



Friday 2nd October 2015

Essential Services Commission – Energy Hardship Inquiry, Draft Report

Frankston City Council (Council) welcomes the opportunity to make a submission to the Essential Services Commission’s (the Commission) in response to the recently released Draft Report from its Inquiry into Energy Hardship. Please note that Council made a prior submission to the Commission on this Inquiry in May this year, in response to the Issues Paper.

Objectives for the proposed regulatory framework

Council provides in principle support for the proposed regulatory framework’s objectives of avoiding debt, repaying debt, adopting leading practice in energy management and aligning energy consumption with affordability. As outlined in our previous submission, the regulatory framework requires reform in order to better support customers who are vulnerable to financial hardship to avoid debt and remain connected to essential services. This is of particular concern to Council, as Frankston City is home to an above average proportion of residents whom experience high degrees of financial hardship, which can impact their overall health and wellbeing.

Incentives and opportunities

It is critically important that appropriate support is provided for customers who are vulnerable to financial hardship, which includes being able to access incentives and opportunities to avoid and reduce debt without the repercussion of disconnection.

Council would like to see the following recommendations made by the Commission in its final report to support the inclusion of incentives and opportunities in the proposed regulatory framework:

1. Early identification and intervention measures that are supported by the regulatory framework:

- Council strongly supports the Commission’s finding that early intervention is a key element of leading practice and that industry initiatives in this area need to be supported by the regulatory framework.
- The requirement for early intervention measures that are established consistently across the energy industry as part of retailers customer service offer could go a long way in supporting customers who are vulnerable to financial hardship to avoid debt, which would in turn minimise the need for intervention by community-based agencies that offer emergency relief and financial counselling.
- Council therefore broadly supports the inclusion of the Early Action Option, Payment Plans and Active Assistance Plan measures in the proposed regulatory framework with clearly defined minimum standards of customer assistance imposed on energy retailers.
- For these measures to be effective, they need to include ready access to financial counsellors by those customers who are vulnerable to financial hardship. Furthermore,



consideration also needs to be given to allowing financial counsellors to advocate on behalf of customers who are not currently present.

- As per our previous submission to the Commission, Council would also like to see energy retailers adopting the practice of New South Wales water retailers and provide case management support with access to expert financial counsellors and psychologists to better support vulnerable customers experiencing payment difficulties to ensure that they are able to remain connected to essential services.

2. *Practical assistance and incentives for vulnerable customers to manage energy consumption:*

- Council provides broadly supports the principles underpinning the following incentives outlined in the Active Assistance Plan:
 - Fully variable tariff(s)
 - Pay-on-time discounts
 - Practical in-home assistance to reduce energy consumption
 - Provision of current information about the assistance available through other service providers, to help the customer address the underlying causes of long term payment difficulties.
- However, Council is concerned that these measures may not provide adequate support for those customers who are vulnerable to financial hardship and residing in rented accommodation, and may not be able to make energy efficiency improvements like insulation and heating/cooling systems while also not being able to afford to upgrade their appliances. As per Council's previous submission to the Commission, Council would like to see partnerships established with the broader real estate industry and Tenants Union of Victoria to advocate for minimum insulation standards in established homes.

3. *Incentives and opportunities that address the barriers to accessing support measures that address payment difficulties*

- Council was pleased that the Commission's Draft Report acknowledges that energy customers are experiencing barriers to accessing support to assist them with addressing their payment difficulties. However, Council is concerned that the Draft Report doesn't articulate how the proposed regulatory framework will overcome these barriers.
- Frankston's local emergency relief provider Community Support Frankston (CSF) advises that under the current regulatory framework clients who are vulnerable to financial hardship are facing significant barriers when accessing hardship arrangements, and provided the following list of issues frequently experienced by their clients:
 - The energy customer has to provide their permission before a caseworker is able to speak to the energy retailer and advocate on their behalf, which has to occur each time the phone call is transferred from one department to the next. This is extremely time-consuming given some issues can take several phone calls to resolve. It's essential that customers are able to engage a third party advocate, as many vulnerable customers do not have the skills or patience for self-advocacy. Customers are also often unaware of hardship programs, or when they are offered



do not always understand them. For example, often clients are set up for direct debits from their accounts rather than Centrepay even when they have identified a Centrelink income. This is not the best outcome for the client who can incur fees if their bank account becomes overdrawn.

- Many energy retailers require customers to repeat their story every time their call is transferred between departments, or when follow up calls are made.
- The time taken for energy retailers to process Utility Relief Grant applications along with the lack of coordination between departments, which often results in funds provided by the Department of Health & Human Services sitting in a ‘suspense’ account rather than being assigned to a customer. Further still, this process is extremely difficult for customers to navigate.
- Protocols don’t allow for energy retailers to set up Centrepay arrangements while Utility Relief Grant applications are pending. This can result in future energy use charges continuing to mount up with no budgeting taking place by the customer to cover them.
- Energy retailer customers often have to spend extended periods ‘on hold’ while their case is being investigated. Many vulnerable customers are on prepaid phones and end up hanging-up due to lack of credit.
- Pension health care card holders have to ring back utility providers every time their card is updated or they will miss out on discounts. Many clients are unaware of this.
- Council would like for the proposed regulatory framework to address these barriers through consideration of the following measures:
 - a) *The use of customer reference numbers*: This will eliminate need for the customers’ stories to be repeated.
 - b) *Reduced bureaucracy to enable effective third party advocacy*: Permission only required once for each individual payment issue.
 - c) *Greater coordination between energy retailers and the Department of Health and Human Services*: This is particularly needed around the Utility Relief Grant scheme and for Health Care Card holders.
 - d) *Call back option*: This needs to be actively offered by energy retailers.
 - e) *Better communication and engagement strategies*: Given the importance of early intervention in the prevention of debt, Council would like to recommend that a greater responsibility is placed on energy retailers to actively communicate the customer-initiated Early Action Option to ensure that these systems are sufficiently accessible for vulnerable customers, particularly for those customers who have accessed hardship measures in the past.

Disadvantaged customers

Whereas the cost of energy is outside the scope of this Inquiry, it’s important for Council to highlight that local government is another customer that is facing difficulties in managing energy costs. As with many other areas, Frankston City Council’s overhead costs grow despite efforts to reduce spending. Over recent years, Council has significantly reduced its consumption of electricity by 16% and gas by 22.6% along with a decrease in overall greenhouse gases. Despite this, usage costs increased by significantly.



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Council therefore calls upon the Commission to use the proposed regulatory framework to impose industry standards that will see cost increases by energy retailers being capped at CPI. This would benefit local government by ending the upward trend in energy costs, particularly in the face of rate capping proposed by the Victorian Government on local councils in the near future, as well as benefit residents – including low income earners – who are forced to pay higher energy rates than large organisations and who are struggling to meet basic needs.

Council looks forward to seeing a new regulatory framework that incorporates some of these important considerations.