

Payment difficulty framework

Final decision

10 October 2017





Ron Ben-David

Chairperson, Essential Services
Commission



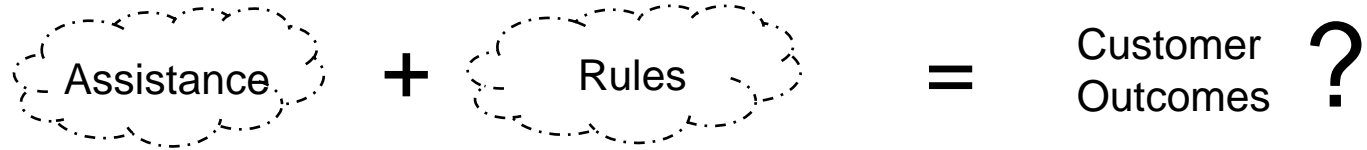
Agenda

- The journey
- Objectives of assistance
- Outcomes for customers

Released today

- Final decision
- Guidance note (draft)
- Version 12 - Energy Retail Code (marked-up and clean)
- Consultants' reports (on customer and retailer impacts)

Hardship provisions 2006 - present



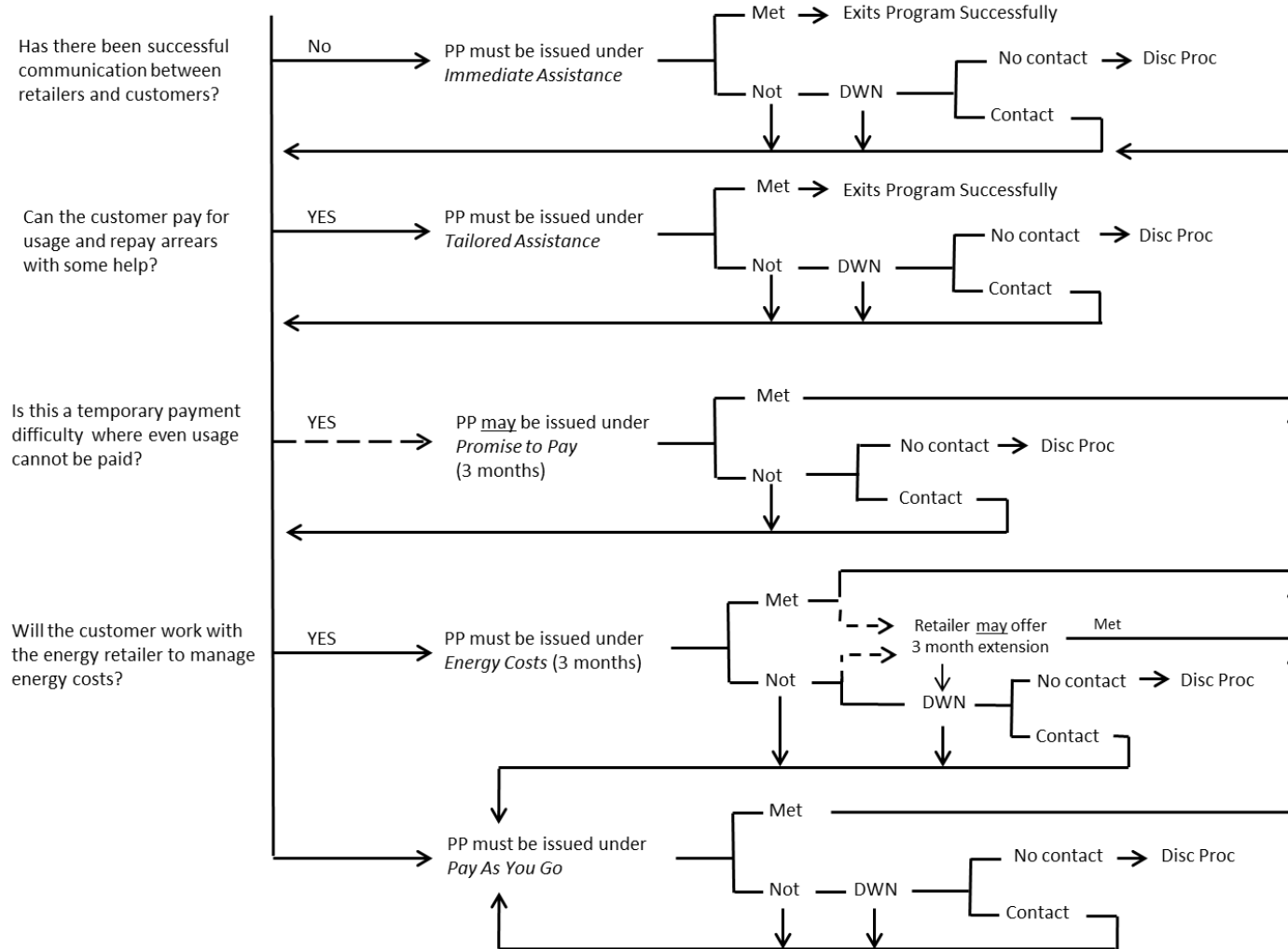
Hardship provisions 2006 - present



Our proposal back in October 2016 ("DD1")



Our proposal back in October worked like this



Hardship provisions 2006 - present



Our proposal back in October 2016 ("DD1")



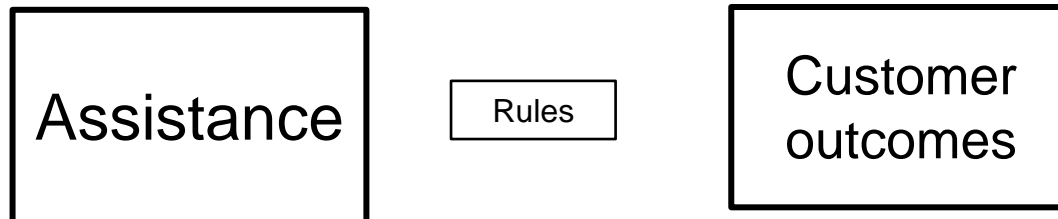
Hardship provisions 2006 - present



Our proposal back in October 2016 (“DD1”)



Our new approach (“DD2” & FD)



The final decision establishes entitlements to two types of assistance

Standard assistance

Help customer avoid debt

Available to anyone

Retailers make at least three out of four options available:

- equal payments
- different intervals
- postpone payment
- pay in advance

Customer who can't even pay for their use

Tailored assistance

Help customer repay debt

Available to anyone in debt

Customer entitlement to:

- repay debt monthly, no more than 2 years
- advice about payment options
- advice about lowering use/cost
- advice govt & non-govt assistance
- practical assistance to lower cost*
- debt repayment on hold for at least 6 months**

Anyone in debt

* includes: tariffs to lower cost, practical help to lower use, up-to-date information about use

** during this time, customer only pays for use (or less)

Objectives of assistance

The new framework has 3 objectives:

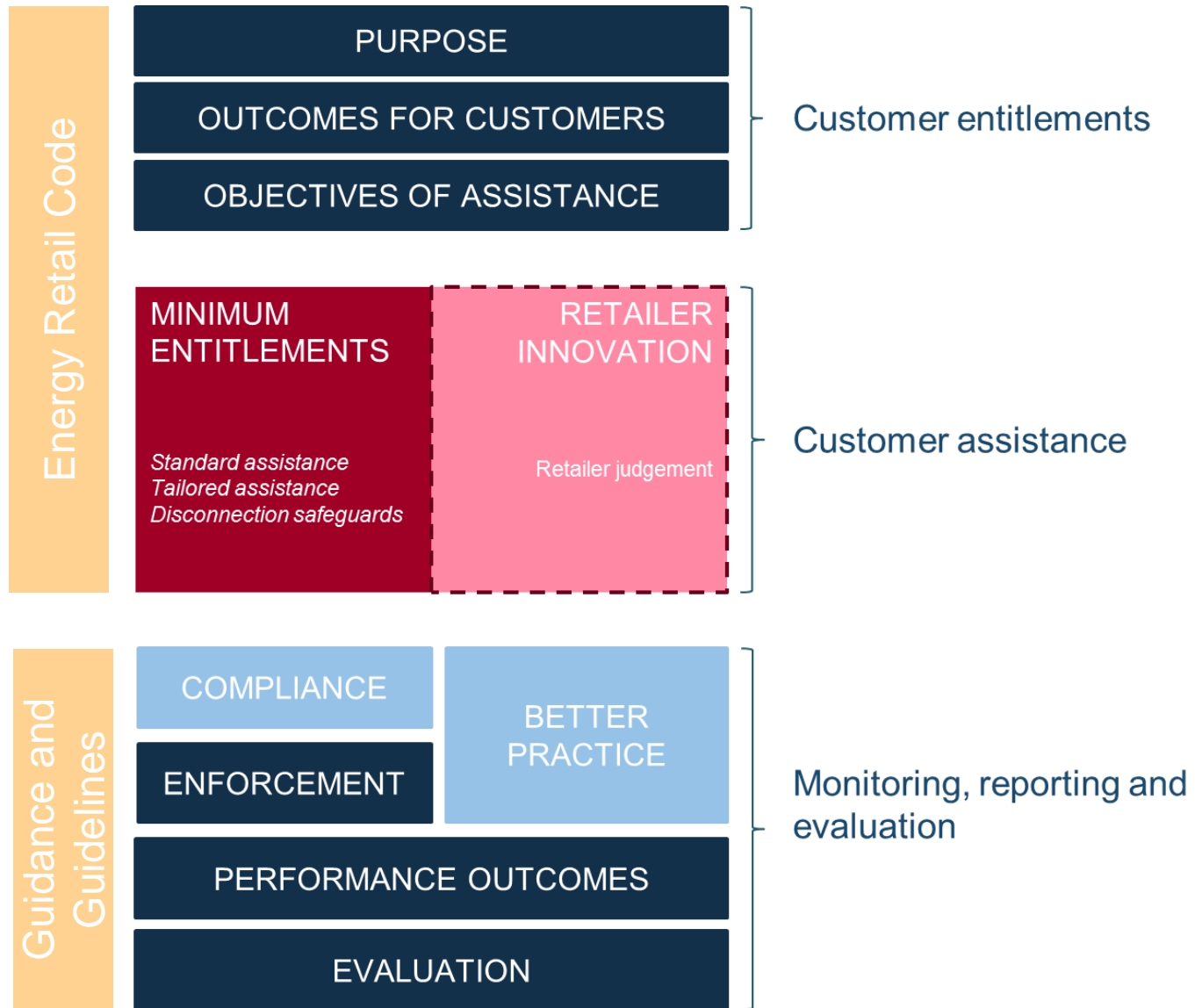
1. to help customers to avoid getting into arrears with their retailer
2. to make it easier for customers to pay for their on-going energy use, repay their arrears and lower their energy costs
3. to ensure that residential customers are only disconnected for non-payment of a bill as a last resort.

Outcomes for customers

Customers anticipating or facing payment difficulty are expected to:

- receive timely and flexible assistance
- be given information about the cost of their energy use and practical assistance to better manage this cost
- be able to pay for their energy use in a way that helps them manage their finances
- be able to propose how they will repay arrears in a timely, sustainable way
- be provided with information about how to access government and non-government support services
- be treated with respect by their energy retailer.

The new framework



David Young

Director, Energy



Agenda

- Structure and content of the revised Code.
- How we have addressed the key issues raised by stakeholder on the second draft decision.

Changes to the Code

Two sets of changes have been made to the Code:

- a new **Part 3** of the Code sets out the **minimum entitlements** to assistance that customers can expect from their retailer.
- a series of consequential and **related amendments** to other sections of the Code that provide protections for customers facing payment difficulty.

The new Part 3 of the Code

Part 3 has six divisions:

Division 1 – purpose, application and interpretation of the Part

Division 2 – entitlements under standard assistance

Division 3 – entitlements under tailored assistance

Division 4 – financial hardship policies

Division 5 – customer communications

Division 6 – other retailer obligations

Related amendments

Four main changes:

- Reminder notices – clauses 108 and 109
- Disconnection warning notices – clause 110
- New clause 111A – Residential customers only to be disconnected as a last resort
- Minimum disconnection amount

Stakeholder issues

Six key issues following the release of the second draft decision:

1. Trigger for entitlements
2. Payment arrangements
 - 2.1 Two years to repay arrears
 - 2.2 Payments for use and arrears
3. Customers getting caught in the system
4. Default assistance
5. Restriction on transfer
6. Implementation date

1. Trigger for entitlements

Defining being 'in arrears' at the date of the next bill would extend the collection cycle and may cause operational complexity for retailers.

Our response

Trigger for information about entitlements to be provided (Division 3, clause 80):

- when a customer who has not paid by the due date contacts the retailer

or

- 21 business days after the bill due date if no contact is made and the arrears exceed \$55 (inclusive of GST)

and

- customer then has a minimum of 6 business days to put forward payment proposal

3. Payment arrangements

3.1 Entitlement to repay arrears over two years will discourage prompt repayment adding significant cost

Our response

- Entitlement is to *not more than* two years – clause 79(1)(a)
- Retailers are not expected to automatically provide a two year option – Draft Guidance Note 4.6.4
- Customers are expected to take reasonable action towards paying for their energy use and repaying their arrears – clause 83
- Customer payment proposal should be proportionate to their arrears – Draft Guidance Note 4.14.8

3. Payment arrangements

3.2 Separate payments for ongoing use and arrears would lead to operational complexity and may cause customer confusion.

Our response

- A payment arrangement that combines use and arrears will comply with the Code – clause 81(2)
- Allowing flexibility in the design of payment arrangements – clause 82(3).

4. Customers getting caught in the system

Customer capacity to vary payment arrangements, and retailer obligation to have regard to customer circumstances would result in indefinite assistance.

Our response

- Giving retailers the discretion to extend the payment arrangement beyond 2 years (clause 81(3)(b)) **acting fairly and reasonably** after taking the customer's circumstances into account (clause 89(1)(a)).
- Allowing retailers to cease providing assistance if the customer **refuses or fails to take reasonable action** towards either paying for their on-going energy use and/or repaying their arrears (clause 83).
- Introducing a series of **disconnection safeguards**

5. Default assistance

Cost of implementation and uncertainty over outcomes for customers

Our response

- We have removed default assistance
- We have introduced a series of *disconnection safeguards* including:
 1. Issue of a reminder notice within 21 days of pay-by-date – clause 109(2)
 2. Providing information about tailored assistance within 21 days of pay-by-date – clause 80(1)
 3. Disconnection warning notice to include information about customer entitlements and how to access assistance from government or community service providers – clause 110
 4. Part of the best endeavours obligation to contact a customer who has been issued with a DWN will be to provide information on the available assistance – clause 111A(a)(vii)
- Committed to further work and pilots/trials on engaging unengaged customers
- Increased the minimum disconnection amount to \$300 (as per NECF)

* There is no section in the Code titled “disconnection safeguards”.

5. Restriction on transfer

Customers who have repayment of their arrears on hold (in tailored assistance), should not be prevented from being able to transfer to another retailer.

Our response

We have removed the restriction on transfer.

6. Implementation date

The phased implementation model may cause customer confusion and complexity in training staff and updating systems for retailers.

Our response

We have opted for a consolidated implementation plan that will see all new assistance arrangements come into effect from 1 January 2019.



Ron Ben-David

Chairperson, Essential Services
Commission



Pathway to commencement

End 2017: Finalise guidance note

Early 2018: Government to amend the *Essential Services Commission (Energy Industry Regime) Regulations 2016* to align with the new payment difficulty framework

1 July 2018: Implementation of revised disconnection threshold

During 2018: Update of Compliance and Performance Reporting Guideline

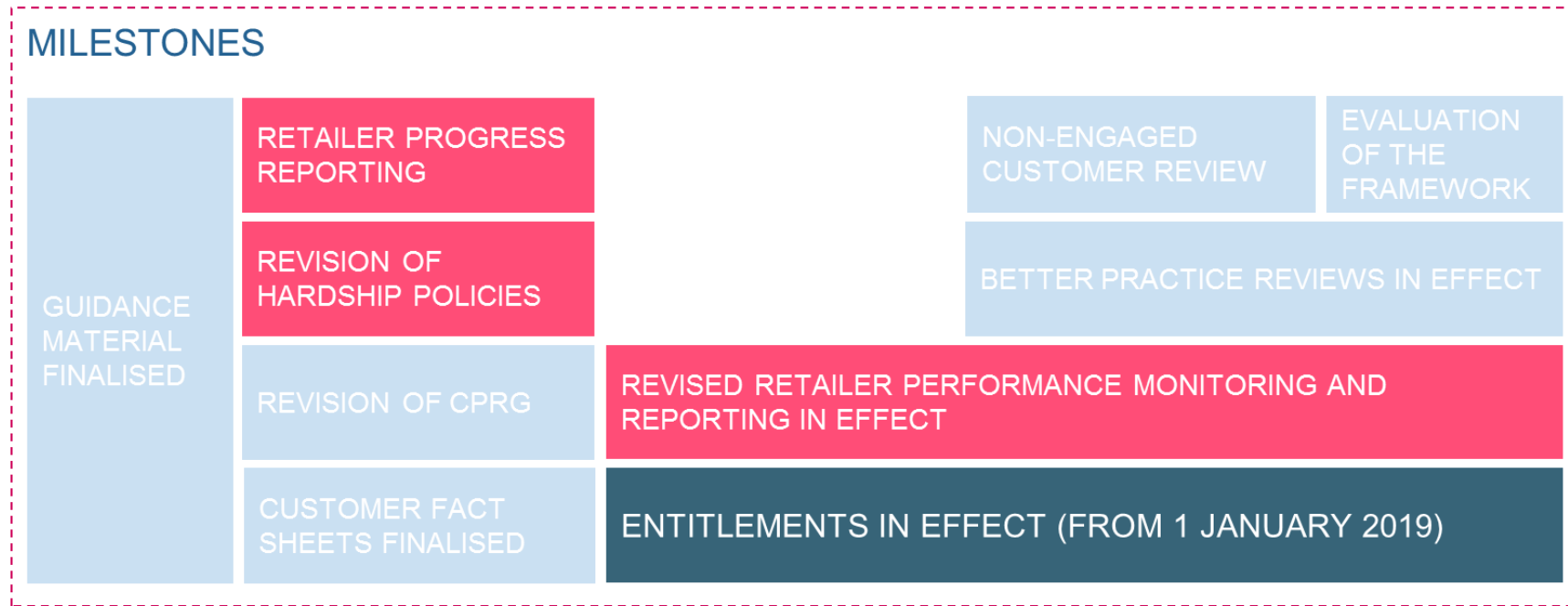
Monitor retailer progress

Revision of hardship policies

Development of customer fact sheets

1 Jan 2019: Commencement of new framework

Overview of milestones



* Introduction of the revised minimum disconnection threshold (1 July 2018)

** Amendment of the *Essential Services Commission (Energy Industry Penalty Regime) Regulations 2016*

Next steps: Draft guidance note - consultation

We are interested in receiving feedback on all aspects of the guidance note, in particular the **clarity** and **completeness** of the:

- description of obligations
- explanation of how to interpret obligations
- examples provided of obligations in operation and better practice.

Draft guidance note - consultation

Submissions

Open: 10 October 2017 (today)

Close: 8 November 2017

Please email to paymentdifficulties@esc.vic.gov.au or send via post to:

Essential Services Commission

Level 37, 2 Lonsdale Street

Melbourne Victoria 3000

Guidance note – stakeholder forum

Objective: to seek feedback from interested parties on the clarity and completeness of the draft guidance note.

Date: Tuesday 24 October 2017

Venue: Mercure Melbourne (Treasury Gardens)

An agenda will be circulated closer to the event date.

Guidance note - timeline

Time	Consultation step
Tuesday 10 October 2017	Stakeholder briefing Presentation of final decision, version 12 of the Energy Retail Code and draft guidance note.
Tuesday 24 October 2017	Stakeholder forum The purpose of this forum is to provide stakeholders with the opportunity to question or comment on the draft guidance note, and to make alternative suggestions where there is concern. Invitations will be distributed closer to the event date.
Wednesday 8 November 2017	Submission period closes.
End of 2017	Release of guidance note.

Questions



Closing remarks



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