

New report finds energy companies are setting vulnerable Victorian customers up to fail

The Financial and Consumer Rights Council (FCRC) is calling for an overhaul of the system that protects vulnerable Victorian consumers from being disconnected from electricity and gas.

Victoria's peak body for financial counsellors today released its *Rank the Energy Retailer* report. The report found general improvement across the big three energy retailers in Energy Australia, AGL and Origin, however the smaller tier two and tier three retailers have been found to be still performing poorly.

In a negative for the big 3, cases of energy retailers still "setting hardship customers up to fail" by putting them on payment plans they know the customer will have little chance of paying are apparent in the report.

The FCRC's Executive Director Peter Gartlan said, as a result, 56 000 Victorian customers were disconnected from gas and electricity by energy retailers last year – the highest rate of disconnections in the country.

"Every work day, 215 vulnerable Victorians are disconnected from electricity and gas which is a national disgrace. This report shows retailers' lack of understanding of long-term financial hardship is primarily to blame," said Mr Gartlan.

"The expectation placed on hardship customers by retailers to rectify their billing situation in just three months is not realistic.

We are still seeing case of hardship customers being placed on unrealistic payment plans "Energy is not like a pay TV service – it is essential to daily life and necessary for social and economic participation. When people cannot access energy, the flow-on effects are huge."

"We need improved response from Industry, Government and Regulators to address the needs of people who want to pay but cant" He said as well as addressing unrealistic payment plans and cultural issues with energy retailers, it was necessary to improve accessibility to the Victorian Government's Utility Relief Grant Scheme which provides financial relief to vulnerable energy consumers at risk of disconnection.

"This is a critical grant program for people in temporary financial crisis, yet the report shows retailers often don't tell customers that the grant is available – even when a customer is facing imminent disconnection or explicitly states that they are in hardship and cannot afford to pay

"The grants should be made available based on need – not simply when a well-informed advocate like a financial counsellor steps in.

"The report highlights the need for improved process on applied concessions, we are committed to working with government and industry to get these improvements and reduce disconnections."

He said the report shows the “big three” energy retailers, who together service over 60 per cent of Victorian residential electricity customers and 70 per cent of its gas customers, had made good improvement in many areas in the past two years. However further progress was still needed.

“The big three retailers fell short of an acceptable average score for payment plan affordability with around half of the financial counsellors surveyed rating all three as 'poor' or 'very poor'.”

Mr Gartlan said the broken policy framework for dealing with energy hardship meant energy issues consume a disproportionate share of financial counsellors' casework time.

“Energy is the number one issue Victorians are approaching Financial Counsellors about with 29 per cent of respondents saying energy-related matters took up roughly half of their casework time. A further 9 per cent said energy issues were involved in between 81-100 per cent of their casework.”

The report did find that billing complaints by Victorian customers about their energy accounts has dropped in the past two years.

Where did they rank (out of 10)?

Tier 1 company	Average rating	Tier 2 company	Average rating	Tier 3 company	Average rating
Energy Australia	6.33	Simply Energy	4.08	Momentum	4.19
AGL	5.78	Lumo Energy	4.00	Alinta Energy	3.89
Origin	5.77	Red Energy	3.99	Powershop	3.13
				Click Energy	2.95
				PowerDirect	2.69
				Dodo	2.47

List of recommendations

State Government

1. That the Victorian Government review its concession and grants programs with a view to increasing the cap and streamlining the application process.
2. That the Essential Services Commission closely monitor implementation of the new hardship framework so the most vulnerable consumers do not fall into a cycle of self-disconnection.

First tier retailers

3. Retailers should be more willing to offer payment plans of longer duration, as well as payment matching incentives and, in cases of severe hardship, partial and full debt waivers.
4. Tier one retailers need to provide more ready access to hardship teams and be willing to negotiate directly with customers.
5. First tier retailers should provide more staff training and clear policies and procedures to support consistent practice and treatment of hardship customers.

Second tier retailers

6. Second and third tier retailers continue to perform very poorly across the board, suggesting that these retailers need to commit to major re-thinking and re-design of their approaches to working with customers experiencing payment difficulty and financial hardship.

About the organisation and survey

The Financial and Consumer Rights Council is Victoria’s peak body for financial counsellors.

At the time of the survey there were 188 financial counsellors employed throughout Victoria. 132 of these responded to the survey used to inform this report, representing a total response rate of 70 per cent.

Media contact: Tim O'Halloran 0409 059 617