

**Collections & Hardship Programs in Utilities, Banks and Telecommunications  
Learning from each other**



**Collections & Hardship Programs in Utilities,  
Banks and Telecommunications**

**Learning from each other**

Jo Benvenuti  
Executive Officer  
25 June 2014

I am pleased to be invited to speak with you today. And I am particularly pleased that this conference has brought together different sectors to share learning about collections and hardship. Whilst the consumer base which interacts with each of these markets may be slightly different, each sector has consumers with payment difficulties. And each sector has had their own, problems and drivers. But what we rarely do is to try to learn from each other.

**About CUAC**

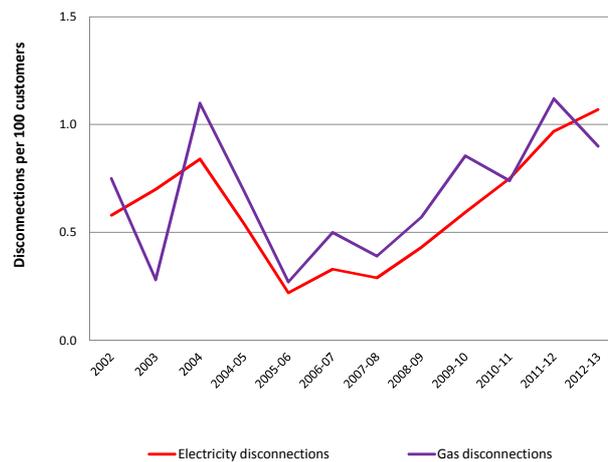
- Established in 2002 to:

Represent all  
Victorian energy  
and water  
consumers in policy  
and regulatory  
processes

Facilitate and  
undertake research  
on consumer utilities  
issues

Monitor grassroots  
consumer utilities  
issues with  
particular regard for  
low-income,  
disadvantaged and  
rural consumers

My organisation is focused on electricity, gas and water policy and in particular the outcomes for low income and disadvantaged consumers, so my comments will mainly focus on the lessons to be learned from this sector. Having said that, however, I also want to point to the expertise that consumer and community agencies bring to industry and to urge industry to take on board the suggestions and advice that arise from the consumer sector.

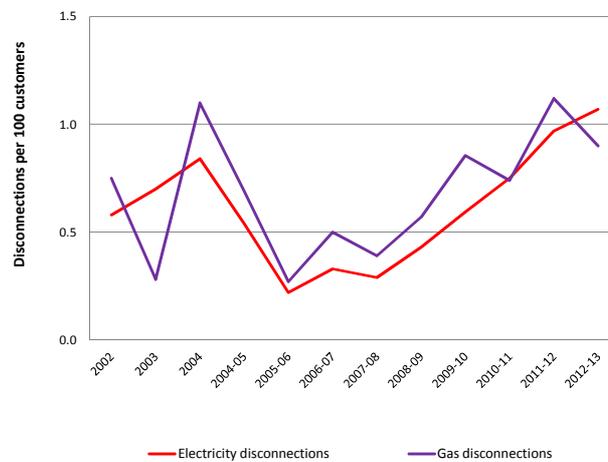


In March of this year our energy and water Regulator, Dr Ron Ben-David, of the Essential Services Commission brought together a number of energy retailers, consumer and community groups and the energy and water ombudsman to raise with us his concerns about the increasing trends in the number of energy consumers being disconnected in Victoria. The purpose of the forum was to share information about potential actions that could reduce this trend because the trend itself had reached the same levels that had resulted in government intervention in 2004 with the introduction of a wrongful disconnection compensation payment. This payment was designed to focus the businesses on their disconnection processes and provide a disincentive for companies to disconnect.

Dr Ben-David argued that there was an opportunity for all of us in the room to find solutions and avoid government or regulatory intervention which he argued, often because of potential ambiguity, does not always provide the best outcomes.

For me there were some powerful messages from this forum which I would like to share with you. First up - Tony Kelly, then General Manager of Yarra Valley Water had been invited to talk about YVW's approach to consumers in payment difficulty and hardship. YVW is often cited by consumer groups as having a best practice approach to collection and hardship. Tony acknowledged that his team played a big part in making a strong business case that could be supported both on moral grounds and on the basis of addressing the business bottom line. Chasing debt, he said was costing the business - getting something was better than getting nothing. The YVW approach to collections and hardship is reviewed every year by their accountants to ensure there is continual viability.

### Electricity and Gas disconnections over time



On the moral case, Tony stressed the importance of training staff to identify “a vulnerable customer” and to look for early signs to facilitate intervention acknowledging that customers are often reluctant to self identify.

He noted the culture of the organisation promotes a sense of pride in successfully engaging with customers and that some of the successful strategies had resulted from partnerships – in this case Kildonan UnitingCare who assisted in training around respectful practices.

Rules were developed around restriction and processes reviewed including the language of communication with customers. YVW saw a 70% increase in contact by customers following these improvements to correspondence.

Other key learning from YVW was that retailers need to be seen as allies not threats and that he said, will increase customer engagement. And finally he stressed the importance of a CEO and management focus on hardship in order to enable change.

Of course energy retailers were quick to point out that it is all very well for monopoly water businesses – they don’t have to win over customers and are not as exposed to the commercial realities of privatised retail businesses.

That is absolutely correct, however, I would argue that this alone is not a reason to ignore the YVW experience.

Because as we continued to discuss – and the energy retailers agreed - one of the key issues in collection and hardship is non-engagement by customers in financial difficulty. Retailers admitted that disconnection is low for those consumers who engage with them.

The energy retailers did recognise that:

- Customers don’t identify as having payment difficulties and don’t engage.
- Customers often don’t engage unless they are threatened with or are actually disconnected.

Consumer and community groups on the other hand raised that:

- Customers have difficulty in identifying their personal circumstances.
- They also have difficulty with retailer language – they are largely not aware that there are payment options that are open to them. How many people in payment difficulty or going through a crisis would know that there are ‘hardship’ programs? What does that mean? How many customers would see themselves as experiencing hardship?
- Consumers supported the approach of changing the call centre front line experience for consumers in order to have an early response to as many customers as possible.
- Certainly CUAC’s research backs up consumers in payment difficulty who felt that the initial centre experience often acted as a barrier to getting help – and many admitted that once through to a ‘hardship’ team they were actually assisted.



I’ll come back to the disconnection forum in a moment because I would like to take a look now at how this conversation is informed by looking at customer complaints. You can see from this graph the trend in electricity, gas and water complaints to the Energy and Water Ombudsman Victoria in the 2013 annual report. There are some pretty remarkable features. Firstly the trend in electricity complaints is on a trajectory that I believe is very concerning. And as you can see from this slide – although electricity complaints were at a significantly higher level than gas and again from water, the sharp upward trend came in October 2009 when Victoria introduced energy retail price deregulation.

It appears that the transition to electricity retail price deregulation, bringing with it increased choice, and complexity of offers has had an impact on electricity customer complaints to EWOV.

Other underlying factors impacting on consumers and the rate of complaints include the underlying price differentials between the utilities. Over the past five years electricity prices in Victoria have risen by 80%, gas 50% and water 25%. Many consumers are struggling with how to manage utility price increases of this nature.

But I think an important consideration that we should not lose sight of is that these households are the same households but they are having a very different experience in engaging or not engaging with their utility providers in electricity gas and water.



#### **EWOV Case trends 2012-2013 vs 2013-2014:**

2012-13 total cases received = 77,149

2013-14, ¾ year result total cases received = 69,739

\*Projected 2013-14 result = 87,174

\*based on case trend

The trend has continued into 2014. The total cases received by EWOV in the 2014 financial year to end March were 69,739. Just projecting that trend forward to the end of the financial year we are likely to see total cases received at around 90,000.

Based on the most recent ABS household data, approximately 1 in 26 households complained to EWOV in the last financial year and electricity cases accounts for 73.6% of the EWOV cases received.

I would pose that the focus by electricity businesses on customer capture and retention and the realities of bottom line survival may have taken the focus away from a good customer service call centre experience.

CUAC believes that this trend in EWOV complaint numbers needs to be seriously addressed by the industry. It provides an imperative for change and for restoring consumer confidence.



#### **Complaints:**

EWON 2012-13= 37,275

EIOSA 2013-14=14,495

EWOQ =14,266

Based on the most recent ABS household data, approximately 1 in 26 households complained to EWOV in the last financial year and electricity cases accounts for 73.6% of the EWOV cases received.

CUAC believes that this trend in EWON complaint numbers needs to be addressed. It provides an indicator that the competitive energy market in Victoria has had some negative impact on consumer confidence and dissatisfaction.



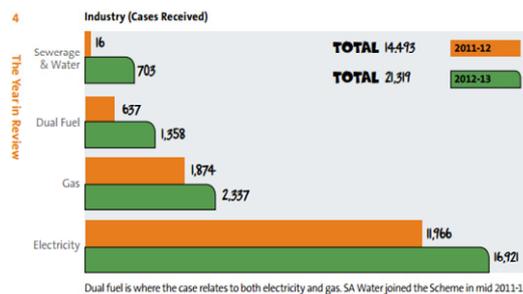
### EWON 2012-2013



While the trend in complaints to the Energy and Water Ombudsman NSW is similarly going up, the complaint numbers in total and as a percentage of the population are much lower 7,439m.  $2.470698 = 1$  in 66 households. Although, I note the NSW Ombudsman reported a 45% increase in affordability related cases in 2013.



### EIOSA 2012-2013



In South Australia 1 674.7, which has had energy price deregulation for a year now, the complaint rate to the EIOSA is similar to Victoria with 1 in 29 households complaining to the Ombudsman in 2013. Households = 619041 = 1 in 29 households



## EWOQ 2012-2013

EWOQ received 14,266 cases, up six per cent on previous year, and closed 14,096 cases, a four per cent increase on 2011-12.

The closed cases include:

- 12,107 electricity cases
- 1,132 gas cases
- 614 water cases.

However in Queensland the complaint trend, actual numbers and complaint rate is much lower with 1 in 108 households complaining to EWOQ; 4676.4.

Returning to the specifics of collections and hardship we think that the imperative is there for the energy industry, in particular to refocus on some of the core customer service values and to examine some of the successful strategies of other players and other sectors.

### **ESC disconnection forum**

At the ESC disconnection forum consumer representatives pointed to some major improvements in other industries. In banking they gave the example of consumer advocacy that had resulted in high level CEO/consumer advocate discussions that had significantly improved the approach of the big banks to engaging with consumers in payment difficulty including providing upfront information to consumers on their websites about how to access payment assistance.

The next steps identified in the disconnection forum, was a challenge to the Energy Retailers Association Australia to lead and coordinate some steps to develop some protocols with input from key stakeholders including consumers. Retailers at the forum were encouraged to advise their CEOs about the matters discussed at the forum. We at CUAC and our consumer and community colleagues are ready to work with industry to address these issues.



## Collections and hardship approach

- CEO leadership/culture
- Messaging and communications
- Well trained frontline staff
- Easy referral
- Comprehensive assessment of ability to pay
- Flexible solutions: concessions, assistance packages, audit, referral, payment plans, matching payment incentives, wiping debt
- Good relations with assistance agencies
- Meaningful consumer engagement
- Research – know your consumers

To start the ball rolling from CUAC's research and by working with industry and other consumer and community organisations around good practice we have identified the following for a good practice approach

- CEO leadership on the importance of assisting all customers with appropriate solutions – setting the business culture
- Customer messaging that encourages the customer to contact the business and puts customers in touch with your approach to payment difficulties and assistance.
- An approachable, well trained call centre staff that is able to readily identify people experiencing payment difficulties
- Directing calls that require assistance to the specialist team easily – don't put up barriers
- A comprehensive assessment of a persons' ability to pay
- Flexible solutions that can assist with payment difficulty (e.g. applying concessions such as URGS, setting up instalment plans, payment matching, creating incentives to pay bills that can result in wiping part or all of the debt)
- Good relations with community support agencies including financial counsellors
- Meaningful and genuine consumer engagement processes to keep in touch with community concerns
- Research and analysis of customer base