



# IMPROVING APPROACHES TO CUSTOMER FINANCIAL HARDSHIP

Summary of Business Responses to  
Commission Request for Information on  
Hardship Policies and Procedures

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# 1

## BACKGROUND

In late 2010 the Essential Services Commission (the Commission) initiated a study to provide greater insights into the experience of customers in financial difficulty when dealing with energy and water retail businesses.

The Commission engaged Hall and Partners | Open Mind (H&P) to conduct field survey work to gain customer insights and prepare a report outlining study findings. The H&P report was released in May 2011. The report suggests that water and energy retail businesses could be doing more to ensure they are providing appropriate support to customers experiencing financial difficulty, and by extension, to ensure they satisfy the intent of the Commission's Customer Service Codes and guidelines in relation to their approach to hardship.

In June 2011 the Commission subsequently requested that businesses provide more information on their hardship policies and procedures. The Commission requested that businesses respond to five questions:

- How policies, practices and procedures ensure that appropriate levels of customer service—in terms of the nature of the service interaction, and quality and timeliness of information offered—are provided to customers in hardship.
- How they ensure that hardship customers are appropriately identified.
- How they ensure that the business is complying with the Commission's Codes and guidelines in relation to the provision of information to customers in hardship.

- How the business ensures that payment terms under customer payment plans are set in line with customer capacity to pay.
- How the business ensures that customers are notified of any pending disconnection (energy) and restriction (water), in a non-threatening way.

The H&P report and the Commission's request to businesses is available on our website at:

[http://www.esc.vic.gov.au/public/About+ESC/Publications/  
Research+papers/Water/Water.htm](http://www.esc.vic.gov.au/public/About+ESC/Publications/Research+papers/Water/Water.htm)

Nine energy businesses and 15 water businesses responded to the Commission's request for information<sup>1</sup>. We thank these businesses for their responses.

This paper summarises the responses of the businesses to each of the five questions raised by the Commission in July 2011.

Where possible, we focus on examples of what we believe reflect useful or innovative approaches that other businesses could consider as part of their hardship policies and procedures; to better position businesses to at the very least comply with the Commission's Codes and Guidelines, and where appropriate, exceed the minimum standards within them.

The individual responses of businesses are available as separate documents on the Commission's website.

We have also attached a summary that outlines specific examples that we believe may assist businesses in enhancing the efficiency and effectiveness of their hardship programs.

We believe that the H&P report and the individual responses of businesses provide a valuable body of information for water and energy businesses to consider as they seek to improve outcomes for their customers experiencing financial hardship. The Commission encourages businesses to draw on the body of information presented in the H&P report, and the responses of other businesses to help ensure that their approach to delivery service to hardship customers continues to be both effective and innovative.

1. Responses were received from AGL, Australian Power & Gas, Barwon Water, Central Highlands Water, City West Water, Coliban Water, Diamond Energy, Dodo Power & Gas, East Gippsland Water, Gippsland Water, Goulburn Valley Water, Lower Murray Water, Lumo, North East Water, Origin Energy, Red Energy, Simply Energy, South Gippsland Water, South East Water, TRUenergy, Wannon Water, Western Water, Westernport Water and Yarra Valley Water.

# 2

## SUMMARY OF BUSINESS RESPONSES

### Q1

**How does the business' policies, practices and procedures ensure that appropriate levels of customer service—in terms of the nature of the service interaction, and quality and timeliness of information offered—are provided to customers in hardship?**

The H&P study suggested that some businesses could benefit from further training of their customer service staff to better provide hardship customers with valuable and timely assistance. Most business responses indicated that a significant amount of training is provided to their employees not only for general customer service, but via specific training in relation to its hardship program. Such training typically applies to the frontline customer service staff, although some businesses currently have, or are considering specific roles and teams to provide specialist support to hardship customers.

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We would like customers to develop a one to one relationship with our customer services staff free of judgment and intimidation...

... a dedicated staff member will be separate from the debt collection staff so that a clear partition between hardship support and debt collection is established to encourage communication and relationship building."

(East Gippsland Water)

Training is intended to allow employees to better identify customers in hardship, to listen for key information in customer calls that may allow better assessment of the circumstances, and to direct them to appropriate information and assistance. Several businesses highlighted the importance of how communication with customers experiencing hardship is approached.

“ Training is sought from reputable community organisations to ensure a non-judgemental and proactive approach to hardship is delivered.”  
(Origin Energy)

The Commission encourages businesses to maintain relationships with financial counsellors and other organisations which can provide employees with hardship-specific customer service training. For example, South East Water has an arrangement in place with Good Shepherd Youth and Family Service to provide assistance to customers when their financial situation is extreme, and to help position employees to deliver useful assistance to customers experiencing hardship.

“ If the customer’s financial situation is extreme, we will refer them to Good Shepherd Youth and Family Service. Our partnership with Good Shepherd Youth and Family Service, which commenced in 2002 enables us to assist customers in need through access to three independent financial counsellors funded by South East Water. The partnership also provides our employees with training, policy change information and general guidance about financial hardship”  
(South East Water)

“ Team members regularly meet with local financial counsellors (Diversitat, Bethany Community Support, and Colac Area Health) to discuss customer affordability and assistance. In addition Credit and Financial Hardship Officer spend time ‘sitting-in’ on financial counselling sessions. This real life experience provides an appreciation and insight into the counselling process and encourages better methods to engage with customers.”  
(Barwon Water)

“ During the past 12 months, all of GVW customer service staff have undertaken training programs to ensure they provide the appropriate support to customers experiencing financial difficulties and to help identify customers who may benefit from assistance programs available. These training programs were run by Kildonan and the Department of Human Services.”

(Goulburn Valley Water)

The Commission notes the commitment of some businesses to review and refresh staff knowledge so they can maintain their ability to engage with hardship customers.

“ All AGL frontline and specialist staff are assessed on an ongoing basis as part of our quality and compliance program. The process for reviewing customer interactions assesses staff against a number of criteria, including, where appropriate, the manner in which a potentially vulnerable customer has been assisted.”

(AGL)

“ All staff within the Customer Support Team receive ongoing annual training of approximately 3 to 5 days per year covering specialised training modules developed in consultation with Kildonan United Care, whilst also utilising other specialist organisations such as Life Line to deliver specific training in an area where required (e.g. mental health).”

(Yarra Valley Water)

It is important to note that the training should not necessarily lead to staff offering the same generic solution to each hardship customer; instead, businesses suggested that managing individual relationships allows them to provide appropriate levels of assistance on a case-by-case basis.

“

It is in APG’s interests for customers to be offered and take assistance rather than accumulate debt... Importantly, there is no one, pre-determined hardship plan at Australian Power & Gas. Instead, the assistance level is tailored to each individual customer’s hardship case.”

(Australian Power & Gas)

“

Once identified as hardship customers, we undertake a proactive approach to assisting customers manage their own financial position. We provide direct one-on-one assistance to customers so that each customer has a ‘case manager’ who can understand the specifics of the customer’s situation and work with the customer on an ongoing basis.”

(Simply Energy)



# Q2

## How does the business ensure that hardship customers are appropriately identified?

Most businesses stated that they provide information that might encourage customers to self-identify as being in hardship (or, experiencing financial difficulty). This usually involves the provision of contact information on bills or websites addressing customers that are experiencing difficulties paying, which are requirements of the Commission's Codes and guidelines. Brochures containing information on eligibility for the application of hardship programs are also included in the Final Notice accounts sent by some businesses. While it is crucial for businesses to provide information for customers to self-identify, the Commission also encourages the use of more proactive information campaigns where it is determined that a need exists.

“ Periodically small mail campaigns are conducted to invite customers experiencing payment difficulties to move to bill-smoothing options such as direct debit or Centrepay.”

(Barwon Water)

Businesses could also take other proactive approaches to identify hardship customers, such as observing non-payment of bills or using other information encountered in the day-to-day management of accounts.

“ The Hardship Manager will run routine reports which may identify customers through a number of hardship indicators, such as:

- The customer is having difficulty paying an instalment plan (2 consecutive payments missed or delayed) or breaks a second instalment plan
- The customer has a debt of greater than \$500 and is a concession card holder

- The customer has been sent a Utility Relief Grant application
- The customer has demonstrated difficulty in meeting an instalment plan.”

(Australian Power and Gas)

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The key financial triggers for identification of potential financial hardship customers include situations where:

- A customer appears on outstanding debtor reports for Financial Reminder Notice non-payment.
- A customer breaks an existing instalment plan.”

(Diamond Energy)

The rationale for proactive approaches is that customers do not necessarily refer to themselves as being ‘in hardship’. Since customers might be reluctant to discuss openly their financial difficulties, many businesses indicated that they rely on frontline staff to ask open questions, to listen for key information and language cues and to note the conditions of properties (when site visits are arranged). The Commission encourages such approaches where businesses are trying to elicit useful information from their customers without wanting to be overly intrusive. Businesses have noted that such a sensitive approach is facilitated by ample training provided to their employees.

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... Western Water carries out extensive training to staff on how a customer in hardship may present. A key issue is to establish rapport with the customer, so that the customer feels comfortable discussing difficulties. Training in customer service “listening skills” is very important in establishing rapport.”

(Western Water)

“

Our customer service team have been trained in our Hardship Program, and how they may identify customers that may be eligible for assessment for entry into our Hardship Program. We use a small team of telephone collection agents who attempt to contact customers who have failed to pay their monthly instalments. These agents have also been provided training on identifying customers who may be eligible for our program ... We have systems in place to review high bills automatically, and contact customers where we believe there may be a potential affordability issue, and to discuss whether a review of the customer's monthly instalment is appropriate.”

(Dodo Power & Gas)

Proactively identifying hardship customers early would also allow assistance to be offered early and thereby lessening the accumulation of large debts.

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We actively review customer debt levels so that we can proactively identify those customers who may be in hardship but who may not yet have contacted us to seek assistance. We are finding that this is helping customers because they are provided with assistance before too much debt is built up. It also ensures that customers who may be embarrassed about their financial circumstances and thus reluctant to contact us are identified early.”

(Simply Energy)

Having a good understanding of customer demographics and being aware of current regional issues also enables the business to better anticipate where hardship customers might be located. This is important in cases where a change of circumstances might affect the ability to pay for multiple customers in one area, or where particular demographics make self-identification more challenging.

“ Whilst our customer service team are aware of the lower socio-economic areas in the region we are beginning to see more instances of customer affordability difficulties across the whole of our region and not just limited to traditionally lower socio-economic suburbs.”

(Barwon Water)

“ Not many of our customers self-identify and we believe that it is a result of their own sense of responsibility to manage their account (as also shown by your research) or a result of our demographics. We are a regional water corporation with a relatively small permanent population and there can be a reluctance to share such sensitive and personal information to someone who may know you, know of you, or even be your neighbour.”

(Westernport Water)

The Commission encourages businesses to keep thorough internal records of communications with customers because such information could allow them to determine whether financial assistance can benefit particular customers. Moreover, it has been indicated in the H&P report that the recordkeeping reduces the need for customers to explain their circumstances again when they make repeated contacts with their business, and thus reduces the need for businesses to re-identify hardship customers. Customers engage more fully with retailers who avoid making customers repeat uncomfortable discussions again and again.

**“** We record all communications we have with our customers, which helps us identify customers who may benefit from financial assistance. This includes correspondence that is electronically scanned or telephone conversations that are recorded against the customer’s account.”

(South East Water)

Some businesses have initiated innovative work that aims to notify other utility providers of an individual’s status as a hardship customer, so that relevant hardship assistance could be provided to the individual by these other providers.

**“** A pilot study [has been] facilitated through Kildonan with Western Water, Yarra Valley Water, and AGL, [in which] based on the customers consent, [a utility would] mutually refer customers in hardship to the direct phone numbers of the hardship support group of the peer utility. Based on entering the hardship program of one utility, this would provide sufficient evidence to enter a peer utility’s hardship program. This pilot is designed to minimise barriers to these customers and will commence in the near future.”

(Western Water)

# Q3

## Question 3: How does the business ensure that it is complying with the Commission's Codes and guidelines in relation to the provision of information to customers in hardship?

External auditing is commonly cited by businesses as a means to ensure that their policies and practices are in compliance with the Commission's Customer Service Code or Energy Retail Code. Some businesses also have internal compliance teams in conjunction with external audits.

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Origin's dedicated hardship team has well documented systems and procedures supporting our hardship charter. In the recent audit it was found that the members of the team demonstrated a thorough understanding of the hardship process and the underpinning regulatory obligations. The hardship team conducts monitoring activities, including quality checks against hardship accounts, regular performance reviews and weekly team meetings, proactive monitoring of telephone calls received from customers and cross-checking and cleansing of data bi-annually."

(Origin Energy)

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Australian Power & Gas undertakes 3–6 monthly compliance monitoring by the Regulatory team... The program ensures external third parties and internal teams responsible for the management of hardship customers have independent oversight and risk assessment as to their regulatory compliance. The monitoring program requires evidencing of policies and procedures and records; relies on customer sampling—reviewing notes,

customer correspondence and records. The Monitoring plan aims to achieve the following:

- Identify and assess the level of compliance across key business areas;
- Identify weakness in systems and controls and put in place actions and timeframes to achieve compliance; and
- Ensures accurate reporting to Regulators and management.”

(Australian Power & Gas)

Businesses listed several means to communicate the information of hardship assistance to customers, which include their customer charter, business website, terms and conditions, bills and reminder notices. While written sources of information might be a good starting point for customers to seek assistance, the Commission also encourages more direct interactions between staff members and customers. This is important because some customers may not have the capability to fully comprehend the terms and conditions of the assistance options, and in some cases, customers might completely fail to notice hardship information on bills:

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...recently a customer whose parents are in hardship said she wasn't aware of the grants and schemes available to them... [The customer said that] when people are stressed it is very hard for them to read the info supplied especially if it is not prominent.”

(Lower Murray Water)

Direct interactions between staff members and customers also provide a more comfortable setting that encourages open discussions so that options can be considered on a case-by-case basis.

“

Staff offer to meet customer in person to discuss their account and will do that in a location that suits the customer. This may be at the customer's home,

at our Head Office or at another arranged location. This enables a comfortable two way discussion in which staff can explain the financial hardship provisions to the customer and discuss what options would best meet their need.”

(Gippsland Water)

The Commission supports the use of such direct interactions that tailor advice based on to the customer’s needs and notes that sufficient training of customer service staff is vital for this to be effective. Again, many businesses have suggested that many training sessions are provided to their staff by external organisations that have expertise in hardship issues.

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Frontline Customer Service staff have been to various training programs over an extended period of time specifically related to dealing with Hardship and customers facing financial difficulties. This training includes but is not limited to specific Energy and Water Ombudsman (EWOV) training, attendance at various specialist seminars and training conducted by Consumer Utilities Advocacy Centre of Victoria (CUAC), and one off specialised and/or ad hoc training conducted by Kildonan Child and Family Services. In addition, staff are encouraged to attend training and skill development in their area of need as a matter of course during each financial year.”

(North East Water)

“

We have in the past, and will continue to, invite staff from the Department of Human Services to provide training sessions for our Customer Service and Revenue staff so that they can fully understand the Utility Relief Grant and the other government grants and schemes available to our customers.”

(Coliban Water)



Promoting staff knowledge of the forms and intent of customer financial assistance that is available, including through training, is important because customer service staff must understand what specific financial assistance programs can and cannot do for a customer given an individual's circumstances.

**“** ...ongoing training of customer service staff ensure the team gains a clear understanding of the benefits and limitations of the support that we can offer.”  
(Barwon Water)

AGL uses 'concession champions' within its customer contact centre in order to promote internal knowledge of the forms of government assistance available to customers.

**“** With respect to government assistance, AGL has a number of 'concession champions' within the Contact Centre, supported by our concessions team, who are continually monitoring the level of knowledge on government hardship assistance and updating, when necessary, knowledge repositories. This ensures all frontline staff are aware of the available options for customer assistance.”  
(AGL)

Businesses indicated some cases where customers were referred to the retailer's hardship program from financial counsellors. Information sharing between businesses and community groups is encouraged as it enables a more integrated approach to assistance for customers, which improves their access to relevant information.

**“** Origin has a dedicated call line for financial counsellors that takes them directly to the hardship team, and we publicise this number through our networks with community groups, including financial counselling forums and conferences that key Origin staff attend where possible.”  
(Origin)

# Q4

## How does the business ensure that payment terms under customer payment plans are set in line with customer capacity to pay (as required by the Commission's codes and guidelines)?

In both the energy and water sectors, payment plans must be based on the customer's capacity to pay. Energy retailers must also consider past and expected consumption when offering payment plans.

In their responses to the Commission, some businesses said that their instalment plans for customers are not usually negotiated by frontline staff, but rather more specialised billing teams or staff that are more appropriately trained to engage with hardship issues. Many businesses have indicated that the amounts that customer can afford are always suggested or nominated by the customer without the need of a lump sum payment, and that businesses do not delve further into their financial circumstances. Businesses generally indicated a preference for more realistic amounts to be negotiated with customers, rather than arrangements that can easily lead to defaults.

Many businesses have noted that they encourage customers on instalment plans to contact the business if their circumstances improve or worsen over time. However, it is also important for businesses to actively gauge whether an existing instalment plan is still appropriate to the customer by monitoring indicators such as non-payments and ongoing consumption. Where it does appear that a customer has difficulties fulfilling the plan, the Commission encourages businesses to initiate the contact with customers to discuss whether alternative arrangements or further assistance is required:

“ Once a customer enters the Energy Support Program, their plan is reviewed at least quarterly. Payment activity and the customer's usage is monitored and analysed to ensure that the plan is appropriate and the customer is committed. If through the review a customer does not appear to be making payments, the consumption amounts appear to be unmanageable or the debt is not eroding, the Hardship Specialist will contact the customer to discuss progress. Through this discussion we will either agree

to another plan with the customer or determine if other services such as efficiency auditing or appliance assistance may be of help.”

(Australian Power and Gas)

Flexibility and openness to re-negotiations are cited as contributing factors that ensure many hardship customers can stay on course for their instalment plans.

“

We provide flexibility within an agreed payment arrangement. If a customer is unable to pay their agreed payment arrangement for a particular reason we encourage them to contact us, so we can discuss the matter and amend payment terms as required... This approach to establishing payment arrangements is effective as it is supported by the fact that over 90% of customers within the Customer Support Team meet their agreed payment arrangement amount on time.”

(Yarra Valley Water)

# Q5

## How does the business ensure that customers are notified of any pending disconnection (energy) and restriction (water), in a non-threatening way?

Businesses have indicated that their approach to handling disconnections and restrictions are guided by their customer charters, which reflect the Commission's Codes and guidelines. Overall, businesses noted that their notices of disconnection use non-threatening language and are written in plain language to ensure customers are informed of the steps to take to avoid disconnection/restriction, and that payment arrangements and assistance could be discussed if the customer is facing difficulties in paying. The general message that businesses wished to convey is one of encouragement for the customer to contact the retailer.

“

Given a customer may be disconnected the consequences are clearly outlined in the notifications. However, the language utilised encourages customers to contact us.”

(Lumo Energy)

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The language we use in our disconnection notices is clear about what the customer must do and by when, the consequences if they choose to do nothing. We also clearly outline what alternatives are available, including multiple references to the Hardship Program, our complaint process and the Ombudsman. We believe that this clearly conveys that disconnection of their electricity is imminent, and that disconnection can easily be avoided by contacting us”

(Dodo Power & Gas)

Many businesses have stated that multiple warning notices and attempts to contact the customer occur before a decision to disconnect/restrict the service is made. These attempts to contact can take on various forms, including mail, phone and home visits. Using a variety of communication increases the chance of making contact with the customer, so that non-payment issues can be discussed and solutions can be proposed prior to service disconnection/restriction.

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Gippsland Water institutes a series of steps including the reminder notice, final notice and a letter to customers advising them of our willingness to assist them. The letter cautions that restriction to water supply may occur if contact is not made. If a customer has not responded to any of the mailed communication then Gippsland Water attempts phone contact with the customer on two separate days so that the opportunity to speak with the customer is increased. If no active phone number is available a registered letter is posted that includes information on the Customer Care program and requests that the customer contacts Gippsland Water. This letter does advise that restriction of water supply will occur if no contact is made. Prior to any restriction a Gippsland Water representative visits the property with the intention of establishing personal contact with the customer and conversing with them about the payment options available.”

(Gippsland Water)

The Commission supports the approach by businesses to view disconnections and restrictions as last resort measures after making reasonable attempts to contact customers.

**“** City West Water does not make use of restrictions on domestic customers. If restrictions were necessary they cannot be made without two-face to face visits and Managing Director approval.”  
(City West Water)

**“** We ensure notifications are sent to the customer by mail, as required, and attempt to contact both by telephone and through direct door knocking of our customer’s addresses, before any restriction action is taken.”  
(North East Water)

# 3 NEXT STEPS

Having gained insights to hardship issues from the report by H&P and the business responses, the Commission will continue to monitor how businesses engage with customers on hardship related issues.

In particular, we will observe businesses to ensure that their actions reflect obligations set within the Commission's codes and guidelines. To do this, the Commission will continue to use current audit and performance reporting practices.

The Commission encourages businesses to draw on the body of information presented in the H&P report, and the responses of other businesses to help ensure that their approach to delivery service to hardship customers is both effective and innovative.