



4 March 2019

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

via email: AERConsumerandPolicy@aer.gov.au

Dear General Manager,

RE: Draft Hardship Guideline submission

We are writing in response to the Australian Energy Regulator's Draft Hardship Guideline. We recognise that the development of this Guideline is an important step towards improving the way in which energy retailers respond to and support customers who are struggling to pay their bills.

Energy is an essential service, and everyone in our community should be able to afford the energy they need in order to live with dignity. Providing timely and appropriate support is critical to ensuring people do not accumulate unreasonable levels of debt and can remain connected to their energy supply. Our response focuses on strengthening the Guideline so it can better achieve its goal of better protecting vulnerable energy customers.

Below we provide comments on a number of issues addressed in the draft Guideline. Our comments have been informed by feedback from staff and members of the St Vincent de Paul Society NSW who work directly with people experiencing poverty and other forms of disadvantage, and who frequently liaise with energy retailers on behalf of the people we serve.

Retailers over-arching responsibilities (Section 2.1)

Ideally, all energy customers should be aware that if they are experiencing difficulty paying their bills, they may be eligible for support. Retailers have an important role to play in achieving this level of awareness.

The draft Guideline states that energy retailers should: "in a timely manner when it is relevant to do so... give a customer clear information about the assistance available to the customer under the retailer's customer hardship policy".

This statement could be interpreted in a number of ways, particularly in relation to the relevance of the the circumstances in which information should be provided. We consider clearer direction is needed to ensure retailers take advantage of multiple opportunities to inform *all* customers about hardship support including via their websites and the inclusion of information in bills.

Steps used to identify customers experiencing payment difficulties due to hardship (Section 2.2)

We believe energy retailers should establish a clear and objective measure that triggers a conversation about the hardship support available to a customer. As evidenced in the AER's annual reports on the performance of the retail energy market, the levels of debt energy customers are currently accumulating, and the unacceptably high number of households disconnected each year,

suggest current efforts to identify customers early are inadequate. Not only are debt levels high, but the average debt at time of entry to a hardship program is *increasing*.¹

The draft guidelines require retailers to “set out the steps... [they] will use to identify early the customers experiencing payment difficulties due to hardship”. This is unlikely to result in significant improvements to current practice, and we therefore encourage the AER to strengthen this section of the Guideline.

In our earlier submission to this process, we suggested the AER adopt a similar approach to the Victorian Payment Difficulty Framework, whereby retailers are required to engage with any residential customer who has not paid a bill by its pay by date and who has arrears of more than \$55.² The draft Guideline acknowledges that a number of stakeholders indicated interest in this approach and allows for the possibility of a review 12 months following publication. Given early indications that the Victorian approach is helping to lower the debt levels of customers seeking assistance, we do not think a wait period is necessary. If the published version of the Guideline does not include a debt trigger, we ask that the AER make a *firm* commitment to a review process in 12 months’ time.

Training (Section 2.3)

If a customer experiencing difficulty paying their energy bill reaches out to their energy retailer, they should be treated with respect from their first point of contact with that retailer. Our members and staff report that while the majority of interactions with staff in dedicated hardship teams are respectful and productive, this is not reliably the case, nor are hardship staff always the first person with whom a vulnerable consumer may have contact.

The draft Guideline states that retailers must: “confirm that the retailer’s staff have undergone training to understand hardship issues to: (i) answer customer queries about the retailer’s customer hardship policy and its hardship program, and (ii) identify customers experiencing payment difficulties due to hardship, and (iii) assist customers experiencing payment difficulties due to hardship”.

The Guideline should clarify this statement, requiring all retailers to put in place training and other mechanisms to ensure all customer-facing staff (including contractors) are respectful of customers seeking assistance and make appropriate referrals to hardship staff who have the skills and training required to respond.

Information about a retailer’s hardship program (Section 2.4)

The draft guidelines state: “A retailer’s hardship policy must not include unreasonable conditions that exclude a customer experiencing payment difficulties due to hardship from entry or re-entry to a retailer’s hardship program”.

We strongly support this clause. Reports from our members and staff suggest it is not uncommon for people experiencing payment difficulties to be denied access to hardship programs. For example, we received several reports that one retailer does not currently allow customers to access their hardship program while they have any money owing. This approach clearly runs contrary to the purpose of hardship programs.

Ensuring there are no barriers to re-entry into a hardship program is equally important. People who are struggling to pay their bills are often experiencing multiple and complex forms of disadvantage, and on some occasions this means they default on their hardship obligations. Excluding such people from trying again would exclude many of the people who are most in need of support.

In addition to a principled argument for ensuring no unreasonable barriers to re-entry, there is the practical argument that these barriers currently exclude people who may have been unfairly treated by an energy retailer in the past. For example, we received several reports of customers who have had their payment plans changed with little or no consultation, or who have been pressured to

¹ Australian Energy Regulator (2018) Annual report on compliance and performance of the retail energy market 2017-18.

² Essential Services Commission (2017) Payment Difficulty Framework

agree to unmanageable payment plans, and who as a result have failed to complete a hardship program.

Payment plans and options (Section 2.5)

When a customer is put on an unmanageable payment plan this can exacerbate an already stressful situation as well as making it less likely that a customer will successfully complete a hardship program. Reports from our members and clients suggest this situation is not unusual. For this reason, we think retailers should be required to incorporate the AER's Sustainable Payment Plans Framework in their hardship policies.

If you would like any further information in relation to this submission, please contact Rhiannon Cook, Manager, Policy and Advocacy, via email at Rhiannon.Cook@vinnies.org.au or by phone (02) 9568 0262. Thank you again for this opportunity to provide comment.

Yours sincerely

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

Kate Temby
Executive Director, Executive Secretariat