

Customer hardship arrangements

Presentation to the Customer Forum

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Overview

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- ▶ **Effectiveness of the current arrangements**
- ▶ **Policy environment**
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Topic significance and objective

▶ Topic significance

- › The hardship arrangements our customers have access to our are administered by electricity retailers.
- › The Forum would like to explore what role AusNet Services could play to improve outcomes for its customers that experience hardship or are in need of payment plans.

▶ Objective of presentation

- › Provide background on current hardship arrangements, and the effectiveness of these arrangements.
- › Provide an overview of a number of recent and ongoing policy reviews in this space.
- › Discuss what role should AusNet Services play in respect of the hardship programs administered by retailers.

Background



What is a hardship customer?

In Victoria

hardship customer means a *residential customer* of a *retailer* who is identified as a *customer* experiencing financial payment difficulties due to hardship in accordance with the *retailer's customer* hardship policy.

- *Energy Retail Code*

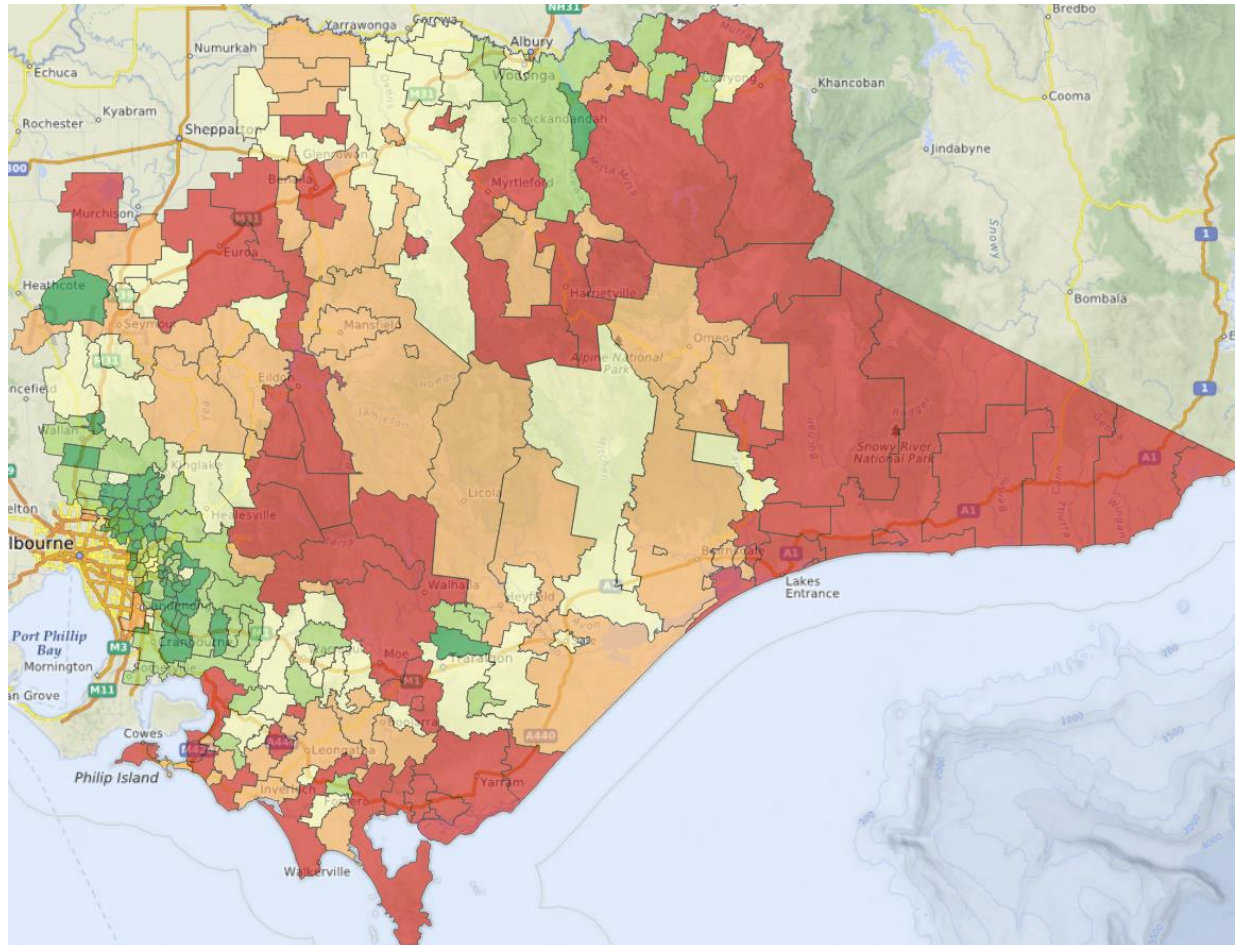
* protections in the Energy Retail Code also extend to other *residential customers* experiencing payments difficulty who inform the retailer or the retailer otherwise believes requires payment assistance.

Outside Victoria

A residential customer of a retailer who is identified as a customer experiencing financial payment difficulties due to hardship in accordance with the retailer's customer hardship policy.

- s.2 the NERL

Household income in our service area (vs the Victorian average of ~\$1,420)



- 62% to -32%
- 32% to -20%
- 20% to -3%
- 3% to 16%
- 16% to 87%

What are customer hardship arrangements?



▶ **Government concession programs to assist eligible concession customers**

- › Annual payments and electricity transfer fees waiver;
- › Concessions for excess energy, service to property charge, controlled load, and life support;
- › New utility relief grant scheme for unexpected hardship, like losing a job

▶ **Protections in the Energy Retail Code**

- › Hardship policies published, and maintained on retailers' websites
- › Facilitate payment plans, including limitations on debt recovery or disconnection.
- › Retailer must inform customer of rebate, concession and rebate schemes.
- › Minimum disconnection amount \$300.

What is our role as a distribution business?



- ▶ **Distribution networks have little involvement in programs to protect hardship (or payment difficulty) customers**
 - › No visibility of customers with hardship or payment difficulty;
 - › Information provided by the retailers does not identify such customers;
 - › Distribution networks processes generally don't differentiate between these customers and other customers;
 - › Connection services generally not sort by customers needing such protections
 - › Our contracts (use of system and deemed Metering Coordinator) with retailers have little to no scope for providing direct assistance to concession, hardship or payment difficulty customers

- ▶ **However, AMI smart metering means every customer on a payment plan can have a monthly bill based on actual consumption.**

Some statistics

- ▶ **On 29 July 2015, there were 23,000 electricity customers participating hardship programs in Victoria**
- ▶ **These customers owed a total of \$37 million of the estimated \$50 million owed to retailers.**
- ▶ **In the same year, the ESC found there were 1,941 disconnections of customers participating hardship programs within 12 months of exiting a hardship program.**
- ▶ **Outside of Victoria, only 27 per 100 electricity customers exiting hardship programs did so successfully.**

Effectiveness of the current arrangements



Recent AER Reports and ESC Reviews: common themes



- ▶ **Increasing levels of energy debt on entry into hardship programs which may indicate that retailers are not proactively identifying customers who may be facing financial difficulties**
- ▶ **High levels of debt for customers who are not receiving hardship assistance**
- ▶ **Customers falling deeper into debt**
- ▶ **Low levels of customers receiving hardship assistance or payment plan support**
- ▶ **Increased overall electricity disconnections, including customers that participated in hardship programs or payment plans**

Policy environment



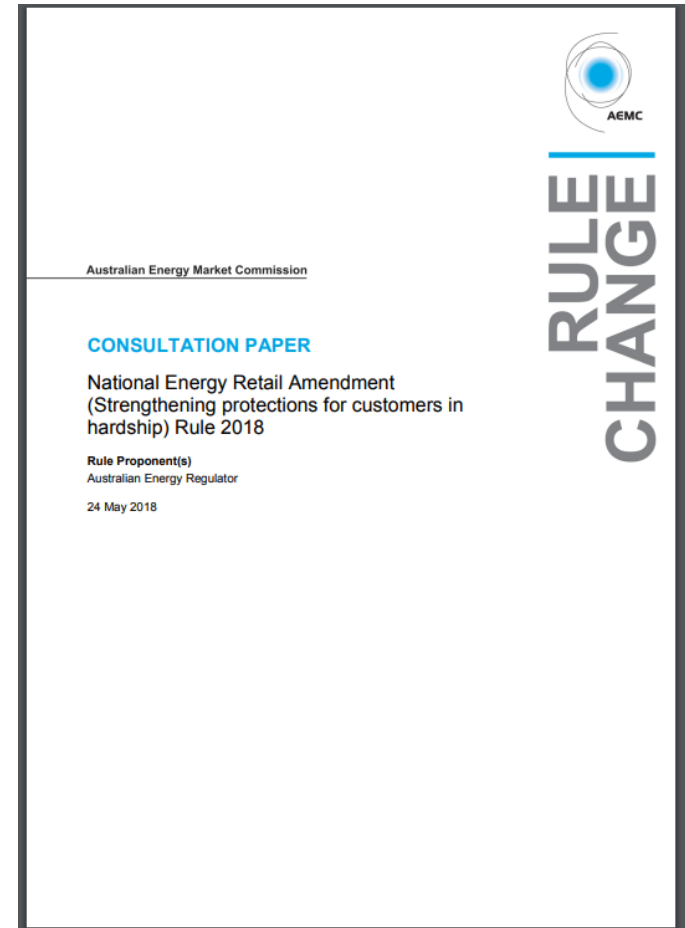
ESC review of Victorian payment difficulty framework



- ▶ **The transition to a new Victorian framework concludes 1 January 2019**
 - › Principles of shared responsibility and proportionality that requires retailers to provide more intense assistance when the payment difficulty is more acute
 - › Establishes any customer who misses a bill payment on a very simple payment plan.
 - › Tailored assistance for customers following discussions about their payment difficulty or missing several payments to best manage their debt, including energy management assistance
 - › Greater disconnect safeguards by retailers

Further National Policy Developments

- ▶ **Commenced in May 2018, triggered by 2017 AER Hardship Review**
- ▶ **Intended to allow AER to develop binding Hardship Guidelines**
- ▶ **These would specify hardship indicators that must be reported on**
- ▶ **Will apply in jurisdictions where the National Energy Customer Framework is in force**
 - › This excludes Victoria, however Retailers have national operations that comply with more robust Victorian requirements



Scope for change in our role



What role should AusNet Services play in respect of the hardship programs administered by retailers?

- ▶ **Accountabilities for supporting customers with payment difficulties lie with retailers. This has been confirmed in a number of reviews**
- ▶ **Distributors may be able to facilitate the experience of these customers through more active and visible programs**
 - › Energy literacy programs. We have ran some in the past, in conjunction with the Consumer Policy Research Centre.
 - › Providing assistance, such as encouraging use of ‘my home energy’ portal, to monitor / manage energy use
 - › Participating in collaborative platforms, such as Thriving Communities Partnerships, together with retailers, to advance customer support frameworks
- ▶ **Introducing a ‘social tariff’ for customers with payment difficulties**
 - › This was proposed by SA distributor, in conjunction with roll-out of new cost-reflective tariffs
 - › Proposal was rejected by AER

Next steps

- ▶ **Customer Forum to identify specific initiatives it would like AusNet Services to explore**

- ▶ **Key considerations**
 - › Objectives and customer outcomes sought
 - › Feasibility and cost impacts
 - › Customer research needs.

Further reading

▶ AER Hardship Review

- <https://www.aer.gov.au/news-release/strengthening-protections-for-customers-in-financial-hardship>

▶ AEMC consultation paper

- <https://www.aemc.gov.au/rule-changes/strengthening-protections-customers-hardship>

▶ ESC payment difficulty framework final decision

- <https://www.esc.vic.gov.au/document/energy/54904-payment-difficulty-framework-final-decision/>

▶ 2016-17 Annual Report on Compliance and Performance of the Retail Energy Market

- <https://www.aer.gov.au/retail-markets/performance-reporting/annual-report-on-compliance-performance-of-the-retail-energy-market-2016-17>