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Submitted via email to:

[PDFreview@esc.vic.gov.au](mailto:PDFreview@esc.vic.gov.au)

and

<https://engage.vic.gov.au/energy-payment-difficulty-framework-implementation-review>

### **Payment Difficulty Framework – Engagement on Review Approach**

Tango Energy appreciates the opportunity to comment on the energy payment difficulty framework implementation review, in particular the engagement on the Essential Services Commission's (ESC) review approach.

Tango Energy is the wholly owned subsidiary retail arm of Pacific Hydro Australia (PHA). PHA was founded in 1992, and is a leading owner, operator and developer of renewable energy assets. It operates a high quality, diversified portfolio of wind, hydro and solar assets with an installed capacity of 665 MW; it also has a development pipeline of substantial projects totaling over 1100 MW of potential capacity, as well as over 300 MW of energy storage solutions. We are a relatively new and growing retailer with approximately 110,000 small and large customers as of August 2021, with our customer base predominantly in Victoria.

Please find our responses to the consultation questions below.

#### **Initially, we are interested in your thoughts on:**

##### **1. How would you like to participate in the review?**

Tango Energy is keen to participate in genuine, two-way consultation with the ESC on creating better outcomes for customers through the implementation of the payment difficulty framework. We consider evidence-based submissions, complemented with public stakeholder meetings and forums where participants are given an opportunity to participate effectively, at each stage of consultation, to be most suited to a topic of such a complex nature.

We raised concerns in our submission<sup>1</sup> in June 2021 and reiterate those concerns. We also echo the concerns raised by our industry body (the Australian Energy Council)<sup>2</sup> about recent consultations, such

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<sup>1</sup> <https://www.esc.vic.gov.au/sites/default/files/documents/Getting-to-fair-draft-strategy-2021-submission-Tango-Energy.pdf>

<sup>2</sup> [https://www.esc.vic.gov.au/sites/default/files/documents/Getting-to-fair-draft-strategy-2021-submission-Australian-Energy-Council\\_0.pdf](https://www.esc.vic.gov.au/sites/default/files/documents/Getting-to-fair-draft-strategy-2021-submission-Australian-Energy-Council_0.pdf)

as the concern that in the recent consultation in relation to “Getting to fair: draft strategy”<sup>3</sup>, industry has been excluded and draft decisions appear to have been made based on one-sided, anecdotal information. We have found the usefulness of public forums in achieving the outcome of genuine consultation to be limited, noting that there is often little opportunity for participants to participate or be heard given a fixed and rigid agenda, and that these forums tend to be one-way information sessions.

Overall, we are concerned about the risks of repeating the mistakes of the inadequate consultation in the implementation of the payment difficulty framework in 2019, which would lead to the same confusion and perceived poor outcomes in this review, wasting an opportunity to genuinely improve outcomes for customers.

## 2. What have you observed about the experience of customers in payment difficulty in the last 2-3 years?

Tango Energy is keen to share with the ESC our experiences in greater detail, including providing evidence as needed in later stages of consultation as foreshadowed on the Engage Victoria website on “Review Questions”, particularly given the short timeframe for this stage of consultation. At this stage, we provide a high-level overview, and note that we have generally found that the majority of customers experiencing payment difficulty who do **choose** to engage are often grateful, satisfied and complimentary of the assistance provided.

High level themes we have experienced are:

- Customers found information about ongoing Government assistance e.g. URGS, pandemic-specific relief, and one-off pandemic relief assistance to be **highly useful**
- Customers found tools such as standard and tailored payment plans to be **highly useful**
- Customers are often **delighted and grateful** at how much time retailer staff are willing to spend on the phone to help, including personalized communication or simply a staff member willing to stay on the line with them
- Customers found energy audits to be of **limited utility**

In our view, the most challenging aspect of implementing the framework for an energy retailer continues to be customers’ refusal to engage with the framework despite numerous forms of communication. While the payment difficulty framework does not clearly define engagement and puts the onus on the retailer to prove that the customer has “engaged”, unfortunately there is a limit to what private sector participants like energy retailers can do to encourage or incentivize a customer to engage if the customer chooses not to do so.

This results in the customer’s debt spiraling out of control and a large amount of arrears, and a situation where customers who pay, and customers who are genuine about paying off their arrears, eventually end up subsidizing this group of customers in default, through higher prices. For the payment difficulty framework to work, both sides of the market need to participate. A solution is for the onus to be put on

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<sup>3</sup> [https://www.esc.vic.gov.au/other-work/regulating-consumer-vulnerability-mind?\\_ga=2.198512175.1408043674.1631492434-2144633434.1631245443#tabs-container1](https://www.esc.vic.gov.au/other-work/regulating-consumer-vulnerability-mind?_ga=2.198512175.1408043674.1631492434-2144633434.1631245443#tabs-container1)

this specific group of customers to take action where multiple avenues of assistance are already being offered. While the traditional rhetoric has been about what more retailers need to do to encourage participation or engagement, we consider that this highlights the criticality of a balanced view being formed in a two-sided relationship, and the need for the ESC to incentivize the consumer community it serves to access the protections that are being made available to them.

**3. We have access to existing data, customer insights, and publicly available case-studies relating to the framework. Is there any other data, insights or research we should also consider?**

While the ESC appears to rely heavily on the use of case-study research, the use of the case-study and qualitative research methodology appears to have only been applied to the demand side of the market (i.e. the experiences of the customer segment), but not the supply-side of the market (i.e. the experiences of energy retailers in implementing the framework). In our view, this makes the analysis inadequate and imbalanced.

While case study research has the advantage of allowing complex and in-depth understanding of issues, and is therefore well-suited to exploratory work, a major limitation is that the case study research approach does not support the generalizing of findings outside of the case study context. Academic studies often deal with this issue by either increasing the sample size to an acceptable level or by achieving the “theoretical saturation” of case studies<sup>4</sup> by doing enough case studies until no theoretical concepts can be further found. We consider that neither of these has been performed, as the supply side of the market has not been explored, and see this as a significant gap in the consumer research being undertaken.

We also consider that the use of wider macroeconomic data outside of the energy industry will be useful to understand a more holistic picture of the “customer” and any exogenous factors that may be impacting a customer’s ability to pay their energy bill, and we recommend such use. These may include wage data, Consumer Price Index (CPI) basket data, other cost of living data, and other pandemic-specific data which could be used to assess the adequacy of grants and replacement income being offered to customers (e.g. JobKeeper, small business grants).

**4. Are our key review questions appropriate for this review?**

A number of the key review questions appear to be targeted specifically at consumer advocates:

- *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?*
- *How confident are you when advocating on behalf of someone to access support under the framework?*

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<sup>4</sup> Bryman, A., & Bell, E. (2015). Part Three: Qualitative Research. In *Business Research Methods* (pp. 391-440). Oxford: Oxford University Press.

- *Have you observed a change in customer satisfaction of their engagement **with retailers** about their entitlements? If so, to what extent and why?*

In addition to our points above, we would like to stress again that for this review to be useful in improving consumer outcomes, it is crucial to form a balanced view, taking into account the experiences of both sides of the market.

Furthermore, one of the review questions, reproduced below, appears to assume that the market is one-sided, and in our view, incorrectly excludes the consideration of “What can help retailers implement the payment difficulty framework to help customers, better?”

- *Are there other strategies or approaches retailers have considered (within or outside the framework) that can better help **customers** and achieve the framework’s objectives? If so, what are these strategies or approaches?*

### **Summary of remarks**

Tango Energy thanks the ESC once again for the opportunity to comment, and looks forward to participating in the consultation on the substantive section of the review (i.e. the “Engagement on key review questions” running from 20 September to end of October 2021) in the engagement process.

It is important to remember that energy retailers are participants operating in a competitive market for an essential service, and that is a market constructed by policymakers with multiple participant types and actors, including actors not directly involved in the production, sale or supply of energy, such as government agencies. Wider vulnerability and social issues cannot be solved by one participant group in this market alone. Rather, it also requires the leadership of Government agencies responsible for the social welfare of the citizens of Victoria. Private sector participants are best placed only to provide affected customers with support which relates directly to the service they are providing, and not support in relation to other social issues that are more appropriately addressed by Government.

We therefore consider it is critical that expectations on energy retailers are aligned with the understanding of retailer experiences, and that retailer experiences are given sufficient weight in this consultation process.

If you would like to discuss this submission, please contact me at the details provided with the submission.

Yours sincerely

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