

DECEMBER 2020

"BILLS HERE BILLS THERE"

THE LIVED EXPERIENCE OF
VICTORIAN ENERGY REFORM

ABOUT

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

ACKNOWLEDGEMENTS

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ConsumerAction is located on the land of the Kulin Nations. We acknowledge all Traditional Owners of Country throughout Australia and recognise the continuing connection to lands, waters and communities. We pay our respect to cultures; and to Elders past, present and emerging.

EXECUTIVE SUMMARY

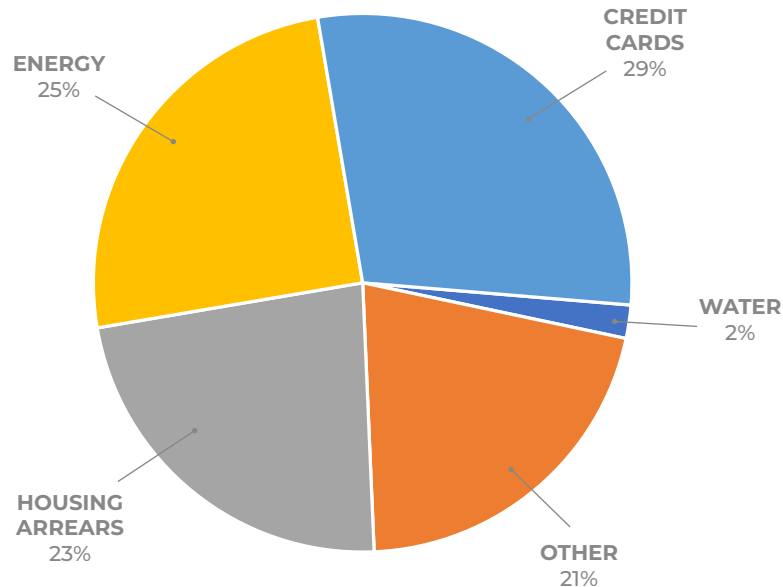
Electricity and gas supply are essential services. Without them, we cannot ensure our homes are at a healthy and comfortable temperature. We need energy supply to remain connected to and able to participate fully in society. The disruption caused by COVID-19 in Victoria has clearly demonstrated this.

Fortunately, Victoria has implemented reforms in recent years to help ensure better outcomes for households in the energy market. While there have been many positive reforms to help ensure fair energy pricing and supply there are still many who struggle to afford their energy bills. It is important that we constantly review whether these changes are delivering their intended impacts for people and communities. This report is a deep dive into how energy reforms of recent years are impacting Victorian households. To analyse this we draw on case studies from households struggling to pay their energy bills including an in-depth interview with Helen, a victim survivor of family violence who is currently struggling with energy debt.¹ Our report also considers the ways reforms have interacted with financial counsellors' work in assisting people with unaffordable energy debt. We would like to thank our clients and financial counsellors Dianne and Michael, for allowing us to share their experiences and insights for this report.²

We have extracted data from our advice services in relation to calls about energy debt, and other issues in this report. However, our primary methodology is qualitative interviews with Helen, Dianne and Michael, and the inclusion of case studies. We have chosen this methodology to allow respondents to share information and experiences in their own words, and to gather detailed information in a candid and unobtrusive setting. The interviews also helped us to better understand the complex social determinants and interactions that sit behind people's interactions with the energy market. However, as with all research methodologies, there are some limitations to this approach. The primary limitation is that these interviews reflect the experiences of a small group of people. However, we consider that the interviews provide valuable insight into the experiences that other energy users and financial counsellors in Victoria might also have had.

The experiences of people calling our financial counselling practice inform our work on policy reform in the energy market. Of the 4,734 calls to our financial counsellors at the National Debt Helpline between 1 January 2020 and 12 November 2020, 1,161 (25%) flagged energy as a primary issue. This is compared to only 98 (2%) calls clearly flagging issues with water services – an essential service

**PRIMARY ISSUE FLAGGED:
CALLS TO NATIONAL DEBT HELPLINE (CONSUMER ACTION)
FROM 1ST JANUARY TO 12TH NOVEMBER 2020**



with similarities to energy including that supply is also generally billed after usage. This indicates that, in comparison to water supply, people are still experiencing problems with energy affordability and energy retailers. Credit card debt is still the number one problem with 1,398 calls in the same period. Housing arrears (including mortgage, rate or rent problems) arose in 1,073 of the calls.

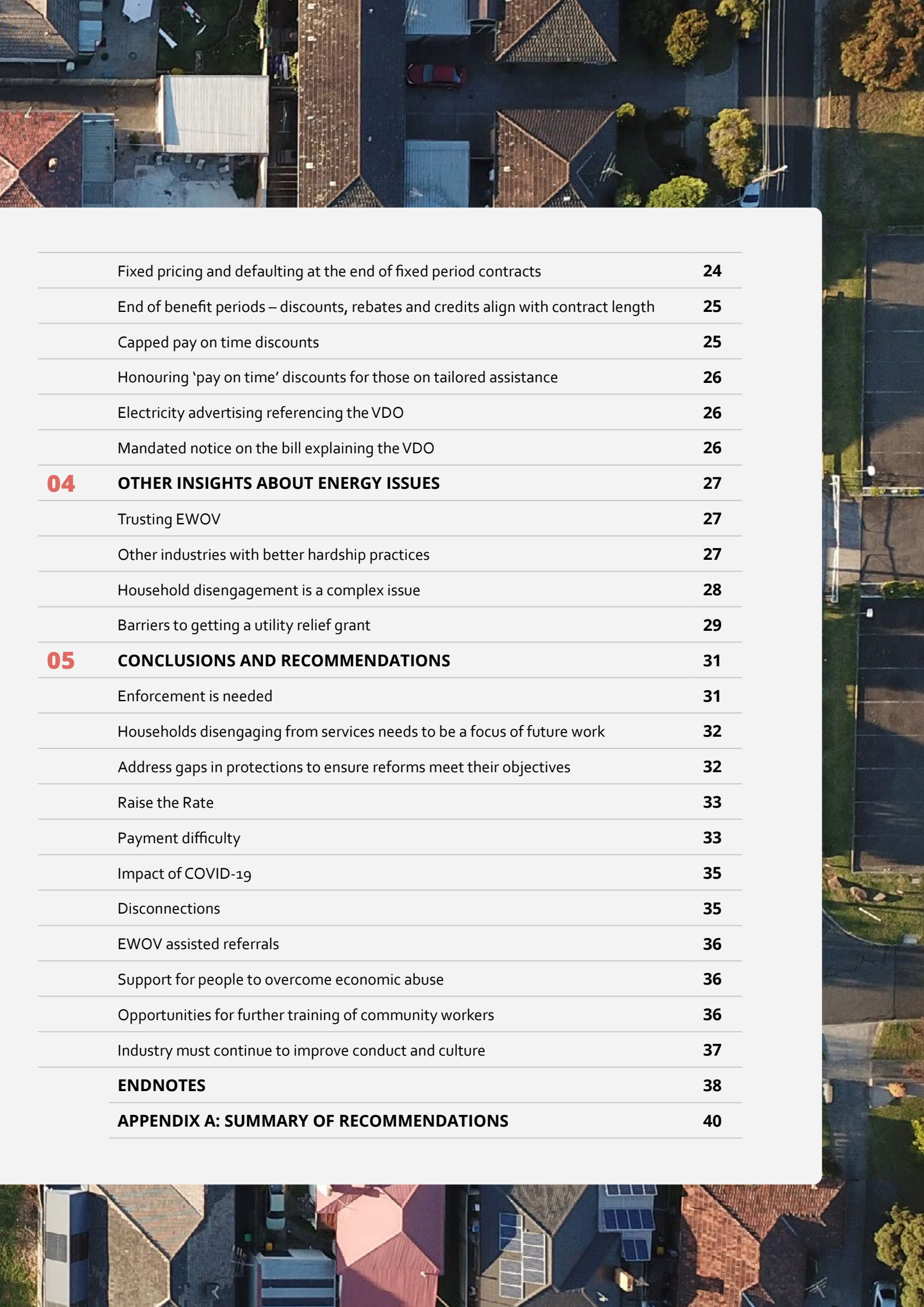
It seems the energy industry is slowly improving and has, overall, responded well to customer needs during COVID-19, and that recent reforms have also empowered the Essential Services Commission (**ESC**) to regulate and monitor the situation. However, the case studies and in-depth interviews with Helen, Michael and Dianne in this report point to a need for more effective enforcement and embedding principles of fairness within energy businesses to ensure these measures are able to practically assist

households when they are faced with an inability to pay. A summary of recommendations is available in Appendix A.

We also wish to acknowledge the ongoing and disproportionate impact that family violence has in Victoria's Aboriginal community and the Aboriginal Community Organisations who work tirelessly to support families. Victoria's Aboriginal community is also significantly impacted by energy issues. Our report *Consumer Issues in Victorian Aboriginal Communities* found that utilities issues relating to the supply of water, gas and electricity are common in community. The lack of improvement in this area is of great concern given the nature of utilities as an essential service. We encourage governments, regulators and policy makers to do more to address these issues in partnership with community. See the *Consumer Issues in Victorian Aboriginal Communities Report* [here](#).

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01 TIMELINE OF VICTORIA'S RECENT ENERGY REFORMS

There have been a number of significant reforms in the Victorian energy market following the Independent Review of the Electricity and Gas Retail Markets in Victoria (**Thwaites Review**), which was launched due to concerns about rising energy bills.³ The reforms were intended to make energy markets simpler and fairer, and improve access to affordable energy for all Victorians.

We have set out a timeline of relevant reforms below. Later in this report, we consider whether these reforms have delivered practical assistance to households in Victoria through case studies and detailed interviews with Helen and financial counsellors Michael and Dianne.



REFORM TIMELINE

FAIR PRICING OUTCOMES

AUGUST
2017

THWAITES REVIEW FINAL REPORT RELEASED WITH 11 MAIN RECOMMENDATIONS DESIGNED TO MAKE VICTORIA'S RETAIL ENERGY MARKETS FAIR⁴

JULY
2019

IMPLEMENTATION OF THWAITES REVIEW RECOMMENDATION 3 RELATING TO BILLS AND MARKETING⁵

- "Best offer" information on bills;
- The right to clear advice from retailers before signing a new energy deal;
- Access to standardised factsheets for all retailers' plans;
- At least five days' notice before price or benefits change; and
- The ability to request an adjustment to an estimated gas bill by submitting a photo of the meter.

JULY
2019

IMPLEMENTATION OF THWAITES REVIEW RECOMMENDATION 1 RELATING TO THE VICTORIAN DEFAULT OFFER (VDO)⁶

- Introduction of a fair price for electricity from licensed retailers to replace costly standing offers, based off a 'bottom up' efficient cost methodology;
- Estimated savings of \$310-\$450 per annum on average for households on standing offers throughout Victoria.

JANUARY
2020

THE VDO IS RESET⁷

- A typical domestic customer on a flat tariff standing offer saw their annual electricity bill increase from around \$1,400 currently to around \$1,500 in 2020, on average across all distribution zones;
- Regulation extended to all standing offers, not just flat tariff structures.

JULY
2020

IMPLEMENTATION OF THWAITES REVIEW RECOMMENDATION 4 RELATING TO FAIR AND CLEAR CONTRACTS⁸

- Retailers only allowed to increase prices once per year;
- Penalties for paying late (or 'pay on time discounts') capped at an interest rate of 3.62% per annum on new contracts;
- Any customer signing up to a new offer with a discount, credit or rebate to receive that benefit of the entire duration of their contract;
- Retailers must honour pay-on-time discounts for customers receiving tailored assistance who miss a bill payment;
- Advertised electricity rates must reference the VDO for easier comparison;
- Retailers must roll customers on fix-term electricity contracts who do not choose another offer onto the VDO;
- Households receive information about the VDO on the front page of every electricity bill;
- Regulation extended to all standing offers, not just flat tariff structures.

SEPT
2020

MAXIMUM ELECTRICITY PRICES FOR EMBEDDED NETWORKS AND OTHER EXEMPT SELLERS CAPPED AT THE VDO PRICE⁹

DUE:

JAN
2021

ENERGY RETAILERS AND DISTRIBUTORS CANNOT BACK-BILL CUSTOMERS FOR MORE THAN FOUR MONTHS WHEN THE CUSTOMER IS NOT AT FAULT¹⁰

DUE:

JAN
2021

VDO RESET¹¹

- Final decision (published 27 November 2020) indicates that prices for residential customers will fall on average by 10%, largely due to reduction in wholesale and network costs. ¹²

IMPLEMENTATION
DATE TO BE
CONFIRMED

VICTORIAN GOVERNMENT ENERGY FAIRNESS PLAN¹³

- Banning door to door sales and cold calling from licensed energy retailers;
- Banning 'win back' and 'save' offers to customers;
- Cracking down on sales performance bonuses for retailer marketing;
- Increasing penalties for energy retailer misconduct; and
- More powers for the ESC to monitor and investigate retailers.

REFORM TIMELINE

PROTECTION FROM PAYMENT DIFFICULTY AND DISCONNECTION

MARCH
2016

ESC RELEASED *SUPPORTING CUSTOMERS, AVOIDING LABELS: ENERGY HARDSHIP INQUIRY FINAL REPORT*¹⁴

JAN
2019

IMPLEMENTATION OF THE PAYMENT DIFFICULTY FRAMEWORK¹⁵

For households with less than \$55 owing, electricity retailers must offer three of the following payment options:

- More time to pay the bill;
- Work out a plan to pay over time in instalments the customer can afford (regular instalments);
- Work out a plan to pay over time in instalments the customer can afford (irregular instalments);
- Allow the customer to pay in advance.

For households with more than \$55 owing, electricity retailers must offer the following payment options:

- A payment plan to pay for usage and repay arrears within two years;
- A payment plan where arrears are on hold for minimum six months, while making reduced payments and try to reduce energy use.

The retailer must also check the customer is receiving government concessions and grants they are entitled to, provide practical information about how to reduce energy use, talk about options to help repay arrears, and review the customer's account and tariff.

JAN
2020

RETAILERS MUST HAVE A FAMILY VIOLENCE POLICY AND MEET MINIMUM STANDARDS RELATING TO TRAINING, ACCOUNT SECURITY, CUSTOMER SERVICE, DEBT MANAGEMENT PRACTICES, EXTERNAL SUPPORT SERVICES AND EVIDENCE OF FAMILY VIOLENCE¹⁶

FEB & JULY
2020

MORE PROTECTIONS FOR PEOPLE WHO NEED ENERGY FOR LIFE SUPPORT¹⁷

MARCH
2020

THE AUSTRALIAN ENERGY REGULATOR (AER) PUBLISHED ITS FIRST STATEMENT OF EXPECTATIONS OF ENERGY BUSINESSES AIMED AT ASSISTING CUSTOMERS MANAGE ENERGY BILLS DURING THE COVID-19 PANDEMIC AND PREVENT DISCONNECTION ¹⁸

OCT
2020

TARGETED REFORMS TO HELP MANAGE ENERGY BILLS DURING COVID-19 INCLUDING¹⁹

- An ongoing requirement that retailers support residential customers to complete and submit utility relief grant scheme (URGS) application forms; and
- Retailers being required to conduct a tariff check for all residential customers receiving tailored assistance, not just those who cannot afford the ongoing cost of their energy.



02

IN DEPTH ANALYSIS: HELEN'S ENERGY DEBT STORY

The reforms outlined above have undoubtedly helped thousands of Victorians who struggle with energy bills. However, we wanted to understand the impact these reforms were having at an individual level. Below is an in-depth analysis of one person's energy debt, who we will call 'Helen'. Helen contacted our financial counselling service in June 2020, and we assessed her situation to see what reforms, if any, had assisted in her journey with energy debt.

HELEN'S ELECTRICITY BILL

- Almost **\$1,250** due late May 2020.
- Over **\$5,500** on hold as part of a tailored assistance package.
- Payment plan with six payments of **\$50** noted. These are not covering ongoing usage costs.
- A prominent best price offer notification highlighting that it was estimated Helen could save over **\$400** a year on a different offer (the recommended offer seemed consistent with the retailer's offerings on Victorian Energy Compare).
- Current tariff structure was a confusing 'step tariff' where both steps for blocks of consumption had the same cost. The tariff was below the VDO in Helen's area.
- This bill also had a very prominent graphic on the second page sign posting the retailer's willingness to assist households facing challenges because of COVID-19.

HELEN'S GAS BILL

- Over **\$5,500** due 15 June 2020 . Helen's gas and electricity are with the same retailer.
- No amounts on hold, which is inconsistent with the assistance on the electricity account.
- Payment plan - one instalment of \$50 since the last bill as the previous bill was issued late and the following bill arrived shortly afterwards.
- A prominent best price offer notification highlighting that it was estimated Helen could save over **\$200** a year on a different offer (the recommended offer seemed consistent with the retailer's offerings on Victorian Energy Compare).
- The step-based tariff that had more expensive usage charges than an earlier bill which likely indicates the tariff has seasonal changes or a price increase in 2020.
- This bill also had a very prominent graphic on the second page sign posting the retailer's willingness to assist households facing challenges because of COVID-19.

ABOUT HELEN

Helen is a mother who is dedicated to looking after her five children who live with her. Some of her children have finished school and are now at university but continue to have her support to help manage issues with mental health. She contacted the National Debt Helpline – Consumer Action in June 2020 and spoke to one of our financial counsellors about the debt issues she was facing. Some expert analysis has flagged that large families with limited income are at the greatest risk of not being able to afford essential energy services in Australia.²⁰ Helen's experience reflects this. The debts have compounded the impact of other problems Helen has been up against.

"With the cookie jar being attacked from various areas but there's not much going in because of living costs. Bills here, bills there. It affects your health and it affects how you mother as well because you build up stress, you get sick more often."

BILLS HERE, BILLS THERE. IT AFFECTS YOUR HEALTH AND IT AFFECTS HOW YOU MOTHER AS WELL BECAUSE YOU BUILD UP STRESS, YOU GET SICK MORE OFTEN

Helen is a victim survivor of family violence, including ongoing financial abuse from her ex-husband since he was removed from the household through an intervention order. Since the initial intervention order almost a decade ago, she has had ongoing support from her wider family to try and overcome ongoing abuse and other flow on impacts of family violence. Helen told us that her ex-husband has also abused and assaulted family members who are helping Helen.

In a further blow to her efforts to overcome financial issues, Helen was injured last year and was stood down when her industry was impacted by COVID-19 almost immediately after returning to work. In the past she had exhausted her allowances for time off work to ensure her children were safe, meaning she has been without her usual income for months:

"Work was good - they put me back in the office until I was strong enough. Unfortunately, within a few days of that news, of being able to get back, COVID hit so I was stood down. I don't know whether I've got a job or not to return to. That stresses you because you know that your salary is going to decrease significantly."

"It's like they say, they put live crabs in boiling water, and they die slowly. It's similar."

Helen has over \$10,000 of gas and electricity debt, which arose after an unexpected outcome in the Family Court. Her ex-husband works in a high paying industry, but Helen says that he has concealed his income to avoid being required to make fair contributions to supporting their children. Without warning Helen says he regularly fails to comply with the required timeframes or payment amounts for child support, an ongoing strategic part of his financial abuse:

"He's got the money, he's got a good barrister."

"He's fudging and forging various systems, even the tax department."

"Our kids shouldn't be on a healthcare card, but he's put us in that situation and he's earning top money now, he always has."

Helen says she was financially independent in the past. As with many other callers to the National Debt Helpline, a significant life event changed everything.

In Helen's case, being subject to family violence was the start of a long road of debt issues:

"Before I was married, I was independent. I paid my bills. If I ever had a debt I was horrified."

"I was raised from a migrant based family and you know, debts were out of the question. You pay your fees, you pay your dues and it was always hurry up and rush and pay your debts."

"These bills they've killed me over the years."

"It's like they say, they put live crabs in boiling water, and they die slowly. It's similar."

Helen has multiple debt issues, some relate to the legal fees from proceedings in the Family Court, others include sacrificing essentials to cover the cost of her one of her children's medication. Helen says that there have also been issues like her ex-husband concealing infringements or loans that were in her name by having correspondence sent to his address. Helen says that the stress from the debt can risk exacerbating a medical condition that Helen has been hospitalised for in the past.

**“THESE BILLS
THEY’VE KILLED
ME OVER THE
YEARS.”**

HELEN'S ENERGY CUSTOMER JOURNEY

Helen remembers first signing up with her retailer through a door to door salesperson. Her previous retailer had offered her generous payment matching in relation to her debts. She told the salesperson that she was struggling to pay for energy and was honest about her debts, but he pushed to close the sale and convinced her that she would save on the retailer's offer. Helen says that she hasn't noticed any real difference in the bills despite that claim.

Switching meant that Helen lost the assistance she had set up with her previous retailer and her rights to assistance with debt in an open account—some of the payment difficulty entitlements only arise for customers with a current account. Signing up to a new retailer after being door knocked has put her in a worse position and confirms that the Victorian Government will be sparing others from similar harm when unsolicited energy sales are banned.²¹

Helen found herself paying debts owed to her previous energy provider on top of bills for her new retailer, putting further pressure on her ability to afford her ongoing energy costs. She also highlights that getting assistance from an energy retailer and keeping them happy is not easy, particularly when you have dependents. She

"I still had [the previous retailer's] debt. They said pay it off in repayments of \$50. So, I had that and the two [new retailer] bills going on."

would have had to repeat all this work with the new provider.

"I still had [the previous retailer's] debt. They said pay it off in repayments of \$50. So, I had that and the two [new retailer] bills going on."

"A lot of paperwork is involved with [the new retailer] to set up the payments. You've got the children at you. You've got a child who may be depressed and you're worried about them. So all these culminating things, it really starts playing with your mind... It might be

simple, but to me I am so mentally and emotionally exhausted that paperwork is just ... worry and stress that you can't pay your bills."

From what is indicated on the documents Helen shared with Consumer Action, it appears that the current retailer had complied with some elements of the Payment Difficulty Framework and Helen has been protected from what could be a devastating disconnection of her family's essential energy services. Helen has been on a payment plan and had arrears put on hold, however aspects of this assistance has been inconsistent for the different fuels despite Helen often discussing both accounts when engaging with the retailer. This has added to the confusion and work required to deal with the debt issues.

"They've been good overall I'd say but they just seem to not get that what's worrying me is: how do I get ahead?"

"They've been good overall I'd say but they just seem to not get that what's worrying me is: how do I get ahead?"

It also seems that Helen's retailer has attempted to comply with their family violence policy. However, this was after Helen had to repeatedly tell her story over an extended period and the assistance offered was conditional on a lump sum payment:

"That [letter requesting a lump sum payment] really shattered me. It was really like, oh my God... I'm asking for help and there is another closed door. When you get letters like that and you're really extra sensitive and vulnerable it really shatters you... Even just talking about it gets me upset."

"When I got that letter with that ultimatum... they've actually sort of stressed me a bit. I'm thinking 'oh my God' where am I going to get that money. I haven't got it, they don't understand, I don't have that money. If I had that money I would have paid it off as soon as possible towards the bills. I'd be increasing repayments."

"As much as I thought that is nice that they are giving me some discount and I appreciate it, I still thought, where do I get the money? In a way I feel like they haven't heard my story."

"Why do they need to ring me up to [again] explain why a repayment hasn't gone in?"

The inconsistency in the way her retailer is collecting on the gas and electricity debt adds to the constant 'spot fires' that Helen must address, which affects her wellbeing. Her second-to-last gas bill was also issued late making it all harder to

follow. Helen reflects that her retailer really isn't responding to what they know about her circumstances.

"Why do they need to ring me up to [again] explain why a repayment hasn't gone in?"

"It's interesting that its [family violence policy and requirements] have been there

since January because wouldn't you have thought that someone who is ringing, and you're explaining the situation to them, why they even ask 'oh can you afford a bit more on the repayment.'"

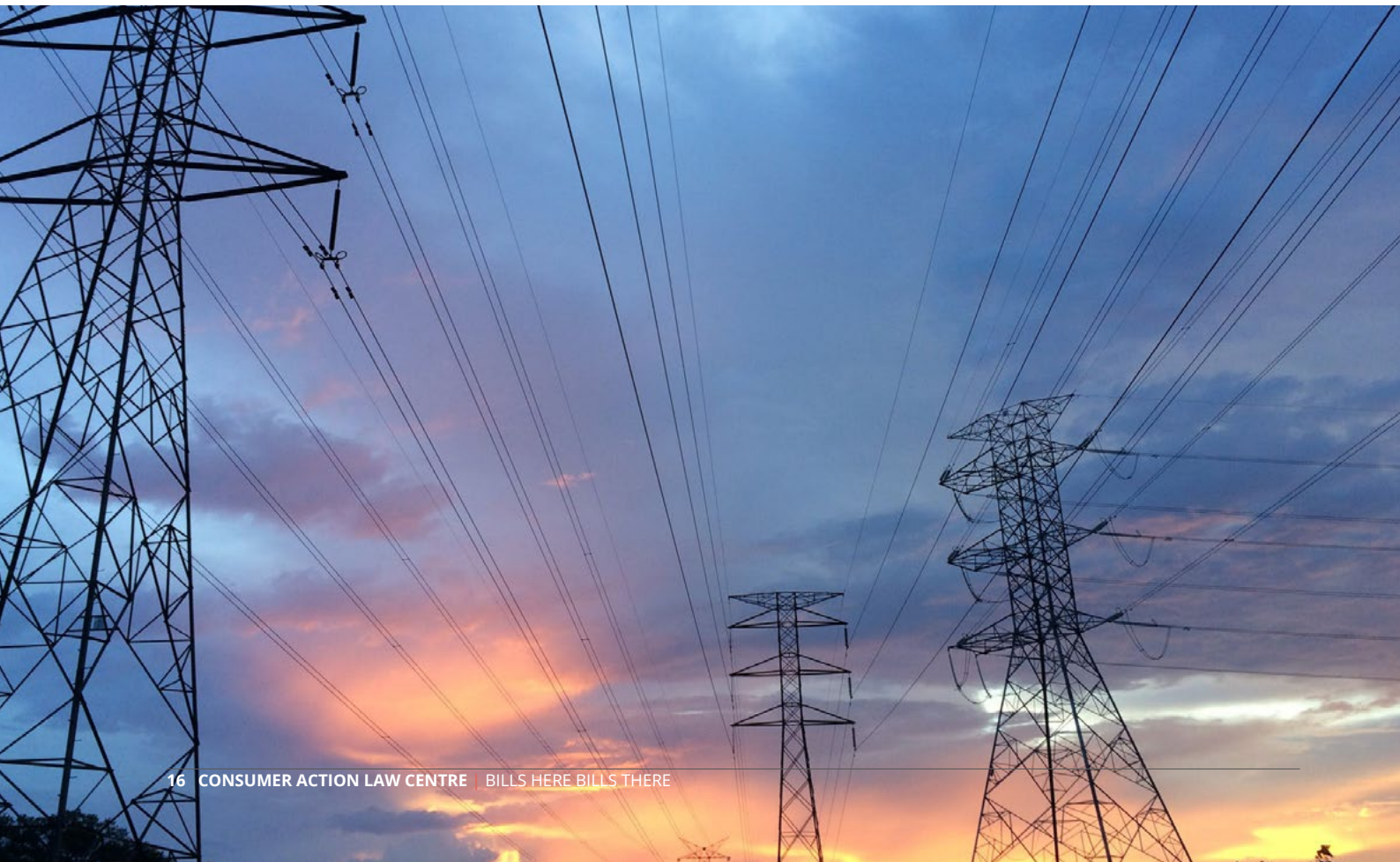
"Wouldn't you think that if there is a domestic unit now due to law - wouldn't you think they'd ring me and say 'we're going to assign you this person now?' Rather than the hardship group, there is a subgroup of the hardship group for victims of family violence."

"I would have thought they would have rung me to say 'we are here to support you,' you know sometimes you just need a bit of a positive chat rather than 'Why hasn't the repayment gone through?'"

"Sometimes I don't understand what they are asking me with their letters or what their letters are telling me."

"I was confused, because they'd sent a letter saying there had been an interruption to their billing but even then, I couldn't make sense of it. It becomes all overwhelming to be honest... sometimes you even just close your eyes and think 'my God I don't want to get another message'."

"With all the times I've rung them. Explaining that the situation is because of financial abuse. You would have thought they would have put me in touch with them straight away?"



HELEN'S ENERGY PRICES

Price wise, the tariffs Helen pays appear to be not the best nor the worst available in the market. Her electricity offer is a market offer with rates lower than the VDO, and she has a gas market offer. When asked about some of the regulatory interventions to help her find the best prices, Helen offered insights as to the realities of trying to 'shop around'.

"I'll be honest, I probably noticed one [best price offer notification] just recently but I think what would be great for someone who is in such financial difficulty and all fogged and stressed and not thinking clearly – it'd be great to have someone assigned from [the retailer] to ring up and say 'look Helen I can help you this way'."

Helen was clear that the 'Best Offer' requirement feels hard to act on when there is a lot going on in her life. She also speaks about needing to focus on the 'now' as opposed to the long term when so much else needs to be dealt with. It seems some of the more recently proposed regulatory interventions, such as the need to offer the best tariff to someone unable to afford their ongoing usage, or the clear advice entitlement, would have saved Helen from unnecessary debt if it had been complied with.

"At times they have said 'oh look – have you thought about this plan' and again, because your brain

is so fogged up with worry and everything else it's hard to understand it. So, at times I'd say if it is cheaper and I'm better off then put me on

"Generally, I still think they are high [the retailer's prices], for a basic family to get on with life. I still think they are steep."

it but it wasn't every call that they would offer a cheaper rate."

"Generally, I still think they are high [the retailer's prices], for a basic family to get on with life. I still think they are steep."

"If you're already in financial hardship then it would be common sense for the company to ring you if they are sincere about helping you and saying 'look Helen you're on this deal how about you look at this one – this one would be better.'"

While it does seem that her retailer has done some form of tariff check, Helen's comments indicate the need to ensure this check is repeated where people are still experiencing payment difficulty and companies' prices change. As part of its COVID-19 assistance measures, the AER has said it expects retailers to consider actions like re-calculating debts using a lower cost plan if available.²² Ongoing requirements like this would go some way to help people like Helen manage debt.

"They've done a quick checklist, they read through it. They offer it but when they offer ... they just rush through it."

When asked about how she would approach finding an energy offer today given her experiences, some of Helen's comments indicate that initiatives like the Victorian Energy Compare website and clear advice entitlement could assist.

"Apparently there is a Government one where you can compare prices on the internet."

"I guess I'd ask the question about the best deal. Because I don't really understand all that to be honest."

It also sounds like her retailer did the bare minimum or did not comply with the regulatory requirements around assisting someone unable to pay their bills to safely lower energy usage and the related costs. This help should be tailored to provide practical assistance, whereas Helen says she was just read out a standardised script.

"They've gone through 'to save money here or money there' turn your wall plugs down at night."

"They've done a quick checklist, they read through it. They offer it but when they offer ... they just rush through it."



WHAT WOULD HAVE HELPED?

When reflecting on what would have made a difference to her situation, Helen sees the need for specific support to help victims of family violence overcome the abuse from their perpetrator. There may be many different types of assistance available, including utility relief grants (**URGS**), but it takes a lot of work to apply for and access all of these separate assistances. We welcome the ESC's ongoing requirement to ensure retailers support their customers to complete and submit the URGS application.

"There needs to be a bit more subsidy or leeway to help women, victims of domestic violence with bills, utilities, the necessities."

"I'm a firm believer that ... if a woman has been privy to domestic violence there has to be a government type of subsidy, something that is practical that is given to her to stay on her feet and not get lost in the system. A type of pension or a type of something

just to get her on her feet... How do you get ahead if you've got an ex-husband who's just controlling the whole finances including taking loans out in your name that you are not aware of?"

When we interviewed Helen, she had been referred to a face-to-face financial counsellor for ongoing advocacy and she was hoping to be on top of these issues in the next six to 12 months. Her financial counsellor was pursuing a waiver of the energy debt that she has little prospect of ever paying off. Earlier and more adequate assistance, particularly to check that prices were as low as possible, could have reduced the burden on Helen before these debts escalated out of control.

"I hope that I'm up and running, back at work with some more hours"

"There needs to be a bit more subsidy or leeway to help women, victims of domestic violence with bills, utilities, the necessities."

FINANCIAL COUNSELLOR VIEWS ON ENERGY REFORM

In recognition of the difference financial counsellors make for households trying to overcome the economic downturn associated with COVID-19, the Victorian Government has recently announced funding for recruiting and training more financial counsellors.²³ Many people, like Helen, will be able to work with financial counsellors to get better outcomes when energy debt issues arise due to the impacts of COVID-19 and other issues.

It is therefore important to see if recent energy reforms are better enabling financial counsellors to help people in the community overcome energy debt. Insights from Consumer Action's interviews with financial counsellors Michael and Dianne about their experience assisting people with energy debt provide valuable insight into the effectiveness of recent reforms.

FC PROFILE: DIANNE

Dianne is a Senior Financial Counsellor at National Debt Helpline – Consumer Action in Victoria and has worked answering calls from Victorians since the initial *Moneyhelp* service started in 2008. Everyone who knows Dianne knows she is a woman focused on community and is determined that people are not mistreated. She has been a carer for most of her life and has her ear to the ground.

The National Debt Helpline is a telephone-based service that provides advice on

people's rights and options in dealing with debt issues. Our financial counsellors will help a caller to understand what the service can do, make a record of the assistance, understand the debt and other social issues a person is looking to overcome and offer referrals and advice to assist someone to get back on track. Often when energy issues arise, people are given information about their rights and referred to the Energy and Water Ombudsman Victoria (**EWOV**), their retailer or to a face-to-face financial counsellor in their local community for ongoing advocacy.

FC PROFILE: MICHAEL

Michael splits his work as a face-to-face financial counsellor between roles at two different agencies. He brings experience from working within government into these roles and believes financial counsellors should be pointing out where things are not working so that reform can prevent such issues arising repeatedly. Face-to-face financial counselling offers more intensive support to clients and will work with a person to overcome their debt issues, often engaging in advocacy on their behalf. Such support can be ongoing for months or years if necessary. Where people have debts and little prospect of overcoming debt spirals, face-to-face financial counsellors play a huge role in finding a sustainable way forward.

THE VICTORIAN DEFAULT OFFER

Both Dianne and Michael gave a view that the VDO can help but is only part of helping someone who is already in debt. Dianne commented that having a consistent name for the VDO across the many retailers means she can better pass on information for people to self-advocate:

"When they've got a large bill especially and have difficulty paying their bill, we do say to them 'do you know about the VDO, do you know about the Victorian Default Offer? We can send them to the Ombudsman too if we detect a breach of the Payment Difficulty Framework."

Dianne says that she does explain the VDO and Best Offer requirements to clients, but it depends

"The problem is that when people ring up they are already emotionally overwhelmed by their financial situation and the stress they are under."

on the other issues the client is presenting with. For example, if a person is dealing with mortgage arrears they are unlikely to be receptive to advice about the VDO and Best Offer requirements. Dianne also reflects that disengagement from getting a fair price is normal for someone with debt issues:

"The problem is that when people ring up they are already emotionally overwhelmed by their financial situation and the stress they are under. They are often referred by the utility company because they haven't been able to keep up their payment plan. So they are coming to us not understanding who we are and they can feel under siege if they're referred by their retailer. They have to take in that information – that we are totally separate from the provider. So we explain that first and then basically say we are here to help you. You go through that, then how much they are paying."

Dianne also told us that it is 'not good enough' for people to just have access to the VDO, and that if there are cheaper products available this should be

made clear to the average consumer. Michael thinks the VDO for electricity is "better than nothing." As was also reflected by Dianne, he wanted consistent protections for gas services:

"[Gas] is a major fuel source for a lot of people. It would be inconsistent to not have the same thing for gas."

BEST OFFER NOTIFICATION ON BILLS

Financial counsellors have more knowledge about energy rights than the average person given that they regularly assist people with energy debt. But when the Best Offer notification requirements were explained to Dianne she pointed out that the realities of life can undermine the effectiveness providing information like this:

"I've never noticed it on my own bills! These are the days of internet bills, people really don't know how much. It is difficult to ascertain what you're paying."

"What I've found, with most of the people that have rung through, they just want to be able to make sure it is getting paid and get on with it. Electricity or gas is not usually the only issue going on in their life. There may be other circumstances in their life in terms of mental illness, relationship breakdowns, family violence, those sorts of things which are on top of all that."

"People are so bamboozled by their energy bill that they just don't look at it anymore."

"When your life is overwhelmed, electricity and gas bills go to the back burner. There isn't time for researching what is cheapest and all that, [NDH clients] believe what they are told by the retailer 'we can give you a better deal,' pay on time and all that stuff. They rely on the retailer to do the right thing by them."

Michael echoed Dianne's thoughts:

"People are so bamboozled by their energy bill that they just don't look at it anymore."

Michael is in an embedded network for his energy supply. This means he has had no best price offer notification, as this consumer protection doesn't apply to his situation. This is something Michael is not particularly happy about.

Both financial counsellors' observations reflect Helen's experience. People need to be protected from an unfair price for essential energy services regardless of their level of engagement. While the best price offer notification might be helpful for some, it won't achieve fair outcomes for all. It is important that customers who have disengaged are defaulted to the VDO given that best offer notifications may not assist this cohort of individuals.

STANDARDISED FACT SHEETS

The requirement that all retailers make easily comparable standardised fact sheets about their different energy plans might help some highly engaged consumers, but Michael and Dianne's feedback indicates it is having little impact on the ground. When choosing an energy offer, people

"People have a very 'now' focused mentality not a future focused mentality. People are just focused on the now. It all helps but they might just not do anything."

would still have to set aside time to find, download and compare the fact sheets of around thirty different retailers. The fact sheets might serve a better purpose in terms of monitoring the market.

Michael reflected on the realities his clients face when decision making:

"That's good [standardised fact sheets]. I have heard of that but I don't know anyone who has utilised it."

"People have a very 'now' focused mentality not a future focused mentality. People are just focused on the now. It all helps but they might just not do anything."

The comments as to a 'now' mentality again demonstrate the strain of having to deal with so many issues at once, which Helen and

Dianne also speak about. When developing reforms designed to help people get fair energy outcomes, decision makers need to practice inclusive design, catering to households who are understandably focussed on the 'now'.²⁴

VICTORIA ENERGY COMPARE

Michael said that he had used Victoria Energy Compare in the past and found it useful on a personal level but that he generally doesn't use it in case work. We note that this service may not be accessible for everyone as it requires a certain level of computer literacy, time, and an ability to decipher complex information contained in a utility bill, for example. It is positive to see the Victorian Government fund initiatives such as the Energy Assistance and Broker program to address issues like this.²⁵

As mentioned above, finding time to set aside and engage with different energy offers is out of the question for many people contacting the National Debt Helpline given the range of other things going on in their lives. Initiatives like Victorian Energy Compare can be confusing given the range of different comparison websites available, one of which was recently fined \$8.5 million by the Australian Competition & Consumer Commission for making false or misleading statements.²⁶ These non-government websites, which might rank or skew results based on commercial arrangements with particular retailers, undermine the good intentions behind online government comparison services. Commercial comparison website often appear before government comparison websites in Google search results. A search for "Victorian Energy Compare" through Google has the State Government website listed fourth in the results, after three advertisements - one to other comparison websites and two directly to retailers with credit incentives if you sign up.

ADVANCE NOTICE FOR PRICE CHANGES

The advance notice of price changes has not seemed to impact the way people present to Michael with energy issues. Again, Michael spoke to the reality of someone facing multiple debt issues. Michael's comments support the conclusion that regulatory interventions should not be contingent on engagement from households in order to achieve good outcomes:

"I haven't noticed anyone comment on that [notices on bills that prices are changing]. But people don't really comment on their bills and it maybe goes to... they're just confused, they just don't understand, and they've given up. It might take years before people actually go 'I can actually control this and understand it.'"

CLEAR ADVICE ENTITLEMENT

EWOV describes the Clear Advice Entitlements requirements as 'retailers must provide useful, clear advice to customers who contact them to switch to a better offer'.²⁷

Some are shocked to hear there needs to be a regulatory requirement to ensure this basic customer service is provided. When asked about this requirement's impact, Michael immediately spoke to the trust issues people have with the energy industry following years of poor or inconsistent conduct from cutting corners. He finds banks' hardship teams to be better:

"It is useful, if [energy retailers] do it. I'm very sceptical that they would actually do it. There is a very significant difference between dealing with a hardship team at a bank and a hardship team at a utility... [the banks] are much better, they have been trained. Some utilities you're calling up and it's a call centre overseas and you're speaking to someone who doesn't care."

Michael did however spot an opportunity for financial counsellors to utilise this right where they can clearly spot that someone was given unsuitable advice or no advice at all:



"I'm not aware of the legal implications of that. If someone for example was given an unsuitable loan, I'd pay attention to that and go to dispute resolution if that happened. That is really the equivalent of an unsuitable loan with the provision of a utility and I'm not across how I would identify that something was unsuitable or not."

There is a very significant difference between dealing with a hardship team at a bank and a hardship team at a utility... [the banks] are much better, they have been trained.

He also noted that this might not be something to sink significant resources into when there might be other "low hanging fruit"

issues to resolve when working with a client. Even so, there may be an opportunity for training for financial counsellors to spot where the clear advice entitlement has not been fulfilled and pursue this through EWOV while also reporting it to the ESC to test whether the clear advice entitlement is enforceable. We note that the ESC has been conducting a series of workshops aimed at financial counsellors and others to boost caseworker's understanding of consumer rights in relation to energy and identify potential non-compliance.

ELODIE'S STORY

Elodie (name changed) called us in September 2020 concerned about disconnection and an unaffordable payment plan. She told us that her work is seasonal, so her income varies which can make it difficult to manage her bills. Elodie told us she owes approximately \$800 to her energy retailer. She said that her retailer sent her a letter saying they would disconnect her power if she didn't pay the outstanding amount. She said she then contacted her retailer and agreed to a payment plan of \$120 per week to avoid disconnection which she finds difficult to pay. Elodie said she wasn't told about URGS by her retailer.

DISCONNECTIONS AND DEBT COLLECTION DURING COVID-19

Energy regulators at both a national and state level have been proactive in putting in place measure to help people manage energy bills during the COVID-19 pandemic.

The AER released its third Statement of Expectations of energy businesses on 30 October 2020. The AER expects retailers not to disconnect customers who are in contact with their retailer or are accessing any retailer support to help manage their bill. The ESC has issued similar guidance.²⁸

Disappointingly we continue to hear about retailers using threats of disconnection or referrals of debt to a collection agency to pressure people to pay. This is fundamentally fraught as often the individual does not have the capacity to pay. It also has the potential to diminish trust or miss opportunities for retailers to assist someone to get on top of their energy debts such as through an affordable payment plan, a tariff check, or applying for URGS. Treating someone in such a way might also make it less likely a customer will engage with their retailer in future.²⁹

We are concerned that retailers continued to make disconnection requests for non-payment earlier in 2020 despite promising not to disconnect customers receiving hardship assistance if they are unable to afford their bills. Figures from the ESC reveal that more than 1,000 requests were made to disconnect Victorians in the period 30 March 2020 to 31 May 2020.³⁰ This seemingly contradicts the expectations set by regulators mentioned above. Pleasingly, however, these requests appear

SYLVIA'S STORY

Sylvia (name changed) informed us in September 2020 that her retailer contacted her and told her that if she doesn't pay the outstanding debt by the due date, that they would refer her to a debt collection agency. She told us that she has an outstanding electricity debt of approx. \$400.

to have halted since that time. Despite this, we continue to hear from consumers who face difficulty negotiating with their energy providers including issues such as rejecting proposed payment plans, not discussing or offering URGS, difficulty obtaining URGS forms or believing an URGS application has been submitted when it hasn't, and pressure to pay lump sums. This is particularly concerning during COVID-19, which is having significant social and economic impacts on people's lives. Put simply, this behaviour from retailers is not good enough. It should not require intervention from a financial counsellor to set up an affordable payment plan or access URGS.

CUSTOMER SUBMITTED READINGS FOR ESTIMATED BILLS

Because smart metering for electricity has been rolled out in most in Victoria, estimated bills are not regularly raised as an issue in Consumer Action's financial counselling practice or in Michael's work. However, they can still impact people on gas services and may not be noticed all that often. Regardless, Michael thinks estimating bills is 'pathetic' in terms of providing customer service. Estimated bills are often issued when network providers are unable to access a property's meter – if it's behind a locked gate for example.

Michael couldn't recall hearing about the new rules for self reads either. This may signal the need for more training on how to spot estimated bill issues:

"Very few people would know about that I suspect. I certainly didn't."

BACK BILLING LIMITATION

As to the limitation of back billing from nine months to four months where errors are not the customer's fault, Michael thought this would do

little for people who will still get bill shock as part of long term difficulty with debt. He thinks this applies to most people he is working with:

"People don't present to financial counsellors after a few months of financial problems. They come after problems have been building for years. It's really got to hit the fan bad before they'll come to a financial counsellor in most cases."

ConsumerAction supports these reforms in general. It is unfair that households may face unexpected expense that could force them into payment difficulty where a retailer has failed to perform a key part of their job – to bill people consistently.

FIXED PRICING AND DEFAULTING AT THE END OF FIXED PERIOD CONTRACTS

Dianne agreed that fixed pricing on energy offers could help to reassure someone on the phone that there is one less thing to worry about:

"We need to sort people's utility out quick and get on to their other issues."

"It is something we could talk about or mention. It is good for us to have a toolbox of information. But we need to sort people's utility out quick and get on to their other issues."

Michael also thought this protection, coupled with defaulting to the VDO fair price for electricity, is only fair. In the discussion he raised his own experience of having to negotiate a lower price in an embedded network to only have them increase the price two months later, signalling the need for consistent protections for all accessing essential energy services. Consistent protections in the gas market, including a fair regulated price like the VDO, is also important.

END OF BENEFIT PERIODS – DISCOUNTS, REBATES AND CREDITS ALIGN WITH CONTRACT LENGTH

Ensuring benefit periods extend for the length of an energy contract is in alignment with community expectations, and an important positive reform. Dianne put it well when asked about the impact this change would have, in comparison to the fixed pricing reform:

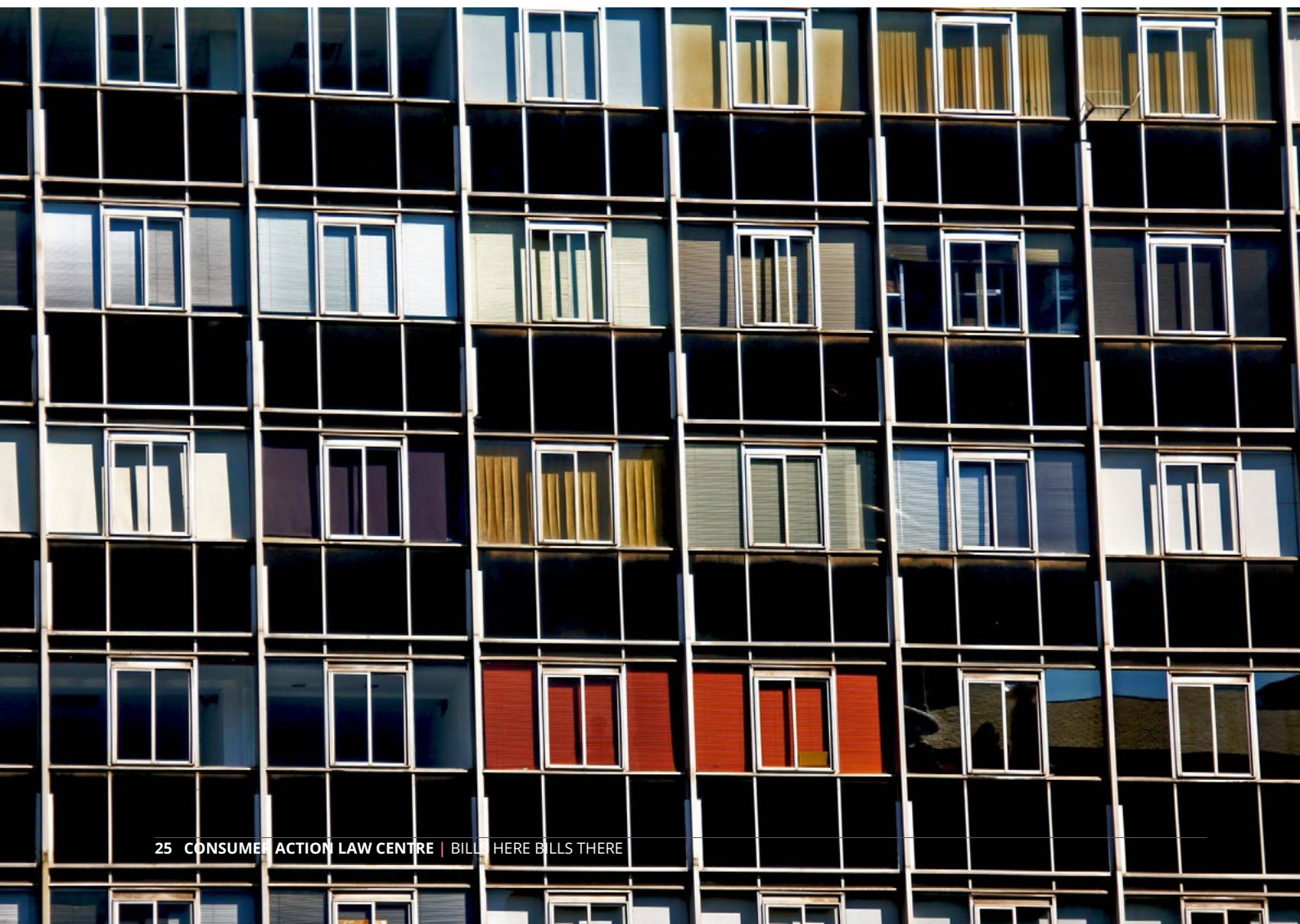
"What's the difference between that one and the previous!?"

People expect consistent protections, and aligning benefit periods with the length of a contract is complementary to the fixed pricing reforms.

CAPPED PAY ON TIME DISCOUNTS

In the past Consumer Action had seen household bills have a late fee of over \$500 in a period where so called 'pay on time discounts' could often be around 30 or 40 percent of charges. On the introduction of cap to so called 'pay on time discounts', Michael welcomed the change but still reflected that energy pricing is complex and that these discounts only add to the problem:

"Better than nothing, I would rather just much clearer pricing. The discounts and rebates and all that are a big part of the problem."



HONOURING 'PAY ON TIME' DISCOUNTS FOR THOSE ON TAILORED ASSISTANCE

Both Dianne and Michael had not noticed an issue arise where some retailers would compound debts by not honouring pay on time 'discounts' for people on payment plans as part of the Payment Difficulty Framework. However, other Consumer Action staff had spotted this unfair practice on occasion from a few retailers. It was a particularly cruel approach and both Dianne and Michael welcomed the changes.

"I haven't had anyone realise they hadn't honoured it. That is good that they are compelling them to honour it."

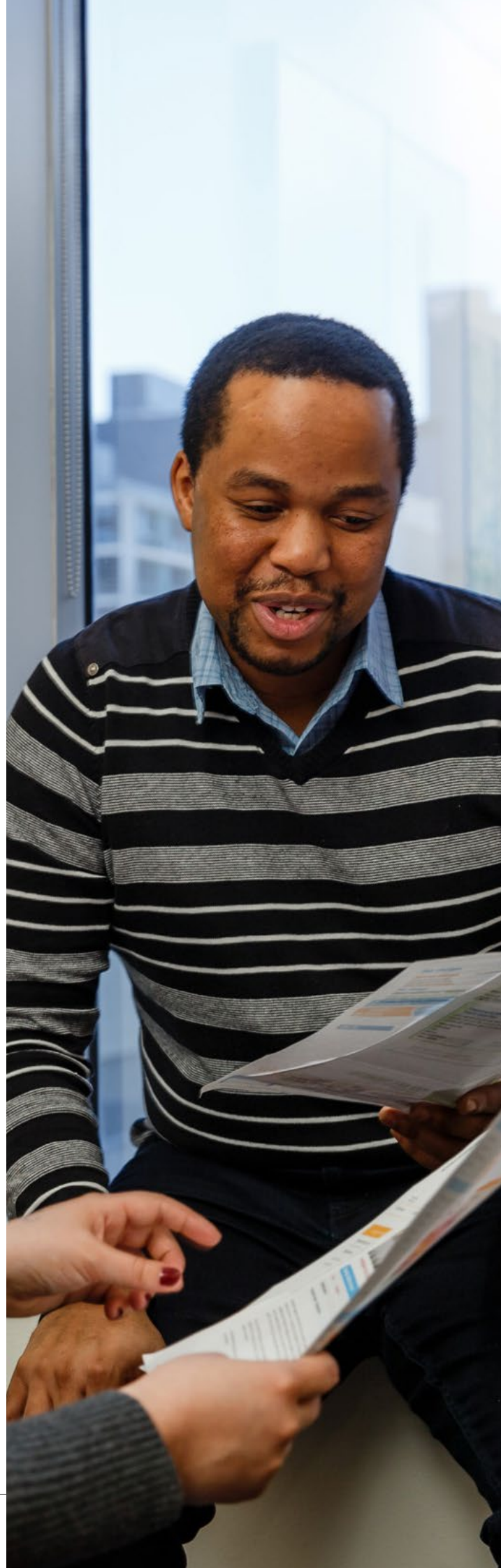
ELECTRICITY ADVERTISING REFERENCING THE VDO

Similarly, Dianne stated that making electricity advertising reference rates against the VDO would be helpful. But there being no equivalent protection for gas and having to explain this to someone looking to self-advocate would be a burden on telephone financial counsellors.

MANDATED NOTICE ON THE BILL EXPLAINING THE VDO

Again, Michael reflected that a standard notice on all electricity bills would help, but wasn't sure if notices were going to work for people facing stress from debt issues.

"I think it would help but I'm a little bit sceptical that most clients would pick it up."



OTHER INSIGHTS ABOUT ENERGY ISSUES

Naturally when discussing Michael and Dianne's work some insights as to initiatives that can help financial counsellors confidently and efficiently assist people with their energy debts arose.

TRUSTING EWOV

Dianne often refers clients to EWOV. After discussing the regulatory requirements above, she was concerned that clients might settle for less than they were entitled to through EWOV if they weren't well aware of their rights:

"We do rely on EWOV. We expect EWOV to do the right thing. People need to understand whether they actually do owe those amounts and whether the retailer has done the right thing. Most are at risk of falling through the cracks on these things."

Dianne was concerned that the assisted referral process could lead to a mediocre result where the client does not realise regulatory breaches have occurred. Throughout discussions with Helen, Dianne and Michael it became clear that without experts checking that entitlements are fulfilled, many households might accept a compromised way forward because they have to be focused on the 'now' when juggling multiple issues. Dianne said:

"EWOV do refer clients back to a higher contact in the energy company and get that issue resolved but I worry that [EWOV] don't

check for anything else that's happened. Do EWOV ask about other issues? Does the retailer report back to EWOV? Something like that should happen"

"Accepting \$50 a fortnight and not addressing other issues or breaches, what are they checking? We need to know what they do. It's not transparent and we need to know what happens."

OTHER INDUSTRIES WITH BETTER HARDSHIP PRACTICES

Michael has found that banks are far easier to deal with when advocating for clients. He points to disclosures on family violence not leading to good responses from retailers. Helen's experience with her retailer demonstrates this. Michael told us:

"All the power companies have got some way to go until they are anywhere near the banks in terms of their hardship departments. Even some now when you've got family violence... you just don't get that with banks anymore. You know, there is definitely improvement but there is still some way to go. [Energy retailers] are not industry best practice in my view."

Michael signalled the biggest frustrations he faces when contacting an energy company:

"Ill-informed people, like I said – call centres are often overseas, they are ill informed, they don't know the company's policies, they don't really have any kind of sympathy and stuff and a lot of the problem comes down to the people they are using and the training they are getting."

Best practice for assisting people in hardship should be applied consistently across essential services industries, including where financial counsellors are helping a client. We continue to receive calls from people who have been denied affordable payment plans by their retailers during COVID-19, despite public commitments from energy companies and regulatory requirements to assist people in hardship. This is also likely to be a breach of the Payment Difficulty Framework.

Michael cited an experience with an energy company in which the social issues the client faced meant they were unlikely to ever be able to meet the suggested payment plan from the retailer, yet the retailer still pushed back on the financial counsellor's alternative plan:

"If you want money out of this guy then here is the only way you are going to get it. [The energy retailers] are very short sighted. I used to think it was wilful but now I realise it is just incompetence."

It is disappointing to hear examples of financial counsellors' expertise being second guessed. Their assistance often means that people are able to repay more while also getting on top of other debts and having a better quality of life.

ERICA'S STORY

Erica (name changed) was referred to us by her energy retailer. She told us that she fell behind on her bills when her job ended in March 2020 due to COVID, and that she is now overwhelmed with utility debts. Erica said she owes her retailer more than \$1200. She then explained to us that she tried to set up a payment plan in July but that her retailer refused her proposal to pay an amount which was affordable for her.

LISA'S STORY

Lisa (name changed) called us in September 2020 about an unaffordable payment plan. Lisa told us that she is currently receiving Jobseeker. She explained that she owes her retailer approximately \$3000 for electricity, and a further \$3500 for gas. Lisa told us she was on a payment plan of \$50 per fortnight, but that after missing one or two payments her retailer said they now require her to pay \$120 per fortnight. She told us that she cannot afford this increased amount.

HOUSEHOLD DISENGAGEMENT IS A COMPLEX ISSUE

"He'd come in with letters unopened with footprints on them."

Michael spoke of clients who don't open letters as part of a coping mechanism when faced with mounting problems. It is hard for people in the community sector to engage with people in need because of this issue and policy responses to energy debt must ensure that people in these situations do not slip through the cracks.

Many financial counsellors point out that energy debt is the 'canary in the coal mine' - one of the first bills people miss on the path to a debt spiral. Efforts to deal with disengagement from energy companies in relation to pricing and debt issues may present a very effective intervention point for getting people the support they need before they descend into a problematic debt spiral.

However, it is critical that when people reach out to their retailer for support, they receive meaningful assistance. A person is unlikely to want to engage with their retailer if they have done so in the past, and received poor treatment. This is particularly the case when someone is in hardship, and asking

"He'd come in with letters unopened with footprints on them."

ANABELLE'S STORY

Anabelle (name changed) contacted us in October 2020 because she is struggling with her utility bills. Anabelle is on a pension and has multiple health problems. She told us she owes her retailer approximately \$1700 for gas and electricity and has a current payment plan in place of \$100 per fortnight. Anabelle said to us that her retailer recently contacted her and advised her they want her to increase her repayments by a further \$20 per fortnight for 3 months, which is more than she can currently afford.

for help can be incredibly difficult. Anabelle's case above shows why some people might be hesitant to reach out for help, if they expect this kind of response from a retailer.

Poor experiences like Anabelle's are reflected in survey data collected by the Consumer Policy Research Centre (CPRC) tracking the impact of COVID-19 on households. CPRC's June 2020 report revealed 60% of Australians were concerned about the impact of COVID-19 on their financial wellbeing. Housing and energy costs were revealed to be the greatest cost pressures with 27% of consumers concerned about their ability to pay their energy bills. Worryingly only 10% of this cohort were taking actions to manage their payments. The data also showed around 10% of people reported a negative experience when contacting their energy provider including receiving poor or unhelpful service.

BARRIERS TO GETTING A UTILITY RELIEF GRANT

The URG scheme, which can give households up to \$1,300 towards energy debt, provides important assistance for people experiencing energy debt issues in Victoria. But financial counsellors feel incredibly frustrated by the lack of simple process

to obtain a grant for a client who clearly needs support, and ongoing calls from clients indicating problems accessing the grants from retailers:

Michael recounted that he has had to engage with EWOV to get a retailer to administer an application:

"I had to go to EWOV twice to get them to send me an URG."

"A few of them are a lot better now, they'll actually submit the URG on behalf of the client. Which is what they should have been doing anyway... they are getting paid for it"

"It's just unwillingness or incompetence why they do this... they get paid for it and they get the benefit of the URG. How much more incentive do you need? And the answer is they don't need any more incentive but yet they still don't do it."

"I favour incentives but in this case, there should be something punitive."

GARY'S STORY

Gary (name changed) contacted us in September 2020 about a lack of assistance from his retailer and confusion with accessing the Utility Relief Grant scheme. Gary explained to us that he lives with mental health issues and has been receiving Disability Support Pension for at least the past 5 years. He told us he owes approximately \$400 in overdue electricity bills. He went on to tell us that despite requesting the URGS application form about 2 months ago, and following up with his retailer four times, he still hasn't received the application form.

It is generally preferable that energy retailers work with a customer on an URGS application over the phone. Financial counsellors' resources can be strained by having to assist people to fill out the form when energy retailers are paid a \$40 administration fee to simply send out



“IT’S JUST UNWILLINGNESS OR INCOMPETENCE WHY THEY DO THIS... THEY GET PAID FOR IT AND THEY GET THE BENEFIT OF THE URG. HOW MUCH MORE INCENTIVE DO YOU NEED?”

an application. The decision from the ESC to strengthen requirements for retailers to assist people to complete the URGs application, which applies from October 2020 onwards, is a positive step but needs to be enforced as we continue to hear from clients who are not even told about the availability of URGs from their retailer—as Elodie’s case study, on page 23 of this report, demonstrates.³¹

We also hear from clients that the Victorian Department of Health and Human Services (DHHS), which administers and processes the URGs, can be difficult to navigate. We regularly hear that clients have tried multiple times to call DHHS about their application and are unable to speak with anyone. Financial counsellors have also reported waiting on the line for over 40 minutes. More transparency is also needed around the URGs program to ensure it is working effectively for Victorians who need help with large bills.

CONCLUSIONS AND RECOMMENDATIONS

ENFORCEMENT IS NEEDED

Helen, Dianne and Michael's experiences demonstrate that recent regulatory interventions have been delivering some better outcomes for households accessing essential energy services. The conduct of industry also seems to have generally improved from the financial counsellors' perspectives. However, consistency in delivering the regulatory requirements is key. The ESC needs to have the powers to enforce the rules and deter businesses from non-compliance that causes the most harm to consumers.

COVID-19 presents an opportunity for retailers to step up and build trust at a time when a large portion of their customers are facing disruption in their lives. So far, this has not always been the case. The case studies contained in this report detail numerous instances of poor customer service and potential breaches of legal requirements under Victoria's energy rules. We are concerned these are just the tip of the iceberg. Survey results from Energy Consumers Australia in June this year revealed 20% of energy decision makers had requested financial assistance to pay their energy bill and half received help that was not useful.³² Retailers must act to improve these results. We also

encourage the ESC to use its enforcement powers to take action against retailers that are failing to meet their legal obligations and both state and national regulators to ensure their COVID-19 expectations are being met. Enforcement action is essential to ensure retailers face appropriate incentives to comply.

We support the recently announced ESC Enforcement Priorities for 2020-21.³³ We have recommended additional potential focus areas for enforcement below.

RECOMMENDATION 1:

THE ESC PRIORITISE ENFORCEMENT OF THE FOLLOWING AREAS:

- new minimum standards for assistance for people subject to family violence;
- ensuring households can access affordable payment plans and not receive unrealistic requests for lump sum payments under the Payment Difficulty Framework; and
- compliance with the clear advice entitlement.

HOUSEHOLDS DISENGAGING FROM SERVICES NEEDS TO BE A FOCUS OF FUTURE WORK

Households don't engage with energy companies for a multitude of reasons and not engaging could lead to disconnections where there are potential risks to people's safety—27 percent of households surveyed by the CPRC in May 2020 were concerned about their ability to pay energy bills but only 10 per cent were taking actions to manage payment.³⁴ Helen spoke of being constantly overwhelmed by multiple issues. Dianne and Michael stressed that this is common. Policy development cannot be premised on an expectation that people will respond to information provided and be able to navigate systems to access essential services. Rather, policy should embed inclusive design principles which focus on those at risk of disengaging, recognising that doing so should deliver good outcomes for all.

RECOMMENDATION 2: POLICY DESIGN IN RELATION TO ENERGY DEBT AND AFFORDABILITY MUST:

- ensure fair outcomes regardless of engagement;
- be simple to communicate and consistent across electricity and gas services; and
- recognise that energy debt and pricing issues are often only one of many cumulative and overwhelming issues that households face when having difficulty paying for essential services.

ADDRESS GAPS IN PROTECTIONS TO ENSURE REFORMS MEET THEIR OBJECTIVES

Helen, Michael and Dianne all noted that confusion and frustration arises from differing protections in relation to gas and electricity. People should not be disadvantaged where they are unable or unwilling to engage with the market for their essential services, regardless of fuel type.

RECOMMENDATION 3:

THE VICTORIAN GOVERNMENT SHOULD ENSURE THAT PROTECTIONS FOR GAS AND EMBEDDED NETWORK ENERGY SUPPLY ARE AS CONSISTENT AS POSSIBLE. A VDO FOR GAS IS THE PRIORITY.

Helen's experience with a retailer's salesperson through an unsolicited door to door sale meant she was switched when this was unlikely to be in her long term interests. Many retailers have turned their backs on this unethical mode of high-pressure sales and the Victorian Government should move as soon as possible to deliver a mandatory ban on unsolicited selling across retailers. The Victorian Government should also extend the ban to new energy technology retailers, including solar panels, given the body of evidence about the harm caused by such sales in our *Sunny Side Up* report³⁵ and the evidence filed in a recent Australian Competition Tribunal hearing.³⁶

RECOMMENDATION 4:

THE VICTORIAN GOVERNMENT PRIORITISE IMPLEMENTATION OF THE ENERGY FAIRNESS PLAN AND EXTEND THE PROPOSED BAN ON UNSOLICITED SALES TO NEW ENERGY TECHNOLOGY.

The recent 'Fair and Clear' contract reforms from the ESC are a huge step forward in ensuring most households will actually end up on the VDO where disengaged. However, many households have not switched offers since the VDO was implemented and are likely to be subject to unfair pricing as most of the protections in these reforms were not retrospectively applied to contracts signed before July 2020.

RECOMMENDATION 5:

ENSURE DISENGAGED HOUSEHOLDS WHO SIGNED UP TO AN ENERGY OFFER BEFORE JULY 2020 RECEIVE THE RELEVANT PROTECTIONS CONTAINED IN THE 'FAIR AND CLEAR' CONTRACT REFORMS.

RAISE THE RATE

Financial counsellors have also reflected that a major cause of payment difficulty for energy is simply a lack of income, particularly on the previous Newstart allowance. Anecdotally it appears that services have seen less need for assistance from people on the JobSeeker allowance due to the supplementary Jobseeker payment during COVID-19, which has helped to lift many unemployed people out of poverty.

RECOMMENDATION 6:

THE FEDERAL GOVERNMENT COMMIT TO A PERMANENT INCREASE TO CENTRELINK BENEFITS TO AVOID LEAVING PEOPLE IN POVERTY AND DIFFICULTY ACCESSING ESSENTIAL SERVICES.

PAYMENT DIFFICULTY

Our Energy Assistance Report took a deep dive into our financial counselling practice data to understand the impact of the introduction of the Payment Difficulty Framework in Victoria.³² Some of the outstanding issues highlighted in that report have also arisen in the discussions referenced in this report.

Helen ended up with fewer rights for assistance from a retailer after a high-pressure sale on behalf of the retailer to switch, even after telling the salesperson she had issues with debt that could be expected to continue. She then struggled further with finding a sustainable way forward because she had to pay towards an historical debt on a closed account and this limited the funds available towards her ongoing usage. These issues compound debt problems for people. Greater intervention is needed to ensure debt collection on closed accounts do not contribute to a debt spiral.

RECOMMENDATION 7:

RETAILERS SHOULD BE REQUIRED TO COMPLY WITH THE ENERGY RETAIL CODE REQUIREMENTS RELATING TO PAYMENT DIFFICULTY AND DEBT RECOVERY, EVEN WHERE THE CUSTOMER IS NO LONGER AN ACTIVE CUSTOMER. THIS SHOULD BE CLARIFIED IN REGULATORY GUIDANCE AND ENFORCED BY THE ESC.

The Payment Difficulty Framework is due for review by the ESC in 2021. Helen’s situation shows that the regulatory requirements have succeeded in preventing a disconnection where Helen had an inability to pay. Enforcing the framework effectively to ensure consistent outcomes like this for all with an inability to pay should be a key focus of the review.

Other aspects of the framework may not have been met in Helen’s case. The lump sum payment offer was at best counterproductive. The required ‘practical assistance’ should be tailored to the household as opposed to a rushed read out of a generic script.

Also, some of the requirements for minimum standards for assistance appear to have only been triggered once. Specifically the requirement that a retailer ensure a household is on the best tariff for their usage patterns was recalled by Helen, but later down the track she has bills saying she could still save money and aptly notes that her retailer using their best endeavours to reach her and offer the new lower rates would have been helpful. The ESC may want to consider a ‘retrigger’ for some aspects of assistance so that if debt continues to escalate over time, there is not just a single attempt to provide some helpful interventions. For instance, the tailored assistance could be triggered not only when \$55 of arrears has built up but again at every \$500 that accumulates.

RECOMMENDATION 9:

THE ESC’S REVIEW OF THE PAYMENT DIFFICULTY FRAMEWORK SHOULD CONSIDER ONGOING MULTIPLE TRIGGERS TO REVISIT ASSISTANCE LIKE TARIFF CHECKS AS DEBT CONTINUES TO ESCALATE.

The frustrations raised by Michael in relation to retailer’s ongoing failures to administer URGS in a way that is in household’s best interests clearly highlights that the ESC should closely monitor the effects of its requirement on retailers to support customers completing and submitting the URGS application. ³⁸

RECOMMENDATION 10:

THE ESC ENFORCE REQUIREMENTS FOR RETAILERS TO OFFER MORE SUPPORT TO HOUSEHOLDS APPLYING FOR THE UTILITY RELIEF GRANT.

RECOMMENDATION 8:

THE ESC’S REVIEW OF THE PAYMENT DIFFICULTY FRAMEWORK FOCUS ON PRACTICAL ASSISTANCE MEASURES AND WHERE MORE EFFECTIVE ENFORCEMENT IS NEEDED TO ENSURE CONSISTENT COMPLIANCE WITH THE MINIMUM STANDARDS FOR ASSISTANCE.

RECOMMENDATION 11:

DHHS RELEASE BI-MONTHLY DATA ON THE URGS INCLUDING REQUESTS REGISTERED BY ENERGY AND WATER RETAILERS AND APPLICATIONS RECEIVED BY THE DEPARTMENT.

IMPACTS OF COVID-19

State and national energy regulators have been proactive in setting expectations for energy retailers on what good and supportive customer assistance looks like during COVID-19. The health and economic effects of the pandemic are likely to be felt for months, if not years, ahead. The lockdowns and increased time we are spending in our homes also highlights how reliant we are on essential services for our health, wellbeing and participation in society. It is absolutely appropriate that residential disconnections have effectively ceased in Victoria since the start of the pandemic.³⁹ This recognises that disconnection can pose a danger to someone's health or safety.⁴⁰ Disconnection is also a punitive way to 'engage' customers. If disconnection endangers health or safety, then it should not proceed.

The experiences of a proportion of individuals contacting the National Debt Helpline Consumer Action reveals a disconnect between regulatory expectations, retailer commitments around COVID-19 and actual retailer behaviour. We continue to hear retailers refuse proposed payment plans, pressure individuals to accept higher payment plans and threaten people with disconnection if they do not pay. This is unacceptable. We encourage both the ESC and the AER to monitor disconnections, debt collection and threats of disconnection as COVID-19 continues to affect people's lives.

RECOMMENDATION 12:

REGULATORS SHOULD CONTINUE TO SET OUT THEIR EXPECTATIONS FOR RETAILERS INCLUDING A CONTINUED BAN ON DISCONNECTION FOR CUSTOMERS FACING PAYMENT DIFFICULTY.

RECOMMENDATION 13:

REGULATORS ENSURE THAT ENERGY RETAILERS ARE MEETING THEIR PUBLISHED EXPECTATIONS REGARDING COVID-19 WITH A PARTICULAR FOCUS ON DISCONNECTIONS, THREATS OF DISCONNECTION AND DEBT COLLECTION ACTIVITIES.

DISCONNECTIONS

Disconnecting, or the threatening disconnection, is a heavy handed – and potentially dangerous – way to engage customers. All other options must be explored before taking this step, including home visits where appropriate. During the pandemic period, distributors did not act on retailer requests to disconnect customers where doing so 'immediately endanger the health or safety of any person' (clause 12.6.2). We encourage the ESC to conduct an evaluation of the disconnection experience and consider expanding this protection to prohibit disconnections where doing so endangers health or safety, including over the longer-term. This would recognise that the impacts of COVID-19 will be ongoing and also recognises the problems with retailers not conducting all the required steps before disconnection.

RECOMMENDATION 14:

THE ESC EVALUATE THE DISCONNECTION EXPERIENCE DURING COVID-19 AND CONSIDER EXPANDING PROTECTIONS TO PROHIBIT DISCONNECTION WHERE DOING SO ENDANGERS HEALTH AND SAFETY.

EWOV ASSISTED REFERRALS

EWOV plays a critical role in the efficient operation of the energy market to ensure fair outcomes for households. However, Dianne highlighted that sending someone to EWOV is a bit of a 'black box' at times. EWOV should ensure that households are not 'short changed' when assisted referrals are made back to their retailer as a first step in an EWOV complaint. The 2019 Independent Review of EWOV made a number of recommendations aimed to 'achieve broad confidence in outcomes achieved where complaints are referred back to Providers'. EWOV supported these recommendations and is making changes.⁴¹

Outcomes achieved as a result of these changes, and outcomes for consumers who have been referred back, should be reported back to community workers who are regularly referring to EWOV. In addition, more ways of providing feedback about outcomes for individual matters referred could also be considered. This would build confidence in EWOV and that the energy market is delivering fair outcomes.

RECOMMENDATION 15:

EWOV ENSURE FINANCIAL COUNSELLORS AND THE PUBLIC CAN BE CONFIDENT THAT HOUSEHOLDS' RIGHTS ARE NOT OVERLOOKED IN THE RESOLUTIONS REACHED FOLLOWING ASSISTED REFERRALS BACK TO ENERGY RETAILERS.

SUPPORT FOR PEOPLE TO OVERCOME ECONOMIC ABUSE

Helen's reflection on what would have made a difference in avoiding her energy debt arising was that she was too overwhelmed in trying to access all the iterative support for someone impacted by family violence while also being blindsided by her perpetrator's ongoing abuse. Retailers must continue to improve how they engage with survivors of family violence and customers experiencing family violence, and link them with existing available support services.

OPPORTUNITIES FOR FURTHER TRAINING OF COMMUNITY WORKERS

Michael spotted an opportunity for financial counsellors to enforce the Clear Advice Entitlement like they would an unsuitable loan. However, financial counsellors would need to be aware of the entitlement and how to spot an unfair rate in order to pursue this at all.

Michael was also unaware of the new entitlement to 'self reads' in order to avoid bill shock from inaccurate estimated billing. This issue may be going undetected in client's gas bills and seems to provide an opportunity to give financial counsellors another resource when working with people to overcome energy debt.

RECOMMENDATION 16:

THE ESC WORK WITH FCVIC TO ASSESS TRAINING NEEDS FOR FINANCIAL COUNSELLORS ON ENERGY ISSUES, INCLUDING ESTIMATED READS AND COMPLIANCE WITH THE CLEAR ADVICE ENTITLEMENT. WE ACKNOWLEDGE THE ESC HAS RUN A SERIES OF WORKSHOPS TO HELP ACHIEVE THIS.

INDUSTRY MUST CONTINUE TO IMPROVE CONDUCT AND CULTURE

The energy industry has progressed towards better serving most households since the Thwaites Review and ESC Financial Hardship Inquiry. This has been especially highlighted in good efforts being made by many retailers to reach out and offer support to households who were made vulnerable or had their vulnerability exacerbated by COVID-19 disruption. However, households who are engaging with energy businesses are often finding the response to financial hardship unhelpful—Energy Consumer Australia’s research on COVID-19 found 20 per cent of ‘energy decision makers’ surveyed had requested financial assistance and half of that cohort did not receive help that was useful.⁴²

Helen also noted that she must constantly chase up her retailer to get help as opposed to them proactively offering assistance. This is not helping her deal with an overwhelming set of debt problems. Helen’s retailer could put as much effort into offering assistance as they do in following up a missed repayment. This would be practical assistance that could help a family experiencing energy poverty. Michael’s comments on the abilities of banking staff to better respond to his client’s needs in comparison to energy companies’ staff signals that while the industry has improved, it needs to continue to do so. Interestingly, he also pointed out he has the most issues with the three largest retailers who are, or were, all members of the Energy Charter, a joint industry initiative to improve outcomes for households. Origin Energy notably withdrew from the Energy Charter recently, while AGL will withdraw at the end of 2020.

RECOMMENDATION 17:

ENERGY RETAILERS SEEK TO RAISE STANDARDS OF TRAINING AND CULTURE TO ENSURE PEOPLE WITH DEBT ISSUES ARE RESPECTED AND SUPPORTED WHILE THE ESC ENFORCE THE APPLICABLE MINIMUM STANDARDS TO ENCOURAGE THIS.

RECOMMENDATION 18:

THE ENERGY CHARTER EXPLORE WHETHER BENCHMARKING AGAINST OTHER INDUSTRIES’ PRACTICE COULD HELP THEM BETTER OUTCOMES FOR ALL HOUSEHOLDS.

ENDNOTES

1. Helen's name has been changed at her request.
2. Michael's name has also been changed at his request.
3. Victorian Government Final Response to the Independent and Bipartisan Review of the Electricity and Gas Retail Markets in Victoria, 2018, p 4.
4. [Independent and Bipartisan Review of the Electricity and Gas Retail Markets in Victoria, August 2017](#)
5. [ESC: New standards for energy bills and marketing 2018](#)
6. [ESC: Victorian Default Offer recommendation 2019](#)
7. [ESC: Victorian Default Offer price review 2020, Prices and tariffs](#)
8. [ESC: Ensuring contracts are clear and fair 2019](#)
9. [ESC: Maximum electricity prices for embedded networks and other exempt sellers review 2020](#) and [ESC Default offer extended to Victorians in embedded networks 28 July 2020](#)
10. [ESC: Changes to the back-billing rules 2020](#)
11. [ESC: Victorian Default Offer price review 2021](#)
12. Ibid.
13. [Dan Andrews: TIME IS UP FOR ENERGY RETAILERS RIPPING OFF VICTORIANS](#)
14. [ESC: Energy hardship inquiry 2016](#)
15. [ESC: Energy Retail Code review 2016 \(customers facing payment difficulties\)](#) and [EWOV: Energy - Payment Difficulty Framework](#)
16. [New protections for energy customers experiencing family violence 22 May 2019](#)
17. [ESC: Strengthening protections for life support customers 2019](#)
18. [AER Statement of Expectations of energy businesses: Protecting customers and the energy market during COVID-19](#)
19. [ESC: Supporting energy customers through the coronavirus pandemic 2020](#)
20. [KPMG - The rise of energy poverty in Australia – both a social and moral issue](#)
21. [Dan Andrews: TIME IS UP FOR ENERGY RETAILERS RIPPING OFF VICTORIANS](#)

22. [AER Statement of Expectations of energy businesses: Protecting customers and the energy market during COVID-19, updated SoE effective 1 November 2020](#)
23. [Consumer Action: \\$3.7 million package announced for Victorians struggling with energy bills](#)
24. [O'Neill, E. 2019. CPRC – Exploring regulatory approaches to Consumer vulnerability; A report for the Australian Energy Regulator p.44-47](#)
25. [Brotherhood of St Laurence: Energy assistance and brokerage](#)
26. [ACCC: iSelect to pay \\$8.5 million for misleading consumers comparing energy plans](#)
27. [EWOV: 1 July 2019 Victorian energy market reforms](#)
28. [ESC: New guidance for energy companies to ensure struggling energy customers are supported 30 October 2020](#)
29. [CPRC: Building Customer Trust June 2017](#)
30. [ESC, Energy customer support during the coronavirus pandemic May 2020 report, released 17 June 2020.](#)
31. [ESC: Supporting energy customers through the coronavirus pandemic 2020](#)
32. [Energy Consumer Sentiment Survey Findings: June 2020 + COVID Special Report](#)
33. [ESC: Our energy compliance and enforcement priorities](#)
34. [CPRC: COVID-19 and Consumers: from crisis to recovery p.29](#)
35. [Consumer Action: Sunny Side Up Report](#)
36. [Australian Competition Tribunal: ACT 1 of 2019 Application by Flexigroup Limited](#)
37. [Consumer Action: Energy Assistance Report: tracking how Victoria's changing energy policies are impacting households in the state](#)
38. [ESC: Supporting energy customers through the coronavirus pandemic 2020](#)
39. Five electricity and two gas disconnections for non-payment occurred in early April.
40. See sec 12.6.2 Electricity Distribution Code
41. [EWOV: Our Principles](#)
42. [Energy Consumers Australia: Shock to the system, energy consumers' experience of the Covid-19 crisis p.8](#)

APPENDIX A:

SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1:

The ESC prioritise enforcement of the following areas:

- new minimum standards for assistance for people subject to family violence;
- ensuring households can access affordable payment plans and not receive unrealistic requests for lump sum payments under the Payment Difficulty Framework; and
- compliance with the clear advice entitlement.

RECOMMENDATION 2:

Policy design in relation to energy debt and affordability must:

- ensure fair outcomes regardless of engagement;
- be simple to communicate and consistent across electricity and gas services; and
- recognise that energy debt and pricing issues are often only one of many cumulative and overwhelming issues that households face when having difficulty paying for essential services.

RECOMMENDATION 3:

The Victorian Government should ensure that protections for gas and embedded network energy supply are as consistent as possible. AVDO for gas is the priority.

RECOMMENDATION 4:

The Victorian Government prioritise implementation of the Energy Fairness Plan and extend the proposed ban on unsolicited sales to new energy technology.

RECOMMENDATION 5:

Ensure disengaged households who signed up to an energy offer before July 2020 receive the relevant protections contained in the 'Fair and Clear' contract reforms.

RECOMMENDATION 6:

The Federal Government commit to a permanent increase to Centrelink benefits to avoid leaving people in poverty and difficulty accessing essential services.

RECOMMENDATION 7:

Retailers should be required to comply with the Energy Retail Code requirements relating to payment difficulty and debt recovery, even where the customer is no longer an active customer. This should be clarified in regulatory guidance and enforced by the ESC.

RECOMMENDATION 8:

The ESC's review of the Payment Difficulty Framework focus on practical assistance measures and where more effective enforcement is needed to ensure consistent compliance with the minimum standards for assistance.

RECOMMENDATION 9:

The ESC's review of the Payment Difficulty Framework should consider ongoing multiple triggers to revisit assistance like tariff checks as debt continues to escalate.

RECOMMENDATION 10:

The ESC enforce requirements for retailers to offer more support to households applying for the Utility Relief Grant.

RECOMMENDATION 11:

DHHS release bi-monthly data on the URGS including requests registered by energy and water retailers and applications received by the Department.

RECOMMENDATION 12:

Regulators should continue to set out their expectations for retailers including a continued ban on disconnection for customers facing payment difficulty.

RECOMMENDATION 13:

Regulators ensure that energy retailers are meeting their published expectations regarding COVID-19 with a particular focus on disconnections, threats of disconnection and debt collection activities.

RECOMMENDATION 14:

The ESC evaluate the disconnection experience during COVID-19 and consider expanding protections to prohibit disconnection where doing so endangers health and safety.

RECOMMENDATION 15:

EWOV ensure financial counsellors and the public can be confident that households' rights are not overlooked in the resolutions reached following assisted referrals back to energy retailers.

RECOMMENDATION 16:

The ESC work with FCVic to assess training needs for financial counsellors on energy issues, including estimated reads and compliance with the clear advice entitlement. We acknowledge the ESC has run a series of workshops to help achieve this.

RECOMMENDATION 17:

Energy retailers seek to raise standards of training and culture to ensure people with debt issues are respected and supported while the ESC enforce the applicable minimum standards to encourage this.

RECOMMENDATION 18:

The Energy Charter explore whether benchmarking against other industries' practice could help them better outcomes for all households.



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