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19 June 2017

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

Submitted electronically to paymentdifficulties@esc.vic.gov.au

Dear Dr Ben-David

Submission to Payment Difficulty Framework – New Draft Decision May 2017

EnergyAustralia welcomes the opportunity to comment on the Essential Services Commission's (the Commission) New Draft Decision on the Payment Difficulty Framework for Victorian energy consumers (the Draft Decision or DD2).

We are pleased that the Commission has taken on feedback received on earlier drafts of the Payment Difficulty Framework (PDF or framework) and that it has changed significantly between October 2016 and now. The Commission has also pursued a more collaborative approach, holding workshops with retailers and other stakeholders to explain their approach and to seek feedback. The Commission has now made the framework simpler in structure, less prescriptive overall and improved customers' ability to set up a payment plan with their retailer that will suit their needs.

Despite these significant improvements, the framework still contains some elements that are complex, unclear or costly to implement. In recent workshops and discussions with the Commission, it has become evident that DD2 will not always produce good customer outcomes. Therefore, we consider DD2 to be at odds with some of the outcomes that the Commission and Government are seeking. In our view, the framework as currently drafted will:

- confuse customers, who will receive multiple and concurrent bills and payment schedules;
- increase customer debt levels by providing incentives for customers to pay later;
- be difficult for retailers to be certain that they have complied with some sections of the Code; and
- add significantly to retailers' costs, leading to higher prices for all Victorian customers.

We have also consistently argued for a 12-18 month implementation period due to the framework's scale and complexity. Implementation of DD2 in early 2018 would be a major, if not impossible, challenge for our business and we are concerned that the regulations will be finalised soon and there will not be time to address the outstanding issues.

Therefore, in addition to providing feedback on DD2 including suggestions for how the drafting could be improved to overcome any issues, we have also created an amended framework (based on DD2) that we believe could be implemented much more quickly. This amended framework still meets the objectives set out by the Commission, but minimises retailer system changes which would enable it to be established more quickly and at lower cost. We also provide specific examples of the elements of the Commission's framework that are driving up the cost and implementation complexity. Our amended framework is not fully detailed, however, and would still require further consultation and assessment to meet the needs of customers and other stakeholders.

To date there has been insufficient focus on understanding the impacts to costs and business operations in informing the design of the PDF, so we welcome the additional insight that the ACIL Allen and KPMG assessments will provide. The preliminary consultants' assessments of retailer and customer impacts are somewhat incomplete and rely on opaque assumptions. We appreciate that ACIL Allen and KPMG have had to quickly develop and carry out their assessments using initial data that will be updated in the next phase. Nevertheless, we would have expected their reports to demonstrate a better understanding of retailer operations and a more objective approach to reviewing both positive and negative consequences of the framework. Without improvements to the ACIL Allen and KPMG approaches, we do not see that they will produce credible assessments of the impacts of the PDF to retailers and customers. It is critically important that a regulatory change of this scale is not rolled out without satisfactory evidence that it is worthwhile.

Our concerns about DD2 reflect the substantial improvements we have made in the assistance we provide to our customers to manage their debt and usage levels and to remain connected to their energy supply. It is always possible to keep improving and we are therefore open to changes that take the industry forward. We are supportive of the Commission's objectives and have put forward suggestions for further improvements to help meet these objectives at the earliest possible date.

The attached submission provides our rationale for this position and outlines our preferred approach for ensuring that Victoria's customers are appropriately protected.

If you require any further information with regard to this submission, please contact Melinda Green on 8628 1242 or Geoff Hargreaves on 8628 1479.

Yours sincerely

Cameron O'Donnell
Head of Credit Management and Collections

**EnergyAustralia Submission to
Essential Services Commission
for the
Payment Difficulty Framework – New Draft
Decision May 2017**

19 June 2017

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1. Overview

EnergyAustralia notes that the New Draft Decision (DD2) is the continuation of work undertaken to review retailer hardship arrangements in Victoria and has been developed following consultation on the Commission's Final Report– *Supporting Customers; Avoiding Labels* (Final Report) and the and the first draft decision (October 2016) (First Draft Decision or DD1).

We acknowledge that the provision of an essential service comes with the implicit responsibility to make efforts to provide appropriate assistance to customers so that they can remain connected to their energy supply. We are committed to being innovative and trialing new systems to the benefit of our customers. The significant investment in our hardship program, *EnergyAssist*, over the past two years (which includes a partnership with Kildonan and separation of hardship management from our standard credit and collections process) provides evidence of this. We have tripled the number of staff in *EnergyAssist* since 2014 and undertake extensive training including having respectful conversations, staff resilience and identifying customers experiencing difficulty.

We have a strong commitment to helping customers, both through our *EnergyAssist* program, and through other initiatives including:

- Community partnership with Kildonan UnitingCare
- A Financial Inclusion Action Plan that brings our support programs together and makes us more transparent on how we help people manage financial difficulties.¹
- Translation services
- Dedicated financial counsellor line
- Dedicated line for hardship customers
- Co-investment in government programs
- Payment matching, debt waivers, energy audits and appliance swap for hardship customers.

On 9 June we announced we would commit an additional \$10million and other support for some of our most vulnerable customers at a time of rising electricity and gas prices.² The funding will be used to expand our existing *EnergyAssist* program for electricity and gas customers in New South Wales, Victoria, South Australia, Queensland and the Australian Capital Territory. It will expand on our current offerings including energy audits, efficiency and appliance swaps, and also goes towards doing new research aimed at alleviating chronic, long-term financial difficulty. This investment reflects the flexibility that the current frameworks afford us, as well as our commitment to ensuring logical and positive outcomes for our customers with genuine financial difficulty.

Our experience and improvements have come through a commitment to assisting vulnerable consumers through training and trialing of systems and processes that benefit of the customer. They are revised as we learn more about what works and what is less effective in allowing customers to better manage their energy consumption and alleviate financial difficulty.

We believe this investment leaves us well placed to not only work effectively with customers who are facing payment difficulties but to understand what works and what doesn't. Effective management of financial difficulty hinges on genuine engagement from the customer, rather than passive acceptance.

Our current approach also accords with the Australian Energy Regulator's (AER) *Sustainable Payment Plans Framework (SPPF)*, which was developed in consultation with retailers and

¹ More information on what a FIAP is can be found at: <http://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans-fiap/>

² See <https://www.energyaustralia.com.au/about-us/media/news/energyaustralia-expands-hardship-support> published 9 June 2017.

consumer representatives. The SPPF, although voluntary, provides a means of ensuring that customers are provided with the assistance appropriate to their circumstances within the scope of each retailer's hardship policy and practices. It allows retailers the ability to trial new systems and improves on their current offerings while working to a minimum expectation of consumer protection.

Throughout this submission we examine the recent documents released by the Commission including the cost-benefit analysis, the proposed Part 3 amendments to the Energy Retail Code and DD2. In particular, we provide commentary and suggested improvements on the more problematic elements of the proposed framework which arise in the following areas:

- complexity and implications for customer experience
- incentives for customers to genuinely engage with their retailer to acknowledge payment difficulties and to develop a response that suits both parties' circumstances
- problems of logic or inconsistency
- expected cost for retailers to implement and administer
- lack of clarity about retailers' obligations.

Commission staff clearly recognise some of these problems and acknowledge the need to revise some elements.³ We have proposed enhancements to DD2 which are incomplete but demonstrate that with some relatively small adjustments, key elements of the proposed framework can be maintained while making the process more workable for retailers and ensuring adequate protection for customers, with disconnection occurring as a last resort.

2. General observations about the revised framework

We appreciate the Commission's increased commitment to consultation with stakeholders. The ability to attend workshops and forums with other key stakeholders has greatly enhanced the quality of key messages and areas of concern for the Commission to focus on. The recent workshops have helped understand the drafting of the DD2 and the Commission's intention and definitions. However, DD2 remains very complex and in our view, is a counterintuitive way of addressing customer financial difficulty. We still expect it will impose significant costs – associated both with implementation and ongoing compliance and administration – so it is important to understand how the framework will operate before proceeding to implementation. Otherwise, customers will simply face additional costs and / or accrue greater debt for little benefit (or indeed, for a worse outcome overall).

Imposing a radically different and untested regulatory framework, when the current framework appears to be providing improved outcomes and with little strong evidence base, does not accord with good regulatory practice, and we are concerned the proposed framework will adversely impact all Victorian consumers.

We also recognise the Commission's attempts to satisfy stakeholder concerns from DD1. The changes have vastly simplified the structure of the PDF, removed the high level of prescription and allowing customers to work with their retailer to set up a payment plan that suits their needs.

Standard Assistance is an entirely reasonable approach for customers at risk of or in the early stages of payment difficulty. While there have been some improvements to Tailored Assistance, there are still some confusing and counterproductive elements, and it is still difficult for us to build into our systems and processes quickly. Default Assistance appears to be Immediate Assistance (of DD1) relocated to the last stage of the assistance framework. This does address the over-capture problem of Immediate Assistance; however Default Assistance remains a complex plan to build and

³ As discussed in the stakeholder forum on 29 May and during the process mapping session on 2 June 2017 - For example the current definition of arrears and the associated decoupling of arrears from ongoing use in Tailored and Default payment arrangements.

seems unlikely to be useful to many customers who have failed to engage or take advantage of earlier and more attractive offers of assistance.

Below we expand on our high-level concerns on the PDF. Later sections explore the issues specific to each element of the plan (section 3) and a proposed modified version that overcomes many of the issues for retailers and customers and could be implemented more quickly (section 4), whilst still providing high levels of standardised support for customers.

2.1. Objectives of the framework

In our submission to DD1 (dated 18 November 2016), we expressed concern that the previous draft determination seemed to diverge from the principles of the Hardship Inquiry.⁴ In particular, the previous draft sought to limit the accumulation of debt to unsustainable levels but at the cost of higher disconnection rates. In our view, the focus of DD2 has now changed to emphasise disconnection as a last resort over minimising debt accumulation by customers.

We also think the mechanisms chosen by the Commission to ensure disconnections for non-payment are done only as a last resort fail to encourage customer engagement and will do little to address genuine payment difficulty - i.e. by extending the period over which assistance is offered, separating assistance to pay arrears from broader assistance and allowing customers to passively accept offers without retailer engagement. Inadvertently allowing or facilitating greater debt accumulation for a broader customer base runs the risk of having the unintended consequence of more disconnections for non-payment, with potentially far lower reconnection rates due to the increased value of debt on hand at the point of disconnection

Over the development process, the framework has been very fluid and stakeholders have had little time to provide comment and test the various iterations before the Commission publishes a formal draft for comment. We appreciate that the Commission has responded to stakeholder concerns on the framework but this has led to substantial changes of approach, the reasons for which are not always clear. These changes to the approach have hampered retailers' efforts to analyse the costs and benefits of the proposed framework and to ensure operational readiness.

2.2. Avoidance of disconnection at the expense of debt accumulation

Disconnection is not a preferred course of action for retailers and is a difficult and distressing experience for customers. Debt accumulation has harmful effects to retailers who bear additional credit risks (higher bad debt and increased debt write offs) and customers, who are saddled with long-term debts that they may ultimately be unable to clear and may impact future access to credit and other financial services.

The new framework allows up to two years for some plans, but also appears to allow customers to switch plans and remain on the framework indefinitely. The likelihood of recovery of debt by a retailer is inversely proportional to the age of the debt. The result of this is that retailers' balance sheets will show greater provisions for bad debt. This is yet another cost arising from the framework which will be passed on to Victorian consumers.

From a customer's perspective, higher debt at the point of disconnection reduces the likelihood of, or extends the timeframe for reconnection.

Although disconnection is a terrible experience for the customers EnergyAustralia may issue around 55,000 disconnection warning notices every month*. These will result in ~3,000 disconnection service orders being raised, with around half of these actually resulting in a disconnection. After the customer then engaging with EnergyAustralia we then reconnect around 70% of these customers each month after receiving some form of payment and setting up an appropriate payment arrangement that works for the customer and EnergyAustralia.

⁴ EnergyAustralia submission to Payment Difficulty Safety Net draft – 18 November 2016, p6

Based on our current process, a customer who does not engage with us in any way will be disconnected with around 135 days of usage. Under the proposed arrangements, the same customer will have a greater debt with us before disconnection at around 225 days of usage arrears accumulating. We are of the firm belief that disconnection should be a last resort but is necessary step where a customer has not engaged or paid, and as demonstrated above often results in an otherwise disengaged customer to acknowledge their debt and commence a course of action to address it. We have also previously noted that DWNs and disconnections themselves are often a trigger for customers to seek support.

Approximately 70% of our customers are reconnected following disconnection. It is therefore important to ensure that the level of arrears at the point of disconnection is not unnecessarily high, as this will impact the ability of the customer to make the required payment for reconnection. We also find that while regrettable, disconnection also drives a very high engagement response as customers face their debt situation and then work with their retailer to resolve the situation.

2.2.1. Automatic Payment Plans (Default Assistance)

We recognise that the Commission, and many consumer representatives, are keen to implement a framework that grants customers 'agency' and makes it as easy as possible for customers to accept assistance. This takes the form of automatic payment schedules that customers can 'accept' simply by paying (at least for the first scheduled payment) under Default Assistance. The Commission appears to have taken the concept of agency too far in this case. Default Assistance, will not encourage genuine engagement, particularly given there will have been no engagement in the much more customer friendly Tailored Assistance stage, and we expect will result in debt accumulation and lost opportunity for retailers and customers to work together to address payment difficulty. The automated nature of this will also add significant build cost and required lead time.

The Commission has occasionally referred to anecdotal evidence of customers who feel intimidated by their situation and cannot or do not engage with their retailer in any direct way at all. The prevalence of this is unclear but we expect it represents a very small proportion of Victorian customers. In fact, Kildonan UnitingCare noted in their submission to the Hardship Inquiry that early intervention is vital and automatic payment plans won't resolve the issue of affordability or usage.⁵ In fact, a survey by Kildonan found that 75% of all participants indicated that a no-questions-asked payment plan would not assist them in the longer term.⁶ Such customers require additional levels of support that extend well beyond support with their energy payments and usage. If this is not able to be provided by a retailer, we hope that communications prompt these customers to reach out to a customer agency able to provide this support. Multi-channel engagement, via digital methods and self-service should also help to alleviate this concern.

Fundamentally, we see little benefit to these customers in granting them the ability to passively accept an automated payment plan (as would be the case under Default Assistance). This will allow debt to accumulate and prevent a retailer from offering support that reflects their circumstances. We and other retailers invest heavily in our hardship program but this is most effective when customers directly engage.

Our current practice is also to work with the customer to arrange a payment level and a timeframe that is achievable and maintainable by them to improve their chances of successfully paying their debt. If a customer commits to us that they will pay at a certain frequency (whether it is weekly, fortnightly or monthly) and at a certain amount, then we will work with them on a length of plan that suits them. This represents genuine engagement.

2.2.2. Exacerbation of debt growth for more customers

In seeking to ensure that customers are only disconnected as a last resort, we believe the framework instead will capture many more people than is necessary and allow for debts to be

⁵ Kildonan UnitingCare Submission: Response to *Supporting Customers, Avoiding Labels*, Energy Hardship Inquiry Draft Report 2015, p4.

⁶ Ibid, p14.

deferred for longer periods. The significant problem that arises is that customers will delay payments in the knowledge that under the new definition of arrears, they can have an additional 90 days before committing to any payment arrangement under Tailored or Default Assistance. These delays will only lead to more negative consequences for customers. Customers who would otherwise have paid the bill on time would now see an opportunity to defer paying amounts owed in favor of other debts or budget priorities and we believe this would lead to a worsening in their debt position when the arrears are actually required to be paid.

Not only does this direct retailer resources away from the customers in the most chronic types of payment difficulty, it creates perverse incentives for consumers to take advantage of assistance that they do not need which will lead to increased costs being borne by all consumers. The same is true of inadvertent over-capture of customers. Although this has an impact from a retailer cash flow and working capital perspective, the more serious outcome is that customers may delay paying their energy bills to free up, or redirect cash flow and ultimately end up in worse financial circumstances.

2.3. Retailers' obligations and enforcement of the Code

In an endeavor to be less prescriptive, the Commission has moved to taking a purposive approach.⁷ The Commission notes that:

A consequence of providing this flexibility will be that the wording of some of the minimum standards may need interpretation in particular circumstances. Examples include what constitutes 'advice', 'best endeavours', and 'taking circumstances into account'.

We are concerned by this for a number of reasons. Firstly, it creates difficulty for retailers in understanding what the Commission would consider an appropriate threshold or standard for these terms. Secondly, it creates uncertainty in the type of information a retailer can and cannot act on and what is *reasonably* expected. These 'grey' areas, as described by the Commission,⁸ highlight the complexity and difficulty faced by retailers to quickly implement a new framework that is undefined and subject to ongoing clarification and definition post-implementation.

Reasonableness is a common theme in DD2,⁹ but the gauge for determining what is reasonable is unclear. Terms such as 'should have known' suggests that an assessment of what a retailer's state of knowledge was at a point in time will be gauged at a future date by an external body. Statements made by the Commission in the technical workshops also create concern and uncertainty for retailers. For example, in relation to the practical operation of section 78(2) of the proposed Energy Code amendments, the Commission said that this could include the situation where a customer has previously contacted us regarding payment difficulties.¹⁰

This purposive approach that the Commission suggests simply creates the expectation that retailers will have to operate in a reactive environment as the Commission develops guidance and guidelines post-implementation to address any issues as they come up. This has been evident across a number of issues, such as: the intention that section 111A is to apply to all residential customers; that a reminder notice does not have to be re-issued following Tailored Assistance and Default Assistance offers; and that disconnection warning notices and Default Assistance may be issued simultaneously.

While we welcome clarification on these points and have been assured they will be addressed in the final decision, this is indicative of the ongoing issue that retailers do not know what they are being asked to implement, and being told that guidelines and guidance material will be developed to plug the holes. This creates obvious problems when estimating the costs of implementation and compliance – retailers simply do not know what changes they will need to make to existing

⁷ DD2, p72

⁸ DD2, p124

⁹ DD2, Energy Retail Code amendments sections 78, 82 & 91

¹⁰ ESC process mapping session, June 2, 2017

processes for handling calls from customers, documenting issues that might indicate financial difficulty, or record keeping (particularly where they choose to disconnect a customer). We constantly strive to reduce customer complaints to relevant Ombudsman and therefore want to eliminate the possibility that these complaints will actually increase as a result of arbitrary interpretations of the intent and operation of this Framework.

The Commission has suggested consumers will be provided information on what is to be considered the reasonable expectations of customers anticipating or facing payment difficulties.¹¹ We fully support the Commission developing guidance material for consumers and consumer groups to understand what their rights are under the new framework, however this is something that should be explained to all stakeholders ahead of the final decision as it can fundamentally shift retailers' obligations.

In our view, the Commission's approach, while recently increasing consultation methods, still falls short of best practice regulation. Retailers do not know what precise changes they will need to make and the Commission seems unsure about what outcomes it thinks might emerge, leaving it unable to make judgments about whether they seem acceptable at some future time. This increases retailers' compliance risks and future operating costs.

Finally, we recognise that broader social reform is outside the scope of the Commission's terms of reference for the inquiry. However, energy payment difficulty is a function of a range of factors. As we argued in our submission to DD1, a framework which does not include consideration of concessions frameworks and funding for financial counselling and emergency relief organisations are unlikely to provide the necessary protections for those customers in the greatest need. We encourage the Commission and Victorian Government to focus on other reforms which could be implemented to better assist customers who are facing cost of living difficulty. This could include the better alignment of the VEET Scheme into the framework.

3. Proposed categories of assistance

3.1. Key concerns

This section is a summary of key problem areas we have identified with the categories of assistance. A more detailed list has been included at Appendix A. In section 4 we have proposed what we consider to be workable improvements to address a number of the concerns below while still maintaining the key attributes of the framework and its objectives.

3.2. Definition of arrears

The new proposed definition of arrears is inconsistent with customers' understanding of the concept and the current generally accepted meaning across industry credit and collection processes.

Arrears - means the sum of any amounts payable by the *customer* under one or more bills that are unpaid as at the *bill issue date* for a subsequent bill.

This new definition shifts the timeframes out for credit and collection cycles, where a customer must receive at least two bills before receiving (or being required to take up) assistance measures as a minimum standard. While we recognise the Commission expects that retailers will exceed this minimum standard, there is no obligation for a customer to take it up until the time of their second bill¹² during which time the customer will accrue further debt.

We question why minimum assistance is being provided at such a late stage and why it should be longer for customers who receive their bills less frequently. The practical effect of this is that a quarterly billed customer will have over six months of debt before they receive a disconnection

¹¹ DD2, p75

¹² This was clarified by the Commission at the public forum on 29 May 2017.

warning notice, which will have serious implications for disengaged and the most vulnerable customers who will continue to build unmanageable debt (discussed in section 2.2). It will also make it far more difficult for customers to get reconnected after a disconnection for non-payment. With this new definition of arrears also comes the expectation that retailers will carry debt for longer (see section 2.2.2).

The negative impacts of the arrears definition is exacerbated by the payment proposals suggested under the assistance categories requiring split payments for ongoing use and arrears.¹³ This will result in customers receiving multiple bills and communications for different amounts owing for different periods. It creates a poor customer experience and increases the likelihood that bills and communications will be missed, ignored, or misunderstood. It is also particularly problematic to implement from a system perspective.

3.3. Standard Assistance

We currently provide customers access to assistance that is largely aligned with sections 76(2(a)-(d)), prior to or post a customer going into arrears. However as it is currently drafted this category is unclear, and therefore problematic to implement. If these issues are addressed, we are relatively confident we could comply with this requirement by 1 January 2018 as it would require few system changes.

- **What is the minimum standard for the framework** - Standard Assistance appears intended to apply to a customer at any time, while Tailored Assistance is intended to apply to a customer at a particular time. This overlap is not addressed in the amendments or in the guidance material in DD2.
- **Retailer obligations** - what are the obligations on retailers if a customer is eligible for Tailored Assistance but requests Standard Assistance, as Tailored Assistance is an obligated step and also defined as a minimum standard. Ideally, Standard Assistance should apply at certain times (e.g. prior to a customer getting into debt) and by retailer discretion at other times. Some of the items within Standard Assistance are payment plans or payment deferrals that will be extremely complex to overlay for a customer already on a Tailored Assistance or Default Assistance payment plan. The customer could effectively be entitled to two or more payment plans at once.

We view our current equivalent of Standard Assistance as a key element of our retail service offering that a customer can access at any time, including where they prefer it to Tailored or Default Assistance. This is in fact better practice and better for the customer as it leads to a quicker remediation of the debt if the customer is capable. This alleviates the risk of future issues if capacity to pay worsens or subsequent bills increase.

3.4. Tailored Assistance

The workshops provided an opportunity for retailers and consumer groups to explain the practical impacts of DD2 on consumers and the difficulty for retailers to implement these processes into operation. During the process mapping session for example, it became evident that both the timing of Tailored Assistance and the split of ongoing usage from arrears would be highly problematic for customers.¹⁴

The proposed Tailored Assistance category is unworkable for EnergyAustralia in its current form for the following reasons:

- **Timeframes are too long** – The period of up to two years for an arrangement under 79(1)(a) is too long for a minimum standard that is offered to customers who have recently become behind in paying a bill.¹⁵ Customers will be more inclined to take the maximum repayment period to lower the regular repayment amounts, irrespective of

¹³ This is the case for both Tailored Assistance and Default Assistance

¹⁴ ESC process mapping session, 2 June 2017

¹⁵ Noting that section 79(4) would require a retailer to accept longer periods if the customer suggested it was necessary for their circumstances.

their capacity to pay which will increase their debt and require retailers to hold debt for longer. This also exposes customers to further downside risk of unmanageable debt and disconnection should their future payment capacity decline or billing increase. This framework should set a minimum standard that retailers and customers can work together to tailor to the individual circumstances.

- **Balloon repayments** - 79(1)(a) also allows customers to propose balloon repayments i.e. where they make regular payment amounts of a lower amount over a period of time, with a commitment to making a larger payment at a later date. At the extreme, a customer could propose a payment arrangement of \$1 for 23 months with the remainder of the outstanding amount to be paid on the final instalment. This issue could be solved by a requirement that the customer must commit to smoothed and consistent payment amounts throughout the payment plan (or across each phase of the payment plan where the customer takes up a period of paying at or below the level of ongoing usage).
- **Revised payment plans** – further to the above - there is no mechanism for a retailer to request a revised payment if it becomes aware the customer's payments will not repay the arrears at the end of the 2 year period (which can occur if a customer misses a payment or increases their usage or in the event of tariff increases). The retailer should be allowed to contact the customer to increase the payment amount if there is significant variation in their bill totals since the plan was set up. Most bill-smoothing plans require this. In the case that the customer's bill totals decrease, they may either call the retailer to vary their payment amount, or may wish to retain their current payment to pay off their debt more quickly.
- **Split of use and arrears** - that split usage and arrears is confusing for customers and against the current understanding of both retailers and customers on what a payment plan is. It will result in customers receiving multiple communications for concurrent bills and assistance arrangements as additional bills come into arrears. We strongly prefer to set up a smoothed payment amount that covers estimated future usage and arrears repayment. Our current plans work this way and we have found them to be very effective for customers. Any alteration will require significant system change.
- **What a retailer *should reasonably know*** – As discussed above in section 2.3 - there are practical implications of terms such as 'should reasonably have known would be in arrears' which puts retailers in the difficult position of understanding how to comply with this type of legal requirement – what *should* a retailer reasonably know, and how should we have ascertained that information?
- **Assistance loops** – As raised in a recent technical workshop with stakeholders¹⁶, customers and retailers can get caught in unintended loops regardless of whether the customer is paying or intending to pay. This is largely due to the application of section 111A and the onus on retailers to accept payment proposals if the customer engages.¹⁷ We do not consider 91(c) as an appropriate "off-ramp" as it requires retailers to prove a negative for an undefined term (discussed below).
- **Shift in discretion** - There has been a shift to giving *customers* more discretion or 'agency' in DD2. Retailer discretion is diminished with drafting of sections such as 79(4) and 91(c) which are weighted against the retailer and may ultimately hurt the customer. The outcome of section 91(c) comes down to payment difficulties being undefined, and yet used as the measure by which a retailer can determine whether to disconnect a customer or not. It is unclear how a retailer could ever satisfy the threshold of 91(c) as it is currently worded.

¹⁶ Held at Dialogue Conference Rooms, 27-29 Little Lonsdale St on 2 June.

¹⁷ Due to the implications of s80(3) and s111A providing C the opportunity to re-engage and propose a new payment plan under s80(1) with no stop point.

We believe that the proposed framework improvements discussed in section 4 largely address these issues and create a framework we can more easily implement and will give customers a more consistent and protective approach to managing their outstanding debt.

3.5. Default Assistance

Default Assistance is intended to be a last resort for customers who are at risk of being disconnected for non-payment; however there is little evidence to support that a disengaged customer would respond to this option. Default Assistance would in many cases require customers to pay a higher instalment amount than under Tailored Assistance, which they have not accepted earlier in the collection process.

The ACIL Allen analysis acknowledges that very few customers will take up this option. This is a costly and operationally complex payment plan that is likely to have little, if any, customer benefit. The costs to retailers for this assistance type will outweigh the benefits in our view. The costly elements are that:

- The length of the plan varies with the bill cycle
- A payment plan is required to be set up in our system, a manual step unless we undertake system changes to automate it (i.e. calculating the actual payment amounts and dates, including future usage estimates). Automatic calculation of payment arrangements across a diverse customer base is complex and will therefore take system changes that have long lead times and expensive build costs
- Passive acceptance of the plan by the customer paying, but not contacting their retailer. In our view, customers who have not engaged with TA-type offers that might seem more customer friendly and are tailored to their circumstances are very unlikely to respond to a payment arrangement plan being sent to them.
- In our experience, engagement and fulfillment of commitments to pay are much higher when there is active engagement (e.g. via IVR or contact centres). Allowing a customer to accept passively by making a payment under the Default Assistance schedule goes against retailer collection cycles and would require new processes that would be costly to implement and require significant lead time. Systems capture full or no payment but cannot distinguish between partial payment unless the customer is already on a payment plan and therefore pays the 'expected' amount. This would mean that retailers would need to manually track and input all customer payments without engagement
- The payment plan requires a split of arrears payments from ongoing usage.

These issues are worsened where there is a misalignment of billing cycles and payment schedules under Default Assistance, which will only confuse customers. Support is best offered through alternative mechanisms.

3.6. Hardship programs

We welcome the Commission's decision to maintain hardship programs under the Energy Retail Code, but it is unclear how the proposed amendments will impact the hardship program and how they will work together. Part of this issue comes from the inadequate distinction between terms like 'facing payment difficulties', arrears and hardship. The customers in our hardship program are our most vulnerable customers, and only a subset of the customers who are experiencing payment difficulties. Many of our customers experiencing some form of payment difficulty will set up an extension, payment plan, payment arrangement with us – but we note that a number of our customers with payment plans do so for lifestyle choices. This is why we have a large proportion of customers on payment plans compared to other retailers.¹⁸

The next section proposes some amendments to DD2 and we see merit in adjusting some of its elements – namely, Tailored Assistance – to specifically address payment difficulties among our most vulnerable customers.

¹⁸ ACIL Allen cost-benefit analysis p19 – in 2015-16 EnergyAustralia had 10.5% of customers on payment plans.

4. Proposal for an amended framework

EnergyAustralia remains committed to working with the Commission to develop an amended framework that meets the Government's and Commission's objectives and which provide genuine support to customers facing payment difficulties. We considered some enhancements to DD2 that we think warrant further analysis, at least as an option against which the Commission could compare DD2 or any other model that it proposes. We believe that following factors are a good starting point for considering more effective alternatives, and also think they are consistent with the Commission's expected outcomes (which include retailers and customers working together with arrears addressed at an early stage):¹⁹

- Genuine engagement between customers and retailers. This means respectful dialogue about customer circumstances, acknowledgement of respective positions and implementation of arrangements that reflect each party's interests.
- Genuine support is available to customers in a form that reflects their circumstances, provided they engage with their retailer
- Simple and clear obligations for all parties – about the support that is available and about regulatory obligations.
- Recognition that payment difficulty is typically a function of customers' circumstances; retailers can offer support but cannot solve or permanently absorb the consequences of broader problems (of employment status or income levels, for example).

This amended framework continues to use a number of elements of the DD2 proposal with minor adjustments or retiming of elements which align more closely to retailer practices, whereby customers who engage and work with us receive the support they require, while customers who disengage are given the opportunity to respond but will proceed to disconnection if they don't. As mentioned, we find this an effective way of supporting those genuinely in need and think it is entirely reasonable for retailers to conduct their business in this way. Importantly, it means the changes will be less costly for retailers and can be delivered in a shorter time, at least in comparison with DD2.

¹⁹ DD2, p48

4.1. Outline of amended framework

Description of amendments	Reason for suggesting amendment
<p>No change to Standard Assistance definition except for additional clarity on drafting</p>	<p>See details in section 3.3</p>
<p>Removal of Default Assistance</p>	<p>Default Assistance is unnecessarily complex, costly and we anticipate it would be taken up by very few customers (section 3.5).</p> <p>The key challenge that we understand Default Assistance was intended to resolve is how to ensure that disconnection is done as a last resort. However another difficulty that arises is how to ensure that this last resort option is useful to the customer and doesn't require them to pay much higher instalment amounts (this would occur in DD2 as the plan length is shorter for Default compared to Tailored Assistance, as well as requiring payment of ongoing usage + arrears).</p> <p>On the other hand, if Default Assistance were to offer a lower instalment option, it would provide an adverse incentive to customers to move to this part of the framework. A solution to this is to set up the 'last resort payment plan' to be very similar in nature to Tailored Assistance.</p> <p>Hence, below we suggest that Tailored Assistance is offered twice to each customer. This extends the time available for a customer to engage. Tailored Assistance is flexible enough that it can be made to suit a variety of customer circumstances, so we don't see a problem with not providing a different style of plan as a last resort option.</p>
<p>Splitting Tailored Assistance into two distinct plan types (TA1 and TA2). TA1 being available to all customers, shorter in length (12 months), with smoothed payments. TA2 being available only to customers who meet eligibility requirements related to payment difficulty indicators, with smoothed payments over 24 months including 6 months of debt parking</p>	<p>The DD2 version of Tailored Assistance allows customers in the very early stages of debt to pay very little of their ongoing usage and none of their arrears for 6 months. We expect this offer will be attractive to customers who wish to avoid facing their debt issues or are not financially savvy enough to understand their ability to meet higher repayment amounts later in the payment plan. We find that short term payment plans work very well for customers with small debts or who have recently incurred debt. Furthermore, the framework creates the potential for gaming.</p> <p>For customers who show indicators of vulnerability, we would make a longer payment plan available with smaller repayment amounts from the start. The indicators should be easily tracked as retailers will need to keep records to justify the choice of plan offered to a customer.</p>

Description of amendments	Reason for suggesting amendment
<p>Obligations on retailers to offer:</p> <ul style="list-style-type: none"> Standard Assistance at the same time as sending the reminder notice 	<p>Note that we still agree that Standard Assistance should be offered to all customers to help them avoid or manage their arrears and ongoing use at an early stage or indeed at any stage where it would suit a customer's circumstance.</p> <p>The options provided for in Standard Assistance are what we currently offer customers in the early stages of debt and we find them very effective for many customers.</p>
<p>Obligations on retailers to offer:</p> <ul style="list-style-type: none"> Tailored Assistance at the end of the reminder notice period Tailored Assistance again at the time the disconnection warning notice (DWN) is sent 	<p>It is easier and cheaper for us to make offers of assistance in line with key contact points throughout the existing credit and collections cycle. Doing it this way also minimises the number of mandatory communications. This is a benefit as it reduces the volume of records to be kept, and allows retailers to innovate and vary other informal communications (such as SMS) in between the mandatory communications to encourage customers to pay or seek further assistance. This method can also reduce customer anxiety and exhaustion that can result from over communication regarding arrears.</p> <p>While the drafting may allow flexibility of timing of exactly when each type of assistance is offered, we are also trying to put forward a framework that has the right balance between allowing customers enough time to respond to an offer of assistance, but does not allow an excessive time as this will lead to customers accumulating further debt. This will address issues that we raise about debt growth for larger numbers of customers in section 2.2.2.</p>
<p>A customer who is reconnected after disconnection for non-payment is able to start again on a Tailored Assistance plan (type 1 or 2) and, as well as agreeing to go on a plan, must make a contribution to pay down a portion of their debt</p>	<p>This is designed to clarify how the framework loops for customers who need to re-enter it at a different point. Without careful drafting, the clauses that allow customers an extension or to restart their plan could impact customers who are re-entering following disconnection.</p> <p>Approximately 70% of our customers are reconnected following disconnection. It is therefore important to ensure that the level of arrears at the point of disconnection is not unnecessarily high, as this will impact the ability of the customer to make the required payment for reconnection. We also find that while regrettable, disconnection also drives a very high engagement response as customers face their debt situation and then work with their retailer to resolve the situation.</p>

Payment plan definitions

General

- Amounts include a smoothed payment covering estimated ongoing usage + arrears (except where noted below for Tailored Assistance 2)
- Payment frequency – weekly, fortnightly and monthly must be available, or other frequency by arrangement
- Customers arrange all plans by engaging with retailer
- Length of plan, eligibility requirements or number of missed payments before DNP can all be extended beyond the minimum at retailer discretion

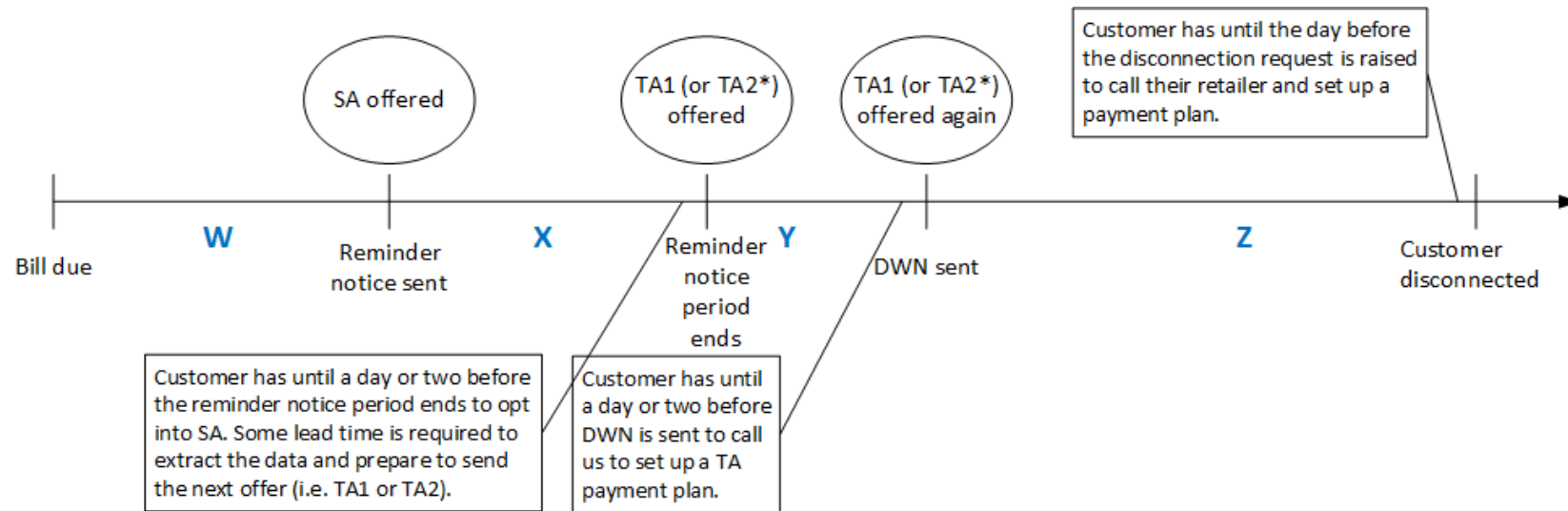
Tailored Assistance 1

- 12 months in length
- Assistance under clause 79a-d

Tailored Assistance 2

- Eligibility criteria apply in all cases: e.g. customer has a referral from a financial counsellor, or has been approved for Utility Relief Grants in last 12 months as these are true assessment of financial distress, which are made independently of the retailer. This is more in line with these levels of assistance, which are appropriate only for the most vulnerable. These criteria are not only independent but will also solve the over-capture issue.
- Assistance under clause 79a-g
- 24 months in length, inclusive of any time spent on Tailored Assistance 1
- Customer may park debt payments for up to 6 months, but still be on track and agree to clear debt with the specified timeframe

Diagram 1: Timeline view of amended model



Indicative business days between events

- W** = 7 to 9
- X** = 6 to 8
- Y** = 4 to 5
- Z** = 7 or more[^]

Notes

- * Where eligible
- [^] We currently send an additional notice to customers at 19 days after the Disconnection Warning Notice to attempt to engage the customer and prevent disconnection. Under the new framework, we could potentially make this shorter.

Diagram 2: Process view of amended model

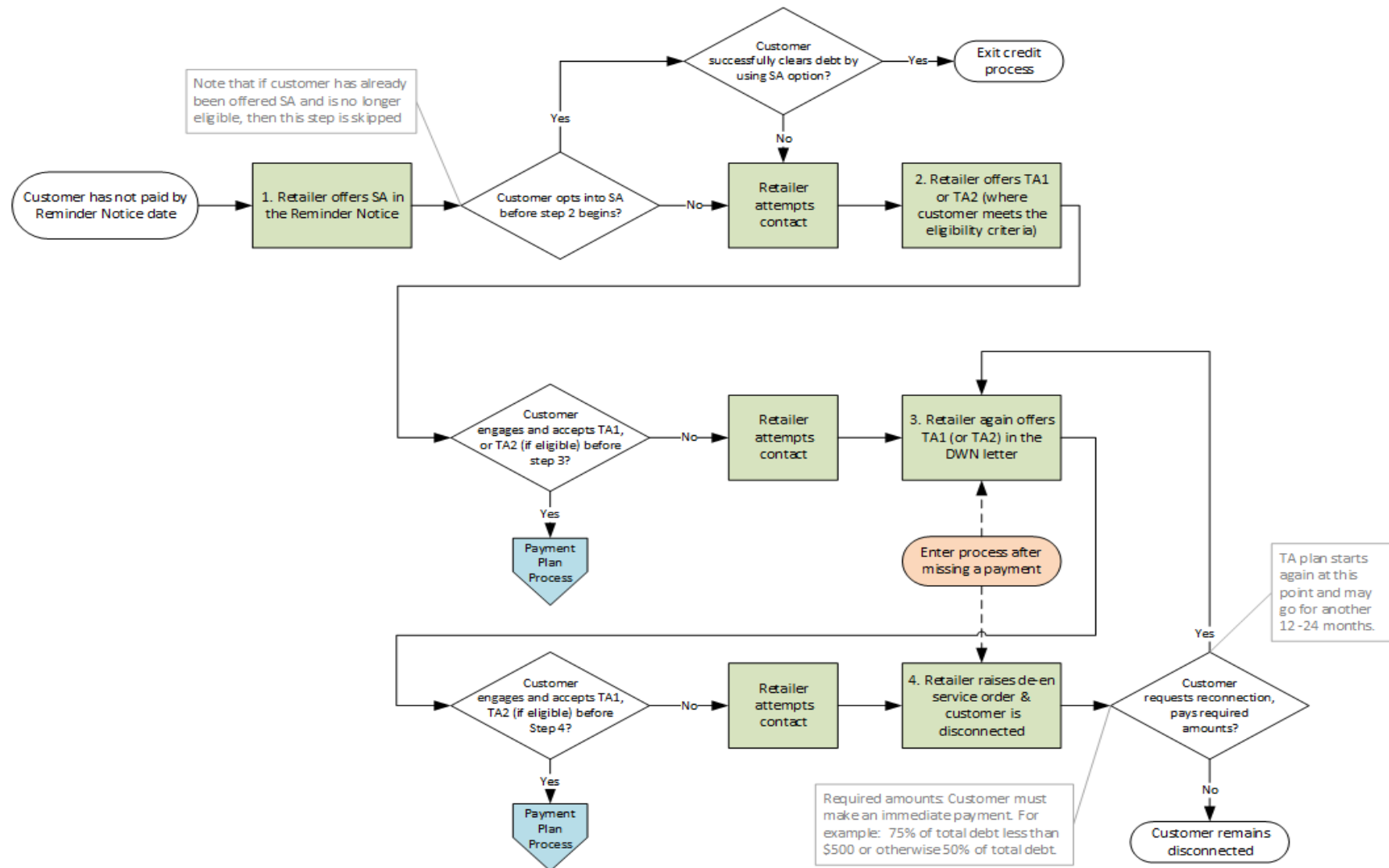
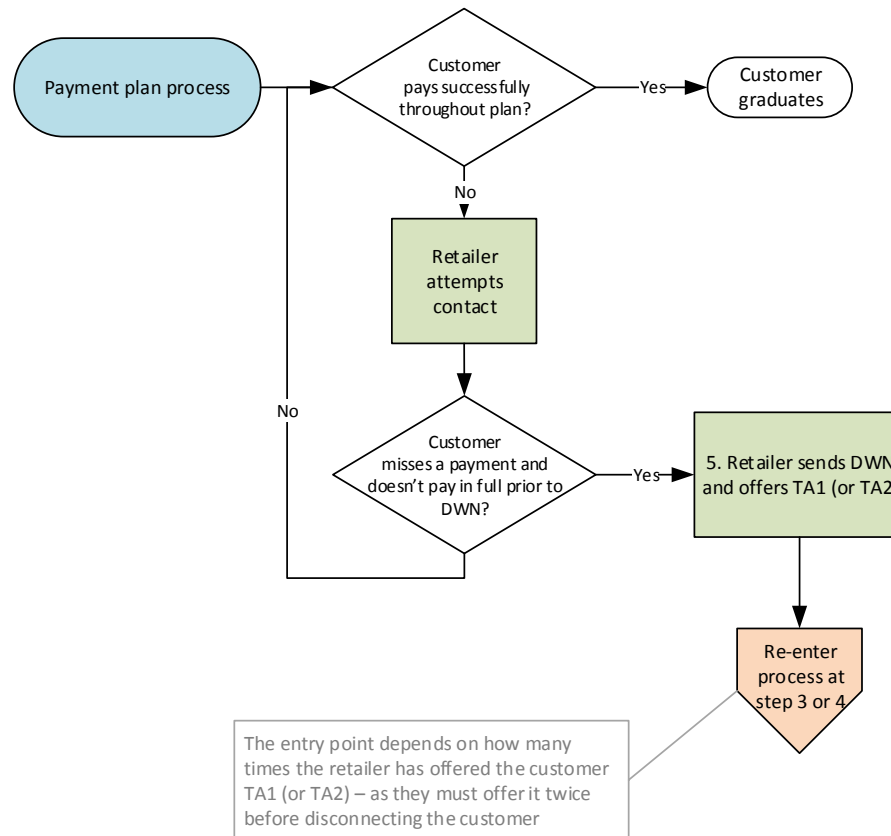


Diagram 3: Payment plan process



4.2. Rationale for framework amendments

We think these amendments offer numerous advantages. It is a relatively simple framework for which the process can be outlined succinctly and with many common elements. It accords with our good credit practices and should require little system change for many retailers. This means that we would be able to implement the amended framework much more quickly than the DD2 framework. In developing this amended framework, we have kept in mind the Commission's objectives and incorporated key elements of DD2. We present these amendments to facilitate the refinement of the framework and a more detailed evaluation is certainly required with input from industry stakeholders as it may not suit their businesses or current practices.

However, on the whole, we believe the benefits of these amendments are that they:

- Are simpler and cheaper as they utilise the existing payment plans and communications steps that make up EnergyAustralia's (and likely many other retailers') credit and collections paths.
- Establish a minimum requirement for what retailers must make available for customers that is enforceable and requires retailers to keep record to show that disconnections are not wrongful. At the same time, it retains the flexibility to allow for further innovation and discretion beyond those minimum standards.
- Inserts additional steps or obligations in the current process to ensure that disconnection for non-payment is only done as a last resort whilst also maintaining a balance that will not allow debt to accumulate to the point that reconnections are unachievable for many consumers.
- Doesn't offer incentives to customers to delay payment.
- Allows for an independent assessment of customers' financial situation before offering the most generous elements of Tailored Assistance. This avoids the issue of over capture whilst also ensuring the most vulnerable are entitled to the most appropriate assistance.
- Addresses debt growth for large numbers of customers by not offering all assistance elements as a minimum standard in the very early stages of the customer getting into arrears.
- Solves the balloon payment issue and provide more clarity on extensions and loops.
- Tailored to customers' needs in a simple way that is easy for all parties (customers, retailers and community agencies) to follow.
- Continues to provide greater assistance to those most vulnerable consumers who need it.
- Flexible enough to allow for further innovation and discretion beyond minimum standards by retailers.
- Would be much quicker to for EnergyAustralia to implement and possibly for other retailers too.

We recognise that there are still problems that our suggested amendments don't address:

- The amended framework may not suit all retailers' systems and processes and therefore may take some retailers longer to implement than others, or be more costly to implement and maintain. For example, it may require changes to retailers' credit and collection paths; changes to object to transfers, etc.
- The framework may still require significant lead times for retailers to make the changes and for retailers and customer agencies to conduct training.

In developing these suggested amendments to the DD2 framework, we have tried to balance the objectives of the Commission and Government with the need to keep things simple and effective for customers and retailers, and to dramatically minimise the time and cost the framework will take to implement and operate. We strongly urge that any changes considered to DD2 are fully consulted on with all stakeholders and fully assessed before the Commission makes a final decision.

5. Cost-benefit analysis

We have previously outlined our concerns about the Payment Difficulty Framework development process to this point, particularly the Commission's efforts to verify (to the extent possible) that the benefits will outweigh the costs. This brings us to the issue of the Commission's consideration of the costs and benefits of DD2 and of any other options it has considered over the course of this project.

In our view, the issue of whether the Commission is obligated to prepare a Regulatory Impact Statement (the RIS) is still unclear. However, at this point we are more focused on a full cost-benefit analysis being conducted to give stakeholders greater confidence that the framework will create a net benefit.

The Commission refers to 'impact assessment in real time' but this is no proxy for genuine consultation where all stakeholders can comment on what has been considered and offer views about their costs and benefits, or their relative effectiveness. We fear that there is a significant timing issue here, in that it takes time to revise each new version of the Payment Difficulty Framework and then to gather the relevant data and assess the costs and benefits that relate to that version. The Commission and its consultants (ACIL Allen and KPMG) seem to treat the input assumptions as itemisable amounts that can be calculated once and reapplied to different versions of the model. This is highly inappropriate and could lead to drastically flawed outcomes.

For example, systems costs associated with building an element of a payment plan such as having different payment periods is very different depending on the overall design of the payment plan. Additionally, the Commission's consultants can't be expected to fully understand either the retailer or customer impact of these hypothetical models without some form of external additional consultation with stakeholders between DD2 and the final decision.

We do not raise these concerns in order to delay implementation. Our primary objective is that the Commission has fully and objectively considered and assessed the solution before finalising the changes to the Energy Retail Code. Furthermore, we want to be sure that the framework will improve outcomes for Victorian customers.

5.1. ACIL Allen preliminary assessment of retailers' costs

ACIL Allen's preliminary assessment is an unhelpful and misleading contribution to the Commission's evaluation of the costs and benefits to retailers of DD2, particularly with its conclusion that the net present value over 10 years is a benefit to retailers of \$2.5million. Not only is this a relatively small statewide benefit over a long period, it is based on flawed inputs that underestimate the cost of implementation and ongoing administration. We understand that ACIL Allen has had to rely on older data and make many assumptions to complete their preliminary assessment and that these were always intended to be revised after DD2. For this reason we plan to provide updated and specific data in our response to ACIL Allen's data request.

Where we are more concerned is that ACIL Allen's methodology is inappropriate or incomplete in places and the report show a lack of insight into the issues and the nature of the assessment. If these oversights are not corrected in the next version then the analysis of impacts to retailers will be materially inaccurate. In general, our key issues of ACIL Allen's cost benefit analysis and report are:

- It fails to account for the evolution of retailers' practices line with changes to corporate strategies and reviews of the effectiveness of credit and collections, and hardship programs. This can be addressed through responses to the recent data request, but will still require ACIL Allen to make more fundamental changes to the structure of their model rather than just updating numbers.
- The value assigned to avoided costs of bad debts is fundamentally flawed, and in our opinion will result in significant additional costs, rather than benefits as discussed further in section 5.3.

- Not including all sources of costs for implementation and ongoing compliance, particularly when elements of the framework, such as retailers' compliance obligations may be more onerous and less clear than they are now.
- Fails to acknowledge the uncertainty of aggregate outcomes under DD2 and selectively conducts its sensitivity analysis. For example, it models debt reduction but not the potential for debt to rise, which we think is likely. This is not only a genuine prospect under the framework but is an outcome that would have significant and detrimental effects for retailers and customers. A complete and unbiased assessment of such a new type of framework where outcomes are based on behavioural responses of customers should consider both positive and negative outcomes.
- Assumes certain outcomes – namely, the number of customers receiving different forms of assistance – with this becoming the basis for its claim that retailers' costs will fall by \$3.5million per annum from the third year.

ACIL Allen claims this cost reduction is *'driven primarily by a reduction in the number of customers that are assumed to access assistance under Tailored Assistance from the third year onwards. This assumption is based on the rationale that as the framework beds down and takes effect, fewer customers will find themselves in arrears and therefore the number of customers seeking the more time intensive forms of retailer assistance available under tailored assistance will be lower'*.²⁰

ACIL Allen's assumed outcome is possible but it cannot be verified in anyway or asserted with any confidence. ACIL Allen will need to provide clear and defensible assumptions about the number of customers receiving different forms of assistance and how that might evolve over time, including appropriate sensitivity analysis. The final version will create pathways and incentives for retailers to offer and for customers to accept different forms of assistance. Payment difficulty is also a function of numerous factors outside retailers' control – such as energy prices, other household expenditure items and income levels.

We recognise that it will be difficult for ACIL Allen to do this without input from retailers. Also if the framework is revised significantly from the DD2 version, then the approach to estimating the numbers of customers receiving each type of assistance would also need to change again. The assumptions of the percentages of customers receiving each type of assistance are critical to both the ACIL Allen (retailer impacts) and KMPG (customer impacts) analyses. The likelihood of each level of assistance resulting in customers fully remediating their debt is also something that needs to be very closely examined, as does the assumption that customers will be able to effectively reduce their overall bill through energy reduction.

Within this context, it is overly simplistic to assume the number of customers currently receiving assistance in some form is any basis for estimating the number of customers receiving assistance under a new framework, simply because they have similar labels or resemble what the Commission is proposing. DD2 is a unique framework that involves substantial changes to existing practices and allows customers to propose payment arrangements that retailers must accept. It creates different incentives for customers and for retailers than those under current arrangements. It also offers assistance at different stages and under different circumstances. We do not expect ACIL Allen to be able to accurately predict how retailers and customers will respond to the framework. They should, however, acknowledge these challenges and qualify their analysis and conclusions accordingly.

²⁰ ACIL Allen report to Essential Services Commission – New framework for customers facing payment difficulties, p.153

5.2. Specific comments about ACIL Allen assumptions and estimates

We also have the following detailed observations about various inputs to ACIL Allen's CBA:

Issue	Comment
IT Changes	<p>Table 3.3 is problematic - the basis for the cost estimates is unclear and as far as we are aware, hasn't been tested in any way. We also expect the implementation costs will be much higher than these estimates; DD2 alters the timing of and triggers for different forms of assistance, introduces new payment schedules (e.g. monthly instalments for the repayment of arrears under Default Assistance where the majority of our customers receive their bills quarterly) and assistance that is triggered by payment rather than following discussions between our contact centre staff and customers. We will need to review and revise current billing systems to account for these changes.</p> <hr/> <p>ACIL Allen doesn't comment on it in their paper, but in the recent workshop have noted that rushed implementations will increase IT costs. This factor should be taken into account in the updated analysis as the suggested implementation timetable is 4-5 months despite retailers requesting 12-18 months (see section 6).</p>
Upfront process changes	<p>It seems extremely challenging to estimate the cost of process changes when precise pathways, off-ramps and retailer obligations (such as collection of relevant data, what retailers are expected to document in order to justify decisions, etc.) remain unclear.</p> <p>Each of the cost estimates in Table 3.4 appear too low in this context. The reference to the AER's Sustainable Payment Plans Framework is misleading in this context as it bears no resemblance to DD2.</p>
Training	<p>Time allocated to training appears far too low in light of DD2's complexity and the unit cost inputs are completely arbitrary. This is a new framework that no one is familiar with and it will take some considerable time before all parties (customer included) understand its operation.</p> <p>Furthermore, it is not just contact centre staff and their managers who will need to invest time and resources to be ready for DD2. It will also include credit and collections, hardship, IT, pricing, corporate strategy, legal, and regulatory and compliance functions. A degree of product redesign may also be required.</p>
Ongoing operating costs	<p>Ongoing operating costs are influenced by numerous factors. As mentioned, retailers' precise obligations remain unclear so it is impossible to estimate their cost in the absence of further guidance from the Commission.</p>

Issue	Comment
Estimating customers receiving forms of assistance	<p>ACIL Allen will need to estimate the number of customers receiving different forms of assistance and should explain the assumptions that underpin these estimates. We see little basis for the assertion that 'the proportion of residential customers on a Tailored Assistance payment plan, repaying arrears over a two year period and paying the full-ongoing cost of energy use, will decrease two years after commencement of the new framework as they pay their arrears and transition to Standard Assistance' (page 17). The assumptions around successful completion of any form of payment arrangement are also critical and require far deeper analysis.</p> <p>In our view, the proposed changes will impose many costs to establish new payment arrangements, not of all which will be successful. We expect retailers and customers will accumulate more debt that will still exist at the time of disconnection and retailer will potentially have to write off debt of a higher aggregate value.</p>
Disconnection rates	<p>ACIL Allen assumes disconnections will not increase under DD2. It also assumes no incremental ongoing operating costs associated with disconnecting customers under the base case. However, the Commission's guidance suggests that the onus is on retailers to demonstrate they have complied with the DD2. What this means in practice is unclear.</p>
Avoidance of operating costs	<p>We do not agree with the suggestion that retailers' will avoid significant operational costs either on the basis of the estimated number of customers receiving different forms of assistance or the individual cost inputs themselves. This is because the new framework:</p> <ul style="list-style-type: none"> • involves substantial changes to existing practices • introduces new concepts and automated processes that retailers must capture in their billing systems • is far more complex and rigid than present practices (as explained above) • increases the number of contact points between customers and retailers creating the potential for confusion and misunderstanding, and for EnergyAustralia, creates the need for substantial and costly changes to payment plans, as well as the actual increased cost of the communications (i.e. print, post, SMS costs, etc.). • creates situations where processes, payment plans and status within the framework can be varied considerably over time, i.e. customers can move between different forms of assistance under a range of circumstances • where compliance obligations are unclear, particularly in terms of information that retailers can obtain and rely on

ACIL Allen should also explain how it proposes to adjust its methodology and assumptions as the framework evolves, for example, where the Commission acknowledges that key elements of its architecture are flawed and should be amended but where details of those amendments – and how they flow through the framework – remain unclear

5.3. Assumptions about debt

Of particular note are ACIL Allen's comments about levels of debt under DD2. The analysis states that the impact of the new framework on the average debt for customers facing payment difficulties is unclear and varies between customers. However, ACIL Allen concludes that retailers' financing costs associated with a change in customer debt levels do not change materially.²¹ We

²¹ See ACIL Allen CBA pages viii & ix

are sceptical of a conclusion on retailer's circumstances not changing – when there is acknowledgement that the impact to customers average debt is unclear and variable.

Further, ACIL Allen assumes that total debt for customers facing payment difficulty will decrease²² and has developed scenarios for debt reductions of 5-25%,²³ but has not calculated debt accumulation in the same way. As we describe above in section 2.2, we expect debt will increase substantially as a consequence of the framework. We also submit that costs to retailers for carrying debt will be higher as a result of the timing of assistance under the proposed framework, the difficulty in disconnecting customers (or issuing disconnection warning notices), and the confusing nature of split usage and arrears.

The longer time frames involved for customers to get to a disconnection step also means that customers who would have no intention to engage, under existing circumstances or the new framework, will ultimately be disconnected with higher debts. This too will be true for customers who engage in the system for longer periods without ultimately remediating their debts.

We will comment further on these issues in our response to ACIL Allen's data request and would also welcome the chance to work further with ACIL Allen as they finalise their analysis. However, it is for these reasons that we cannot possibly agree with the Commission's (albeit qualified) conclusion that the framework proposed 'in this draft decision is a practical and cost effective means of responding to the problem we are seeking to address'.²⁴

5.4. KPMG preliminary assessment of customer impacts

KPMG's assessment of customer impacts attempts to quantify the financial impacts of the introduction of the Payment Difficulty Framework to customers where possible. Many of the types of financial impact to customers are not easily able to be quantified and KPMG also discuss the non-financial impacts as well. KPMG has made many reasonable decisions not to make assumptions where those assumptions would be highly uncertain.

KPMG ask that stakeholders 'interpret [their] paper as seeking to provide an independent and credible explanation and assessment of the potential range of customer impacts'.²⁵ There are some assumptions made by KPMG that appear to assume that the framework will only bring benefits to customers and so don't consider any negative customer impacts. Therefore, we believe the balance could be improved to increase the credibility of the work.

More detailed issues are outlined in the following table.

Issue	Comment
Customer numbers for each level of assistance	Assumptions of the percentage of customers receiving each level of assistance come from ACIL Allen's work and so are critical to estimate accurately (as discussed above).

²² Ibid, p22

²³ Ibid, pages 22 & 34

²⁴ DD2, p159

²⁵ KPMG, Payment Difficulties Framework: Assessment of Customer Impacts, Preliminary Paper for the Essential Services Commission, page 26

Issue	Comment
Changes in EWOV costs	KPMG note that there would be a potential reduction in the number of complaints handled by EWOV in relation to debt issues and that there would be elimination of the cost for EWOV to review assessments of a customer's capacity to pay (Page 21). While these might be true, we believe that customers would still contact EWOV regarding payment difficulty issues and disconnections for non-payment. As retailers' use of discretion under DD2 is complex, EWOV would likely review most cases in detail to ascertain that the retailer has acted appropriately. Therefore, overall, we fail to see that there would be any material downward change to EWOV's costs with potential for increases.
Customer participation costs	<p>The ABS Average Weekly Earnings figure was used by KPMG to assess consumer participation costs of engaging with their retailer regarding their payment difficulty. This rate seems inappropriate when applied to a group of customers who in many cases will have low income or be receiving welfare payments. A more accurate rate may be found by considering welfare payments or income data from Utility Relief Grant forms as lower bounds (if this data is available from the Department of Health and Human Services).</p> <p>Customers may actually spend more time interacting with their retailer or handling energy related communications in light of the additional steps and contact points that DD2 creates.</p>
Customer participation rates	<p>In assessing participation rates, KPMG, appear to have little background on retailers' current practices. It is not necessarily true that the PDF will incentivise customers to reach out to their retailer earlier, or that that current practices provide little or no incentives for a customer to contact their retailer (page 27). KPMG also incorrectly identifies that by disallowing the collection of personal information by retailers to set up payment plans would appear to lead to reduced costs of customer participation (page 27, 31). This is a fundamentally flawed assumption, particularly in light of consideration of the cost of rework where inappropriate payment arrangements are established and subsequently broken.</p> <p>It seems that KPMG's assumptions on these matters have led to the puzzling time estimates in figure 7 (page 29). These estimates seem quite material to the overall analysis so should be explained further and reviewed with stakeholders. As an example, a customer on Tailored Assistance may spend a similar amount of time receiving assistance on energy reduction measures and referrals on government grants as a customer on a hardship program with a retailer currently.</p>
Learning factors	We don't agree that a learning factor should be applied because customers will be become more adept at managing their bills and their energy usage (page 29). The payment plans are either similar to what retailers already offer, or are more complex (see discussion in section 6.3) so any learning factor would surely apply in a similar way today. We would also hope that if the framework is successful, as factored into the benefits, the same customers would not be recycling through it.
General community impacts	One benefit that KPMG identifies here is that customer well-being could improve through accessing a payment plan without being assessed evaluated or labelled (page 21). Many retailers have signed up to the AER's SPP Framework and this would seem to address any issues of customers feel this way in large numbers. This is an odd benefit to identify and it doesn't appear to be discussed elsewhere in the report.

Issue	Comment
Other customer impacts	<p>We agree that disconnection for non-payment of energy bills and the threat of disconnection have a variety of impacts on customers as outlined by KPMG in section 5.2. We're not sure why this section was included as it doesn't assess impacts to customers associated with the introduction of the PDF, it only assesses qualitative impacts that would occur under any framework that allows disconnection.</p> <p>It also seems misleading to consider energy in isolation. Housing is a much larger expense for most consumers, and poor quality housing and old fixed appliances are a component driver of high energy costs and therefore payment difficulty. In addition, the lack of sufficient income also causes many of the impacts described – so payment difficulties are highly correlated with 'income difficulties'. EnergyAustralia and most other retailers attempt to minimise negative customer outcomes, but we are only one part of the equation and should not be seen to be the cause of these customer impacts as this section implies.</p>

6. Implementation approach

6.1. Implementation timeframe

As our submission has described above, there continue to be significant issues with DD2 that will hamper the ability of retailers to implement in a timely manner and/or without incurring significant costs. We appreciate that the Commission has taken steps to address stakeholder concerns from the previous draft, yet the framework remains flawed where the Commission has incorporated untested processes and significant variation to retailers' existing payment plans and credit processes, which will necessitate complex system changes.

Given that it's been seven months between DD1 and DD2, and DD2 is extremely complex, requiring significant change and delivering questionable outcomes. As a result, we are not sure that a workable framework will be ready by August for retailers to begin implementation. A number of these issues could be overcome if the Commission were to undertake additional informal collaborative consultation with stakeholders leading up to the final decision. This would allow ideas to be raised in forums before publication, so they can be process mapped for any issues.

We have raised with the Commission on a number of occasions that timing of implementation is a major concern for retailers – and should be for consumers too. The Commission are seeking to have a final decision in late July or early August – this would give retailers the better part of four months to review the final decision and establish business processes to implement system changes. This is unlikely to happen for any retailer, as major changes of this kind usually take a minimum of 12-18 months to implement. National Power of Choice (competition in metering) changes come into effect 1 December, which will be the largest change seen in the industry since the introduction of a contestable retail market.²⁶ It is unreasonable to expect retailers to be able to make another major change in such a short period, particularly given the changes will occur to common systems, processes and people.

²⁶ The Victorian Government has decided to delay the introduction of competition in electricity metering for small customers in Victoria until at least 2021. Some think that this means that Victorian energy industry participants are no longer affected by the Power of Choice changes. This is not the case at all. All electricity industry participants must comply with the new industry procedures and transactions being implemented by the Australian Energy Market Operator (AEMO) by 1 December 2017 or their transactions with other participants will come to stand still. AEMO is reporting monthly on readiness of all participants in the National Electricity Market for the Power of Choice changes: <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Power-of-Choice/Readiness-Work-Stream/Industry-Readiness-Reporting>.

6.2. A phased approach to implementation

Sensibly, the Commission has provided for flexibility in implementation²⁷ and is open to having a phased approach. This idea appeals to us, however, the only component of DD2 in its current proposed form that we could be ready to implement by 1 January 2018 is Standard Assistance and we recognise that this is a smaller component of the overall framework. We are concerned that implementing other parts of DD2 in a phased approach could add to the cost and confusion for both retailers and customers. A phased implementation could also end up being more costly for retailers who will need to pay for phased system upgrades over a longer period.

In any case, we would first need to understand how the Commission might alter DD2 before we could put forward any more useful suggestions on a phased approach. DD2 was released on 9 May and yet the mapping of this framework continues to be unnecessarily complex with major flaws. A phased approach still gives insufficient time to retailers to review the final framework and understand the impacts of it operationally.

6.3. Implementation of our amended framework

The amended framework we suggested in section 4 has been designed to remove as many of the elements requiring system changes as possible while maintaining a robust process that still meets the Commission's objectives and provides positive customer outcomes. Removing the need for system changes will dramatically reduce the time required for implementation as well as the implementation cost.

We understand from the recent workshops that the Commission is unsure why DD1 and DD2 are difficult for retailers to build and operate when on the surface they appear to be an amalgamation of different payment plans and service elements that retailers already offer. We agree this is difficult for external parties to appreciate as it requires detailed knowledge of how retailers' billing systems and automated credit and collections cycles operate and how they interact with processes carried out by large teams of people. Of course, most retailers have different systems and processes, which means that each of us prefer different elements of the framework at times. To illustrate how a seemingly innocuous part of the framework design can have such large system (and process) impacts, we give detailed examples in Appendix B.

The amended framework we have suggested was developed in conjunction with our Credit and Vulnerability teams and they are confident that this approach would be much easier and quicker for us to establish, whilst still offering the same level of protection to customers. EnergyAustralia could possibly implement this framework in six months if the details remain similar to what we have outlined. Although we are aware that the proposal has only been developed quickly and would likely need further changes to be made generally suitable for all retailers.

²⁷ Page xii DD2

Appendix A

Breakdown of issues in proposed Energy Retail Code amendments

Reference	EA's interpretation	Adverse Impacts	Suggestions
Division 1 Operation of this Part			
71 -Purpose	Minimum standards for customers anticipating or facing payment difficulties	<p>Lack of definition of payment difficulties makes adhering to the framework difficult and unclear for retailers.</p> <p>If a customer anticipates payment difficulties, but this does not happen, but we have already provided assistance, this is a chance of over-capturing customers not actually experiencing payment difficulties.</p>	To redraft more clearly
73(b) (iii) -(v) Interpretation of this Part	These clauses state that any guidelines, guidance notes and written information issued to residential customers by the Commission will help to interpret the meaning of words in Part 3 of the Energy Retail Code.	<p>Our concerns remain similar here as in the last draft determination. We understand the intent, but there is a risk that these guidance notes, guidelines and other written communications can be developed quickly and retailers may not be able to adapt in the expected timeframe. This creates unnecessary confusion for retailers who need to refer to both documents.</p> <p>The use of guidelines enables the very nature of our obligations to become so vague that we find it difficult to comply.</p>	No other Part of the Energy Code has this type of interpretation explicitly provided for. Section 4 of this submission would reduce the need for this amendment.
		<p>Example: page 75 of DD2 states that the Commission will prepare written information for customers on what is considered to be the reasonable expectations of customers anticipating or facing payment difficulty.</p>	This is something that should be explained to stakeholders a head of the final determination as it can fundamentally shift retailer obligations.

Reference	EA's interpretation	Adverse Impacts	Suggestions
Division 2 Standard Assistance			
76(2)(c)	Extension of up to one payment bill	Customers who are on different billing cycles will have access to different levels of a minimum standard.	As a minimum, customers should be entitled to an extension of one month – with the ability of a retailer to consider longer.
76(2)(e)	Paying anticipated arrears over a period 3 x the billing cycle	Leads to different outcomes for customers depending on their billing cycle.	More appropriate to set a minimum period (3 to 6 months)
Division 3 Tailored Assistance			
77 - Objective	Clarification of the definition of arrears or a change in trigger		Keep the definition of arrears in line with common practice.
78(2) - Triggers for TA	Retailers must offer Tailored Assistance to customers whose circumstances the retailer knows, or should reasonably have known, would be likely to lead to the customer being in arrears.	<p>Creates the question of what is to be known at a particular time and whether a retailer should know it.</p> <p>This issue is replicated throughout the proposed amendments – the use of 'reasonably known' implies that a third party will assess the situation, without being clear on what types of information the retailer would have access to in order to make this determination.</p>	Rephrase to consider practicality of situation – what a retailer knows about a particular customer at a particular time.
	Example: DD2 guidance - a retailer who has segmented a particular customer into a higher risk category would be taken to have known that it is likely that a customer will be in arrears at the date of issue of the next bill.	If we segment a customer as high risk, it is as high risk of not paying but this can be associated to a number of issues including unwillingness or laziness and is not in itself an indicator of payment difficulties.	While we don't want additional prescription, the boundaries of what the Commission might see as compliant are very broad and subjective, so we would prefer guidance that is either narrower or clearer.

Reference	EA's interpretation	Adverse Impacts	Suggestions
79(1)(a) Payments of arrears over 2 years	Retailers must accept payment proposals by customers if it will allow repayment over a period up to 2 years at regular intervals.	This framework should set a minimum standard that retailers and customers can work together to tailor to the individual circumstances. Two years is too long for a prescribed repayment period, as customers – even customers with smaller arrears – may be enticed to accept a longer payment period at smaller amounts to repay their debts – allowing them to redistribute funds to other areas. There is also an assumption that payment ability may improve over time, when in fact it could worsen.	Recommend that the period be defined as up to 12 months – with 79(4) still being in place – allowing retailers and customers to come to shorter or longer arrangements as circumstances may require.
		The current wording allows customers to make irregular payment amounts which can result in balloon payments (that may or may not be met)	Can be fixed by requiring regular and equal amounts be paid by a customer.
		Timeframes for customers engaging with a retailer for Tailored Assistance also need to be defined as this is currently unclear.	To clarify how long a customer has to accept a TA offer
79(1)(c) - Advice to customers	Retailers to provide specific advice about the likely cost of a customer's future energy use and how this cost may be lowered.	Retailers can provide advice, however to be specific advice is it will need significant input from the customer. Otherwise, the retailer will have to speculate about the customer's lifestyle and circumstances and provide more general advice that will not always be relevant to a customer.	General energy saving information should be provided to customers which could include directions on where to get that information
79(1)(e) Practical assistance	This section should only apply for customers who are in severe hardship and by including this section in Tailored Assistance as a minimum standard creates substantial overreach and will provide customers an incentive to incur debt.		This whole section should only be offered to customers who show definitive indicators of being in payment difficulty. We address this issue in our suggested amendments in section 4. The potential cost of this over capture could have impacts to affordability for all customers.

Reference	EA's interpretation	Adverse Impacts	Suggestions
79(1)(e)(i) Best tariff	A retailer must determine what tariff is most likely to minimise the customer's energy costs based on the retailer's knowledge of their pattern of energy use and payment history.	<p>This creates system problems and issues for customers who are new or have inconsistent usage profiles. It is further complicated by the existence of time-of-use and maximum demand network charges. The optimal tariff in this case is difficult to identify with precision. For example, customers with flatter consumption profiles could be better suited to a maximum demand charge or time-of-use tariff but this could change if their circumstances change (e.g. they obtain employment).</p> <p>This provision will significantly increase customers' time with consultants as consultants attempt to ascertain appropriate information to determine what the best tariff is. This will increasing be a factor as more complex price structures including time-of-use and demand charges are introduced.</p> <p>It will likely result in the 'best available' product for all customers effectively getting more expensive to address the likely over capture.</p> <p>This type of option should be reserved for those in genuine hardship – as formally assessed.</p>	Instead, the retailer should offer to move the customer to their best guaranteed discount. A guaranteed discount is applied to all bills, whereas a pay-on-time discount is only applied depending on customer behaviour. In general, guaranteed discounts are better for customers experiencing payment difficulty.
79(1)(e)(iii)	Retailers must provide information to the customer about how they are progressing towards lowering their energy costs.	It is often difficult for a retailer to assess how a customer is going on reducing their consumption when it is a function of numerous factors, such as the customer's circumstances (and how they might change) and seasonal factors.	While retailers can provide information to customers about energy usage, the Code should avoid requiring retailers to speculate about whether the customer is progressing towards lowering their energy costs as this often won't be clear.

Reference	EA's interpretation	Adverse Impacts	Suggestions
79(1)(f) Suspension of arrears	This section should only be available as a last resort for customers in extreme difficulty. Customers who do not require this level of support would have access to it leading to over capture.		This whole section should only be offered to customers who show definitive indicators of being in payment difficulty. We address this issue in our suggested amendments in section 4. The concern is the longer the period of payment below consumption the higher the debt level is becoming. If energy efficiency does not materially reduce this or customer capacity to pay does not materially improve, the likelihood of customers ultimately being disconnected increases.
79(3)(b) Reasonableness	The retailer knows, or reasonably believes, that the customer cannot pay the full cost	Use of reasonably believes causes issues as retailers can only address what they know.	This should be clarified in the drafting
79(4) Extending assistance	Assistance is extendable for further periods if the retailer has reason to believe the extension would assist the customer to continue to lower the cost of their energy use.	Unclear how we determine 'if the retailer has reason to believe'. This section seems linked to only have to extend if we believe that it will help the customer lower the cost of their energy usage rather than their arrears?	This should be clarified in the drafting. We consider this can be improved with an objective measure such as URGs qualification. This type of approach incentivises retailers to help customers access these types of social safety nets.
80(1) Payment arrangements	Retailer must accept a longer period if they reasonably consider necessary considering the customers circumstances	Retailers are effectively forced to accept a request from a customer to extend. There is no mechanism for retailer to prevent this. Retailers must continue to accept payments as proposed by customer with no end point. The guidance states that retailers will be expected to provide a longer repayment period if it will help the customer *page 94 DD2	The revised draft should clarify the drafting and not require retailers to extend, except under specific circumstances or only at the retailer's discretion.

Reference	EA's interpretation	Adverse Impacts	Suggestions
	When a customer doesn't make payments, as per agreed plan, and contacts retailer to revise payment amounts, it is unclear whether the 2 year period recommences or whether repayments of arrears are recalculated on the same time frame.	Risk of increasing debt indefinitely if customers are able to 'reset the clock'	This should be clarified in the drafting
81(2) Customers who fail to make payments	Where a customer fails to make a payment towards the cost of their ongoing energy use the retailer must use best endeavours to contact the customer to discuss varying the amount payable, or the frequency of those payments, or both, to give the customer more time to lower their energy costs.	It is unclear how a retailer can give them time to reduce their energy costs – this would not have an end point which only allows customers more time to increase debt. The drafting therefore appears to be another mechanism by which the customer can extend beyond 24 months.	The drafting of the Code should be clear and explicit on when extensions are allowed or not.
82 – Customer circumstances	When considering a payment plan or revised plan – retailer must consider customer circumstances that are known or should reasonably have been known.	Question of reasonableness again. Unclear how this can factor in with 79(1)(a) and 80(1) – where retailers are expected to accept customer proposals.	The revised draft should clarify the drafting and not require retailers to extend, except under specific circumstances or only at the retailer's discretion.
Division 4: Default Assistance			
We recommend removing Default Assistance as it is currently described due to the second offer of TA - see Chapter 4 for an alternative framework			
84 - Timing of assistance	Unclear where retailers must provide this assistance following non-payment	Multiple contacts to customer may be confusing.	Remove Default Assistance – as per our amended framework.
85(1) - repayment of arrears	A retailer can only request that a customer who has not engaged make payments on their arrears without consideration of future usage	A payment arrangement that only considers arrears will add to customer confusion and increased points of contact. Customers will concurrently receive bills while expected to make payments off their arrears. See discussion in example 1, Appendix B. Increased debt as customers are placed on plans that do not best meet their needs.	Remove Default Assistance – as per our amended framework.

Reference	EA's interpretation	Adverse Impacts	Suggestions
85(1) - 3 x billing period	Written schedule offered to customer will vary depending on their billing cycle	Customers offered different periods to pay arrears depending on their billing cycle.	Remove Default Assistance – as per our amended framework.
Division 5: Financial hardship policies			
86 & 87	ESC has maintained hardship policies - Retailers must include information of the assistance available in the hardship policy	It blurs the line between hardship and assistance available to customers experiencing payment difficulties which creates confusion for customers and operational complexities for retailers. It is unclear how the PDF and hardship programmes will work together.	This should be clarified in the drafting
Division 6: Communications			
89(4)	24 hour post requirement	Difficult for retailers to comply with due to Australia Post delivery issues	Align with current practice of 48hr notice.
89(5)	A retailer must not impose a charge for written communications connected to this Part.	It is unclear if this would therefore include reminder notices, disconnection warning notices, standard billing material if this correspondence included reference to part 3 assistance and its general availability to customers.	This should be clarified in the drafting
Division 7: Miscellaneous			
91(c) Retailer not required to provide assistance	Requires retailers to prove a negative – that customers are in fact not experiencing payment difficulties. We have no mechanism for determining if a customer is experiencing payment difficulties, only if they have or have not paid their bill.	Without redrafting this section is redundant as it is unlikely a retailer would feel they were in a position to be able to prove beyond a doubt that a customer was not experiencing payment difficulties – given this is not defined by the Commission or within the Code amendments.	Redraft – remove payment difficulties as measure (not defined by ESC) – remove onus on retailer to prove negative.
Other amendments			
110(8) - Reminder notice	The reminder notice must include information of the types of assistance available under Part 3 – it is unclear how retailers can satisfy this	Are retailers required to provide the full information about assistance provided for under Part 3 on the reminder notice – or to direct customers to the website?	Clarification on the type of information required to be provided in the Reminder Notice.

Reference	EA's interpretation	Adverse Impacts	Suggestions
111A - Disconnections	<p>The ESC has advised that the intention is that all residential customers will be subject to s111A despite current drafting that this section applies to customers experiencing payment difficulties.</p> <p>At any point during the disconnection process (that is – where a retailer has made best endeavours to contact a customer) a customer may request assistance under Part 3 and establish a plan. If this plan is broken and the retailer begins the disconnection process again – a customer is able to set and break any number of payment plans</p>	<p>This loop can allow customers to continually set and break payment plans so long as they engage with the retailer.</p> <p>A retailer must accept a payment plan if it will repay the arrears within 2 years (80(1)).</p>	This should be clarified in the drafting
111A(c)	A customer has failed to take any reasonable action towards remedying the matter	Reasonable action is undefined so it is unclear how a retailer could satisfy that the customer has failed (or keep records / evidence to that account) other than that the customer has not engaged.	Define what reasonable action is or set a threshold for it
111A(d)	Retailers have kept records that are sufficient	111A(d) is ambiguous on how a retailer could satisfy that sufficient records have been kept or maintained. It is likely this is one of the areas anticipated to be addressed by the Commission in additional guidance material under 73(b) but retailers are unable to build a system on a framework that is incomplete or subject to clarification at a later date.	Develop appropriate compliance information or thresholds prior to the final framework being published

Appendix B

Chapter 4 discussed the Commission's observation that it was unsure why DD1 and DD2 were difficult for retailers to build and operate when on the surface they appear to be an amalgamation of different payment plans and service elements that retailers already offer.

We agree this is difficult for external parties to appreciate as it requires detailed knowledge of how retailers' billing systems and automated credit and collections cycles operate and how they interact with processes carried out by large teams of people. The following examples illustrate how a seemingly innocuous part of the framework design can have such large system (and process) impacts. We can provide further information or examples if useful.

Example 1

Say a customer has a debt of \$200 from a previous quarterly bill, and is on a payment plan requiring them to pay \$80 per month. In our system, customers must be set up on a payment plan for us to be able to identify that any full payment of the \$80 instalment is compliant with their payment plan and that further collections activity should remain on hold. If we hadn't physically set up this monthly payment plan, then our system would record that the customer as making a partial payment against their full debt of \$200.

This would result in our system proceeding to the next step in the credit and collections process at the designated time as the customer is still in debt for \$120. For this reason, we see that Default Assistance would require us to manually create (or automate the creation of) the appropriate payment plan (including at the right length, amount and frequency) in our system for each customer who reaches Default Assistance. Alternative system designs may also achieve the same objective but will also be costly. We doubt that many customers will make a payment or engage at this point if they have not under the more generous terms of Tailored Assistance, so we see it as a costly element of DD2 that provides little benefit to customers.

Example 2

All customers have a particular bill cycle and are required to pay their bills according to the bill cycle frequency. Some customers opt to take up a payment plan that is set up to accept more regular payments from the customer towards their bill total. The credit and collections activities undertaken for each type of customer differ. Our system recognises the bill due date and bill amount for a customer and will trigger follow up messages and collections activity if the full bill amount is not received by the due date. However, this doesn't occur if the customer is on an established payment plan.

As outlined in example 1, payment plan customers are only followed up if they don't pay their instalment by its due date. Note that we can only follow up on either the bill due date or the payment plan due date, but not both for any one customer. This makes it very complex for us to consider payment plans like Tailored Assistance or Default Assistance that outline that the customer still gets regular bills that are paid separately at the same time as paying off arrears on a more frequent basis on a payment plan. We also believe this split approach will be worse for customers who will be confused about when they need to pay or what missed payment they are being followed up about.