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Energy Retailers' Financial Hardship Policies
Draft Guideline & Draft Decision
Essential Services Commission
2nd Floor, 35 Spring Street
MELBOURNE VIC 3000

Dear Commissioners

Energy Retailers' Financial Hardship Policies – Draft Guideline

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the *Draft Decision – Energy Retailers' Financial Hardship Policies* (the **Draft Decision**) and the *Draft Guideline No 21 – Financial Hardship Policy* (the **Draft Guideline**) released by the Essential Services Commission (the **Commission**) on 8 March 2007.

We commend the Commission on the Draft Decision, which we believe represents an appropriate and balanced approach to implementation of the Commission's role and obligations under the legislation requiring the Commission to approve retailer financial hardship policies. Our comments below particularly focus on the drafting of the Draft Guideline, which we believe does not sufficiently capture all the concerns raised in the previous consultation and detailed in the Draft Decision.

Energy auditing

Clause 2.2(b)(viii) of the Draft Guideline states that a retailer's financial hardship policy must:

provide details of how and in what circumstances the **retailer** will make field audits of electricity or gas usage available to **domestic customers** experiencing financial hardship and in what circumstances they will be available at partial or at no cost to the **domestic customer**.

In our previous submission, we stated that energy audits will only be beneficial to consumers if they are accessible and are going to bring about clear benefits in relation to the reduction of energy usage and thus bills. We suggested that the Commission not approve hardship policies that require payment at a cost that would outweigh the benefits derived by customers.

The above clause will allow businesses to charge for energy audits upfront. While the legislation does not rule out the charging of some cost to the customer (although

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the audits must be provided 'wholly or partly at the expense of the licensee', thus the full cost of an audit cannot be charged to the customer), we believe that upfront charging for energy audits will significantly impact upon their take-up by low-income and disadvantaged consumers. We note that some retailers under the interim-approved policies are proposing not to charge for energy audits. We believe that allowing other retailers to do so may impinge upon the principle that there should be equitable access to hardship assistance. We therefore recommend that the Commission at least provide more guidance to retailers about when partly charging for an audit is or is not appropriate. We note that even where it is proposed to charge the customer, there may be other options than charging upfront.

Replacement appliances

We have similar concerns with the way in which clause 2.2(b)(ix) of the Draft Guideline is drafted in respect of the supply of replacement appliances. The clause merely requires retailers to provide details of whether the retailer will sell or supply the appliances, either itself or through a third party, whereas the legislation requires retailers to provide *flexible options* (we note, plural) for the purchase or supply of replacement appliances, either itself or through a third party. In our view, a retailer will not, therefore, have satisfied the legislation by, for instance, only providing that it will supply replacement appliances to hardship customers and require them to make a full upfront payment.

We also believe that the clause should make reference to the Department of Human Services' (DHS) Capital Grants program. This program would be available to many customers accessing financial hardship policies, and the retailers' proactive use of it will make the most of government services designed to assist customers in hardship.

Referral to other support agencies and schemes

Related to this, clause 2.2(b)(x) provides that retailers should refer domestic customers in financial hardship to other support agencies and schemes. In our view, a best practice hardship policy should do more than refer, but actively assist the consumer in accessing such agencies and schemes. For example, a best practice hardship policy would assist the consumer to access DHS concessions by ensuring relevant paperwork was completed. We believe that this clause should be re-drafted to require retailers to actively assist consumers access other support agencies and schemes.

Processes for early response

We are concerned that the Draft Guideline does not provide any guidance in relation to retailers' processes for the early identification of hardship customers. Clauses 2.2(b)(ii) and 2.2(b)(iv) only require retailers to offer domestic customers in financial hardship sufficient opportunity to identify themselves to the retailer; and provide details of the processes they will use to identify domestic customers in financial hardship; respectively. These clauses are effectively thus mere re-statements of the legislative obligation that a financial hardship policy must include 'processes for the early response by both licensees and domestic customers to electricity bill payment difficulties'. The Draft Guideline gives no guidance as to how to do this appropriately.

The Final Report of the Committee of Inquiry into the Financial Hardship of Energy Consumers noted that mechanisms to identify consumers in hardship early are

important to successfully deal with financial hardship.¹ In our view, the Draft Guideline should provide further guidance about indicators of financial hardship, which the retailers' could utilise through their billing and IT systems.

Staff training

Clause 2.2(b)(xii) of the Draft Guideline provides that retailers should make their staff aware of the policy and require all staff involved in the administration of the financial hardship program to have the necessary skills to sensitively engage with customers about their payment difficulties and in offering assistance. In our view, this clause should refer to extensive and ongoing staff training, not just 'making staff aware'.

The Committee for Melbourne's Guiding Principles for Supporting Utility Customers Experiencing Financial Hardship places special emphasis on comprehensive staff training programs. It refers to a "whole of business" commitment and regular and scheduled refresher courses. While Consumer Action recognises that it is obviously unreasonable to expect all staff of a retailer to have the same level of skills as specialist staff administering the financial hardship program, by contrast it is also unreasonable to expect that simply telling staff that a financial hardship policy exists will be effective to ensure that staff, especially staff on the front-line for customer contact, can identify customers in hardship and refer them to the retailer's hardship program. We believe that the Draft Guideline should provide further guidance on the level and type of staff training expected in a financial hardship policy, as is provided in the Committee for Melbourne's Guiding Principles.

Ongoing monitoring and reporting

We welcome clause 2.4 of the Draft Guideline which requires retailers to periodically review their financial hardship policies in accordance with normal business practice. We believe, however, that the Draft Guideline should provide some guidance to businesses on how they are to report on their financial hardship policies. Reporting of the assistance provided through hardship policies, for example, the number of consumers successfully completing an instalment arrangement, can assist track policies' effectiveness in assisting customers in hardship. We would welcome the Commission's Final Decision providing more detail in relation to ongoing monitoring and reporting of the effectiveness of financial hardship policies.

Should you have any questions about this submission, please contact me on 03 9670 5088.

Yours sincerely

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