

5 February 2010

Ms Victoria Goody
Essential Services Commission
2nd Floor, 35 Spring Street
Melbourne VIC 3000

By email: victoria.goody@esc.gov.vic.au

Dear Ms Goody,

Open Letter: Review of Energy Retailers' Hardship Programs - Views from Interested Parties

The Consumer Utilities Advocacy Centre (CUAC) is an independent consumer advocacy organisation. It was established to ensure the representation of Victorian consumers in policy and regulatory debates on electricity, gas and water. In informing these debates, CUAC monitors grass roots consumer utilities issues with particular regard to low income, disadvantaged and rural consumers.

We welcome the opportunity to comment on the Essential Services Commission's (ESC)'s Open Letter: Review of Energy Retailers' Hardship Programs - Views from Interested Parties (Open Letter). We agree with the ESC that some of the results from the Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009) (Customer Service Report) are a cause of major concern.¹

¹ We draw the attention of the ESC to inconsistencies between the data reported in Table B.1 (Hardship policy summary data) with the text of the Customer Service Report. Details are set out below:

- The Customer Service Report (page 16) stated that nearly 23,000 customers participated in their retailers' financial hardship programs in 2008-09. Table B.1 (page 53), however, indicated that there were 24,039 hardship program participants during this period.
- The Customer Service Report (page 16) stated that 74 per cent of customers on the hardship programs were concession cardholders. Table B.1 (page 53), however, indicated that there were 9,935 hardship program participants who were concession cardholders (that is, 41 per cent of hardship program participants were concession cardholders).
- The Customer Service Report (page 16) stated that approximately 71 per cent of hardship program participants exited the program because they did not comply with the program's requirements. Table B.1 (page 54), however, reported that 7,089 hardship program participants were excluded from the hardship program because of non-compliance (that is, 29.5 per cent of hardship program participants).

We agree with the ESC that there is concern over: the relatively high proportion of customers who left financial hardship programs involuntarily; whether retailers are relying on Utility Relief Grants (URGs) as a mechanism for settling customers' debts rather than offering affordable payment plans in a timely manner; and the implications of multiple direct debit defaults by some customers.

In addition, we wish to highlight the following:

We recommend that the ESC examine why a relatively large number of hardship program participants fail their respective retailers' hardship programs and why the level of debt for some participants increased upon exiting the program. This includes looking at what impedes a hardship program participant from actually completing a hardship program successfully. The type of hardship program offered by a retailer would have a material impact on whether a participant is able to successfully complete a hardship program or not. For example, a hardship program participant should be offered more assistance than just a payment plan to manage payments. This includes flexible payment options, incentive schemes whereby a retailer matches payments made by a hardship program participant, as well as free energy audits and appliance upgrades/replacements to educate the household about energy efficiency. There should be a significant difference between a budget/regular payment plan and a plan for a participant in a hardship program; the latter should offer more comprehensive assistance so that each participant is able to achieve a sustainable outcome. Retailers need to assess what is the most appropriate means to assist a hardship program participant manage his/her consumption.

We note that the Customer Service Report reported that; '[r]elative to their income, customers entered into the program with a high level of debt (\$670), which was reduced to \$519 on exit.² While this may be true on average, we note that data from Table B.1 revealed that for six retailers (AGL, Jackgreen, Powerdirect, Red Energy, Simply Energy, and TRUenergy), the average debt upon exit from a hardship program was higher than the average debt of new entrants into a hardship program. For Powerdirect, the average debt of new entrants into a hardship program was \$683 and the average debt upon exit from a hardship program was \$1,604.³ The whole objective for participating in a hardship program is lost if the level of debt increases after the participant exits the program.

² Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), at 16.

³ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), Table B.1 (Hardship policy summary data), at 53.

Recommendation 1:

That the ESC examine why a relatively large number of hardship program participants fail their respective retailers' hardship programs and why the level of debt for some participants increased upon exiting the program

We note from Table B.1 that the number of hardship program participants excluded for non-compliance with requirements, and the disconnection rates of previous hardship program participants within 12 months, varies amongst retailers. Origin Energy stands out as their rates for both were much higher compared with the other retailers. Out of 8,984 hardship program participants, Origin Energy excluded 3,880 or 43.2 per cent of its hardship program participants for non-compliance with requirements. Origin Energy also disconnected 1,000 or 11 per cent of its previous hardship program participants within 12 months.⁴ The fact that a large number of hardship program participants were excluded for non-compliance with requirements and disconnected within 12 months may be an indicator that the hardship assistance offered is inappropriate for the individual customer. We therefore recommend that the ESC investigate why a large number of hardship program participants were excluded for non-compliance with requirements and why so many were disconnected within 12 months. We suggest that the ESC examine the appropriateness of the hardship assistance offered by Origin Energy to these hardship program participants.

Recommendation 2:

That the ESC investigate why Origin Energy excluded a large number of hardship program participants for non-compliance with requirements and why so many were disconnected within 12 months. That the ESC also examine the appropriateness of the hardship assistance offered by Origin Energy to these hardship program participants.

We disagree with the statement in the Customer Service Report; that 'there was a slight increase in customers on budget instalment plans being disconnected, mainly due to TRUenergy's performance.'⁵ Table C.16 (Disconnections and Budget Instalment Plans) indicated that TRUenergy's disconnection rate of customers who were previously on a budget instalment plan as a percentage of all disconnections increased from 29 per cent in 2007-08 to 50 per cent in 2008-09.⁶ The Customer Service Report stated that the 'overall proportion of concession cardholders disconnected and reconnected is less than their

⁴ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), Table B.1 (Hardship policy summary data), at 54.

⁵ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), at 28.

⁶ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), Table C.16 (Disconnections and Budget Instalment Plans), at 67.

representation in the community.⁷ While the overall figure suggested that disconnection of concession cardholders is low, Table C.20 (Disconnections and Concession Cardholder Disconnections) indicated that two retailers (Victoria Electricity and Australian Power & Gas) had a significantly higher disconnection rate of concession cardholders (54 per cent and 44 per cent, respectively).⁸

We note from Table B.1 that only six retailers offered free energy audits to their customers. Out of these six retailers, three retailers (Victoria Electricity, Energy Australia and Australian Power & Gas) extended free energy audits to customers who were not hardship program participants. The other three retailers (TRUenergy, Origin Energy and AGL) offered free energy audits presumably to some of their hardship program participants. For example, Origin Energy had 8,894 hardship program participants, but only offered free energy audits to 246 customers (we assume that some of these customers were hardship program participants).⁹ We believe that retailers should offer free energy audits to customers experiencing hardship as this may lead to increased energy efficiency and lower energy bills. We recommend that the ESC examine why retailers do not extend free energy audits to a larger proportion of hardship program participants.

Recommendation 3:

That the ESC examine why retailers do not extend free energy audits to a larger proportion of hardship program participants.

Table B.1 also indicated that three retailers (AGL, Australian Power & Gas and TRUenergy) referred a minute percentage of their customer base (some of whom presumably were hardship program participants) to Homewise/Capital Grants program for appliance replacement. Out of those who were referred, only 14 were actually successful in getting their appliance(s) replaced.¹⁰ Appliance type has a significant impact on a household's energy bills. We recommend that the ESC investigate why so few customers were referred to Homewise/Capital Grants program for appliance replacement, and why only a few were successful in getting their appliance replaced.

⁷ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), at 28.

⁸ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009, Table C.20 (Disconnections and Concession Cardholder Disconnections), at 71.

⁹ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), Table B.1 (Hardship policy summary data), at 54.

¹⁰ Essential Services Commission, Energy Retailers Comparative Performance Report – Customer Service 2008-09 (December 2009), Table B.1 (Hardship policy summary data), at 54. We note that there appears to be an inconsistency in the data: Table B.1 reported that Victoria Electricity did not refer any customers to Homewise/Capital Grants program for appliance replacement. Table B.1, however, reported that 5 customers who were referred by Victoria Electricity to Homewise/Capital Grants program were successful in getting an appliance replaced.

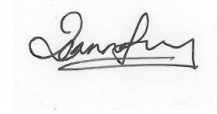
Recommendation 4:

That the ESC investigate why so few customers were referred to Homewise/Capital Grants program for appliance replacement, and why only a few were successful in getting their appliance replaced.

If you have any queries on the above, please do not hesitate to contact the undersigned.



Jo Benvenuti
Executive Officer



Deanna Foong
Senior Policy Officer