



**Submission in response to discussion paper:
Guidance on AER approval of customer hardship policies
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About Care Inc

Care Inc Financial Counselling Service (Care Inc) has been the main provider of financial counselling and related services to low to moderate income and vulnerable consumers in the ACT, since 1983. Care's core service activities include the provision of information, counselling and advocacy to low income and vulnerable consumers experiencing problems with credit and debt. Care also has a Community Development, Education and Research program, makes policy and law reform comment on issues of importance to its client group and has operated the ACT's only No Interest Loans Scheme since 1997.

In late 2002, Care was selected as the host agency for the Consumer Law Centre of the ACT. The CLC was officially opened in January 2003 and offers a range of legal services including representation and litigation in relation to consumer law issues. The service employs a full-time practicing solicitor.

Across Care's service delivery programs, the agency responds to over 2000 new requests for assistance every year.

Overview of Care's submission

Care welcomes the opportunity to provide input into the Australian Energy Regulator's (AER) draft guidance on approval of customer hardship policies. Care believes that all energy retailers should have in place accessible and clear hardship policies that effectively target customers who are experiencing energy hardship. Utility stress is common amongst Care's core client group and is one of the major reasons that people make contact with our service. We are pleased that the Australian Energy Regulator (AER) will be providing guidance to assist energy retailers in the development and review of their hardship policies and overall we support the guidance information provided in the document.

We note that these guidelines relate to the minimum requirements of a hardship policy to ensure it meets the National Energy Customer Framework as set out in the National Energy Retail Law (Retail Law). We believe any guidance should support best practice and encourage energy retailers to provide hardship policies that represent the highest standard of service delivery and customer focus.

Below we have provided some more specific comments in relation to Section 3 of the paper on hardship policy minimum requirements.

3.1 Identify customer's experiencing payment difficulties

Care supports the points outlined by the AER.

The Retail Law requires retailers to have processes in place to identify customer's customers experiencing payment difficulties due to hardship including self-identification by the residential customer. It is essential that customers feel invited and able to make contact with the hardship team of their retail provider. The hardship policy could, for example, be promoted on the customer's bill and on the website of the retailer. Some customers may feel uncomfortable to be in a position where they are not able to meet their ongoing energy bills and may also be experiencing other stressors in their life. It is therefore important they are encouraged to make contact and if they do that they are greeted and treated appropriately and respectfully.

In relation to customers with a prepayment meter (PPM) more clarity may need to be provided around the issue of customers 'regularly self disconnecting'. Self disconnection is nearly always a sign of financial difficulty and it is important that a retailer's management system is able to identify, and respond to, 'at risk' customers early on. Customers with a disconnected PPM are providing the energy retailer with an early warning signal. Customers using a PPM tend to be amongst the most disadvantaged in the community and should therefore be responded to straight away.

3.2 Processes for early response by the retailer

To ensure that retailers have effective mechanisms for identifying customers experiencing hardship and providing an early response to the hardship, there would need to be a strong commitment to staff training. This includes appropriate training for the hardship team as well as call centre staff, to ensure customers who would benefit from the program are referred in the first instance to the hardship team, rather than the collections department.

Many of the customers experiencing payment difficulties due to hardship will be vulnerable and disadvantaged consumers who are largely on low to moderate incomes. Many will also have complex financial situations. Retail providers should demonstrate a commitment to training that will include skills to ensure an empathic and non judgmental response from staff and appropriate referrals where necessary.

3.3 Flexible payment options

Offering a range of payment options is important. Equally important is allowing the customer to choose the option that will best meet their particular needs and circumstances. Centrepay for example is a convenient option for many people in receipt of a Centrelink income. However it may not suit all customers to take up this option and it should therefore not be made compulsory.

Energy retailers should also be required to:

- Provide information to the customer on the benefits as well as disadvantages of any payment option offered. Direct debits for example will attract a fee if there are insufficient funds in the account to cover the debit amount. Any staff training should include detailed information on the options available to customers in the hardship program.
- Outline arrangements for customer's whose circumstances change and who therefore wish to modify their existing repayment arrangement.
- Have in place options for customers in special circumstances, particularly those who are not able to afford payments that will cover their ongoing usage

3.4 Government concession programs and financial counselling services

Ensuring that customers are receiving every available concession and providing information on how to access these concessions is essential and we support the addition of this as a minimum requirement to be included in a hardship policy.

Referral to appropriate services providing other support or assistance is also extremely important. Hardship teams should check the eligibility criteria of, and services provided by, an organisation they refer to in order to ensure it meets the needs of the client. The policy should also provide information on how the retailer intends to comply with any privacy legislation in relation to customer information.

Whilst financial counselling services may be able to offer information and support to customers who are experiencing financial hardship, referral to or attendance at a financial counselling agency (or other support program) should not be a condition of entry into or continuation in a hardship program.

3.5 Programs used to assist hardship customers

In addition to the comments made in the draft guidance, a hardship policy should also:

- Provide details or timeframes in relation to the circumstances under which a customer would be removed or excluded from the hardship policy. For example will written warnings be provided? How many warnings will be provided in relation to missed payments before a customer is excluded? What other forms of communication will be used to make contact?
- Provide information to customers on appeal mechanisms if they are removed or excluded from the hardship program. This issue is discussed more under point 3.9

3.6 Processes to review market retail contracts

We support the guidance provided by the AER in relation to reviewing the appropriateness of a hardship customer's market retail contract. This issue is outside of our area of expertise so we will not be providing any additional comments

3.7 Strategies to improve energy efficiency

Care is generally supportive of any efforts to reduce energy usage by addressing strategies to improve energy efficiency. However for customers on very low incomes, existing energy efficiency programs may have limited value. This is largely because the customer is unable to afford the cost of installing an energy efficient system or appliance. Additionally there are often restrictions on what customers in rental accommodation, including private, public or community housing, can do to improve the energy efficiency of their property.

To be effective, any programs or processes to assist customers to improve their energy efficiency must be available, affordable and accessible. If a customer does become involved in a specific energy efficient program they should still be able to access and remain in the hardship program until they are no longer in financial difficulty. Many current energy efficient programs may not provide enough assistance to prevent or alleviate energy hardship so should not become an alternative to accessing the hardship program.

3.8 Any variations specified by the AER

Care is pleased that the AER has the capacity to review an energy retailer's customer hardship policy where they are not satisfied that it meets the minimum requirements. In particular we believe a policy needs to reflect a genuine intent to assist customers who are in hardship. To this end including information on accessing the program, the availability of flexible arrangements, staff training and access to complaints/appeals mechanisms should form part of the minimum requirements.

3.9 Other hardship obligations

Care agrees that any hardship policy should contribute to the achievement of the Purpose. The purpose of the policy should therefore be clear and transparent.

In addition to the minimum requirements set out by the AER in the draft guidance, Care believes the following should be included in an energy retailer's hardship policy:

- As noted in point 3.2 above, a commitment to staff training on issues relating to financial hardship. Training should cover issues such as respectful communication and appropriate referral protocols as well as the technical aspects of the hardship policy.

- Information about any internal dispute resolution processes that are available to the customer and how to access these. Information in relation to external dispute resolution schemes such as ACAT–EW in the ACT or EWON in NSW should also be provided in the hardship policy.
- A commitment to provide, in writing, a copy of the responsibilities and obligations of both the energy retailer and the hardship customer.
- The circumstances under which the energy retailer is able to waive all or any part of a customer’s outstanding bill.
- The impact of bankruptcy on a customer’s account and an assurance that a security deposit will not be required from a customer who has entered bankruptcy.