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Essential Services Commission
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Our Approach: Payment Difficulty Framework Review

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group or Powershop**) thanks the Essential Services Commission (**ESC**) for the opportunity to provide comments on the ESC's Payment Difficulty Framework Review short paper (the **Paper**).

Background on the MEA Group

The MEA Group is a vertically integrated generator and retailer, with a focus on renewable generation. Through our investment in new generation, we have continued to support Australia's transition to renewable energy. Powershop is an innovative retailer committed to providing lower prices for customers and recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Powershop has introduced numerous new, innovative, and customer-centric initiatives into the market.

Statement

Powershop support the review of the ESC's Payment Difficulty Framework (PDF) under the direction of the 2018 final decision that determined this review is required. Powershop also appreciate that the ESC is including stakeholders from across industry in this review.

While Powershop support a review into the PDF, there are concerns that a review could lead to significant regulatory change. Significant change to the PDF could adversely impact both consumers and industry, as external factors are likely to have influenced the revised problem statement in the Paper, related to the ESC's increased awareness that the barriers to getting help are exacerbating the experience of vulnerability.

The PDF has operated on its own merits for no more than 12 months. This is due largely to the pandemic and the subsequent additional support provided by both industry, Commonwealth and Victorian Governments over the last 18 months. Furthermore, the various iterations of disconnection advice provided by the ESC have interacted with the obligations of the PDF. Based on these factors, Powershop consider that there will be significant challenges in reviewing the PDF in isolation at this time.

Powershop believes the PDF prior to the pandemic operated reasonably effectively in that it provided retailers with the flexibility to engage with customers, while providing customers a safety net to assist in managing their energy debt. Powershop believes that it will be challenging with the current evidence and data available to specifically assess the PDF's effectiveness. Powershop believe that a review undertaken post stay-at-home orders in Victoria would provide a more useful body of evidence to determine whether the framework as implemented is meeting its objectives.

Efficacy

Powershop is comfortable with the questions that are listed in the Paper. Powershop also agree that the key focus of the review should be whether the framework is meeting its objectives. Questions on implementation of the framework should be secondary.

At a minimum, the review should determine whether there are any gaps in the various processes that expose the customer to a greater financial risk (e.g. placing arrears on hold for a period of 6 months), and whether there are any minor improvements that could be made to the PDF to give retailers the appropriate tools to entice customers to make payments with the goal of reducing their energy debt.

A significant aspect of this enticement is the flexibility that should be allowed between the customer and the retailer to effectively engage with each other based on the customer's needs. Powershop's view is that this is the engagement that the PDF should and does encourage. Further regulation of retailers under the PDF framework is not likely to resolve the issue of customer engagement. Powershop consider that a key question that should be asked is what are the barriers that lead to a lack of engagement?

Flexibility in engagement can come in many forms including from further payment plan proposals to advising of the risk of disconnection. Powershop agrees that disconnection is an absolute last resort. However, a key question is, without disconnection, how can the retailers, under the PDF motivate the customer to proactively manage their energy debt?

During the pandemic, a combination of the reduction in Commonwealth Government assistance and the ESCs advice on disconnection, payments towards energy debts reduced. The ESC should consider the impact of government assistance and lack thereof, as a part of the issue relating to the lack of engagement identified in the Paper.

Evidence and Data for the review

Powershop understand that the data the ESC have access to existing data provided by retailers voluntarily during the pandemic. Other data sets that might prove useful to the ESC are comparisons between jurisdictions. Furthermore, whether the PDF has met its objectives, comparing levels of customer debt before and after the introduction of the PDF.

Powershop understands that qualitative, anecdotal evidence has a place in a review of this nature. Powershop's preference is that quantitative data is relied upon more heavily than qualitative in reviewing the PDF. Anecdotal evidence can adversely impact the findings of a review, when extreme cases, positive or negative, are relied upon. If anecdotal evidence forms a part of this review, the ESC must gather such evidence in a way that represents the gamete of experiences from consumers to industry. Powershop are happy to work with the ESC through this process to provide relevant additional quantitative and qualitative data.

Powershop support a high-level review of the PDF at this time, but that a more suitable time to review the PDF would be once the pandemic overlay has ended. Furthermore, the review must consider the issue of customer engagement in energy debt at a more holistic level. Support outside of the energy sector has had a significant impact on customer's ability to engage with their energy provider and energy debt. While Powershop consider that the PDF has had an overall positive impact on customers, external factors must also be considered.

If you have any questions in relation to this submission, please do not hesitate to contact me.

Yours sincerely,



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