

30 March 2016

Mr Simon Kidd
Assistant Director Retail Markets Branch
Australian Energy Regulator
GPO Box 520
Melbourne 3001

By email: AERInquiry@aer.gov.au

Dear Mr Kidd,

Sustainable payment plans: A good practice framework for assessing customers' capacity to pay

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences and needs of energy and water consumers.

CUAC welcomes the opportunity to provide feedback on the AER's consultation document and the sustainable payment plans framework. CUAC has been participating in the AER's consultations on the sustainable payment plans framework both at the AER CCG and in the stakeholder forums. Our experience of the consultations has been a positive one.

Issue 1: Proposed principles-based approach and the specific principle and accompanying examples

CUAC is supportive of the framework which outlines a consistent approach for retailers establishing customers' capacity to pay when negotiating payment plans. We see the framework as a positive step towards:

- Facilitating better and more sustainable outcomes for consumers experiencing payment difficulty, and
- Preventing debt from accruing any more than necessary.

CUAC endorses the AER's proposed principles-based approach, and the specific principles (empathy and respect, flexibility and consistency) and accompanying examples. We have used a similar

approach in our current, *'Principles for a Fair Consumer Experience'* project which will be completed late 2016. Preliminary research findings have revealed similar themes to the AER's framework.

We are concerned that certain retailers have suggested that customers with debts switch to another retailer, rather than working with these customers *'to try and close the gap between the current repayment amount and the amount required to cover ongoing usage and reduce debt'*. This may exacerbate a customer's situation by exposing him/her to debt collection activity by the previous retailer. It would be useful to include this issue as an example of what a retailer should not be doing in the good practice principles.

CUAC is supportive of the amendments that have been made to the principle *"be flexible and supportive when communicating with customers"* to accommodate the needs of non-English speaking customers.

Issue 2: Flow chart or any of the proposed good practice elements or actions discussed

The proposed flowchart maps out clearly what good practice in retailer customer interactions looks like. In particular, we welcome the following:

- Focusing on what the customer can afford ('What can you afford?') and taking additional steps to clarify and check what is realistically affordable to the customer – this is especially important given the power imbalance;
- Not requiring a customer to see a financial counsellor as a pre-requisite to establishing a payment plan or entry into a hardship program;
- Temporary affordable payment plans (to be amended once advice has been received on a customer's capacity to pay);
- Non-linear approach towards helping customers with payment difficulty; i.e. that options A, B and C can be offered any time depending on a customer's particular circumstances;
- Working together to try to close the gap between the current repayment amount and the amount required to cover usage and reduce debt, through energy efficiency advice, incentive payments etc rather than merely asking the customer to increase payments;
- Contacting customer by phone prior to any change in a payment plan if the increase is significant or if the customer is in the retailer's hardship program;
- Waiting a least three days before contacting a customer about a missed payment.

Issue 3: Inactive customer account

We support the application of the framework's principles to inactive account customers with a debt when negotiating repayment plans.

We would like to see the framework principles (e.g. empathy, respect, flexibility and consistency) extend to retailers' relationships with debt collection agencies. We understand that leading businesses do embed 'good practice' principles in the contracts that they have with debt collection agencies or other contractors, as a means of:

- Ensuring that their customers receive a fair consumer experience, and
- Maintaining their brand/reputation.

We note that some debt collection agents and contractors have undergone 'good practice' training by community organisations. While it is true that there are existing debt collection guidelines and standards that stipulate a *'flexible and realistic approach to repayment arrangements'*, in practice not all retailer appointed debt collection agencies deal with customers fairly and this is a problem. CUAC is of the view that the AER can influence the development of a good practice framework in this specific area.

Issue 4: Small business customers

The framework's principles of empathy and respect, flexibility and consistency are broad enough to apply to any group of customers. We believe that retailers should reflect these principles in their engagement with small business customers experiencing payment difficulties.

Issue 5: Published list of retailers

We are in favour of the AER publishing a list of retailers who have adopted the framework on its website. The AER's website is impartial and publication offers transparency and accountability. Retailers can distinguish themselves from their competitors by publicly agreeing to adopting the framework. A published list may incentivise more retailers to adopt the framework. A published list would also be useful for consumers who wish to make a more informed choice as to which retailer they would like to obtain their energy supply from.

Issue 6: Processes for retailers not meeting framework standards

We support the AER's proposed approach to address retailers who have adopted the framework but who have systematically not been meeting the framework's standards. Given that the framework is voluntary and non-enforceable as such, there does not appear to be other alternatives to address non-compliance except for what has been suggested.

Issue 7: Measuring the impact

We believe that the impact of the framework can be measured from the data that the AER currently collects on a range of performance indicators (including hardship). For instance, the framework should result in:

- More customers successfully completing payment plans;
- More customers proactively taking steps to contact and discuss problems or changed circumstances with their retailer – retailers developing new early identification processes;
- Customers entering into payment plans or hardship programs with lower debt levels;
- Fewer disconnections;
- Fewer customers being disconnected within 12 months of exiting a payment plan or hardship program;
- Fewer complaints to retailers and the energy ombudsman.

In addition to the quantitative data, it would be useful to find out what the overall impact of the framework (and customer experience) has been by surveying consumer representatives, financial counsellors, the energy ombudsman and industry.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Deanna Foong', enclosed in a thin black rectangular border.

Deanna Foong

Research & Policy Advocate, CUAC

Email: deanna.foong@cuac.org.au