

4 March 2019



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

By email: AERConsumerandPolicy@aer.gov.au

Dear Ms. Proudfoot

RE: Draft AER Customer Hardship Policy Guideline (version 1)

Origin welcomes the opportunity to provide a response to the Australian Energy Regulator's (AER) Draft Customer Hardship Policy Guideline.

Origin strongly supports the establishment of a framework that enables customers who are experiencing hardship due to payment difficulty equitable access to assistance and support. The objective of the AER's Guideline is to address areas of concern identified in the AER's 2016 Hardship Review, including high levels of customer debt, higher overall disconnections, and lower numbers of customers successfully completing Hardship Programs.

However, we have concerns that a number of provisions, and the implementation of the Guidelines, will not result in the AER achieving its objectives. These are set out below.

Standard Statements are not specific

We believe Standard Statements 1 and 2 are not specific enough to ensure a consistent practical application by retailers. Standard Statements 1 and 2 refer to, among other things: 1) payment patterns showing 'late payments', and; 2) the customer having been disconnected for non-payment. These are broad statements that do not provide sufficient certainty around when such indicators should apply, which will in turn lead to inconsistency in their application across retailers.

The Standard Statements state that a customer who pays late should be considered for hardship assistance. In our experience, many customers routinely pay after the due date of their bill. While a payment is late if not made by the due date, this is not necessarily an indication of hardship. It is not uncommon for customers to simply choose to pay in full after they have received a reminder or disconnection notice. The requirement to contact the customer to advise of hardship options, proactively or otherwise, on the basis of a late payment is likely to result in over capture and will dilute the overall effectiveness of hardship provision. An alternative position could be to define late as a period of time after a payment has not been made by the due date. This would reduce the number of unnecessary contacts without limiting the assistance provided.

Additionally, the Standard Statements state that a customer who has been disconnected should be considered for hardship assistance. We agree that a customer who has experienced a disconnection in the immediate or reasonably recent past should be considered for hardship assistance. However, it is not clear in the drafting of the Statement how far back a retailer needs to consider a disconnection. This intent is not clear in the drafting of the Statement. The reason this is relevant is because we need to ensure the

consistent application of policies across all retailers (i.e. one retailer may consider disconnections in the last 6 months, and another in the last two years). Retailers could provide in their policies a timeframe to ensure that the disconnection event is recent enough for a hardship discussion to be useful.

Unreasonable re-entry conditions

The Draft Guideline states that a retailer must not impose unreasonable conditions on the customer being provided entry or re-entry to the Hardship Program. We agree that providing assistance should not attract unreasonable conditions.

The AER does not define 'unreasonable', however, provides a series of examples as to what it considers to be unreasonable conditions. Many of the examples provided by the AER as unreasonable conditions are items which the retailer is required to discuss with customers under the National Energy Retail Rules (NERR). For example, Clause 141 *Payment Difficulties and Hardship* sets out that the retailer should provide advice regarding financial counselling services. The Guideline states that a retailer must not require a visit to a financial counsellor being a condition of entry or re-entry to the Hardship Program. In such cases where a customer has multiple broken payment plans and is therefore no longer eligible for a payment plan, we do not consider it unreasonable to ask the customer to see a financial counsellor to work with the counsellor to understand what they can realistically afford. This should result in a payment plan that the customer is able to successfully maintain, which is consistent with the objective of the Hardship provisions.

For the avoidance of doubt, this does not mean that a visit to a financial counsellor is a condition of access to the Hardship Program; it is a condition of receiving a particular form of assistance under the Hardship Program. Where a customer consistently fails to meet their payment plan, this effectively means that the customer cannot succeed in completing the program. They may also not be automatically entitled to another plan irrespective of their hardship status. We do not consider it unreasonable to ask the customer to seek external advice, where this means that the customer then receives the best individual assistance in each specific circumstance. We are concerned that these discussions and subsequent recommendations may be interpreted as a retailer presenting options dependent on an unreasonable condition, when the retailer is simply attempting to meet the objective of providing successful hardship assistance.

Standard Statements published in Plain English

At the AERs final consultation workshop on 25 February 2019, the AER raised the possibility that a plain English version of the Standard Statements would be published. We consider that any changes to the Statements that could potentially have an impact on how the Statements are interpreted should be subject to a consultation process.

Transitional measures and Timeframes

Retailers have established Hardship Policies and supporting programs which include various forms of assistance currently accessed by customers. However, some of these forms of assistance and how they are delivered may not meet the expectations outlined in the AER's Guideline. This may result in either the customer no longer being able to retain access to the assistance, or alternately may result in the retailer being in breach of the new Guideline. To the extent that customers have accessed a form of assistance which is no longer supported under the AER's proposed new Hardship Guideline, it is important that how these customers are transitioned to the new Guideline is clearly understood.

One option is for retailers to provide an action plan to the AER describing how they will manage these customers. For example, it may be possible to migrate these customers when we have a pre-scheduled interaction with them, however, this interaction may not occur for several months. We are concerned that providing the established assistance to these customers will result in non-compliance even though the customer continues to receive assistance. An agreed transition plan would be a sensible and pragmatic approach to compliance, while ensuring positive customer outcomes.

In addition, the timeframes to implement the supporting procedures required to ensure compliance to the new Policy and the Guideline expectations are very short. We need to develop and make changes to our processes, design and roll out new training. We also expect that some of the resulting process changes will result in systems changes being required. For context, in the case of the Victorian Payment Difficulties Framework changes, the training of the thousand or so core agents to the new processes alone took a full 12 weeks. A short implementation timeframe for changes designed to protect the most vulnerable subset of customers is decidedly not in those customers interests.

Evaluating the success of the Guideline

The current reporting indicators provide an evaluation framework of the Guideline that is focused predominantly on customer debt. The current Rules govern hardship through a sequential process in the sense that it provides for checkpoints at which a customer is entitled to a particular item of assistance. Hardship assistance is generally considered the last measure where other forms of assistance are no longer available or have been exhausted. The metrics collected by the AER to assess the effectiveness of Hardship Policies include debt levels, program completion and disconnection rates. These indicators are not reflections of retailer effort to assist customers. This is a very narrow way of measuring success.

We believe that a Hardship Framework is successful when it results in a customer being able to pay their bills on time. This is best measured by metrics which capture a reduction in the gap between the cost of energy consumed and the customers capacity to repay. Debt figures alone do not show this. Inclusion of data regarding the number of customers who accessed relief grant schemes, reduce their annual bill totals or migrate onto shorter repayment timeframes (even if still considered to be within the Hardship Program) would provide for a more accurate assessment of the efficacy of hardship assistance. The AER should consider including such indicators as it results in a broader and more holistic view of long term customer outcomes.

Conclusion

Retailers provide assistance to customers experiencing varying degrees of difficulty for many different reasons. Hardship customers are a small subset of customers with greater specific needs. While Origin supports the establishment of a framework to provide consistent support to customers, an appropriate level of care for an individual customer is dependent on the customers own circumstances. Retailers can and do encourage positive customer outcomes by providing support. In this regard, we believe that the Guidelines should be revised to ensure it meets its objective of consistent hardship assistance across retailers.

If you have any questions regarding this submission, please contact Courtney Markham in the first instance at Courtney.Markham@originenergy.com.au.

Yours sincerely



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