

29 April 2015

Essential Services Commission

Level 37, 2 Lonsdale Street
Melbourne Victoria 3000
energyhardshipreview@esc.vic.gov.au

Southport Centre
341 Coventry Street
South Melbourne 3205
P 9525 1300 F 9696 7228

RE: Inquiry into the Financial Hardship Arrangements of Energy Retailers

Dear Sir or Madam

On behalf of Inner South Community Health, I would like to submit for consideration some comments on the Inquiry into the Financial Hardship Arrangements of Energy Retailers. This feedback is based on ISCH's experience working with individuals and communities facing financial hardship, including through the direct provision of financial counselling, and indirectly working with clients in counselling and case management capacities. This submission is based on direct client and staff experiences.

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About Inner South Community Health

Inner South Community Health (ISCH) is a major provider of health and community services across the inner southern region of Melbourne and beyond. We are a not for profit organisation located at four dedicated centres within the St Kilda, Prahran and South/Port Melbourne areas. We deliver more than 150,000 services each year across a broad range of services – spanning pregnancy, childhood, adulthood and seniors, covering general health, oral health, mental health, homelessness and alcohol and drug services.

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We have specialist expertise in engaging high risk and hard to reach groups and we offer health services to all, regardless of a person's ability to pay. As well as direct service delivery, Inner South engages in community building and health promotion activities to build the health and wellbeing of the local community.

Energy is essential for economic participation and Wellbeing

ISCH supports the Commission's statement that 'Energy (and especially electricity) is essential for economic participation and wellbeing more general.' A person's health is the product of a range of social, cultural, economic and environmental factors. Access to essential services such as

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electricity and water are one such vital factor to a person's health and ability to participate in society. As highlighted in the Issues Paper, any household can find itself unable to pay its bills on time and in full, but households who earn a limited income or are vulnerable in other ways (such as due to health concerns, language barriers or other stresses) may be least able to navigate through such circumstances.

Our experience working with such vulnerable groups has highlighted that stress resulting from energy disconnection, or the threat of it, can have severely negative impacts on an individual or family's health and also lead to further ill health or social isolation. This then creates further costs for both individuals, and society. Therefore, there is a clear imperative for government, energy retailers and the community to work together to ensure that all members of our community maintain access to essential services such as energy.

Our staff and Clients' experience

While ISCH no longer provides dedicated financial counselling services directly, our counselling and case management teams assist clients from a wide range of backgrounds and circumstances to navigate the energy retail system. These include specifically: mental health counselling; alcohol and other drug counselling; child, youth and families counselling and case management; family violence counselling and case management; and older person and supported residential case management support services.

Overall, our staff report a significant level of difficulty working with energy retailers on behalf of their clients. Firstly, it is often difficult to arrange to speak on behalf of a client, especially when the worker is not physically with the client at the time. Staff report that often energy retailers are not willing to seek consent from clients and refuse to disclose information to case managers. For example, after receiving a call from a distressed client who was unsure whether her energy had been disconnected or there was a power outage in her area, the case manager phoned the electricity retailer on the client's behalf. The retailer refused to give out this information and also refused to call the client to either give them the information or seek their consent to speak to the case manager.

Second, our staff generally find that energy retailers understanding of, and empathy towards, the broad range of circumstances affecting our clients could be greatly improved, for example through the provision of training. Our staff report that their clients often feel a high level of stress when dealing with energy retailers – both call centres and financial hardship areas and that energy retailer staff lack effective communication skills for dealing with vulnerable and complex clients.

For example, one client suffered significant distress in the process of disputing an energy bill he received. The client had always paid his bills on time, but was concerned when he received a bill roughly 200 per cent higher than normal. The energy company threatened the client with disconnection and he was told that he had to check the meter reading himself to determine whether there had been an error. He stated that this was impossible because he lived in public housing and the meter was in a locked area that he was unable to access. After several months of distressing interactions and threats of disconnection, the client was found to be in the right as there

was an error in the reading. Given that this client was dealing with severe mental health issues at the time, these events only added to his ill health and hampered his recovery. These barriers were not taken into consideration by the energy retailer in their approach to his dispute.

Another example is that of a 40 year old client who is widowed, with two school-age children and from a non-English speaking background. This client has a very complex background, experiencing compromised health (physical and mental health and memory difficulties), domestic violence and has a child with a developmental delay. This client has experienced ongoing difficulties dealing with the financial hardship arrangements of her energy retailer. She received regular threatening phone calls from debt collectors which caused significant distress, has had difficulty in accessing interpreter services and is often left for long periods of time on hold which adds to her stress because this is also very expensive for her.

A third issue that staff have in dealing with energy retailers is the lack of communication between call centres and financial hardship departments. Often call centre staff are not even aware of financial hardship arrangements and refuse to, or are unable to, put staff through to financial hardship departments. This issue was raised in the Energy and Water Ombudsman Victoria (EWOV) 2015 Report into Affordability and ISCH supports its recommendations around the need for better communication within and between departments of energy retail companies.

EWOV 2015 Recommendations on Financial Hardship Arrangements¹

ISCH supports the implementation of all recommendations made by the EWOV in its 2015 Report on Affordability and calls on energy retailers to adopt the 'Ten Actions' recommended:

1. Focus internal and external communications towards early customer engagement and the active provision of hardship support.
2. Train contact centre staff to develop better relationships with customers and cultivate a broader understanding of affordability issues.
3. Focus on individual customer circumstances to provide more tailored and sustainable financial hardship support.
4. Provide sustainable payment plans based on a fair and appropriate assessment of a customer's "capacity to pay".
5. Remove any barriers to entry into hardship programs, such as asking customers to first see an external financial counsellor or show a "willingness to pay" before the provision of hardship support.
6. Refresh energy efficiency programs, with a view to providing more onsite home energy audits.
7. Review company procedures and processes to ensure that customers have easy access to hardship programs and information about the support available.

¹ Energy and Water Ombudsman Victoria 2015, *A Closer Look at Affordability: An Ombudsman's perspective on energy and water hardship in Victoria*, http://ewov.com.au/data/assets/pdf_file/0015/14523/A-closer-look-at-affordability.pdf

8. Provide customers with the required level of hardship support before disconnecting or restricting their supply and therefore reduce the high proportion of Wrongful Disconnection Payments which are made.
9. Stop putting unreasonable conditions on the reconnection of energy supplies, such as requiring a significant payment of arrears, and instead assess the disconnected customer's "capacity to pay" and negotiate a sustainable payment plan.
10. Engage early with customers by providing financial hardship support and information before referring account arrears to debt collection.

Our staff and clients have reported difficulties with all of these areas and confirm that implementation of these actions would greatly improve their ability to navigate the system and reduce stress levels when dealing with energy retailers. For example, most staff found that their clients had never received any information on energy efficiency measures, as is required under the Energy Retail Code.

Energy Efficiency Support

As highlighted by the EWOV, energy efficiency support is often only provided over the phone and in brochures, and that free home energy audits are rarely undertaken any more.

The EWOV noted that a common method of providing customers with a home audit was making a referral to the Australian Government's Home Energy Saver Scheme (HESS). However, the Government ceased funding for this service on 30 June 2014. The HESS program offered 'information about easy and affordable ways to use less energy in the home, one-on-one budgeting assistance, information on rebates and assistance and further advice, advocacy and support'.

ISCH recommends that energy retailers are held to greater account on their provision of energy efficiency support and be required to offer free home assessments. ISCH also recommends that the Victorian Government address the decline in energy efficiency projects by reinstating the HESS program in Victoria or funding similar energy efficiency programs for low-income people. Energy efficiency measures are an effective way for vulnerable clients to modify their behaviour and break the cycle of financial hardship with respect to their energy consumption. This would reduce stress and improve health outcomes for these people and allow them to better engage socially and participate economically.

Financial Counselling

Access to financial counselling is a crucial service necessary to assist individuals and families to address their financial issues and break the cycle of hardship. In 2014 the Financial Counselling Program, funded by Consumer Affairs Victoria (CAV), was restructured. Previously ISCH was funded to provide these services, but the new program resulted in a reduction in resourcing for our region of about 30%. Due to CAV looking to fund less providers, ISCH transferred its resources to the Bayside-Peninsula Financial Counselling Service. This means that we now only have a financial counsellor on sight once per week, as opposed to three times per week previously.

The overall reduction in services for our area has been felt by our clients, and as this submission has highlighted, other counselling and case management workers are plugging gaps in the system outside of their remit and expertise. ISCH recommends that the Government increase its funding levels for financial counselling to help break the cycle of financial hardship.

We hope that these comments are useful in your considerations and we thank you for the opportunity to provide input to this important review. Energy is a vital service that all Victorians should enjoy universal access to, without financial hardship and stress. We look forward to working with the Commission, the Government and the industry to achieve better outcomes for vulnerable Victorians.

Kind regards

A handwritten signature in black ink, appearing to read 'D. Ferrie', with a long horizontal stroke extending to the right.

Damian Ferrie
Chief Executive Officer