



Minister for Finance
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Dr Ron Ben-David
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale Street
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4 FEB 2015

Dear Dr Ben-David

ESC INQUIRY INTO THE FINANCIAL HARDSHIP PROGRAMS OF RETAILERS

In accordance with my powers under section 41 of the *Essential Services Commission Act 2001*, I refer to the Essential Services Commission (ESC) the attached Terms of Reference for an inquiry and report on the financial hardship programs of energy retailers; subject to DEDJTR funding any external costs incurred by the ESC.

In addition, I request that you cease work on the ESC inquiry into energy customer disconnections, referred to you by the previous Minister for Finance in October 2014.

If you have any queries on this matter please contact Narelle Hardiman, Assistant Director, Economic Policy Group in the Department of Treasury and Finance on 9651 2463.

Yours faithfully

ROBIN SCOTT MP
Minister for Finance
Minister for Multicultural Affairs

Terms of Reference – Inquiry into best-practice financial hardship programs of retailers

Pursuant to section 41 of the *Essential Services Commission Act 2001* (the ESC Act), as Minister responsible for administering the ESC Act, I refer to the Essential Services Commission (the Commission) for inquiry of the financial hardship programs of retailers.

The Victorian Government regulates the supply and sale of electricity and gas (energy) services to end-use customers through the *Electricity Industry Act 2000*, *Gas Industry Act 2001* and the ESC Act (the Acts).

These Acts set out a number of regulatory requirements aimed at ensuring that wherever possible, energy customers remain connected to supply, and that disconnection of customers is only used as a measure of last-resort by energy retailers.

The Acts also require retailers to develop hardship policies designed to assist customers in financial hardship avoid disconnection. These policies must be submitted to the Commission for approval.

To provide confidence that energy retailers are adopting best practice, the Commission is requested to review retailers' policies, practices and procedures in supporting customers experiencing financial hardship avoid disconnection. In so doing, the Commission should also assess whether the regulatory framework governing retailers' obligations in this regard, represents regulatory best practice.

Scope of the inquiry

The matters to be covered by the inquiry are:

- Investigate the different methods used by energy retailers to assist customers encountering difficulty paying their energy bills because of financial hardship. The review should include, but not be limited to, an assessment of retailers' financial hardship policies, practices and procedures and assess whether these reflect 'best practice'. This should also include a review of relevant policies and practices in other jurisdictions and industries, nationally and internationally (and particularly as they relate to the supply of an essential service).
- Review the design and efficacy of regulatory obligations regarding the assistance provided to customers experiencing financial hardship to ensure that customers receive targeted and effective assistance to avoid disconnection. This should include:
 - the Commission's ability to monitor and enforce compliance with these obligations; and
 - retailers' incentives to innovate in their pursuit and delivery of best practice arrangements in assisting their customers experiencing financial hardship.
- Consider whether the transparency of energy retailers' hardship policies, practices and procedures (and any other relevant information) can be improved and how these services can be accessed more readily by customers experiencing financial difficulty.

- Identify cost-effective options for improving how energy retailers assist customers experiencing financial hardship manage their energy costs — including their use of energy.
- Develop a benchmarking framework for the Commission to assess, and publicly report on, the effectiveness of energy retailers' policies, practices and procedures for supporting customers in financial hardship avoid disconnection.
- Any other matter the Commission considers relevant to supporting customers in financial hardship avoid disconnection.

For the purposes of this review, references to 'customers in financial hardship' (or similar) include:

- residential customers with an inability to pay their energy bills in a timely manner; and
- residential customers at risk of being unable to pay their energy bills in a timely manner.

Inquiry process

It is requested that the ESC consult widely when conducting this review. Consultation is to include: energy retailers, energy consumers and advocates, financial counsellors, the Energy and Water Ombudsman of Victoria, relevant Victorian government departments and agencies, the Australian Energy Regulator and any other party which the Commission considers necessary in order to progress the inquiry.

The Commission should provide the Minister for Finance and the Minister for Energy and Resources with its preliminary advice within six months of the issuance of these Terms of Reference.