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Ms Sarah Proudfoot
General Manager, Consumers and Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

AERConsumerandPolicy@aer.gov.au

Dear Ms Proudfoot

Ergon Energy Retail submission to the draft Customer Hardship Policy Guideline

Ergon Energy Retail welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on its draft Customer Hardship Policy Guideline (the draft Hardship Guideline).

Ergon Energy Retail supports the new rules which are designed to strengthen protections for customers experiencing payment difficulties. In general, Ergon Energy Retail is supportive of the draft Hardship Guideline and notes the improvements made since the initial consultation.

However, as emphasised in previous submissions, we consider the primary challenge for retailers to increase successful completion rates is maintaining engagement with customers experiencing hardship, rather than access to hardship programs.

It is noted that the AER maintains that the standardised statements in the new Hardship Guideline:

“are not intended to provide for automatic entry of any customer into a retailer’s hardship program. The standardised statements will instead focus on ensuring retailers have processes for identification and early response. This is within the minimum requirements.

The standardised statements provide a framework for retailers to engage with customers who may be in financial difficulty due to hardship and who may benefit from being offered the protections under a hardship program. The standardised statements do not remove a retailer’s right to assess customers for entry into hardship programs.” (page 37 of the Notice of Draft Instrument – Draft AER Customer Hardship Policy Guideline – version 1)

However, the draft Hardship Guideline states in clause 45 that:

“any statements a retailer opts to include in their hardship policy about customer obligations and responsibilities must be fair, reasonable and transparent, and consistent with this Guideline, the Retail Law and Retail Rules”.

The draft Hardship Guideline also details in clause 33 that:

“For the purposes of clause 32, an unreasonable condition may include, but is not limited to, the following:

- that the customer must attend financial counselling,*
- that the customer must be represented by a third party such as a financial counsellor,*
- that the customer must submit to an energy audit,*
- that the customer must make a one off payment or make a certain number of instalments towards their debt,*
- that the customer accepts an (sic) payment extension or extensions before being placed on a hardship program, or*
- that the customer must fail to pay their bills on time.”*

Ergon Energy Retail has a long history of proactively supporting vulnerable customers. We do not deny eligible customers access to our hardship program and have not limited the number of payment plans offered to a customer experiencing hardship or financial difficulty, despite previous instances of broken payments or hardship arrangements. However, Ergon Energy Retail does not consider many of the above conditions to be unreasonable, particularly in relation to customers who have been through a hardship program multiple times and have escalating debt. We are of the view that in some cases the above conditions are reasonable means to assist customers, particularly energy efficiency guidance and financial counselling, as these interventions are often the only mechanisms to enable a way out of a perpetual cycle through a hardship program.

For customers who have previously participated in the hardship program, conditions such as those specified in clause 33 may assist customers to focus on reducing their debt and foster behaviour to avoid the need to access hardship programs in the future. For customers with a history of poor engagement in hardship programs, such conditions may be a necessary approach to mitigate credit risk for retailers, the effects of which would otherwise be borne by other customers.

Throughout the consultation process for the draft Hardship Guideline, Ergon Energy Retail has acknowledged that many customers often do not want to participate in a hardship program or do not accept offers of assistance due to a perceived stigma associated with retailer hardship programs. For those customers who do choose to participate, ongoing engagement remains a significant challenge which impacts successful completion rates.

Therefore, Ergon Energy Retail considers the reciprocal nature of customers' rights and responsibilities is of vital importance to ensure customers remain engaged in a hardship program; to assist these customers to better manage their energy bills on an ongoing basis; to reducing the average levels of debt for electricity customers entering hardship programs; and to support the meritorious intentions of the draft Hardship Guideline. We consider that the ultimate success of the Hardship Guideline hinges on engagement by customers in retailer hardship programs and respectfully recommend that the AER refine the draft Hardship Guideline in respect of customer responsibilities.

Should you require additional information or wish to discuss any aspect of this submission, please contact me on (07) 3851 6787 or Peter Wall on (07) 3664 4968.

Yours sincerely

A handwritten signature in black ink that reads "Trudy Fraser". The signature is written in a cursive, flowing style.

Trudy Fraser
Manager - Policy and Regulatory Reform

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