



General Manager
Markets Branch
Australian Energy Regulator
AERInquiry@ aer.gov.au

25 February 2011

Dear Madam / Sir,

The Tasmanian Council of Social Service welcomes the opportunity to comment on the AER's draft *Guidance on AER approval of customer hardship policies*.

In general we consider that the document provides an appropriate and comprehensive guide to retailers. We especially welcome the dual requirements of retailer hardship policies to meet both the minimum requirements detailed in the Law and the Purpose, that is, 'to assist customers to better manage their energy bills on an ongoing basis'.

However, we would like to recommend several additions to the *Guidelines* that we believe would improve the efficacy of retailer hardship policies and contribute to their better meeting their purpose.

Firstly, in relation to 3.1 'Processes to identify customers experiencing payment difficulties', an additional factor that the AER could consider when assessing those processes is the provision by the retailer of staff training in this area. We believe that targeted training of customer service staff in understanding hardship issues would greatly assist those staff to identify customers experiencing hardship and to encourage customers in hardship to self identify. Furthermore, appropriate staff training could also demonstrate a retailer's commitment to deal with customers experiencing payment difficulties 'empathetically, respectfully and fairly' (draft AER Guidance paper, p 7).

Secondly, also in relation to 3.1 but concerning those retailers offering prepayment meter (PPM) contracts, we recommend that the AER in particular consider processes provided for customers experiencing financial difficulties to self identify.

Given the nature of prepayment meters as they operate in Tasmania, customers have no contact with the retailer once a PPM is installed – that is, there are no accounts or other information sent to PPM customers and therefore there is no avenue for direct communication. Currently, changes to tariffs and/or terms and conditions are advertised in the three daily newspapers in Tasmania and, on occasion, printed information is made available at point of sale agencies (where PPM cards are re-charged with credit). In the case of the latter, the information is not always obvious or easily accessible since it is usually displayed among advertising and items for sale in retail outlets.

TasCOSS believes that retailers must therefore clearly and directly communicate to PPM customers the processes available to them to report – in writing or by telephone – financial difficulties they may be experiencing, as well as for the retailer to provide details of the retailer’s hardship policy.

Thirdly, regarding the establishment and implementation of payment plans under 3.3 ‘Flexible payment options’, TasCOSS recommends that the AER also considers a retailer’s willingness to revise or amend a payment plan that proves difficult or impossible for a customer to maintain. There may be situations where customers seek to revise an agreed payment plan due to a change in their financial circumstances. In such circumstances customers should not be penalised by having a payment plan cancelled and then, possibly revised. We believe that this additional consideration is in line with the purpose of hardship policies, as stated above and in the Law.

A related issue is the process of assessing and establishing a customer’s capacity to meet regular payments on a payment plan which is critical to the success or otherwise of each plan. For payment plans to be effective in assisting customers to manage their energy bills, they must be made in collaboration with each individual customer and with consideration of each customer’s capacity to pay. They must be made through a process of negotiation that recognises both the possibility that customers may be distressed – and vulnerable – as a result of their financial difficulties and the asymmetry of power inherent in the retailer-customer relationship. We therefore recommend that the AER also considers a retailer’s commitment to establishing payment plans *through negotiation* with individual customers.

We hope that our comments are helpful in the further development of guidance to retailers in seeking approval of their hardship policies. If you require any further information on the recommendations made here, please let us know.

Yours sincerely



Kath McLean
Policy & Research Officer

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