stakeholders to develop this Sustainable Payment Plans Framework (Framework).

The Framework is intended to improve the quality of capacity to pay conversations, while still allowing flexibility and encouraging retailers to offer extra assistance to customers. Its aim is to achieve better outcomes by helping customers and retailers agree to payment plans that are affordable and sustainable.

Adopting the Framework is voluntary. It is not a compliance obligation under the Retail Law and Rules. Consequently:

- if a retailer chooses to adopt the Framework, it is their responsibility to ensure they apply the Framework and that their processes and procedures are consistent with the standards set
- we will publish a list of those retailers who have committed to adopting and implementing this Framework but will not formally monitor retailers' actions under the Framework, and
- if an individual customer has a concern with how their retailer has handled their 'capacity to pay' discussion, they should raise this with their retailer directly. In the event they cannot resolve their complaint with their retailer directly, the customer should contact the relevant energy ombudsman scheme.

If we become aware that a retailer who has adopted the Framework is systematically not applying the Framework or meeting the standards and principles set out, we will discuss our concerns with the retailer and may remove their name from any public list of signatories.

Who does the Framework apply to?

In adopting the Framework, a retailer is committing to apply the principles and follow the good practice actions in its engagement with current residential customers.

In relation to inactive account customers (customers who no longer have a current account with a retailer but who still have a debt with that retailer) a retailer who adopts the Framework is committing to:

- give these customers a reasonable opportunity to repay the amount owed, taking into account what they can reasonably afford, and
- apply the Framework's principles of flexibility, consistency, empathy and respect when negotiating repayment plans.

A retailer who adopts the Framework is not committing to apply the principles or good practice actions to small business customers. However, the Framework's principles of fairness, empathy, respect and consistency create a foundation for an effective standard of engagement that can be applied to any group of customers. We strongly encourage retailers who adopt the Framework to reflect these principles in their engagement with small business customers experiencing payment difficulties.

Section 1—Good practice principles

While each energy retailer has its own approach to considering a customer's capacity to pay when establishing payment plans, there are some principles that should guide all retailers' interactions with customers when discussing payment plans.

The relationship between a customer and their retailer involves mutual rights and responsibilities, including a customer's responsibility to engage with their retailer throughout a payment plan. This can include customers responding to contact from retailers, customers staying in touch with their retailer and keeping them informed when their circumstances change, as well as getting in touch as soon as they think they might have difficulty in making a payment.

Applying the principles below creates the foundation for constructive ongoing engagement between a customer and their retailer. Payment plan customers will, in turn, be more likely to proactively maintain contact with their retailer, including when their circumstances change for better or worse.

Empathy and respect

- Understand that financial difficulty can happen to anyone, and avoid blame and judgement.
- Act in good faith and treat the customer as though they are doing the same.
- Recognise the power imbalance that often exists between a retailer and a customer, and be mindful of how this can influence the interactions between the retailer and the customer.
- Listen to what the customer is telling you about their circumstances and what they can afford to pay.
- Avoid unnecessarily asking the customer for personal information.
- Explain to the customer the consequences of a proposed repayment amount under a payment plan (such as how long it will take to repay what is owed).
- Give the customer an opportunity to fully consider a proposed payment plan before agreeing to it.

Flexibility

- Treat customers as individuals and apply discretion when appropriate.
- Offer customers a choice of payment method and payment frequency whenever possible.
- Understand that some customers may not be able to make sufficient payments to cover their energy usage and/or debt repayment, and that this situation could be short-term or long-term. In most cases, small payments are better than no payments.
- Accept that a customer's circumstances can change, and respond respectfully to these situations.
- Work with the customer to find a solution acceptable to both parties, and recognise that despite the best efforts of both parties, some trial and error may occur before that solution is found.
- Recognise that a missed payment is not necessarily a sign of non-engagement or unwillingness to pay.
- Be flexible and supportive when communicating with customers. Examples may include:
 - offering and promoting services to assist customers who speak a language other than English, including translation services and referrals to other organisations for in-language support where appropriate
 - offering callbacks for mobile phone users
 - speaking with the customer's authorised representative
 - offering to resume the conversation at another time if the customer becomes distressed.

Consistency

- Build positive relationships with customers by providing a consistent contact person whenever possible. This can be particularly effective for customers in their retailer's hardship program.
- Maintain thorough notes of all conversations (and refer to these notes when appropriate) to avoid customers having to repeat information. Unnecessary transfers should be avoided, and if a transfer is required, a warm transfer should be made whenever possible.
- Fully train all staff dealing with payment plans to ensure that customers with the same circumstances will receive the same standard of assistance.
- Follow through on any commitments made.

Section 2—Good practice guide chart

The retailer starts the conversation by discussing the customer's circumstances to determine what they can afford

Avoid starting the conversation by asking whether the customer can afford the retailer's preferred amount, as this can make a customer feel pressured to accept an amount they may not be able to afford. Asking the customer what they can afford to pay is often the ideal starting point.

Retailers can check with a customer whether a proposed amount is appropriate. This can be done by:

- explaining how it compares to the customer's ongoing usage
- explaining how long it will take to repay any debt
- asking questions such as "will you be able to regularly afford these payments when you take into account your other expenses?"

Centrepay and concession checks should be offered to customers receiving income from Centrelink.



If it isn't clear what the customer can afford

Depending on the customer's and the retailer's preferences, any of the following options may be appropriate:

- the customer and the retailer have a conversation about the customer's circumstances in order to determine what the customer can afford. Specific questions about a customer's income and expenses may be asked if the customer is comfortable discussing that type of information.
- the customer completes a budget on their own (for example, they may be referred to the MoneySmart budget planner—www.moneysmart.gov.au) and contacts the retailer to advise what they can afford
- the customer is referred to a financial counsellor.

A referral to a financial counsellor must not be a prerequisite to starting or continuing on a payment plan, but may be necessary if the customer's financial difficulties are severe, if the customer does not want to discuss their financial situation with the retailer, or if the retailer and customer cannot agree on a payment plan.

If the customer is referred to a financial counsellor:

- An affordable temporary payment plan should be established while the customer waits for a financial counsellor to become available, except in circumstances where this is not practical or appropriate.
- Retailers should accept advice from the financial counsellor about what the customer can afford to pay.

Option A

The customer nominates an amount that the retailer agrees to that will cover their ongoing usage and repay any amounts owing over a period of up to 12 months.

Option B

The customer nominates an amount that the retailer agrees to that will cover their ongoing usage and repay any amounts owing over a period of 12 to 18 months.

Consider whether more support is appropriate, such as that available under the retailer's hardship program.

Option C

The customer nominates an amount that is less than the amount needed to cover their ongoing energy usage and reduce any debt. This signals that the customer would benefit from more tailored support and should be assisted under the retailer's hardship program.

The customer and retailer should try to agree on an affordable repayment amount that is as close as possible to the amount required to cover the customer's ongoing usage. This limits the growth of the customer's debt, keeps their energy supply connected and encourages their engagement.

Payment plans that are less than ongoing usage should be reviewed at least once every 3 months.

The customer and the retailer should work together to try to close the gap between the current repayment amount and the amount required to cover ongoing usage and reduce debt. This might include (but is not limited to): reviewing the customer's tariff, checking that they are receiving available concessions, providing tailored energy efficiency advice, offering incentive payments, and referring the customer to a financial counsellor or government assistance schemes.

Retailers remain free to offer additional support to any customer regardless of which of the above categories the customer falls into. In particular, customers identified as being at higher risk of further payment difficulties should be given additional support.

The customer makes payments as agreed under their payment plan

Monitoring usage

The retailer should monitor the customer's payments and usage and contact the customer if their usage changes to the extent that the payment plan may no longer be appropriate. The reason for the change must be clearly stated. Ideally, payment plan amounts should not be unilaterally increased without discussing this with the customer first. Retailers should attempt to contact the customer by phone prior to making any change to the payment plan if:

- it involves a significant increase and/or
- the customer is in the retailer's hardship program.

Routine checks

Even in the absence of any changes to usage, occasional follow up conversations with the customer may be useful. These conversations should occur at intervals that have been previously agreed between the customer and the retailer.

A customer who is making agreed payments that cover their usage and reduce any debt should not be contacted repeatedly to increase their payment amount. However, if a customer's financial situation improves, it may be appropriate to start a new conversation about what they can afford.

The customer:

- misses a payment or
- tells the retailer that the payments are not affordable

This should trigger another conversation about what the customer can afford. The customer's circumstances may have changed or the previously agreed amount may not have been affordable. This conversation may result in the customer and retailer agreeing to a new payment plan.

Retailers should follow up missed payments with customers, but should wait at least three days before attempting contact. This prevents unnecessary contact where the payment is affordable but simply a few days late.

Multiple broken payment arrangements may indicate that the customer would benefit from a referral to a financial counsellor or further support.

The customer successfully completes their payment plan

The retailer and the customer should discuss whether another payment plan or more frequent billing will help the customer better manage their ongoing energy bills.

Customers who miss payments and do not engage with their retailers are at risk of disconnection.