

16<sup>TH</sup> June 2017

Payment Difficulties Framework  
Essential Services Commission  
Level 37, 2 Lonsdale Street,  
Melbourne, VIC 3000

Submitted electronically to [paymentdifficulties@esc.vic.gov.au](mailto:paymentdifficulties@esc.vic.gov.au)

### **Re: Essential Services Commission's Payment Difficulty Framework -Draft Decision**

People Energy welcomes the opportunity to comment on the Essential Services Commission's Draft Decision on the Payment Difficulty Framework.

We appreciate the extensive consultations conducted by the Commission towards development of the payment Difficulty Framework. We are still in the process of identifying the impact the new draft decision is going to have on our business and the impact to customers.

Detailed below is People Energy's comments and feedback regarding the Framework and the Code.

#### **Payment Difficulty Framework – Key Concerns**

**Definition of Arrears** – *“Arrears, in relation to a residential customer facing payment difficulties who is receiving assistance under part 3, means the sum of any amounts payable by the customer under one or more bills that are unpaid as at the bill issue date for a subsequent bill.”*

The new definition of “Arrears” is going to create its own issues. We are concerned that the definition of arrears, will allow debt accumulation and confusion within the retailers and the customers.

It seems the minimum assistance could only commence after receiving two bills. Unless a retailer is aware of customers known circumstances. This will only lead to unmanageable debt levels for customers who do not engage.

This definition also creates practical concerns. It means that there will be different outcomes for customers based on their billing cycles.

For an Example – A monthly billed customer will have arrears at the end of the 2 months and quarterly billed customers will have at the end of 6 months. The only issue is the customer who is on quarterly cycle will have a higher accumulation of a debt level than a customer who's on a monthly cycle due to the billing period.

Furthermore, the clause 111A prevents a retailer to issue a disconnection warning notice without offering assistance.

***“111A - Residential customer facing payment difficulties only to be disconnected as a last resort***

*A retailer may only arrange de-energisation of the premises of a residential customer facing payment difficulties if:*

*(a) the retailer:*

*(i) has provided, or used their best endeavours to provide, the customer with the assistance that they are entitled to receive under Part 3; and*

*(ii) has issued a reminder notice to the customer; and*

*(iii) has issued a disconnection warning notice to the customer; and*

*(iv) has, after the issue of the disconnection warning notice, used its best endeavours to contact the customer in relation to the matter; and.”*

With the disengage customers, previously a retailer could have sent a disconnection warning notice (DWN) which will trigger some of these customers to pay their outstanding amount even though they do not contact their retailer.

However, with clause 111A, a retailer cannot send the disconnection warning notice until customer has accrued arrears (which is 2 bills). As a retailer, we are concerned about the accrued debt by these customers which we could have managed previously. It would be a serious risk to the business trying to manage the building debt levels.

As a small retailer, it will affect our cash flow as the payments will not reflect monthly. This is due to the fact the outstanding amount from the first bill will not be considered as an arrears according to the new definition.

We therefore request Commission to consider redefining the definition of the arrears.

**Standard Assistance**

Under this assistance a customer is entitled to easily access 3 forms of retailer specific assistance (From the five choices stated under Standard Assistance Table 4.1. For this exercise, Excluding the option stated under clause 76(2)(c) – *“extending by a specified period the pay-by date for a bill for at least one billing cycle in any 12 month period;”*) at any given point.

People Energy seeks clarity on whether a retailer is required to offer two types of assistance (Standard assistance and Tailored assistance) at a given point? If so then would this be considered as additional assistance?

**Clause 92 - Assistance beyond the minimum standards**

*“Nothing in this Part prevents a retailer from providing to residential customers, who are anticipating or facing payment difficulties, assistance in addition to the minimum standards set out in this Part.”*

As per this clause, a retailer can provide assistance beyond the minimum standards. Would the previous additional assistance be considered as going beyond minimum standards?

## Tailored Assistance

*“Clause 79 1(a) repayment of arrears over a period of up to 2 years by payments at regular intervals of up to one month;”*

The draft enables a customer who is on tailored assistance, to a flexibility to propose and revised the proposed amounts numerous times over a two-year period.

People Energy is concerned about our inability to do anything other than accept a proposal that is inadequate for a customer that has a high debt level and that by accepting it, we may place the customer in further debt.

Furthermore, with no minimum repayment amounts as per *“clause 79 (1)(b) advice from the retailer about payment options that would enable a customer to repay their arrears within 2 years;”* customer who has a large outstanding amount, can propose to pay \$5 towards their debt for months and then propose an even lesser figure for the remainder period. As a retailer, our inability to do anything other than accept this proposal mainly due to the fact the customer is engaging and making inadequate payments towards their debt (Based on the clause 79(1)(b) - *A retailer can only advice about payment options*). There are two key component that needs to be taken in to account. First is the fact that a customer does not have a minimum repayment amount and the amount could be inadequate to cover the debt level. The second component is the customer can vary the proposed offer numerous times within 2-year period.

This is going to cause a looping issue which will extend the collection cycle. It will also impact our operational cost and an increase on the system cost.

*“Clause 79(4) The assistance mentioned in subclause (1)(f) is extendable for a further period or periods if the retailer has reason to believe that the extension would assist the customer to continue to lower the cost of their energy use.”*

This clause provides further extensions to a customer if we believe that this extension would assist the customer. We are concerned that this additional assistance will be misused by customers. We do understand that it is upon the retailer’s discretion to offer this extended assistance however we are concerned that if we do not offer this assistance whether we will be penalised by higher ombudsman costs at a later stage for not offering the extension or due to the claims that the records supporting our decision is not sufficient.

This again becomes a part of the looping issue where a retailer should provide endless extensions to a customer.

We are concerned about the build-up debt level to our business and the risk, it is going to place on a small retailer.

We acknowledge *“Clause 91 C - is not required to continue to provide assistance under this Part if the retailer becomes aware that the customer is not anticipating or facing payment difficulties.”*

This allows retailer not to continue with the assistance if we become aware of the customers position. However, with the new framework a retailer would not be aware of customers circumstance due to restrictions on obtaining customer information. We would not be able to ascertain whether a customer is facing payment difficulties or gaming the system.

Also, we are concerned about the increase cost of ombudsman changes due to exercising our rights under the clause 91C.

People Energy propose that the commission consider placing a minimum requirement of accepting and limiting to, two proposals for a customer who is on the Tailored Assistance stage. This is for customers who has not broken any payment plans (Arrears only) but requesting an amended payment plan due to change of circumstances.

For customers who has broken a payment plan during the tailored assistance stage and has made no attempt to have any communications with the retailer, the payment plan offer should include the ongoing and outstanding charges and limited to a minimum of two offers within a 24-month period.

This would limit the looping issue, accumulation of debt and limiting the operational risks a retailer would incur.

### **Default Assistance**

Under the new framework default assistance is a last resort for customers who have not engaged nor responded to retailer's best endeavours to provide assistance.

As this is the last resort for customers who has not engaged with their retailer and since the disconnection is the last resort, People Energy believes this assistance should be offered to any customer (customers who were receiving assistance through the Tailored assistance and Customers who have not engaged) prior to disconnection. However, this should have limitations to the assistance that can be offered under the default assistance to a customer who has failed/ un successful at the Tailored assistance.

People Energy also suggests implying a minimum disconnection amount of \$300 for a customer who is under the default assistance. The minimum requirement would be consistent to the current minimum disconnection amount set by the Australian Energy Regulator.

People Energy seeks clarity on, what happens if a customer pays less than the default assistance plan amount? Can a retailer proceed with the disconnection warning notice as customer has not made a payment accordance with the payment arrangement and if customer is not engaging to the retailer's best endeavours efforts.

This will again cause the looping issue by accepting a below the specified payment.

People Energy request the Commission to provide further guidance to the term 'best endeavours' as it is the last assistance prior to disconnection.

### **Hardship program**

People energy is trying to understand the link to our hardship policies with the draft framework.

#### **"Clause 87 - Content of financial hardship policies**

A financial hardship policy must include:

(a) the matters set out in section 43C of the Electricity Industry Act or section 48GC of the Gas Industry Act; and

(b) the entitlements to minimum assistance set out in Division 3, and to default assistance set out in Division 4, of this Part; and

(c) any matters covered by guidelines or guidance notes published by the Commission in relation to those entitlements.”

As per this clause, the hardship policy must include all the above assistance methods and matters covered by the guidance under clause 87(c). Does this mean that any customer who has accepted to participate under Tailored assistance or Default assistance will be a customer who's under the retailer's hardship program?

This will have a massive impact on the retailer's performance reporting (CPRG Report) data as the hardship participant numbers will increase and the debt level will increase. Further it should be noted, a customer who is on a tailored assistance is paying for their on - going usage, therefore these customers will not be classified as a hardship customer under the current process.

#### **Written Communications – Clause 89(4)**

Under the framework clause 89(4) states;

*“If a written communication is a disconnection warning notice or otherwise relates to de energisation or disconnection of the customers premises, the retailer must take steps to ensure that the communication is delivered within 24 hours after it is sent”*

We are concerned about the above statement as we will not be able to deliver a written communication to a customer within 24 hours after it is sent. It is not possible via post.

The fastest delivery service under Australia post is the express post and the delivery time frame is next business day. This service is only available for delivery within the capital cities which attracts a higher cost. (This is going to place additional cost to our business as currently we send all our final disconnection notices via register post)

As a retailer, we will not be able to disconnect a customer who lives in a rural area if customer does not have an email address. Also taking in to point that most of the customer who lives in rural areas does not have access to internet.

#### **Implementation**

This submission has raised number of concerns with regards to the application of the draft framework. We understand the Commission believes that the retailers would be able to implement the framework in two stages. First stage on 01<sup>st</sup> Jan 2018 and the final implementation on July 2018. We are concerned about the implementation time frames as it will take more than 06 months to implement changes to a business.

We are required to develop our systems to accommodate the different levels of this framework and to capture the movement of the customers from one level to another. Also, the requirement for record keeping, monitoring and reporting will be increased with the introduction of the framework.

Please refer to the few of the requirements we need to accommodate, the payment difficulty framework;

System development – People Energy needs to develop our systems to capture the;

- Different payment plan options
- Monitoring systems to capture customer movement between the different levels of the framework.
- Trigger levels to inform staff of the customer movements.
- Website & Portals needs to be developed to accommodate the Assistance to customers
- Introduction of new reports to capture the customers on the levels of payment difficulty.

Training – Staff will need to be trained to understand the payment difficulty framework and the different levels of assistance, tariffs and energy management plans which we will be offering our customers.

As stated before it is a significant cost to small retailers and any new market entrant retailer to undergo such development.

We request Commission to consider proving a reasonable time frame for implementation.

Should you have any questions about this submission, please contact Shadina De Jong

Yours sincerely

Shadina De Jong

Compliance Manager  
People Energy