



14 July 2020

Ms Kate Symons  
Chair  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne Victoria 3000

Electronically: <https://engage.vic.gov.au/supporting-energy-customers-through-coronavirus-pandemic>

Dear Ms Symons

**RE: Supporting energy customers through the coronavirus pandemic 2020**

Origin Energy appreciates the opportunity to provide a submission in response to the Essential Services Commission's (ESC) consultation *Supporting energy customers through the coronavirus pandemic*.

Origin supports measures to assist customers during the current crisis. We note the significant impact on the retail operating environment and the fundamental shift in the retailer / customer relationship presented by these measures. In particular, the ability of retailers to make objective business decisions has been partially subsumed by the need to provide increased customer support. The current situation is far from business as usual and we consider it critical that any regulatory response is both adaptive and flexible.

While we support the intent of the measures proposed by the ESC, we believe they require some modifications to ensure they deliver the intended outcomes. In this regard, it is vital that the ESC and retailers are able to work together cooperatively to understand how these customer support initiatives can be best implemented to deliver the intended outcomes and ensure retailers are able to continue to operate in a sustainable way.

Origin's views and suggestions on how the ESC's proposed measures could operate more effectively are set out below.

**Residential customer support**

*Draft decision 1: Supporting utility relief grant scheme applications*

Origin agrees that retailers have a role to play in assisting customers with Utility Relief Grant Scheme (URGS) applications. We believe that by retailers assisting customers to complete and lodge the URGS form online will result in a significant uptick in completed applications being lodged; which is a positive customer outcome.

In turn it is vital that the assessment process is accessible and transparent and that the Department of Health and Human Services (DHHS) has the capacity to accommodate this increase in application activity.

Once a retailer lodges the URGS form electronically they cease to have visibility of an application's status in the portal. This is important because when a retailer lodges an application, they put the customer's account on hold meaning they don't undertake any collections activity or contact the customer regarding any accruing debt until DHHS complete its assessment. For this reason, real-time visibility is important, rather than intermittent status reports.

Even with the retailer processing forms, in many cases the DHHS requires additional information to fully assess the application. Lack of visibility in the retailer portal means front line agents cannot provide accurate advice to customers about the status of the application, whether and what further information is required, or when they might expect to have an outcome. We believe this ought to be addressed so that customers can remain informed and engaged in their application.

We also consider that to date, a significant number of applications are not being assessed and completed within an acceptable time frame. We also feel this problem is clouded because we understand that any application outstanding for longer than 90 days is cancelled, regardless of the reason for the delay. We believe this creates a negative customer outcome because customers who had made legitimate claims for assistance are made to re-start their applications, resulting in potentially more accrued debts over the application period.

Therefore, we believe that greater transparency is needed on the status of a customer's application and that the DHHS complete their assessment as soon practicable – thereby alleviating application failure rates and improving customer assistance.

Finally, the URGS application form is long and possibly too complex for a customer complete and expectations for information to meet criteria is not clear. We consider that the ESC should work with DHHS to review the URGS application to ensure the information needed is consistent with expectations regarding the sort of information a retailer can ask of customers.

#### *Draft decision two: Offering tariff checks*

The ESC proposes for retailers to conduct a tariff check to be extended to all residential customers receiving tailored assistance, not just those who cannot afford the ongoing cost of their energy. This would require retailers to go beyond providing the best offer message on a customer's bill, by proactively contacting customers receiving tailored assistance to discuss whether another tariff would be more appropriate based on their circumstances.

Tailored Assistance consists of two 'tiers', divided by whether or not a customer can meet their ongoing energy usage costs. Tier one Tailored Assistance customers can meet the costs of their ongoing energy use, and currently a tariff review is not required for these customers. Tier two Tailored Assistance customers cannot afford their ongoing energy costs and a tariff review must be undertaken, since any available reduction in costs would be of both immediate and long-term benefit.

We believe that when a customer approaches their retailer with respect to trouble paying their bills, as part of that conversation the retailer is to have a discussion about the most appropriate plan for that customer; irrespective of whether they receive Tier one or Tier two assistance. Furthermore, with respect to Tier two tailored assistance customers, we are in regular contact with these customers to discuss their circumstances. As part of this we endeavour to ensure they are on the best plan.

Notwithstanding, we understand the ESC's concerns to ensure all customers experiencing payment difficulties should have access to the best available plan. While this is not a costless exercise, we believe that the most practicable way of extending this to all tailored assistance customers is at the customers' next payment plan review. If their next bill is prior to the plan review date, then the notification could be through a best offer message either on the bill or via their preferred method of communication; whichever is earliest.

#### **Small business customer support**

Origin supports the intention that retailers provide consistent options for small business customers who may be under financial stress. However, Origin does not consider that this support should mirror the full suite of protections available to residential customers, or the mechanism through which they are triggered because business customers require different types of support measures compared to residential customers.

*Draft decision three: Small business payment assistance*

The ESC proposes that if a small business contacts their retailer seeking flexibility in the payment of an upcoming energy bill, the retailer must make available certain forms of assistance.

This proposal largely reflects what retailers offer small businesses without any regulatory requirement to do so.

Origin supports the ESC's proposed small-business customer specific list of the minimum assistance options.

*Draft decision four: Payment assistance for small businesses that miss a pay-by-date*

Under the proposed arrangements, if a small business misses a bill pay-by-date, it will be entitled to repayment of arrears over not more than two years by payments at regular intervals of up to one month. Retailers will also be required to complete a tariff check to find a contract that is most likely to minimise the small business' energy costs, based on the retailer's knowledge of the small business' pattern of energy use and payment history

We agree that there is a benefit in having a base level of assistance. However, Origin does not consider that providing specified extended repayment terms should be regulated. We consider that retailers should have the flexibility to determine in discussions with their customers which assistance measure best meets their needs and having individually tailored solutions rather than mandated solutions that may not be in the best interest of either party.

Further, small businesses may habitually pay their bills on a particular date rather than their billing pay-by date, as this suits their cash flow or accounting practices. As such, a missed bill pay-by date is not of itself an indication of a cash flow problem. A requirement to proactively provide a plan over an extended payment period is unlikely to address this practice. Small business customers also accrue larger debts more quickly than residential customers. A survey conducted by the Australian Bureau of Statistics (ABS) of the impact of the pandemic on small business found that 48% of small business owners were less than three months from being unable to continue operations<sup>1</sup>. These factors combined in a period of economic downturn and uncertainty create a greater risk of bad and doubtful debt that retailers would be required to carry.

To ensure that small business customers are aware of the assistance that is available, and encourage outstanding energy bills to be addressed early, Origin suggests that if a customer misses the pay-by date of their bill then the retailer contact the customer using their preferred contact method and let them know that the options set out in draft decision three *small business payment assistance* are available. However, the customer would need to actively take up their preferred assistance option rather than have it automatically apply. This would ensure that small business customers were aware of and could access the support available within retailer resourcing capacity.

### **Network Support Package**

A network support package needs to differentiate between whether it is intended to support the financial resilience of the retail sector by reducing the cash flow pressures on retailers or provide direct bill relief to customers.

We believe that deferred network payment arrangements provide only limited benefit because these network payments will nevertheless remain a future liability for retailers. However, we believe the greater

---

<sup>1</sup> <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/5676.0.55.003Main%20Features5June%202020?opendocument&tabname=Summary&prodno=5676.0.55.003&issue=June%202020&num=&view=>

risk to retailer failures relates to any potential material change in bad and doubtful debts because retailers may not recover enough future payments from their customers to remain viable.

This issue could potentially emerge when government stimulus ends, and customer deferred payment arrangements stop with other institutions. This risk would be further compounded with expected higher unemployment rates.

The scope and scale of COVID-19 impacts for retailers remain extremely difficult to forecast because much of the data to provide a clear picture is unlikely to be available until later in 2020. However, there is a risk of a notable increase in retailer bad and doubtful debt. It is this potential ongoing bad and doubtful debt accrual that is of greater concern to retailers, as it could represent significant and enduring reduced recoveries.

We consider that a broader review of the financial impact on customers and retailers should be conducted once more data is available. This will allow regulators and policy makers to make a more informed decision regarding what additional measures should be considered to support the market.

If you have any questions regarding this submission, please contact Courtney Markham in the first instance on (03) 9821 8086 or [Courtney.Markham@originenergy.com.au](mailto:Courtney.Markham@originenergy.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean Greenup', written over a light grey rectangular background.

Sean Greenup  
Group Manager Regulatory Policy  
[sean.greenup@originenergy.com.au](mailto:sean.greenup@originenergy.com.au)