



POWERSHOP.COM.AU

A better power company

11 April 2016

Simon Kidd
Assistant Director, Retail Markets Branch
Australian Energy Regulator
GPO Box 520, Melbourne 3001

Dear Simon,

Powershop Submission – Sustainable Payment Plans Framework

Please find below Powershop feedback and comment on the issues raised by the AER.

Issue 1 – We are interested in stakeholders’ views on the proposed principles-based approach and the specific principle and accompanying examples.

Powershop support a principle based approach toward customer engagement, payment plans and capacity to pay assessments.

Powershop would suggest that the AER consider an *Accountability* principle. This principle could encompass the requirements of both retailers and customers to be accountable to the commitments they have each made to a payment arrangement. Powershop believe that an accountability principle will drive retailers to honor their commitment to assist customers experiencing hardship or payment difficulties, as well as drive customers to adhere to what they have committed to retailers as part of their payment arrangement.

Powershop are of the position that customers who are experiencing payment difficulties or hardship should never be encouraged to switch retailers, unless there is a very obvious advantage in doing so. Powershop’s philosophy is that we own any issues associated with our customers and prefer to work with them in resolving them; whether short or long term.

Powershop agree that non-English speaking customers should be referred to interpreter services and/or specialist agencies equipped to deal with cultural and language barriers.

Issue 2 – We invite stakeholder feedback on the flow chart or any of the proposed good practice elements or actions discussed in the following sections.

Regarding the flowchart, Powershop believe that the second box where it is advised “*Specific questions about a customer’s income and expenses may be asked if the customer is comfortable discussing that type of information*”. Powershop believes that questions regarding a customer’s income are inappropriate and not relevant to their current energy debt situation. Rather



POWERSHOP.COM.AU

A better power company

Powershop believes that open ended questions regarding the customers' current situation are more appropriate. Conversations regarding income and/ or expenses can lead to prejudgment about the customers' affordability. It is more important that we focus on the circumstance and how we can support the customer.

Regarding section 3.3.1 and 3.3.2, whilst Powershop agrees with the open ended approach to questions about affordability, Powershop believes that in the event that a customer is not sure what amount they can commit to, it would be advantageous for retailers to provide a customer with a repayment amount based on the customers; current debt, payment history and predicted average seasonal consumption. This will provide a starting point for ensuing conversations around what is realistically affordable. It is important that retailers do not accept a response to what can you afford without a sanity check to see whether this is realistic. The mindset of the retailer should be to set the customer up for success. If customers are unsure they should be provided with time to reflect prior to confirming the arrangement.

Powershop would also find it beneficial if the stakeholders who participated in this consultation (consumer advocates and financial counsellors) provided a clearer stance in their position regarding the capacity to pay question. In the first paragraph of section 3.3.1 it is stated; *"Consumer stakeholders highlighted that retailers commencing a capacity to pay conversation with a closed statement such as 'Can you afford \$x per fortnight?' increases the risk a payment plan will be not be realistically affordable for a customer"*, which Powershop agrees with. But then in the sixth paragraph stakeholders note; *"Financial counsellors pointed out that payment plans based on customer-nominated amounts often ended with customers breaking the plans as they nominated amounts they thought their retailer would accept, resulting in them overcommitting"*, which is contradictory to the aforementioned paragraph. Powershop believe that it would be beneficial to customers and the industry if there was a clearer stance from those stakeholders speaking on behalf of customers in this situation, as we have detailed in the previous paragraph.

Regarding the second dot point of section 3.3.2, Powershop are of the opinion that retailers should always accept a customer's initial suggested repayment amount. This will help the customer get into the habit of paying and will provide retailers with an opportunity to re-asses the repayment amounts in the future with the customer. When accepting a customers suggested repayment amount, retailers must ensure that customers are made aware of what effect the repayment amount will have on their overall debt. For example, if a customer has nominated a repayment amount that will not cover the cost of consumption, retailers should make customers aware that the repayment amount nominated will see the customer's debt growing over time and not reducing.

Regarding section 3.3.3 Powershop strongly disagrees with the approach of some retailers that request their customers approach a financial counselor as a prerequisite to negotiating a payment plan. As previously mentioned, Powershop believe that retailers must own a problem that their



POWERSHOP.COM.AU

A better power company

customers experience and provide customers with all of the support necessary, whether it be long-term or short-term. Retailers who suggest a customer leave a company in this situation are effectively 'handballing' their responsibilities to another retailer. Further to this point, Powershop is of the position that the AER take measures to discourage this behavior by promoting and encouraging behavior that assists customers with meeting their payment arrangement and lowering their debt.

Wherever possible Powershop would prefer to negotiate payment arrangements directly with our customers. However, we recognize the important role financial counsellors play in providing assistance, particularly where customers feel uncomfortable discussing their situation with their electricity retailer and/ or their broader issues that need to be taken into consideration.

The challenge we have as an industry is the ongoing volatility of a customer's financial position and how to best manage these changes. As we know the financial counselling network is already under resourced, and the back on forward on a regular basis may not be to the best advantage to the customer.

Without having an immediate solution to this issue, we think this is something that is worthy of further discussion.

Powershop agrees with the *temporary payment arrangement* position.

Powershop agrees with the different levels set out in 3.3.4. In particular Powershop supports the position the AER have taken in Option A with shortening the timeframes to alleviate the risk of a customer debt increasing over a longer period.

With regards to section 3.3.5 increasing payment plan amounts, Powershop strongly supports the position that; "*repayment amounts should not be increased for hardship customers without first having a conversation with the customer*", Powershop believe this should be expanded to include those customers who are also on a payment arrangement. The reason is that those customers who are on a payment arrangement and not classified as hardship may be pushed into a hardship situation where a retailer increases a repayment amount without prior consultation with the customer. Notwithstanding the outcome of this review, Powershop policy will be to ensure all customers are contacted before any amendments is made to their installment amounts.

Powershop strongly disagrees with position the 'larger retailers' have taken, as stated in the last two paragraphs of section 3.3.5. Powershop believes that the stance of larger retailers whereby due to "*the large number of customers on payment plans outside hardship programs made it impractical to contact all these individuals by phone*", Powershop acknowledges the challenges retailers with large customer numbers may have in this regard. As an alternative, but not the optimal solution, consideration could be given to requiring contact is made where the installment amount varies by



POWERSHOP.COM.AU

A better power company

an agreed percentage. Hopefully this will help strike a balance between cost to serve and customer experience. Notwithstanding the outcome of this review, Powershop policy will be to ensure all customers are contacted before any amendments is made to their installment amounts.

Regarding the last paragraph on 3.3.5; *“In light of this feedback we amended the Draft Framework to further clarify good practice actions for retailers when communicating with customers about increasing repayment amounts. This includes highlighting that they should speak to customers before increasing repayments if the customer is receiving assistance under their hardship program or if the increase is significant”*. The use of words like significant are subjective, and can be interpreted in many ways. It is our recommendation that this is rephrased in such a way that it gives clarity to the reader of this document how change will be managed. To this point agreement on a percentage variation, as mentioned previously, would be a more appropriate solution. Our concern is customers in this segment maybe compromised if amendments are made to their installments, which the retailer deems is not significant but in the customers eyes it is.

Regarding 3.3.6, whilst Powershop agrees with the position that retailers should give customers some leeway to arrange payment, Powershop are also concerned that having a timeframe of three business days before follow-up may have detrimental effect on certain customers. For example, a customer on a weekly payment arrangement may be put in the difficult position of falling behind in their payment arrangement, therefore increasing overall debt. Powershop are of the position that a number of days should not be specified, and each customer should be treated on a case-by-case basis.

Regarding 3.3.7, Powershop agree that inactive customers should be afforded the same repayment opportunities before their debt is referred to a collection agency. Powershop should also be afforded the right to expedite this process if the customer is not engaging with the retailer.

Issue 3 – We are interested in stakeholders’ feedback on whether this approach is appropriate and whether there are practical problems in applying the Frameworks principles to this group.

Powershop agree that contracts between retailers and collections agencies should have the principles of this framework reflected in collection agencies processes. Powershop is also of the position that it is the retailers’ obligation to ensure collection agencies are operating within their contractual requirements.

Issue 4 – We welcome stakeholder feedback on this issue.

With regards to 3.3.8, Powershop agree with the position that small business customers should be afforded the benefit of the Frameworks principles. But believe that small business customers sit outside the scope of this framework due to the legal status of the entity and the possible legal risks

associated with negotiating payment arrangements. Businesses should not be afforded hardship.

Issue 5 – 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?

Powershop is committed to ensuring all of our customers are treated with respect no matter what their financial circumstance. To this extent we strongly support the AER in the development of this framework but are not seeking to have any special recognition made. This framework is about doing the right thing, so why should it be recognized.

Issue 6 – 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.

Powershop agree with the AER’s position that it will be the responsibility of the retailer to implement and manage their processes in-line with the framework’s standards and principles. As this is a framework it should not be subject to measurement. The measure on the retailers who choose not to adopt this framework will be reflected in higher churn rates – bad news travels fast.

Issue 7 – We welcome stakeholders’ views on this approach.

Powershop agree with the position that if the AER receive feedback from stakeholders regarding a retailer allegedly not meeting the standards, that the AER would consult with the retailer. Powershop would also encourage the AER to remind stakeholders that the scheme is voluntary and that actual cases are provided to the retailer so that retailers have the opportunity to look into an issue and help aggrieved customers, rather than dealing with consumer advocates on a broad scale. Powershop would also like to reinforce the fact; with both stakeholders and the AER that isolated cases do not necessarily mean that an issue is systemic to an organization’s processes. Retailers should be afforded the right to review procedures before a determination is made as to whether an issue is systemic.

Issue 8 – We are interested in stakeholders’ views about this approach, and whether it would provide useful information about the impact of the Framework.

Powershop would encourage the AER to utilize existing data provided as part of quarterly performance reports to conduct their analysis.

Issue 9 – We are interested to understand from retailers whether they are willing to adopt the Framework and if June is an appropriate timeframe.

This framework reflects Powershop’s processes and as such there is no implementation to be considered.



POWERSHOP.COM.AU
A better power company

Powershop thanks the AER for the opportunity to participate in this process and look forward to the framework being adopted by as many retailers as possible. Please do not hesitate to contact me if you have any further questions.

Yours sincerely

Scott Begg
Powershop, Head of Retail Operations.