



# ACOSS Submission to Energy Charter Independent Accountability Panel

October 2019

## Introduction

ACOSS welcomes the opportunity to make a submission to the Energy Charter Independent Accountability Panel's Review of Energy Charter Signatories 2019 Disclosures. ACOSS' views reflect our role representing the interests of people on low-incomes and those experiencing the impacts of poverty and disadvantage in Australia, as well as our role as the peak body for the community services sector.

Our vision is to eliminate poverty and inequality and create a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life. ACOSS views access to affordable, clean, reliable energy as essential - it is critical to the health, wellbeing, economic participation and social inclusion of people. ACOSS also supports the imperative to reduce greenhouse gas emissions in line with global goals to limit warming well below 2 degrees and pursue a limit of 1.5 degrees. This is vital to limit climate impacts, noting that people on low-incomes will be affected first and hardest as they are least able to cope, adapt and recover. We believe the energy sector has the technology and community support to transition first and faster.

The transition occurring in the energy sector – driven by the need to decarbonise, technology change and choice for some consumers - presents opportunities to actively improve the lives of people, but there are risks if not managed in a fair, inclusive and sustainable way. This is especially the case for people on low-incomes who pay disproportionately and significantly more of their income on energy and often lack choice and control to reduce their bills. It is important to note that we are not just talking about a few customers; there are 3 million people living below the poverty line in Australia today.<sup>1</sup> People on low-incomes spend on average 6.4% of their income on electricity, with a quarter spending more than 8.8%, compared to people on high incomes who spend just 1.5% of their income on energy.<sup>2</sup> Higher income households are more able to deal with increased costs financially and are more likely to be able to adjust to higher prices through using less energy, purchasing more energy efficient household appliances, accessing rooftop solar, batteries etc. Low-income households often either cannot afford or access measures that would help them reduce their bills, especially if they rent. In many cases there are additional barriers to access clean affordable energy including language barriers, financial literacy, physical and mental health, domestic violence, and geography.

Surveys show that energy companies have lost the trust of people and community,<sup>3</sup> having behaved opaquely, failing to understand and meet the different needs of all energy users, often pitting energy user against energy user, to the detriment of the most vulnerable.

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<sup>1</sup> Davidson, P., Saunders, P., Bradbury, B. and Wong, M. (2018), [Poverty in Australia, 2018](#). ACOSS/UNSW Poverty and Inequality Partnership Report No. 2, Sydney: ACOSS.

<sup>2</sup> ACOSS and BSL (2019) Energy Stressed in Australia. <https://www.acoss.org.au/wp-content/uploads/2018/10/Energy-Stressed-in-Australia.pdf>

<sup>3</sup> See <https://reneweconomy.com.au/power-companies-less-trusted-by-consumers-than-banks-telcos-26748/> AND <https://www.abc.net.au/news/2018-06-15/consumers-more-annoyed-with-their-energy-company-than-their-bank/9871500>

What is clear is we need culture change, guided by a new vision for the energy system – a fair, inclusive, sustainable energy ecosystem that actively improves the lives of all – a new way of engaging with people.

With a healthy dose of scepticism, ACOSS welcomed the initiative to develop an Energy Charter to drive culture change in the energy industry. We applaud those companies who have engaged in the process and began the journey. To support the creation of the Energy Charter, ACOSS joined the End User Consultative Group (EUCG), established to inform the development of the Energy Charter and most recently to provide feedback to the Energy Charter Independent Accountability Panel.

We recognise this is the first year of compliance and the Charter has only been operational for just nine months, so there will be limitations on what can and will be achieved by the Signatories to the Charter. In the spirit of stimulating the necessary culture change, we will focus on what we would like to see improve and therefore have provided frank, fearless, but hopefully constructive feedback. Some of the content of this submission has been drawn from discussion of the EUCG members, its submission, as well as input from ACOSS members.

We would also like to acknowledge that ACOSS CEO, Dr Cassandra Goldie, is a member of the Independent Accountability Panel in her individual capacity and was not involved in preparing or finalising this submission.

## High level feedback

- **Welcome participation in the Energy Charter, struggling with the how**

Energy Charter Signatories should be applauded for recognising that culture change in the energy sector is needed to provide better outcomes for people's lives, and for engaging in the Energy Charter process. We encourage more companies to join the Energy Charter.

It is clear from the disclosures and CEO interviews that Signatories are wanting to genuinely do better. There seems to be broad Board support and there are processes and policies being put in place to create change. However, it also appears that Signatories are struggling with the 'how'. We hope that Signatories take the following feedback in a constructive manner and use it to undertake true transformation.

- **Energy user not truly at the centre**

While there was evidence that some Signatories are investing in providing better service to energy users through customer service centres for example, which is encouraging, there was a lack of evidence that Signatories are truly putting energy users at the centre.

Our energy system has transitioned from energy users as passive consumers to at least nine different energy user typologies ranging from passive energy users to highly active energy users (see box 1). The needs and level of engagement varies, as does the desire or ability to engage further.

While most Disclosures recognise the affordability challenges energy users are facing there was little evidence that Signatories are investing in better understanding energy users, what they need or want, their circumstances, and what challenges they face.

We would like to see better demonstration that Signatories not only better understand the range of energy user typologies, their needs and wants, but also reflect that the understanding in how they do business including ensuring equality and fairness within and between energy user groups.

- **Going beyond regulation and government policy**

We were disappointed to see disclosures claiming compliance activities and participation in policy and regulatory development as a demonstration of achieving the principles, when Signatories should be showing leadership and going beyond what is required.

### Box 1 - Energy User Typology

- + Energy users with no DER:
  - Grid-connected with very limited interest in energy matters, just want reliable service.
  - Grid connected customer seeking best offer, service or value but not interested in managing energy
  - Grid connected attentive to energy consumption and management would like DER but there are barriers.
- + Energy users with DER (possibly just solar) who are happy with passive controls such as fixed export limits.
- + Energy users who are happy to have dynamic export limits (and/or the option of paying for high exports).
- + Energy users who have some level of aggregated participation through, for example, remote control of appliances, solar, or batteries.
- + Energy users who want to participate as active end users and bid into wholesale spot and FACS markets.

We were particularly concerned to see Signatories highlight engagement in and compliance with processes like the Default Market Offer/Victorian Default Offer and Hardship Guidelines, when many of the Signatories actively fought against the reforms, dismissed concerns of consumer groups, and at least in one case that ACOSS is aware of engaged in a hostile way with consumer groups.

ACOSS agrees with the sentiment expressed in the EUCG submission that claiming compliance, past activity and regulatory outcomes as wins is counterproductive, lacks honesty and authenticity and undermines customer confidence.

- **Lack of honesty, urgency and ambition**

As noted above, the commitment of Signatures to the Energy Charter appears genuine and the Disclosures have been made in good faith however they lack a recognition that the energy sector faces a serious trust issue and that each Signatory has contributed to the issue. There also appeared to be a lack of understanding what the problem really is, as well as the level of ambition and urgency needed to deal with the problem.

- **Failing vulnerable energy users**

ACOSS welcomed the inclusion of a specific principle in the Energy Charter to support customers facing vulnerable circumstances and the acknowledgement in Disclosures of the challenges energy users face with vulnerabilities faced in being able to afford electricity. There were positive steps outlined in some Disclosures and in some CEO meetings of debt write-downs, collaboration with community groups and removing conditional discounts.

However, hardship and disconnection data demonstrates there is still a significant problem and that more systematic measures are needed to better understand and meet the needs of vulnerable energy users, as well as advocacy on behalf of vulnerable energy users, to break the cycle of hardship and debt.

- **Articulating how Business will review, evaluate and plan to meet energy user needs**

ACOSS acknowledges this is the first disclosure over a nine month period, and the challenges that presents for Signatures. We would like to see in the disclosures a section that articulates how the business will review and evaluate its performance and outline plans in the following year to address the principles and better meet energy user's needs.

- **Disclosure Review process**

ACOSS was less concerned about the length of the Signatories' disclosures, as we recognise the challenge of providing meaningful content against 5 principles and 24 principles in action. However, we feel that improvements could be made to the content in future including: more honesty of failings, greater emphasis on energy user outcomes, greater demonstration of leadership as opposed to business as usual, and clear articulation of forward plans to close the gap.

We did feel the time frame for the review process was too short, especially the timing of the public consultation so soon after the disclosures were released, which did not provide adequate time for advocates and the public to read the submissions in advance of being asked to provide feedback.

We recognise this is the first year for both the Signatories and the Independent Accountability Panel and time was short, and we welcome the plan for an evaluation to improve next year's disclosure process.

- **Supporting consumer advocate engagement and collaboration**

The Energy Charter secretariat and Energy Consumers Australia has done a good job in supporting consumer advocates to engage in the development of the Energy Charter and provide ongoing input.

Going forward, ACOSS and our members are keen to work with the Energy Charter Signatories to identify what role they can play in supporting consumer advocates, including:

- Better engagement and collaboration with consumer advocates to truly put energy users at the centre and together advocate for policy and regulatory reform that will result in better outcomes for energy users; and
- Supporting consumer advocates in the social sector to provide targeted support to vulnerable energy users.



**ONE:**  
**We will put customers at the centre of our business and the energy system**

Having the right culture underpins the way we behave, the decisions we make and the outcomes we deliver. We recognise that getting the culture right for our customers is crucial not only to deliver on our customer commitments, but also to the long-term success of our businesses.

We will develop the culture within our businesses that puts the customer at the centre and will work together and with our stakeholders to deliver the safe, affordable, reliable and sustainable energy system the community expects.

**Principle in action**

To fulfil this principle energy businesses should:

- 1.1 Have a Board that actively oversees the business' culture so as to be aligned with Energy Charter Principles.
- 1.2 Have management operationally accountable for embedding a 'customer at the centre' culture.
- 1.3 Ensure their work force is engaged and incentives are aligned to drive positive customer outcomes.
- 1.4 Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making.
- 1.5 Demonstrate a culture of innovation and collaboration for positive customer outcomes, including through the sharing of insights with government, research institutions and across the supply chain, as well as joint advocacy on regulatory, policy and operational issues.

## Comment on disclosure principle 1

As mentioned above while many disclosures talked about putting “customers” at the centre of their business and the energy system, most Signatories seem to be struggling with the ‘how’. With a few exceptions, disclosures did not demonstrate an understanding of, nor demonstrated attempts to, better understand the changing nature of energy users and their needs and priorities, instead generally treating energy users as homogenous.

We would like to see better demonstration that Signatories not only better understand the range of energy user typologies, their needs, priorities, and challenges, but also reflect that understanding in how they do business, including ensuring equality and fairness within and between energy user groups (as consistent with principle 4).

## What we would like to see going forward

- Embedding energy users into organisational governance, systems and process, for example:
  - Consider appointing board members with consumer advocacy background.
  - Establish an energy user engagement panel, which goes beyond typical consultation, but also reviews internal policies and process, products and services, marketing and advertising, and provides feedback on how they can be improved.
- Processes in place to research and analyse energy user characteristics, needs, concerns, and expectations.
- Demonstration of how the business is responding to and incorporating energy user needs in products, pricing, and services. For example:
  - Engagement with customers – how does the business ensure that energy users end up with the right product that suits their needs and this is catered for in the businesses approach to advertising, marketing and contracting?
  - Product design and pricing – how does the business ensure, at the energy cohort and individual level, that product design meets the likely needs of energy users, and pricing is fair for and within customer groups.
  - Service aspects of their business – how are Signatories ensuring that ‘customer service’ is able to identify energy user needs and circumstances to meet these needs and appropriately solve problems? This particularly relates to people with vulnerability who may have difficulty in obtaining or assimilating information, due for example to age, disability or background, and are therefore less able to buy, choose, or access suitable products.
- Identification of obstacles in existing structures, processes, values or incentives that are preventing the Signatories from fully responding to its customers’ needs and concerns.

## Comment on disclosure principle 2

We welcomed the acknowledgement by all Signatories that price and affordability remains a real challenge for customers. As noted in the EUCG submission, disclosures tended to focus on price and other than the smaller retailer Signatories did not speak about other drivers of affordability and solutions. We would welcome a more sophisticated analysis of energy affordability, which includes the price of energy, size of the bill and capacity to pay, and acknowledgement that we need solutions at all levels to address affordability issues. In addition, there was little systematic or trend evidence demonstrating improved affordability outcomes for customers, especially for vulnerable customers.

We also welcomed the important efforts to cut costs, referenced by a number of disclosures, however we were disappointed that Signatories also referred to measures that were imposed on them by regulation and government policy, especially where many Signatories pushed back against some of these reforms.

In respect to the principle of offering customer's energy deals that best meets their needs, we are not convinced that enough sophisticated effort has gone into this principle in action, especially for vulnerable energy users (see discussion at principle 5). There were some good examples of Signatories going beyond regulation, for example Origin reported they *"went beyond what was required by the Commonwealth Government's Default Market Offer (DMO) to ensure that none of our electricity customers on a flat rate tariff pay more than the DMO"*, but these examples were few and far between. A big question for ACOSS members is how fairness within and between energy users groups is considered in energy deals, especially for vulnerable energy users.

Principle in action 2.5 states the energy business should advocate on behalf of customers to improve energy affordability. While most disclosures talked about their engagement in various regulatory and policy process, we would argue that the positions taken by energy companies was rarely from the perspective of what's in the best interest of all energy users, but from a perceived impact to the businesses bottom line. For example in recent regulatory reform processes around the Default Market Offer/Victorian Default Offer and Hardship Guidelines, many of the Signatories actively fought against the reforms, dismissed concerns and positions of social sector and consumer groups, and at least in one case that ACOSS is aware of engaged in a very hostile, if not aggressive way, with a consumer representative because of their advocacy in support of the Victorian Default Offer.

We acknowledge and welcome the creation by the Energy Charter of the "Better Together" initiative which aims to work collaboratively with other Energy Charter Signatories and external stakeholders on joint activities to improve outcomes for customers. WE hope this provides more opportunities going forward to develop joint positions and do joint advocacy to improve energy affordability and outcomes for all energy users.

Our expectation is Energy Charter Signatories go beyond what is "required" i.e. react to regulatory and policy reform process, and instead proactively advocate for policy and measures that will improve energy affordability for their customers. The proposed Better Together initiative on energy concessions is an example of this. We believe that Signatories should be actively advocating for, and supporting consumer advocates in their efforts to a achieve, reforms that would will have a significant impact on energy affordability, especially for vulnerable energy users including improving energy efficiency for existing homes and raising Newstart and related allowances.



### TWO: We will improve energy affordability for customers

We recognise that affordable energy is essential for Australian households and businesses.

We will do what we can to make energy more affordable, by running our businesses efficiently so customers benefit, by offering customers energy deals that best meet their needs, helping them manage their energy use, and by working together to improve energy affordability, as well as innovating for cost effective solutions that meet residential and business customer needs.

#### Principle in action

To fulfil this principle energy businesses should:

- 2.1 Ensure that investment, commercial and operational decisions are cost efficient, and explain how customers benefit from these decisions.
- 2.2 Offer customers energy deals that best meet their needs, supported by effective tools and incentives for customers to manage their energy use and cost.
- 2.3 Work cooperatively across the supply chain and with other stakeholders to improve affordability over the short and long term.
- 2.4 Innovate to deliver competitive energy solutions for business and residential customers.
- 2.5 Advocate on behalf of customers to improve energy affordability through engagement in regulatory and policy processes.

## What we would like to see going forward

ACOSS supports the suggestions in the EUCG submission including:

- Detailed analysis of the true affordability position of different energy users (including housing tenure, income level and source, household size, energy use across seasons, hardship indicators).
- Identification of the spread (percentage) of customers against the business product offers including those on the cheapest offer and those on default energy plans including average MWh of customers on different plans.
- Identification of the obstacles in the business to all energy users being on an energy plan that best meets their needs.
- Measures to assist customers (i.e. advice, information and highlighting strategies) in minimising their bills.

In addition ACOSS would like to see:

- More sophisticated analysis of the drivers of energy affordability and leadership in proactively advocating for policy and regulatory reform that will address affordability drivers, especially for vulnerable energy users.
- Justification that advocacy positions taken are in the long-term interests of ALL their customers.
- Greater genuine engagement with consumer advocates to better understand drivers and solutions to energy affordability issues, develop joint solutions and shared positions, and support their advocacy efforts.





### THREE: We will provide energy safely, sustainably and reliably

We recognise the essential nature of energy and the need to deliver and use energy safely, sustainably and reliably. We recognise the role of energy businesses to respond to the shift to a cleaner energy system that is already underway. We understand the value energy brings to the community and the potential consequences and impacts for customers when reliability and quality of energy supply is compromised.

We will provide energy safely, sustainably and reliably. We will listen to customer preferences and demonstrate how they inform decisions and outcomes and how the community benefits.

#### Principle in action

To fulfil this principle energy businesses should:

- 3.1 Maintain the highest standards of safety for their people, the community and the environment.
- 3.2 Engage with customers and the community on investments, and manage operations in line with their expectations, demonstrating how communities' benefit.
- 3.3 Develop business strategy and manage operations to respond to the shift to a cleaner energy system that is already underway.
- 3.4 Work with government, other energy businesses, the community and industry bodies to develop a planned transition to a cleaner energy system.
- 3.5 Facilitate new services and technologies that support sustainable energy solutions that meet the changing needs of the market.
- 3.6 Implement solutions across the supply chain:
  - a. that support energy connection, service and reliability that meets customers' needs.
  - b. to resolve service issues that impact customers and the community.

## Comment on disclosure principle 3

Many Disclosures acknowledged that the energy system is in transition bringing challenges and risks for customers. However, with the exception of Powershop, there was little discussion on what role each of the Signatories were playing to drive sustainability, address the challenges, minimise risk for customers, or how there were creating opportunities from the transition to actively improve the lives of energy users, including vulnerable energy users.

While many pointed to trials, innovations and progress geared towards finding new services that would benefit energy users, which is welcome, more work needs to be done to explain how these individual initiatives fit into a bigger picture, whether they are effective, and how they will benefit energy users, including vulnerable energy users.

We also felt there was lack of commitment to decarbonising the energy grid, which is not only in the best interest of all energy users but has overwhelming support of the public. As noted in the introduction, ACOSS and our members support the rapid transition of the energy sector from fossil fuels to zero carbon energy. Climate change and a poorly managed transition to clean energy will entrench and drive further poverty and inequality. In addition failure to properly manage the transition for workers and affected communities will only make the transition harder and slower.

Signatories of the Energy Charter should be taking a leadership role in not only advocating for the decarbonisation of the energy grid and a just transition for their workers and communities, but also implementing plans to reduce their own emissions.

We would have also liked to have seen more on what Networks are doing to improve and manage power quality (voltage, frequency, harmonic distortions, etc.) which is a significant problem for some consumers.

## What we would like to see going forward

- A clear overarching commitment to support and advocate for the rapid transition to a zero carbon energy system. ACOSS and many of its members support a goal of achieving net zero emissions before 2050 and at least 45% by 2030. Australia's energy system has the capacity to reduce emissions rapidly using current technology, compared to other sectors, and must be prioritised for fast, early emissions reductions.
- A plan to reduce business (scope 1) emissions in line with science based-targets linked to the goal of the global Paris Agreement to reduce emissions well below 2 degrees C and pursuing a limit of 1.5 degrees. ACOSS and many of its members support a goal of achieving net zero emissions before 2050.
- A recognition of the need to plan for a just transition for communities dependent on income from mining and generating electricity from fossil fuels.
- A comprehensive strategy to respond to the equity as well as technical economic challenges of a high DER future system (as SAPN, for instance, has done).
- A recognition of the need to build a more resilient energy system in the face of more frequent and intense severe weather events.



#### FOUR: We will improve the customer experience

We recognise that it should be easy for customers to make informed decisions about their energy use and services that outcomes should be transparent, and all customers should benefit from the transformation of the energy system. Customer service from energy businesses should be respectful, efficient and seamless, particularly if things go wrong.

We will make it easy for everyone to get the best product or service for them regardless of their ability to engage, or interest in, the energy market. We will continually improve our processes and communication and will work together to provide better services across the supply chain to meet customer needs.

#### Principle in action

To fulfil this principle energy businesses should:

- 4.1 Enable customers to get fair outcomes regardless of their ability or desire to participate in the energy market.
- 4.2 Empower customers by:
  - a. making sure all communication is clear, in plain terms, accessible and understandable;
  - b. providing insightful and useful information and accessible tools; and
  - c. streamlining access to, and portability of, customer energy data.
- 4.3 Ensure that innovation and design in products and services, as well as communication platforms and tools, are driven by customers' needs and preferences.
- 4.4 Have effective and accessible dispute resolution processes, co-ordinated across the supply chain, to resolve customer issues and implement process improvements in response.

## Comment on disclosure principle 4

The first principle in action under principle four, goes to an important concept about enabling consumers to get “fair outcomes”. As we have mentioned a number of times in this submission, no evidence was presented to demonstrate how the business is responding to and incorporating fairness within energy user groups and between groups with respect to their products, pricing, and services. ACROSS and members see this as critically important as too often heavily discounted products, such as pay on time, usually benefit those people who are able to actively engage, and/or are in secure employment and/or are financially secure, and are being subsidised by more expensive products which too often people who can least afford end up on them.

We welcome the honest disclosure by one Signatory that some of its customers found its user experience confusing and positive examples, such as where caps on call times had been removed to ensure customer problems had been properly solved. However, energy users still struggle to compare offers and understand which products will best meet their needs, and we urge Signatories to invest more time and resource to improving advertising and communication of offers to all customers including culturally and linguistically diverse and low literacy customers and customers without technology.

As noted in the EUCG submission, there is evidence that Signatories are innovating and embracing technology to better serve energy users, which is welcome. There is a risk that some energy users will be left behind including older people who are not as digitally savvy or people on low incomes who are not always digitally connected, we are therefore keen to see how Signatories are innovating to meet all energy users where they are at, noting the digital divide.

We would also like to see more leadership from Energy Charter Signatories on innovative products that can better help energy users reduce their bills, especially people on low-incomes. For example targeting low-income households for virtual power plant trials, developing demand management products, and initiating energy efficiency partnerships.

More evidence is needed about the positive impact that these technological innovations are delivering for customers.

With respect to principle 4.4, committing to more effective dispute mechanisms, we note that complaints to the jurisdictional energy ombudsmen remain in there thousands.<sup>4</sup> ACROSS believes there is an opportunity for improved dispute resolution through more explicit commitment and procedures put in place by Signatories to engage more directly with the Ombudsmen.

## What we would like to see going forward

- Demonstration that Signatories are embedding fairness in the development of product design and pricing and customer engagement.
- Innovation to better enable customers to identify the offer that best meets their needs.

<sup>4</sup> For example, Energy and Water Ombudsman Queensland 2018/19 annual report reported 8,584 complaints (84% electricity and 8% gas) <https://www.ewoq.com.au/userfiles/files/ewoq-annual-report-2018-19.pdf>. Energy and Water Ombudsman Victoria 2018/2019 annual report, reported 29,259 complaints (60% electricity and 33% gas) <https://www.ewov.com.au/reports/annual-report/201910>. 2018/2019 reports were not yet available for other jurisdictions.



- Improvement to advertising and communications of offers to all customers to ensure the information is clear and inclusive, including for culturally and linguistically diverse and low literacy customers and customers without technology.
- Further consideration of how to link KPIs to improved customer outcomes.
- Procedures put in place by Signatories to engage more directly with the Ombudsmen to reduce the number of complaints and implement strategies to better manage complaints. This would include better data analysis of the trend and type of customer complaints (including repeat complaints) to Ombudsman offices and escalated complaints within Ombudsman offices as a result of poor responses or lack of resolutions offered.



## FIVE: We will support customers facing vulnerable circumstances

We recognise that some households and businesses may experience vulnerability that requires support from energy providers, which may require collaboration with governments and community service organisations. Not all experiences of vulnerability will be the same and providing support requires solutions tailored for different circumstances.

We will establish processes for early recognition of, and engagement with, customers facing vulnerable circumstances, support customers to navigate periods of vulnerability and collaborate with the community and government to assist those who need it most.

### Principle in action

To fulfil this principle energy businesses should:

- 5.1 Have processes to enable early identification of and engagement with customers at risk of vulnerability, coupled with intervention measures that can prevent customers falling into hardship.
- 5.2 Provide products and services that are tailored to customers facing vulnerable circumstances and support them to get back on track.
- 5.3 Provide flexible solutions that are easy to access and are provided by specially trained frontline staff with expertise in supporting those customers who face additional barriers to engaging with the energy market.
- 5.4 Take a collaborative approach, partnering across the energy supply chain and with government and community service organisations to implement innovative solutions that improve outcomes (affordability or experience) for customers facing vulnerable circumstances.

## Comment on Disclosure principle 5

ACOSS acknowledges there were some positive steps outlined in some Disclosures and in some CEO meetings of debt write-downs, collaboration with Voices of Power and Thriving Communities on their outreach programs, review of debt collection programs, and removal of conditional discounts. We encourage all Signatories to look at what other businesses have done and emulate best practise and innovate further.

However, ACOSS remains concerned that Signatories are not doing enough to reduce energy stress for some of the most vulnerable people in our society, and in some cases contributing to greater vulnerability.

For example, we remain concerned with the percentage of Signatory customers who are on hardship or concession programs and yet still being disconnected because of inability to pay. Hundreds of households are still being disconnected each year, and AER data shows that there are thousands of households with debts in the thousands of dollars. A large number of households have been on hardship programs for over two years, most are on Newstart or pensions and are not going to be able to pay the debt (see box 2).

While the new hardship guidelines which come into force in October 2019 should start to reduce these figures and better meet the needs of people experiencing energy hardship, we encourage Signatories to go beyond what's required by regulation, for example by implementing the Victoria Victorian Payment Difficulty Framework across all jurisdictions. As mentioned above we were pleased to hear some retailers are planning to write off-debts and would be encouraging all relevant Signatories to do so.

We were disappointed at the lack of evidence presented to show that vulnerable customers were on the best deals.

As mentioned earlier, we are concerned the Signatories have not done enough to better understand the different vulnerable energy user groups, and their characteristics, the challenges they face and their needs. In the future we would welcome a more detailed discussion about CALD, indigenous, older, disabled, rural, farming, business and low-income households.

As mentioned in principle 1 there needs to be a more clearly articulated approach to ensure that the needs of different energy users are reflected in products, marketing and services, and a demonstration that equality and fairness, within and between energy user groups, is being delivered.

### Box 2 - AER Retail Market data Q3 2018/2019

- † 411,701 electricity and 153,491 missed paying their pay on time discount.
- † 76,413 of electricity customers on hardship programs and 15,414 of gas customers.
- † Average hardship debt was \$1,210 electricity and \$654 gas. With 6,420 electricity customers with a debt of more than \$1,500.
- † Residential disconnections, saw 16,726 disconnected from electricity and 2,672 gas.
- † The number of customers on hardship programs for electricity has increased by over 4,000 customers over the past year. This may be due to better take-up of hardship programs or an increase in the number of people struggling to pay their bills.
- † 56% of electricity and 34% of gas customers on hardship programs are receiving government concessions.

<https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-3-2018-19>

As mentioned in principle 2, the drivers of affordability include price, size of the bill and capacity to pay. ACOSS research shows that size of the bill and capacity to pay are biggest drivers of energy unaffordability for vulnerable energy users. We would like to see Signatories implement measures to help reduce the size of bills by making sure vulnerable customers are on the best deals, accessing support to improve energy efficiency of their homes and are supported to secure access to solar power.

As also noted in principle 2 we would also like to see Signatories proactively advocate for policies that will make a significant difference to reducing vulnerability to energy such as supporting a rise to Newstart and implementing measures to improve energy efficiency for existing homes.

Finally, Signatories can look at indirect ways to reduce vulnerability to energy stress through providing funding to social sector organisations to run targeted programs to improve energy bill literacy and reduce energy vulnerability. The Switched on Communities program administered by QCOSS and partly funded by AGL and the Queensland Government was viewed as beneficial by recipients. The ACCC recommended governments fund a similar program modelled on the QCOSS Switched on Communities program.<sup>5</sup>

## What we would like to see going forward

We support many of the recommendations in the EUCGs submission, with some slight amendments:

- Identification of the design initiatives in the business offers that respond to customer vulnerability (aimed at reducing the need for customers to self-identify as vulnerable).
- Reporting of the percentage of customers currently on hardship programs and the percentage of customers that were on hardship programs but are no longer on them due to missing payments etc.
- Reporting of the percentage of customers eligible for hardship who are not receiving hardship assistance.
- Examination of whether all customers on hardship programs are accessing the benefits that they are entitled to and plans to get them onto government rebate programs, and other programs.
- Examination of whether every customer on a hardship program is on the most appropriate offer and plans to put them on the best offer.
- Reporting of the debt levels of customers in payment difficulty.
- Details of training provided to credit and hardship teams and call centre staff to identify and assist customers at risk of, or experiencing, payment difficulty.
- Details of programs to assess whether there is a faulty meter, energy intensive appliance, inefficient heating/cooling issue.
- Businesses should explore what they can do over and above their regulatory obligations to assist customers facing vulnerable circumstances. For example, how can the business overcome the split incentive problem to deploy energy efficiency, solar PV and batteries to allow vulnerable customers to participate and/or target low-income households for trials of virtual power plants (VPPs).

<sup>5</sup>[https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018\\_Exec%20summary.pdf](https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_Exec%20summary.pdf)

- Evidence of proactive and collective engagement with, and advocacy on behalf of, vulnerable customers to achieve better affordability outcomes for vulnerable customers.

In addition, ACOSS would also like to see:

- A commitment to write down current hardship debt
- Retailers implementing the Victorian Payment Difficulty Framework across all jurisdictions
- Signatories create a fund to support social sector organisations to deliver community energy programs to support energy bill literacy and reduce energy vulnerability.
- Public support for ACOSS and members advocacy efforts including, raising the rate of Newstart and improving energy efficiency for existing homes.

**For Further information, please contact:**

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