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EnergyAustralia®

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General Manager
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By E-Mail: AERInquiry@aer.gov.au

Re: Developing National Hardship Indicators

EnergyAustralia thanks the Australian Energy Regulator (AER) for the opportunity to comment on this Issues Paper.

We appreciate that this consultation constitutes the AER's first effort at seeking stakeholder views on this subject, and that the development of these indicators is very much at the preliminary stages as part of a broader consultation process. We commend the AER on this consultative approach.

We would firstly like to note the context for this AER consultation, before summarising the main thrust of our comments in the attached submission.

Context of the AER consultation

Division 2 of the second exposure draft of the National Energy Retail Law proposes to establish a performance monitoring regime by the AER of "regulated entities", including energy retailers. Among other things, that regime would include powers to obtain information and data from retailers about performance against "national hardship indicators", powers to audit that performance, and obligations to publish an annual retail market performance report that includes "a report of retailers by reference to the national hardship indicators". The national hardship indicators will form part of the "Performance Reporting Procedures and Guidelines".

Section 1216 of Division 2 would also specifically empower the AER to determine and publish national hardship indicators in accordance with the proposed National Energy Retail Rules. Section 306 of the proposed Rules would then empower the AER to determine national hardship indicators that "must cover the following: entry into hardship programs; participation in hardship programs; and assistance available to and assistance provided to customers under customer hardship policies".

It is therefore clear that retailers will become subject to a national "performance" monitoring framework in the hardship area with a requirement to submit certain indicators.

Summary of EnergyAustralia's main comments

EnergyAustralia is committed to assisting vulnerable customers who do not have the capacity to pay their bills. We are very proud of the hardship prevention and assistance policies and programs that we operate. We elaborate more on those policies and programs in this submission. We are, nevertheless, disappointed that it does appear inevitable that the AER will be bound to implement the kind of hardship indicator and performance reporting regime just outlined.

The causes and possible responses to hardship are many. It is inevitable that a "performance" reporting framework like the one proposed will focus attention on retailers' alleged performance, while overlooking the vital part that other participants play or should play (eg. governments, customers themselves).

The indicators currently proposed are in many cases not a true measure of "performance" and could be interpreted in different, often contradictory ways. As a result, there is a high likelihood of misplaced public reports and perceptions of "performance", regardless of whether the statistics are analysed and interpreted alongside other non-hardship performance indicators.

There is potential for ill-conceived hardship indicators to stifle innovative retailer hardship responses and promote less favourable customer experiences and outcomes.

If there must be indicators, they need to have clear and precise definitions to eliminate ambiguity and avoid "apple and orange" comparisons within the sector.

To implement and report any new indicators, significant resource time and costs would be incurred by retailers. They would also further complicate the already excessively regulated reporting requirements retailers have to deal with across the jurisdictions, many of which the AER is probably not currently aware of. We remain to be convinced that the arrival of the national framework will necessarily see all those jurisdictional reporting requirements disappear.

If there are to be new hardship indicators, retailers will need reasonable timeframes to analyse, scope out, develop and implement them. Existing business priorities will need to be understood and catered for.

We propose that before imposing a set of detailed indicators, the AER should conduct a review to establish what constitutes "best practice" hardship customer management within the sector. That review should then inform the development of any subsequent, more detailed indicators, as well as address the issue of retailer development costs and whether/how those costs are to be reimbursed. Until that review is conducted, we suggest that the AER should limit the hardship indicator set as far as possible.

If you have any queries about this submission, please contact Mal Jones on (02) 9269 2575.

Yours sincerely,

Nicholas Convery
Executive Manager Retail Regulation

BACKGROUND

About EnergyAustralia

EnergyAustralia has been operating in the Australian energy market in various organisational forms for more than 100 years. Since 1996 we have been a state-owned corporation, whose shareholder is the New South Wales Government.

EnergyAustralia operates an electricity network across 22,275 square kilometres, distributing electricity to 1.6 million network customers in the Sydney, Central Coast and Hunter regions of NSW.

We also operate an electricity and gas retail business, serving over 1 million residential and business retail customers in NSW, Victoria, Queensland and the ACT.

Our approach to hardship assistance

As a provider of an essential service, EnergyAustralia takes very seriously its responsibilities to help customers who are experiencing payment difficulties.

As part of our proactive approach to the prevention of hardship, our National Hardship Program focuses on strategies for prevention, education and early intervention.

Our aim is to provide assistance options that help customers to improve their capacity to manage their energy use and payments more effectively.

Our National Prevention Program builds on our existing initiatives within the areas of energy efficiency, sustainability, and demand management and education. We focus on improving energy literacy and helping customers decrease their energy consumption.

Our approach also aims proactively to remove barriers that currently exist for specific vulnerable target groups of customers so that they can understand, synthesise and act upon the information and initiatives that EnergyAustralia provides, including:

- information and uptake of improved payment options;
- information about available government energy concession schemes;
- information about our EnergyAssist case management hardship assistance program;
- energy efficiency information;
- access to programs, special offers, energy efficiency appliances, or devices, etc;
- access to comprehensive energy audits to facilitate decreased energy consumption; and
- educational programs to reduce consumption, improve energy efficiency and reduce costs.

This approach utilises new and existing resources to target timely assistance measures to align with customers' levels of need.

DETAILED COMMENTS ON AER ISSUES PAPER

5. Purpose and objective of the National Hardship Indicators

Q1: What are stakeholders' views on the appropriateness of the purpose and aims of the National Hardship Indicators as set out above? What else, if anything, should the indicators seek to achieve?

It is imperative that the definition of effectiveness is clearly outlined as the current indicators as outlined are highly subjective and open to a range of interpretations.

Retailers offer a range of assistance options and programs to assist customers experiencing hardship. The focus of these programs and the methods used to assist customers vary widely. Some programs focus on prevention and early intervention. Other programs focus on reduction of debt and payment matching schemes; and still others have an educational focus. EnergyAustralia effectively has two hardship programs - a hardship prevention program and a hardship assistance program.

Owing to the wide variety of programs delivered and the lack of national benchmarking or evidence-based research across programs on a national scale, it is difficult to compare the results and efficacy of retailer hardship programs.

In terms of the proposed indicators (as defined in the issues paper), it is of significant concern that most indicators could be interpreted as either positive or negative, depending on the context. The provision of a detailed context would be essential in order to make any valid objective assessment. Yet, that would then impose a significant time and resource burden on retailers to provide such detailed contextual information, and particularly if it were required on a quarterly basis, and on a jurisdiction by jurisdiction basis.

Arguably, some of the indicators as outlined would be useful in providing data to formulate future programs. However, such data, although useful, could not legitimately be used to form the basis of any judgement about the effectiveness of programs owing to the current ambiguity and subjectivity of these indicators. It would, therefore, be preferred that indicators or data be limited to clearly defined program outputs and outcomes until a clearer more robust set of indicators is developed, perhaps following a review undertaken by the AER into best practice hardship customer approaches.

It may be useful to separate data into:

- clearly defined and desired **outputs**
- clearly defined and desired **client outcomes**

A final comment regarding indicators: it would be helpful if there were more specificity regarding retailer/customer/government responsibility in addressing the matching of energy consumption and capacity to pay. Although the retail law is clear in relation to retailer obligations in terms of setting up affordable payment arrangements, there is little clarity in relation to a customer's responsibility in relation to consumption levels when a payment arrangement is not viable in that it creates growing debt.

6. Possible National Hardship Indicators

Entry into hardship programs

1. Total number of customers currently on the hardship program

Q2: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

The definition of this indicator is problematic. High numbers of customers in a specialised hardship program may mean that these customers are being dealt with appropriately, or it may mean that customers are being unnecessarily placed in specialised programs when early intervention may have effectively resolved a payment difficulty. It may also mean that customers who feel uncomfortable about participating in a specialised hardship program do not receive appropriate or adequate solutions to meet their needs if they do not agree to enter the program.

Fewer numbers in a hardship program could mean customers are being dealt with effectively and offered relevant solutions to their payment difficulties, which prevents longer term hardship. Or, it could mean that there are issues with customers accessing and being accepted into a program.

Q3: What are stakeholders' views on the definition and timing issues raised in relation to this indicator?

No specific comment, other than to make the point that additional, frequent reporting creates new resourcing demands on our business. In an era of rising energy costs, the AER must carefully consider whether they are effectively prepared to add to those costs.

2. Number of hardship program participants who receive any appropriate government energy concessions

Q4: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

The inclusion of this information as data only is supported. It is hard to see how such statistics could be used in an informed, unambiguous manner to reflect upon a retailer's "performance".

What is an "appropriate" concession? The eligibility criteria for the various energy concessions offered across the jurisdictions differ significantly enough for this to be a moot point. For example, how would the AER treat a concession like the NSW Government's Life Support Electricity Rebate, which is not means tested at all (ie. a recipient does not need to hold any kind of concession card, or satisfy any other kind of income or assets test). Would it be excluded as not being an "appropriate" concession for the purposes of this indicator?

Similarly, how would the Queensland Pensioners and Seniors Electricity Rebate be treated for those recipients who hold a Queensland Seniors Card? Eligibility for that Card is based upon age, not income or assets. Would customers in that situation be recipients of an "appropriate" concession for the purposes of this indicator?

Q5: ***What are the views of stakeholders on any definition and timing issues raised in relation to this indicator?***

In terms of timing, reporting over a specific period is possible, eg. in quarterly periods.

3. Number of customers entering the hardship programs

Q6: ***Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.***

Please refer to question 1 for a detailed response to this question. In terms of effective responses to customers, appropriate solutions in the early stages of hardship are preferred, in order to assist the customer to manage their energy-related costs and payments sustainably.

Q7: ***What are stakeholders' views on any definition and timing issues raised in relation to this indicator?***

Once again, the definition is important in relation to making judgements on this issue. An indicator relating solely to entries per month into the hardship program is not an adequate indicator.

Third party referrals to hardship programs

Q8: ***What are stakeholder views on the advantages and disadvantages of monitoring third party referrals to retailers' hardship programs under our compliance regime rather than as part of the national hardship indicators?***

We agree with the view put forward in the issues paper that any kind of third party referral indicator is open to alternative, contradictory interpretations. Therefore, a compliance monitoring approach by the AER would seem to be more sensible.

4. Number of customers denied access to the hardship program

Q9: ***Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.***

EnergyAustralia would support the inclusion of this indicator.

A clear definition of the term "denied access" such as when a customer is denied access who would otherwise meet the specified eligibility criteria as set out in an approved hardship policy is essential.

EnergyAustralia's hardship prevention approach requires that all customers are offered assistance and relevant solutions according to their specific circumstances at any stage of presentation on the hardship continuum.

EnergyAustralia's current criteria are that all customers who meet our eligibility criteria for the hardship assistance program are accepted into the program.

Q10: How should "denied access" be defined if this indicator is adopted?

As stated above, a definition of a denial of access would need to relate to a denial of access, when all other eligibility criteria have been met. Retailers also have varied policies and processes in relation to re-entry of multiple users of the program. Re-entry requirements may relate to the customer's willingness to meet program participation requirements. Some retailers do not allow re-entry after a defined number exits for non-compliance with the program's participation requirements.

Summary of proposed "Entry into hardship program" indicators

Q11: What are stakeholders' views on the overall effectiveness of the above four indicators in measuring the entry into hardship programs?

The effectiveness of these indicators would depend on clear definitions and the provision of further contextual information. It may also be appropriate to consider re-categorising this information with some information being categorised as data and other information being categorised as indicators. Indicators could relate solely to the retailers' obligations under the proposed Retail Law. Data could relate to information that was identified as being useful, although not essential, in terms of compliance with the proposed Retail Law.

Q12: What other indicators, if any, should the AER consider adopting that would also be effective at assessing entry into hardship programs and why?

None.

Hardship program participation and assistance

5. Average debt upon entry into the hardship program

Q13: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

The wording of this indicator is highly ambiguous. Suggested alternative wording would be hardship program enrolments rather than participation. There is a significant difference between the customer being enrolled in the program and a customer participating in the program.

Non-compliance with program participation requirements over a period of time may mean exiting from the program.

Q14: What are stakeholders' views on how "debt" should be defined and on the timing issues raised in relation to this indicator?

Average debt may not be the most useful indicator. Numbers of customers who have specific debt levels within identified debt bands may be a more useful indicator. E.g. under $500, between $500 and $1000, $1,000 and $1,500 etc. This may give clearer information about the debt levels at entry. This is more relevant in terms of assisting customers to develop a sustainable use and payments.

It may also be useful if an indicator regarding consumption were included. Non-inclusion of this information may lead to incorrect assessments in relation to the retailer's performance in relation to debt levels, as the variation in consumption and bill size between individual households is significant.

Defining manageability is fraught with difficulties, as bill manageability is reliant on a range of complex, interrelated factors, such as:

- Income level
- Debt level
- Other financial commitments
- Access to other assistance and support
- Household size
- Stability of circumstance
- Changed of circumstance
- Consumption levels
- Illness or disability
- Housing type

For many households debts are manageable until a significant change in circumstance occurs, such as the death of a breadwinner, serious illness and medical costs, etc. Debt levels, without the inclusion of consumption information, is likely to lead to incorrect conclusions regarding the retailer's performance.

6. *Average debt upon exit from a hardship program*

Q15: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

Once again, average debt may not be the most useful indicator. Numbers of customers who have specific debt levels within identified debt bands may be a more useful indicator. e.g. under $500, between $500 and $1000, $1,000 and $1,500 etc.

Further, the number and percentage of customers with an increased level of debt may also be a more useful indicator.

Context in relation to assistance offered in relation to lowering levels of debt is also important in assessing hardship indicators. High numbers of customers with very low levels of debt at entry (e.g. under $250) could mean that customers with low consumption and low debt are being channelled to a hardship program when other solutions could be applied to assist the customer to sustainably manage their energy use and payments within mainstream processes.

In relation to resource constraints, customers with significant income constraints, high consumption and complex circumstances receive higher levels of support when caseloads are lower within a hardship program and when less complex cases are provided with solutions within mainstream processes.

Other possible indicators for consideration in the more thorough, subsequent AER best practice benchmarking review that we recommend earlier in this submission might be:

- number of hardship program customers matching consumption to payment amount;
- number of hardship program customers matching consumption and a proportion of arrears;
- number and percentage of hardship program customers exiting due to non-compliance; and
- number and percentage of hardship program customers exiting in the "Able to Manage" category.

However, we would again highlight the costs associated with developing and providing this information on an ongoing basis in our opinion must be recognised and, preferably, compensated if retailers were to be required to develop this kind of external reporting capability in the future.

Q16: What are stakeholders' views on the alternative approach considered, ie. where retailers would report, for those customers exiting the hardship program, both the average level of debt when they entered the hardship program and what it was upon exiting the program? Please set out any reasons why you would or would not support the inclusion of this indicator and any practical issues that may arise in collecting and reporting this data.

Once again average debt may not be the most useful indicator. Numbers and percentages of customers who have specific debt levels within identified debt bands may be a more useful indicator (eg. under $500, between $500 and $1000, $1,000 and $1,500).

Numbers and percentages of customers who have reduced debt within specific identified debt bands (as above) may be more useful information.

Please see question 15 for further detail.

In order to promote consistency, these indicators should be based on the same categories for both entry and exit.

Average length of participation in hardship programs

Q17: What are stakeholder views on whether this indicator should be included as part of the National Hardship Indicators? Please set out any additional benefits that would arise from collecting this data, in particular what this indicator would tell us and why it is an important measure to collect.

Suggested alternative wording might be average length of enrolment in the hardship program rather than participation. There is a significant difference between the customer being enrolled in the program and a customer participating in the program.

It may be more useful to collect information in relation to specific timeframes in addition to average length of time, e.g. 0- 1 month, 1 to 3 months, 3 to 6 months, 6 to 12 months, 12 to 18 months, 18 to 24 months 24 months +.

When relating this information to disconnection statistics for customers previously on a hardship program, the data would need to be considered in the context of non-compliant program exits.

Allowing non-compliant customers to remain on a program and grow unsustainable debt levels does not assist the customer to manage their energy use and payments in a sustainable manner.

Average length of enrolment could be defined in terms of length of time in the program.

7. Total number of customers exiting the hardship program and the number of customers excluded from the hardship program for non-compliance with program requirements.

Q18: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

We support the inclusion of this indicator. In addition to this indicator, the following indicators could also be included:

- total number of customers exiting in the "Able to Manage" category.
- customers exiting due to non-contact

8. Number of customers who were disconnected during the reporting period and who have been on a hardship program in the previous 24 months.

Q19: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not.

The purpose of this indicator is not clear. If the purpose is to assess the level of comfort a previous hardship customer feels in accessing assistance from the retailer or the hardship program, then data relating to this purpose may be useful. If the purpose is to assess the long term effectiveness of a program and its impact on long-term sustained behavioural change, then this indicator is problematic, as a retailer's assistance program is only one factor in an often complex set of customer circumstances. Assessing a period up to 24 months is not supported, as there may be significant changes in circumstance over such a lengthy period that would bear a tenuous link to any energy-related hardship issue.

This indicator may be more meaningful with changes and additional categories added, such as:

- number of customers disconnected during the reporting period who had been on a hardship program in the previous: three months; six months; nine months; twelve months.
- number of customers re-entering the hardship program within the above time periods.

However, we again note that the costs associated with developing and reporting these kinds of additional statistics would ultimately be borne by all customers, including hardship customers, unless some kind of compensation were forthcoming.

Q20: What are stakeholders' views on the potential limitations of this indicator and the timing issues raised?

Please see above.

9. Number of customers who, during the reporting period, were reconnected within seven days of being disconnected and who have been on the hardship program in the previous 24 months.

Q21: Do stakeholders support the inclusion of this indicator? Please set out your reasons why/why not. The AER is particularly interested in stakeholders' views on the benefits of collecting this data and what the trends in this indicator would tell us about retailer performance.

Please refer to question 19 for comments. An alignment between these two indicators would be required.

Summary of proposed "Hardship program participation and assistance" Indicators

Q22: What are stakeholders' views on the effectiveness of the above five indicators in measuring hardship program participation and assistance?

Please refer to above comments for questions 15 to 21.

Q23: What other indicators, if any, should the AER consider adopting that would be more effective at assessing hardship program participation and assistance?

Please refer to above comments for questions 14 to 21.

Q24: What are stakeholders' views on the overall scope of the proposed set of National Hardship Indicators as a whole and whether they will, as far as possible, assess the impact of retailers' hardship policies?

It is imperative that the definition of effective program outputs and outcomes are clearly outlined as current indicators in the paper leave room for considerable ambiguity and interpretation in terms of program efficacy.

As there is currently no benchmarking and evidence based research across programs on a national scale it is difficult to compare the results of retailer programs.

A number of the indicators may be useful in providing data and information that could be used to identify future directions in effective program development. Data collected may inform this process, however, could not legitimately be used to form the basis of any judgement about program efficacy.

Using highly ambiguous, context-specific data to compare retailer performance exposes retailers to significant risk, as information would be available in the public sphere that is open to a multiplicity of interpretations.

Q25: What other information or indicators from other jurisdictions or industries could the AER draw on or consider when developing the National Hardship Indicators?

Information from the community services sector may be useful in differentiating between outputs and outcomes in relation to results sought for customers enrolled in hardship programs.

Program approaches in community services may also assist in providing further information regarding early intervention and preventative approaches, along with intervention and assistance programs.

7 Reporting requirements

Q26: What are stakeholders' views on the proposed reporting requirements?

Six monthly reporting is preferred. Reporting on a state-by-state basis may partly help to eliminate erroneous "performance" comparisons between retailers' different operations in different environments in different jurisdictions.

Reporting requirements will require system changes, in order to provide data in agreed categories. These may require significant cost and an appropriate length of time would be required for implementation.

Q27: What concerns, if any, do stakeholders have regarding the ability to report data against the proposed indicators, and any costs associated with the reporting requirements?

As above.

The consumer experience of retailer's hardship policies

Q28: What are stakeholders' views on the benefits and usefulness (or otherwise) of seeking case studies or examples of good practice from retailers which highlight the consumer experience of participating in retailers' hardship programs?

The provision of case studies is an excellent addition to other reporting indicators and provides a detailed context, including actions undertaken and outcomes. It also provides useful information in terms of the widely varied presentation of customers and the tailored approaches that are developed to suit customer-specific circumstances.