

29th June 2017

By Email: paymentdifficulties@esc.vic.gov.au

Dr Ron Ben-David

Chairperson

Essential Services Commission

Dear Ron

Letter in response to the Payment Difficulty Framework Draft Decision

The Council on the Ageing Victoria (COTA Vic) is pleased to comment briefly on the Essential Services ESC Victoria's new draft decision for its Payment Difficulties Framework. We greatly appreciate the work to date on revising the framework and taking into consideration the barriers energy customers may face in seeking assistance regarding payment difficulties.

In the context of rising utility costs, COTA's key concern for older Victorians, are the protections, assistance measures and engagement processes with residential customers by retailers to effectively manage payment difficulties.

About COTA Victoria

COTA Victoria is the peak body representing the rights and interests of older Victorians. We work to inform, educate and empower older people and to promote their interests and the issues of ageing through our representation, policy work and campaigns.

Building consumer feedback evidence

COTA Victoria recently initiated a facebook survey and conversation thread on managing payment difficulties. We have included comments from the energy conversation and preliminary findings from the energy survey.

We asked older people if they were aware of hardship programs and if they had ever contacted their retailer to request a repayment plan. We also asked if a more affordable tariff had been offered by their supplier.

Our initial response whilst a small sample size (20) is representative of metropolitan and regional Victoria. None were renting; most had mortgages of varying sizes. These responses are from people with access to computers and are mostly in their 60's. They do not represent those most likely to experience hardship: elderly Victorians who are not digitally literate and culturally and linguistically diverse background older people who do not read English.

Whilst 100% of respondents had experienced difficulty paying bills at any one time only 33% had heard of hardship programs. 40% of respondents had approached their supplier regarding the hardship programs offered and asked for a more affordable tariff.

Key areas of endorsement

COTA Victoria strongly endorses the obligation on retailers to intervene and offer assistance rather than the onus being on consumers to raise payment difficulties. Providing proactive support and protections against disconnection is a principled approach to minimising the risk of escalating



hardship. Removing limits on renegotiating payment plans supports tailored approach to individual circumstances of a consumer.

We are also pleased to see there is a ban on controlling supply as this may have unintended hardship consequences.

Key areas of concern

Whilst we are pleased to see the principle of disconnection as a last resort, we are still concerned the framework does not propose a final safeguard against disconnection when a customer cannot afford their energy costs. We endorse Consumer Action Law Centre's proposal that *EWOV should have binding powers to award a Wrongful Disconnection Payment (WDP) where they determine it is appropriate.*¹

In addressing the issue of hardship and access to assistance, we believe there are options for improving the response of retailers to payment difficulties. The objective of a customer focused approach should include accessibly information, greater engagement with communities and the provision of a lower tariff as early as possible to mitigate the chances of disconnection. For older Victorians suffering from chronic conditions, debt stress and payment disconnection can have irreparable health consequences.

Our key recommendations

Introduction of a social tariff

We recommend the early introduction of a social tariff for people experiencing hardship who are in receipt of a government pension, benefit or concession. This would consist of an industry wide tariff of a discounted peak period rate between the hours of 9.00am and 5.00pm. People who are more confined to home during daytime hours due to age, health or caring responsibilities, are not able to avoid daytime energy costs.

I do not use heating and I now skip meals as a result of finding myself on Newstart (Peter 63 years)

Redefine arrears

COTA Victoria supports the Brotherhood of St Laurence's proposal to redefine arrears so there is not the unintended consequence of accruing an unmanageable debt before being eligible for assistance. We are also concerned that the disconnection process could be triggered differentially through two different billing cycles, i.e. quarterly and monthly billing.

Minimum standards and clear guidance

We believe community expectations include enforceability of minimum standards so that consumers receive access to hardship entitlements.

COTA Victoria supports Consumer Action Law Centre's recommendation on providing clarification on what constitutes 'advice' and 'best endeavours' through Minimum Standards and clear guidance on circumstances.

Alongside concession and pension status, guidelines on circumstances that can result in payment difficulties and personal hardship should include, family violence, elder abuse, relationship breakdown, death of a partner or family member, serious illness or loss of employment.

¹ Consumer Action Law Centre and Financial and Consumer Rights Council Inc, Submission in response Payment Difficulty Framework Draft Decision, 19th June 2017

I am over 60 but under pension age. I lost my job 18 months ago and its damn hard on newstart. I go without food sometimes to pay a bit off utility bills (Jill)

Contact options should be provided to consumers, recorded and confirmed by consumers.

Ensuring customer access and understanding

COTA Victoria's recent [50 plus survey](#)² shows that many older people, particularly over seventy have difficulties navigating websites and many others are 'digitally illiterate'. With a significant number of older people from culturally and linguistically diverse backgrounds in Victoria, information in easy to read English and community languages is important to understanding options and payment plans.

Retailers can better deliver access to information by taking greater consideration of diversity, ageing, disability in their design and communication.

One of our facebook comments touched on the issue of 'shame' and avoidance of payment plans. Providing information in a way that engages people to seek assistance and be supported in managing financial hardship can be achieved through stronger minimum standards and guidance.

COTA Victoria looks forward to seeing the final outcome and we commend the ESC on its work to date.

Yours sincerely



Ronda Held
Chief Executive Officer

² <http://cotavic.org.au/2017/06/cota-50-survey-report/>