



30 November 2021

Ms Kate Symons
Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne Victoria 3000

Electronically: <https://engage.vic.gov.au/energy-payment-difficulty-framework-implementation-review>

Dear Ms Symons,

RE: Energy payment difficulty framework implementation review

Origin Energy appreciates the opportunity to provide a submission in response to Essential Services Commission's (ESC) Energy payment difficulty framework (PDF) implementation review.

Since the implementation of the PDF, Victorian consumers have endured over 250 days of lockdowns and stay at home orders as a result of COVID. During this period, the ESC has published standing advice expecting retailers not to disconnect residential customers, which Origin has followed. Customers have faced severe financial pressures and retailers have experienced acute operating challenges.

The ESC stipulated in its *Payment difficulty framework Final decision* that it would undertake a review of the operation of the new framework once it had been implemented for at least two years. The ESC is undertaking this review at the first opportunity. Given the circumstances of the last 18 months we consider it prudent to assess how the PDF has performed under such extreme circumstances. However, the assessment evaluation originally proposed in the ESC's final decision was identified without any knowledge of what was going to transpire in the following three years.

Specifically, it is not clear how the ESC or stakeholders can make meaningful judgements about the disconnection performance of retailers when there have been standing advice orders in place for significant periods of time. For these reasons, we strongly believe that using data compiled over the COVID period to draw inferences about the performance of PDF and especially disconnections could result in false conclusions. We believe this review ought to focus on the customer facing performance of the PDF and how these can be enhanced going forward.

COVID provides a unique opportunity to test how well the PDF has performed under extreme circumstances. It is therefore important that the ESC undertake its review in this context.

Origin's views in response to the ESC's key consultation questions are set out below.



How are the entitlements under the framework communicated to customers?

The Code sets out certain obligations with respect to both Standard Assistance and Tailored Assistance. Origin meets these requirements through a number of different means.

With respect to the Standard Assistance obligations, when a customer signs up with Origin we offer the customer the option of setting up direct debit payments. In addition, customer bills include messaging to let customers know that options to pay by instalments, or for an extension of time to pay, are available. These messages provide a contact number for customers to call.

A customer can also use the Origin App to view their bills, usage history, and access some of the available payment options.

A customer can request a payment extension, or a payment plan with instalments at any time. Origin also offers EasiPay, which allows customers to pay an agreed amount at intervals by direct debit. This can be set up at any time and if a customer has not been billed yet or has a zero balance allows the customer to make payments in advance.

With respect to Tailored Assistance, the Code sets out that for a residential customer for whom these standard assistance options are not suitable, they can access the repayment of arrears over up to 2 years by instalment, and advice from the retailer about payment options that would enable this. The customer is also entitled to specific advice about their energy use, about any government and non-government assistance available, and practical assistance to help a customer lower their energy costs.

Origin has established processes and supporting scripting which ensures that customers are provided with this information and are informed of the available assistance options when they contact Origin (or Origin contacts them) by phone before the customer has an arrears. Customers who wish to access these types of assistance interact with specialists who are able to guide customers through the forms of assistance from Origin as well as assistance provided by government or other bodies. If a customer requires a debt hold, this indicates that the customer is likely to be experiencing more severe payment difficulty. These customers will be managed by our Power On team because our Power On team are specialists in providing additional support and assistance that would benefit them.

In normal circumstances, the 6-month period in which arrears is put on hold is available only if a customer cannot pay the cost of their ongoing energy use. However, during the Covid-19 Pandemic a residential customer was also entitled to a debt hold while continuing to pay the full cost of their ongoing energy use. This meant that customers who would otherwise have paid their accrued arrears did not address it. Origin does not consider that this additional protection was required within the broader assistance framework. We believe that this has contributed to the number of customers with increasing debts.

When a customer has not paid a bill by its pay-by date and who has arrears of more than \$55, we send the residential customer a bill overdue reminder notice at least two days from the day the payment was due. If the customer does not contact Origin to access an assistance entitlement or make payment on receiving the reminder notice, then after 2 additional days we will begin efforts to contact the customer through their preferred method of contact which contain a link to information about payment options. If the preferred method of contact is email, then this will contain the information and the link. We send three of these contacts over the course of 5 business days.

If the customer still does not engage and contact us, Origin sends a brochure about the available assistance that the customer is entitled to, as well as a clear and unambiguous advice letter. Origin then will send this brochure to the customers preferred method of contact as a PDF, or as an SMS if the email is not successfully delivered.



If a customer has not accessed an assistance entitlement or made payment, then Origin will use its best endeavours to contact the customer in person; by telephone; and by other electronic means.

As a last resort, Origin will send a disconnection warning notice, which:

- gives the customer clear advice about what the customer needs to do to avoid being disconnected from their energy supply, including any entitlement that they may have to further assistance; and
- gives the customer clear information about how to access assistance provided by government or community service providers.

In addition, Origin publishes options for financial support on its website. We include messaging about payment difficulties and clickable links that allow customers to create payment plans in our mobile App. Some of these plans can be set up by the customer with no further interaction, however customers who require further assistance are advised how to access it.

In response to the Covid-19 Pandemic, the greeting message customers hear when they call Origin asks if they are experiencing payment difficulties, and if so which number to press. This occurs before any further call direction options are presented. Even if a customer does not select the option for payment difficulties, our contact center agents understand the PDF entitlements and readily share these with relevant customers.

Have you observed a change in customer satisfaction of their engagement with retailers about their entitlements?

The Code requires retailers to provide customers with “clear and unambiguous” information about their entitlements at all times where relevant. While the code does not prescribe the words to be used to provide the “clear and unambiguous information [or advice]”, it must nevertheless be sufficient to inform the customer of their entitlements for assistance – both standard and tailored.

To meet this requirement, every time we engage with a customer regarding assistance, we provide them with this information. However, customers find this information repetitive and as a result can become disengaged because these interactions are highly scripted and can take a significant amount of time to complete. This is a poor outcome because disengaged customers are at risk of eventual disconnection.

We have experienced customers becoming frustrated with continually being told about their entitlements with no option to opt-out after having been advised of these already. Origin aims to provide for positive customer interactions that provide for good outcomes. Origin does not object to providing customers information if this leads to greater customer understanding and better outcomes. However, we find that the inability for a customer to opt-out of repeat information even if they specifically request this can lead to customers disengaging from accessing assistance. Additionally, once a customer has had an unsatisfactory experience, we find it is harder to re-engage with them. This is not an outcome that is desirable, since it leads toward increased debt and potential disconnection.

How much do you think customers are aware of, or understand, their entitlements?

In a practical sense most customers are not aware of their ‘entitlements’ and are not interested in spending a long time on the phone to their retailer to be told about them. Retailers must use language that describes available assistance as an ‘entitlement’ or ‘right’ which the customer has, and which the retailer ‘will’ or ‘must’ offer¹. Customers can become confused about what some items on the list mean to them in practice, and customers can get frustrated as they find this unhelpful. This can make the

¹ Guidance note 2 (2020): Clear and unambiguous information or advice for residential customers anticipating or facing payment difficulties 7 October 2020.



interaction feel automated rather than personal, since in practice this sounds like a list of similar items to the customer.

Simultaneously the retailer must take into account all of the customers circumstances and act fairly and reasonably. Without suggesting it is appropriate to limit an individual customer ability to manage their own affairs, there are times when it would be more appropriate for a retailer to make an upfront recommendation about a course of action because it seems a better option for the customer based on information that the retailer has. This would require us framing this offer as an option, as opposed to an entitlement as is required by the guidance note, in order to be clear that there are others available. This does not diminish the customers' ability to access further entitlements. We think this approach assists the customer in decision making, but the ESC has issued guidance that effectively requires a retailer not do this.

When we have a conversation with the customer that needs a payment plan, this is often a negotiated discussion around how much a customer wants to pay, which will hopefully reflect their usage costs. This is consistent with the customer's ability to access payment by instalments which existed before the introduction of the PDF. In our experience, this is the kind of payment plan customers call and ask for.

Once a customer has missed their bill pay by date, and or has an arrears of \$55 or more, then the customer is entitled to propose a repayment plan, within certain parameters. A key feature of the PDF was the inclusion of this entitlement for a customer as the retailer would be required to accept the customers proposal. A small number of customers 'propose' payment plans as described in the Code but most simply let us know that they need on. They are provided with a plan as per the Code (Cl. 81(3)) where the discussion with the customer indicates that in their circumstances a plan to repay their current bill and future use over a two-year period is required. This is a retailer-led discussion in most cases, enabling the customer to access their entitlement.

When we discuss with the customer their need for a payment plan, the instalment amounts and the period over which the outstanding amount is repaid is agreed as part of the discussion at that point in time. The agent will ask the customer about the desired length of the repayment period and offer options that the customer can choose from. If these initial options are not suitable for the customer, the agent will offer an alternative entitlement available to the customer. This is consistent with our experience before the introduction of the PDF.

We have noticed that customers who access a debt hold period and lower payments, they end up accruing higher debts. This is because the customer is not repaying already accrued debt, and continues to consume energy at a rate that is often greater than their repayment capacity. This increased debt is then more difficult to manage when the customer reaches the end of their repayment plan because their debt has increased over the hold period. We think this is particularly problematic because there is no need for the customer to be engaging with external assistance or support during the hold period. We know that early engagement with support results in better outcomes. Customers would be better served by seeking the assistance of (for example) a financial counsellor at the beginning of any debt hold period than at the end of one.

We think this is a missing component when a customer is entitled to a debt hold, and/ or to repayments that are lower than their usage. Under Origins' previous program, we would have provided the customer with a repayment plan that they could afford, for an interim period. To remain eligible for that plan a customer would have been asked to make an appointment with a Financial Counsellor, who would help them renegotiate repayments on all of their debts so that they reflected both necessity of service and the customers repayment capacity. This was considered a positive form of engagement that customers who were only able to make minimal payments could demonstrate, without putting them into further difficulty. Many customers deal with energy last, so have allocated all their funds to repaying other bills first but cannot avoid accruing further debt since energy is an essential service. Once a suitable arrangement had been established, Origin would set up other mechanisms to incentivise such a



customer to maintain their agreement. These plans protected customers from disconnection and over time resulted in lowered debt levels.

Have you encountered any barriers or difficulties during the implementation of the framework?

In its final decision, the ESC described the PDF as minimum entitlements to assistance, and not intended to prescribe how retailers should provide that assistance. This was supposed to provide for customer certainty if they needed assistance, and for retailer discretion and innovation. Retailers then invested in their systems to complete the implementation of the PDF.

The ESC subsequently issued eight guidance notes since the commencement of the PDF, and seven of these were issued between 21 August and 28 October 2020. Compliance with these guidance notes is a condition of the retailer's license. These guidance notes were more prescriptive than the PDF and, in some cases, provided instruction on how to achieve compliance with the framework. This resulted in changes being required to the systems and processes originally developed.

We appreciate that the ESC issued these guidance notes to provide clarity, but we consider that the ESC must strike an appropriate balance between providing clarification without removing retailer discretion. We consider there would be benefit in an open dialogue between the ESC and retailers before such notes were issued in future to better address and resolve the ESC's area of concern.

Are there other strategies or approaches retailers have considered that can better help customers and achieve the framework's objectives?

Origin proactively offers customers direct debit and 'EasiPay' plans when they join Origin. EasiPay is designed to smooth the estimated cost of a customers' annual bill over regular payment intervals, helping shield the customer from the peaks that occur at different times of the year. This can help a customer avoid accruing an arrears that may result in them experiencing payment difficulties.

Customers who receive Centrelink payments appear to be aware that CentrePay is a payment option. However, customers do not always understand that they can pay their utilities in this way, or if they do, that they need to cancel and re-submit their request if they change retailer. CentrePay is another option for customers which, when set up at the beginning of their energy contract, can be effective in helping the customer avoid accumulating arrears.

Are there other problems faced by energy customers that may not be covered by the payment difficulty framework?

Addressing consumer vulnerability through obligations on industry does not resolve the underlying social issues that exacerbate vulnerability. While the PDF provides valuable assistance to customers and helps them access assistance, it cannot resolve chronic poverty. Sometimes for reasons outside of retailer or ESC control, a customer is simply so disadvantaged that no level of sector-based assistance will be sufficient. These customers need greater government support. The ESC as a policy maker must understand this, or risk creating regulation that is unworkable and undermines the experience of the majority of customers.

In terms of assisting customers with effective energy usage, it not always practicable for a retailer to alert households to issues that could be detected in usage data', such as faulty hot water units. Retailers cannot identify faulty appliances from metering data more effectively than the customer living at the premises. Retailers cannot by default identify faulty appliances in this way.

We note the Monash findings that 'public and private housing renters have no option but to use old inefficient heating, cooling and hot water appliances that contribute to high energy bills'.² Despite our

² Monash University Report: *Consumer experiences following energy market reforms in Victoria*, Dr Larissa Nicholls and Dr Kari Dahlgren Emerging Technologies Research Lab Faculty of Information Technology, Table 12, p36.

efforts to provide useful assistance to customer to help them reduce their bills, we do not think that any advice a retailer could provide about energy efficiency would materially impact these customers' ability to reduce their costs. We consider that the introduction of minimum standards for heating and cooling appliances which apply to rental agreements³ from 2021 (with a transitional period to 2023) will be more effective in reducing bills than any regulation in the retail sector.

Support workers made many comments about customers missing out on concessions and problems with mismatched information held by the retailer and DHHS.⁴ Retailers provide concessions by agreement with the Department of Health and Human Services, and this is subject to extensive verification, validation and audit requirements. Statements made about retailers' ability to provide concessions and willingness to backdate these do not consider the concession scheme rules. Whether the fault lay with retailer practice or the nature of requirement(s) a retailer was attempting to meet is not drawn out in the report.

As a result, the findings of the report do not address the underlying issue: the Victorian concession scheme is too difficult for customers to navigate and ensure that their concession details remain current. This leads to missed concessions, increased debts, a large amount of customer dissatisfaction, and re-work required from retailers to correct this. We would support a review of the Victorian concession scheme.

We note that the findings of support workers in relation to URGS are no longer reflective of retailer practices or the updated DHHS rules around URGS applications. For example, customers historically could access URGS once in a two-year period for up to \$500. This led to retailers advising customers with lower debts to wait until they had accrued as close to \$500 as possible before applying to maximise potential customer benefit. While counterintuitive, this advice was provided with the customers best interest in mind. The scheme has since been changed so that a customer can make many applications over the two-year period until they have reached the assistance cap. As such there is no incentive for a customer to wait to apply for URGS. We think this change in the structure of the scheme will be driving better customer outcomes.

Other issues

Data driven decisions

The ESC has also engaged retailers in developing a data request to support its review. Origin strongly supports the use of data when assessing the effectiveness of the PDF. We believe that the ESC must make consideration of how the Covid-19 Pandemic and the ESC's 'Statement of Expectations' (SoE) in this period has impacted retailer operations, and as a result impacted the data retailers have provided to the ESC. We think it is imperative that the review account for the impact the SoE had on the function of the PDF. Origin looks forward to further assisting the ESC with developing this request.

Impact of the ESC's Statement of Expectations and the Covid-19 Pandemic

We accept that the number of disconnections over the last 18 months have reduced significantly. However, we believe there needs to be caution in interpreting the reasons for this reduction.

The ESC's SoE did not allow retailers to disconnect, which in turn meant that retailers could not send disconnection warning notices. We think this is directly a cause of customers disengaging through the pandemic period. We know that many customers do not respond to retailer communications until they receive a disconnection warning notice. Since assistance relies on a customer engaging, being unable to send these notices had a significant impact on how many customers we could assist. While disconnection warning notices were not being sent, the number of customers accessing Origin's Power On program decreased by 50%.

³ Residential Tenancies Regulation 2021

⁴ Monash University Report: *Consumer experiences following energy market reforms in Victoria*, Dr Larissa Nicholls and Dr Kari Dahlgren Emerging Technologies Research Lab Faculty of Information Technology, Table 8, p28.

The ban on disconnections resulted in artificially lower numbers of disconnections, but it also resulted in a much lower number of customers engaging with their retailer. This lack of engagement also led to increased debt accrued before customers did engage. Larger accrued debts are harder for customers to manage, which is why the PDF assistance focusses strongly on the provision of advice and assistance for an 'arrears' value of \$55, despite disconnection not being a possible outcome until the customer owes at least \$300. This example demonstrates how removing one key aspect of the PDF can significantly and negatively impact customer outcomes.

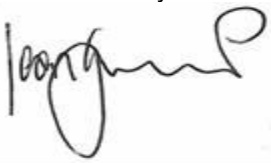
We note that the introduction of the PDF has not changed the circumstances in which a customer would be disconnected for non-payment. Disconnection requests are raised where a customer has not engaged with, or no longer engages with, their retailer. We think the ESC should also consider the impact of the SoE on customer engagement, not just disconnection numbers.

Customer sentiment driven by many factors

The ESC's review is designed to assess both customer experience, and retailer's implementation and experience of the PDF requirements. We think this will be difficult to assess across retailers. When new obligations and entitlements are introduced, retailers design their systems and processes to both comply, and guard against identified risks. Because of this, there may be some variation in the procedures that retailers have developed to support the PDF.

If you have any questions regarding this submission, please contact Courtney Markham in the first instance on (██████████) and or ██████████

Yours sincerely



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