



Our Ref: EWOQ/18/0082

Your Ref: RRC0017

29 June 2018

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
www.aemc.gov.au

Dear Sir / Madam

Consultation Paper on the National Energy Retail Amendment (Strengthening protections for customers in hardship) Rule 2018

Thank you for the opportunity to make a submission to the Consultation Paper on the National Energy Retail Amendment (Strengthening protections for customers in hardship) Rule 2018 (the Consultation Paper).

Background to EWOQ

The Energy and Water Ombudsman Queensland (EWOQ) provides a free, fair and independent dispute resolution service for small electricity and gas customers across Queensland and water customers in south east Queensland who are unable to resolve a dispute with their supplier. In our submission, we have only provided responses to the questions based on our experience as an external dispute resolution scheme dealing with residential and small business energy customer complaints in Queensland.

In principle, we are supportive of any proposal aimed at improving outcomes for energy consumers including those specifically aimed at helping energy customers who are in hardship. We recognise that there are increasing numbers of consumers requiring hardship assistance in a climate of increased energy prices and cost of living. Last financial year, 54 per cent of the electricity complaints received related to billing issues while credit disputes around disconnections and payment difficulties accounted for 22 per cent. This data supports the fact that there are many customers experiencing financial stress in Queensland and rising cost-of-living expenses such as energy prices are placing pressure on the financial stability of families and individuals. We support any changes that increase customer access to information and assistance in a timely and effective way.

We understand that this rule change request has been in response to the Australian Energy Regulator's (AER) 2017 Hardship Review that found deficiencies in how retailers implement their hardship policies. We agree that the deficiencies identified indicate that retailers' hardship programs are at times not adequately supporting household consumers across a broad range of backgrounds who may be in financial difficulty.

Proactive and pre-emptive measures for low income and vulnerable households to reduce their exposure to rising energy costs and any practices that will assist these consumers, are supported. Like all consumer protections, hardship policies need to be transparent and accessible to all and assist the consumers to self-report and the business to identify those who are vulnerable and/or in financial hardship.

We also support guidelines which remove ambiguity and require consistent, action-based hardship policies across industry rather than generalised statements, providing customers with a clear understanding of their entitlements.

Assessment Framework

We understand the proposed rule change seeks to improve the protection of customers who are experiencing financial difficulties and the AEMC has to determine whether the proposed rule would be likely to promote the AER's National Energy Retail Obligation (NERO), the consumer protection test and section 49 of the National Energy Retail Law (NERL). With this in mind, we support the AEMC's choice of assessment framework which evaluates the rule change against the criteria of improved hardship protections, transparency, regulatory and administrative burden and long-term benefits to customers.

The following responses are provided in relation to the issues raised in the rule change request that EWOQ has a position to note.

Q1. 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?**

We agree with the AER's view that the current approach does not provide adequate protections to consumers in financial difficulty. We agree the approach is inconsistent, too general and does not clearly identify what consumers can expect from retailers under a hardship policy, making it difficult to measure the success or otherwise of these policies.

- (b) **Are general obligations that are more difficult to enforce leading to inadequate consumer protections?**

We concur that general obligations are more difficult to enforce and therefore lead to inadequate consumer protections. General statements around retailer's obligations offer customers a lower level of protection because they are open to interpretation and no guidance as to a standard. This makes them more difficult to measure for success or enforce for compliance. Customers may also find it difficult to compare retailer's hardship policies when considering switching due to current inconsistencies in policies or general statements

It is acknowledged that some retailers have good processes in place and the improvements that could be made by having policies that set out behaviours and obligations on all retailers to act in a certain way maybe beneficial to all parties. An example of this is there could be consistency in application, limited interpretations and the standardising and assessment of compliance may improve the consumers understanding of their protections.

Q3. 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?**

Customers can fall anywhere along the hardship spectrum from more acute, "one-off" short-term difficulties to long-term hardship where the customer has ongoing financial stress. In understanding this, their business needs and the standard statements and expectations of retailers will enable retailers to adopt more consistent approaches and the long term positions of consumers. This understanding and

action could assist in an increase in consumer confidence in the quality and management of hardship policies.

Q8. Other issues

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

During our discussions with consumers with the disputes process or during our outreach and stakeholder engagement work we note the following information as other points to consider in this consumer protection and financial hardship discussion.

Stigma

Changing the stigma around the identification of hardship is the responsibility of all stakeholders in the energy industry. Policy makers and retailers in particular need to consider this so that consumers who need assistance feel comfortable enough to ask for it. When the wider community is more comfortable to communicate about an issue, empowerment begins and solutions become the focus. A change in terminology may need to be considered for example, changing the use of the word 'hardship' when speaking with customers.

Education, communication and visibility

The understanding of assistance that is needed to be provided to all energy customers on a regular basis, in all communication mediums to reach a wider audience. The guidelines need to reflect that financial hardship, is an issue and that the retailers are prepared to engage in a process and offer assistance. Also the customers' rights and responsibilities need to be clearly articulated. It would also be beneficial if the relevant government concession programs could be shared at this time via these mediums.

Commitment

All energy stakeholders, particularly retailers need to commit to support customers in financial hardship. This commitment needs to be visible everywhere and evidenced by good policy and practices. Practical and genuine assistance to customers to pay their energy accounts should be a priority for retailers and this needs to be communicated to customers/stakeholders on a regular basis.

Best practice

We recommend that the guidelines are based around current research on best practice in the area of assisting customers experiencing financial hardship not necessarily just within the energy industry. In a January 2016 study carried out by the 'South Australian Council of Social Service (SACOSS), Better Solutions for Helping Customers with Financial Difficulties': Energy and Water, it was found that there were general principles which organisations with successful hardship policies had in common.

Proactive approach

We are supportive of Hardship Guidelines which encourage retailers to take a more proactive approach around hardship with a focus on early intervention. For example, currently hardship provisions apply to customers with open accounts who are facing financial difficulty however, our data shows us that often customers are stuck in a cycle of accumulated debt from closed accounts.

Front line education

Front line staff need to be trained to be more proactive in their approach to hardship, rather than relying on narrow triggers as indicators of hardship, the policy needs to take a broader view. As highlighted in the

SACOSS report of 2016, there needs to be an on-going, whole-of-organisation approach with training for all customer-facing staff including external contractors.

Collaboration with community

Improved customer understanding would assist in this issue. For many customers there are more barriers such as language when obtaining assistance. Looking at different ways to engage such as face to face or via a community groups could assist in improving this interaction and learning.

Energy retailers are facing significant changes in the industry and will need to be more focused on innovative and proactive initiatives to reach out to consumers and particularly those in need. "Bring your Bills" days conducted with the help of the wider community groups and organisations are a form of outreach where information can be communicated face to face to the people concerned. We note the success of these days in New South Wales (NSW) where some of the Retailers have team members attend with the Energy & Water Ombudsman NSW and have been able to solve the problems on the spot.

We also understand that often those facing financial hardship with their energy bills are struggling with other essential services. We encourage retailers to foster strategic and collaborative partnerships with all stakeholders dealing with vulnerable customers.

Thank you for the opportunity to contribute to this consultation paper. If you require any further information regarding this matter please contact Ms Jane Pires, Energy and Water Ombudsman on 3087 9452.

Yours sincerely,



Jane Pires
Energy and Water Ombudsman