



## **Inquiry into the Financial Hardship Arrangements of Energy Retailers.**

Frankston City Council (Council) welcomes the opportunity to make a submission to the Essential Services Commission's (the Commission) Inquiry into the Financial Hardship Arrangements of Energy Retailers. Local governments are heavily involved in their local communities, and play an important role in advocating on behalf of local community concerns.

The Frankston municipality includes significant pockets of disadvantage. At the last Census (2011) one in five local households were on low incomes and since then unemployment has risen, with Frankston residents being particularly affected<sup>1</sup>. As such, the Frankston community experiences a high degree of financial hardship, and rising energy costs can cause significant financial and associated social harm within the community. It is therefore of concern that the financial hardship arrangements of energy retailers are appropriate and adequate to ensure ongoing access to energy for Frankston residents, with minimum practical stress. In the 21<sup>st</sup> Century a secure energy supply is essential to family and community functioning. Without access to ongoing energy supplies, families and communities experience severe hardship.

While the Commission has highlighted that the cost of energy is outside of the scope of this inquiry, it is important to note that with continued growth in energy costs and continued growth in unemployment, it is crucial that financial hardship arrangements are appropriate and sufficient and, given the crucial role of energy in people's lives, delivered in a timely manner. Disconnection must continue to be a response of last resort.

### **Issues of concern for local residents**

It is critically important that the Commission, as well as retailers, recognise the vulnerability of many customers in financial hardship. While staff training in dealing with vulnerable customers is an important strategy in addressing this, and one that could be strengthened by increased use of specialists in financial hardship teams, it is imperative that retailers ensure that their systems are sufficiently accessible for these customers. Energy retailers should adopt the

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<sup>1</sup> Australian Government, Department of Employment, *Small Area Labour Markets*, December 2014



practice of New South Wales water retailers and provide expert financial counsellors, case management and psychologists in order to better support hardship customers.

Frankston’s local emergency relief provider Community Support Frankston (CSF) advises that vulnerable customers face significant barriers when accessing hardship arrangements. Many retailers require customers to repeat their story every time their call is transferred between departments, or when follow up calls are made. CSF request that all retailers adopt the practice (already assumed by some) of providing customers with a reference number regarding their request, in order to avoid the necessity for multiple repetitions of their circumstances.

There is a need for greater coordination between energy retailers and the Department of Health and Human Services, particularly around the Utility Relief Grant scheme. Currently, where an energy customer’s account is suspended, as is common practice with hardship customers, it takes 14 business days for retailers to credit the utility relief grant once awarded. It is not uncommon for the entire process to take three months, requiring significant customer initiated follow up. This process is extremely difficult to navigate, and given the vulnerabilities of many hardship customers, insufficiently accessible. Existing systems do little to provide for those who require the support of a financial counsellor, and consideration should be given to allowing financial counsellors to advocate on behalf of customers who are not currently present.

Hardship policies should involve one-on-one support for energy efficiency for consumers, including home visits for energy assessments and support. Many of those suffering hardship are renters or on low incomes, with little ability to make changes such as insulation and heating/cooling systems. Hardship policies should consider an integrated approach with the broader real estate industry and with the Tenants Union of Victoria to advocate for minimum insulation standards in established homes.

Customers often spend long wait times on the phone with providers. Many are on prepaid phones and end up hanging up due to a lack of credit. All financial hardship interactions should offer a call back service. While some retailers do currently provide this service, stronger promotion of this service would lead to greater uptake, and reduced financial stress for customers. It also of concern that current arrangements require healthcare card holders to



inform utility providers when their card is updated. Many customers are unaware of this, and it represents a significant structural barrier for vulnerable individuals. This process needs to be examined, and made less onerous for customers.

### **Council's efforts to reduce consumption and costs**

Council spent approximately \$2.3m on utilities (including water) in 2013/14, and \$13.8m since 2007/08. At the same time, Councils invested \$3.8m to reduce energy usage, yet costs continue to grow. From 2008 to 2013, Council reduced consumption of electricity by 21%, gas by 10% and overall greenhouse gasses by 21.7%. Despite this, usage costs increased 38% and total costs increased 20%. This demonstrates the difficulty faced by councils and individuals in managing their energy costs. It is important to recognise that where Council's overhead costs grow despite significant efforts to reduce spending, Council's financial capacity to provide other services, programs and activities is diminished, impacting upon residents. Further, Council's biggest financial savings come from negotiating wholesale rates on energy, an option community members do not have access to. Council employs a full time contractor to monitor energy bills and recoup costs of overcharging. Again, the community does not have access to this kind of support. Nor does the community have access to the specialised support required to reduce their utility bills.

In summary, Frankston City Council proposes the following for the Commission's consideration:

- Hardship policies should involve one-on-one support for energy efficiency for consumers, including home visits for energy assessments and support.
- Hardship policies should consider an integrated approach with the broader real estate industry and with the Tenants Union of Victoria to advocate for minimum insulation standards in established homes.
- An increased use of specialists in financial hardship teams is required. Energy retailers should adopt the practice of New South Wales water retailers and provide expert financial counsellors, case management and psychologists in order to better support hardship customers.
- All retailers adopt the practice of providing customers with a reference number regarding their request.



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- Greater coordination between energy retailers and the Department of Health and Human Services Utility Relief Grant scheme.
- An appropriate process be established for financial counsellors to advocate on behalf of customers. Currently this can only occur when the customer is in the room with the counsellor, representing a significant barrier.
- All financial hardship interactions should offer a call back service to avoid additional mobile phone charges whilst in phone queue. This service should be strongly promoted.
- Processes requiring healthcare card holders to inform utility providers when their card is updated need to be made less onerous for customers.
- Disconnection from energy supplies should remain a strategy of last resort.