



420 Flinders Street, Townsville QLD 4810  
PO Box 1090, Townsville QLD 4810

[ergon.com.au](http://ergon.com.au)

29 June 2018

Mr Michael Bradley  
Director  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Bradley

**RRC0017 National Energy Retail Amendment (Strengthening protections for customers in hardship) Rule 2018**

Ergon Energy Queensland (EEQ) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC), on its consultation on *Strengthening protections for customers in hardship – Consultation Paper* (Consultation Paper).

EEQ agrees that providing clear guidelines for hardship policies will provide consistency across jurisdictions in the assessment and management of hardship policies and help reduce confusion for customers. While EEQ believes that our hardship policy already provides comprehensive protections for these customers, we support strengthening these protections. To that extent, we suggest providing clear obligations on both customers and retailers and a binding agreement which encourages and supports direct contact from customers to enable them to fully engage in the program to ensure the success of the program.

EEQ has provided a response to each of the questions raised in the Consultation Paper in the attached table.

Should you require additional information or wish to discuss any aspect of this submission, please contact me on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle'.

Jenny Doyle  
**General Manager - Regulation and Pricing**

Telephone: (07) 3851 6416 / 0427 156 897  
Email: [jenny.doyle@energyq.com.au](mailto:jenny.doyle@energyq.com.au)

**Encl** - *EEQ comments on the Consultation Paper*

## Strengthening protections for customers in hardship

Consultation Paper Feedback Question	Ergon Energy Comment
<b>1: Rationale for rule change – adequacy of the current approach to hardship</b>	
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?	<p>EEQ agrees that whilst the current approach does provide protection to hardship customers, there is a need to outline specific obligations of both retailers and customers.</p> <p>Customer expectations are changing and many believe being in the hardship program means that their debt does not need to be repaid. A guideline that includes customer obligations as well as retailer obligations will assist in managing customer expectations in line with retailer obligations.</p>
b. Are general obligations that are more difficult to enforce leading to inadequate consumer protections?	<p>EEQ believes that specific obligations regarding customer responsibilities, including payment obligations and contact with their retailer, should be outlined to alleviate customer confusion as these responsibilities currently vary between retailers.</p> <p>Customer willingness to liaise with their retailer and comply with their responsibilities of the hardship program sometimes makes it difficult for hardship programs to manage customer accounts.</p> <p>EEQ believes there should be a provision within the guideline addressing customer exit of the hardship program due to non-compliance. Notwithstanding, we believe that EEQ's hardship program provides adequate protections to customers.</p>

## 2: Hardship indicators

a. Do the current indicators appropriately reflect the success or failure of hardship policies in protecting consumers who are facing financial difficulty? Please explain your perspective.

EEQ has found that engaging customers to comply with the roles and responsibilities of the hardship program has been challenging. Success of the hardship program ultimately relies on customer participation with regard to payment plans, reducing usage in line with their capacity to pay and accepting the advice of their retailer with regard to reducing consumption. Customers exiting the hardship program for non-compliance is common due to customers not engaging with the program.

b. Should the hardship program indicators reside in the binding Hardship Guidelines as proposed or remain as separate to the Guidelines as a stand-alone requirement in the NERR? Please explain your perspective.

EEQ suggests the program indicators should be a stand-alone requirement in the NERR to enable consistency across the industry.

## 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?

Standard, clear statements that include flexibility for the retailer would provide some protections. However, EEQ believes a more binding agreement between the customer and the retailer could exist.

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?

We believe that a binding agreement would provide customers with adequate protections, as well as providing the retailers with options in the event a customer consistently breaks the agreement. We recommended that specific customer obligations (such as payments and contact with the retailer) should be included as these vary across retailers.

#### 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?

EEQ believes to the extent the guidelines are enforceable, there also needs to be onus on the customer to ensure compliance with the guidelines. Retailers should not be held accountable for customers who do not comply with their obligations. Obligations regarding customer compliance would need to be outlined to ensure retailers are consistent in the criteria they apply when exiting customers from the hardship program.

#### 5: Implementation

a. What transitional arrangements should be put in place to require that retailers amend their current policies to comply with the Hardship Guidelines, if this rule were made?

EEQ's hardship program currently offers comprehensive protection for customers and sets clear obligations on the business and the customer. If there is any material change from our existing program, EEQ anticipates a transitional period of at least 12 months would be required to allow for system and process updates to be completed.

b. What aspects of the rule, if made, should be a civil penalty provision?

EEQ acknowledges that the existence of a civil penalty provision helps to ensure compliance and consistency across the industry. However we believe that the success of hardship programs is reliant on customer co-operation. As such, EEQ requests the reliance of customer co-operation be considered when reviewing civil penalties to ensure retailers are not unfairly penalised when customers do not adhere to their program responsibilities.

## 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.

EEQ acknowledges that the benefits would include consistency across the industry including assessment, application and management of hardship programs.

As EEQ's hardship program currently provides comprehensive protections for customers the expected impact is minimal. The rule change may see an increase of referrals to the program, which would result in an increase in costs due to additional staff requirements, as well as system and process modifications.

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? Please explain your perspective.

It is recognised that early identification of customers in hardship, with or without contact from the customer, is integral to the reduction in bad debt. Currently EEQ customers are identified as being in financial hardship upon contact from the customer.

## 7: Form of rule

Are there amendments that could be made to the proposed rule to better achieve the intent of the rule change request?

A pre-determined criteria to assess hardship across the board will be difficult as customers can present differently and the reasons for financial hardship can vary. EEQ believes that possible hardship should be identified by frontline staff for referral to the hardship program based on details provided by the customer, and not predictive modelling. The rule should also outline specific obligations of both the retailer and the customer.

## 8: Other issues

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

Due to their regional location, financial difficulties of EEQ's customers may present differently to major cities. Some examples include:

- Drought conditions which result in decreased income and additional expenses of water;
- higher unemployment in regional areas; and
- customer's requiring specialist medical treatment will often be required to travel to Brisbane.

As EEQ is a non-competing retailer, its customers have been permitted to enter and exit the program many times following non-compliance with the program. To date, EEQ has not enforced denying access to the program which has contributed to increased debt over time. A rule that enforces exit of the program when there is no other retailer available, may lead to increased de-energisations of customer's premises.

We agree that early identification of hardship should be the focus of retailers. This will ensure lower debt entry onto the program, as well as ensuring customers are provided adequate protections as soon as possible. As noted in our response to the above question, the challenge will be in determining a 'one size fits all' guideline on the basis that customers can present differently and the reasons for financial hardship can vary.