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Essential Services Commission

Via email: engage@esc.vic.gov.au

Getting to Fair: Advancing Equity - draft strategy consultation

CitiPower, Powercor and United Energy (the **networks**) welcome the opportunity to comment on *Getting to Fair: Advancing Equity – draft strategy consultation* (**draft strategy**).

The draft strategy identifies that economic regulation plays a central role in shaping the delivery of essential services. The Essential Services Commission (**ESC**) states efficiency is an important driver of performance, but it is most meaningful when contributing to positive outcomes for all customers. It considers concepts of social and environmental equity and justice are relevant to considerations of efficiency because these factors shape the real costs and benefits that customers bear over time.

We agree with the ESC. Ensuring that essential services are delivered to all Victorians is fundamental to promoting the long-term interests of customers. Embedding fairness and equity into regulatory decision making ensures the distribution of costs, benefits and risks reflect the true impact on customers over time. The rapidly evolving nature of the energy sector has seen electricity, especially in Victoria, emerge as an essential service. It is now crucial for maintaining the health, safety and welfare of our customers and communities.

The draft strategy is correct to promote just outcomes and equitable access to essential services for all Victorians, today and tomorrow. Three priority themes are adopted to achieve the goal: business conduct, system level responses and regulatory inclusion. The themes rely largely on further regulation, additional enforcement and more engagement. Whilst these themes have their place, we don't believe they will truly alleviate vulnerability.

Our comments are focused on the changes we see necessary to deliver tangible benefits to customers. The draft strategy should be grounded in delivering agency to alleviate vulnerability rather than more regulatory frameworks. Outcomes matter. We should not take comfort in more laws or penalties.

A distributor's experience with vulnerability

Our experiences with vulnerability have been shaped by our current and on-going engagement with our customers and communities who encompass over two million households and approximately sixty four percent of the State.

By meeting with customers in their communities, we have heard many stories and gained a deeper understanding of their experiences. They range from indifference, 'put on another jumper' to manage your energy bill, being told they should blame the government or networks for their charges, being sold products and services ill-suited to their needs, receiving non-compliant CER

equipment from suppliers, being misled into signing up for products and services they don't understand, to finally being unable to contact or speak to their retailer when they need help. Some believe that the existing vulnerability framework has not served them well and these experiences had shaped a deep distrust of the energy sector.

They told us that we, as their distributor, must be more active in supporting those in vulnerable circumstances. They said, in addition to the services we provide today, more must be done to meet the challenges emerging from the energy transition so that no customers are left behind. Many felt this had already been occurring, especially in rural and regional areas. They saw us as the market participant present in their communities

Encouraged by our customers and stakeholders, including our Customer Advisory Panel (**CAP**), we no longer believe a model that relies predominantly on retail led services is delivering for our customers. We believe distributors can, and should, play an important role in supporting customers, especially given the rapidly evolving energy transition.

Are there matters we should consider in evolving our Getting to Fair strategy to encompass both individual and system-level equity?

The draft strategy focus should be wider than individual circumstances, i.e. low income, when defining vulnerability to also include the circumstances impacting individuals.

Vulnerability risk factors that can diminish the resources available to customers experiencing vulnerability can be:

- *individual circumstances*: personal factors such as income levels, chronic illness, literacy and English language levels. These factors can compound and be structurally related. For example, a single parent with low literacy caring for a chronically ill child in poor quality rental accommodation, is more likely to be under financial and psychological pressure
- *situational circumstances*: these factors can apply to anyone at any time. For individuals, these can include periods of ill health or distress, such as after death of a loved one, or a period of unemployment. For small businesses, they may relate to local economic downturns or supply chain issues
- *time off supply*: this is a temporary factor, that as time off supply increases, so does the risk of vulnerability.

The draft strategy would benefit from consideration of both situational circumstances and time off supply in addition to the more traditional individual circumstances.

Our engagement with stakeholders on vulnerability highlighted a need for a greater focus on small-to-medium businesses. They emphasised that business owners' personal and work life are interlinked; hence their individual or situational circumstances are one and the same. The draft strategy could benefit from consideration of this customer cohort.

Do you think the priority themes are the right themes to help achieve our goal? If yes, is there a way we could strengthen or improve the themes? If no, are there other themes we should consider?

We have heard broad community concern that the energy transition has left behind many Victorian customers already at a higher risk of vulnerability due to reduced resources. Many more will be left behind if a fairer and more equitable outcome cannot be achieved.

The concerns we have heard that the energy transition is increasing or compounding in terms of vulnerability include:

- *increased reliance on electricity*: as customers are forced to migrate to electricity for their core energy needs, they become more reliant on electricity. Communities subject to frequent or extended outages face higher health, safety and comfort impacts. For instance, a property that once had gas cooking and heating may now lose all essential services during an electrical interruption
- *increased informational and psychological demand (engagement risk)*: navigating the energy transition requires new technologies, skills and capabilities. Customers need sufficient psychological and informational resources to understand, engage and benefit from this complexity. Those without these resources will struggle with the complexity and may fail to capitalise on the opportunities the energy transition presents
- *financial exclusion (equity risk)*: accessing new technologies requires sufficient financial resources. Customers without these resources to invest in low-carbon technologies, demand management or energy efficiency are at risk of being left behind and incurring greater costs. These compound existing financial disadvantages, an example clearly illustrated by the challenges faced by rental tenants.

A customer's physical location on the network and their connection type exacerbate these disadvantages. The draft strategy needs to specifically consider the plight of customers in rural and regional locations and how to achieve greater parity in securing a safe, reliable and resilient supply with their urban counterparts.

Another area that deserves greater attention is access to informational resources and advice. It has been highlighted that, in many instances, informational resources were not independent and were instead used in ways that reduced customer agency or acted as barriers to participation, thereby creating customer vulnerability. Misinformation, excessive complexity or a lack of trust in information provided to customers can significantly undermine customers' ability to respond effectively, particularly for elderly customers and other vulnerable groups.

Vulnerability may also be experienced at a community level, especially where communities share common socioeconomic characteristics. This is most evident during network outages, when diminished access to community resources compounds existing stress and limits customers' capacity to plan and finance recovery activities.

The draft strategy should be broadened to address community-level vulnerability in addition to individual customer impacts.

What can be done to support our regulated sectors to embed considerations of justice and equity at both the individual and system level?

New challenges and ways for our customers to experience detriment continue to arise. The energy transition generates many of these, especially for customers located in rural and regional areas. We have observed four shifts impacting our customers, namely decarbonisation, decentralisation, digitalisation and democratisation.

The draft strategy responds with three priority actions, business conduct, system level responses and regulatory inclusion. In our view, these priorities represent a traditional, regulator centric approach to managing vulnerability. We aren't saying there is not a place for these priority actions, but question whether they make a tangible difference to customers experiencing vulnerability.

Business conduct is understood to entail further regulation, greater enforcement and increased penalties to drive justice, fairness and equity in business activities. Whilst we are sure such an approach will keep compliance teams within the ESC and the broader sector busy; we are unconvinced it makes a tangible difference to the outcomes for customers experiencing vulnerability.

At no stage through our engagements with customers, communities or our CAP have we heard calls for more prescriptive regulation, greater enforcement or larger fines. What was being called for was assistance, through provision of greater customer agency to empower customers to help themselves best meet their needs and preferences, today and tomorrow. Investment was wanted in information and engagement, including data and advice from trusted sources. They wanted targeted action that dealt with the causes that have generated inequality. Success was measured in outcomes, not prosecutions.

The draft strategy references modified incentives and reporting mechanisms drive equity outcomes. We support this as it is in line with our belief in the outcomes. Achieving this for distributors will be problematic given the Australian Energy Regulator's (**AER**) jurisdiction. Our experience with the AER has been that its focus is solely on economic efficiency. Fairness and equity are only considerations where they may coincide with the AER's efficiency imperative. Customer sentiment and engagement are currently prioritised only where a program is forecast to deliver a positive net present value. The AER does not recognise electricity supply as an essential service for all customers, but rather only for those who can afford it. Reporting should be based on real customer outcomes, not the number of prosecutions or size of the fines. Outcomes should be customer based, quantifiable and verifiable.

System level responses are a priority, however they need to be targeted and informed through engagement with the community and customers. Some existing inequities are not being addressed, resulting in some communities falling further behind. This presents an opportunity to more explicitly embed system-level equity considerations into network planning and investment decision-making. This includes decisions about where network upgrades occur, how reliability and

resilience are prioritised, and how the impacts of outages and service standards differ across communities.

Without an explicit equity lens, planning frameworks that rely predominantly on economic efficiency risk perpetuating existing disparities, particularly for rural and regional communities. Embedding equity at the planning stage would enable more transparent consideration of trade-offs and support more consistent, long-term outcomes for customers and communities.

These same communities have disproportionately carried the burden of removal of all pricing subsidies since privatisation, implementation of the 2009 Victorian Bushfires Royal Commission recommendations and roll out of rapid fault earth current limiters. These same customers again will be asked to absorb the bulk of substantive transmission price rises and extensive investment in National Electricity Rule (**NER**) changes like flexible trading arrangements which will predominantly benefit those with new technologies located in urban areas. At the same time, it's these communities who will bear the brunt of the impact of climate change and the lack of resilience of the electrical infrastructure that serves them.

Whilst most of these issues are outside the ESC's jurisdiction, it should be active in advocating and initiating change that supports these communities and customers. Many of the matters discussed above, and their impact on Victoria's rural and regional customers, are not understood at a national level. The ESC has a role here and can influence to achieve positive outcomes. Whilst we vigorously advocate for our customers, we don't have cache or access to the regulatory forums and Minister meetings that the ESC does. We would like to see advocacy, especially for Victoria's rural and regional customers facing long term inequity, being tackled.

One area the ESC does have jurisdiction over is service standards. The long-term inequity faced by many Victorian regional and rural customers has been locked in through various regulatory provisions within the Victorian Electricity Distribution Code of Practice (EDCoP). Given the EDCoP is due for review in 2026, there is a real opportunity for the ESC to address the long-standing inequities in reliability and resilience outcomes and close the service gaps between rural and regional customers and those in urban Melbourne.

We would encourage closer consideration of the delivery model for assisting customers experiencing vulnerability. The prevailing ethos has been that this is best achieved through retailers, but we would question this. Billing is still an issue, and one retailers are well placed to manage, but beyond that we are not convinced they are the appropriate market participants to assist customers. They are typically centralised urban based organisations, some outside of Victoria, that have very little knowledge of the broader service issues and specific issues facing individual communities. This is understandable as they are not part of these communities. Success is at least partially dependent on having the social licence to work with customers and communities. This is something that must be earned, not granted.

The final objective of regulatory inclusion is a great objective but requires more than public consultation processes and forums. Customers are busy. Energy does not feature for most as a top priority in their busy schedules. Further, they often do not have the background, experience

or knowledge to engage in complex regulatory proceedings. This results most often in regulators relying on a small cohort of customer advocates that draw on a limited constituency, especially in rural and regional areas. Regulatory inclusion from our perspective must entail accessibility. This means going to them rather than expecting them to come to you. We are regularly engaging with our customers and communities across the Victoria and would encourage the ESC to observe or participate in these sessions.

Is there anything else we should be doing to ensure the success of this strategy?

Across the energy industry there is a strong recognition of the importance of supporting customers in vulnerable circumstances. Retailers, community organisations, advocacy groups and regulators each have defined responsibilities in this space. Distributors also can, and do, play a vital role. Below, we present the distinct role we play in our communities which helps mitigate the risks of a customer experiencing vulnerability and why the draft strategy should reconsider the role is has assigned to distributors.

Our networks' unique role in addressing vulnerability

Factors that may impact vulnerability	Skills / services	Relationship	Independence	Physical presence	Knowledge and data
Financial	✓	✓		✓	
Psychological	✓	✓	✓	✓	
Informational	✓	✓	✓	✓	✓
Community	✓	✓		✓	
Energy transition	✓		✓	✓	✓

Our current and potential roles are discussed in more detail below.

Skills and service

Our frontline service staff support over two million customers. They are motivated by the desire to make sure our customers remain connected to safe and reliable power and respond swiftly to reconnect them when needed, whlist supporting localised resilience. When customers are experiencing vulnerability, the quality of our response makes a difference.

To provide the best support possible, we employ over 200 staff to ensure that when customers need us, we are there. This covers everything from a customer connection and requests team managing connections and customer requests; customer operations including the call centre fielding customer queries, reports of asset damage and complaints; and the customer experience team managing digital communication and issuing regulatory notices and proactive advice on planned (and unplanned) outages, as well as coordinating the on-ground support to communities and customers.

Relationships

Our relationship with our customers is unique. It is an enduring relationship with the communities it serves. Every day we interact with the community and build relationships. This has enabled an internal culture oriented to recognising and assisting vulnerability. This approach has allowed us to develop relationships with all customers and trust with communities we know particularly need our support and advice.

Relationships require years of managing local areas to understand local community needs. This is not something national centralised parties in the energy market can do. We work with emergency services, the Department of Energy, Environment and Climate Action (**DEECA**) and councils to prepare for and respond to events like floods, bushfires and storms. Further, we participate in various groups such region-specific committees, local community groups and sustainability groups. These groups are closely linked into their community and ensure we continue to understand energy needs and preferences in our communities.

We are a member of the communities we serve. Local depots and offices are located throughout our networks. Our employees are part of these communities and live in the regional centres and towns we serve. Being part of the community provides a deep understanding of customer needs and preferences. This can't be replicated through centralised national organisations.

Independence

Our independence from retail/wholesale markets and new technologies enables us to provide unbiased advice and information to customers, a fact often overlooked by regulators. We already assist our communities to access the benefits of a modern energy grid, such as through renewable energy and battery storage. This can increase power reliability for communities in remote areas or those prone to frequent outages and ultimately help to reduce ongoing electricity costs.

The importance of unbiased and trustworthy informational resources cannot be underestimated in a period of such significant sociotechnological change, as is presented by the energy transition. The changes create opportunities, but also the risk of misinformation and exploitation. We regularly hear of customers being misled or exploited by uninformed or ill-intentioned third parties. Unfortunately, by the time we are informed, it is often too late for us to help.

Early access to unbiased, independent information can materially reduce the risk of customers investing in technologies that are not fit for purpose. This is increasingly important as technology options and associated products grow in complexity.

Our independence from retail and wholesale markets positions us as a trusted source of objective advice for customers.

Physical presence

We have a physical presence across our networks. This includes emergency response periods, which are an important opportunity for distributors to support community resources. These include information, social connection through facilities like phone charging stations, as well as

reassurance when people need it most. We have a physical presence in the community through day-to-day activities like physically connecting properties, undertaking network maintenance and upgrades and safety activities such as tree clearances and connection safety checks.

We are embedded in the community through our staff. This provides us with a unique insight into the communities we serve.

Knowledge and data

We have rare insights into energy network infrastructure, the demand and usage patterns within our network, existing and emerging markets and the communities we serve. We can be a critical source of information about energy supply during outages, short and long, and understand the role of energy in people's lives in a way in which other market participants cannot.

We are in communication with our customers daily, gaining insight into how access to energy and loss of power affects lives and the financial, psychological and informational resources customers may be struggling to access to secure a safe and reliable energy supply. We further support customers facing financial vulnerability through initiatives such as our contribution to the Financial Counselling Industry Fund.

What challenges or barriers might make it harder to deliver this strategy?

The draft strategy remains rooted in prescriptive regulations and larger and more rigorous enforcement of penalties. We are sceptical this approach makes a significant difference to customers and communities experiencing vulnerability on the ground.

We are disappointed by the absence of any consideration of the role distributors could play in advancing equity and addressing vulnerability in the draft strategy. As discussed above, distributors possess a unique combination of capabilities not available to other market participants. These include long-standing presence and trusted relationships within the communities they serve, genuine independence from retail and wholesale market and technology interests, and access to data and insights that can help provide customers and communities with the agency needed to avoid, or recover from, vulnerability.

We consider that the draft strategy would be strengthened by a reconsideration of which parties are best placed to deliver meaningful support to customers and communities experiencing vulnerability, and the types of support required to achieve tangible outcomes.

In the absence of this being part of the draft strategy, we have proposed five initiatives called our *customer assistance package* to support our customers and communities. This includes First People specific programs, as well as programs providing targeted and practical support for customers in vulnerable circumstances. The customer assistance package's genesis was feedback from customers, advocates, stakeholders and our CAP and it demonstrates that we have an important role to play in actively supporting customers in vulnerable circumstances.

The specific programs include:

- literacy programs and web-based hub to welfare agencies to provide customers with bill interpretation and enhanced understanding of energy consumption patterns. This initiative has been adapted from a similar service provided by South East Water
- under our innovation fund allowance, projects to support enhanced inclusiveness and a more equitable energy transition
- a program assisting customers and communities to transition away from gas-based appliances through fuse replacement and upgrades to support electrification. This can include (subject to customers meeting the published criteria) subsidised or waived fees for single-to-three phase upgrades or fuse upgrades where these are required to support household electrification, support for both overhead and underground supply types and coordination with relevant authorised installers /community agencies where appropriate
- enhancing First Peoples energy access through programs that support resilience, increase heating and cooling for First Peoples over 60, support renewable energy projects and provide tailored energy-related information.

It is intended that all these new initiatives will commence with a structured year 1 trial, overseen by our CAP. Each program trial will look different in size and scope, as the programs are unique. A review will capture lessons learnt from this initial delivery phase and embed improvements in subsequent years to reduce any inefficiencies and costs. Perhaps most importantly, the performance of the programs will be measured by how many customers we reach and assist. Based on the trial, and the final determination outcomes, the programs will be expanded in 2027-28, depending upon CAP approval.

If you would like to discuss the submission further, please do not hesitate to contact Laura Herbert at [redacted] or on [redacted]

Kind regards,

[redacted]

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