



825 Ann Street, Fortitude Valley QLD 4006  
PO Box 264, Fortitude Valley QLD 4006

[ergon.com.au](http://ergon.com.au)

Ref MN/JS

13 April, 2016

Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Attention: Mr Simon Kidd

Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@ aer.gov.au)

Dear Sir

Ergon Energy Queensland Pty Ltd (EEQ) welcomes the opportunity to provide a submission to the Australian Energy Regulator (AER) on its *Draft Sustainable Payment Plans Framework Consultation Paper* (Consultation Paper).

This submission is provided by EEQ, in its capacity as a non-competing local area retailer and the largest electricity retailer in regional Queensland.

EEQ has provided information on its existing practices as comparison to the proposed requirements for the Framework as well as providing detailed comment on the issues on which the AER has specifically sought stakeholder feedback in the Consultation Paper.

If you wish to discuss any aspect of this submission, please do not hesitate to contact John Sculli, Manager Retail Regulatory Affairs, on 07 3851 6791 or [john.sculli@ergon.com.au](mailto:john.sculli@ergon.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Pfeiffer', with a horizontal line extending to the right.

Tony Pfeiffer  
EXECUTIVE GENERAL MANAGER – RETAIL

Attachments – EEQ Submission

# Ergon Energy Queensland Submission to the Australian Energy Regulator on the Draft Sustainable Payments Plan Framework Consultation Paper

Due 13 April 2016



## Introduction

Ergon Energy Queensland Pty Ltd (EEQ) welcomes the opportunity to provide comments to the Australian Energy Regulator (AER) on the draft Sustainable Payment Plans Framework Consultation Paper (Consultation Paper).

EEQ is a Queensland Government-owned non-competing retailer operating in regional Queensland that provides electricity to more than 700,000 homes and businesses, and helps regional Queenslanders manage their energy usage. EEQ services regional Queensland customers from contact centres and offices located in Townsville, Rockhampton, Maryborough and Brisbane.

EEQ is committed to providing effective assistance to customers who are experiencing difficulty paying their energy bills. To this end, as part of its AER approved Hardship policy, EEQ has established its Customer Assist Program and also offers other flexible payment options for customers experiencing financial difficulties.

EEQ is generally supportive of the development of the Sustainable Payment Plans Framework noting the potential for enhancement of existing processes for the existing Hardship program and payment plans. However, EEQ queries the rationale behind duplicating requirements under the voluntary framework that are already covered by the requirements of a retailer's hardship policy – which is mandatory and requires AER approval. EEQ has addressed the specific questions contained in the Consultation paper below, and is available to further discuss any aspect of this submission if required.

### Issue 1 - Draft Framework Objectives and Principles

We are interested in stakeholders' views on the proposed principles-based approach and the specific principle and accompanying examples.

Good Practice Principles include– empathy and respect, flexibility, consistency.

#### **Response:**

EEQ endorses the principles of empathy and respect, flexibility and consistency with the goal of developing and maintaining strong engagement and interactions with customers experiencing payment difficulties.

EEQ has operated a Financial Hardship program since 2006, proactively ahead of legislative requirements. This program has progressed through several stages of development and has, since inception, been underpinned by key objectives focused on the provision of a program that balances commercial credit collection requirements with socially responsible corporate obligations that aim to prevent further customer financial hardship.

Currently this program would be regarded as a mature hardship program and as such, strives to achieve financial arrangements that customers are able to sustain during program participation as well as upon graduation. The program is staffed with specially trained officers to enable specialised conversations covering the emotional, financial and energy usage aspects of the situation.

EEQ considers that the Principles based approach is inherent in our Hardship Program offering.

However, it would appear that the AER's expectation that the principles based approach of the Sustainable Payment Plans framework be applied more broadly than the hardship program interactions. i.e. that the principles also apply to Contact Centre Staff handling the first contact with customers. EEQ submits that whilst these principles are present and inherent in operational interactions by front line staff;



the management of customers experiencing payment difficulties is not their specialisation. EEQ believes that other retailers would be in a similar situation, and that to expect all front line staff to have this specialist training is not feasible or commercially viable.

Whilst EEQ provides regular hardship awareness sessions to all front line staff and strives to embed the principles outlined, EEQ considers that full adherence to these principles; particularly the provision of a consistent contact person; is not commercially viable.

Further, we note that one of the drivers for the proposed framework was to improve ways in which energy retailers considered their customers' capacity to pay when establishing payment plans. On this point, it is important to note that electricity retailers do not have access to the same level of information on a customer's financial position available in other industries where 'capacity to pay' based regulation exists (such as in the financial services industry where the 'responsible lending' obligations apply to credit providers). Therefore, any framework designed to encourage analysis of a customer's capacity to pay, needs to reflect the information available to industry participants.

## Issue 2 – Framework Elements

We invite stakeholder feedback on the flow chart or any of the proposed good practice elements or actions discussed in the following sections.

### Response:

#### 3.3.1 Initial conversation "what can you afford".

#### 3.3.2 When it is not clear what a customer can afford.

#### 3.3.3 Referral to financial counsellors

EEQ asserts that any initial conversation needs to be focused on gaining an understanding of the customer's current situation and the expected duration of the financial difficulties. EEQ considers that a successful initial conversation would see the customer reassured that there are support mechanisms available, and that the goal of the payment plan is to close the gap between usage and financial capacity. Therefore, EEQ stresses that the initial conversation should not focus solely on what the customer can afford, but also on energy usage education and the importance of a plan that drives reduction of the gap between usage and financial capacity.

EEQ agrees that referrals to financial counsellors should not be a pre-requisite to establishing a payment plan or being referred to a retailer's hardship program; and this is not EEQ's practice. Rather, direct negotiation with customers' is the preferred practice. However, we note that it is a minimum requirement for a Retailer's Hardship policy to include processes to notify hardship customers of appropriate government concession programs and financial counselling services. EEQ queries the benefit of duplicating these requirements in the voluntary framework. At what point a Retailer provides information about financial counselling will vary on a case by case basis, depending on the information provided by the customer.

In relation to Option C of the Good Practice Guide Chart regarding checking suitability of tariffs, providing tailored energy efficiency advice, offering incentive payments and referring the customer to a financial counsellor or government assistance schemes, EEQ points out that these are all current requirements of a retailer's hardship policy and queries the efficacy of duplicating these requirements in the voluntary framework.

In addition, EEQ has established a Community Group directory with over 600 groups around regional Queensland to which we regularly provide referrals. In January 2016, EEQ initiated a regular newsletter to all these Community Groups to keep them informed on topics such as energy efficiency, tariff changes and increases, and changes to government assistance schemes.



EEQ supports the use of temporary short term payment plans for those customers entering the hardship program as it is an agreed step for future sustainable commitment within the program.

### 3.3.4 Levels of assistance

EEQ considers that the levels of assistance currently practiced by our organisation do not fully reflect those outlined in the framework. Whilst there is partial alignment in the broad sense of short, medium and longer term financial difficulties, EEQ considers that the commercial reality of Option A does not lend itself to a period of 12 months, but that a period of between 6 and 12 months would be viable.

#### Issue 3 – In-active account Customers

We are interested in stakeholder’s feedback on whether this approach is appropriate and whether there are practical problems in applying the Framework’s principles to this group.

Response:

EEQ considers that whilst the principles of the framework could reasonably be applied during the initial management of inactive accounts, it would not be a sustainable approach for longer term management, due to the requirement for increased interrogation of the scheduled credit events.

#### Issue 4 – Small Business Customers

We welcome stakeholder feedback on this issue

Response:

EEQ contends that the blanket application of the framework is not appropriate for small business customers because of the fundamental difference between personal finances and commercial solvency, in as much as small business has chosen to set up operations in a particular environment with a view to profitability. However, it is accepted that the principles of respect, fairness and consistency should be an integral basis for interactions with small business customers who are experiencing financial difficulties and EEQ currently strives to meet these standards.

#### Issue 5 – Implementing the Framework

Would consumers or their representatives, benefit from knowing which retailers had adopted the Framework. For example, would it help customers or their representatives to know what to expect from their retailer when setting up payment plans?

If so, would a public list, for example, hosted on the AER’s website or on an individual retailer’s website, be an effective method of publishing and recognising retailers who have adopted and implemented the Framework?

**Response:**

EEQ considers that there is limited benefit to the customer from knowing which Retailers had adopted the framework. Our research indicates that customers’ views are largely shaped upon their experiences and interactions with their retailer i.e. not what they say they will do, but what they actually do.

Rather than a public list of retailers that have adopted the framework, EEQ suggests that the AER may wish to publish educational material for customers on the obligations of both parties when circumstances arise that place the customer in financial difficulty and they are unable to meet their commitments.

## Issue 6- Voluntary adoption of Framework and monitoring of on-going compliance

We are interested in stakeholders' views on this approach and other options that could be explored to implement the Framework, including any key benefits or drawbacks.

### Response:

EEQ considers that voluntary adoption of the selected elements and nominated focus and interpretations of the framework is commercially prudent and justifiably customer focused. It is suggested that the subjective nature of the customer/retailer interactions surrounding payment plans makes it difficult to monitor on-going compliance. The mutual benefits for the customer and retailer of providing assistance for customers to manage their electricity bill and usage pattern in the future, should be sufficient to ensure adherence with the framework principles.

Further given that the consultation paper indicates that the AER does not propose a formal monitoring role, EEQ queries whether monitoring will be driven by customer complaints? Small customers already have access to dispute resolution mechanisms that retailers are required to provide, as well as jurisdictional Ombudsmen. EEQ is cognisant of the possibility of duplication of existing customer complaint mechanisms and queries the efficacy of this potential duplication.

## Issue 7 – Processes for retailers not meeting Framework standards

We welcome stakeholders' views on this approach.

### Response:

EEQ has reservations regarding the publishing of a list of retailers that have 'signed' up to the voluntary Framework. EEQ suggests that where the AER becomes aware of a retailer not meeting the standards and principles of the Framework, these matters should be raised directly with the retailer. EEQ queries the value of a public register and adding and removing retailers from such a register. EEQ suggests that the focus should be on encouraging widespread adoption of the Framework and putting it into practice.

EEQ suggests that as it is a voluntary framework, establishment of processes for retailers not meeting the framework would be unnecessary.

## Issue 8 – Measuring the impact

We are interested in stakeholders' views about this approach, and whether it would provide useful information about the impact of the Framework.

What other information could retailers, consumer representatives or financial counsellors provide to help assess whether a retailer's adoption of the Framework has improved outcomes for consumers?

### Response:

Noting that the AER does not propose a formal monitoring role, EEQ suggests that to measure the impact of the framework will be difficult. External factors such as: tariff increases; regional economic conditions (eg the current downturn in the resources industry) leading to increased unemployment; severe weather event impacts, etc. will all impact the number and duration of payment plans requested or offered; as well as the number of customers entering Hardship programs. Similarly, these factors will influence the



customer's ability to successfully complete the plans and Hardship programs. It may be that even while Retailers are adhering to the principles of the Framework, in situations outlined above, these extraneous factors may produce results that do not reflect this adherence.

EEQ would be supportive of a review following 6 months of operation of the framework to assess the outcomes of the implementation of the framework.

### **Issue 9 – Launch – public launch – June 2016**

We are interested to understand from retailers whether they are willing to adopt the framework and if June is an appropriate timeframe.

#### **Response:**

EEQ is committed to assisting customers in financial difficulty and as mentioned earlier EEQ will strive to enhance its existing processes to fully adopt the principles of the Framework. However, the concept of 'signing up' to be on a public register seems to be out of context. EEQ considers that the usual method to introduce or outline a voluntary framework such as this would be in the form of Guidelines in keeping with the Better Regulation Program.

Further, considering that the Framework is voluntary, EEQ queries the need for a 'public launch' rather than a commencement or introduction date which is the more usual terminology for such instruments. Retailers who may already be meeting the fundamental principles of the Framework but who elect not to adopt it by a set date may be adversely impacted by a negative public perception by not being on the public register. EEQ considers that it may be more beneficial to resource a promotion on the existing obligations (outlined in retailers hardship policies) of both parties when circumstances arise that place customers in financial difficulty.