



Meridian Energy Australia Pty Ltd
Level 15, 357 Collins Street
Melbourne VIC 3000

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Essential Services Commission
Level 8, 570 Bourke Street
Melbourne, Victoria 3000

Email: www.PDFreview.vic.gov.au

Energy payment difficulty framework implementation review

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group or Powershop**) thanks the Essential Services Commission (**ESC**) for the opportunity to provide comments on the ESC's Energy payment difficulty framework implementation review (the **Review**).

Background on the MEA Group

The MEA Group is a vertically integrated generator and retailer, with a focus on renewable generation. Through our investment in new generation, we have continued to support Australia's transition to renewable energy. Powershop is an innovative retailer committed to providing lower prices for customers and recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Powershop has introduced numerous new, innovative, and customer-centric initiatives into the market.

Statement

Powershop strongly supports the initiatives the ESC is introducing to address customer vulnerability, and this consultation into the Payment Difficulty Framework (**PDF**) and to investigate retailer implementation issues. We recognise the complexities the framework has provided industry and why the ESC seek information regarding its application by industry. Powershop also believe that if the aim of this review is to assist a vulnerable customer to a better position, whether financially, or otherwise, then the review should go beyond retailer implementation of the PDF during 2022.

Please find below our responses to most of the key questions raised by the Review.

Key questions

- 1. How are the entitlements under the framework communicated to customers (from a single retailer, and across the sector)? From your experience, are the ways they are communicated clear and consistent?**

Powershop believes that all entitlements relevant to a specific customer should be communicated clearly and succinctly in a manner that is readily understandable for customers, including entitlements and support available outside the capabilities of their energy retailer.

This position raises questions as to who would be responsible for helping customers to understand those entitlements in a clear, consistent manner. The ESC should carefully consider seeking a broad position of what 'clear' and 'consistency' in messaging means.

What could be defined as 'clear' depends on multiple factors. As the ESC has alluded to in this consultation regularly, these factors could include customers that are culturally and linguistically diverse (**CALD**) as well as customers with low levels of literacy (44% of adults lack the literacy skills required to cope with the complex demands of modern life¹). Another factor for consideration is that the energy market does not have a homogenous customer group, and all customers face unique challenge and have different information needs on their entitlements.

The aim of 'clear' information based on ESC guidance notes and Wrongful Disconnection Payment Decisions appears to be providing very detailed information on all of a customer's entitlements under the PDF and how to access these (e.g. details on length of different types of assistance, both standard and tailored) and how ongoing energy costs are incorporated, how to lower ongoing energy costs, and how to access Government Grants). Although highly informative, Powershop believes that 'clear' should incorporate an easy-to-read approach with clear calls to action for the customer.

Our experience has been that too much information may be intimidating. We believe clear information for a customer on all reminders should:

- Inform a customer that their account is overdue
- Provide information on how to pay the amount overdue
- Inform a customer on how to access assistance and a summary on what is available: payment plans, concessions, grants, lowering energy costs.
- Inform a customer how to access external assistance

Once a notice has all required information present (particularly the disconnection warning), this notice can be too long, and the key message(s) can be lost. Communications should be written in easy English with information on how to access the full suite of support on other retailer information platforms (i.e. Hardship Policy, website, through a call centre etc.).

Powershop believes seeking to be clear in communication is the correct action. However, this focus could be tempered to consider more what would be 'appropriate' for a customer. When Powershop provide assistance over the phone, we talk to the customer specifically about the assistance that is appropriate for them based on their outstanding amount, and the amount that they are able to afford. Customers generally understand their entitlements better when they are explained to them, based on their specific circumstances and not when they are provided with detailed information in written communications as above.

Seeking 'consistency' could raise the potential risk of informing one customer of their entitlements but may also mean another customer with different needs may not get their required information. We believe the aim should be to empower a customer to seek the appropriate information on their entitlements.

Powershop believes regulations do not need to change around the need for clear and unambiguous communication. However, we encourage the ESC to seek feedback from the community sector to understand what clear and consistent should be defined as in the context of communicating to a customer facing payment difficulties.

Using this review, we believe there is an opportunity for the community sector to provide wording which will resonate with customers, and prompt them to reach out to access assistance. Finally, we also believe there is an opportunity for the ESC to provide template regulatory notices (reminder notice, and disconnection warnings).

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

Part of this review should seek to examine what would be considered a reasonable action and what would be considered appropriate engagement accepting the need to provide an appropriate balance between debt accumulation and disconnection.

When referring to entitlements, talking more broadly customers facing long term payment difficulties, generally know they can ask for a payment plan or hardship assistance. Those who are facing long term payment difficulties also have an understanding that concessions are available if they hold a concession entitlement, and that the Utility Relief Grant (**URGS**) is available.

¹ <https://www.spelfabet.com.au/research/literacy-statistics/>

However, when talking more specifically about the Payment Difficulties Framework, these entitlements can be more difficult to understand. One example includes having 24 months to pay arrears or having the ability to defer arrears for 6 months. Outside of customers that have had entitlements specifically described to them and/or are receiving assistance, they are unlikely to know they can ask for their full entitlements such as the above.

The PDF is relatively sound (and for the most part unambiguous) in terms of the support that it affords customers. However, as a customer trying to understand or digest each detail of the PDF can be quite complicated when it refers to terms of length repayment, debt holds or deferrals etc. This makes it very difficult for a customer to advocate for themselves to receive their entitlements.

Anecdotally, there is a sense of relief from customers after they have contacted us and have been provided with assistance, and that customers generally regret not speaking to Powershop earlier. Linking back to our response for Question 1, does communication of the PDF in terms of time, make it seem more intimidating for the customer to proactively ask for a payment arrangement of a specific and affordable amount? By asking the customer to calculate their future energy costs against their arrears? Energy literacy is a significant factor making this a very difficult proposition for customers, making the barrier of understanding higher to achieve and for some unrealistic, despite support provided by the retailer.

Powershop would like to work with the ESC and stakeholders to form the view of what is ideal for customers when understanding their entitlements (broad vs. specific). As we alluded to in our response to Question 1, there needs to be a balance of customer knowing everything they can get access to against overcomplicated or overwhelming communications.

Collectively, through communications (written and verbal) we should aim to empower a customer to reach out to their retailer to receive all the support they require (and ensuring that retailers provide all of the support when required).

3. How helpful and practical has the payment difficulty assistance provided to customers been?

The PDF is solid as a base set of entitlements for customers. Holistically, it allows a customer who is facing payment difficulties access to support and does so in a way without retailer judgement of which, implemented properly by retailers can be quite practical for customers.

Powershop believes it will be important to establish as the review continues what success looks like for the PDF, especially from the ESC's perspective. Powershop assumes that the collection of both quantitative and qualitative data assists the ESC and industry in establishing if the PDF is successful in its assistance to customers.

In relation to the quantitative data, it will be useful to understand the conclusions the ESC is attempting to draw on in order to progress. For example:

- The percentage of customers receiving assistance plus concession. What do these percentages tell a reader without further information or context? Are customers missing out on concession entitlements? Are retailers offering appropriate support to concession customers?
- Care should be taken in drawing comparisons from pre- and post-COVID. For example "Disconnection levels between April and June 2021 remained low, in line with our expectations during stay-at-home orders in Victoria."², however additional regulatory guidance (letter to retailers) along with lockdowns has also lowered disconnection levels.
- "1 in 2 consumers disconnected did not receive assistance in the six months prior"³ Without context, we are not certain what this means. Whether there is a concern that not enough customers are receiving assistance prior to disconnection that disconnections are happening too quickly after the end of assistance, such data alone does not provide a definitive conclusion.

Qualitative data is useful but is always subject to confirming if there are any established trends. Specific to this review, is the feedback from the community sector confirming if these incidents are occurring regularly/generally, or they isolated incidents?

² Essential Services Commission Victoria, Victorian Energy Market Update, September 2021, page 3

³ Essential Services Commission Victoria, Payment Difficulty Implementation Review – early observations, November 2021, <https://engage.vic.gov.au/energy-payment-difficulty-framework-implementation-review>

Powershop agrees that we need to review where (in the ESC's view) implementation of the PDF has been impractical or unhelpful (or where the PDF is ineffective). Energy retailers focus on those aspects of the PDF and payment difficulties broadly that are within their control. If the review finds the PDF is unhelpful or ineffective, the ESC should determine if the issue faced is:

- one of compliance;
- whether it is an issue with the framework; or
- whether the issue beyond the scope of the framework.

This scenario should also be considered when we evaluate how helpful the PDF's assistance has been.

Despite this, Powershop also acknowledges the Monash University survey and the issues raised with retailers providing the correct support on every single call or providing below par support and the issues of not providing appropriate payment plans, information on URGS and concessions due to retailer error or information on energy efficiency and best offer.

6. Have you observed a change in customer engagement from diverse and hard-to-reach customers about their entitlements?

Powershop has seen no sizable shift. The PDF is a regulatory framework which sets out a minimum set of entitlements for customers. The specifics on how to engage with specific customers and who should engage with these customers should be based on principles, not strict regulatory obligations. Ideally, there should be principles/ non-binding information that operates alongside the PDF which encourages contact and engagement from diverse and hard-to-reach customers. With focus on the most appropriate ways to engage and appropriate language to use, informed by consumer groups.

7. What aspects of the framework have been working well?

Powershop believes that the same assistance standards for all customers with no retailer judgement has been moderately successful. This is in combination with greater clarity for retailers when it comes to providing and terminating assistance (there are exceptions to this). The COVID amendment to the URG process is also largely positive for consumers however, it does not remove all barriers to the URG scheme (detailed further below).

9. Are there areas of the framework that you found confusing or unclear?

Powershop would like to highlight the confusion of having to manage cross-jurisdiction regulation and the difficulties this poses on agents. This issue should not be underestimated when you consider the pressures of ensuring under the PDF an agent must ensure it covers multiple checks and balances to ensure compliance but also customer satisfaction with that of the requirements for hardship customers under the National Energy Customer Framework and its relevant law and rules, regulated by the Australian Energy Regulator (**AER**). The AER are also undertaking their own review in customer vulnerability.

Powershop would like the ESC to consider where possible, work with the AER to harmonise regulatory frameworks.

Powershop has encountered issues of an 'infinite loop' when it comes to providing assistance within the PDF. We do not believe the PDF provides clarity where a customer has not complied with multiple payment plans or is unable to pay an amount which covers ongoing energy costs, despite remaining in contact with the retailer and continuing to request further payment arrangements.

This, however, is a small segment of customers. No longer providing assistance to these customers, and ultimately using disconnection as a last resort is complicated given the level of retailer judgement required, and the compliance risk associated with a disconnection for non-payment. Powershop recognise that non-compliance from a customer with respect to their requirements under the PDF is not necessarily an unwillingness to pay, but could potentially reflect broader affordability issues beyond a retailer's control.

Additionally, the PDF does provide a potential for customers to utilise their full repayment entitlement where it is not required for a specific customer. However, again, this is not a large segment of customers.

The Review states that it will not address any further issues for this review outside of retailer implementation of the PDF. "We are not, at this stage, proposing major reforms to code obligations or to revisit the policy rationale behind the framework (which was substantively consulted on in 2017). The review is focused on the implementation of the framework and will not consider reforms to associated government programs and policy."⁴

Powershop acknowledges the scope of the review however, energy retailers play only a small part of a customer's overall level of affordability and vulnerability. We agree there is work to do by retailers to ensure better compliance, but there are also other issues that need to be addressed if the ESC wishes to properly assess how helpful and practical the PDF has been. Examples include but are not limited to:

- The complicated nature of the URGs process and delays in URGs processing times (although processing times have improved)
 - For a customer to complete over the phone in accordance with the Department of Families, Fairness and Housing's (DFFH) requirements takes approximately 20-30 minutes and involves asking questions that a customer may not be comfortable in answering. However, this prolonged process is palatable when compared to requesting customers to complete the application process themselves. Further modifications could be made to this process to lessen the information required, and/or simplify the application process.
- VIC concession scheme:
 - The DFFH's strict compliance requirements, including annual audits, with the Concessions Guideline means that retailers need to strictly follow the guidelines or risk non-compliance and re-paying recoverable amounts. This strict compliance requirement is **part** of the reason that concessions "drop off" bills unexpectedly. We do communicate with customers before we revoke a concession, however, strict compliance with these obligations means that we cannot risk an extended period (i.e. more than one billing cycle) where the customer is not eligible for a concession.
 - The appropriateness of the current concession calculations for Victoria.
- Poor energy efficiency in homes

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

The PDF could ultimately be modified in certain spaces based on anecdotal evidence or data, based on feedback from different parties. However, the PDF, and regulation more broadly, will always struggle to address specific aspects of payment difficulties as a concept, for example:

1. Encouraging or promoting ongoing engagement, including reducing shame in reaching out for assistance.
2. Scenarios where the amount that is affordable to a customer does not closely align to their ongoing energy costs, or instances where customers are simply unable to afford anything.
3. Energy retailers form only a part of a customer's journey when it comes to broader payment difficulties. There are many other debt related factors (other bills, income, household conditions etc.) which is outside an energy retailer's control.

Closing statement

In the ESC's recent Victorian Energy Market Update in September 2021 "at the end of June 2021, 60,148 electricity and 43,376 gas residential customers were receiving tailored assistance from their retailer to help pay their bills, representing 2.1 per cent of both electricity and gas customers. This is a three per cent increase for electricity customers and a 12 per cent reduction for gas customers, compared to the monthly average in 2019"⁵.

⁴ <https://engage.vic.gov.au/energy-payment-difficulty-framework-implementation-review>, Essential Services Commission Victoria

⁵ Essential Services Commission Victoria, Victorian Energy Market Update, September 2021, page 6

However, the same report also advises that “energy customers receiving assistance appear to be falling further behind in their bills (in June 2021, compared to the past two years)”⁶. Powershop believes this outcome should be investigated further with industry and stakeholders as we do not believe retailer implementation alone would be the root cause of this issue and why, despite the PDF assistance debts are increasing.

Powershop believes a structured root-cause analysis of consumer behaviours would benefit the review with assistance from consumer advocates and financial counsellors. This analysis can also act upon the findings as to why debts increase despite the best efforts of retailers and the assistance and benefits available within the PDF.

We support the recent request for further quantitative data from retailers to support anecdotal evidence provided so far. However, we would also be happy to also provide anecdotal evidence and case studies that also support positive outcomes that have emerged from participation in the PDF. This information can also raise discussions as to what works for customers as well as what may need require further assistance, above and beyond the capabilities of retailers and the energy industry in isolation.

Energy debt held by a consumer in a typical household is quite small when compared to overall debts, but rightly has a strong focus because of its essential need. Powershop believes that if the ESC wants to address vulnerability, then the review needs to also consider how customers treat their energy debt. We should also analyse with higher authorities (e.g. state and federal government) how do people in vulnerable positions prioritise their energy debt.

Reducing and maintaining a debt for a customer can possibly help alleviate their feeling of vulnerability. However, vulnerability is also not always debt related to industry and the ESC need to establish (beyond retailer PDF implementation) in 2022, how we believe we can reduce a person’s vulnerability. Powershop holds the firm view that assessing and assisting a person’s vulnerability requires an understanding of a customer’s priorities on their own scenario. A vanilla approach to a customer’s vulnerability is not the solution.

Powershop looks forward to further participation in this review with the ESC and stakeholders. If you have any questions in relation to this submission, please do not hesitate to contact me.

Yours sincerely,



James Ell
Head of Compliance and Regulatory
Powershop Australia Pty Ltd
Meridian Energy Australia

⁶ Essential Services Commission Victoria, Victorian Energy Market Update, September 2021, page 3