



Hardship Program Indicators

8 September 2010

STAKEHOLDER FORUM

Entry into hardship program

- Total number of customers on the hardship program
- Total number of customers entering the program

Advantages	Disadvantages
Provides a baseline measure for other indicators	May reflect customer base and location, not program
Will provide overview of retailers' activity	Influenced by entry requirements & if assistance provided outside the program
May give some indication of the accessibility of programs	

Entry into hardship program cont.

Minded to retain these two indicators:

- Most respondents supportive of their inclusion
- Data primarily used to provide the baseline measure to help interpret other indicators (e.g. to calculate the proportion of hardship customers receiving concessions, exiting for non-compliance etc)
- Important to collect as will provide overview of retailer activity, general economic conditions & trends over time
- Retailers can provide commentary to highlight where geographic or socio-economic issues impact their data

DISCUSSION: Any concerns with this approach?

Concessions & hardship

- Total number of customers on the hardship program in receipt of an energy concession administered / delivered by the retailer

Advantages	Disadvantages
Provides some indication of the types of customers who are on the hardship program	Concessions differ between jurisdictions
Provides information that may inform social policy	May be influenced by customer base

Concessions & hardship cont.

Minded to retain this indicator:

- Most respondents supportive of its inclusion
- Data primarily used to better understand who is accessing the hardship program
- As concessions in each jurisdiction differ, care will be taken when interpreting data
- Important to collect as it will inform social policy

DISCUSSION:

- **How to define reporting so it is consistent?**
E.g. Number of customers who are registered/eligible to receive an ongoing energy concession vs. those who actually received a concession (which may be influenced by the type of concession and billing period).

Denied access to hardship program

- Number of customers denied access to the hardship program

Advantages	Disadvantages
Provides an indication of the accessibility of the program	Difficult to define when a customer is denied access
Provides an understanding of the demand for hardship programs	Denial of access may not equate to denial of assistance from retailer
	Will not record <u>why</u> customer has been denied access

Denied access to hardship program cont.

Minded to retain this indicator, given strong support in submissions:

Option 1: status quo

Number of customers denied access to the hardship program

Option 2: also collect reason for denial

Number of customers denied access to the hardship program in the following categories:

- Customer does not meet hardship policy eligibility criteria
- Customer is provided assistance outside hardship program (e.g. payment plan through credit management dept)
- Customer previously excluded from hardship program for non-compliance
- Other?

Denied access to hardship program cont.

OPTION 2:

- **Advantages:** provides more information to help explain trends, particularly on previously non-compliant customers. Will also give an indication of the extent of other assistance provided & retailers' hardship thresholds
- **Disadvantage:** creates additional reporting burden for retailers – Is this data already collected by retailers? Is it important for stakeholders to know this?
- Both options will provide an indication of the accessibility of a retailer's hardship program
- **DISCUSSION: Which option is preferred?**

Defining “denied access”

- Denied access – a customer is referred to a hardship program by any means (e.g. identified by the retailer or self-identified by the customer or by a third-party) but is not accepted into the hardship program. This does not include customers who decline to participate in the program.
- **DISCUSSION: Is this definition appropriate?**

3rd party referrals & length of participation

- Number of third party referrals
- Length of participation in hardship program

Advantages	Disadvantages
Third parties important in identifying customers who are experiencing hardship	Dependent on the customer's circumstances and willingness to engage with retailer
	Data particularly difficult to interpret
	May not reflect the 'success' of the program

3rd party referrals & length of participation cont.

As proposed, we are minded not to include these indicators:

- Most respondents did not support their inclusion
- Data from these indicators will be very difficult to interpret
- Can be considered when AER approves retailers' hardship policies and through compliance assessments

Alternative length of participation indicator proposed:

- Number of customers who have remained on the hardship program continuously for more than two years
- This would give an indication of the proportion of customers in severe or ongoing financial hardship – may provide important context for other hardship indicators and wider energy affordability issues

DISCUSSION: Include the alternative indicator?

Debt on entry to hardship program

- Average debt upon entry into the hardship program

Advantages	Disadvantages
Key measure of debt levels of customers in hardship	Influenced by individual customers' circumstances
Will provide comparative information across retailers	Average debt can be skewed by few customers with large debts
Inform assessment of how retailers identify hardship customers and provide an early response	

Debt on entry to hardship program cont.

Minded to retain an indicator to monitor debt levels on entry:

- Most respondents supportive of its inclusion
- Important to collect as will provide overview of hardship customers' debt levels, trends over time and across retailers
- Definition of 'debt' – amount of energy bill debt outstanding to the retailer for 90 days or more. Provides a more stable picture of debt than total amount outstanding which may be more influenced by when the customer is billed.
- Three possible options considered...

Debt on entry to hardship program cont.

Option 1: status quo

Average debt on entry to the hardship program

Option 2: collect average and median

Average and median debt on entry to the hardship program

Option 3: collect average and debt bands

Average debt on entry to hardship program as well as the number of customers entering the hardship program with the following debt levels:

\$0-\$500	\$501-\$1,500	\$1,501-\$2,500	\$2,501+
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DISCUSSION: Which option is preferred?

Debt exiting the hardship program

- Average debt upon exit from the hardship program

Advantages	Disadvantages
Monitors a key outcome of hardship programs i.e. to reduce debt and better manage ongoing energy bills	Some customers cannot afford their ongoing usage and will accrue more debt (but will not be disconnected)
	Impacted by customers excluded for non-compliance and who switch away
	Cannot directly compare with debt on entry (as different group of customers)

Debt exiting the hardship program cont.

Alternative indicator proposed in Issues Paper: to compare debt levels of those customers exiting the hardship program with their debt on entry

- Some support for this alternative indicator
- Would still measure debt on exit for all customers (including those excluded and who switch) but would enable direct comparison with their debt on entry. May therefore provide a better indication of customer outcomes from being on the hardship program
- Concerns raised by retailers that this would be difficult and onerous to report against

Debt exiting the hardship program cont.

In submissions, a further three options were proposed:

- *Option 1:* Report median debt on exit and number of customers exiting in debt bands
 - This option is not supported as has same drawbacks as reporting average debt levels (i.e. will capture those excluded and who switch).
- *Option 2:* Report debt on exit only for those who successfully complete the hardship program
 - Successful completion most likely to occur when customer's debt is \$0, so what will this really tell us? (Already proposing to collect the number of customers successfully exiting).

Debt exiting the hardship program cont.

- *Option 3: Average debt on exit AND number (%) of customers currently in hardship program who are:*
 - Not covering consumption costs (debt increasing)
 - Covering consumption costs (debt stable)
 - Covering consumption costs & arrears (debt reducing)
- Will help to explain trends in average debt levels
- May provide better indication of effectiveness of assistance provided. Most retailers' hardship programs aim to match customers capacity to pay with their ongoing consumption (and to reduce debt over time)
- Impacted by what customers can afford to pay

Debt exiting the hardship program cont.

DISCUSSION:

- **Stakeholder views on options 1-3?**
 - Value of these indicators?
 - Concerns with interpretation of data?
 - Ease of reporting? What definitions are required?
- **Is there value and support for pursuing the alternative indicator in the Issues Paper? (i.e. direct comparison of debt on exit and entry for customers exiting the hardship program)**

Exiting the hardship program

- Number of customers exiting the hardship program
- Number of customers excluded for non-compliance

Advantages	Disadvantages
Important to monitor number of customers excluded for non-compliance	Does not capture those who switch or move away from retailer, or request to leave
May indicate effectiveness of customer engagement	

- General support in submissions for including these indicators

Exiting the hardship program cont.

Minded to retain this indicator, with some changes:

- Total number of customers who exited the hardship program in the reporting period, and broken down by:
 - Those who successfully completed the program (debt of \$0 and returned to mainstream billing/collection cycle?);
 - Those excluded for non-compliance
 - Those who left the retailer
- **DISCUSSION: Views on proposed change?**
 - Value of additional breakdown of information?
 - Ease of reporting?
 - Definition of successfully completed?
 - Further breakdown required on exiting for non-compliance? (i.e. non-payment, no contact etc)

Disconnections & Reconnections

- *Number of hardship customers disconnected (& subsequently reconnected) proposed under retail performance reporting*
- Number of customers disconnected (& subsequently reconnected) who have been on the hardship program in the previous 24 months

Advantages	Disadvantages
Longer term measure of impact of program on customers better managing their energy bills	Concern from retailers – customers' circumstances can change over this time period
Received strong support from consumer groups	Likely to capture customers excluded for non-compliance

Disconnections & Reconnections cont.

In submissions, further options were proposed:

- *Option 1:* Monitor only for customers who successfully complete the hardship program
 - Improvement on indicator proposed as will not capture those excluded for non-compliance
- *Option 2:* Shorten timeframes: 4 wks or 3, 6, 9 & 12 months
 - 4 weeks not supported as too short for disconnection procedural requirements
 - More regular reporting would be more onerous?
 - Change timeframe to 12 months (current VIC indicator)?

Disconnections & Reconnections cont.

- *Option 3: Reconnections*
 - Reconnected within 10 business days (rather than 7) so the data is consistent with the draft Rules?
 - Reported for the same timeframes as disconnection indicators
- *Option 4: Number of customers re-entering the hardship program*
 - May provide indication of customers who ‘re-lapse’
 - May be useful to consider in light of the numbers excluded for non-compliance and those previously on the hardship program who are disconnected
 - Will not capture customers who switch
 - Only measure for those successfully completed?
 - Monitor across time periods – 3, 6, 9 & 12 months?

Disconnections & Reconnections cont.

A combination option to monitor hardship program 'success':

- *Option 5*: Number of customers who successfully completed the hardship program 4 quarters ago that:
 - Are now meeting agreed payment terms, or
 - Have re-entered the hardship program, or
 - Have been disconnected due to non-payment of bill
 - Monitor those now in debt and average debt?
- May provide a better indication of the hardship program's effectiveness of assisting customers to manage their bills on an ongoing basis.
- Will be influenced by customers' circumstances
- No longer collect reconnections?

Disconnections & Reconnections cont.

DISCUSSION:

- **Views on options considered?**
 - What are the advantages and disadvantages?
 - Only monitor customers who have successfully completed the hardship program?
 - Ease of reporting?
 - Is 12 months a more appropriate timeframe?
 - Is data on reconnections important to collect?

- **Which is the preferred option?**

Measuring the assistance provided

Several submissions recommended collecting information on the types of assistance provided by retailers to hardship customers.

Advantages	Disadvantages
Gives a clear indication of the assistance provided	May be influenced by the size of the retailer
Largely under the control of the retailer	May create additional reporting burden on retailers

Propose to collect data on a number of key areas of assistance and allow retailers to report on additional areas should they wish.

Measuring the assistance provided cont.

Number of hardship customers:

- Notified of government concessions, grants etc
- Notified of / referred to a financial counsellor
- On the following payment arrangements:
 - Regular payment plans
 - Incentive payment plans
 - Centrepay
 - Prepayment meters
 - Other

Measuring the assistance provided cont.

- Provision of energy efficiency advice (such as the provision of leaflets etc.)
- Other assistance – retailers would be able to include details of other activities not captured in the above list, for example:
 - Number of completed home energy efficiency audits conducted over the phone
 - Number of completed home energy efficiency field audits (excluding phone audits)
 - Number of appliances replaced
 - Etc...

Measuring the assistance provided cont.

Minded to include these indicators:

- Many respondents supportive of their inclusion
 - Data primarily used to understand the assistance provided by each retailer
 - Important to collect as will provide overview of retailer activity over time
 - AER analysis and reporting of the data will be mindful of the differences in size of the retailers
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- **DISCUSSION:**
 - Is there support for collecting this information?
 - Should we specify any other key forms of assistance that should be reported?
 - Ease of reporting?

Other indicators proposed:

In submissions, further indicators were proposed:

- Assistance provided to customers in the 12 months before they entered the hardship program
- Number of customers reconnected after disconnection who are not referred to the hardship program and have never been on the hardship program
- Information provided to customers about the hardship program
- Training provided to call centre staff
- Monitoring consumption levels of hardship customers
- (# successful completions + # in program end of period)
(# in program at end of last period + # new customers)

DISCUSSION: What are stakeholders' views on the above?

Next steps...

- Further development of indicators following forum discussion (and in light of submissions to retail market performance monitoring paper)
- Expect to release an updated proposals paper for consultation in October
- Decision on final Hardship Program Indicators published early 2011