



**SUBMISSION TO THE INQUIRY INTO  
THE FINANCIAL HARDSHIP  
ARRANGEMENTS OF  
ENERGY RETAILERS**

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**THE SALVATION ARMY VICTORIA  
SOCIAL PROGRAMME AND POLICY UNIT**

**29 APRIL 2015**



*The Salvation Army, Australia Southern Territory – Victorian State Council:  
Submission to the Inquiry into the Financial Hardship Arrangements of Energy Retailers*

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## 1. INTRODUCTION

The Salvation Army would like to thank the Essential Services Commission for the opportunity to offer feedback to the *Inquiry into the Financial Hardship Arrangements of Energy Retailers* in Victoria.

Across the state, The Salvation Army operates 62 Community Support Services that together provide assistance to tens of thousands of Victorians in financial crisis every year. The inability to meet the cost of essential utilities is second only to the cost of housing as the key driver of financial difficulties for those who seek our help. Feedback gained from our Community Support Services staff and financial counsellors suggests that rising numbers of people are struggling to pay their energy bills and are either at risk or have already been disconnected. As costs of living continue to rise, this is only likely to get worse unless energy retailers can do more to support customers to make their repayments and avoid disconnection.

## 2. PRINCIPLES

The Salvation Army believes that the principles of regulation listed in the discussion paper are relevant and appropriate. However, we feel that the principles of efficiency and proportionality could be more broadly defined so that they have mutual benefits for both providers and consumers.

An efficient regulatory framework is described in the discussion paper as when “retailers are able to assist customers in financial hardship consistent with their legal obligations such that the net cost of compliance is proportionate to the net benefit produced.” This is a reasonable principle that protects energy retailers from undue costs, but it should be applied to consumers as well, so that they don’t accrue unreasonable costs either.

We are pleased that the Commission recognises that energy is fundamental to economic participation and wellbeing and that depriving households of energy can have adverse social consequences for people, particularly those with low incomes or other vulnerabilities such as poor health. The consequences of disconnecting a consumer’s energy should therefore be proportional to the cost incurred by the energy retailer of keeping a consumer connected, even if they are put on a reduced tariff.

People come to The Salvation Army with hundreds, sometimes thousands, of dollars’ worth of debt in utility, telephone, credit card bills and rental arrears. Their circumstances range from job losses and unemployment to illness, disability, mental illness, addiction, gambling, and long-term poverty. Most are dependent on government income support. They are not only experiencing difficulty paying their utility bills but are also struggling to put food on the table, send their kids to school and keep a roof over their heads. For some people, having their electricity or gas disconnected is the final straw in a world of competing stresses that can result in deteriorating mental or physical health or a relapse in addiction. We understand that energy retailers need to maintain sustainable business models. However, in very few situations do we believe that failure to recoup debt from a customer, or keeping them connected at reduced tariffs will result in such profound negative consequences for energy companies compared with those experienced by the people who seek our help. The principle of proportionality should take these consequences into account.

Recommendation 1: The principles of efficiency and proportionality should take into account the full cost of disconnection to consumers in comparison to the economic cost of continuing to provide energy to that consumer.
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### **3. CURRENT REGULATORY FRAMEWORK OF HARDSHIP POLICIES**

The current regulatory framework looks good on paper. However, we are concerned about how these policies are being translated into practice. Our experience of working with people who are struggling to pay their bills suggests there is a significant gap between what energy retailers are required to do and the reality that consumers experience.

We feel that the current regulatory framework is not explicit enough and is not being enforced. In its current form, energy retailers are able to meet their legal obligations by offering minimal assistance to their customers. This minimal level of assistance is not sufficient for many people who are struggling to pay their bills, as has been evidenced by high disconnection rates. In many cases, this minimal level of assistance, or rather the lack thereof, is a blatant disregard for current regulations.

#### **3.1 The Salvation Army Experience**

Financial counsellors and staff members working in our Community Support Services were consulted to prepare this submission to understand their experience on the ground compared to written policy. These consultations identified a number of gaps in current practice.

##### **3.1.1 Inappropriate payment plans**

The majority of people who come to us for help with their energy bills have already engaged with their energy retailer and have either previously participated in, or are currently participating in, a payment plan or bill smoothing option. However, clients report to their financial counsellors that these payment plans are still too high and they cannot make the payments. Clients who have continued to engage with their energy company report that they do not feel listened to when they tell their energy company that they cannot afford the repayment plan. This is at odds with the Energy Retail Code which stipulates that payment plans must be reasonable and flexible to respond to individual circumstances.

Current practice also appears to lack transparency regarding customers' rights. When asked why they agreed to a payment plan that they knew was unaffordable, customers said they simply did not know they could negotiate with the energy company for a lower rate and did not want to 'rock the boat' by asking for a lower rate. Instead they felt obligated to accept the payment plan offered to them. Our experience suggests that energy retailers are currently not doing enough to ensure that their customers know their rights when seeking a hardship policy or payment plan.

Data from our Community Support Services indicates that the majority of people who come to The Salvation Army looking for help to pay their energy bills get their primary source of income from government payments. Approximately 43 per cent of clients are on the Disability or Aged Pension, 21 per cent are on Newstart and 14 per cent are on a Parenting Payment. Given the low level of these fixed payments, The Salvation Army is concerned that energy retailers are not willing to show more flexibility and understanding for people's individual situations. Instead our clients and staff say that energy retailer staff are mostly unhelpful on the phone and seem to be very process driven, instead of taking the time to get the best outcome possible for every customer. Energy retailers seem to be overly concerned with recouping a customer's debt within a given time frame regardless of whether the customer can afford to pay off their debt at that rate. Inevitably customers fall behind on their payment plans and are subsequently disconnected.

A possible way to measure that payment plans are set at affordable rates for customers is to ensure payments are not set at a rate higher than a certain percentage of a customer's income. Energy retailers should work with customers to design a payment plan that is affordable for them

over a longer period of time or until the amount is paid off and use this percentage cap as a reference point. For example, an energy customer on the Aged Pension living in public housing has 75 per cent of their income left after paying rent and could afford to pay 10 per cent of their income towards utilities. However, a customer on Newstart living in private rental could be paying as much as 80 to 90 per cent of their income just on housing and would not be able to survive paying a utility bill set at 10 per cent of their income.

Working with customers to set affordable payment plans and using this percentage cap as a benchmark would ensure that payment plans are set at rates appropriate to individual circumstance and that customers received a consistent response from energy retailers. This practice would reflect current policies in public housing which acknowledge that it is not affordable to be paying more than 25 per cent of a household's income in housing costs. Such a policy would also help prevent disconnection as a result of faulting on a payment plan and ensure that energy retailers recovered some of the cost of providing energy to that household, even if not recovering costs in full or over a longer period of time.

Recommendation 2: Energy retailers should offer lower payment plans over a longer period of time before resorting to disconnection. For customers who demonstrate an inability to comply with their current hardship program, these should be capped at 10 per cent of their income.

### 3.1.2 Predominately passive support offered

The Salvation Army is also concerned that the most common type of support offered to customers by energy retailers is passive support, which places the onus on the customer to follow up on their arrears.

The following actions are considered passive:

- Mailing bill payment reminders and disconnection warning notices;
- Mailing customers Utility Relief Grant (URG) forms which the customer needs to fill out and send in;
- Mailing customers an information booklet with their rights and obligations;
- Mailing information booklets with a phone number 'referring' customers to a support agency;
- Texting customers with reminders of bill payments.

The above actions are undoubtedly the first and most common responses made when energy retailers notice that a customer is falling behind in their payments. For many individuals, this form of support will be enough and is reasonable. However, many of the people that we work with struggle with multiple indicators of disadvantage and may not engage with energy retailers unless more assertive efforts are made to reach them. For customers experiencing multiple disadvantages, the forms of support listed above are not sufficient.

For example, many of the people The Salvation Army works with have poor education outcomes. These individuals may have poor literacy skills and sending notices in the mail or via text message is not an effective way to engage. Similarly, individuals from CALD backgrounds who speak limited English or individuals with an intellectual disability may struggle to understand bill payment reminders, warnings or the options and services available to them.

Financial counsellors also identified mental health as a significant barrier that prevents people from engaging with their energy company. Financial counsellors say it is not uncommon for clients

to come to them with a stack of unopened bills that they are afraid to open because they know they cannot pay. Clients who struggle with depression may feel that they simply cannot cope with their debt or engage with their retailer. Similarly, some clients purposefully avoid phone calls from energy retailers knowing that they are in arrears and cannot pay.

Avoiding energy retailers is ultimately counterproductive and can have negative consequences for people struggling to pay their bills. However, in practice it does not appear that energy retailers are doing everything they can to help allay customers' fears and to help them understand their rights and the options available. Certainly, if a customer calls an energy company and feels unsupported and that they were not listened to, the likelihood that they will engage again is diminished. Financial counsellors also report that SMS messages sent by energy retailers are usually direct and perceived as cold and intimidating. Instead of simply stating that customers are overdue and requesting payment, SMS messages could more appropriately read, "We noticed that you are behind on your payments. Please call a customer service representative to discuss payment options and support available." Follow up house visits should also have a standard response to customers who have not been reached by more traditional methods. A minimum of three visits could be required with a calling card left each time so customers know someone has visited and how to respond.

Recommendation 3: The suite of supports available to energy retailer customers should be expanded to include more proactive supports such as visiting people's homes to follow up late payments when mailing letters and phone calls do not successfully engage the customer.

Recommendation 4: Energy retailer staff should be further trained to respond sensitively to customers who are experiencing hardship and have a better understanding of wider community support services which may help customers to address the underlying issues that are affecting their ability to pay their energy bills.

Recommendation 5: Reminder notices warnings and text messages should be worded more sensitively and more proactively to offer information and assistance to customers that are behind in paying their bills.

### 3.1.3 Energy retailers' discretion to offer support options

As the discussion paper notes, energy retailers can decide which support options are made available to customers. While The Salvation Army appreciates that it is important for energy companies to have some discretion and flexibility in how they deal with hardship customers, we are concerned that most support options are never made available to customers even when those supports could have prevented a customer from being disconnected.

#### *Utility Grant Relief Scheme*

For instance, although the discussion paper identified providing URG applications as the most common form of assistance given to hardship customers, conversations with financial counsellors revealed that most customers do not know about this scheme and energy retailers make no effort to tell customers about it. Furthermore, customers who do know about the URG scheme usually have to call energy retailers repeatedly requesting an application before they are mailed out. Many clients come to financial counsellors having already been refused a grant application form. Financial counsellors reported that even when they call up on behalf of customers, energy companies are more likely to suggest payment plans or bill smoothing options over URG forms, even if specifically asked about the URG scheme. In some cases, financial counsellors have been told that, according company policy, customers are not eligible for the URG unless they are on a

payment scheme, which is contrary to current regulations. These experiences suggest that the onus is upon customers to be assertive in order to access this support, when it is actually their right to access it.

There are also concerns about the level of assistance offered to customers once the URG application has been mailed out. The low rate of URG forms lodged with the Department of Human Services and Health compared with the number of applications mailed out demonstrates how barriers such as those listed in the previous section of this paper may be preventing customers from filling this form out and sending it in. Data presented in the discussion paper points out that once this application is lodged, nearly 90 per cent of applications are accepted. While it is possible that some customers determine that they do not qualify once they receive the application, The Salvation Army suspects most fail to lodge their application because it is too difficult to fill out or to gather supportive evidence.

Energy retailers currently do nothing to help their clients to fill out this form. However, it is The Salvation Army's understanding that the Department of Health and Human Services pays energy retailers an administration fee to mail out URG forms. It is unclear why energy retailers are paid to mail a form but are not required to help customers fill it out. Instead, this task often falls to financial counsellors when clients present overwhelmed and confused by the process. Unlike energy retailers, financial counsellors receive no specific funding to assist clients in this process.

Current practice around the administration of URG applications is not working. As one financial counsellor pointed out, energy retailers cannot disconnect customers once they have mailed the URG application out until the customer lodges their application and it is assessed. This process can take up to several months and requires the energy retailer to continue to supply energy during this time. As a result, energy retailers actively discourage customers from accessing this scheme even though it is the customer's right to do so. When energy retailers finally do provide an application, they are pocketing the administration fee and effectively outsourcing the task of assisting customers to lodge the form to an already under resourced and overstretched financial counselling sector.

If energy retailers determine in conversations with their customers that it is likely that their customer will qualify for the URG, customers should be automatically told of the scheme's existence and be supported to fill out the application. Support could include pre-filled forms, providing evidence of financial hardship, directions on how to complete the form, phone based support and letters of support.

Recommendation 6: Energy retailers should proactively inform customers in temporary hardship of the URG scheme and offer assistance in filling in and lodging the form.
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### *Financial Counselling*

Energy retailers are also not properly referring hardship customers to support services such as financial counsellors as outlined in the Code. When asked if clients seeking help with the utility bills were referred to them by an energy company or came on their own, financial counsellors reported that many clients came of their own accord after contacting their energy company and failing to get a satisfactory answer.

In cases where energy retailers did 'refer' their customers to a financial counsellor, financial counsellors described the process as more coercion than referral. Financial counsellors said that it was not uncommon for clients to frantically call up saying their energy retailer was threatening to



disconnect them and had refused to discuss a payment plan option until the client had contacted a financial counsellor. In many cases, energy retailers had given their customers just a couple of days to contact a financial counsellor before disconnection. This is not an appropriate referral process and places an unrealistic amount of stress on energy customers and financial counsellors. There are not enough financial counsellors to meet demand and almost all Salvation Army financial counselling services have wait times of at least several weeks, sometimes longer. It is unrealistic, unethical, and a breach of current regulations for energy retailers to refuse to discuss payment or other support options with customers until they see a financial counsellor and only give customers a few days to do so before being disconnected.

Refusing to discuss support options with their customers without a financial counsellor denies energy customers their right to support options and removes customers' ability to advocate for themselves. Energy retailers have their own internal dispute resolution centres. They should be working with their customers to resolve energy bill arrears, set up sustainable payment options, help their customers fill out and lodge URG applications. Financial counsellors should be used only as a supplementary support to help customers address other issues and expenses in their lives which may be contributing to their financial stress. Alternatively, if energy retailers want to continue to outsource support for their customers to financial counsellors, energy retailers should be required to form partnerships with community service agencies and jointly fund financial counsellors to meet the demand energy retailers are placing on the sector.

Recommendation 7: Energy retailers should be required to develop internal resources to work with and support customers who are in hardship to resolve energy bills arrears and only use financial counsellors as supplementary supports to help address other issues in customers' lives which may be contributing to their inability to pay their bills.

Recommendation 8: Energy retailers should partner with community services to jointly fund financial counsellors.

#### *Energy audits and appliance replacement*

Unsurprisingly, more intensive supports such as energy assessments and replacing appliances are not commonly offered to customers, as the discussion paper found. However, feedback from our services would suggest that these support options are currently not being utilised at all, at least not with those who access our services. The majority of financial counsellors consulted for this submission were surprised to learn that free energy assessments or appliance replacement schemes were options available to energy customers.

One financial counsellor reported that he was aware of government funded schemes existing in the past, but was unaware of any such scheme being directly funded or provided by energy retailers. For example, the federally funded Home Energy Savers Scheme provided funds through a state-wide community service provider to conduct home energy assessments for energy consumers in hardship. However, the program was discontinued as of June 2014. Similarly, the state funded Home Wise Application and Infrastructure Grant scheme helped health care and pension card holders replace or repair inefficient appliances but was discontinued in 2011. It is The Salvation Army's understanding that a Victorian Energy Efficient Rebate scheme still exists but it does not cover the full costs of appliance replacement and feedback from our financial counsellors suggests that it is not well used.

The discontinuation of these government funded schemes and unwillingness of energy retailers to pick up the cost of offering these supports to customers can have profound impacts on households, particularly those on low incomes. Often the people we work with are in very energy

inefficient houses and may rely on electric hot water, expensive bottled gas, or fan heaters. As energy prices increase, vulnerable households are finding they can never get ahead. Energy audits and assessments and appliance replacements would greatly benefit these types of households and increase their chance of being able to pay off debt or at least stay on top of current usage. Energy companies should do more to help their customers use energy efficiently and reduce their bills. If customers are identified as struggling to pay their bills, and unable to afford payment plans, these supports should be automatically offered.

Recommendation 9: Energy retailers should be required to use internal resources to conduct free energy assessments of customers' homes and if necessary contribute to the replacement of inefficient appliances.

#### *Qualifying for concessions*

Finally, feedback from financial counsellors indicates that energy retailers are not proactively identifying concession customers and are instead relying on customers to self-identify. Again such a practice places the onus entirely on the customer to access this support and we believe is once again a failure of energy companies to pro-actively support their customers and denies energy customers access to supports they are entitled to.

Energy retailers should regularly ask customers if they are a concession card holder to determine if they qualify for a concession tariff. For many customers who are struggling to pay their bills and are currently being put on unaffordable payment plans, being given access to this reduced tariff could be the difference between them being able to keep on top of their payments or falling behind.

Financial counsellors also report that in some cases energy customers will be put on a concession tariff for a year but the concession rate does not always automatically continue for the next year. In many cases, customers do not know they need to call up every year and renew their concession status. They suddenly find themselves with a bill that is much larger than expected, fall behind on their payments and become at risk of disconnection. Once a customer is identified as eligible for concessions, energy retailers should check up with customers annually to determine if a customer's circumstances have changed. In instances where it is clear that a customer's circumstances will not change, as is the case with a disability or aged pension, concession rates should be automatically continued.

The failure of energy retailers to proactively identify concession card holders and adjust their rates accordingly has a significant impact on vulnerable consumers under recent changes to government policy. Concession rates used to be backdated indefinitely if it was determined that a customer had been eligible for concession rates for years prior. In the last several years, policy has shifted and only automatically allows rates to be backdated by one year and two years if the customer applies to DHHS. Further backdating is not allowed. Given the huge impact concession rates can have on low income households' ability to pay their bills, energy retailers should do more to proactively identify concession card holding customers.

Recommendation 10: Energy retailers are required to actively identify customers who are eligible for concession rates and should annually follow up with these customers to determine continued eligibility.

### 3.2 Resolving the gap between policy and practice

Although current policies that regulate how energy retailers are supposed to respond to customers in hardship look good on paper, the reality of practice is much different. Feedback from our financial counsellors suggests that only the most proactive customers are able to access the suite of supports that legally should be available to them. Seeking out these support options currently takes a lot of initiative on the part of clients and we are concerned about the people who do not have the time or capacity to advocate for themselves.

The number of complaints made to the Energy and Water Ombudsman Victoria (EWOV) supports our experience that energy retailers are not effectively putting current regulations into practice and, in some cases, are failing to meet regulatory requirements at all. Instead, it seems that energy retailers are increasingly making the gamble that it will be cheaper to pay out the occasional customer complaint to the Ombudsman after a disconnection, rather than offer genuine support to every customer who struggles to pay their bills. More transparent and easily accessible information needs to be provided to customers and monitored to ensure that regulations are being adhered to, with certain and substantial consequences if they are not.

#### *Customers understanding their rights*

While information about energy customers' rights and the process of disconnection does exist, financial counsellors repeatedly raised this as an issue. Many customers are not aware of various supports that are legally available to them and it is clear from our consultations that energy retailers do not offer this information readily. Financial counsellors described the information that is available as difficult to find, vague, difficult to read and to understand. Because each energy retailer has a different process, it was described as very difficult, if not impossible, to get a clear list of actions that energy retailers had to take prior to disconnecting a customer, such as sending letters, calling, sending text messages, and within what time frames. It was also considered difficult to find simple explanations of energy customer's rights and responsibilities and a list of the support options to which they are entitled.

It is understood that a key barrier to providing this information is energy retailers' ability to develop their own policies and procedures within the current regulatory framework. The Salvation Army feels that allowing this level of flexibility is not achieving good outcomes for energy consumers and making the sector difficult to regulate. Energy retailers' policies and procedures should be standardised and clearly outlined, so that energy retailers and consumers alike understand what is expected.

Improved communication about the rights and responsibilities of energy customers was recommended by financial counsellors as a good way to limit wrongful disconnections. Ensuring customers were more aware of the support options available to them such as the right to ask for a lower payment plan and access to the URG would increase customers' capacity to advocate for themselves help keep energy retailers accountable. Currently, energy retailers send customers information regarding their rights and responsibilities when they connect. This information should be sent to customers again if it becomes apparent they are falling behind in their payments. This information should also be readily publicly available. A wealth of understandable and detailed information about rental agreements and tenancy management is available through Consumer Affairs Victoria's and Tenancy Union Victoria's websites. Similar information should be made available about energy retailer regulations and consumers' rights and responsibilities.

**Recommendation 11:** Policies and procedures regarding hardship customers should be standardised to ensure that customers have a clear understanding of their rights and what energy companies can do and within what time frames.

Recommendation 12: Improved information regarding support options and consumers' rights and responsibilities should be sent to customers when they fall behind in their payments and made available online similar to information available about rental agreements and tenancy management.

*More comprehensive and transparent record keeping*

Energy retailers should also keep more comprehensive records of support offered to customers to help ensure customers were appropriately supported and prevent premature disconnections. Customer files could have records of when reminder letters and disconnection warnings were sent, when staff called, when staff visited the house, if they ever made contact with the customer, and if the customer was successfully linked in with a service and received support. These reports could also detail what supports were offered and if certain supports were not offered, why this was the case. Unless reasons can be given for why supports were not appropriate, all supports should be offered including energy use assessments and appliance replacements or subsidies. Finally, reports could include a summary about why these supports have not worked and why the customer is being disconnected. As a final precaution against wrongful disconnection, reports could be reviewed by an independent committee to ensure that proper procedures were followed and that all reasonable efforts were made to prevent the customer from being disconnected. Finally, a copy of the report could be provided to the customer upon disconnection to ensure that the process is transparent and accountable.

Such a reporting system would help keep energy retailers accountable by ensuring customers received a fair and thorough response from their energy retailer. Individual customer reports could also be aggregated to improve data collected on the quality of supports provided and improve performance indicators. The number of customers offered various supports proportionate to all customers and all hardship customers could be recorded as well as the number of partnerships energy retailers maintain with community support services, how many referrals are made to these partners and how many customers actually receive assistance as a result of that referral, and finally, what percentage of customers who were offered each support went on to be disconnected, make future payments or repay debts.

Recommendation 13: Energy retailers should be required to offer all support options listed in the current regulatory framework unless they can provide a satisfactory reason for why the support was not appropriate.

Recommendation 14: Energy retailers should keep individual customer records of when and what type of support was offered to customers, why certain supports were not offered and why customers are being disconnected.

Recommendation 15: Customer reports detailing support offered should be reviewed by an independent body prior to disconnection to ensure procedures were followed and a copy of this report provided to customers.

Recommendation 16: Aggregate data from customer reports should inform improved performance indicators to assess the quality of supports provided.

*Proactive enforcement*

Finally, regulations need to be properly enforced. The Salvation Army feels that if current regulations were properly adhered to, customer outcomes would be much better and disconnection rates would not be increasing. Clearly regulations alone are not enough to ensure

energy retailers offer quality support to their customers. While we do believe that current regulations need to be tightened, it is unclear how even regulations that are improved to reflect best practice will result in better outcomes for customers if they remain unenforced.

It is not clear what current mechanisms are in place to enforce regulations or what the consequences are for not meeting these standards outside of compensating customers through the EWOV. The capacity of the Essential Services Commission to further enforce these regulations is also unclear. The Salvation Army feels that improved enforcement capacity should be considered as part of this Inquiry or the current gap between policy and practice is likely to remain.

Recommendation 17: Explore opportunities for improved enforcement capacity of current and future energy hardship regulations.

#### **4. OPPORTUNITIES FOR IMPROVEMENT**

If the desired outcome of the regulatory framework is to help customers who are in financial hardship avoid disconnection, the framework is not achieving this objective. The current regulatory framework is a good start but could be tightened and made more explicit to ensure that energy retailers put best practice into action and make genuine efforts to ensure that their customers are offered opportunities to repay arrears and access supports to make future payments more manageable.

Many hardship policies examined in the discussion paper identified best practices that could easily be incorporated into energy retailer hardship policies including:

- Earlier identification of customers who may be struggling to pay their bills
  - Proactively calling customers that may be late paying bills to explain alternative payment options
  - Proactively calling customers in regions where there is a known event that may result in people struggling to pay their bills such as large regional unemployment (Ford factory in Geelong closing) or a natural disaster (bushfire or flood).
- Helping people understand their energy use and reduce it where possible
  - Making energy audits and assessments more common place
  - Helping customers replace inefficient appliances by offering them for free or at a reduced cost
  - Texting customers when they are approaching a certain level of energy use within a given month
  - Shortening customers' billing cycle to monthly bills to reduce 'bill shock'
- Helping customers pay their bills and avoid debt accrual
  - Introducing incentive schemes that reward customers for meeting current payments by incrementally forgiving past debts

In addition to the above actions, The Salvation Army would strongly advocate for more assertive support and outreach offered to customers who are not responding positively to previous attempts to engage such as letters, phone calls and text messages. Visits to customers' properties could be a last attempt to contact customers with calling cards to let residents know that someone has been by.

Energy retailer staff should also be more thoroughly trained on how to respond sensitively and appropriately to customers who are struggling to make their payments. Staff should make customers' rights and obligations clear to them and fully explain all supports available.

Feedback that payment plans and bill smoothing options were being offered to customers at unaffordable rates was a concerning and consistent theme in our consultations. Given the large proportion of people accessing our services who rely on income support payments, The Salvation Army is concerned that individual circumstances are not being taken into account when setting payment plans. Capping payment plans at a percentage of the customer's income could ensure that payment plans are set at affordable rates that reflect individual circumstance and ensure that customers receive a consistent and predictable response from their energy retailer.

More information should be provided to customers about their rights and responsibilities, including the support options to which they are entitled. More comprehensive records should also be kept about steps taken to support individual customers who are in arrears, in order to ensure that appropriate supports are offered. These reports should detail when and how the customer was supported, why these supports failed, why other support options were deemed inappropriate and why the customer is ultimately being disconnected. Independent review of these reports would help limit wrongful disconnections. Providing a copy of the report to customers upon disconnection would ensure the system remained transparent and limit the need to utilise the EWVO.

Finally, more effective enforcement of any future regulatory framework should be taken into consideration to ensure energy retailers meet the standards. It is clear that there are gaps between current written policy and practice. Without more effective enforcement and clear consequences for failing to do so, these gaps will likely remain.

## **5. CONCLUSION**

This Inquiry is timely and The Salvation Army thanks the Essential Services Commission for bringing this issue to light and offering people in the community the opportunity to provide feedback.

While current regulations for the energy retailers and the provision of hardship programs and other supports look good on paper, our experience working with people on the ground demonstrates a concerning gap between written policy and practice. We broadly recommend that the current regulatory framework be tightened and more explicitly require energy retailers to offer more assertive and proactive support to customers who may be struggling to make their payments. We also feel that more comprehensive records and performance indicators could help ensure that appropriate processes were followed, increase system transparency and improve the quality of support provided.

We look forward to the Essential Services Commission's continued work on this topic. If you wish to speak further about any of the issues or recommendations discussed in this submission please contact The Salvation Army Victoria Social Programme and Policy Unit.