



13 April 2016

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### **Sustainable Payment Plans Framework, March 2016**

Kildonan UnitingCare (Kildonan) offers this response to the invitation from the Australian Energy Regulator to provide stakeholder feedback on its Draft Framework distributed in March 2016.

The comments relate to the *Sustainable Payment Plans – A good practice framework for assessing customers' capacity to pay* (Draft v0.4) and the Issues questions raised in the accompanying consultation document *DRAFT Sustainable Payment Plans Framework* (v.1).

Kildonan supports the principles enshrined in the Framework as they accord with the values of respectful communication that in our experience represent the most effective way to approach and respond to customers experiencing financial difficulty or hardship.

The underlying principles of the Framework should be applied in a consistent manner across all states and not just those within the NEM (National Energy Market). Kildonan is concerned that with new hardship guidelines to come into effect in Victoria in July 2017, energy retailers may feel obliged to extend different responses to customers depending on which state they live in.

We would encourage all retailers to commit to the Framework for customers within the NEM and to extend the application of the same principles to customers in Victoria as well.

More specifically, Kildonan would like to provide the following observations and comments to some of the specific issues raised in the AER's consultation paper.



## Issue 1: Principles-based approach

Kildonan supports the principles-based approach outlined in the Framework.

In our experience with working with organisations across the banking and credit sector as well as energy and water retailers, we have observed that practices embedded in respectful attitudes and language enjoy greater commitment and returns from customers experiencing financial difficulties.

### *Retailers suggesting customers switch*

Kildonan anticipates that some retailers may continue to counsel unprofitable customers (i.e. those with high arrears and limited capacity to pay) to shift to another retailer.

We expect this practice will continue with impunity as it relies on customers or their advocates to have sufficient knowledge and motivation to raise the issue with EDR services in their state. And action will only be taken when the frequency of issues raised reaches a critical threshold to be identified as systemic.

### *Non-English speaking customers*

Kildonan views this as a worthwhile initiative although we suggest some caution with this approach. Whilst culturally-specific organisations might be a good 'fit' for some customers in some circumstances, there must not be an expectation by the retailer that a customer will take up the opportunity that the referral provides. For example, a customer may be reluctant to identify with particular cultural/ethnic groups or may have legitimate reasons for avoiding contact with groups for fear of persecution or prejudicial treatment.

All customers, including those for whom English language may be challenging, need to be informed of the options available. There should be no expectation of compliance if a referral to an organisation is provided. A sensitive and respectful approach to this issue involves being guided by the customer.

## Issue 2: Flow chart and good practice elements

The flowchart is logical, detailed and consistent with the Good Practice Principles set out in the Framework.

Kildonan suggests amending the third point under the section **"If it isn't clear what the customer can afford"** to read:

- The customer is referred to a financial counsellor or other support services

We further recommend adapting the statement underneath this to read as follows:

"A referral to a financial counsellor must not be a prerequisite to starting or continuing on a payment plan. Nor can a customer be compelled to consult with such services".

We believe this is a necessary and important distinction to recognise that financial counselling services (and other community supports) should be seen by energy retailers as supplementary options to assist customers in difficulty and not as mandatory obligations on them.

We also suggest amending the second part of **Option B** of the flowchart to include something like:

“Check options such as eligibility for concessions, affordable tariff options and access to energy efficiency information or advice”.

We suggest amending **Option C** of the flowchart to the following:

“... and referring the customer to a financial counsellor or ~~government assistance schemes~~ other appropriate community services”.

This is an important distinction is to recognise that other factors such as physical and mental health, relationship issues, stability of tenure and social isolation amongst others can have significant impacts on the financial resilience of individuals and households.

### **Issue 5: Public list of participating retailers**

Kildonan sees benefits to consumers in both approaches to promoting the principles of the Framework.

In our opinion it is unlikely that anyone experiencing financial difficulties is going to actively search out statements about a retailer’s approach to hardship on the AER’s website.

Nonetheless, there is significant merit in the AER taking the position that the Framework outlines the preferred approach to working with customers to establish payment plans. By posting a list of participating retailers, the AER is making a public declaration that this is the expected standard across the NEM.

It also makes sound commercial sense for retailers to be included in a published list of retailers who are committed to the principles of the Framework. This effectively becomes an umbrella statement that should be at the heart of any communications (e.g. conversations, written and digital materials) with customers experiencing financial difficulties or hardship.

Kildonan considers that any retailer wishing to be included on the published list must be wholeheartedly committed to the principles enshrined in the Framework. And any retailer wishing to remain on the list but must be seen to consistently meet or exceed the standards set there.

Retailers included on the list are making a public declaration that these are the guiding principles by which this business will deal with vulnerable customers.

### **Issue 6: Changes in policies affecting continuance operation of Framework**

The AER’s initiative in setting out the Framework effectively sets the standard by which retailers are expected to respond to vulnerable customers.

In Kildonan’s opinion it runs of risk of retailers paying lip service to the principles of the Framework if they are not consistently meeting or exceeding the standards expected. The lack of enforcement is an inherent weakness in the Framework. If the perception of advocates is that one retailer is consistently failing to adhere to the principles, but that retailer continues to remain on the published list of participating retailers, then the AER is risking its reputation and credibility in standing up for these guiding principles.

### **Issue 7: Retailers not meeting Framework standards**

The AER has indicated it would consider removing a retailer from any published list if that retailer did not meet the principles of the Framework.

Whilst this might be an appropriate action, there remains the question of what metric would be applied to assess whether a retailer is satisfactorily meeting its obligations.

In addition, Kildonan is concerned that the AER may have insufficient powers to compel a retailer to remove reference to the Framework from any published material or websites should they be observed to consistently fail to apply the Framework principles.

### **Issue 8: Feedback from advocates on adoption of Framework**

Retailers will need adequate time to sufficiently embed the principles of the Framework in their everyday practices and responses to customers experiencing financial difficulties. As such, we would recommend convening a forum of consumer advocates, financial counsellors and retailer representatives at least 12 months post-launch. This would be designed to give retailers adequate time to adjust their processes and procedures in line with the Framework and for those working on behalf of customers to see any evolution in their practices.

Prior to any forums, the AER may wish to consider the use of online surveys or attendance at suitable forums with industry advocates to gauge the progress of retailers.

When assessing progress in the adoption of or compliance with the Framework, in Kildonan's opinion it is critical that the time frames under consideration are clearly specified to respondents so that retailers conduct is open to fair and reasonable scrutiny and reflection.

Thank you again for the opportunity to be involved with and comment on the Framework. My team is happy to discuss any aspect of our submission with your team further if required.

Yours sincerely,



Stella Avramopoulos  
Chief Executive Officer

