

2 October 2015

Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale St
MELBOURNE VIC 3000

By email: energyhardshippreview@esc.vic.gov.au

Dear Dr Ben-David,

RE: Supporting Customers, Avoiding Labels – Energy Hardship Inquiry Draft Report

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Essential Services Commission's (ESC) energy hardship inquiry draft report *Supporting Customers, Avoiding Labels* (the Draft Report).

The ERAA represents the organisations providing electricity and gas to over 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The inquiry undertaken by the ESC has highlighted the complex nature of identifying and providing assistance to consumers who are experiencing difficulty in meeting their financial obligations associated with their energy consumption. The ERAA commends the broad and fresh approach taken by the ESC in seeking to address this complex social issue. The ERAA provides comments on various elements of the Draft Report and proposed alternative framework below.

Objectives

The ERAA believes the objectives of the proposed alternative framework outlined in the Draft Report are appropriate. The ERAA suggests that promoting consumer engagement is also considered as an objective in addition to avoiding debt, repaying debt, adopting leading practice in energy management and aligning energy consumption with affordability.

Incentives

The ERAA believes that the incentives at each stage of the proposed alternative framework are not suitable. Automation of payment plans without any contact removes the incentive for consumers to engage with their retailer and removes the requirement for a consumer to take ownership of their payment difficulties and energy needs.

The automation of an energy payment plan at a very early stage in the payment cycle will capture a large number of consumers, including consumers not in need of immediate financial or payment assistance. Further, this will not encourage consumer engagement and removes the requirement for the consent for a consumer to be put on a payment plan, which may cause a high level of consumer confusion and an increase in complaints.

The ERAA does not believe the incentives offered in Stage 2 are balanced or will be effective in assisting consumers experiencing hardship. We suggest that the first payment plan should offer the incentives contained in the second payment plan, as without them the consumer has no incentive to engage.



The assistance retailers are required to offer under the proposed alternative framework is prescriptive and lacks flexibility, limiting innovation. Based on the proposal as put forward by the ESC, retailers will be unable to provide tailored assistance to consumers that may be more suitable to their specific circumstances.

Costs and benefits

The costs of implementing an alternative framework will be significant, primarily driven by process changes required for retailer billing systems. In order to ensure costs are minimised and not incurred unnecessarily, the ESC should ensure that any alternative framework has the support of the Victorian Government, other policy makers and industry stakeholders to provide sufficient regulatory certainty.

Maintaining and operating two different hardship frameworks to cater for different jurisdictional requirements is expensive and inefficient. Retailers have incurred significant costs in developing systems and processes that meet both the National Energy Customer Framework (NECF) and the harmonised Energy Retail Code in Victoria. To promote efficiency and competition in the NEM, nationally consistent frameworks are necessary. The ERAA would encourage the ESC to discuss with the AER its preferred framework to determine where there is common ground and whether there is potential and support to increase consistency of the revised Victorian framework with the hardship provisions applicable in all other jurisdictions that have adopted the NECF.

Staging of assistance

The ERAA believes it is important to encourage consumer responsibility and engagement to address energy bill payment difficulties and that the revised framework proposed by the ESC seeks to promote shared responsibility. At several stages in the proposed framework a consumer is required to respond, however what is meant by this is not clear and requires further clarification.

The ERAA is particularly concerned about the fully variable tariff proposed under the Active Assistance Plan (AAP), as in the view of our members this proposal will be impossible to manage and therefore unachievable. Additionally, should a consumer's consumption increase while on an AAP they are likely to be detrimentally impacted and pay more than they would otherwise pay.

The ERAA does not believe that the ESC should be considering pricing structures that may be applicable to consumers experiencing hardship. The ESC does not have responsibility for energy pricing and this should be left to the AER and networks as part of the work currently being undertaken on tariff reform.

Disadvantaged consumers

The ERAA acknowledge that the Terms of Reference for the inquiry do not permit the ESC to look at the broader Government social policy relating to concessions and affordability of energy as an essential service. Unfortunately without this being considered and a revised policy developed those consumers who cannot afford their consumption will remain disadvantaged and at risk of disconnection.

Implementation and transition

The ERAA notes there are a substantial number of other rule changes and regulatory developments currently being progressed and the ESC should be mindful that the changes it will implement do not operate in a vacuum. Under the proposed framework significant system changes will be required following finalisation of the operational detail by the technical working groups. The ERAA would suggest that a transition period of not less than 12 months from finalisation of the framework and relevant guidelines is adopted.

Comments on other elements of the proposed alternative framework

The ERAA does not believe that the proposed restriction on customer transfers is practical or appropriate. We do not believe this is measured approach and is actually contrary to the

Victorian Government's previous position advocating for the removal of the objection to transfer on the grounds of outstanding debt. The ERAA notes that this element of the alternative framework has been raised in workshops held by the ESC and the suggested alternative is that hardship customers cannot be marketed to by retailers. The ERAA does not believe that this is either practical or favourable. It ostracises hardship customers and is detrimental to competition. The ERAA can see no reason why hardship customers should not be able to shop around to find the offer most suitable for their individual circumstances.

The proposed alternative framework is complex and involves frequent contact attempts to be made by retailers. This may present challenges in a consumer understanding their obligations at each stage of the process. If a consumer is not engaging with a retailer, further correspondence received from a retailer may go unopened or be ignored leading to failure to comply with the consumer's obligations and therefore increasing the risk of disconnection occurring.

The ERAA and its members look forward to working with the ESC to develop workable and efficient solutions to support consumers experiencing payment difficulties and financial hardship.

Should you wish to discuss the details of this submission, please contact me on ([REDACTED]) and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Fraser', with a horizontal line underneath.

Alex Fraser
Interim CEO
Energy Retailers Association of Australia