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3 June 2010

Submission in response to AER's *Developing National Hardship Indicators: Issues Paper*

Introduction

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to participate in the process to develop National Hardship Indicators to accompany the National Energy Customer Framework and to evaluate the performance of energy retailers in assisting customers experiencing financial hardship.

TasCOSS is the peak body for the Tasmanian community services sector. Our membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and advocates for the interests of low income and disadvantaged Tasmanians.

TasCOSS has been involved in energy supply and hardship issues for low income, disadvantaged and vulnerable households in Tasmania for most of its nearly 50 years of existence. Maintaining a continuous household energy supply has long been a challenge for low income households in Tasmania due to our cool climate.

As an advocacy group for low income Tasmanians, TasCOSS is well aware of hardship associated with household energy supply and has been an energetic advocate for increased and appropriately indexed energy price concessions for low income households, as well as for more affordable energy prices, fairer tariffs, better prepayment meter regulation, hardship policies and other consumer protection measures.

In this submission we identify and discuss what we see as some of the major issues and challenges involved in the process of developing meaningful National Hardship Indicators. We then focus on hardship indicators associated with the use of prepayment meters, an issue that is largely absent from the Issues Paper, and we go on to address some of the other issues raised in the Paper.

The use of hardship indicators to reveal the extent of energy hardship

Given the very limited nature of the proposed National Hardship Indicators detailed in the Issues Paper, it may be wise to be more specific about the nature of these indicators and re-name them National Hardship *Program* Indicators. We believe that this suggestion was

TasCOSS response to the Australian Energy Regulator's *Developing National Hardship Indicators: Issues Paper*, June 2010

discussed at the recent Stakeholder Working Group and, in the interest of clarity, TasCOSS supports a change of title for these indicators.

TasCOSS was involved in a project undertaken by the Tasmanian Energy Regulator in 2007 (then Andrew Reeves) to improve the monitoring of customer hardship indicated by difficulty in payment of electricity accounts. The project involved identifying additional indicators against which the retailer, Aurora Energy would be required to report in order to monitor the effectiveness of systems and practices for the identification and alleviation of hardship.

One clear lesson from that process is the interrelationship between indicators. That is, specific hardship indicators, like those proposed in this Issues Paper cannot stand alone, and to be meaningful, must be reported, viewed and considered in context with other indicators, especially those related to customers experiencing financial difficulties such as the creation and progress of payment plans and numbers of customers disconnected for inability or failure to pay.

It is difficult to consider the possible National Hardship Indicators detailed in the Issues Paper without also considering other related indicators that retailers will also be required to report on. While we endeavour to do this in this submission, we also refer to other indicators that, in concert with the Hardship Indicators proposed, will provide a better indication of energy affordability, the identification of customers experiencing hardship and retailer efforts to assist those customers.

We believe that it is important to recognise that, while some customers may not demonstrate payment difficulties, participate in hardship programs or self-identify to retailers as experiencing hardship, they may be accumulating credit card debt and/or prioritising the payment of energy bills at the expense of other necessities such as food, transport or clothing. It is important to understand that customer numbers reported through hardship program (and other) indicators should be seen as only a subset of customers in hardship.

Hardship programs

One of the major difficulties with indicators associated with retailer hardship programs is the lack of clarity about the conditions of entry into and exit out of hardship programs. Without very clear information about entry and exit points and conditions, it will be difficult to unambiguously identify the number of hardship program participants. We note that the Issues Paper mentions the need to 'define specifically what "on the hardship program" means and when entry to the hardship program occurs' (p14). We agree that this is necessary if indicators associated with hardship programs are to be meaningful and in any way comparable.

This may appear to be more of a problem to us since the single Tasmanian retailer serving residential customers has a hardship policy but not a hardship *program* which customers enter and exit. Rather, the focus for reporting hardship in Tasmania is on other indicators such as payment plans (numbers created, completed, defaulted, cancelled and total number of active plans), elements of the payment cycle, disconnections, reconnections repeat disconnections, numbers repaying a debt, number of debts over \$500 and so on.

While this reporting regime provides information on indicators to enable tracking of electricity affordability, hardship and retailer assistance to those experiencing hardship, it could go further. Additional information would be useful, such as the nature and extent of assistance (other than payment plans) provided to customers experiencing hardship (such as home energy audits, energy efficiency advice, referral to third party support and so on). The provision of this kind of assistance is not required of the retailer in Tasmania and is not reported.

Under the NECF – and the proposed AER Hardship Indicators reporting guideline – it is unclear whether additional assistance measures within hardship programs (beyond the offering of flexible payment options) – such as referrals to financial counselling services, the provision of information about concessions, the provision of energy efficiency advice and so on – will be captured in an indicator(s) and be reported to the AER. We recommend that such measures be reported as elements of retailers' hardship programs and that each retailer provides details of other assistance provided and the number of customers receiving the assistance.

Prepayment meters

The Issues Paper makes no reference to hardship indicators or issues for customers using prepayment meters. If these proposed indicators are to cover more than information about hardship programs, then more thought must be given to hardship indicators for customers using prepayment meters.

In Tasmania some 40,000 households receive electricity supply through prepayment meters while prepayment meters are also installed in homes in South Australia and Western Australia. The roll-out of 'smart meters' in Victoria and other states potentially enables the relatively easy introduction of prepayment capability to a very large numbers of households. In short, there are Australian households using prepayment meters and there is potential for many more prepayment meters to come online. It is therefore essential that National Hardship Indicators for prepayment meter customers are also developed.

The NECF2 details procedures for retailers to identify and assist customers experiencing payment difficulties on prepayment meters (NERR Part 8), including offering to make immediate arrangements for the removal of the prepayment meter and the installation of a standard meter at no cost to the customer (816(2)). Retailers are also required to 'maintain verifiable records, in relation to small customers facing payment difficulties with prepayment meter systems ...' (816(3)). It seems obvious that hardship indicators should include indicators derived from the retailer obligations in this Part of the Rules.

It may also be useful for the AER to consider how approved hardship policies might best address the needs of prepayment meter customers who choose to retain their prepayment meters. Some requirements of hardship policies obviously apply to prepayment meter customers while others clearly do not. We recommend that the hardship program indicators include reporting of the number of prepayment meter customers involved in retailer hardship programs.

Tasmanian experience might be instructive in this regard, and in particular the work done by the Tasmanian Energy Regulator's Hardship Reporting Project and Working Group in 2007 (as mentioned above).

However, a serious and major problem with Tasmanian prepayment meter systems is the inability of the vast majority (98.5%) of prepayment meters to identify instances and duration of disconnections. While the State's Performance and Information Reporting Guideline requires that the retailer report on the number of disconnection events (and other disconnection information), with only 623 Code-compliant meters in operation (at the end of the third quarter 2009-10), the majority of disconnections from prepayment meters go unreported and unnoticed.

Other issues

While we have chosen not to address each question posed in the Issues Paper, we would like to comment on a number of issues raised in several of the questions.

Question 1

In relation to the purpose and objective of the National Hardship Indicators, if the title is amended to National Hardship Program Indicators, as discussed above, this will more accurately reflect the purposes outlined in the Paper on page 12. However, without that change of name, the purposes and objective – and indeed the indicators – will not suffice to monitor the nature and level of hardship experienced by energy customers.

We understand that the NECF2 requires that the AER produce an annual energy affordability report. The National Hardship Program Indicators will inform this report but more significant will be a suite of other indicators including disconnection numbers, reconnections in the same name, repeat disconnections, information on payment plans (creation, defaults, completions, etc) – this information related to concession holders – and other hardship / affordability related indicators. Analysis of such indicators and other relevant factors (such as levels of Commonwealth income support payments, state-provided concessions and so on) should contribute to a useful report that assesses the ongoing affordability of energy for Australian households, and most particularly, those households living on low incomes.

As an interested party with experience in energy affordability issues, TasCOSS looks forward to participating in consultations or discussions with the AER concerning the development of methodologies to be used to produce the affordability reports.

Question 3

Regarding the timing of data recording, we recommend that the bulk of the relevant data be recorded monthly and reported quarterly. This is the frequency applied in most of reporting in Tasmania and it functions well for hardship assessment in that it not only allows for early identification of affordability and other problem areas, but also provides insight into seasonal variations in households' ability to manage energy bills. Quarterly reporting allows for problems, trends and issues to be identified and followed closely and for any necessary policy or other interventions to be proposed and implemented to protect vulnerable customers.

We would also recommend that data is reported both on a state-by-state basis and nationally. For the larger states, there may be valid arguments to break down state data by region.

Question 28

TasCOSS does not believe that retailer reported case studies would be useful indicators of the efficacy of hardship programs. Such a requirement could invite fiction and it would be difficult to ensure the validity of case studies.

We believe that information about customer experiences of hardship programs would be very useful in improving such programs and we recommend that the AER commission or carry out research at regular intervals (say annually or every 18 months) for this purpose. A sample of customers involved in retailer hardship programs could be interviewed on their experiences and this could be reported in (unidentified) case study format.

AER's Performance Reporting Procedures and Guidelines

The Issues Paper notes that the National Hardship Indicators are 'only one part of the AER's wider performance reporting regime' (p29) and goes on to list examples of other indicators that will be reported on. While disconnections and reconnections, concessions and prepayment meter use and other indicators are listed, payment plans are not. Payment plans are key assistance mechanisms for customers experiencing payment difficulties, both inside and outside of hardship programs. Therefore it is essential that detailed information about payment plans is reported. Such information must include: number of plans created, defaulted on, cancelled and completed in the period; total number of active plans; number of

TasCOSS response to the Australian Energy Regulator's *Developing National Hardship Indicators: Issues Paper*, June 2010

customers who had two or more plans cancelled due to non-payment in, say, a 12 month period and so on.

Again, TasCOSS looks forward to participating in consultations with the AER on further performance reporting procedures, indicators and guidelines.

TasCOSS congratulates the AER for commencing its deliberations and consultations on these important indicators and procedures early to allow for broad participation and for careful consideration of the many and disparate views likely to be put forward on the very complex process of identifying energy hardship and evaluating hardship alleviation efforts.

We hope that our comments are useful. Please contact Kath McLean at TasCOSS if you have any questions concerning our views expressed here or if you require any further information.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'M Gibson', with a stylized flourish at the end.

Martin Gibson
Acting Chief Executive Officer
TasCOSS