



11 January 2018

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

via email: AERConsumerandPolicy@aer.gov.au

Dear General Manager,

Re: *Hardship Guideline issues paper*

We appreciate the opportunity to provide input into the development of a Hardship Guideline for energy retailers, and write in response to the Australian Energy Regulator's paper on the issues currently being considered.

Each day members of the St Vincent de Paul Society NSW visit hundreds of families across NSW who need assistance. Difficulties paying energy bills is one of the most common reasons people reach out for support, and in 2017/18 we distributed over \$6 million worth of assistance. Our members and staff regularly engage with energy retailers on behalf of people who are struggling to pay their bills. We are therefore well-placed to provide insights into current hardship practices and offer advice on the ways in which these might be improved. However, given the timeframe for this review, over the Christmas period, the information we have been able to collect from our members and staff is limited. We hope that future processes will be conducted within a timeframe that allows for more meaningful consultation.

In response to the four key consultation issues, we offer the following responses:

1. How should the Guideline best ensure that consumers are effectively informed about their rights?

Many of the people the St Vincent de Paul Society assists do not have access to the internet. While the issues paper suggests that retailers will need to include in their hardship policy how they will effectively communicate their hardship policy to customers without internet access (pg 13), we consider there is a need for more specific guidance. The Guideline should ensure retailers:

- (a) proactively inform customers who do not have internet access about the assistance that may be available to them (for example by including a brief statement and telephone contact on the bill);
- (b) can readily provide more detailed information about their hardship policy in accessible formats.

2. How should the Guideline support consistent application of the Retail Law minimum standards?

Responding early to customers experiencing payment difficulties is critical to maximising the effectiveness of support provided. Feedback from our members suggest that inadequate early intervention is one of the most significant weaknesses in retailers' current hardship practices. The level of debt accumulated by energy consumers and the unacceptably high number of households disconnected each year are further evidence that hardship programs are not adequately protecting customers experiencing difficulty paying their bills.¹

The Retail Law requires that retailers identify and respond early to residential customers experiencing payment difficulties *due to hardship*. This requires a subjective assessment of whether or not payment difficulties are due to hardship or due to some other reason. We do not think this is a useful distinction. A clear and consistent definition of hardship is needed to support retailers to take a proactive approach to engaging with customers who may need assistance. The Guideline should therefore contain an objective measure that would trigger an assessment of a customer's eligibility for a hardship program.

For example, a proactive intervention by could be triggered when the customer fails to pay the full amount on their account in order to question whether payment assistance measures might be initiated and available.

This would be similar to the approach the Victorian Payment Difficulty Framework takes, 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

3. How should the Guideline support consumers most in need of hardship assistance to receive it?

We strongly support the AER's proposal that the Guideline ensures hardship policies do not include conditions of entry or re-entry to a hardship program. Our members report that one large retailer in particular prevents customers re-entering its hardship program if they have previously been removed due to irregular payments. This approach is not sympathetic to the experience of hardship and runs counter to the view that all customers are entitled to assistance.

4. How should the Guideline facilitate more customers completing hardship programs successfully?

We welcome the AER's proposal that retailers be required to actively support customers to complete hardship programs including by considering whether debt waivers or payment matching are appropriate.

Some energy customers, especially those on very low incomes such as Newstart, simply cannot afford the cost of the energy they need to live. Our members report that many retailers are helpful and understanding towards customers who make regular payments, and support these customers to reduce their debt by offering incentive payments and/or debt waivers. This practice is not consistent across all retailers, however, and there is significant variation in the level of support provided.

We also note that some retailers regularly review a customer's situation and consider his or her capacity to increase payments. While regular reviews are encouraged, the Guideline should ensure customers do not experience undue pressure to increase payments beyond their capacity to pay at this time.

¹ AER (2018) Annual Report on Compliance and Performance of the Retail Energy Market 2017-18

² Essential Services Commission (2017) Payment Difficulty Framework

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