

Submission to the AEMC

Reference Code RRC0017

**National Energy Retail Amendment (Strengthening
protections for customers in hardship) Rule 2018**

South Australian Financial Counsellors Association June 2018

Response to the AEMC Consultation Paper on the proposed Rule Change to strengthen protections for customers in hardship

Introduction

The South Australian Financial Counsellors Association (SAFCA) provides advocacy, information and support to our members, the 120 financial counsellors who assist over 35,000 people and families in financial difficulty in this State annually.

Our members work for some 22 not for profits around the state. They assist South Australians facing many issues – debt, mortgage stress, unemployment, mental health problems, disability and family violence to state only some.

Utility debt is a major issue for many South Australians and our members are at the coal face in assisting those experiencing increasing levels of debt and risk of disconnection.

SAFCA surveyed its senior financial counsellors to assist in the preparation of this submission. Twenty three responded and their responses form the submission.

SAFCA did not survey its members in line with the questions as written in the paper, but rather put them in terms that reflected the day to day work that they do. Neither did SAFCA reflect all the questions posed in the consultation paper.

This submission is set out in the following format:

- the AEMC question,
- followed by the question(s) posed by SAFCA in the survey relevant to the AEMC question,
- the numbers who agreed or disagreed with the question, and
- comments added, again showing agreement or disagreement.

Statement by SAFCA

The results below show there is strong support by financial counsellors in South Australia for standard Hardship Guidelines and that the Guidelines be enforceable.

Consistency in application of hardship programs between retailers and within retailers emerged as the most common issue. SAFCA believes the proposed Rule Change will assist with improvements to consistency and therefore better outcomes for customers.

SAFCA supports the proposed Rule Change:

Replace rule 75 of the NERR to allow for the development of binding Hardship Guidelines

In response to the last question, Number 8 Other Issues, many of the respondents provided views on the broader issues of hardship and affordability. This submission has copied these responses as they were provided. In addition nine case studies are included in Appendix 1.

Summary of responses to the Consultation Paper by financial counsellors in South Australia

AEMC Question

Question 1 Rationale for rule change - adequacy of the current approach to hardship

(a) To what extent do you consider that the current approach to the application of hardship policies provides adequate protections to consumers in financial difficulty?

(b) Are general obligations that are more difficult to enforce leading to inadequate consumers protections

SAFCA Survey Question

Are you experiencing different interpretations of hardship rules by different retailers?

Yes 20

No

Not sure 3

Comments

AGREE

Some retailers offer good support to clients, some retailers are obstructionist in their dealings

Challenging to get clients into smaller retailers' hardship programs

Simply Energy do not allow the FC to arrange the hardship payment plan. They must speak to the customer which often means no contact and the plan falls through risking disconnection

AGL require 6 fortnightly payments in order to be placed into the hardship program.

Not only between different retailers also within the energy provider

Different payment arrangements not consistent

Difficulty in accessing appropriate staff to discuss

AGL are especially poor denying access to hardship until clients have demonstrated a commitment to pay over 4 payments (8 weeks)

It seems to depend who you speak to as to what information is supplied

The big 3 (AGL, Origin and EA) are generally OK. The 2nd tier companies tend to shunt people between Credit management and Hardship.

AEMC Question

Question 3	Proposed approach
(a)	Are you of the view that Hardship Guidelines that include standard statements adequately protect the long-term interest of consumers in financial difficulty, while providing retailers with flexibility in how they apply hardship provisions?
(b)	Is there another approach that would better meet the requirements under the NERL in relation to customers in hardship and allow retailers to meet their obligations more efficiently.

SAFCA Survey Question

Do you believe that specific hardship guidelines with indicators that measure such things as entry, participation and available assistance would be valuable, rather than just general statements?

Agree 20 Neither agree or disagree 3 Disagree 0

Comments

AGREE Great variation between retailers - and then it depends again who you talk to within that retailer - getting different interpretations within the same retailer

NEITHER AGREE OR DISAGREE
I believe that each person has different circumstances and may not fall into a box for assistance

AEMC Question

Question 4 Enforceability of Hardship Guidelines

The AER proposed that all the Hardship Guidelines be enforceable. Do you agree that all aspects of the guidelines should be enforceable? If not, what aspects of the guidelines should or should not be enforceable and why?

SAFCA Survey Questions

Do you agree that these hardship guidelines should be enforceable?

Agree 20 Neither agree or disagree 1 Disagree 2

Comments

AGREE If the budget shows a lack of affordability, hardship provisions should be mandatory

The AER is of the view that the binding guidelines will have the benefit of achieving consistency across retailers in relation to the hardship policies, and assist consumer confidence by improving clarity, guidance for customers, improve outcomes and improve monitoring and enforcement (and allow the AER to take action where necessary). Do you agree?

Agree 21 Neither agree or disagree 1 Disagree 1

Comments

AGREE Consistency across retailers in the base standard of assistance offered would be beneficial to all.

Consistency across retailers would benefit all clients, not just those who are with the most hardship friendly.

Clients and friends ring up re their accounts and are offered discounts (especially if they threaten to go to another provider). These discounts should be offered in the first instance.

If there is a standard as a baseline that would be useful, if individual retailers choose to offer a better product that is still an option

AEMC Question

Question 6 Costs and benefits

(a) Please comment on the benefits and costs that have been identified, in terms of their adequacy in assessing the rule change proposal and any quantification of those factors.

(b) Will improving hardship policies through the Hardship Guidelines result in a cost saving to consumers as a result in a reduction in bad debt?

SAFCA Survey Question

The proposed rule change will likely result in costs to retailers (system changes, staff training, policy implementation). Do you think these costs will be offset by a reduction in bad debt?

Agree 10

Neither agree or disagree 1

Disagree 12

Comments

AGREED Preventative measures

NEITHER AGREE OR DISAGREE

Depends how you are defining bad debt – can't pay versus won't pay? Retailers don't seem to differentiate. Clients that I see are willing to pay, just don't have the capacity to cover their usage. Many never will and the retailers will have this debt

Depends on how well the systems are working and what other support is available for householder

Community education will also be required if a reduction in bad to debt is to be achieved

DISAGREE It may limit the amount of debt a customer can get into, but I do not think that will change the amount of people getting into debt.

Monitoring and enforcement will increase costs to retailers, surely we have the Energy Ombudsman for appeals for our clients who are not receiving due consideration

AEMC Question

Question 8 Other issues

Please identify broader issues with regards to hardship and affordability that may not be addressed by this rule change, if made.

SAFCA Survey Question

Is there a change that you would most like to see to improve energy retailer hardship schemes? These could be about the broader issues with hardship, affordability, social policy and jurisdictions which are outside of the scope of the rule change.

Comments

I would like to see an extension of incentive payments by retailers like the one Origin offers.

Retailers need to recognise that a client is in hardship early in the process and intervene at that point. Some clients have accounts in the thousands of dollars and continue the same usage practices with little or no intervention from the supplier. Power prices are very high but that is only part of the problem and a multi-faceted approach involving providers, consumers, govt and community sector will be required to make any headway. It can't all be blamed on the provider. Again, this would need to work hand in hand with community education. Utility providers need to be more proactive in recognising where a consumer is in difficulty and some consumers need to be more aware and accountable for the amount of power that they use. There's no easy solution, but there could be a lot of improvement for all with engagement of all the stakeholders. Education and engagement are powerful tools.

A dedicated Financial Counselling phone line that is manned by people trained in hardship policy and more availability to access this facility

Would like to see access to full range of supports available - home visits conducted by trained workers within the relevant state, access to retrofit, financial counselling support funded by retailers etc

Consistency of schemes is the main one

Offer the best plan available to hardship customers.

Dedicated staff for FCs and to have these staff trained correctly. For example, Simply Energy have a direct line for FCs however it is rarely answered and often disconnects.

More information on the media

Standard, comparable hardship schemes offered by the energy retailers. Origin appear to be leading the way, but I have experienced issues with AGL and Energy Australia in their definition of affordability for payment plans

There are some clients with many thousand dollars' worth of accounts who will have no hope in paying these off then you have the few hundred dollars accounts who energy retailers can give a hard time.

As an essential service, it is really difficult when clients have enormous debts by the time they seek assistance and are unable to afford plans offered by retailers. Without being able to limit usage they will never get the account under control

I believe:

- usage vs affordability needs to be taken into consideration
- client's situation and ability to improve their situation
- longer term hardship options
- hardship being accessed immediately, not being called back within 3 days
- hardship areas being easier to access, not referred to this area then discuss your situation and be referred to another and then another, even when you call the hardship line
- If someone can't afford the bill, it should be a direct referral to hardship
- matched savings across all energy retailers
- all clients to be asked about Concessions
- all clients to be referred to a Financial Counsellor where affordability is identified as an issue
- all clients to be advised as to what their average usage is so they can start thinking about this working with the client, having flexibility depending upon the individual situation

For energy retailers to consider that there are different types of hardship - especially how are they going to manage chronic hardship? (a term Origin are now using where clients are never going to be able to cover usage).

Information of hardship detail on invoices would enable customers to get help earlier.

The smaller retailers are the ones hardest to deal with when trying to negotiate hardship. I think these are the retailers that needs to be enforced more.

Energy retailers need to get on board and setup payment plans with customers rather than refusing to and using an FC just to tell them what the customer tells them. it currently uses a lot of FC valuable time to do something the customer has tried to do themselves.

Hardship schemes need to address the many varied client positions more.

A requirement that retailers have adequately staffed hardship teams, and dedicated hardship numbers on the bill / reminder notice and disconnection notice.

When a client's circumstances are unlikely to change (ie Aged Pension, no assets) could we look at setting up a timeframe for hardship that is longer than 3 months between every review?

Follow up overdue payments early and with care to ensure questions are asked around affordability, changes in circumstances and energy use respectfully recognising and responding to hardship early on offer energy audits, incentives for maintaining payment plans, long term support programs

SAFCA thanks the AEMC for the opportunity to comment on this very important matter. Please accept this submission on behalf of SAFCA and its financial counsellor members.

Signed: Wendy Shirley, SAFCA EO
June 25 2018

A handwritten signature in blue ink, appearing to read 'Wendy Shirley', written in a cursive style.

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Energy Stress – Case Studies

The following case studies are all factual, though names and some incidental details have been changed so as to not identify anyone.

The case studies come from a range of Financial Counsellors and Low Income Support workers in South Australia.

1. Johnnie

Situation summary

Johnny using this late 40s, has an alcohol dependency, is going deaf and has dementia. He is receiving a disability support pension. It is being important for him to live independently that that has been problematic of late. Johnny comes to meet a financial counsellor with his mother who is trying to assist him. She has been trying to make a payment arrangement with AGL for electricity supply but the retailer has refused to review payment arrangements and have refused a number of requests for him to go onto a hardship plan, they say that he must repay the full amount of the debt before they'll consider a hardship plan.

Johnny and his mother came to see a financial counsellor.

Energy financial position

- Payment (now): \$76.00 per fortnight
- Average Use: \$70.00 per fortnight
- Debt: \$1293.00

Actions taken

Disconnection has been initiated by AGL, though the disconnection has not occurred. Johnny and the financial counsellor ring AGL to again try to negotiate a reasonable outcome.

Outcomes

AGL eventually accepts fortnightly payment of \$76.00 on the condition that an EEPS application is made and that there is a full review of the account in three months' time.

2. Joe

Situation summary

Joe is a single male in his late 30s he has poor mental health and is currently in receipt of new start allowance. He has applied for disability support pension which has been refused and he is now appealing this refusal.

Joe has an electricity account with AGL and gas account with Origin, it is important to him to have separate suppliers for gas and electricity, he receives a concession for his electricity supply but no discounts for either utility.

In order to cope, Joe alternates payment between AGL and origin

His electricity supply was recently disconnected by AGL who wanted payments of \$192 a fortnight to get reconnected & clear debt. They apply considerable pressure demanding the one of \$92 a

fortnight and so Joe consented to in order to be reconnected. He is now unable to pay for gas, medication or food. AGL contacted -

Energy financial position

After considerable negotiation, the current situation for Joe is:

- Electricity payment, \$35 per fortnight, through Centrepay.
- Electricity Usage \$41 per fortnight. (AGL request \$50 a FN, but he is placed on staying connected program for \$35 a FN to be reviewed in 6 months.)
- Gas. Payment \$15 per fortnight.
- Gas usage: \$25.00 per fortnight
- Gas debt: \$363.80.

(Origin want \$42 a fortnight to cover usage and agree to take \$15 per fortnight via Centrepay towards future bills.)

Actions taken

With the financial counsellor, Joe negotiates for a \$35 per fortnight payment to AGL for electricity, \$15 per fortnight with origin for gas.

The financial counsellor assists Joe to apply for and EEPS payment of \$400.00, which when received is accepted by AGL as a contribution towards electricity debt, and to enable renegotiation of the \$192 per fortnight payment.

The financial counsellor also applies to Whyatt Trust for a one-off grant to pay off the gas debt.

Outcomes

-EEPS \$400 applied for so client no longer has to pay \$192 a FN.

Contact Origin together - they reverse late fees and charges

Wyatt pay current balance bill of gas bills of \$363.80.

AGL to review Joe's situation in six months' time.

3. Sarah

Situation summary

Sarah is a sole supporting parent with two children living in a Housing SA home, with electricity are only energy source. Her only income source being the disability support pension. She's not receive any child support from the children's father and has a high electricity bill. A refrigerator is over 30 years, but the other appliances are somewhat newer. The retailer, simply energy has sent letters advising her that disconnection from supply has been initiated.

Energy financial position

- Electricity Use: \$117 per fortnight
- Payment: \$150 per fortnight – through Centrepay (Simply want \$226 per fortnight)
- Debt: \$1750.00

Actions taken

Sarah and the financial counsellor contact simply energy who advise that Sarah was on a payment plan and missed 3 payments and so was removed from their hardship scheme. The Simply Energy staff member explains that her manager's permission is needed to get Sarah back on hardship plan. After negotiation about tolerable payment arrangement, Sarah offers to pay \$150 per fortnight

through centre pay. This covers actual use of \$117.00 per fortnight, Simply wanted \$226.00 to include debt repayment.

Outcomes

Simply Energy accepted \$150 per fortnight payment set up Centrepay arrangements during the call.

A free energy audit is arranged by the financial counsellor and an application made to Wyatt trust for a new energy-efficient fridge/freezer.

4. Susan

Situation summary

Susan was working full-time as a midwife until January 2018 when she needed to have surgery. The surgery went wrong and she now needs three more operations to correct the problematic surgery. Susan's post-tax income before the botched surgery was about \$2500.00 per fortnight, she is currently receiving about \$1500 per fortnight. Best estimates are that she will be able to return to full-time work in October 2018. Susan has two children who live with her and has received centre link extension this fraud child-support. Susan is a dual fuel customer with AGL and she contacted them asking to be put on a hardship program until she has full-time income again. The request was refused because she has recent energy debt and they demanded a minimum of \$20 per fortnight for each of electricity and gas and four consecutive fortnightly payments before they would consider reviewing the situation.

Susan is always paid electricity and gas on time, up to her January 2018 health problems, subsequent bills have been difficult to pay

Energy financial position

- electricity bill outstanding \$1357.00
- gas bill outstanding \$447.00

Actions taken

both electricity and gas supply are at risk of disconnection. Even with financial counsellor assistance solution has been unable to change the requirement to meet the retailer "commitment to pay" over for fortnightly payments.

Outcomes

Susan has accepted the offer of a free energy audit resistance in the financial counsellor an application has been made to EEPS to reduce the outstanding electricity bill electricity and to Wyatt trust to meet the for gas bill. At next appointment Susan and the financial counsellor will contact AGL together to seek access to a hardship arrangement once 4 payments have been made.

5. Ibrahim

Situation summary

Ibrahim came to Australia from Sudan 13 years ago and worked in a factory. He still has family in an Ethiopian refugee camp that he needs to support. He is studying science at Flinders Uni. Gas has been disconnected by AGL and has no heating, cooking or hot water. AGL insist he make 4 payments and then they will consider allowing him back on Staying Connected program.

Energy financial position

Electricity:

- \$437.84 owing plus \$87.20 “reconnection fee”
- \$50.00 Fortnightly payment being made.
- Gas, disconnected.

Actions taken

Ibrahim wants to switch back to Alinta. The financial counsellor contacted Alinta who stated they couldn't assist until AGL 'unplug 'the gas account which was blocked due to disconnection. Ibrahim and the financial counsellor contacted AGL who denied that they were the biller or that they disconnected client.

The Financial counsellor followed up with the APA Group who confirmed the AGL MIRN number, yet upon returning to AGL, they deny that the account was with them.

The financial counsellor advise that they'll take this situation to the Ombudsman, then AGL advises that they have located the account and confirmed that Ibrahim was with them, he had changed account and then agreed to go back to AGL and they have been providing gas since.

AGL advised that bills, disconnection letters and SMSs had been sent to Ibrahim. Eventually the financial counsellor worked out that AGL was using an 'old' contract number and that Ibrahim is still paying \$65 per fortnight via Centrepay. This account had been closed yet AGL had been attributing Centrepay payments to this old account. So \$162.40 was transferred from the old account to the new gas account - where \$600.24 was owing. The revised outstanding electricity amount was \$437.84, with a \$87.20 reconnection fee to be added to account.

The retailer refused to waive the reconnection fee even though they were being paid and allocating this payment against the wrong account.

Access to Hardship program declined. AGL insist that Ibrahim make 4 payments and then they will consider allowing him back onto the Staying Connected program.

Outcomes

AGL insist client to make 4 payments and then they will consider allowing him back on Staying Connected program. Client to contact AGL after 4 payments to have amount reviewed. If he doesn't make contact – he won't be allowed on Staying Connected. In Ibrahim's next appointment with the financial counsellor they will contact AGL together after 4 payments made. Ibrahim has agreed to make AGL payments of \$50 per fortnight.

A Long term arrangement is now in place and will be reviewed as normal.

6. Jessica

Situation summary

Jessica and her partner have two children and are dependent on casual income, but they generally get by, they are eligible for a state government energy concession. Early in 2017 Jessica switched to origin to take advantage of a new discount plan, 16% reduction for electricity and 13% for gas.

Energy financial position

- Not available

Actions taken

After about eight months of unsuccessfully trying to have her energy bills reduced by the concession amount, Jessica sought help from financial counsellors.

There have been a considerable amount of back and forth between origin and the Department of communities and social inclusion (who manage the SA government's concessions program), with origin claiming that disk is concession payment not been received, DCSI claiming the payment been made. Both parties blame each other. The financial counsellor escalated the issue and finally received confirmation from DCSI that the concession payment for six months, \$120.00 had been transmitted to origin at 9.51am on the day in October and had received confirmation that the transaction had been processed by origin at 9.52 am on the same day. Origin continue to tell the financial counsellor that they can't find the money

Encouraged by the financial counsellor, Jessica contacted the energy and water industry ombudsman.

Outcomes

After speaking with the ombudsman EWOSA, Origin contacted Jessica to advise her that they have found the money and are sending her a revised bill with the reduction for concessions included.

Comment: this situation is an example of the client to have in right and yet spending hours of time and experiencing considerable frustration by having to fight the system to achieve what should be a very simple action, electricity bill being reduced by the concessions which is entitled.

7. Ben

Situation summary

Ben is a single male and on a Mental Health Plan, having anxiety and depression. This means he doesn't open mail from utilities, they trigger his mental health conditions. He has been disconnected from electricity twice in the past. Has tried to talk with energy companies in the past but does not consider that they listen to him.

Energy financial position

- Client paying \$65.00 per fortnight in electricity, just covers use
- Debt: \$305 outstanding. AGL insist \$305 paid off before they will allow bill smoothing or access to hardship. FC tried to escalate to IDR within AGL - AGL employee refused to allow escalation of complaint. Said he was the most senior manager. Told me it was the clients responsibility to pay \$305, then call AGL back. It wasn't AGL's problem. AGL member employee point blank refused to assist. EWOSA contacted and lodged complaint – vulnerable client being refused hardship access

Actions taken

AGL insist that Ben pay \$305 before they will allow bill smoothing or access to their hardship program. The Financial Counsellor tried to escalate the situation through Internal Dispute Resolution within AGL, The AGL employee from their contact centre refused to allow escalation of complaint saying that he was the most senior manager. The AGL employee also said that it was the client's responsibility to pay \$305 and then to call AGL. "It isn't AGL's problem."

The AGL member employee refused point blank to assist. The Energy and Water industry Ombudsman was contacted by the Financial Counsellor and a complaint lodged. A vulnerable client is being refused access to a hardship program.

Outcomes

The retailer is unwilling to allow Ben onto hardship but say that he can "access commitment to pay scheme." AGL has agreed to contact the Financial Counsellor to assist Ben with transition to bill smoothing after he has 4 payments made. AGL agree that Ben will keep paying \$65 per fortnight through Centrepay.

8. Davo

Situation summary

For Davo keeping connection with his daughter is more important than anything else.

Davo receives the single person Newstart allowance of \$272.90 per week and is separated from his wife who has custody of their child. Davo is actively looking for work and describes himself as being “desperate for a job.” Centrelink has been referred him to a financial counsellor, through Uniting Communities for budget advice with the financial counsellor advising that “he manages the money he has effectively, but Newstart doesn’t go very far.” He has decided that he is better off paying rent but not having electricity because it is too expensive and he has an outstanding electricity debt that he simply cannot repay.

Davo recently approached the financial counsellor in tears. He said that he was desperate to electricity connected for the following weekend, the reason being that he had an access visit from his daughter – the most important person in his life - and the access visit would not be allowed nor would future visits if he did not have electricity.

Energy financial position

Current payment: \$0.00 – Davo has decided that he is better off to not try to stay connected to electricity supply

Energy Debt: \$3,450.00

Actions taken

I’m not sure how this situation ended up? Any advice?

Outcomes

The high cost of electricity is seriously threatening this young father’s ability to maintain a connection with his daughter

9. Emily

Situation summary: Emily is a mother of two with her eldest child about to turn 18. Emily Reynolds a unit from the SA Housing Trust and receives a disability support pension and currently has regular dialysis treatment at home meaning that she cannot be disconnected from electricity supply. The doctor as saying he would prefer that her dialysis occur in hospital, which would likely result in her “do not disconnect” status being revoked

Energy financial position:

- Current fortnightly payment: \$30, paid directly into Centrepay. It is all she can afford
- Current electricity debt: \$4,430
- retailer estimate of use: \$100 per fortnight, including the concession payments

The energy debt is increasing at the rate of about \$140 per month with projected debt in a years’ time is about \$6000.00. Emily thinks this change retailer and got a better discount rate that should be better off.

Actions taken

Each quarter, when her electricity bill arrives, which is the balance between fortnightly payments made and actual use, Emily rings the retailer and confirms that the situation has not changed and she is unable to pay any more than she is currently paying.

Emily thinks that if she changed retailer and got a better discount rate, then she would be better off.

Outcomes

The awkward stand-off continues, the retailer unable to disconnect, due to support arrangements, while Emily's energy debt continuing to grow.

It is likely that there will be a trigger in the foreseeable future that will seek to force some sort of resolution. A change in dialysis treatment arrangements could lead to a loss of "do not disconnect" status meaning Emily would have no protection against disconnection and amounting energy debt that she is unable to pay.

10. Jason

Situation summary

Jason has just been referred to a financial counsellor by a mental health support worker from SA health. The Financial Counsellor has just visited Jason who has an electricity account with Origin

Energy financial position

Unpaid account for a new property

Actions taken

Jason, with assistance from the Financial Counsellor, was not able to have the account placed on hold (ie no service interruption/no collection arrangements) unless Jason guaranteed full payment of the account by 27.4.18 (three weeks and one 'pay' from the time of contacting Origin). When the Financial Counsellor advised Origin that she was still looking at Jason's budget to work out how much he could pay, she was told that they would only put a hold on the account until 16th April, with payment required by 27 April 2018, guaranteed!

Outcomes

The Financial Counsellor will assist Jason with this account.