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Submitted electronically: [Energy payment difficulty framework implementation review | Engage Victoria](#)

Dear Commissioners



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### Payment Difficulty Framework Implementation Review

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

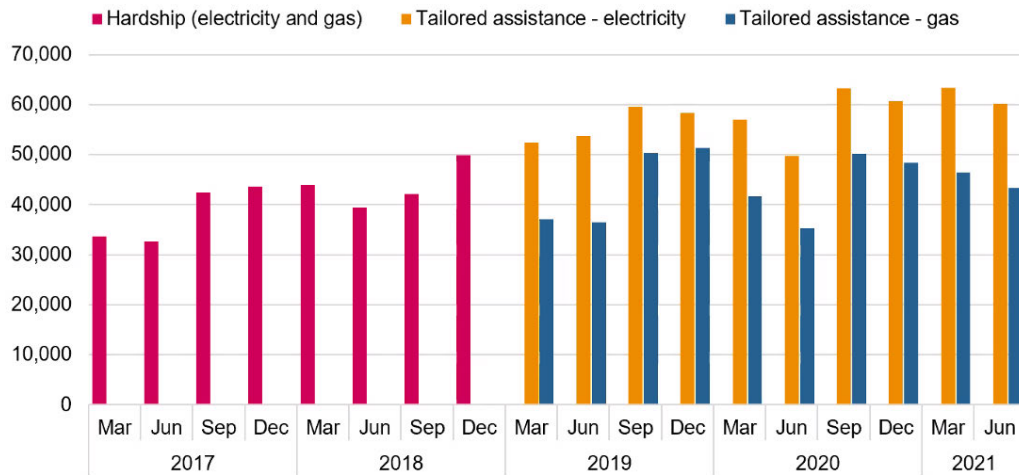
EnergyAustralia appreciates the opportunity to participate in the ESC' Payment Difficulty Framework (PDF) review. EnergyAustralia believe a key element of good regulatory practise is posthumous review to ensure that achieved intent and outcomes align with the initial objective of the regulation. We believe that vital and appropriate support for vulnerable customers will be achieved if the outcomes of this review ensure the regulation, remains fit for purpose, with a focus on improving engagement with customers.

We appreciate the ESC's view that the PDF has not operated for long enough to garner the required data to support changes at a holistic level, particularly as any substantiative data is limited by its interaction with the abnormality of the COVID pandemic. However, EnergyAustralia believes it would be remiss of the ESC to limit the scope of the review, as there are elements of the framework that have robust data identifying issues or discrepancies from the intent on the initial reforms.

The ESC presented findings to stakeholders at an *early observations workshop*, which provided insights into the effectiveness of PDF:

1. The graph below indicates increases in customers seeking support since PDF's inception; however, it is unclear how much this correlates with the new framework, or if it was trending this way regardless. Further, it is unclear how the financial impacts of the COVID pandemic have increased requests for assistance, or reduced assistance required (following broad government support through the pandemic).

## More consumers are getting assistance

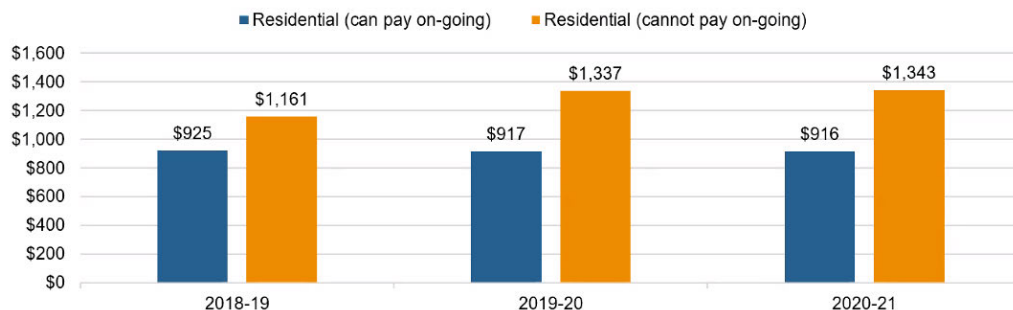


- The graph below indicates that the framework has contributed to the average arrears increasing for customers that are unable to pay their on-going usage. Customer arrears that can pay on-going usage have remained stable since the framework commenced, whereas EnergyAustralia speculates, the increase in average arrears for customers unable to meet their on-going usage is a result of the mandatory minimum timeframes for payment plans provided to this segment of customers under the framework.

EnergyAustralia believes further consideration should be given to how customers unable to pay their on-going consumption are treated in the framework, as non-payment periods appear to create a situation where there is more debt, with the customer's financial constraints remaining; highlighted by the proportion of >\$1,000 disconnections.

## Timeliness of assistance and levels of arrears

### Average arrears when commencing assistance



### Amount of debt at point of disconnection

- 65 per cent of disconnected electricity customers owed >\$1,000 in 2020-21

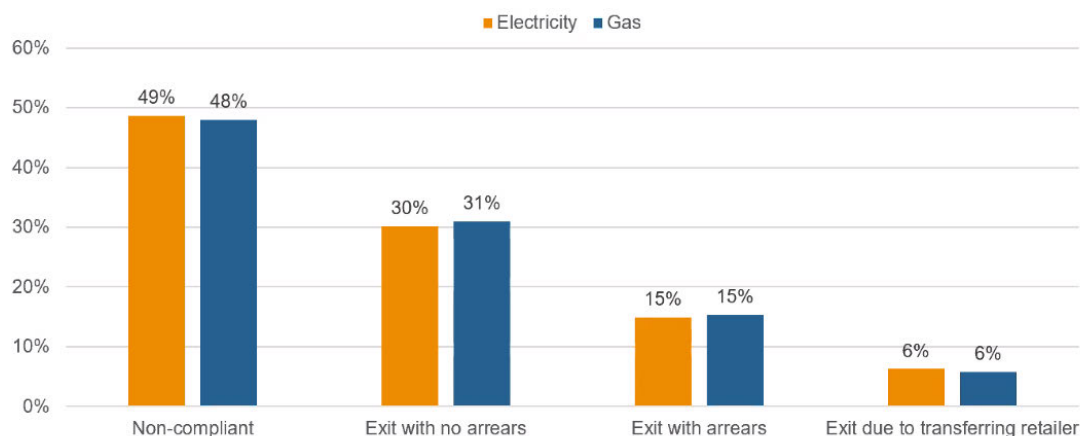
- The graph below is the most unflattering for the success of the PDF, with ~ 50% of customers exiting their assistance due to non-compliance (either non-payment or not engaging). The *'1-2 customers disconnected without receiving assistance'* is a further indicator that non-participation is an area the ESC should consider in the review, as the disconnection rates include a portion of customers that have not attempted any contact with their retailers since commencing consumption of energy at their premise (predominantly, unknown consumers).

## Exiting tailored assistance

### Disconnections and assistance

- 1 in 2 customers disconnected did not receive assistance in the six months prior to disconnection.

### Reasons for exiting payment assistance varies between retailers



EnergyAustralia believe the data provided by the ESC is robust enough to support extending the review to include:

- Assessment of how the framework should consider varying degrees of debt, with analysis conducted into the successful completion of assistance where a customer has entered with a low debt balance compared to high.
- Comparison for how other industries support vulnerable customers, with a particular focus on how they manage the debt of customers who are unable to meet on-going consumption, are not engaging, and how these industries then manage any bad debts.
- Consideration for the most effective and cost-efficient way for addressing the underlying causes of systemic debt, e.g., is it appropriate for energy retailers to own debt risk if they are unable to resolve the underlying causes traversing all elements of customers' lives.

We have responded below to the retailer specific questions raised by the ESC:

1. *How are the entitlements under the framework communicated to customers (from a single retailer, and across the sector)? From your experience, are the ways they are communicated clear and consistent?*

EnergyAustralia communicates the entitlements information to customers when they have a debt >\$55 and they:

- a) engage via phone, self-service options, or the web page chat;
- b) Receive a reminder notice; or,
- c) Receive a Tailored Assistance information letter;
  - i. sent to a customer in-lieu of a reminder notice at 21-days;
  - ii. if a customer does not have time to discuss tailored assistance during a call; or
  - iii. following a failed best endeavour contact attempt during the collections process.

We believe the information provided to customers on their entitlements is clear and consistent with the intent of the PDF reforms; however, the expectations for customer engagement and participation are lacking.

To reduce the instances of customer debt increasing following their participation in the PDF support, EnergyAustralia believes that communication to customers on their entitlements should expressly describe customers' requirements for participation and engagement.

As an example, if a customer's debt repayment is *put on hold* and they are paying *less than the full cost of their on-going energy use*, and the customers consumption then exceeds their historical average, they must engage with their retailer, to either:

- Request assistance to address the increased consumption; or,
- To opt-out of the current payment plan arrangements (debt hold or payment less than their energy use).

EnergyAustralia believes this is a reasonable safeguard to manage the risk of customer's debt increasing while they are receiving assistance under the PDF.

2. *How much do you think customers are aware of, or understand, their entitlements?*

Customer feedback, received by EnergyAustralia's hardship team (*EnergyAssist*), indicates varied levels of comprehension between customers, with most aware that help is available, but without an understanding of the specifics or how it will directly impact their situation; for the customers that make contact, we explain the framework in detail to clarify any confusion.

It is unclear if the customers not making contact, are clear on their entitlements, or are just not engaging. EnergyAustralia believes that when and how information is provided to customers is crucial, and suggests the ESC consider conducting behavioural testing to identify the optimum format for providing entitlement information to customers.

3. *How helpful and practical has the payment difficulty assistance provided to customers been?*

EnergyAustralia's data (outlined in the tables below) indicate an improved adherence rate than the industry average provided by the ESC (graph 3 above), and our success rate for plans kept at ~70% is a significant improvement on pre-PDF, where we were achieving ~58% success.

#### Tailored Assistance Payment Plans – duration up to 24 months

Financial Year	Plans Setup	1st Instalment Kept	Plan Kept Rate %
2019	37,098	77%	56%
2020	33,770	77%	66%
2021	29,301	84%	67%

#### EnergyAssist Payment Plans

Financial Year	Plans Setup	1st Instalment Kept	Plan Kept Rate %
2019	27,321	81%	60%
2020	28,519	75%	73%
2021	24,704	81%	74%

*Note: 2019 Financial year Tailored Assistance data includes Standard Assistance plan types for the period Jul – Dec 18, as Tailored Assistance category was only introduced in Jan 19.*

While heralding the positive improvements EnergyAustralia has experienced, it is pertinent to highlight that there have been no notable improvements in assistance adherence at the commencement of a payment plan; with the percentage of first instalments missed in line with pre-PDF results.

4. *How confident are you when advocating on behalf of someone to access support under the framework?*

While not applicable to energy retailers, we believe there is merit in the ESC considering if regulatory requirements for providing information to customers should be mandatory when communicating with a financial counsellor or other informed customer advocates.

Retailers have worked extensively to improve the average call wait and handling times, reducing mandatory superfluous scripting to advocates (where they are abundantly aware) will continue this improvement; ultimately, promoting positive customer and advocate experiences.

5. *Have you observed a change in customer satisfaction of their engagement with retailers about their entitlements? If so, to what extent and why?*

EnergyAustralia has recorded improvements in the Net Promoter Scores of customers interacting with credit and vulnerability since the inception of the PDF; however, it is unclear if this relates directly to the PDF framework, or new processes and customer experience improvements EnergyAustralia has implemented during this period.

6. *Have you observed a change in customer engagement from diverse and hard-to-reach customers about their entitlements?*

EnergyAustralia does not record customers' details that reflect 'diverse and hard-to-reach' and has no way to establish if this is the case, we therefore do not have any data to form a view.

7. *What aspects of the framework have been working well?*

There has been a noticeable improvement in Utility Relief Grant Scheme (URGS) approvals since the new PDF requirement came into effect, as part of the *Supporting Customers Through the COVID Pandemic*, to assist customers in completing their URGS application; however, despite improvements in the retailer process, URGS applications are still hampered by issues with the technology and processes at the Department of Health and Human Services.

8. *Have you, as a consumer representative, energy retailer, or other stakeholder, encountered any barriers or difficulties during the implementation of the framework?*

EnergyAustralia difficulty with the implementation of the framework is caused by the increased debt burden to customers following either a 6-month debt hold or a payment plan for less than their on-going usage. While we are supportive of providing this payment assistance where it is suitable, we believe access to this form of payment plan should require more formal consideration of a customer's affordability and following assistance from an accredited financial counsellor.

Customer's debt 18-months after a debt hold payment plan (entered October 2019 to March 2020)			
Debt range	Avg. debt on entry	Avg. debt +18 months	% difference
Between \$55 and \$500	\$ 286.40	\$ 305.10	6%
Over \$500 but less than \$1,500	\$ 924.90	\$ 844.30	-10%
Over \$1,500 but less than \$2,500	\$ 1,950.50	\$ 1,982.30	2%
Over \$2,500 but less than \$5,000	\$ 3,478.90	\$ 3,553.50	2%
Over \$5000	\$ 8,068.05	\$ 8,486.00	5%

The table above compares the average debt of EnergyAustralia's customers entering a 6-month debt hold payment plan against the average debt 12-months after completion. We can infer that debt hold payment plans are more suitable the lower the customers debt and that if a customer's debt is >\$5,000 upon entry, a debt hold payment plan is not suitable, as the risk of a 5% increase in their debt is too high and will only increase the likelihood of the outstanding arrears to be unmanageable.

We do not believe that systemic debt cannot be resolved solely by a retailer, and customers are unlikely to be in a greatly improved situation following the finalisation of their payment plan or debt hold. Therefore, holistic assistance should be provided to customers to ensure they are able to manage their finances sustainably; a degree of assistance that energy retailer representatives are not appropriately skilled to provide.

We encounter further difficulties with the framework due to restrictions on changing payment plans following increased consumption by customers. The 'opt-in' requirement is understandable; however, it creates a perverse outcome in which customers debt will increase. EnergyAustralia believes this could be improved by changing the framework from limiting changes unless customer's 'opt-in', to a requirement that customers must engage if notified above consumption increasing above historical levels (where this is the basis for the payment plan).

9. *Are there areas of the framework that you found confusing or unclear?*

The ESC has indicated that industry has not appropriately implemented the framework, while EnergyAustralia is confident in our interpretation and implementation of the framework, to address the ESC's concern, industry-wide improvements could be achieved by reducing ambiguity in the interpretation of the PDF.

This can be achieved by developing clear guidelines, such as, how the framework interacts at a customer journey level, and the specific process required for a disconnection for non-payment.

10. *Are there other strategies or approaches retailers have considered (within or outside the framework) that can better help customers and achieve the framework's objectives? If so, what are these strategies or approaches?*

In the interest of protecting customers impacted during the COVID pandemic, retailers and customer advocates produces a *best practice guideline for vulnerable customer support*<sup>1</sup>, this collaboration was not conducted as token gesture, it is another example of retailers' continual consideration of how to ensure that vulnerable customers are offered the best protection available.

Prescription can be useful to ensure conformity between retailers; however, not relying on regulation, can provide retailers the flexibility for innovation in how they support vulnerable customers. Therefore, to protect retailer innovation, regulation should be limited unless; the need is supported by evidence (data identifying the issue), and/or if the issue cannot be more effectively addressed directly with the perpetrating retailer/s.

Additional actions EnergyAustralia are undertaking:

- We are currently developing data analytics to predict financial difficulty of customers based on their behaviours (payment adequacy and frequency, payment method, etc) to challenge the collection process and proactively contact to offer support through our EnergyAssist team.
- Added an additional Tailored Assistance information letter pre disconnection assessment to try and engage the customer to call us.
- On completion of a customer's current payment plan, proactively offer a new 12-month plan if their remaining debt is >\$55 outstanding. This is an opt-in option, and it encourages the customer to contact us if they need additional support.
- We attempt to contact the customer to discuss a new payment plan following completion of a debt hold or other form of EnergyAssist hardship payment plan. If unsuccessful in making direct contact, we propose a plan to the customer at their existing instalment amount and frequency. This is an opt-in option which the customer must accept.

11. *Are there other problems faced by energy customers that may not be covered by the payment difficulty framework?*

Customers can be experiencing a plethora of problems that have, or are, causing vulnerability, with retailers only capable of assisting with the energy component of these problems.

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<sup>1</sup> <https://www.energycouncil.com.au/best-practice-resources/>

EnergyAustralia does not believe there are any problems specific to energy that are not covered by the existing framework.

As discussed above, EnergyAustralia believes it is vital the ESC consider if it is appropriate for energy retailers to own the debt risk where they are unable to resolve the underlying causes traversing all elements of customers' lives. We would appreciate if the ESC can consider the most equitable way for customer bad debts to be recovered.

We believe it is unreasonable to assess the efficacy of energy retailer's vulnerability assistance without a fair comparison against how other essential industries provide this service; as an example, the water industry is commonly viewed as the gold standard in vulnerable customer support, and it would be remiss to not consider that this is achievable because unrecoverable debt can be forecast and included in water bodies pricing models.

If you would like to discuss this submission, please contact me on [REDACTED] or

[REDACTED].

Regards

**Travis Worsteling**

Regulatory Affairs Lead