

14 July 2020

Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne Victoria 3000

Submission via portal: <https://engage.vic.gov.au>

**Re: Consultation on draft decision – Supporting energy customers through the coronavirus pandemic**

Simply Energy welcomes the opportunity to provide feedback on ‘Supporting energy customers through the coronavirus pandemic’ as a part of Essential Services Commission’s (ESC) draft decision consultation with proposed new guideline and amendments to the Energy Retail Code (ERC) for residential and small-to-medium enterprise (SME) consumers affected by the pandemic.

Simply Energy is a leading energy retailer with over 725,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a consumer-centric organisation focused on continual growth and development, Simply Energy supports the overall intent of the proposal to improve and expand the protections for residential and SME customers. Simply Energy has also been working closely with the Australian Energy Regulator (AER) to ensure customers affected by the pandemic across all jurisdictions, not limited to Victoria, receive adequate support and protections.

Simply Energy has reviewed the draft rules in light of maintaining a balanced regulatory framework that facilitates competition as well as delivers positive consumer outcomes in the market. While Simply Energy supports the intent, Simply Energy urges the ESC to consider a more flexible and adaptable approach, in line with other jurisdictions. This perspective informs Simply Energy’s responses to the questions raised by the ESC in the following areas:

- Utility Relief Grant Scheme (URGS) application process for residential customers (related to draft decision 1)
- Tariff check entitlement to all customers receiving tailored assistance (related to draft decision 2)
- Proactively contacting customers receiving tailored assistance (related to draft decision 2)
- Payment flexibility for small businesses (related to draft decision 3)
- Payment assistance for small businesses (related to draft decision 4)
- Network relief package
- Other considerations and next steps

**Note:** Due to the statistics provided in the detailed sections, please consider this submission as confidential, however it can be published publicly with the relevant sections unrevealed.

## Residential customers - Utility Relief Grant Scheme (URGS) application assistance

### ***Draft decision 1:*** Supporting customers to complete and lodge utility relief grant applications

ESC has proposed an ongoing requirement to support customers in applying for utility relief grants, including by completing application forms over the phone and submitting them online where possible and with the customer's consent. While Simply Energy is generally supportive of this proposal, and in fact already providing this service to its customers, there are a number of issues in the end-to-end processing of the URGS application and unless those barriers are resolved, application filling assistance will not be as beneficial to the customer as described in the draft decision. Some of the issues are detailed below:

- The URGS portal managed by the Department of Health and Human Services (DHHS) needs to be enhanced as it is slow at times, which adds to the application lodgement times, considering this is an ongoing obligation proposed on retailers.
- Customer details need to be filled twice, with same information on the customer form and replicating it again on the URGS portal because except for a few values in the form, nothing gets auto populated in to URGS portal.
- If a customer has both fuels with Simply Energy, i.e. where Simply Energy is the financially responsible retailer for electricity and gas, Simply Energy has to fill two separate applications, increasing average handling times as well as manual effort.
- End-to-end URGS application process has to be reviewed and simplified in order to establish quicker turnaround time for approvals as in some instances, it has taken more than 3 months as opposed to the 28 days SLA, to get a response from the Department of Health and Human Services (DHHS).
- Higher number of access accounts are required in order to enable all trained staff of Simply Energy to facilitate this service, however due to the current constraint on access, only limited number of staff members can log in at a given time which creates a bottleneck in our service.
- System interfacing capabilities should be made available to energy retailers, similar to what Yarra Valley Water has implemented with DHHS.
- Increased average handling time should be fairly compensated, as the current administrative fee of \$41.80 does not cater for the aforementioned constraints.

In relation to **question 1** of draft decision, i.e. "***Are there other measures you think we should be considering to ensure consistent protections for residential customers experiencing financial stress as a result of the pandemic, either in the short or medium term? If yes, please provide details***", Simply Energy suggests the appropriate solution is for the DHHS to simplify the application process, rather than mandate this as a regulatory obligation on competitive businesses in order to deliver efficient and effective customer benefits.

That being said, Simply Energy accepts that during a time of crisis, there is an increased strain on customers, and Simply Energy will continue to support and assist customers fill out the form, however ESC should acknowledge the fundamental issues with the URGS application process and provide directions to the DHHS that in order for retailers to perform their processes in customers' best interest, DHHS should immediately review and implement improvements in their systems/processes, as soon as practicable, and no later than the implementation of this proposed rule.

Simply Energy has processed over [REDACTED] applications in the last 12 months and has noticed a steady increase in applications, however the constraints mentioned above has resulted in a proportional increase in the handling-time of these applications.



In addition to the trend shown above, as well as the aforementioned constraints, Simply Energy has also noticed an increase in average call duration per application, as noted below.



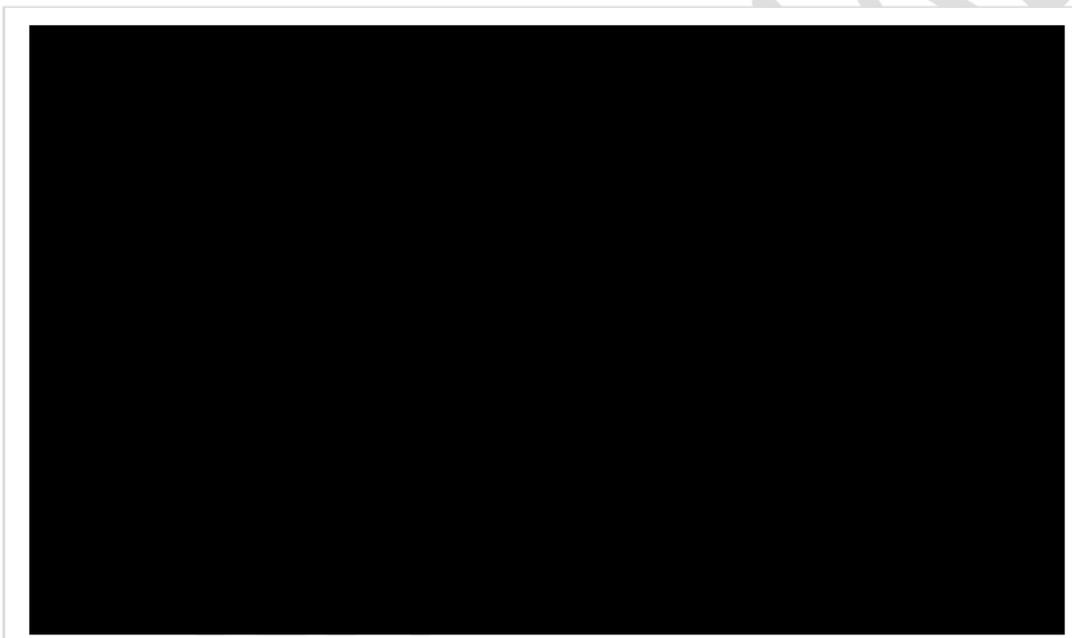
As such, Simply Energy strongly recommends and expects a statement in the final determination, commitment from the Government to streamline the application process to ensure that customers are able to fill out the form on their own, where possible, and/or optimise the process to enable Simply Energy to efficiently provide the information on our customers' behalf.

Residential customers – Tariff checks / Best offer assistance

**Draft decision 2:** Extending tariff check entitlement to all customers receiving tailored assistance

ESC has proposed to temporarily extend the requirement for retailers to conduct 'tariff checks' (as required by clause 79(1)(e)(i) of the Energy Retail Code) to all customers receiving tailored assistance, rather than just customers receiving tailored assistance who cannot afford their ongoing energy costs. Simply Energy considers 'tariff checks' associated with retail tariffs, which can also be used interchangeably with 'best offer', and based on this assumption, acknowledges the draft decision and the immediate need to assist customers that require tailored assistance.

Simply Energy has more than [REDACTED] customers that require some form of payment assistance. Further breakdown is provided in the figure below:



Simply Energy currently provides 'best offer' advice to customers entering the payment assistance framework and as indicated earlier, this is an additional measure Simply Energy has in place, which is beyond the 'best offer' advice on customer's bill. It provides a competitive and reputational advantage over other retailers however including this in the Energy Retail Code (ERC) might not necessarily be the optimal solution. While Simply Energy accepts and supports a time-bound requirement for new customers entering into tailored assistance, Simply Energy do not support the proposed rule in the way it is prescribed which would require retailers to proactively contact customers, that are already receiving tailored assistance, to discuss whether another tariff would be more appropriate.

Considering the sheer volume, i.e. in the order of magnitude of thousands of customers, proactive engagement on tariff checks is neither viable, nor useful because of the following reasons:

- Proactive contact would increase, if not exhaust, Simply Energy's capacity to contact customers, quite significantly, for limited or no value Simply Energy is conscious that the ever-changing state of COVID-19 means that there is ongoing risk to business continuity, and that increasing resource reliance in this environment may not be in the best interest of customers.

- Customers might already on the best available offer and/or not contactable.
- Simply Energy considers 'tariff checks' same as the 'best offer' advice that is provided on customer's bill, however the draft proposal simply extends the 'best offer' approach to be provided much more frequently, which could be in-between customer's billing periods. Since the best offer/tariff check advice works on complex algorithmic calculations, unless there's sufficient sample data, increased frequency could prove to be a riskier approach because of the volatile energy consumption data trends during the pandemic.
- One of the key challenges in performing 'tariff checks' is to manage the complexities of network tariffs, especially with time-of-use controlled load and demand tariffs. Simply Energy has noticed that some networks (in NSW) have reduced the demand component to '0' and this principle can assist in the short-term if applied across all networks.

Simply Energy notes that the ESC has not provided any evidence that warrants the need for proactive engagement as this will clearly increase costs to retailers (more broadly) and consumers.

Simply Energy notes that customers on tailored assistance will continue to get best offer messages on their bills, and if they are unsatisfied with the offer they are on, are welcome to seek a better deal at any time by contacting their retailer.

#### Small to medium enterprise (SME) business customers – Payment flexibility

**Draft decision 3:** Payment flexibility to help SME businesses avoid getting into arrears with their retailer.

ESC has proposed temporary measures to provide SME businesses with clarity on the minimum level of payment assistance they should expect from their retailers through the coronavirus pandemic, including, offering all SME business customers access to 'Standard Assistance' options available to residential customers, including payment deferral for one billing cycle.

Simply Energy acknowledges that providing flexibility to customers during this crisis is beneficial to all parties, and appropriately balances the risks faced by retailers in holding additional debt, with the benefits seen by SMEs. As such, Simply Energy supports the intent of this draft rule and is working closely with its SME customers on a case-by-case basis, in order to provide 'bespoke' assistance.

As ESC has noted retailers current practices to support SME customers, Simply Energy has allowed small businesses to temporarily access payment plans, payment deferrals and tariff checks (including a combination of different forms of assistance) and have also included messages on bills and other digital platforms (including website and mobile app) to communicate the assistance available to small business customers. However, Simply Energy notes that the ESC is proposing a residential framework, that provides a minimum set of protections, to be implemented for SME customers, i.e. to align 'Standard Assistance' of Payment Difficulties Framework (PDF). Due to the following reasons, Simply Energy's view is not to mirror this framework for SME customers that are more suited for residential customers.

As such, in response to ESC's **question 2**, i.e. "***Are there other measures you think we should be considering to ensure consistent protections for small business customers experiencing financial stress as a result of the pandemic, either in the short or medium term? If yes, please provide details***", Simply Energy suggests the difference between the needs and expectations of SME customers should be acknowledged, and not compared with residential customers and, therefore, recommends:

- 'Bespoke' assistance program for SME customers, e.g. SME assistance or small business assistance, instead of standard assistance.
- Provide range of 'recommended' voluntary requirements, that may include the ones listed in the draft proposal.
- Empower and enable retailers to apply these requirements, on a case-by-case basis as required, instead of mandating 'minimum' set of requirements that might work against customer benefits.

#### Small to medium enterprise (SME) business customers – Payment assistance

##### **Draft decision 4:** Payment assistance for small businesses that miss a pay-by-date

ESC has proposed retailers should offer all small business customers who miss a due date, an option to repay their arrears over a two-year period and conduct a tariff check to ensure that customers paying high standing offer prices will be informed of their retailer's best offer for them. Simply Energy notes that this draft decision has two separate set of requirements and although Simply Energy is not supportive of approach prescribed in draft decision, the intent in principle is accepted and acknowledged.

This draft decision proposed for SME customers is a replica of residential customers' tailored assistance program and as mentioned earlier, these two market segments should be supported separately, according to their individual requirements. While Simply Energy is continuously providing its support to small businesses, Simply Energy is becoming increasingly concerned regarding the credit risk and subsequent bad debt from a growing tranche of SME's that may not survive the pandemic. Business failures are artificially low at the moment due to federal support measures and as more business failures crystallises, energy retailers will face a significant risk to absorb material amounts of bad debt. Moreover, these requirements are proposed be in place from October 2020, which is the tentative date the Australian Government suggests for most industries, economic stimulus will no longer be required/provided. As such, it is inappropriate to require competitive businesses to provide welfare in instances where the government itself considers it should not. In practice, Simply Energy would be required to carry vastly more debt than they otherwise would, and not be compensated for that risk.

Simply Energy proposes that the ESC require retailers to take steps to provide support to their small business customers to mitigate ongoing debts. The manner in which that support is provided need not be regulated, but rather, retailers should be empowered to work with their small business customers to find tailored solutions that meet their individual requirements.

Simply Energy has more than [REDACTED] customer accounts across Victoria and since mid-March 2020, Simply Energy has ceased disconnections for non-payment (DNP) as well as disconnections for non-identification (DNI) throughout Victoria and other jurisdictions. The key principle that has worked for Simply Energy and customers is continuous and appropriate level of engagement. Simply Energy has a robust process in place to ensure that DNPs and DNIs are used as a last resort. In the last four months, Simply Energy has noticed that the number of DNPs and DNIs have reduced to zero, however inversely proportional to this reduction, Simply Energy has noticed an upward trend in SME's assistance programs that Simply Energy has implemented on a voluntary basis. General observations are shown below:

Simply Energy has noticed and projected its cashflow impacts, that can also be derived using above trends (simplistic analysis shown) as more customers will seek assistance on payment options. However, Simply Energy's key concern is that by not disconnecting, there is a volume of customers not engaging as there is no obstacle to payment delinquency at this time, and this creates a ripple effect on bad debt accrual. As such, Simply Energy suggests that the ESC acknowledges the need to encourage engagement between customers and retailers so that customers can access appropriate support and avoid ongoing debt accrual.

In response to question 3, i.e. *"We are proposing that 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. Do you think that two years is an appropriate length of time for small business customers to be asked to repay their arrears? If not, please provide details about what alternative would be appropriate"* Simply Energy notes that as per the draft decision, retailers will be unable to commence or continue with debt recovery proceedings (or sell or otherwise dispose of the debt) for small businesses receiving assistance under this temporary assistance program, as well as unable to disconnect a small business for non-payment if the business is on a payment plan. Based on these additional requirements, Simply Energy strongly opposes the proposed payment plan length of 'up to two years' and suggests a more flexible and bespoke mechanism should be considered to support SME customers, as Simply Energy has been doing until now. A six-month payment plan provides the appropriate support, considering there's always a level of flexibility provided to customers where extensions can be granted on a case-by-case basis.

Simply Energy notes the two alternative options provided in the draft decision and supports the temporary assistance program should cease to accept new entrants after 31 December 2020 (which aligns with the Australian Energy Regulator's rule change proposal to allow retailers to defer paying network charges change for up six months), provided the length of payment plans for SME customers is not as prescribed by in the draft decision, i.e. up to two years.

As shown in the figure above, longer debt-recovery cycle will result in more adverse cashflow impacts than observed currently. While Simply Energy agrees that there should be a prohibition on disconnecting a customer who may be in financial stress, where customer has made some form of contact with us and enters a payment plan or hardship program, Simply Energy also consider it vital that ESC should take a flexible approach to the development of payment plan arrangements, no longer than six-months, and empower retailers to provide the best solution for their SME customers.

Moreover, in response to question 4, i.e. *"We are proposing a temporary entitlement to payment assistance for any small business that misses a bill pay-by-date. Do you think it would be practical or appropriate to restrict eligibility for payment assistance to small businesses that meet a set of criteria for financial stress? If yes, please provide details about what criteria would be appropriate"*, Simply Energy suggests that there should be no distinct obligations based on customers contacting before or after the due date, to avoid unnecessary convolutions in the process. Payment assistance should work seamlessly for the customer who's in need for assistance and hence these over-prescribed requirements should be simplified.

Simply Energy considers that retailers should be appropriately incentivised for implementing these measures, including, not limited to Victorian Default Offer cost-stack adjustments to ensure the costs are best placed on parties that can mitigate the risk associated with cashflow impacts.

### Supporting the implementation of the network relief package

Simply Energy notes that the ESC has not drafted or proposed any decision associated with the network relief package, more commonly known as the Energy Networks Australia (ENA) relief package. Simply Energy is seeking clarification from the ESC regarding its request for information, considering it was a voluntary set of requirements managed between retailers and network businesses. Although Simply Energy participated in the ENA relief package, the package itself could not provide any material benefits to the end customer, because of the way it was designed by individual network businesses.

In relation to question 5, i.e. *"Do you think the current relief package to retailers has worked the way it was intended? Please provide details to explain your answer"*, some of the insights are provided below:

- ENA relief package was a time-bound relief program, that coincided with the federal government's support (e.g. Jobkeeper/Seeker) which staved-off short term bad debts and minimised the number of customers deemed eligible for the ENA's relief package. Simply Energy continues to believe that there will be a concerning level of bad debt across the retail energy sector, which will now be managed outside the ENA support package timing.
- For SME customers, it was somewhat beneficial however only limited to the list of customers sent by the networks to retailers, that were based on >75% reduction in consumption over a period of time along with other eligibility criteria.
- A large number of SME customers, with not such a significant reduction in consumption, contacted Simply Energy and were put on to payment plans however they could not get any benefit from the ENA relief package and network rebates due to the stringent eligibility criteria.
- For residential customers, ENA relief package was onerous, as the network charges were deferred and not rebated, and hence the cost, effort, training and messaging that has been invested in implementing the solution has not outweighed the benefits, definitely not from Simply Energy's perspective.

To make it easier and beneficial for customers, and in response to question 6, i.e. *"Do you think anything further should be put in place in Victoria after the initial relief package to retailers ends, for example a deferral of network charges similar to the rule change that the Australian Energy Market Commission is currently consulting on? If yes, please provide details"*, Simply Energy suggests that ESC should influence Victorian networks to eliminate the 'threshold' concept moving forward, and if a SME customer has been put on a payment plan, they should be eligible for network rebate/relief.

## Other key considerations and next steps

Simply Energy notes that the proposed obligations have cost implications and as per the principles of the VDO, ESC should ensure that retailers are compensated for all efficient costs they incur, and the ESC must clearly identify these costs that come from these proposed rule changes prior to their implementation.

Also, Simply Energy does not consider that there is sufficient evidence of consumer advantage that would warrant the ESC imposing these obligations through regulation. As noted in the draft decision, majority of retailers, including Simply Energy, are providing appropriate support beyond these proposed rules and hence introducing a concept of 'minimum requirements' which works quite well in the technical industry, can result in a backward step for customer protections / entitlements.

Simply Energy considers that an issues paper should've been provided with key evidence before a 'draft decision' was published. Nevertheless, Simply Energy suggest that the ESC should consider alternative approach in order to implement these principles, and not by updating the Energy Retail Code', similar to what the Australian Energy Regulator (AER) has achieved via 'Statement of Expectations'. Regulatory priorities have increased significantly over the past few months and once the cost of implementing these requirements are determined by the ESC, Simply Energy expects the VDO to be increased to capture the increased costs of retailing in Victoria.

### Concluding remarks

As a general principle, Simply Energy considers these proposed rules can have a significant and adverse impact on competition, and a backward step from current best practices that Simply Energy already provides to customers. Regulating a 'minimum set of requirements' can have consequences on customer benefits and can pose a threat to ongoing market viability. Simply Energy believes that even with an adequate lift in the VDO calculations for 2021, the rate of recovery would be spread over 12 months after implementation. As such, while Simply Energy agrees with the ESC that all customers should receive support from their energy retailer during this period of crisis, due to the lack of evidence of market failure and significant incentives for retailers to support their customers to pay their debts, Simply Energy cannot support unnecessary interventions in the market at this time.

Simply Energy considers that there is a strong need for industry-wide collaboration and cooperation. In closing, Simply Energy supports the intent of the rule change proposal provided the approach is altered, putting greater accountability on parties that can mitigate risk associated with cashflow impacts, and distributors provide additional relief measures.

Simply Energy would welcome the opportunity to engage with the ESC, as well as other key stakeholders to further explore any gaps in the current process that can be identified and hence worked on. Simply Energy looks forward to engaging with you on these matters. If you have any questions or would like to engage in discussions with Simply Energy, please contact Aakash Sembey, Industry Regulations Manager, on [REDACTED] or [REDACTED]

Yours sincerely



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