28 June 2018

Australian Energy Market Commission
PO Box A2449
Sydeny South NSW 1235

Submission submitted online

Strengthing protections for customers in hardship Rule 2018 (Ref RRC0017)

Thank you for the opportunity to provide a submission in response to the rule change proposal RRC0017 ‘Strengthing protections for customers in hardship’.

Momentum Energy is a 100% Australian-owned and operated energy retailer. We pride ourselves on competitive pricing, innovation and outstanding customer service. We retail electricity in Victoria, New South Wales, South Australia, Queensland, the ACT, and on the Bass Strait Islands. We offer competitive rates to both residential and business customers along with a range of innovative energy products and services. We also retail natural gas to Victorian customers.

Momentum Energy is owned by Hydro Tasmania, Australia's largest producer of renewable energy.

Rationale for rule change

The current approach to the application of hardship policies has allowed retailers to curate their hardship teams in a way that is best suited to their customer bases, and think innovatively about how customers can be supported. Under this purview, Momentum has implemented the ‘Keeping Momentum’ (KM) team to appropriately manage customers experiencing hardship. The KM team has undergone extensive training, and are provided room to create tailored case management plans to suit the customer. Momentum is proud of the results of the KM team, and consequently we feel the current obligations can lead to positive outcomes if retailers comply with the spirit and the text of the requirements.

In saying this, we note that a customer who is experiencing payment difficulty does not always overtly present in that way, providing challenges for all retailers in how to best identify and serve these customers. We are therefore consistently exploring ways to enhance our processes, as it is in our benefit as much as the customers to work together to reduce usage and/or customer debt. We welcome this consultation to address what we as an industry can improve, but err on the side of caution of over regulating, as this can restrict retailer discretion and dampen the benefits which have arisen through the latitude which is currently allowed.

Hardship indicators

Momentum is concerned with the of use of indicators to determine the success or failure of hardship policies as they reflect a snapshot view of customer and business circumstances and are subject to misinterpretation. For example, indicators such as the number of customers entering hardship programs can be cited as an increase in customer financial vulnerability or, alternatively, as a concerted effort on the part of a retailer to provide assistance to more consumers by admitting them to their hardship program. Similarly, differences in debt on entry to hardship indicators can reflect whether a retailer bills monthly or quarterly. When viewed without adequate context, assertions can be made about either indicator without necessarily reflecting the reality of the situation.

We acknowledge that any statistics can be misinterpreted and believe that the current suite of indicators can be used to gain genuine insights about the appropriateness of the retailer response to customer hardship. However, we urge that considered analysis be undertaken before these indicators are publicly reported to reduce the likelihood of calls for reactive policy making based on incorrect assumptions.

Momentum is only able to comment on its own practices and the drivers behind changes in hardship indicators without making the same assumptions alluded to above, and as such it is difficult to gauge the effectiveness of the current AER hardship requirements. However, we are of the opinion that if the guidelines are to become binding as proposed, the reporting indicators would best reside within the guidelines to guarantee cohesive alignment.

Proposed approach and enforceability

Momentum does not oppose the approach of 'standard statements' that provide retailers flexibility in how the statements are applied in practice. The AER have acknowledged that the statements will include customer obligations, which we feel it pertinent to call out. Under a shared responsibility model, it is unrealistic to assume retailers can on their own reduce a customer's debt if the customer is not willing to engage. Therefore it is vital that this resonates within the guideline statements and how this impacts a retailer's ability to assist this customer, and to what end.

We also highlight the importance of proper consultation from industry and behavioural experts to determine what should be the scope of these statements, ensuring there is plenty of room for that flexibility to apply, resulting in the best customer outcomes both short and long term.

Perhaps, however a more efficient approach is to provide within current guidance some action based solutions for retailers to apply to their policies that speak to concerns proposed. This will highlight both the current effectiveness and any further gaps, before having to develop stringent and enforceable protocols that may ultimately be unessesary. We acknowledge that policy makers and regulators are frustrated at the lack of improvement in customer vulnerability indicators, however retailers are similaraly frustrated. Attempts to improve customer outcomes are confounded by constant reactive change, before previous reforms have come to bear fruit and been adequately evaluated.

Implementation

The implementation period for the proposed amendments should include ample time to have new retailer policies reviewed and resubmitted for approval by the AER. Further, a timeline which considers the potential for re-draft and feedback should be allocated to ensure the end result is the best result, and not something which has been rushed due to time constraints.
We appreciate the intent of the guidelines imposing a civil penalty as a safeguard for customers, yet as this is merely a duplication of what currently exists in the regulations we are less supportive of this proposal and find it unnecessary.

Costs and benefits

Momentum is concerned that neither the costs nor benefits have been appropriately quantified. The costs associated with the proposal fall firmly on the retailer. However, it does not recognise that these costs, like those associated with a range of similar reforms, will be passed on to the consumers through retailer energy prices. While the industry is acutely aware of the pressures facing many Australian consumers as a result of increasing energy costs, we believe that the major contributors to these cost increases lie outside the retail sector and will be laid bare in the ACCC's forthcoming report.

We are hopeful that this report is will include a range of recommendations which will lead to significant decrease in the cost of energy. These recommendations, coupled with the prospect of stability in Federal Government policy (the National Energy Guarantee) will deliver relief to customers without the need to impose additional costs on retailers who have been subjected to a range of regulatory reforms over a number of years. The fact that these reforms have not been successful to date would suggest the impact of further regulatory change is likely to be minimal relative to the benefits to customers which will come through price reductions.

Other Issues

Making hardship polices cohesive across industry may provide customers a clearer understanding of what help is available to them, and how that help should be delivered. This kind of knowledge in a complex climate may empower customers, improve failing consumer confidence and promote engagement.

More broadly, we feel there may be scope for non-regulatory, design thinking approaches that could address the unique circumstances of customers and their behaviours, and who for reasons of their own, do not or cannot engage with their retailer.

If you wish to discuss this submission in further detail, please contact Melissa McAuliffe on (03) 8651 3595 or email melissa.mcauliffe@momentum.com.au

Yours sincerely

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