

VCOSS SUBMISSION TO
Draft Guidance on
AER Approval of
Customer
Hardship Policies
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VCOSS response to *Draft Guidance on AER Approval of Customer Hardship Policies*

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The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, with members ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

VCOSS has engaged in energy policy debates and consultative processes for many years as an advocate for disadvantaged and vulnerable (including low income) households. In particular we have been significantly involved as a key stakeholder in the evolution of the Victorian customer protection framework over the last decade. We appreciate the opportunity to be similarly engaged with the evolving national framework.

Minimum requirements

VCOSS considers that the guidance pertaining to the hardship policy minimum requirements is generally sufficient, with the exception of a few omissions discussed below. However the declaration that the AER *may* consider the listed factors is too weak. If hardship policies are to be comprehensive, all of the factors listed *must* be addressed in one way or another. Thus VCOSS recommends changing the text to read "some factors the AER *will* [or *must*] consider include..." in sections 3.1 through 3.9.

Energy efficiency

The experience of Victorian consumers demonstrates that for some people, excessive consumption – due to poor housing quality, insufficient knowledge of how to moderate energy usage, or deteriorated or simply very old appliances – is a factor in affordability problems. Thus, with regard to **strategies to improve energy efficiency**, we believe the AER must also consider how policies address provision of free energy audits and assisted or subsidised replacement of inefficient essential appliances where excessive consumption is a factor in hardship.

Hardship programs

Since admission to a retailer's specialist hardship program is of material benefit to customers, transparency of all related processes is critical. Thus, with regard to **programs that the retailer may use to assist hardship customers**, we believe that in addition to considering customer obligations and circumstances under which customers may be removed or excluded from programs, the AER must also consider how policies spell out and communicate the process whereby customers are admitted (or deemed eligible to be admitted) to programs, and the manner in which customers can lodge complaints or appeals related to their participation in or exclusion from programs.

Additionally, hardship policies should include detail on how customers will be eased off a specialist hardship program back onto a conventional billing and collection cycle, to ensure that hardship policies have a more developmental and enabling role; this is a key element of fulfilling the Purpose of helping customers better manage their energy bills on an ongoing basis.

Training

Dealing sensitively with people experiencing financial hardship is critical to successful outcomes. Focus group research undertaken by VCOSS in 2006 indicated that customers in hardship were much more likely to both maintain engagement with energy retailers and adhere to payment plans and other agreements if they felt understood and respected by the staff they interacted with. Accordingly we recommend that another factor considered by the AER when assessing hardship policies be whether the policy describes what training will be offered to which staff in dealing with customers experiencing hardship. Importantly, because the customer's first point of contact with the retailer is via the call centre, it is imperative that call centre staff are a key target group for such training – in addition to those involved in accounts, credit management, and the administration and delivery of any specialist financial hardship programs.

Approval of hardship policies

The Retail Law states that the AER *must* approve a retailer's hardship policy if it is satisfied that the policy contains the minimum requirements stipulated. This is substantively different to the equivalent sections of the Victorian Electricity and Gas Industry Acts, which state rather that the regulator *must not* approve hardship policies that *do not* include the minimum requirements. The Victorian approach gives the regulator the capacity to refuse 'lowest common denominator' hardship policies that seek merely to 'tick a box', and encourages best practice – in line with its stated objective "*to promote best practice in electricity service delivery to facilitate continuity of electricity supply to domestic customers experiencing financial hardship*".

A 'best practice' approach to hardship policies provides an incentive for energy retailers to go beyond the minimum standards and truly innovate. It encourages them to learn from the experiences of retailers in jurisdictions that already have a requirement for hardship policies, and engenders a culture of continuous improvement whereby policies are further developed and improved over time. It creates an environment where hardship programs are more likely and more able to be responsive and flexible to individual circumstances – an approach that our research and the reports of financial counsellors, emergency relief workers and others working directly with families in hardship indicates is most effective in fully maintaining customer engagement and achieving sustainable outcomes.

VCOSS understands that amending the Retail Law is a separate process. However we urge the AER to incorporate into the *Guidance on AER Approval of Customer Hardship Policies* a declaration that in assessing whether or not a hardship policy "will, or is likely to, contribute to the achievement of the Purpose", the AER will consider industry best practice.

Contact details

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