

OFFICIAL



# Payment difficulty framework implementation review 2022

Findings report

31 May 2022



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# Preface

This report sets out the commission's findings into the review of the implementation of the payment difficulty framework since 2019. The report is structured to present our analysis against the objectives of the framework.

## Structure of this report

### Introduction

The context for our review, and the background and history of the payment difficulty framework

### Our approach

How we conducted the review by reference to the objectives of the framework

### Common themes

A discussion of common themes arising from our review.

### **Are residential energy customers avoiding getting into arrears with their retailer?**

Our key findings relating to this objective of the framework, based on our analysis of customer outcomes and experiences.

### **Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?**

Our key findings relating to this objective of the framework, based on our analysis of customer outcomes and experiences.

### **Are residential energy customers only ever disconnected for non-payment as a last resort?**

Our key findings relating to this objective of the framework, based on our analysis of customer outcomes and experiences.

### **Improving the operation of the framework**

Areas in the operation of the framework we have identified that can be improved for better customer outcomes.

### **Next steps**

Our structure and approach for the second phase of the review.

## **Data and figures presented in the report**

The data and figures presented in the report are based on data submitted by retailers as required under the commission's Compliance and Performance Reporting Guideline, unless otherwise noted.

Retailer names have been de-identified, as the report focuses on the overall effectiveness of the framework's implementation for Victorian customers. This is despite some of the data mentioned in this report being published in the past. Some specific sets of data and information is confidential and commercially sensitive, and so has been de-identified for the purposes of this public report.

We also note that in some charts, some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data was relevant to certain metrics during that time-period.

# Contents

<b>Preface</b>	<b>ii</b>
Structure of this report	ii
Data and figures presented in the report	iii
<b>Contents</b>	<b>4</b>
<b>Executive summary</b>	<b>6</b>
Our review of the effectiveness of the framework's implementation	6
Victoria's energy payment difficulty framework: At a glance	9
Positive and improved customer outcomes	9
Examples of variable customer outcomes across retailers	10
Summary of our key findings	13
Improving the operation of the framework	19
Next steps	19
<b>Introduction</b>	<b>20</b>
The payment difficulty framework	21
Understanding consumers' experience of vulnerability	24
<b>Our approach</b>	<b>27</b>
Purpose of our review	27
Our review process	28
How we assessed the framework's implementation against its objectives	30
<b>Common themes across the framework</b>	<b>31</b>
Customer outcomes are variable across retailers	31
Customer awareness of their entitlements is critical for success	32
Many customers experiencing vulnerability are also disproportionately facing barriers to accessing and receiving assistance	33
<b>Are residential energy customers avoiding getting into arrears with their retailer?</b>	<b>37</b>
Our key findings: standard assistance	37
Standard assistance	37
How customers are offered standard assistance	38
Supporting customers through standard assistance	40
Improving the operation of the framework: supporting customers' entitlements to assistance	42
<b>Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?</b>	<b>44</b>
Our key findings: tailored assistance	44
Tailored assistance	46
How customers are informed about their tailored assistance entitlements	47
Payment plans and advice on repaying arrears	61
Information on future energy use and how this cost could be lowered	73
Help to lodge and apply for a utility relief grant	79

Practical assistance to help customers reduce their energy costs, such as checking current energy offers and providing advice on the best energy offer available	85
Practical assistance to help customers reduce their energy use, such as energy audits or energy efficiency products	90
Pause on arrears payments for up to six months and part-payments of future bills	94
<b>Are residential energy customers only disconnected for non-payment as a last resort?</b>	<b>99</b>
Our key findings: disconnection as a last resort	99
Key finding: The level and quality of retailer-customer engagement affects customer outcomes	99
Disconnection for non-payment under the framework	100
Levels of disconnection of residential energy customers	102
Improving the operation of the framework: disconnections	111
<b>Improving the operation of the framework</b>	<b>112</b>
Identifying areas to improve the framework's implementation	112
<b>Next steps</b>	<b>118</b>
Second phase of the implementation review (June to August 2022)	118
Our on-going role in regulating the implementation of the framework	118
<b>Appendix 1: Call recordings study scope and methodology</b>	<b>120</b>
Context of the call recordings study	120
Sample selection	120
Scope of services provided by ORIMA Research	121
<b>Appendix 2: Additional customer outcomes analysis</b>	<b>122</b>
Standard assistance	123
Tailored assistance	123
Customer arrears	132
Disconnections	134
Variability of outcomes by retailer	135
Variability of outcomes by retailer, based on invoice data	140
<b>Appendix 3: Early observations workshop report</b>	<b>141</b>
Participant feedback	142

# Executive summary

The Essential Services Commission promotes protections for consumers experiencing vulnerability and supports access to regulated essential services for all Victorian consumers. A key objective of the commission is breaking down the barriers consumers can face when seeking information and assistance.

One of our roles is to facilitate the effective implementation of regulations for the energy industry, which includes support for customers who are having trouble paying their energy bills. The energy payment difficulty framework (the framework) was developed by the commission to reduce these barriers and support residential Victorian customers experiencing vulnerability.

The framework was introduced in 2017 and came into effect on 1 January 2019 through amendments to the Energy Retail Code (now Energy Retail Code of Practice).<sup>1</sup> The framework seeks to reduce the number of customers being disconnected for having energy arrears and does this by protecting and supporting residential customers to help pay their energy bills. The framework entitles Victorian energy customers anticipating or experiencing payment difficulty to minimum levels of assistance. These minimum standards of assistance and the obligations for retailers in providing that assistance, are set out in the code.

The framework was developed to meet the following objectives:

- To help residential customers avoid getting into arrears with their retailer.
- To make it easier for residential customers to pay for their ongoing energy use, repay their arrears when they have missed a bill, and lower their energy costs.
- To ensure residential customers are only disconnected for non-payment of a bill as a measure of last resort.

## **Our review of the effectiveness of the framework's implementation**

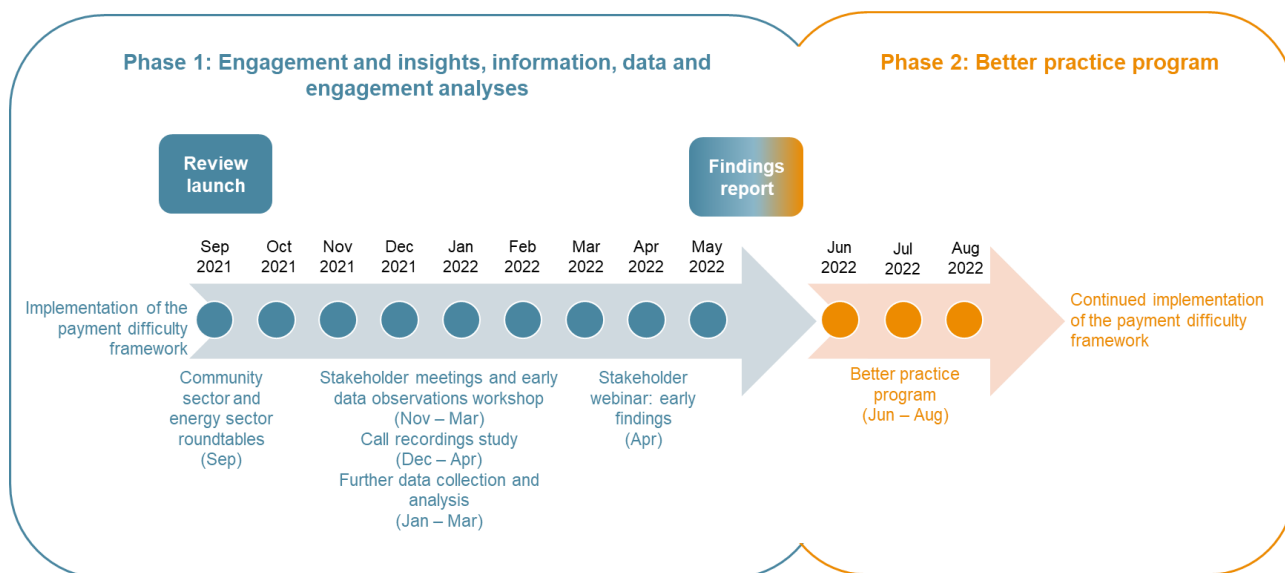
We committed to holding a review into how energy retailers were applying the framework in practice two years after its introduction. The aim was to consider the effectiveness of the framework as implemented by energy retailers against its objectives, and to identify areas for improvement.

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<sup>1</sup> At that time, this was version 12 of the Energy Retail Code. The framework is now in the Energy Retail Code of Practice, and specific provisions relating to disconnection have been transferred to the Electricity Industry Act 2000 and Gas Industry Act 2001.

Since September 2021, we have been gathering information to inform our review. This involved receiving and evaluating feedback and data directly from stakeholders, retailer data, publicly available consumers insights research, and analysis of call recordings between retailers and customers receiving payment assistance.

**Figure 1 Our review timeline**



This report presents the key information and insights we have collected through this process. Our key findings provide the basis of our assessment of how effectively the framework has been implemented against its objectives since 2019.

It is important to note that the framework’s implementation coincided with stay-at-home orders issued by the Victorian government to help contain the spread of COVID-19 during 2020 and 2021. Various temporary measures and supports providing financial assistance to individuals, households and businesses affected by the pandemic have affected how energy retailer responses operate, as well as customer needs and experiences during this period. We have considered this when making our key findings.

We have also highlighted opportunities for further collaboration across the sector, particularly between the commission, energy retailers, and consumer groups and advocates to improve the framework’s support of customers experiencing vulnerability.

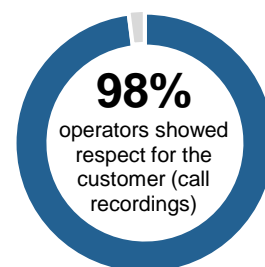
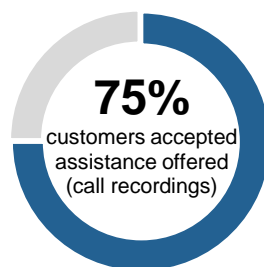
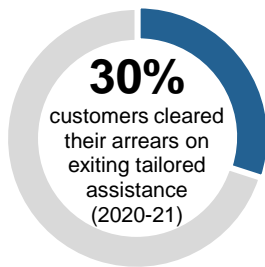
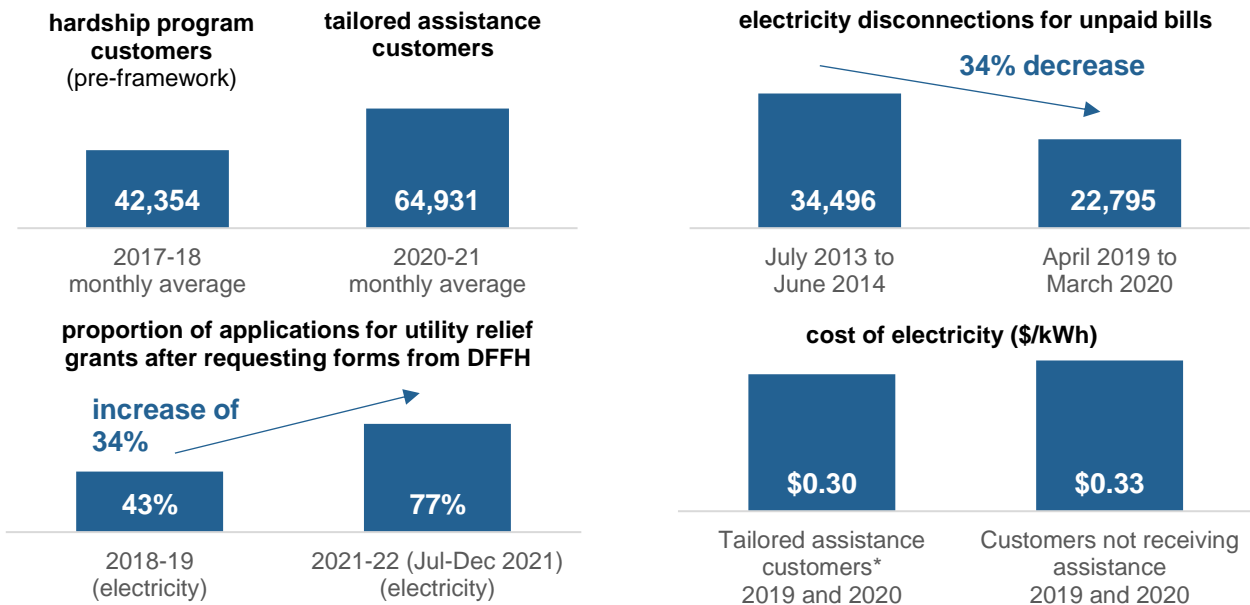
The release of this report marks the beginning of the next phase of our review. From June to August 2022, we will engage with stakeholders to facilitate discussions about better practice and to develop practical actions that focus on improving the operation of the framework, as identified in



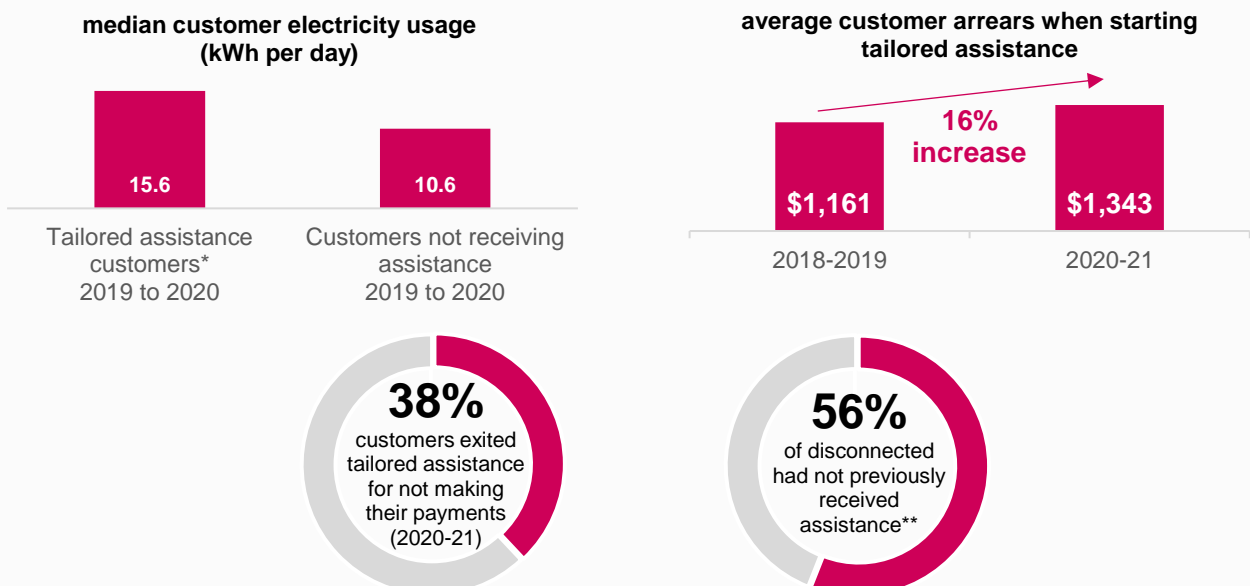
this report. The findings from our review, and the actions we develop with stakeholders will then inform our on-going regulatory work to implement the framework.

# Victoria's energy payment difficulty framework: At a glance

## Positive and improved customer outcomes



## Negative customer outcomes

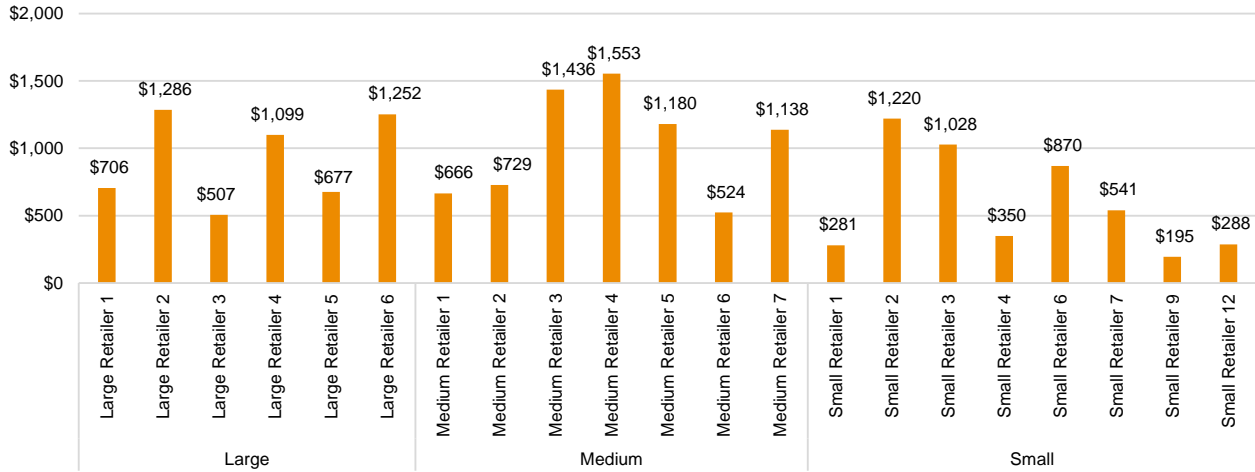


\*Defined as hardship customers in the data

\*\*Between January 2019 and June 2020, which captures the disconnections that occurred in the period prior to the pandemic.

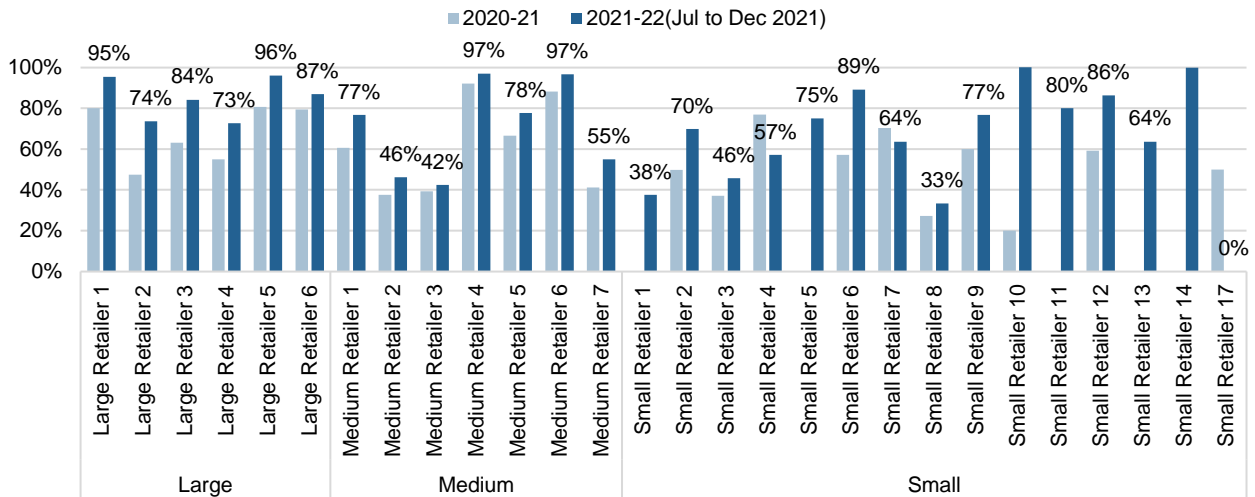
## Examples of variable customer outcomes across retailers

Average customer arrears when starting tailored assistance for customers who can pay for their on-going usage, 2020-21, by retailer



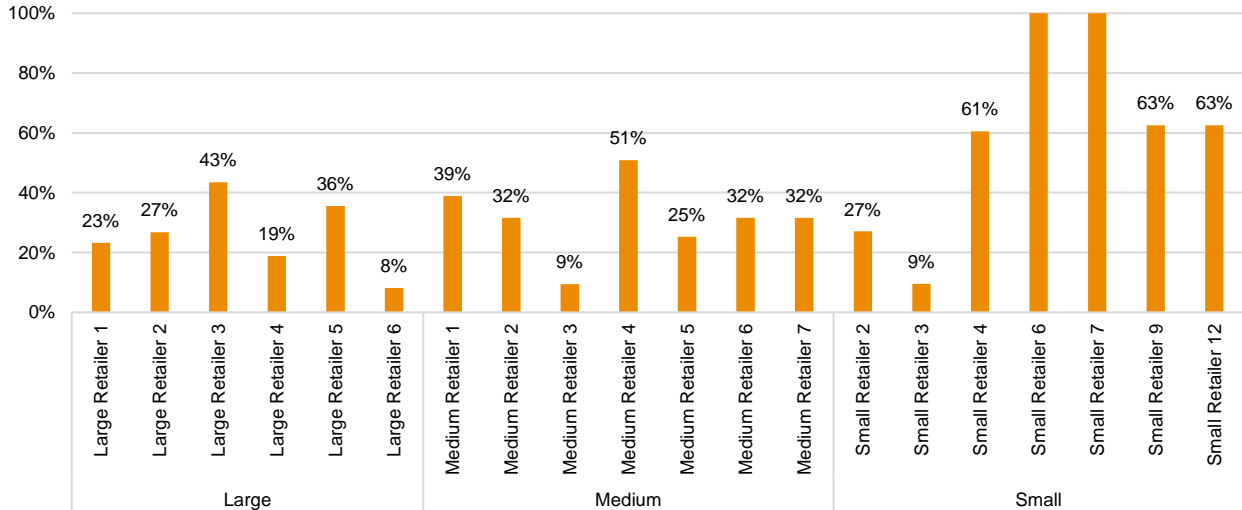
Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

## Proportion of applications for utility relief grants after requesting forms from the Department of Families, Fairness and Housing, 2020-22, by retailer



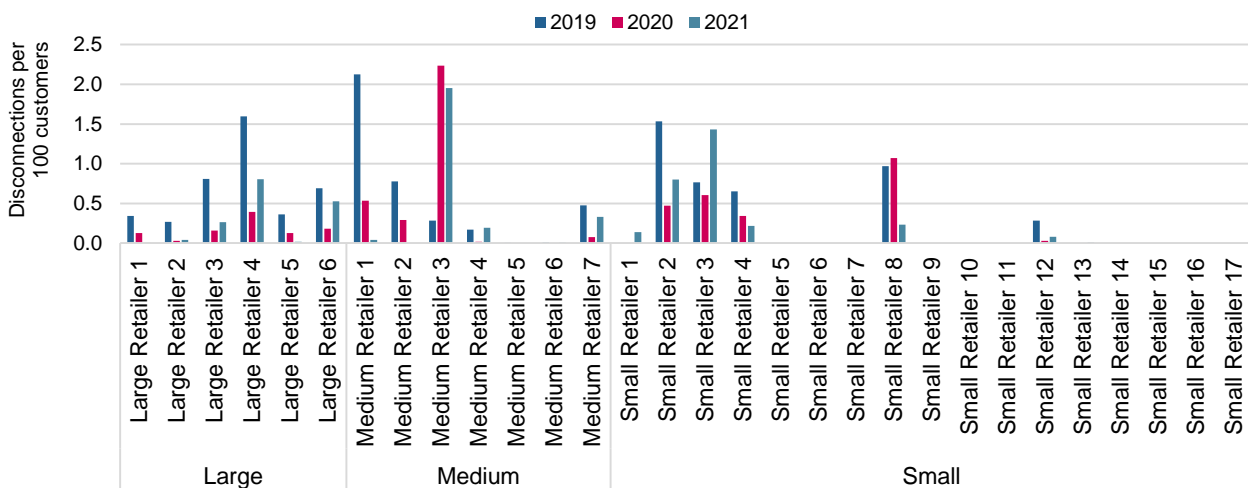
Source: Data from Department of Families, Fairness and Housing Victoria

**Proportion of customers successfully clearing their arrears on exiting tailored assistance for customers who can pay for their on-going usage, 2020-21, by retailer**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

**Disconnections for unpaid bills (per 100 residential electricity customers) by retailer, deidentified**



Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers or had no applicable data relevant to this metric for this time-period.

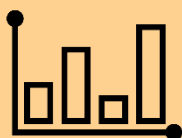
## Our key findings

### 1. Implementation of the framework is broadly meeting its objectives



- More customers are receiving more appropriate assistance.
- There have been fewer disconnections for non-payment, but more than half of these customers had not received assistance beforehand.
- Energy customers' awareness and knowledge of their entitlements continues to vary.

### 2. Customer outcomes vary significantly between and within retailers



- Average customer arrears vary by retailer, despite assistance aiming to help customers avoid getting into arrears.
- Retailers' use of discretion in delivering payment plans varies.
- Concessions and utility relief grants can be more effectively provided to customers as part of payment assistance.
- Lowering energy costs and usage is also key to supporting customers.

### 3. The level and quality of retailer-customer engagement affects customer outcomes



- The appropriateness and timing of retailer communication with customers varies.
- Early intervention with customers improves outcomes.
- Some retailers are more successful in engaging with customers before they build up large arrears.
- Some customers requiring support with their energy bills may be experiencing multiple barriers.



### 4. Customers who can pay for their ongoing energy use benefit most

## Summary of our key findings

### Key finding 1: Implementation of the framework is broadly meeting its objectives

Our review suggests that over the past two years, the framework has provided a clear basis for customers to receive help when paying their energy bills, especially when they are experiencing payment difficulty.

Since the framework came into effect in 2019, more customers have been receiving tailored assistance compared to customers in past retailer hardship programs. Consumer groups we consulted with also observed a general reduction in customers being offered unmanageable payment plans by retailers by default or being required to undertake complex or difficult processes to receive assistance.

Interactions between customers and energy retailers are improving. The representative sample of recordings of retailer calls with customers experiencing payment difficulty revealed constructive and friendly interactions with customers when providing support. Of all the call recordings we collected and reviewed, retailer staff were found to be 'respectful' in 98 per cent of cases. We also found that in 2020-21, 30 per cent of customers successfully completed their tailored assistance with the support of their retailer, resulting in no arrears.

These are positive signs. Before the framework, there was little consistency across retailers on whether a customer would receive assistance, what form it would take, and when they would receive it. These factors were subject to retailer discretion. Community stakeholders recognise there have been improvements in the support offered to customers, but also continue to observe examples of poor customer experiences for many of their most vulnerable clients.

However, a significant proportion of customers still do not receive assistance. There are many complex reasons why a customer may not reach out to a retailer for support, but we note that the data indicates some retailers seem to be more effective than others in achieving constructive engagement.

We remain committed to improving outcomes for customers experiencing vulnerability. This includes, where necessary, acting on retailer non-compliance we identify.

In the last two years, two retailers paid penalties for alleged actions for non-compliance with the framework. Alinta Energy paid \$1.125 million in penalty notices we issued for allegedly requiring customers to provide personal or financial information as a condition to receive assistance. Sumo paid \$500,000 for allegedly wrongfully disconnecting 142 customers for not providing enough time for customers after issuing a disconnection warning notice. We also issued seven guidelines to help the industry further support customers in payment difficulty.

The number of electricity customers being disconnected for non-payment has fallen significantly since reaching a peak of 34,496 in 2013-14. Between April 2019 and March 2020, electricity disconnection numbers dropped to 22,795, a decrease of 34 percent from 2013-14 levels. We have also seen a general reduction in wrongful disconnection payments made and reported by retailers. During 2020-21, 430 customers were paid a total of \$487,403 in compensation, the lowest number of customers affected and payments made in five years.

As most retailers halted disconnections in 2020 and 2021 in line with the commission's statement of expectations during stay-at-home public health orders, it has been difficult to confirm a trend in these figures attributable to the framework. The pandemic also had a profound effect on the financial capacity of many customers and are likely to have contributed to increased levels of arrears for energy customers.

Despite disruptions to their operations due to the pandemic, energy retailers continued to deliver the payment difficulty framework. More Victorian residential customers accessed tailored assistance, with 61,560 customers receiving assistance by the end of 2021, compared to 57,039 customers in March 2020. Importantly, the average arrears of customers who can now pay for their ongoing usage has not grown over the past two years, despite the difficult economic circumstances.

These results demonstrate the durability and value of the framework, even during unpredictable and high impact events.

## **Key finding 2: Customer outcomes vary significantly between and within retailers**

Before the framework's introduction, customers experienced inconsistent approaches and responses to requests for payment assistance from Victorian energy retailers. Retailers had different eligibility criteria for customers to receive assistance and offered different types of assistance. The framework sought to address these inconsistencies by providing a minimum set of standards and entitlements that Victorian customers experiencing payment difficulty can expect from their retailers. While the framework sets out the types of assistance that must be offered to customers, retailers have some flexibility regarding how some assistance is offered.

This report outlines the various ways the framework is being implemented by retailers and highlights positive instances that demonstrate the framework's effectiveness. For example, some retailers have taken more proactive approaches to supporting customers with information about their eligibility for energy concessions, and some have been more effective at helping customers successfully apply for utility relief grants. However, many retailers could do more.

A critical area for further consideration is the different levels of customer arrears across retailers at the time assistance commences, as well as the timing of when customers commence their

assistance with their retailer. In some cases, customers are entering assistance with high levels of arrears accumulated over a long time – sometimes the equivalent of an average Victorian’s annual energy bill – and that assistance might be too late to provide meaningful debt relief for the customer.

We also found variation in how retailers support customers to lower their energy costs and usage, which helps to directly reduce a customer’s arrears to more manageable levels. Some retailers are more effective at directly supporting customers to receive utility relief grants, checking whether they are on the best offer, checking eligibility for energy concessions, and providing practical energy efficiency options. There is also a need for better connections with, and referral to, existing government and community supports and programs, to make permanent improvements towards helping customers lower their energy usage and costs.

### **Key finding 3: The level and quality of retailer-customer engagement affects customer outcomes.**

The payment difficulty framework was designed to promote communication and engagement between retailers and customers. It is critical that customers can effectively engage with their retailers in order to be provided with their full entitlements.

Important to this is customer awareness of their entitlements. We found that under the framework, this awareness has grown among customers, as well as community sector organisations and retailer staff. However, there are opportunities to improve awareness, which would better enable customers to engage with their retailers earlier, as well as enhance retailer response. For example, increasing general awareness of customer entitlements to assistance could encourage and improve timely engagement of customers with their retailers.

Retailer call centre staff are showing a greater understanding of the issues faced by customers experiencing vulnerability and requiring payment assistance. This is crucial for them to provide customers with their full entitlements. Call recordings collected for the review demonstrated the positive impact of call centre staff speaking to customers. In most calls, operators were respectful of customers (98 per cent of calls) and were empathetic in their communication (88 per cent of calls).

If customers are unable to or cannot engage with their retailer, retailers are unable to effectively provide customers with their full entitlements. We see opportunities for improving the quality of engagement between customers and retailers, which may lead to better application of customer entitlements under the framework.

The framework was also designed to promote early engagement with customers – the importance of this has been confirmed by our findings. Once a customer, who has arrears of more than \$55



including GST) misses a bill payment by the due date, retailers must provide a customer with information about their entitlements to assistance. While this early notification is mandated under the code, we have found that the way call operators communicate with a customer can improve the support provided to them, particularly for customers experiencing vulnerability.

We observed that early intervention can and does help improve longer term or ongoing engagement with customers, therefore improving a customer's experience of receiving assistance. When a customer initially contacts a retailer who proactively offers support such as help to receive concessions and government grants or advice on the best plan, this improves the effectiveness of the support over time. This leads to benefits for both customer and retailer, as it focuses on managing customer arrears early and at more manageable levels.

Our work in this review aligns with the work we conducted in developing our 'Getting to fair' strategy in 2021. This three-year strategy seeks to improve the experience of consumers facing vulnerability by supporting our regulated and administered sectors to provide more responsive, inclusive, and accessible services. Although the framework is removing barriers for some customers to better access and receive assistance, we have found that some customers requiring support with their energy bills may be experiencing multiple barriers to accessing and receiving assistance. These barriers may be further heightened for some energy customers such as those experiencing family violence, First Nations customers, customers from culturally and linguistically diverse backgrounds and those with low financial or English literacy and LGBTIQ+ customers.

In this review we also sought to deepen our understanding of the gendered dimension of the framework in practice. This aligns with our new duty under the Victorian Gender Equality Act of 2020 which requires the Victorian public sector to consider and promote gender equality in their policies, programs, and services. We found that women are more likely to be seeking assistance under the framework.

#### **Key finding 4: Customers who can pay for their ongoing energy use benefit most**

The objective for both energy retailers and community sector organisations to support customers who are unable to or have not engaged with their retailers remains a challenge. In June 2021, over 49,000 energy customers were not receiving assistance from their energy retailer and were in arrears of \$1,000 or more. In 2019-20, more than half of customers disconnected for non-payment had not received assistance in the six months prior. These figures suggest there is still much work to be done under the framework to support Victorian customers who are unable to pay their energy bills.

We found the framework benefits many customers, particularly those who are in arrears with their retailer and able to pay for their ongoing energy use. There were more of this category of customers receiving assistance during the pandemic and overall, their average arrears remained stable over the past two years.

However, our review highlighted the complexities in supporting customers experiencing acute or chronic financial difficulties or vulnerability. Based on call recordings we reviewed, customers experiencing payment difficulty are more likely to face multiple barriers, such as changes to household income, a lack of work, or illness. Many of these customers also use much higher levels of energy than the typical household for a range of reasons, and supporting these customers is particularly challenging.

We recognise that some of these challenges are long-standing and require continued support from a range of stakeholders beyond the framework. That said, initiatives such as retailers being more proactive in assisting these customers access concession and utility relief grants, as well as alerting them to other relevant government programs can help.

## Improving the operation of the framework

### Customer outcomes vary significantly between and within retailers



- Improve retailers' effectiveness of establishing and reviewing payment arrangements and plans.
- Improve customer access to payment arrangements from their retailer.
- Improve retailer processes to ensure eligible customers are receiving concessions and utility relief grants.
- Improve appropriateness and timing of assistance provided by retailers to customers about lowering energy usage and costs.
- Increase retailers' understanding of customers in payment difficulty with high energy use, to help to tailor approaches to energy efficiency.
- Improve the way that retailers link customers to existing energy efficiency and usage schemes and programs.

Priority

Priority

Priority

### The level and quality of retailer-customer engagement affects customer outcomes



- Improve retailer interactions with customers, focusing on communication that recognises a customer's circumstances, including the barriers they may be facing.
- Further support customers' entitlement to assistance during retailer communication.
- Promote earlier customer engagement by retailers.
- Improve retailer links with trusted third parties who support their clients or customers.

Priority

### Customers who can pay for their ongoing energy use benefit most



- Consider alternative approaches to support customers prior to disconnection, particularly for those who cannot pay for on-going use

## **Improving the operation of the framework**

Our findings demonstrate that the framework delivers positive outcomes for customers when it is implemented effectively. However, we have identified areas where implementation could be improved for the mutual benefit of customers and retailers.

We have identified particular areas as a priority for improvement, which we aim to address in the next phase of the review.

We determined these priorities by considered the areas that are likely to most benefit customer outcomes, and our degree of influence in improving these areas (whether customer outcomes can be improved within the scope of the payment difficulty framework). Stakeholders' views have also contributed to the development of our priority areas, including the views expressed at our stakeholder webinar in April 2022.

### **Next steps**

We aim to explore these priority areas further with our stakeholders and develop actions that we and the sector can take to improve the framework's implementation. Between June and August 2022, we will work with our stakeholders to identify and consider practical solutions, facilitate discussions on better practices and new practical approaches when supporting customers, and including the consumer voice when implementing specific actions. Our findings will also inform our on-going work to support the implementation of the framework.

We also remain committed to using our compliance and enforcement powers to protect consumers – especially those experiencing vulnerability – and to enhance trust in the energy retail market. The framework has also been a strategic compliance and enforcement priority in recent years. This means that we will consider taking enforcement action where it is necessary and appropriate to do so. Our compliance and enforcement approach is informed by our recently published Compliance and Enforcement Policy.

We will also continue our on-going monitoring of retailers' implementation of the framework. Given the value of additional data sources has provided for this review, we are also considering how to incorporate this into our normal regulatory work. This might include additional performance measures for retailers to report on, and the regular collection of call recordings from retailers.

We thank our stakeholders for their participation, and look forward to continuing this work alongside retailers, the community sector, and government to improve the ways we support and deliver essential energy services to Victorians.

If you would like to speak to us about this review or ensure you are on our mailing list, please contact us via email at <mailto:pdfreview@esc.vic.gov.au>.

# Introduction

The payment difficulty framework (the framework) is a set of energy rules designed to protect and support residential customers that are anticipating or facing payment difficulty.

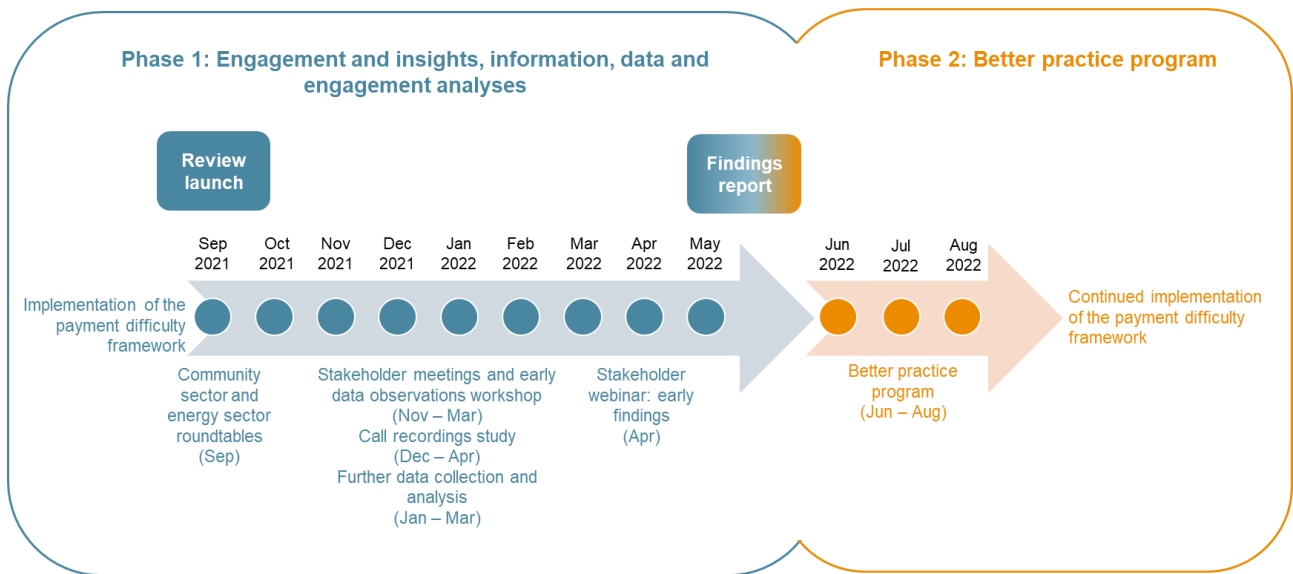
When we published our decision on the payment difficulty framework in 2017, we committed to review how the framework was working in practice two years after its implementation.

We began our review in September 2021 by consulting on the scope of the review (Figure 2). We confirmed that the aim of the review was to evaluate and assess the operation of the framework in meeting its objectives. We also stated that we would identify opportunities for improving the operation of the framework.

The first phase of our review led to the creation of this findings report, based on analysis of feedback and data received directly from stakeholders, retailers, publicly available research, and from call recordings between retailers and customers receiving payment assistance. It outlines our key findings and priority areas for improving the framework's operation.

In the next phase, we will identify options for improving the operation of the framework. This will include working with interested stakeholders to develop practical actions to the issues raised in the review. We will also consider whether further guidance or industry education is required to further support implementation of the framework. The findings from our review, and the solutions we develop with stakeholders will then inform our on-going regulatory work to implement the framework.

**Figure 2 Our review timeline and next steps**

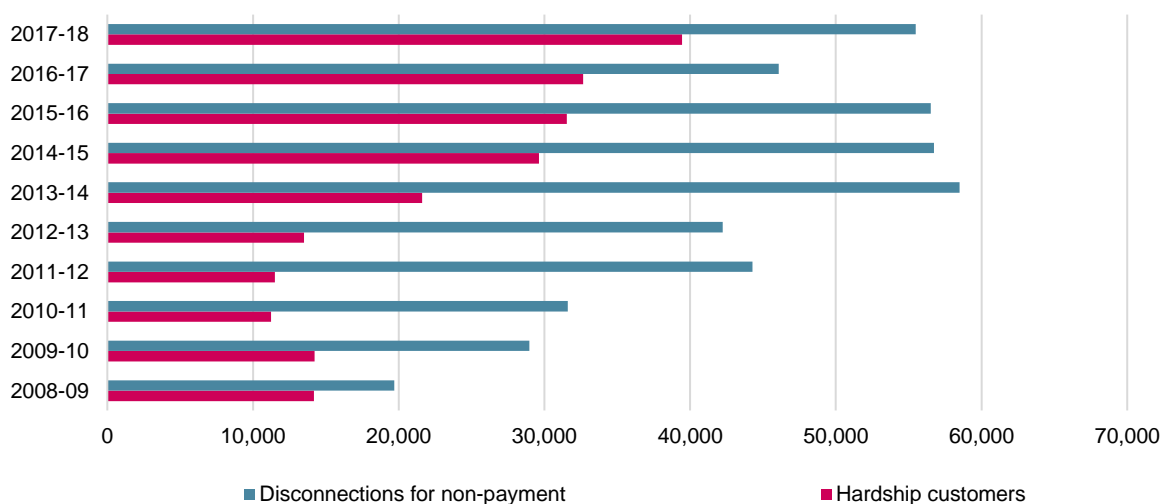


## The payment difficulty framework

### How the framework was developed

In 2015, the commission began an inquiry into financial hardship programs of energy retailers. This came at a time of widespread inconsistencies in retailer responses to customers experiencing payment difficulty. At that time, many energy customers were disconnected for ‘non-payment’ (not paying their bills on time) (Figure 3).

**Figure 3 Number of hardship customers and disconnections for non-payment**



The inquiry concluded in March 2016.<sup>2</sup> It found that retailers were generally complying with existing requirements but there were inconsistent outcomes for customers under various retailers' hardship programs. The inquiry also noted that some retailers' hardship programs were ineffective at providing meaningful assistance to customers.

### **The payment difficulty framework set minimum standards of assistance for customers**

After we engaged extensively with the community sector and the energy industry, Victoria's payment difficulty framework came into effect in 2019. This comprised of a set of provisions in the Energy Retail Code<sup>3</sup> that detailed minimum entitlements to assistance for all customers, regardless of which energy retailer they used.

In anticipation of the new framework, the Victorian Parliament amended the commission's statutory objectives to promote protections for customers, including in relation to assisting customers who are facing payment difficulties.<sup>4</sup>

These new rules ensured minimum entitlements for all customers (standard assistance) and additional minimum entitlements specifically for customers with arrears (tailored assistance). The entitlements, as at the introduction of the rules, are detailed in Figure 4.

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<sup>2</sup> Essential Services Commission, 'Supporting customers, avoiding labels: Energy hardship inquiry final report', 22 March 2016

<sup>3</sup> Known as the Energy Retail Code of Practice as of 1 March 2022.

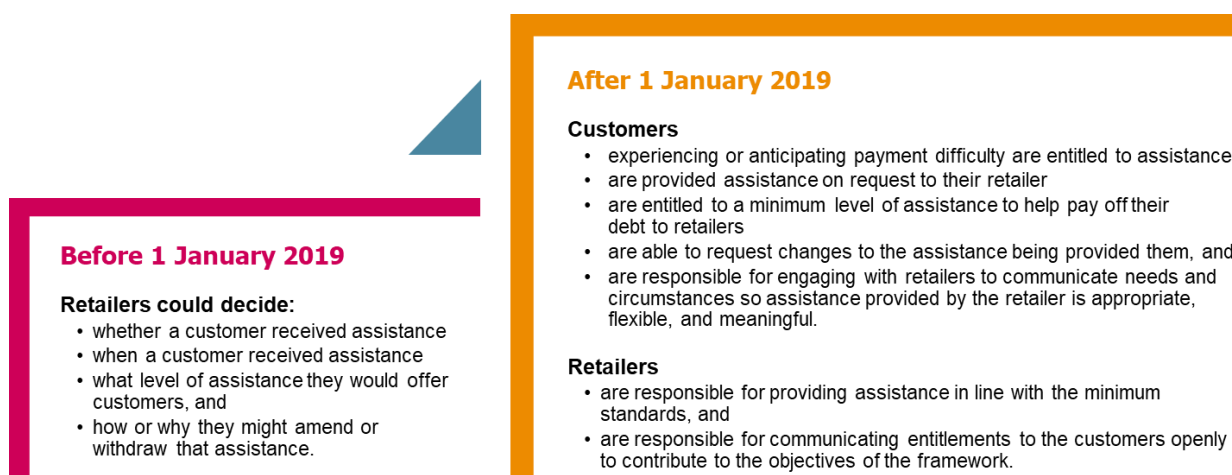
<sup>4</sup> *Electricity Industry Act 2000* (Vic), section 10(c); *Gas Industry Act 2001* (Vic), section 18(c).

**Figure 4 Standard and tailored assistance under the framework**

Standard assistance available for all Victorian customers	Tailored assistance for customers who can and cannot pay their ongoing usage	Tailored assistance for customers who cannot pay their ongoing usage
<p>Support to manage energy bills:</p> <ul style="list-style-type: none"> <li>• paying bills in different frequencies or amounts to manage the total bill</li> <li>• delaying the payment of a bill (once a year)</li> <li>• paying in advance.</li> </ul>	<p>Support to manage arrears:</p> <ul style="list-style-type: none"> <li>• a payment plan to pay off arrears (up to two years)</li> <li>• advice on how to repay arrears in two years</li> <li>• advice about other support (including government grants and concessions)</li> <li>• information on future energy use and how this cost could be lowered.</li> </ul>	<p>Further additional support:</p> <ul style="list-style-type: none"> <li>• a pause on arrears payments for up to six months and part-payments of future bills</li> <li>• practical advice on reducing energy cost, such as checking current energy offers and providing advice on the best energy offer available</li> <li>• practical help to reduce energy bills, such as energy audit or energy efficiency products</li> <li>• help to apply for and lodge a utility relief grant application (<i>introduced in October 2020</i>)</li> </ul>

The new rules aimed to reduce many of the previous barriers to customers receiving assistance (Figure 5). Prior to the framework, customers had to provide personal and sensitive information about their circumstances before receiving assistance. Retailers also had more discretion to decide the timing and type of assistance offered to customers and when it could be changed or withdrawn.

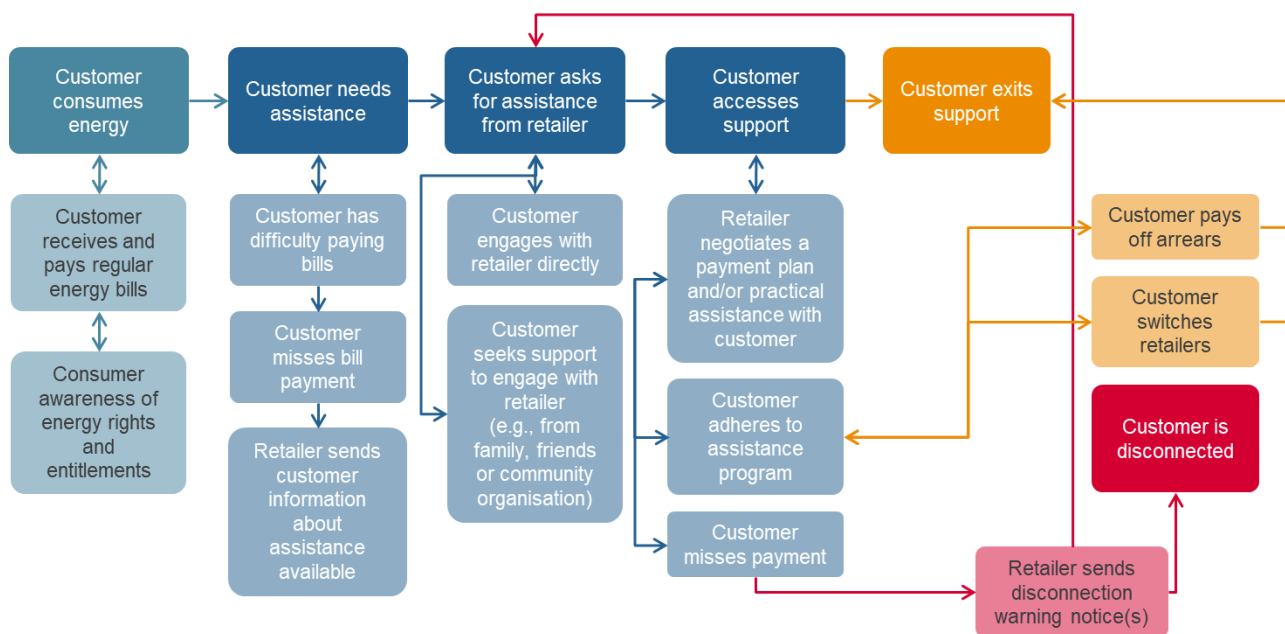
**Figure 5 Changes to support for customers experiencing payment difficulty**





The payment difficulty framework instead aims to provide customers with information about their entitlements to assistance at an early stage. Retailers are also obligated to contact customers who have missed a bill payment and have more than \$55 including GST of arrears and provide them with information about available assistance. These processes aim to help a customer engage at an early stage so that disconnection is only a measure of last resort (as shown in Figure 6).

**Figure 6 The experience of customers of the framework**



## Understanding consumers' experience of vulnerability

In 2020 and 2021, the commission undertook an 18-month research, engagement and capability building program to develop the 'Getting to fair' strategy. This strategy aims to break down the barriers consumers can face when accessing and engaging with essential services. It is a three-year roadmap for the commission to improve the experience of consumers facing vulnerability and aims to achieve this by supporting our regulated and administered sectors to provide more responsive, inclusive, and accessible services.

Our review of the implementation of the payment difficulty framework draws on the research supporting our 'Getting to fair' strategy and is also a key objective and action in this roadmap.

## Our 'Getting to Fair' strategy

The strategy acknowledges that 'regulators need to play a greater role in empowering consumers to make choices and seek help when they need it, through breaking down barriers and facilitating equitable access to essential services.'<sup>5</sup>

The strategy has three objectives that give focus to the experience of consumers, the opportunities for our regulated sectors to reduce barriers to access and engagement in the services we regulate, and our own opportunities to be more inclusive, responsive, and accessible. Each objective has associated actions that the commission has committed to delivering within three years of the release of the strategy (Table 1).

**Table 1 Getting to Fair objectives and actions relevant to the payment difficulty framework**

Objectives	Relevant actions
Objective 1: Consumers experiencing vulnerability are supported to better understand and exercise their rights and can influence our work.	Work collaboratively with our regulated sectors to support more effective and targeted engagement with diverse consumer and community groups, including with energy retailers and distributors, particularly through the payment difficulty framework review.  Include the voice of the consumer to better inform our work in: our reforms and monitoring of the energy market, including the effectiveness of the payment difficulty framework.
Objective 2: Services we regulate are more responsive, inclusive and accessible.	Support better practice in delivering services to consumers experiencing vulnerability in our regulated sectors, including a review of the effectiveness of the payment difficulty framework, focusing on implementation.

## What we mean by 'consumer vulnerability' and 'barriers' to accessing or engaging with essential services

The commission's 'Getting to Fair' strategy considers 'consumer vulnerability' as:

A person experiencing, or at risk of experiencing, vulnerability is someone who experiences barriers to accessing or engaging in the essential services we regulate or administer. As a result of those barriers, that person experiences economic and/or social exclusion or harm. Barriers include event-based circumstances, systemic factors, and market-based factors.<sup>6</sup>

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<sup>5</sup> Essential Services Commission, 'Getting to fair: Breaking down barriers to essential services', 12 August 2021, pp. 7.

<sup>6</sup> Essential Services Commission, 'Getting to fair', pp. 6-7.

The barriers we refer to are outside the characteristics of the individual. Barriers can be temporary, long-term or permanent. Furthermore, consumers might be affected by multiple barriers at the same time. This could mean someone is unable to pay their bills, but it could also mean they cannot access information or support from their provider.

We all have the potential to experience vulnerability. This could be due to:

- an event, such as job loss due to the pandemic, family violence or personal circumstances such as the death of a loved one,
- systemic factors like employment insecurity, lack of access in regional areas, lack of digital literacy or racism, and/or
- features of the market; for example, where information is too complex, or products and services are not designed with everyone in mind.<sup>7</sup>

The way we discuss the barriers faced by consumers or customers experiencing vulnerability in this report, and the accompanying call recordings study report, aligns with these definitions and understanding.

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<sup>7</sup> Essential Services Commission, 'Getting to fair', pp. 6-7.

## Our approach

The review focuses on evaluating the implementation of the framework in meeting its objectives, relying on direct customer experiences, and data and information relating to the implementation of the framework.

### **Purpose of our review**

We began the first phase of our review in September 2021, by facilitating a stakeholder workshop on our proposed scope and approach for the review.<sup>8</sup> We confirmed that the purpose of the review was to evaluate and assess the framework's ability to meet its objectives. We also committed to identifying options for improving the operation of the framework.

While undertaking the first phase of the review, we sought to understand:

- the ways the payment difficulty framework has been implemented by retailers,
- customers' experience of the framework, and
- the perspectives of community sector organisations.

We also committed to not revisiting the policy rationale behind the framework, which was substantively consulted on in 2017. The review would also not consider reforms to associated government programs and policy.

Our review and findings have focused on the effectiveness of implementation by retailers. However, we recognise that there may be specific cases of non-compliance relating to the framework, which we will act on a case-by-case basis as we have done in recent years. We consider our approaches to compliance and enforcement on a case-by-case basis, using a risk-based approach as set out in our Compliance and Enforcement Policy.<sup>9</sup> The framework has also been a key focus area in our compliance and enforcement priorities in recent years.

Having now undertaken this first phase of the review, we recognise that the pandemic, and its associated impacts on both customers and retailers, has affected both the implementation of the framework, and highlighted its importance in supporting customers.

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<sup>8</sup> Essential Services Commission, 'Payment difficulty framework review: our approach', September 2021.

<sup>9</sup> Essential Services Commission, 'Compliance and Enforcement Policy', April 2022.

## Our review process

In September 2021, we commenced a review of the implementation of the framework. This findings report covers the first phase of the review.

To inform this findings report, we developed our analyses using a range of inputs, data and feedback as follows (and shown in Figure 7):

- Analysis of customer outcomes, based on data from obtained from retailers, distributors, and relevant government agencies (such as the Department of Families, Fairness and Housing).
- Stakeholder feedback from workshops and submissions.
- Customer voices through call recordings. We engaged ORIMA Research to undertake a study on these call recordings, with a study report that accompanies this review.
- Consumer insights research drawn from publicly available sources, including direct research we conducted to develop our 'Getting to fair' strategy in 2021.

Given the value that this additional information has provided for our review, we are also considering how this type of information might inform our on-going monitoring of the framework's implementation and retailers' compliance. This is discussed in the chapter, 'Improving the operation of the framework'.

**Figure 7** Key inputs into the findings report



In the second and final phase of the review, we will identify options for improving the operation of the framework. This will include working with interested stakeholders to design practical solutions to the issues raised in the review. We will also consider developing further guidance or industry education to further support implementation of the payment difficulty framework.

Our approach

## Bringing customer voices into our review: our call recordings study

Our call recordings study is one of the key inputs into the review of the implementation of the payment difficulty framework.<sup>10</sup> This study follows the commission's commitment to incorporate the customer voice in our regulatory work, as per our 'Getting to Fair' strategy.

This study involved the analysis of call recordings and supplementary information from retailers providing assistance to customers under the payment difficulty framework. This analysis included the assessment of how retailers interacted with customers in these call recordings, primarily whether energy retailers are providing assistance to customers under the payment difficult framework appropriately. This analysis does not capture customers who did not receive assistance.

Call recordings and supporting information were requested from retailers with residential customers receiving payment assistance. We were able to request this information through formal notices issued to retailers under section 36 of the ESC Act 2001. These notices were issued in December 2021, and we received responses to these notices in early 2022.

Our sampling methodology aimed for call recordings and information relating to a representative sample of 100 customers. We received call recordings from 94 customers and engaged ORIMA Research to independently analyse these calls and supporting information.

Findings from this study are discussed throughout this report. Appendix 1: Call recordings study scope and methodology provides further details about our sampling and analyses methodology. The full call recordings study report has been released alongside our findings report.

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<sup>10</sup> ORIMA Research, 'Essential Services Commission Payment Difficulty Framework: Call recordings study', May 2022.

## How we assessed the framework’s implementation against its objectives

We considered the original objectives of the framework and whether the framework was being implemented effectively against those objectives. The following chapters set out our key findings as they relate to these questions (Table 2).

**Table 2 Framework objectives and our findings report questions**

Framework objectives	Our findings report questions
Help residential customers avoid getting into arrears with their retailer. <sup>11</sup>	Are residential energy customers avoiding getting into arrears with their retailer?
Give residential customers, who are in arrears, flexible and practicable assistance that makes it easier for them to pay for their on-going energy use, repay their arrears and lower their energy costs. <sup>12</sup>	Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?
Disconnection of a residential customer for not paying a bill is a measure of last resort. <sup>13</sup>	Are residential energy customers only disconnected for non-payment as a last resort?

To inform our findings, we considered how customers experience the framework and the ways that retailers have specifically implemented the framework. We also sought to better understand the challenges retailers have faced during implementation, and how customers can be better supported to engage with their retailers.

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<sup>11</sup> Energy Retail Code of Practice, Division 1 (124)(1), p. 90.

<sup>12</sup> Energy Retail Code of Practice, Division 2 (128)(1), p. 91.

<sup>13</sup> Energy Retail Code of Practice, Part 6 (121)(1), p. 89.

## Common themes across the framework

Our review of the framework's implementation identified common themes relating to its three objectives. These themes relate to observable variable customer outcomes, the importance of customer awareness of their entitlements, and that many customers experiencing vulnerability are also disproportionately facing barriers to receiving assistance.

We identified common themes and findings that relate to all three objectives:

- Customer outcomes are variable across retailers.
- Customer awareness of their entitlements is critical for success.
- Many customers experiencing vulnerability are disproportionately facing barriers to receiving assistance. This highlights the importance of empathy from retailer staff, which can affect the degree that customers receive assistance.

The following sections summarise how these themes are observed across the implementation of the framework since 2019. The subsequent three chapters will also discuss how these identified common themes relate to the effectiveness of the framework's implementation against each of the three objectives.

### **Customer outcomes are variable across retailers**

The framework was designed to address the wide-ranging retailer responses to energy customers anticipating or facing payment difficulty. It provides a minimum set of standards and entitlements Victorian customers can expect and was designed to allow retailers a degree of flexibility in how they met these standards.

The variability in the way the framework is being implemented across and within retailers appears to be leading, in some cases, to poorer outcomes for customers. This included:

- variation in the levels of customer arrears,
- variation in the timing of when customers commence or exit assistance, and
- variation in customer arrears levels when commencing or not receiving assistance variation in the efficacy of supporting customers apply for utility relief grants.

Many of these variations highlight examples of where the implementation of the framework is working well for many customers, as well as opportunities to reduce the negative affect of this variability.



## Customer awareness of their entitlements is critical for success

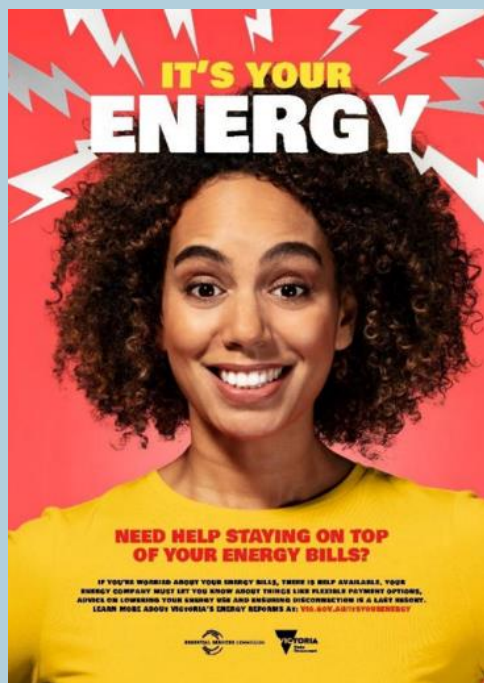
The payment difficulty framework has been designed to promote communication and engagement between retailers and their customers. However, if a customer is not aware of their entitlement for support, this may reduce their ability to engage.

Our review has found that general awareness of customer entitlements under the framework has improved for customers, community sector organisations, and retailer staff. However, we also found that, despite the increase in customers receiving assistance, there are many customers with energy arrears who are not receiving any assistance.

We found that across all aspects of the framework, there may be opportunities to support more timely customer engagement with retailers by increasing general awareness of the assistance customers are entitled to, in addition to potentially making it easier for them to engage. It may also improve the quality of engagement between customer and retailer, leading to better application of the framework.

### 'It's Your Energy' communications campaign, Essential Services Commission

Following the introduction of major retail energy market reforms in Victoria, the commission ran a public communications campaign aimed at empowering and educate Victorians about their energy rights between July 2019 and December 2020.



The ['It's Your Energy'](#) campaign had a particular focus on entitlements to payment assistance for customers struggling with energy bills.

The campaign strategy aimed at overcoming those perceptions by communicating a simple message in a creative way, having been informed by research highlighting a lack of trust towards energy providers, and high levels of disengagement on the topic.

In July 2019, following the first phase of the campaign, we saw an increase in general awareness from 23 per cent to 31 per cent overall, and from 13 per cent to 18 per cent for those 'struggling to meet expenditure'.

Common themes across the framework

## Energy Info Hub, Consumer Policy Research Centre supported by the Victorian government

The [Energy Info Hub](#) is an online website that provides information for Victorian community workers and energy consumers. The Energy Info Hub was developed by the Consumer Policy Research Centre and funded by the Victorian government.

**4** Payment difficulties: new rules = more options

If you're having any difficulties paying a bill, call your energy company.

Most of us have, at some point, worried about our energy bill. The Victorian Government recognised that something needed to be done and put in place new rules on **1 January 2019**. These rules mean that every energy company must now support anyone who has difficulty paying their bill. This support is open to everybody – you do not need a concession card or anything else to get help. It's all based on the type of difficulty you are having.

Before you call, here are some things you should know.

1. If you're struggling with your bill, you have the right to:
  - a payment plan that pays off the money you owe in equal amounts over two years
  - advice from your energy company on how to lower your energy costs.
2. If you owe money on your bill and cannot afford the energy costs on your bill, you have the right to:
  - get a six-month freeze on paying off the money you owe
  - set your own payment plan amount to what you can afford
  - get support from your energy company to lower your costs to an amount you can afford.

The website contains information to help customers navigate the following aspects of the energy market:

1. Accessing energy concessions
2. Searching for cheaper energy plans
3. Energy efficiency information
4. Accessing assistance for payment difficulty

The hub also features videos and downloadable content designed for both households and community support workers.

The Consumer Policy Research Centre also partnered with Community Information Support Victoria to train hundreds of emergency relief workers to provide effective energy support throughout 2020 and 2021.

## Many customers experiencing vulnerability are also disproportionately facing barriers to accessing and receiving assistance

Although the framework has reduced barriers to accessing assistance for some customers, other obstacles remain for other customers. There was some stakeholder acknowledgment that retailers' awareness about customers experiencing or at risk of experiencing vulnerability has increased under the framework. In addition to this awareness, the number of customers receiving assistance has also increased. However, as noted in our 'Getting to fair' strategy, some customers requiring support with their energy bills experience multiple barriers to accessing and receiving assistance.<sup>14</sup>

<sup>14</sup> Barriers could include event-based circumstances, systemic factors, and market-based factors. Refer to section 'What we mean by 'consumer vulnerability' and 'barriers' to accessing or engaging with essential services' on page 25 for further information.

We found that these barriers may be heightened for particular cohorts of energy customers such as those experiencing family violence, First Nations customers, customers from culturally and linguistically diverse backgrounds and those with low financial or English literacy, LGBTIQ+ customers. We also note that there appears to be a gendered dimension to those seeking assistance under the framework.

### Customers experiencing family violence

There was mixed feedback about the framework's application being tailored to the different needs of customers, particularly at-risk customers such as those experiencing family violence, those with mental health issues or those in, or recently out, of custody.<sup>15</sup> For example, Uniting Vic.Tas' submission commented:

Victim survivors of family violence, as well as people in custody, face additional barriers which have not been adequately addressed in the implementation of the framework.<sup>16</sup>

### First Nations customers

There are concerns about heightened or increased barriers to accessing and receiving entitlements and assistance for First Nations Australian energy customers.<sup>17</sup> In 2020, the Consumer Action Law Centre and the Victorian Aboriginal Legal Service noted examples where retailers did not clearly explain a customer's rights to assistance under the framework, an experience more prevalent for First Nations Australian customers.<sup>18</sup> In 2021, they also observed an increase in the proportion of calls from Victorian Aboriginal community members to their financial counsellors about utilities arrears.<sup>19</sup> The Energy and Water Ombudsman of Victoria has noted that more than 1 in 10 of First Nations customers who presented to them were facing imminent

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<sup>15</sup> Financial Counselling Victoria, Submission to the Essential Services Commission key review questions, November 2021, pp. 4-5; Consumer Action Law Centre, 'Bills here bill there', December 2020, p.15; Victorian Aboriginal Legal Service and Consumer Action Law Centre, 'IP Project: Final Report', 2020, p.22; Uniting Vic.Tas, submission to Essential Services Commission key review questions, 10 December 2021, p. 6.

<sup>16</sup> Financial Counselling Victoria, Submission to key review questions, p. 4.

<sup>17</sup> Consumer Action Law Centre, 'Bills here bill there', 2020; Energy and Water Ombudsman Victoria, 'Missing the Mark', December 2020; Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria: Qualitative research with community support workers', Consumer Policy Research Centre, June 2021, p. 43; Honeycomb Strategy, 'Essential Services Commission Victoria Energy market insights research report', July 2021.

<sup>18</sup> Victorian Aboriginal Legal Service and Consumer Action Law Centre, 'IP Project: Final Report', 2020, p. 14.

<sup>19</sup> Victorian Aboriginal Legal Service and Consumer Action Law Centre, 'IP Project: Project Report', 2021, p. 34.

Common themes across the framework

disconnection, closely followed by those who had actually been disconnected. By contrast, only 3.5 in 100 non-First Nations customers faced imminent disconnection.<sup>20</sup>

### Customers with low financial or English literacy

Our research found that only 30 per cent of customers who spoke English as a second language were aware of support for payment difficulties, compared to the Victorian average of 42 per cent.<sup>21</sup> Submissions to our review reported no significant change in engagement from customers from diverse backgrounds. Our workshop participants noted the difficulties faced by customers who have low financial or English literacy. These included: a lack of awareness of supports, the challenges of self-advocating, a reluctance by some people to fill out forms, the effectiveness of written notices if English is not a first language, and the impact of closing face to face support services during stay-at-home orders.<sup>22</sup>

### LGBTIQA+ customers

The Victorian Pride Lobby's recent study also noted that lesbian, gay, bisexual, trans and gender diverse, intersex, queer, and asexual (LGBTIQA+) customers often face barriers when engaging with their electricity, gas, and water suppliers.<sup>23</sup> The study noted that disrespectful interactions with a supplier leads to distrust, and acts as a further barrier to receiving assistance. We remind energy retailers of their legal obligations under the Equal Opportunity Act, which prohibits direct and indirect discrimination in the provision of goods and services.<sup>24</sup>

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<sup>20</sup> Energy and Water Ombudsman Victoria, 'Missing the Mark', pp. 13-14.

<sup>21</sup> Honeycomb Strategy, 'Victoria Energy market insights research report'.

<sup>22</sup> Appendix 3: Early observations workshop report; Uniting Vic.Tas, Submission to Essential Services Commission key review questions, 10 December 2021, p. 6.

<sup>23</sup> Victorian Pride Lobby, Submission to Essential Services Commission 'Draft consumer vulnerability strategy', June 2021, p. 3.

<sup>24</sup> *Equal Opportunity Act 2010* (Vic), Part 2(8)(1) and Part 2(9)(1).

## Gender equality and the framework

Women are more likely to experience general economic hardship due to systemic factors such as the wage gap, lower rates of employment, economic abuse and family violence.<sup>25</sup> The Victorian Gender Equality Act of 2020 (the Act) recognises that 'women have historically experienced discrimination and disadvantage on the basis of sex and gender' and that:

gender inequality may be compounded by other forms of disadvantage or discrimination that a person may experience based on Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation and other attributes.<sup>26</sup>

The Act requires the Victorian public sector to consider and promote gender equality in their policies, programs and services.<sup>27</sup> For the review of the payment difficulty framework, we sought to identify whether there is a gendered dimension to customers seeking assistance under the framework so that we could better inform the implementation of the framework. We did this through collecting gender data as part of the call recordings study, which found that 69 per cent of customers on the calls assessed were inferred as female.<sup>28</sup> This finding is similar to recent research undertaken by the Consumer Action Law Centre which found that female-identifying callers made up 71 per cent of all energy-related calls to their financial counsellors.<sup>29</sup> We recognise that the intersectionality of multiple barriers faced by women, including forms of disadvantage or discrimination, may overlap with or compound the difficulties they experience trying to access and receive assistance under the framework.

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<sup>25</sup> Workplace Gender Equality Agency, 'Factsheet series: Australia's Gender Pay Gap Statistics', 2021; 'Family violence and economic abuse – an overview', Economic Abuse Reference Group, 2018.

<sup>26</sup> Gender Equality Act 2020, sections 4(c), 6(8) and 6(9).

<sup>27</sup> Gender Equality Act 2020, section 7.

<sup>28</sup> ORIMA Research, 'Call recordings study report', p. 10.

Note: "For this question, if a person described themselves as a particular gender or used a gender specific pronoun (e.g. mother), gender was coded as female or male. If gender was inferred based on name of customer or vocal cues, gender was coded as inferred female or inferred male."

<sup>29</sup> Consumer Action Law Centre, 'Energy assistance report: 2<sup>nd</sup> Edition', 2021, p. 32.

# Are residential energy customers avoiding getting into arrears with their retailer?

A key objective of the payment difficulty framework is to support customers to help them avoid getting into arrears with their retailer. Under the framework, all Victorian retailers provide readily available standard assistance for customers to encourage early action to avoid arrears.

## Our key findings: standard assistance



### **Key finding: Implementation of the framework is broadly meeting its objectives**

Standard assistance provides customers with options to better manage their energy bills (such as changing bill frequency), or to help them avoid getting into arrears. A small proportion of customers who receive standard assistance subsequently get into arrears with their retailer and went on to receive tailored assistance from their retailer.



### **Key finding: The level and quality of retailer-customer engagement affects customer outcomes**

Information about standard assistance is publicly available but many customers cannot access or engage with this information in an effective manner.

## Standard assistance

Standard assistance is available to all customers. Being an entitlement-based framework, a customer does not require their retailer's permission to access these standard assistance measures.

When the framework was designed, standard assistance was intended to be easily accessible to all Victorian customers. They do not necessarily have to be in arrears and should be able to access the assistance by simply asking for it.

Are residential energy customers avoiding getting into arrears with their retailer?

## Standard assistance in the Energy Retail Code of Practice

Under clause 125 of the Energy Retail Code of Practice, retailers must make at least three different payment options readily available to customers, as follows:

- making payments of an equal amount over a specified period
- options for making payments at different intervals
- extending the pay-by date for an energy bill for at least one billing cycle in any 12-month period, or
- paying for their energy use in advance.<sup>30</sup>

These payment options have been provided for customers to help manage the payment of energy bills, or to pre-emptively help avoid getting into arrears.

Retailers must make information about the standard assistance they offer readily available to customers, including how that assistance can be accessed.

The following sections provided a detailed discussion of our key findings related to standard assistance under the framework.

## How customers are offered standard assistance

Victorian retailers generally set out the standard assistance options offered to their customers on their websites or in their hardship policies. Many retailers also enable customers to access standard assistance through self-service online or by phone. While most of the retailers offer at least three of options of standard assistance, some retailers offer all four options of standard assistance to its customers, as detailed the following table.

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<sup>30</sup> Energy Retail Code of Practice, clause 125.

Are residential energy customers avoiding getting into arrears with their retailer?

**Figure 8 Standard assistance options offered by retailers**

Retailer	Making payments of an equal amount over a specified period	Options for making payments at different intervals	Extending by a specified period the pay-by date for a bill	Paying for energy use in advance
1 <sup>st</sup> Energy	✓	✓	✓	✓
AGL	✓	✓		✓
Alinta	✓	✓	✓	✓
Diamond Energy	✓	✓	✓	✓
Dodo	✓		✓	✓
EnergyAustralia	✓	✓	✓	✓
Energy Locals	✓	✓	✓	✓
Globird	✓	✓	✓	✓
Lumo Energy	✓	✓	✓	✓
Momentum	✓	✓	✓	✓
Origin Energy	✓	✓	✓	
OVO Energy	✓	✓	✓	✓
People Energy	✓	✓	✓	✓
Powerdirect	✓	✓		✓
Powershop	✓	✓	✓	✓
QEnergy	✓	✓	✓	✓
Red Energy	✓	✓	✓	✓
Simply Energy	✓		✓	✓
Sumo	✓		✓	✓
Tango	✓	✓	✓	✓
<b>No. of retailers</b>	<b>20 out of 20</b>	<b>17 out of 20</b>	<b>18 out of 20</b>	<b>19 out of 20</b>

Source: Based on retailer websites and hardship policies as of 13 May 2022

Are residential energy customers avoiding getting into arrears with their retailer?



Retailers also supplement information about standard assistance with general information about how to manage and lower energy costs, as well as government and non-government support available to customers facing payment difficulty. This information must be readily available to their residential customers, and should include:

- the retailer's financial hardship policy,
- the assistance available to customers and how to access it,
- how customers might lower their energy costs, and
- available government and non-government assistance (including utility relief grants and energy concessions) that may help customers meet their energy costs.

Our review of retailers' websites in early 2019 and 2021 found that most of the information presented to customers was easy to find and understand. However, in early 2019, we found some retailers' websites were missing the required information for customers, particularly about the kinds of assistance available to customers.<sup>31</sup> We worked with retailers to ensure this information was more accessible for customers. Subsequently, all retailers we contacted made changes to their websites to reflect this.

While information about standard assistance is publicly available, we are conscious that not all customers can access or engage with this information in an effective manner. For example, based on a recent study conducted by Honeycomb, customers who are unemployed or have English as a second language appear less aware of support for payment difficulty compared to the average Victorian.<sup>32</sup>

It remains important that customers are aware that standard assistance is available at any time for all Victorian customers, to help manage bills and avoid getting into arrears.

## **Supporting customers through standard assistance**

Customers may access standard assistance for various reasons, including for convenience, rather than to proactively prevent getting into arrears. Around 96,000 Victorian electricity customers were receiving standard assistance every month on average in 2020-21 – equivalent to 3.6 per cent of all Victorian residential electricity customers.

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<sup>31</sup> Essential Services Commission, 'Payment difficulty framework audit 2019', 2019, <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/compliance-and-auditing-activities/payment-difficulty-framework-audit-2019>

<sup>32</sup> 36 per cent and 30 per cent respectively, compared to the average Victorian's awareness of 43 per cent.

Are residential energy customers avoiding getting into arrears with their retailer?

Stakeholders observed that payment plans are requested even when customers are not experiencing payment difficulty. Retailers often offer this as a 'bill smoothing' option for customers, which is a form of standard assistance. In its submissions to the commission, both AGL and Origin Energy detailed the ways customers can manage their accounts, including their payment plans and options of setting up direct debit payments.<sup>33</sup>

Some retailers provide self-service options for its customers to access standard assistance, such as Origin Energy:

A customer can also use the Origin App to view their bills, usage history, and access some of the available payment options. A customer can request a payment extension, or a payment plan with instalments at any time. Origin also offers EasiPay, which allows customers to pay an agreed amount at intervals by direct debit. This can be set up at any time and if a customer has not been billed yet or has a zero balance allows the customer to make payments in advance.<sup>34</sup>

At the start of the coronavirus pandemic, energy retailers also received an increased number of enquiries from customers about payment assistance. During that time, there was extensive media coverage and communication to Victorian customers from various service providers (such as banking and utility providers) of temporary payment relief being offered. Some customers subsequently took up options of standard assistance, such as extending the pay-by-date of their current energy bill.

During the pandemic, some retailers temporarily expanded their minimum standard assistance options to include extensions of pay-by-dates for their customers. AGL also noticed that customers actively accessed self-service options to help manage their energy bills during this time:

The COVID-19 pandemic fundamentally shifted the way that many consumers prefer to engage with their energy retailer. This was particularly evident in consumers accessing payment support through online platforms including AGL's COVID-19 Support Program in 2020 and the My Account online portal. Customer feedback metrics show positive sentiment towards being able to self-service based on their needs and financial position at the time.<sup>35</sup>

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<sup>33</sup> AGL, Submission to the Essential Services Commission key review questions, November 2021; Origin Energy, Submission to the Essential Services Commission key review questions, November 2021.

<sup>34</sup> Origin Energy, Submission to key review questions.

<sup>35</sup> AGL, Submission to key review questions, p. 11.

Are residential energy customers avoiding getting into arrears with their retailer?

The uptake of standard assistance demonstrates the potential benefits of the framework, particularly during unique events such as the pandemic. In these cases, some customers were able to access support to help them avoid going into arrears.

### Standard assistance helps to prevent customers from getting into arrears

While standard assistance provides customers with options to manage their energy bills for convenience, or to help avoid getting into arrears, some customers ultimately end up in having arrears and require further support (under tailored assistance, as described in the next chapter).

On average in 2020-21, around 15 per cent of electricity customers who previously accessed standard assistance commenced tailored assistance. With around 96,000 electricity customers receiving standard assistance at any point of time, it is likely that many standard assistance customers do not end up getting into arrears.

**Figure 9** Percentage of customers receiving standard assistance (monthly average in 2020-21)



Certain retailers may be more effective at helping customers avoid a large build-up of arrears before receiving tailored assistance. Standard assistance may be used by retailers as one way to not only help a customer avoid getting into arrears, but to also help prevent the accumulating of large arrears prior to receiving tailored assistance.

We discuss key findings specifically associated with tailored assistance in the following chapter.

### Improving the operation of the framework: supporting customers' entitlements to assistance

Many Victorian customers have taken up standard assistance options for both convenience and to avoid getting into arrears. However, not all customers avoid getting into arrears with their retailers, even with the support provided through standard assistance.

Are residential energy customers avoiding getting into arrears with their retailer?

At the onset of the coronavirus pandemic, it appears that both customers and retailers have utilised standard assistance options to help pre-emptively manage the risk of accruing arrears. This assistance is more likely to be accessed when customers are clearly aware of its availability. This is evident by the increased uptake of standard assistance after direct messaging from retailers detailing temporary relief information for customers during the pandemic.

Raising customer awareness and understanding of their energy rights and entitlements under the payment difficulty framework may lead to more customer engagement with energy retailers about their energy plans, accounts, and possible assistance. This could assist customers with payment options that help them avoid getting into arrears, particularly with parts of the community where current information provided does not seem to be tailored to them and before higher levels of arrears accumulate. There are various ways to raise customer awareness, and depending on customers, this could be supported by trusted sources of information such as community groups and support workers.

## **Improving the operation of the framework**

### **The level and quality of retailer-customer engagement affects customer outcomes**



- Further support customers' entitlement to assistance during retailer communication.

Are residential energy customers avoiding getting into arrears with their retailer?

# Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

A key objective of the payment difficulty framework is to support customers who fall into arrears with their energy retailer. Under the framework, all Victorian retailers are required to inform and support customers with specific forms of tailored assistance to help pay their ongoing energy use, repay their arrears and lower their energy costs.

## Our key findings: tailored assistance

### Key finding: Implementation of the framework is broadly meeting its objectives



The number of people receiving assistance has grown strongly since the framework commenced. In June 2017, there were 32,664 energy customers receiving assistance in retailer hardship programs. By December 2021, there were 61,560 electricity and 48,827 gas customers receiving tailored assistance.

We are also seeing improved customer outcomes for the forms of tailored assistance relating to payment plans and assistance with utility relief grants. This tends to help customers who can pay ongoing usage more.

### Key finding: Customer outcomes vary significantly between and within retailers



We continue to see varied outcomes in the way retailers support customers in accessing energy concessions, and the practical help to lower energy costs.

Some retailers are more effective at helping customers access assistance early. Different retailers are also found to apply different levels of discretion when negotiating or ending payment arrangements for customers.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

### **Key finding: The level and quality of retailer-customer engagement affects customer outcomes**



We have found that once customers engage with their retailers, the quality of their interactions with retailer representatives varies, both in the customer's experience of the interaction and the assistance outcomes of the interaction. The quality of these interactions affects the extent to which customers receive appropriate assistance.

### **Key finding: Customers who can pay for their ongoing energy use benefit most**



The framework benefits many customers, particularly those who are in arrears with their retailer and able to pay for their ongoing energy use. However, there are limits to the benefits provided by the framework for those who are in arrears but cannot pay for their ongoing energy use. These customers are more likely to face multiple barriers, such as changes to household income, a lack of work, or illness and are also more likely to use much higher levels of energy than the typical household for a range of reasons.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Tailored assistance

Tailored assistance was introduced into the Energy Retail Code (now the Energy Retail Code of Practice) as a minimum standard of support retailers must provide for customers who have missed bill payments and are in debt to their retailer. It aims to address the main objectives of the framework, which is to support residential energy customers to pay their on-going energy use, repay their arrears and lower their energy costs.

The framework requires retailers to provide customers with clear information about the support available to them after they miss an energy bill payment, so that customers are supported quickly and to prevent further arrears.

Retailers are also required to provide customers with the assistance they are entitled to.

### Tailored assistance in the Energy Retail Code of Practice

Tailored assistance is described under Part 6, Division 2 of the Energy Retail Code of Practice.<sup>36</sup>

The code requires retailers to give their customers information about assistance they are entitled to and how to access it, within 21 business days of missing payment of an energy bill (and having arrears of more than \$55).<sup>37</sup> The code also prescribes the minimum level of assistance a retailer is to provide for customers, which a customer is entitled to, as follows.

For those who can and cannot pay for their on-going energy use:

- payment plans and advice on repaying arrears
- advice about government grants and concessions, and help to lodge and apply for a utility relief grant (introduced in October 2020)
- information on future energy use and how this cost could be lowered

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<sup>36</sup> Energy Retail Code of Practice, Part 6, Division 2.

<sup>37</sup> Energy Retail Code of Practice, Clause 129.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

For those who cannot pay for their on-going energy use, customers are also entitled to:

- practical advice on reducing energy cost, such as checking current energy offers and providing advice on the best energy offer available
- practical help to a customer who may be eligible for a utility relief grant<sup>38</sup>
- practical help to reduce energy bills, such as energy audit or energy efficiency products
- pause on arrears payments for up to six months and part-payments of future bills.

The following sections provided a detailed discussion of our key findings related to the specific elements of tailored assistance under the framework.

## **How customers are informed about their tailored assistance entitlements**

Retailers are required to communicate with customers experiencing payment difficulty in different forms and under different circumstances. This includes:

- general information about the assistance available for customers, and
- notifications to customers who have missed paying their bills, which also includes information about assistance options for customers.

Retailers are obligated to provide customers with information about the tailored assistance they are entitled to if they miss a bill and have more than \$55 of arrears, including GST. Retailers often provide this information alongside a reminder notice to the customer to pay their energy bills.

A customer is given a minimum of six business days to consider the information provided, after which they may either ask for more information or set out a payment proposal to a retailer for a payment plan. This often involves a customer calling a retailer directly to discuss options. Some retailers also provide self-service options for customers to manage their account either over the phone or online.

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<sup>38</sup> This obligation was inserted in the Energy Retail Code of Practice on 1 March 2022.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



## Many customers who miss a bill payment appear to respond to information about assistance

Customers may miss paying an energy bill for a variety of reasons. Under the framework, a customer who misses payment of a bill by its due date (and who has arrears of more than \$55) is entitled to receive information from their retailer about access to assistance within 21 business days. This information may be a useful prompt to contact their retailer and access assistance. In 2020-21, around half the customers commencing tailored assistance who can pay for their ongoing use do so within 30 days of their bill being overdue.

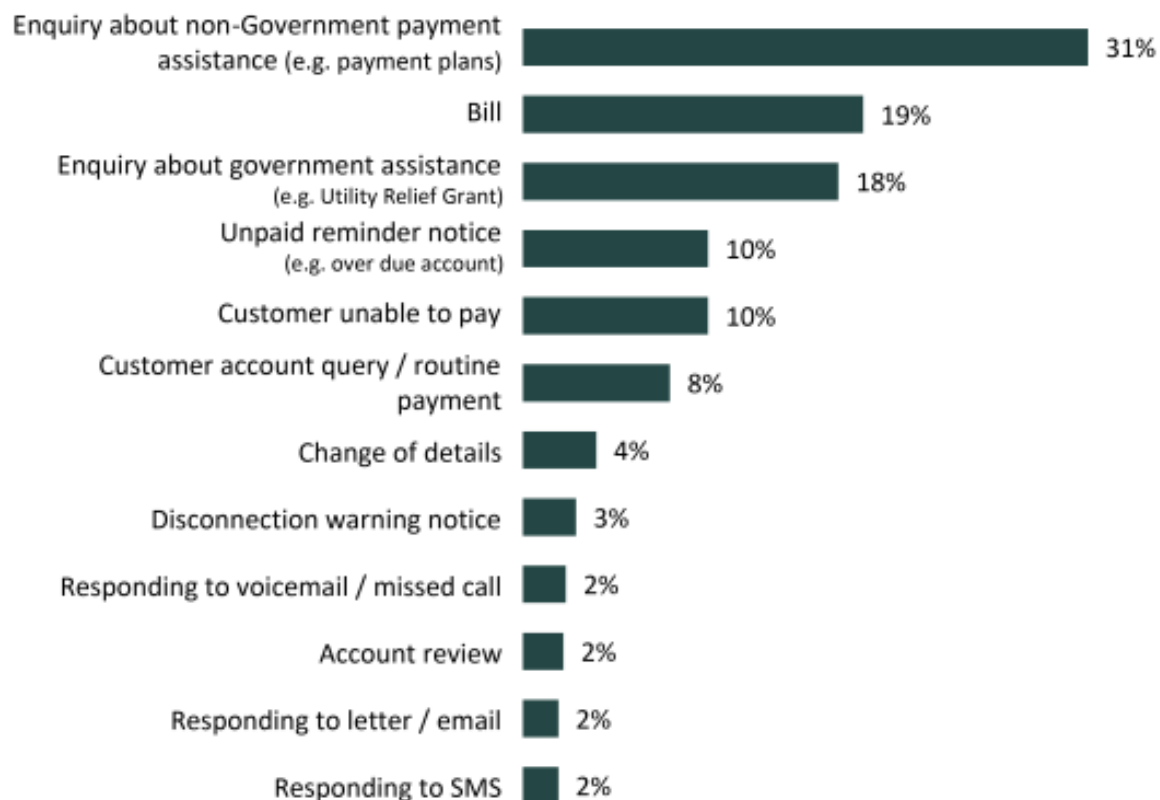
Call recordings collected for our review also revealed that customers who had contacted the retailer had also received information about that assistance in various forms (Figure 10). Based on analysis of the call recordings collected, it was found that customers were more likely to mention an experience of payment difficulty after having received a disconnection warning notice (68 per cent of callers in the study) or after receiving a reminder notice for a missed payment (58 per cent of callers in the study).<sup>39</sup>

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<sup>39</sup> ORIMA Research, 'Call recordings study report', p. 16.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 10 Top reasons for a customer initiating conversation with a retailer (based on observations of call recordings collected for the review)**



What was the primary trigger / reason for the call?  
 Base: Conversation (n=729)  
 Note: Top 10 reasons shown, not shown unclear / not mentioned (5%)

Source: ORIMA Research, 'Call recordings study', May 2022.

There have been reported instances where the information provided to customers about assistance could have been clearer or where the complexity of the framework has led to customer confusion or misunderstandings.<sup>40</sup>

There are aspects of the framework that are unnecessarily complex, impeding the ability of some customers to understand both their rights and obligations.<sup>41</sup>

<sup>40</sup> AGL, Submission to key review questions, p. 4.

<sup>41</sup> Alinta, Submission to the Essential Services Commission key review questions, November 2021, p. 5.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

The complexity and strict interpretation approach to the PDF are unintentionally leading to poor customer experiences when customers contact retailers' service centres with conversations often becoming long, highly scripted and disengaging.<sup>42</sup>

### **Call recordings case study 1: The importance of ensuring customers clearly understand their entitlements**

These two customer journeys demonstrate how customers may become confused about their entitlements and how providing clear and unambiguous information and checking with the customer that the information is understood, is important for ongoing trust and engagement.

#### **Customer journey 4**

The trigger for this interaction between a customer and their retailer was the customer's claim they were unaware that a bill was imminent which meant that she would not be paying out her arrears as she believed. The customer expressed deep frustration about having been "misinformed" previously that she was close to paying off her arrears. The interaction led to displays of dissatisfaction on the part of the customer, the threat to change providers, and the retailer's inability to provide assistance that was meaningful to the customer. In this case, it is unclear whether the customer had actually been misinformed, as the interaction prior to the one stated was outside of the study period. However, this exchange negatively impacted the customer's relationship with the retailer as she threatened to close her account.

#### **Customer journey 5**

This customer was identified as being from culturally and linguistically diverse (CALD) demographic. The customer was offered assistance in the form of a payment plan and payment matching and the retailer told the customer they would check in every three months to see how they were getting along. After fully paying off his arrears, the customer was removed from the payment plan and the payment matching initiative was discontinued. Despite having paid off arrears, the customer was deeply dissatisfied with the removal of the plan and the discontinuation of payment matching, due to their misunderstanding of the terms of the assistance offered. There is no evidence that three monthly follow ups mentioned to the customer occurred, possibly missing opportunities to clarify the terms of the assistance. Checking that the customer is clear about the information provided and the conditions of the

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<sup>42</sup> AGL, Submission to key review questions, p. 13.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

payment matching only being while the customer had arrears and made all agreed payments may have cleared the apparent misunderstanding by the customer.

Whether it is a customer's misunderstanding or a retailer's failure to clearly communicate, it is still important to ensure clear communication at all stages of the customer journey and ensuring that customers clearly understand the assistance they are being provided.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

The commission received several referrals by the Energy and Water Ombudsman (Victoria) in 2020 regarding these types of concerns. In April 2022, we updated our guidance to retailers about their obligation to provide clear and unambiguous information or advice to customers about the assistance available under the framework (refer to the following breakout boxes).

### **Guidelines relating to providing information to customers anticipating or facing payment difficulties**

Based on incidents considered by the commission and following several referrals by Energy and Water Ombudsman Victoria, we published guidance notes that are related to providing clearer information to customers about support under the framework.

#### **Guidance note 1 (2020): De-energisation (or disconnection) of premises (small customers)<sup>43</sup>**

The guidance note clarifies that information on reminder notices must not only provide a retailer's contact number but must also provide details of how a customer can contact the retailer specifically 'in connection with a complaint or dispute'.

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<sup>43</sup> Essential Services Commission, 'Guidance note 1 (2020): De-energisation (or disconnection) of premises (small customers)', published on 21 August 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice#tabs-container4>.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

### **Guidance note 2 (2020) (updated and subsequently republished as Guideline 3 (2022): Clear and unambiguous information or advice for residential customers anticipating or facing payment difficulties)<sup>44</sup>**

The guidance note provides guidance on the obligation to provide clear and unambiguous information to customers:

- information about payment assistance must be provided at multiple stages in the disconnection process
- there are several considerations in formulating information that is 'clear and unambiguous' including that the information is accurate and not misleading, is expressed in plain language, is legible and presented clearly and appropriately
- information provided to customers should frame assistance as an 'entitlement' or 'right' and not something the retailer provides as a matter of discretion, and
- retailers have discretion on the level of detail to be presented at certain points, provided that both the objective of Part 3 and the mandatory requirements of the code are met.

### **Customers entering tailored assistance**

Stakeholders consider that the formal obligation for retailers to support customers can and has helped some customers access assistance.<sup>45</sup> In June 2017, 32,664 energy customers were in retailers' previous hardship programs. In December 2021, there were 61,560 electricity and 48,827 gas customers receiving tailored assistance under the framework (Figure 11).

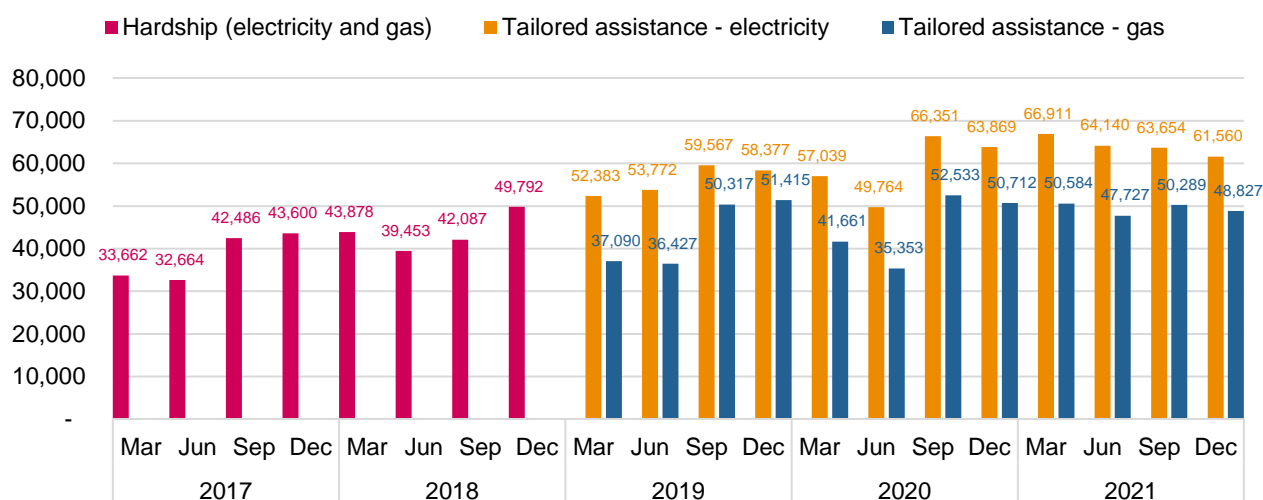
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<sup>44</sup> Essential Services Commission, 'Guideline 3 (2022): Clear and unambiguous information or advice for residential customers anticipating or facing payment difficulties', published on 7 October 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice#tabs-container4>.

<sup>45</sup> Victorian Council of Social Service, Submission to the Essential Services Commission key review questions, November 2021, pp. 2, 6; Powershop, Submission to the Essential Services Commission key review questions, November 2021, p. 4; Energy and Water Ombudsman Victoria, submission to the Essential Services Commission key review questions, November 2021, pp. 6-7; Financial Counselling Victoria, submission to key review questions, p. 4; Uniting Vic. Tas, Submission to key review questions, p. 6; Alinta, Submission to key review questions, p. 3.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 11 Residential customers receiving assistance, 2017 to 2021**



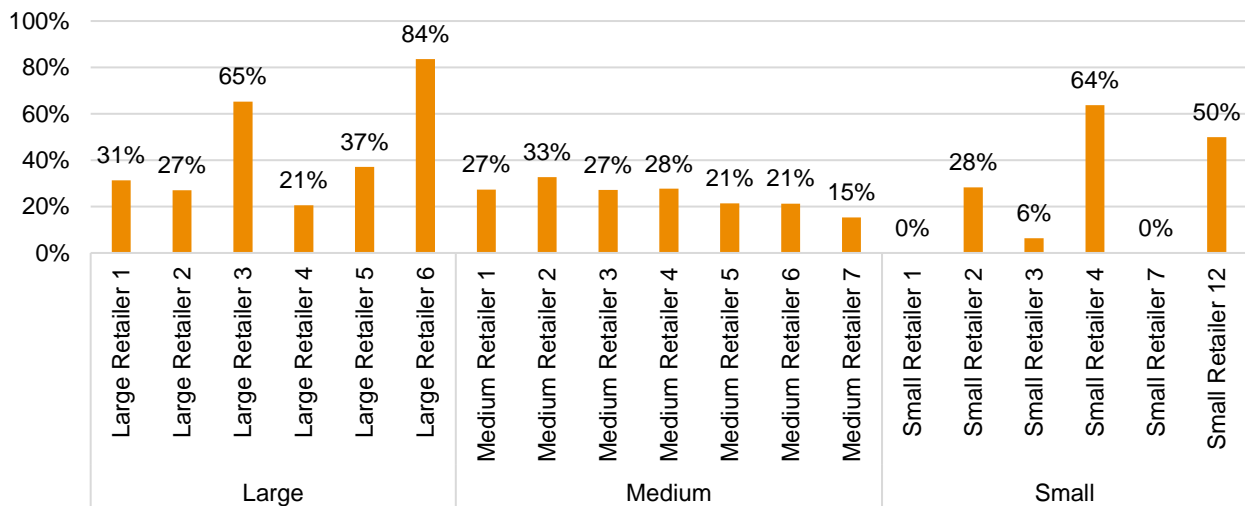
Our analysis also shows that under the framework, half of the customers entering tailored assistance who can afford their ongoing energy use, commence that assistance within 30 days of their energy bill being overdue.

However, approximately one third of customers who cannot afford their ongoing use commenced assistance 180 days or more after their bill became overdue.<sup>46</sup> We also found that the timing of when customers begin receiving assistance varies significantly by retailer. For example, the proportion of a retailer’s customers who commence tailored assistance (and can pay their on-going usage) within less than 30 days of their bill being overdue ranges from 15 to 84 per cent across all medium and large sized retailers (Figure 12). This could indicate differences in practices between retailers when they first engage or interact with a customer experiencing payment difficulty.

<sup>46</sup> Based on retailer data submitted as per the Compliance and Performance Reporting Guideline.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 12 Proportion of electricity customers (who can pay for their ongoing energy use) entering tailored assistance between 0-30 days of bill being overdue in 2020–21, by retailer, de-identified**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

### Levels of arrears on entry to tailored assistance varies

We note that since 2019, arrears have remained relatively stable for customers who can pay for ongoing usage. In 2020-21, the average level of arrears for such customers when commencing assistance was \$916 (compared to \$925 and \$917 in the prior two years). However, we also found that arrears levels have increased during this period for customers who cannot pay their ongoing usage, with the average arrears increasing by nearly \$200 over three years (nearly 16 per cent), to \$1,343 on average in 2020-21 (Figure 13). Furthermore, 41-54 per cent of electricity customers commence tailored assistance more than 60 days after missing a bill payment.<sup>47</sup>

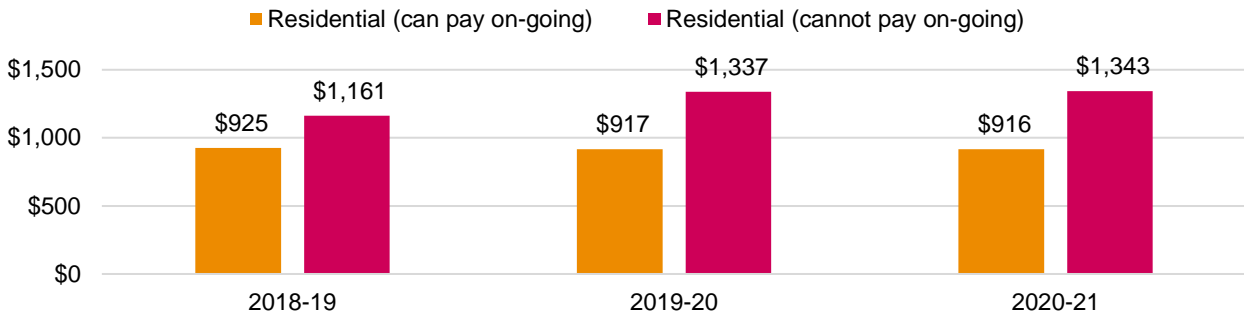
While the average figures for customer arrears are high, we observed a large variation across retailers in the arrears of customers commencing tailored assistance. For example, between large and medium retailers, the average arrears of customers entering tailored assistance and can pay for on-going usage ranged from \$507 to \$1,553. We will be working with retailers during the next phase of this report to better understand the drivers of these difference. However, it appears that

<sup>47</sup> 41 per cent of customers who can pay ongoing usage, and 54 per cent of electricity customers who cannot pay for on-going usage.

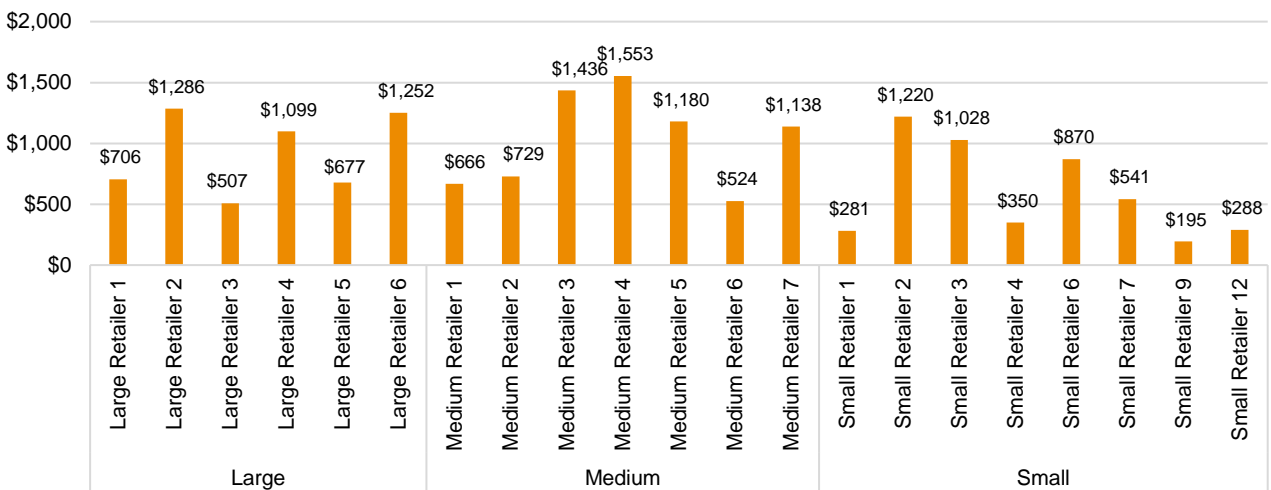
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

some retailers are more effective at intervening early with customers, which reduces stress on customers and improves the prospect of successful outcomes.

**Figure 13 Average electricity arrears for customers when commencing tailored assistance, 2018-19 to 2020-21**



**Figure 14 Average electricity arrears for customers (who can pay for their on-going energy use) commencing tailored assistance in 2020-21, by retailer, de-identified**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

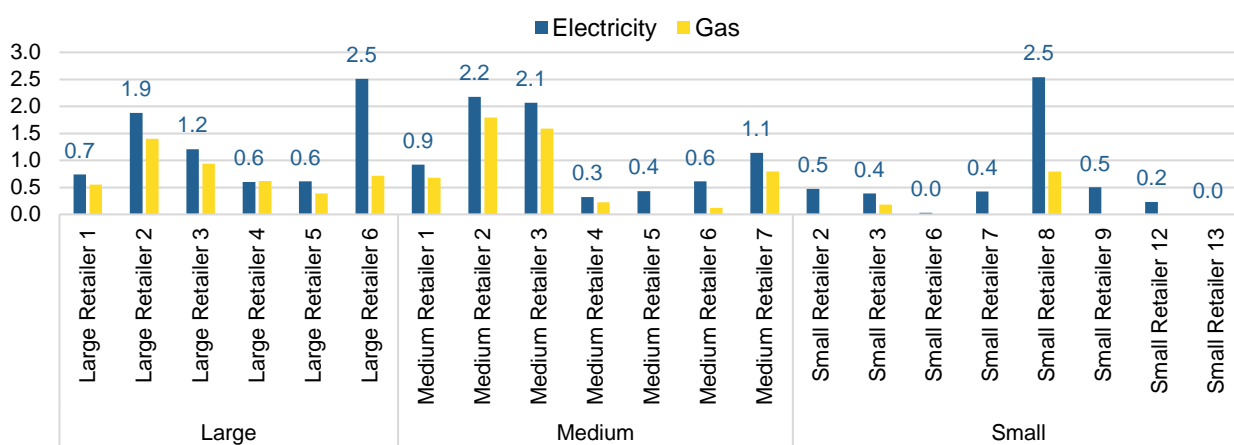
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



At the end of June 2021, approximately 11 per cent of energy residential customers in arrears to their retailers, were not receiving assistance.<sup>48</sup> Approximately 144,000 energy customers owed their retailer more than \$300, which placed them at risk of being disconnected. Over 49,000 energy customers not receiving assistance had arrears of over \$1,000. We also observed significant variation between retailers in the proportion of their customers not receiving assistance with arrears above \$1,000, as detailed in Figure 15.

The Energy and Water Ombudsman of Victoria also found many customers experiencing vulnerability presenting to them with large arrears and no provision of assistance.<sup>49</sup>

**Figure 15** Number of customers not receiving assistance who owe more than \$1,000 to their retailer (per 100 customers) by retailer, deidentified



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

The level of variation of arrears with different retailers indicates that there may be opportunities for improvement for the way some retailers support customers to manage their arrears.

<sup>48</sup> Based on retailer data submitted as per the [Compliance and Performance Reporting Guideline](#).

<sup>49</sup> Energy and Water Ombudsman Victoria, 'Missing the Mark', p. 7.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Retailer interactions with customers

Once customers do contact their retailers, we have found that the quality of their interactions with retailer representatives varies, both in the customer's experience of the interaction and the assistance outcomes of the interaction. During our review, stakeholders often commented that the quality of these interactions are crucial to customers' engagement with retailers and receiving of appropriate assistance.

The call recordings study found that retail operators mostly demonstrated behaviours and conversational tone consistent with high levels of customer service. In most calls operators:

- were respectful of customers (98 per cent)
- listened to and acknowledged the customer (95 per cent)
- provided support to the customer (94 per cent)
- asked relevant questions to better understand the customer's situation (88 per cent)
- were empathetic in their communication (88 per cent)
- used the customer's name (83 per cent).

Additionally, the Energy and Water Ombudsman of Victoria reported a 44 per cent decrease in credit-related complaints it had received since the framework started (comparison between 2016-17 and 2019-20),<sup>50</sup> also noting that this could influence customer satisfaction:

The reduction in EWOV's complaints suggest that customers are satisfied with their engagement with retailers about their entitlements.<sup>51</sup>

Negative behaviours were demonstrated in a very small proportion of calls, specifically offering solutions that did not consider the customer's situation (2 per cent) or were obviously following a script (2 per cent). Negative experiences during customer calls for assistance appear to reduce the likelihood of a customer receiving assistance.

[CALD households] try their best not to deal with the energy company, because they've been put off by the company, because they've been waiting for too long [on hold]... sometimes it's

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<sup>50</sup> Credit related complaints include complaints received by Energy and Water Ombudsman of Victoria relating to energy arrears or assistance provided by retailers; Energy and Water Ombudsman Victoria, December 2020, p. 2.

<sup>51</sup> Energy and Water Ombudsman Victoria, Submission to key review questions, p. 6.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

rude[ness] from the call centres. And no empathy, they don't have understanding what the consumer has been through when they try to explain. (Energy Outreach Worker 4)<sup>52</sup>

We remain concerned of reported instances where customers cannot meaningfully contact a retailer for assistance for various reasons such as long call waiting times or lack of interpreters. In their submission to the review, Community Information and Support Victoria noted that waiting times to access retailer representatives or hardship teams make face-to-face or phone assistance challenging.

Waiting times to access retailers or hardship teams make face-to-face or phone assistance challenging for our agencies and Energy Mentors, as it eats into the time they don't have.<sup>53</sup>

They also noted that the lack of, or inconsistent use of interpreters, as well as the lack of understanding and empathy regarding the reality of financial difficulty for vulnerable people or family, creates extra challenges.<sup>54</sup> This was echoed by the Consumer Policy Research Centre:

Access to interpreting services is limited, with reports of most calls to some retailers' interpreter lines going unanswered or not having a suitable interpreter available. Interpreters that are not experienced in energy issues and advocacy often cannot resolve complex customer issues or identify when retailer responses are unsatisfactory – especially when advocates are excluded from interpreted calls.<sup>55</sup>

Stakeholders also observed that they have encountered customers with negative experiences with retailer staff, and that observed different levels of retailer staff knowledge and awareness of the framework's customer entitlements within the same retailer.<sup>56</sup> The Consumer Policy Research Centre noted that support workers commonly abandon attempts to resolve client issues with

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<sup>52</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 44.

<sup>53</sup> Community Information and Support Victoria, Submission to the Essential Services Commission key review questions, November 2021, p. 2.

<sup>54</sup> Community Information and Support Victoria, Submission to key review questions, p. 2.

<sup>55</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 10.

<sup>56</sup> Powershop, Submission to key review questions; Community Information and Support Victoria, Submission to key review questions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

certain retailer staff. They then initiate a new call in the hope of finding a more knowledgeable or experienced staff member, or one with better communication skills and willingness to help.<sup>57</sup>

While we do not have specific records or analysis on the extent of these concerns, we acknowledge the direct experiences reported by community stakeholders.

### **Guidance on contacting customers eligible for tailored assistance**

In 2020, we conducted an energy retail industry pulse check to understand the practices retailers have in place to support customers experiencing payment difficulties.

#### **Guidance note 4 (2020): Contacting customers eligible for tailored assistance<sup>58</sup>**

The commission provided guidance to retailers regarding the timing when retailer need to contact a customer to give them tailored assistance information. This guidance note clarifies the obligation for retailers to offer assistance to an eligible customer, even if they have been offered assistance before.

Additionally, for a customer receiving assistance who has missed the pay-by date of their energy bill, a customer is still entitled to information to accessing other forms of assistance within the 21 business day timeframe. More specifically, a retailer must contact a customer and give them information about tailored assistance each time the pay-by date is missed. A retailer may elect to provide the information separately to a reminder notice.

### **Contact outcomes**

In the call recordings study, 75 per cent of the calls resulted in customers accepting payment assistance from the retailer, while 11 per cent of the calls ended with either no outcome or the customer ending the call.<sup>59</sup>

In the call recordings study, one in five (21 per cent) customer interactions led to outcomes such as scheduling a follow up by the operator or the customer.<sup>60</sup> A common reason being the

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<sup>57</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 4.

<sup>58</sup> 'Guidance note 4 (2020): De-energisation (or disconnection) of premises (small customers)', Essential Services Commission, published on 28 October 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice#tabs-container4>.

<sup>59</sup> ORIMA Research, 'Call recordings study report', p. 26.

<sup>60</sup> ORIMA Research, 'Call recordings study report', p. 26.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

unavailability of a specialist team at the time of the call. However, in some instances, customers were directed to access assistance elsewhere.

We remain committed to investigating incidents of potential non-compliance, particularly if they lead to customers being prevented from receiving assistance. For example, in 2020-21, Alinta Energy paid \$1.125 million in penalty notices we issued for allegedly requiring customers to provide personal or financial information as a condition to receive assistance.

Some retailers believe that compliance with the framework leads to lengthy call centre scripts and phone calls with customers. This restricts their ability to provide better customer service and support to customers that respond to their specific needs.<sup>61</sup>

The complexity and strict interpretation approach to the PDF are unintentionally leading to poor customer experiences when customers contact retailers' service centres with conversations often becoming long, highly scripted and disengaging.<sup>62</sup>

### **Customers experiencing payment difficulty are also likely to face multiple barriers**

According to the call recordings study report, customers were often affected by an average of more than three separate barriers, and 79 per cent stated that they were in financial stress.<sup>63</sup> The experience of multiple barriers at the same time may lead to customers not prioritising their energy bills. This was supported by stakeholder feedback to the review and the research undertaken by Honeycomb.<sup>64</sup> These customers appear to face greater barriers to first accessing assistance when they need it, but they also encounter further difficulties when renegotiating payment arrangements.

### **Improving the operation of the framework: informing customers about entitlements**

The framework has provided greater clarity for both customers and retailers in terms of the assistance that customers are entitled to for helping to pay for energy bills. Over half of the customers receiving tailored assistance who can pay for their ongoing use, commence that assistance within 30 days of missing a payment. This varies across retailers, suggesting that some retailers may have found more effective ways in initially engaging with a customer.

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<sup>61</sup> AGL, Submission to key review questions, p. 2; Origin Energy, Submission to key review questions.

<sup>62</sup> AGL, Submission to the key review questions, p. 13.

<sup>63</sup> ORIMA Research, 'Call recordings study report', pp. 12-13.

<sup>64</sup> Honeycomb Strategy, 'Victoria Energy market insights research report', p.7.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Most customers who reach out to their retailers end up receiving assistance. Our call recordings study found that 75 per cent of the customers accepted support from their retailer. However, many customers encounter difficulties in reaching appropriate retailer staff to get that support. Our call recordings study found that one in five customer interactions required a follow up call.

While the framework has removed some key barriers for customers in accessing assistance, there are more effective ways that can further support customers to engage with their retailers. Improving the quality of engagement between customers and retailers can also lead to better application of customer entitlements under the framework. Raising customer awareness and understanding of their energy rights and entitlements under the payment difficulty framework may lead to more customer engagement with energy retailers about their energy plans, accounts and possible assistance.

## Improving the operation of the framework

### The level and quality of retailer-customer engagement affects customer outcomes



- Improve retailer interactions with customers, focusing on communication that recognises a customer's circumstances, including the barriers they may be facing.
- Further support customers' entitlement to assistance during retailer communication.
- Promote earlier customer engagement by retailers.

**Priority**

## Payment plans and advice on repaying arrears

Retailers are required to offer the following assistance as a minimum to all customers experiencing payment difficulty, whether they can or cannot pay for their on-going usage:<sup>65</sup>

(a) repayment of arrears over not more than two years by payments at regular intervals of up to one month;

(b) advice from the *retailer* about payment options that would enable a *residential customer* to repay their arrears over not more than two years;

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<sup>65</sup> Energy Retail Code of Practice, clause 128(1)(a-b).

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Payment arrangements are more structured, affordable and appropriate

During our review, payment arrangements were the most discussed type of assistance along with help to access utility relief grants and concessions. Our call recordings study found that payment arrangements were the most common form of assistance discussed with customers. Based on the call recordings collected, setting up a payment plan was discussed at least once with 93 per cent of 90 customers, while customers discussed options to vary existing payment plans with their retailer in 50 per cent of the time (at least once).<sup>66</sup>

### Call recordings case study 2: varying payment plans

After receiving disconnection warnings from her retailer, the customer in customer journey 1 spoke to her provider to discuss options for payment during financial hardship. The customer experienced multiple barriers over the duration of the call period including death of a loved one, illness and financial stress from COVID-19 related unemployment.

The customer was offered payment assistance by the retailer to vary an existing payment plan on two occasions. In one of these instances, the amendment related to the interval of the payments. Most of the customer's calls were supported by empathetic and friendly operators who sought to provide support and assistance and the customer appeared to be mostly satisfied with the support she received.

The customer's engagement with the retailer to discuss their financial difficulty and the amended payment plans illustrates the way in which the framework has been able to empower customers to be more active in negotiating their assistance with their retailer.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

The minimum standards for payment arrangements required under the framework appear to have reduced some of the previous barriers to assistance for customers. Under some retailer hardship programs prior to the framework's implementation, retailers were given more discretion to propose the structure of payment arrangements to customers.

The framework now requires retailers to offer customers payment arrangements that allow their arrears to be repaid within two years, as a minimum. This was designed with the intention to set a clear minimum standard for retailers to work with, while providing for some flexibility. For example,

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<sup>66</sup> ORIMA Research, 'Essential Services Commission Payment Difficulty Framework: Call recordings study', May 2022, p. 19.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

customers are also able to propose different instalment amounts so that arrears can be repaid in a shorter time, and retailers are also able to voluntarily offer a repayment period beyond the two-year minimum.

Some stakeholders were generally positive about how the framework supports customers through more formalised payment arrangements, particularly those experiencing immediate or short-term financial difficulty.<sup>67</sup> The Consumer Action Law Centre also observed a general reduction in retailer pressure to accept unaffordable payment plans:

...overall, there has been gradual improvement in the hardship assistance customers are receiving from their retailers since the introduction of the PDF. Since the first report was published in July 2019 we have seen reductions in the proportion of people reporting: being inappropriately referred to our financial counsellors by their energy companies; being pressured by their retailer to accept unaffordable payment plans; and either being threatened with disconnection, or having their energy disconnected.<sup>68</sup>

Retailers AGL and Origin Energy, commented that the minimum standards relating to payment arrangements are beneficial for customers:

Tailored assistance has given customers and their representatives greater agency in setting the payment plan instalment amount.<sup>69</sup>

A key feature of the PDF was the inclusion of this entitlement for a customer as the retailer would be required to accept the customers proposal...They are provided with a plan as per the Code (Cl. 81(3)) where the discussion with the customer indicates that in their circumstances a plan to repay their current bill and future use over a two-year period is required.<sup>70</sup>

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<sup>67</sup> Alinta, Submission to key review questions; Consumer Policy Research Centre, Submission to key review questions, p 2.

<sup>68</sup> Consumer Action Law Centre, Submission to key review questions, p. 5.

<sup>69</sup> AGL, Submission to key review questions, p. 12.

<sup>70</sup> Origin Energy, Submission to key review questions. Note that the clause reference refers to the Energy Retail Code version 20.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



## There are still instances of inappropriate or unaffordable payment arrangements

The framework does not preclude retailers from going beyond minimum requirements to aid customers and offer payment plans with longer timeframes. This approach may be more appropriate for some customers.<sup>71</sup>

Not all customers find the minimum payment arrangement structures appropriate for their needs. While stakeholders agreed payment plans should not last forever, they also recognised that customers could end up agreeing to smaller repayment amounts that lead to a build-up of arrears over time.<sup>72</sup> Some customers begin their payment arrangements with very high levels of arrears, making it unlikely for repayment amounts to be affordable or sustainable.

Stakeholders provided different views on how the discussions on payment arrangements are perceived by the customer. Some stakeholders have observed that some customers can find it difficult to negotiate alternative repayment amounts or intervals for their payment arrangements.<sup>73</sup> Financial Counselling Victoria and Anglicare considered that the minimum payment plan arrangements suggested by retailers are perceived as being non-negotiable, and may not be suitable for some customers:

The payment plan arrangements are put forward as non-negotiable... This often puts the customer in a worse position as payment plans are often proposed as non-negotiable and are often unreasonable and unsustainable.<sup>74</sup>

Inconsistent sector and phone operators can often demand higher amounts than what clients can afford.<sup>75</sup>

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<sup>71</sup> Energy Retail Code of Practice, clause 130(4)(b).

<sup>72</sup> AGL, Submission to key review questions, p. 8.

<sup>73</sup> Consumer Action Law Centre, Submission to key review questions p. 6; Financial Counselling Victoria, Submission to key review questions, p. 6; Consumer Policy Research Centre, Submission to key review questions, p. 2.

<sup>74</sup> Financial Counselling Victoria, Submission to key review questions.

<sup>75</sup> Anglicare, Submission to the Essential Services Commission key review questions, November 2021, p. 1.

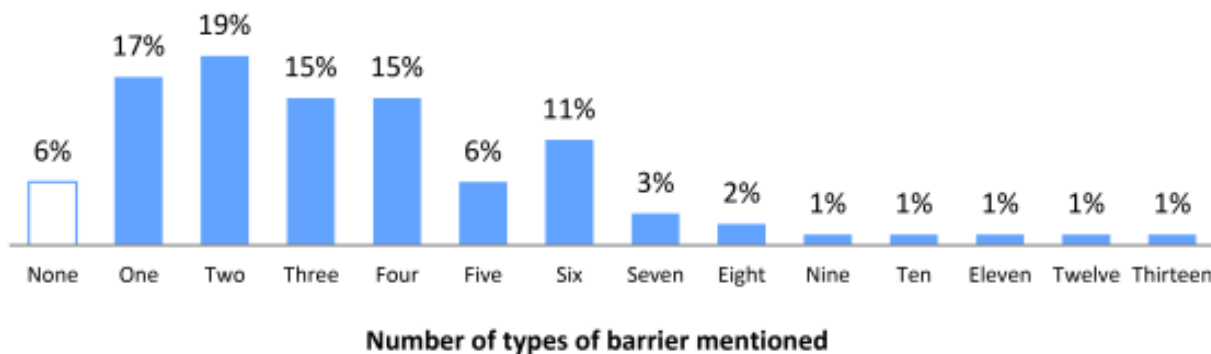
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Conversely, retailers such as Origin Energy recognise that retailers will generally lead the discussion on payment arrangements with customers, but suggest there are reasonable options for a customer to consider:

This is a retailer-led discussion in most cases, enabling the customer to access their entitlement. When we discuss with the customer their need for a payment plan, the instalment amounts and the period over which the outstanding amount is repaid is agreed as part of the discussion at that point in time. The agent will ask the customer about the desired length of the repayment period and offer options that the customer can choose from. If these initial options are not suitable for the customer, the agent will offer an alternative entitlement available to the customer.<sup>76</sup>

We recognise that some customers may not be confident to negotiate payment arrangements. As part of our research into customers experiencing vulnerability, we found it is likely that those facing payment difficulty also encounter multiple barriers. Stakeholders echoed these observations in their feedback to the review. We also observed this in the call recordings we collected for the review. Customers mentioned that they were experiencing an average of three different types of barriers across their various calls (Figure 16).

**Figure 16** Number of barriers experienced by customers, as mentioned to retailers (based on observations of call recordings collected for the review)



Did the customer mention they were experiencing any of the following hardships?  
Base: All customers (n=94)

<sup>76</sup> Origin Energy, Submission to key review questions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Many of these barriers were related to the events they were experiencing in their lives. Most frequently mentioned by customers was financial stress or pressure (79 per cent), followed by lack of work (41 per cent) or job loss (28 per cent) and illness (26 per cent).<sup>77</sup> This can place many of these customers at a disadvantage when discussing payment terms with a retailer and might find such negotiations with retailers difficult or overwhelming, and agreeing to plans they cannot afford.

### **Call recordings case study 3: unaffordable payment plans**

The experience of the customer in customer journey 3 illustrates that some payment plans may be unsuitable for some customers. In this case study, the customer was:

- experiencing payment difficulty due to job loss on multiple occasions
- living in low quality housing, which led to lower levels of energy efficiency and possibly higher levels of consumption
- had accrued high levels of arrears.

These multiple barriers faced by the customer made the proposed payment plan consistently unaffordable for them. The customer requested to defer payments, which was agreed to on two occasions and they continued to make payments after the deferral.

The retailer offered to retrospectively match the last seven payments and applied a debt waiver to eliminate all remaining arrears. The customer's inability to make higher payments impacted their ability to reduce the arrears without further assistance. We note that the payment matching and debt waiver offered by the retailer in this case is above the minimum standards in the framework.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

Financial counsellors and representatives of community sector organisations have highlighted the importance of a trusted third party being able to engage with retailers on behalf of clients experiencing vulnerability. They noted that many of their clients are overwhelmed with a range of challenges, and often less confident or able to effectively engage with retailer staff. The use of such a third party would be a beneficial means of support for customers seeking assistance

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<sup>77</sup> ORIMA Research, 'Call recordings study report', pp. 13-14.

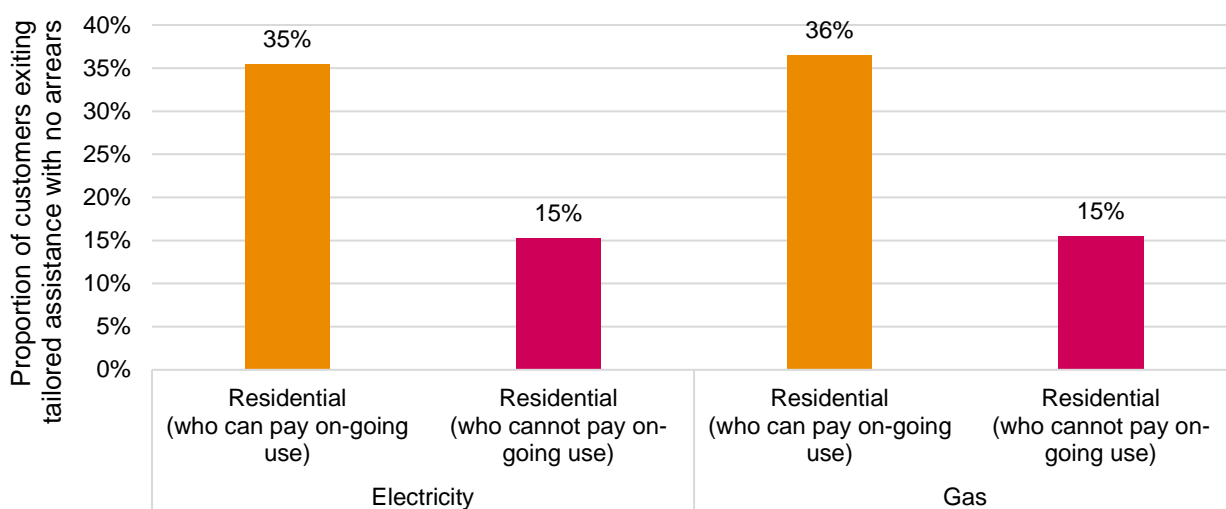
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

However, these counsellors and representatives also noted the difficulties they encounter when seeking to support and advocate for their clients when they contact some retailers. Some retailer call centre staff are helpful and constructive when helping customers, but others are perceived as making the provision of support more difficult and time consuming for customers. This often frustrates early and effective engagement.<sup>78</sup>

### Payment arrangements appear more effective for customers with lower levels of arrears and who can pay for their ongoing use

It appears that payment arrangements (alongside other tailored assistance measures) have better supported customers with lower levels of arrears and who can pay for their ongoing usage. For example, on average, a higher proportion of customers who can pay for their ongoing use, were able to successfully achieve a position of having no arrears and no longer requiring assistance, compared to those who cannot pay for their ongoing use (Figure 17).

**Figure 17 Comparison of the proportion of customers (who can and cannot pay for their ongoing energy use) receiving tailored assistance who successfully exit assistance without arrears in 2020-21, by electricity and gas**



Source: Voluntary data request to retailers to inform the review.

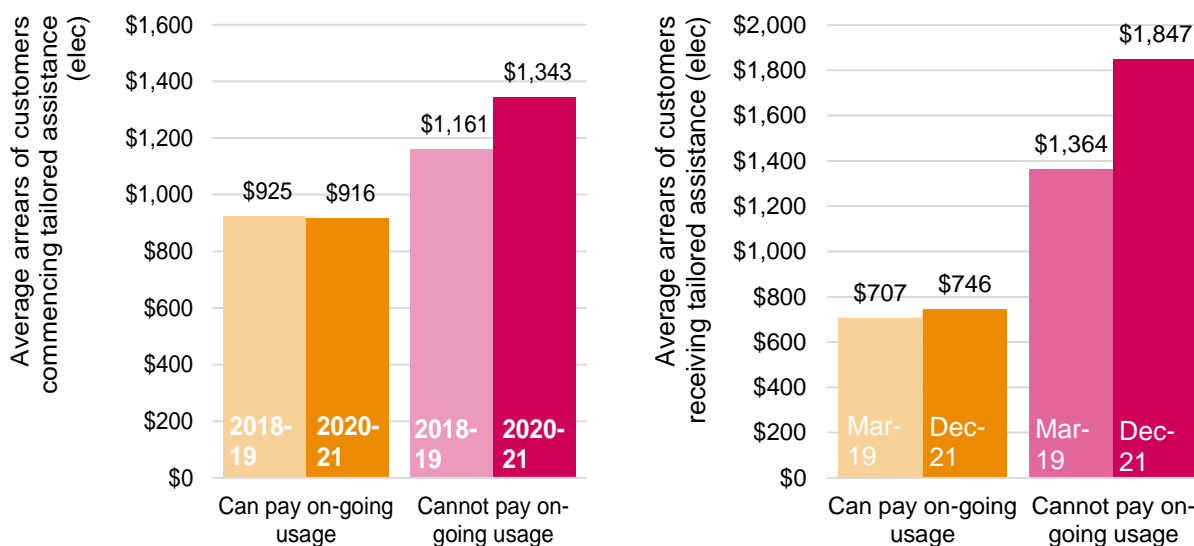
The arrears of customers receiving tailored assistance and can pay their on-going usage, also appears to reduce while they are receiving assistance. In Figure 18, customers commence their

<sup>78</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria,' p. 5.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

assistance with an average arrears of \$916 in 2020-21, compared to an average arrears of \$746 once they are receiving tailored assistance.

**Figure 18 Comparison of arrears for customers (who can and cannot pay for their ongoing energy usage) upon commencement and whilst receiving assistance**

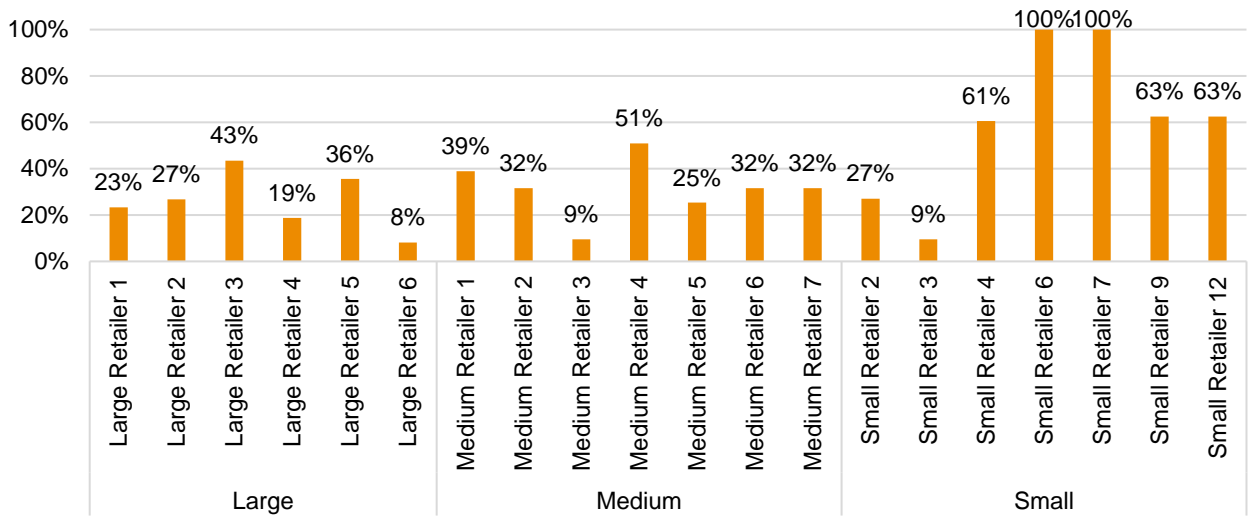


We also found that the number of customers successfully exiting tailored assistance varied across retailers. For customers of medium and large retailers who can pay for their ongoing energy use, this ranged from eight to 51 per cent of customers (Figure 19).

We also note that there are examples of retailers with higher rates of successful exits corresponding with higher rates of customers entering assistance earlier. For example, when comparing Figure 12 and Figure 19, large retailers 2 and 5 have successful exit rates of 43 per cent and 36 per cent respectively, with their proportion of customers entering tailored assistance within 30 days being 65 per cent and 37 per cent respectively.

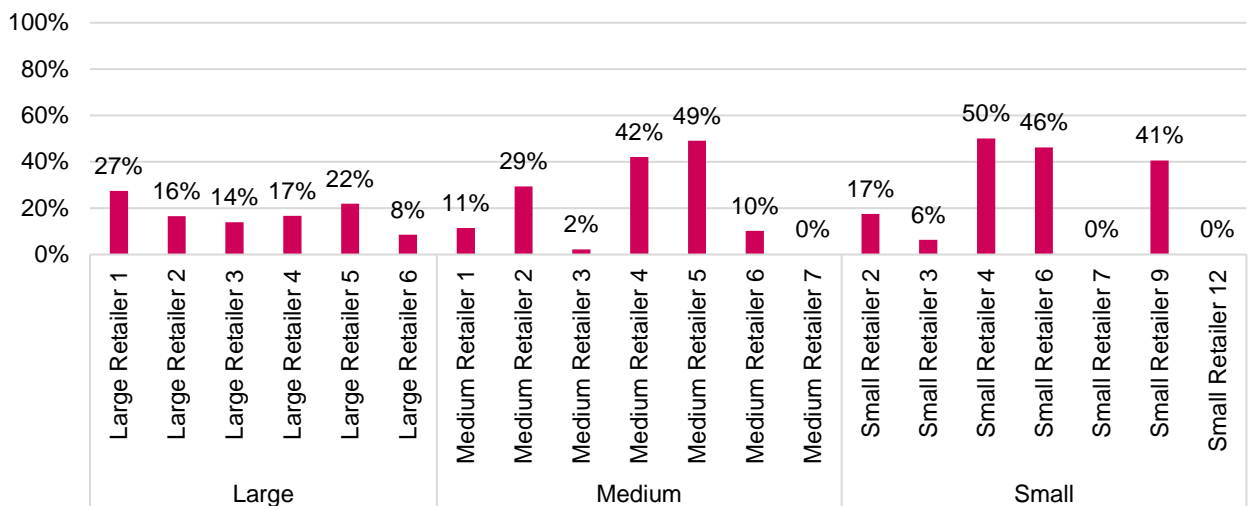
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 19 Successful exits of customers (who can pay for their ongoing energy use) receiving tailored assistance, by retailer, de-identified**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

**Figure 20 Successful exits of customers (who cannot pay for their ongoing energy use) receiving tailored assistance, by retailer, de-identified**

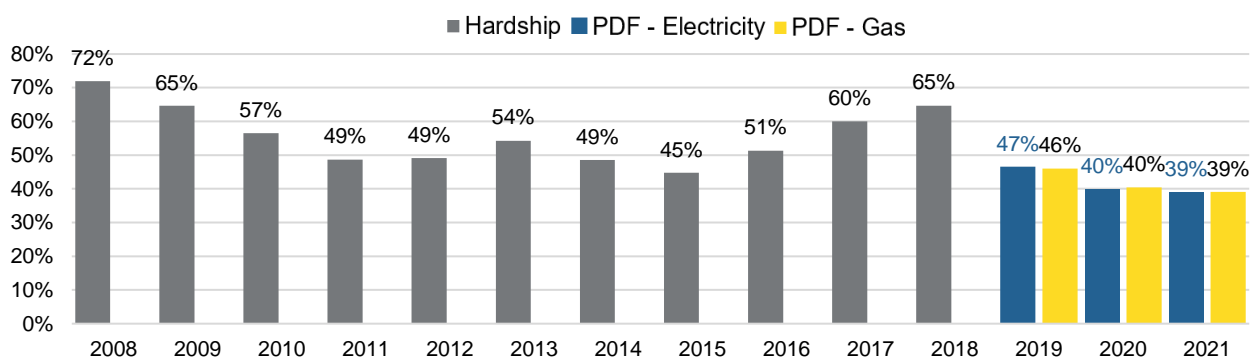


Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

It is also apparent that many customers have been assessed by retailers as having not complied with their payment arrangements. An example of this non-compliance is not paying their repayment amounts by the agreed date. By 2021, around 39 per cent of customers exited assistance having not complied with the term of their arrangements. This percentage has decreased compared to customers in hardship programs prior to the framework (Figure 21).

**Figure 21 Proportion of tailored assistance customers who have exited assistance having not complied with the terms of their payment arrangements**



However, we again observe significant variation on these outcomes between retailers, with varying rates of customer non-compliance with payment arrangements regardless of the retailer's size (Figure 22 and Figure 23). It is likely that retailers have different levels of tolerance for whether a customer has not complied with their payment arrangements. For example, some retailers have extended grace periods, or may spend time re-negotiating payment terms for a customer.

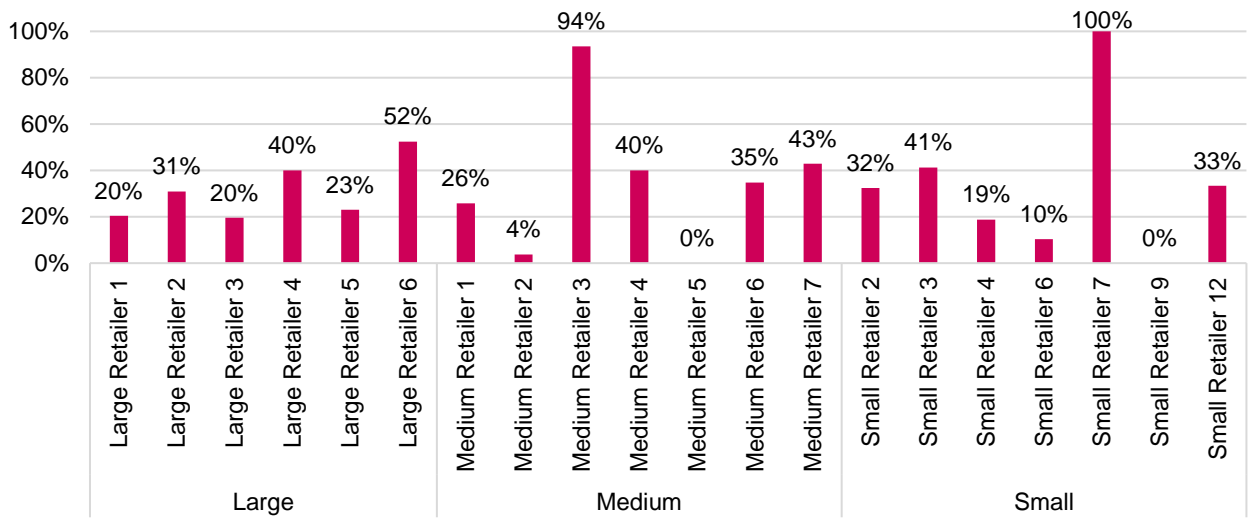
We also noted inconsistencies in retailer practices following an industry-wide pulse check in 2020. We issued a guidance note regarding retailers' obligation to contact customers who miss a payment on their payment arrangement.<sup>79</sup> We issued guidance regarding a retailer's obligation to consider a customer's circumstances regarding family violence before discontinuing tailored assistance.<sup>80</sup>

<sup>79</sup> Essential Services Commission, 'Guidance note 5 (2020): Contacting customers receiving tailored assistance to discuss revising their plan, clause 81(6)', published on 28 October 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code/guidance-note-5-2020-contacting-customers-receiving-tailored-assistance-discuss-revising-their-plan>

<sup>80</sup> Essential Services Commission, 'Guidance note 6 (2020): Considering customers' circumstances when discontinuing their tailored assistance, clauses 83(1), 89(1)(aa) and (a)', published on 28 October 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code/guidance-note-6-2020-considering-customers-circumstances-when-discontinuing-their-tailored>

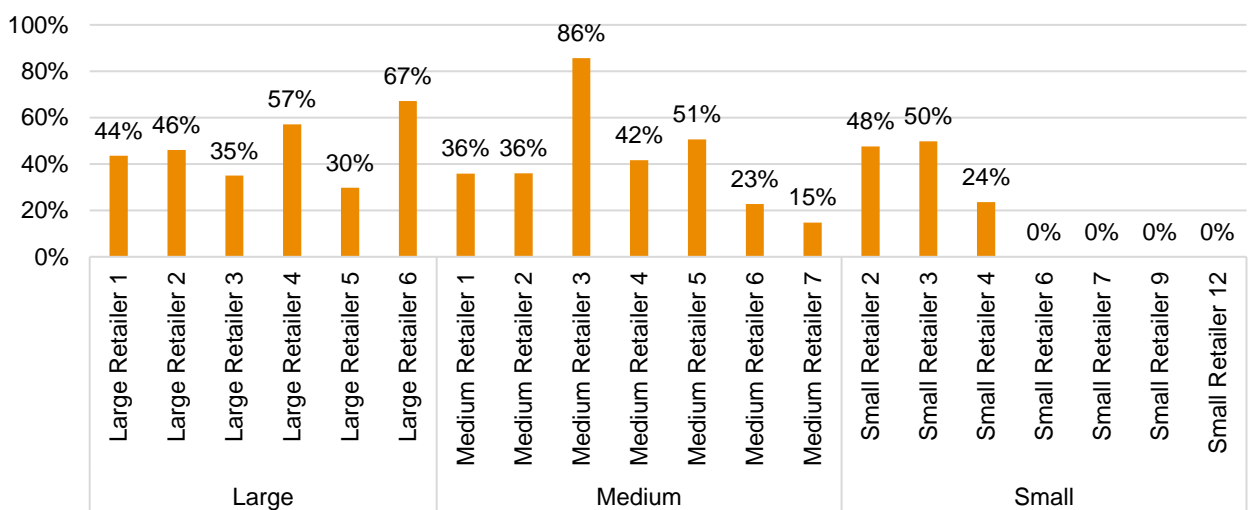
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 22 Proportion of tailored assistance customers (who cannot pay ongoing usage) who have exited tailored assistance having not complied with the terms of their payment arrangements, by retailer, de-identified**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

**Figure 23 Proportion of tailored assistance customers (who can pay ongoing usage) who have exited tailored assistance having not complied with the terms of their payment arrangements, by retailer, deidentified**



Source: Voluntary data request to retailers to inform the review. Note: Some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



These outcomes suggest possible opportunities for some retailers to better help customers reduce their arrears while receiving assistance, as well as more effective ways to discuss payment arrangements with customers. These trends further indicate how the framework better supports customers who can pay for their ongoing energy usage.

### **Improving the operation of the framework: the appropriateness of payment plans**

The framework requires retailers to offer and provide customers with payment arrangements, allowing for repayment of arrears over two years. Based on our call recordings study, payment arrangements are the most common form of assistance discussed with customers.

The minimum standards for payment arrangements have removed some of the previous barriers to customers accessing assistance. It has also resulted in more structured, affordable and appropriate payment arrangements for customers. However, payment arrangements seem to work better for customers with lower levels of arrears, who can pay for their ongoing energy use.

We also recognise that a conversation between a customer and retailer is often required to establish a payment plan. Retailers are often in a better position to lead those discussions, having more awareness and information regarding possible options. Customers may not be as informed to negotiate payment arrangement terms. This could be a barrier for customers to access assistance, and may present additional issues if they are experiencing vulnerability or other potential barriers.

The dynamic between customer and retailer highlights the importance of empathy and understanding from retailer call centre staff. Calls where retailer operators engage empathetically with customers seem to have more positive outcomes for both the customer and retailer.<sup>81</sup>

We also found variation across retailers in the proportion of customers successfully eliminating their arrears, or stopped receiving assistance for not complying with their payment arrangements. These varied outcomes could be a result of the different levels of discretion by retailers in delivering payment arrangements.

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<sup>81</sup> ORIMA Research, 'Call recordings study report', p. 29.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Improving the operation of the framework

### Customer outcomes vary significantly between and within retailers



- Improve retailers' effectiveness of establishing and reviewing payment arrangements and plans.
- Improve customer access to payment arrangements from their retailer.

Priority

## Information on future energy use and how this cost could be lowered

While we have found that retailers focus on helping customers establish and maintain payment arrangements with customers, the framework also requires retailers to provide customers with advice to lower their energy costs and usage. Specifically:

(c) specific advice about the likely cost of a *residential customer's* future energy use and how this cost may be lowered;

(d) specific advice about any government and non-government assistance (including *Utility Relief Grants* and *energy concessions*) available to help a *residential customer* meet their energy costs;<sup>82</sup>

Under the framework, this type of advice must be offered as a minimum to all customers experiencing payment difficulty, whether they can or cannot pay for their ongoing usage. This assistance was intended to provide customers with useful information they could act on to reduce their ongoing energy use, and to prevent the further build-up of energy arrears over time.

### Customers in payment difficulty are more likely to use more energy

Support for customers to reduce their energy costs remains extremely important for those who are in payment difficulty.

Based on our analysis of around 285,000 Victorian customer electricity bills, customers receiving tailored assistance consumed up to 47 per cent more electricity than those who are not. It also appears that customers receiving assistance in regional Victoria appear to use more electricity

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<sup>82</sup> Energy Retail Code of Practice, Clause 128(1)(c)-(d).

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

than in metropolitan Melbourne.<sup>83</sup> It is unclear why this may be the case; customers experiencing payment difficulties may spend more time at home during the day, have larger families, less energy efficient housing and/or appliances, or may use energy less efficiently.

There may be a continued opportunity to help customers reduce their energy use to lower future costs and the possible build-up of arrears. We recognise this is a challenging issue, and one which a range of other government and non-government programs may be better placed to assist. However, retailers can perform an important role in informing customers about these programs or provide practical assistance to help reduce energy costs. Any support that could help customers reduce their future energy usage could help them manage future bills and prevent the build-up of arrears.

### **Customers are often provided general advice to help lower their energy use and costs**

We found that retailers often provide general information to customers about ways they can reduce their energy costs through pamphlets relating to available assistance, email communications, or directing customers to information provided on their websites.

Based on a 2020 review of retailer websites, we found that most retailers had information on:

- how to access concessions
- how to locate a financial counsellor
- specific community support organisations
- the best offer message on a customer's bill
- generic energy saving and efficiency tips.

#### **Call recordings case study 4: customers receiving information and advice on how to lower energy costs**

##### **Customer journey 2: information on energy use**

This customer was experiencing payment difficulty and living in low quality housing, resulting in reduced energy efficiency and higher energy use and costs. During the first and second interactions with the retailer within the study timeframe, the customer was provided with information on their consumption levels over time. This was coupled with advice on how to

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<sup>83</sup> Refer to Appendix 2: Additional customer outcomes analysis.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

lower energy use to lower costs. All interactions included discussions of payment plans, and some included advice on government assistance.

By the end of the study, this customer had a significant decrease in arrears. It is unclear whether this is due to advice on lowering energy usage, the payment plans, government assistance, or a combination of all three. The customer also expressed a high degree of satisfaction with the support provided.

#### **Customer journey 4: advice on energy use**

This issue is evident with customer journey 4 from the call recordings study. This customer had accrued a large arrears towards the end of the study period. They were placed on a seemingly appropriate payment plan, and their improved circumstances meant they could increase their payments to cover their ongoing usage and begin to pay off arrears.

The customer was also provided with comprehensive energy-saving tips by a knowledgeable operator to assist them to lower their ongoing consumption. One of the suggestions was home insulation. However, since the customer was a renter, they expressed that this tip was not practical for them.

Both cases focus on lowering energy usage to lower energy costs. While it can be inferred that advice in this area can have positive implications for customers, there are limits to the usefulness of this option particularly for people who may be renting and may live in poorly insulated properties.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

### **Customers benefit from proactive suggestions of available grants and concessions when on a call with a retailer**

As part of tailored assistance to help customers manage their energy costs and arrears, retailers are required to provide customers with information about government grants concessions and utility relief grants if they are eligible (Figure 24). We consider it in the retailer's interest to check the concession status of customers when they first access tailored assistance. We note that there is no requirement to regularly check this going forward.

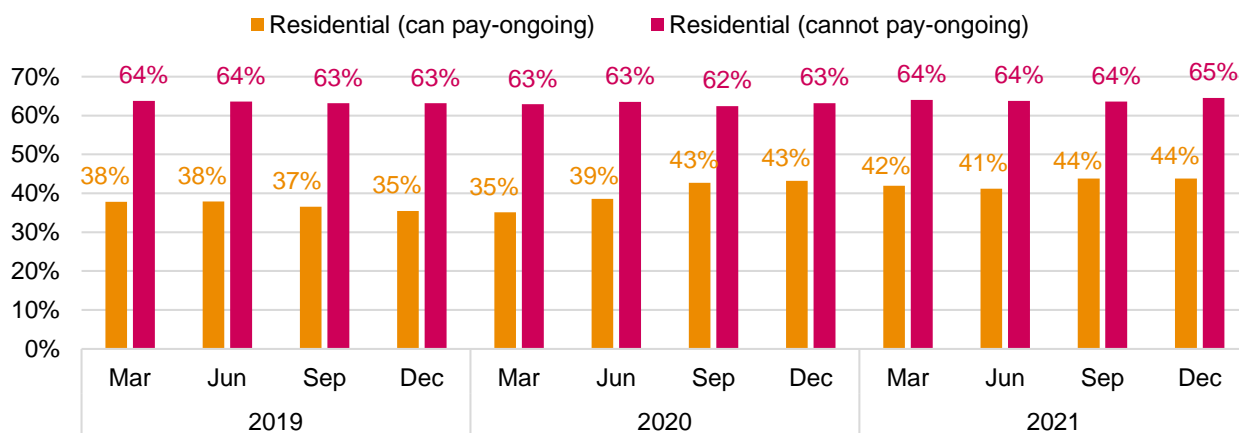
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 24 Supports available for eligible customers in Victoria**

Annual electricity concessions (applied all year)	Winter gas concession (applied between 1 May to 31 October)	Utility relief grants (for eligible households every two years)
Provides a 17.5 per cent reduction on an electricity bill.	Provides a 17.5 per cent reduction on a gas bill for the relevant period.	Provides up to \$650 for electricity and gas separately, or \$1,300 if a household has only a single source of energy.

Since the introduction of the framework, the number of customers receiving energy concessions has remained stable – almost 1 million households in 2020–21. Around 44 per cent of electricity customers receiving tailored assistance who can pay for their ongoing energy use are also receiving an energy concession. For electricity customers who cannot pay for their ongoing energy use, 65 per cent also receive energy concessions (Figure 25). This has been a consistent trend since the beginning of the framework and is similar for gas customers.

**Figure 25 Proportion of tailored assistance customers that received annual concessions for electricity, 2019 to 2021 (by quarter)**



Only 2 per cent of calls from the call recordings study had enquiries about concessions as the reason for initiating calls.<sup>84</sup> Call recordings show that 89 per cent of customers in the study were checked for concession eligibility at least once over the two-year period of calls with their retailer.

<sup>84</sup> ORIMA Research, 'Call recordings study report', p. 11.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Despite this, advice about energy concessions only occurred on 39 per cent of individual calls with customers where assistance was offered.<sup>85</sup> When concessions were discussed, this was more often prompted by the operators than the customers.<sup>86</sup>

Some retailers, such as Red Energy, have methods to automatically update concessions, which helps to actively support customers.<sup>87</sup> However, despite the framework, some community stakeholders have found that the low application of energy concessions to a customer's account was an example of poor customer outcomes.<sup>88</sup> The Consumer Policy Research Centre suggests that customers may be missing out on concessions due to low awareness that their details need to be updated regularly.<sup>89</sup> Some submissions from the community sector note that in their experience of supporting clients in seeking payment assistance, they have identified clients who have been eligible for concessions but were not being applied to their energy account.<sup>90</sup>

Submissions to our review identified challenges for some customers experiencing, or at risk of experiencing, vulnerability in contacting their retailer regarding their concessions. These challenges included literacy issues, limited knowledge of English, and difficulty reading and interpreting bills.

Some of these customers may simply not be eligible for concessions. Stakeholders also observed during the pandemic, energy customers experiencing payment difficulty for the first time. These customers may not be eligible for other forms of government assistance, such as Centrelink, concessions, or grants.

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<sup>85</sup> ORIMA Research, 'Call recordings study report', p. 19.

<sup>86</sup> ORIMA Research, 'Call recordings study report', p. 19.

<sup>87</sup> Consumer Policy Research Centre, Submission to key review questions, p. 2.

<sup>88</sup> Consumer Policy Research Centre, Submission to key review questions, p. 1; Consumer Information and Support Victoria, Submission to key review questions, p. 2.

<sup>89</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 7.

<sup>90</sup> Consumer Action Law Centre, Submission to key review questions; Consumer Policy Research Centre, Submission to key review questions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Call recordings case study 51: the importance of proactive engagement by retailers

### Customer journey 1

This customer was regularly engaging with their retailer to amend or enter payment plans due to payment difficulty resulting from the death of a loved one, illness, and ongoing financial strain caused by job loss. Twelve calls were made over two years between July 2019 and July 2021.

In the final interaction in July 2021, the retailer operator provided advice on government assistance available, including utility relief grants and concessions. The customer was ultimately offered a debt waiver, leading to a considerable decrease in the customer's arrears.

However, the customer was not proactively offered other forms of assistance beyond payment plans in the first four phone call interactions between 2019 and 2020. Although it is unclear whether the customer was eligible for government assistance at the time, a more proactive discussion of access to government grants and concessions could have assisted the customer earlier.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

### Improving the operation of the framework: reducing energy use and cost

Supporting customers with ways to reduce their energy use and cost can help them manage their ongoing energy bills, and potentially reduce the risk of unmanageable increases to their arrears over time. While retailers do provide general advice to customers to help lower their energy costs, there may be opportunities to tailor that advice when understanding a customer's circumstances.

For example, a customer renting a home is likely to have different energy efficiency options compared to a homeowner. There may also be opportunities to help link customers with existing government and non-government energy efficiency programs and schemes. Retailers could also consider more automated or proactive ways to help customers with their energy concessions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Improving the operation of the framework

### Customer outcomes vary significantly between and within retailers



- Increase retailers' understanding of customers in payment difficulty with high energy use, to help to tailor approaches to energy efficiency.
- Improve the way that retailers link customers to existing energy efficiency and usage schemes and programs.

## Help to lodge and apply for a utility relief grant

During the coronavirus pandemic in 2020, we reviewed assistance measures for customers experiencing payment difficulty. We subsequently introduced a further requirement for retailers to support customers to complete and submit utility relief grant applications.<sup>91</sup>

This assistance goes beyond the previously discussed advice that retailers would provide customers on government grants.

The utility relief grant scheme is a Victoria-specific grant scheme for eligible households that provides up to \$650 for electricity and gas separately or \$1,300 if a household has only a single source of energy.

This grant, available every two years, provides significant benefit to the customer in lowering their energy arrears or future costs, as well as to the retailer in terms of reduced risk exposure to a customers' arrears.

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<sup>91</sup> This requirement was originally set out in the Guideline: supporting utility relief grant applications and took effect from 1 October 2020. The requirement in the guideline was subsequently superseded with the inclusion of a similar obligation in the Energy Retail Code of Practice that took effect on 1 March 2022.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



Retailers are required to offer the following assistance as a minimum to all customers experiencing payment difficulty, whether they can or cannot pay for their on-going usage:

(e) practical assistance to help a *customer* that may be eligible for a *Utility Relief Grant*, including by;

- (i) *completing* the online application form over the phone and lodging the form online on behalf of the *residential customer*, unless the *residential customer* requests otherwise; or
- (ii) if the *retailer* is unable to complete and lodge a *Utility Relief Grant* application form over the phone, the retailer completing the application form to the extent *possible* and sending to the *residential customer* with instructions on how to complete the remainder of the form and lodge that form.<sup>92</sup>

To access these grants, energy customers must first request an application form from their retailer and then submit a completed form to the Department of Families, Fairness, and Housing. However, retailers can support customers by requesting a form from the department, and then assisting a customer in completing and submitting the form.

### **More customers are being supported to receive utility relief grants**

We monitored the number of forms being requested by customers (and retailers on their behalf), as well as the applications that were subsequently approved through data provided to us by the Department of Families, Fairness, and Housing. We observed a significant increase in customers accessing utility relief grants, with 69,000 residential electricity customers receiving these grants over the last two years.

Retailers are now required to, where possible, assist customers by submitting utility relief grant forms online on behalf of the customer. Before these obligations were placed on retailers, around 39 to 40 per cent of requested application forms for utility relief grants were being completed and submitted for approval. Since the introduction of the new obligation, this increased to 77 per cent in the proportion of grant application forms being submitted after being requested (between 2018-19

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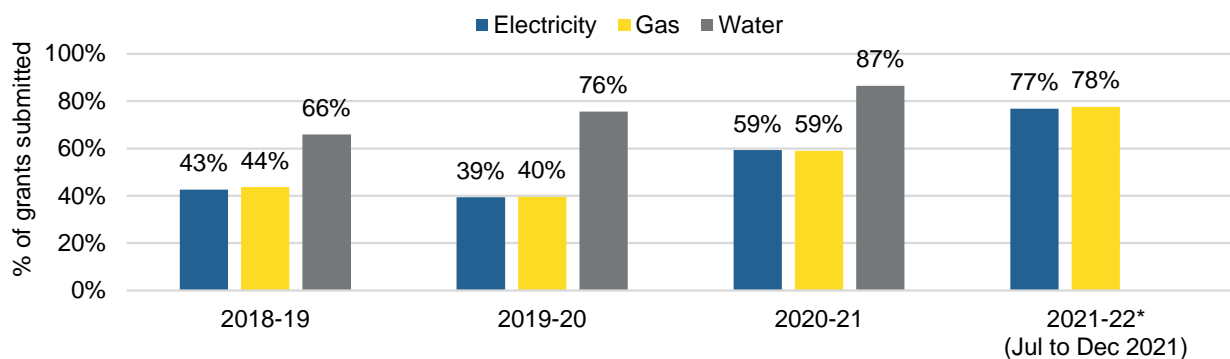
<sup>92</sup> Energy Retail Code of Practice, clause 128(1)(e).

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

and 2021-22) (Figure 26). Importantly, 96 per cent of these submitted forms have been approved in 2021-22.<sup>93</sup>

In the call recordings study, utility relief grants were the most common form of assistance offered in individual calls (40 per cent), and the second most common form of assistance offered at least once to customers across the whole study period (88 per cent).<sup>94</sup> Of the calls where customers were assisted regarding utility relief grants, just under half of the operators worked with customers on the phone to help complete the application or provided advice on how to apply.<sup>95</sup>

**Figure 26 Percentage of utility relief grant applications being submitted to the Department of Families, Fairness and Housing compared to number of forms being requested, 2018-19 to 2021-22**



Source: Data from Department of Families, Fairness and Housing Victoria

### Some retailers are more effective at supporting customers receive utility relief grants

We also have seen variation in how retailers support customers in relation to utility relief grants. For example, the proportion of forms being submitted after being requested from the Department of Families, Fairness and Housing ranged from 33 to 97 per cent between retailers (Figure 27).<sup>96</sup>

<sup>93</sup> Based on data provided by the Department of Families, Fairness and Housing Victoria.

<sup>94</sup> ORIMA Research, 'Call recordings study report', p. 4.

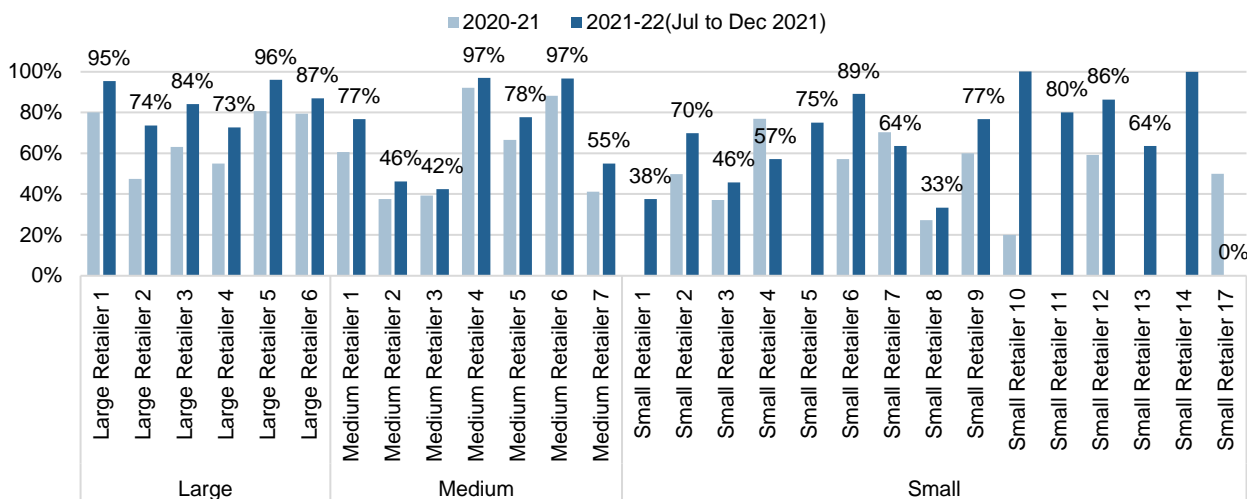
<sup>95</sup> The call recordings cover a period between 1 January 2019 and 17 December 2021. However, the requirement to support customers to apply for a utility relief grant had only commenced from 1 October 2020.

<sup>96</sup> We note that some retailers have >100 per cent figures, but this may be due to the timing of submitted forms, and low number of customers submitting applications with smaller retailers.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Although there may be differences in the customer base of retailers, there appears to be successful examples of retailers effectively supporting customers in receiving utility relief grants.

**Figure 27 Percentage of utility relief grant applications being submitted to the Department of Families, Fairness and Housing compared to number of forms being requested, by retailer, deidentified**



Source: Data from Department of Families, Fairness and Housing Victoria

Following customer feedback, some retailers such as Momentum, proactively invested in and dedicated resources to help customers complete application forms.<sup>97</sup> AGL also piloted a similar initiative in Queensland as a part of the Home Energy Emergency Scheme (HEEAS) but noted that not all customers might have detailed information available with them at the time of a call, to help fully support customers to apply for the scheme.<sup>98</sup>

We also note similar investments in the water sector. Yarra Valley Water has dedicated resources to support customers submit application forms over the phone. They consider this investment of

<sup>97</sup> Momentum, Submission to Essential Services Commission consultation paper 'Supporting energy customers through the coronavirus pandemic 2020', p. 2.

<sup>98</sup> AGL, Submission to submission to Essential Services Commission consultation paper 'Supporting energy customers through the coronavirus pandemic 2020', p. 4.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

resources as a worthwhile business decision, given it helps reduce its exposure to the build-up of customers' arrears.<sup>99</sup>

Stakeholders, however, have observed some inconsistencies between and within retailers in offering utility relief grants. The Consumer Action Law Centre found an increase in reported issues from customers, such as not being informed or assisted by retailers to apply for grants.<sup>100</sup> Financial Counselling Victoria believed that many retailers prioritise putting customers on payment plans, instead of assisting them to apply for utility relief grants.<sup>101</sup>

In reviewing call recordings from retailers, there is a significant impact in reducing arrears when retailers do provide support to complete utility relief grants. The following example highlights an opportunity for earlier intervention and practical proactive support from the retailer. It also shows that direct support from a retailer can significantly reduce a customer's arrears. Ultimately, this impact benefits both retailers and customers.

#### **Call recordings case study 6: the impact of helping customers with utility relief grants**

In customer journey 2, the customer interacted with the retailer three times during 2019, receiving information about assistance to reduce energy costs, particularly through lowering energy usage. The customer was not, however, directly supported to complete a grant application until interactions two years later in 2021. The customer was then directly assisted to apply for a grant. By the end of the call recordings study period, the customer's arrears had been almost halved.

This example shows the potential benefit of checking a customer's eligibility for a utility relief grant. It also highlights how customers can be unaware of these grants, unless when advised by their retailer.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

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<sup>99</sup> Noted in video on supporting residential energy customers through the pandemic, <https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/supporting-energy-customers-through-coronavirus-pandemic-2020#tabs-container2>.

<sup>100</sup> Consumer Action Law Centre, Submission to key review questions.

<sup>101</sup> Financial Counselling Victoria, Submission to key review questions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Improving the operation of the framework: support for other government supports

Greater retailer assistance to customers who are eligible for direct Victorian government support such as utility relief grants, concessions and the Power Saver Bonus can prove highly beneficial. Customers experiencing vulnerability may struggle to navigate some of the processes to access these supports. However, if they are assisted, grants and concessions can help both those customers in arrears who are able to pay for ongoing usage, and those who cannot.

We found that while information may be provided to customers about concessions, only some retailers provide information unique to that customer. For example, some retailers proactively check whether a customer's concession details are up to date, or if they are eligible for concessions. If retailers proactively provide concession checks for customers, this can contribute to a more effective relationship with the customer in establishing payment plans.

Our review found that the new obligation on retailers to support customers' applications for utility relief grants has led to improvements in customers submitting applications and receiving these grants. Directly supporting customers to apply for grants are mutually beneficial for the customer and retailer, as it helps prevent the further build-up of arrears. We note that this type of assistance does rely on customers maintaining contact with their retailer, particularly by phone.

### Improving the operation of the framework

#### Customer outcomes vary significantly between and within retailers



- Improve retailer processes to ensure eligible customers are receiving concessions and utility relief grants.

Priority

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## **Practical assistance to help customers reduce their energy costs, such as checking current energy offers and providing advice on the best energy offer available**

Another way to help customers reduce their energy cost is by offering energy rates that best suit a customer's energy use. Retailers are required to specifically help customers who cannot pay for their ongoing usage, specifically:<sup>102</sup>

(f) practical assistance to help a *residential customer* lower their *energy costs* including, but not limited to:

(i) the tariff that is most likely to minimise the *residential customer's energy costs*, based on the *retailer's knowledge of the residential customer's pattern of energy use and payment history*;

Since the framework began, the commission also introduced a requirement for retailers to determine and notify customers of a 'best offer' – a message on a customer's energy bill detailing whether they are on the best energy plan, or how much the customer could save by switching.<sup>103</sup> These reforms were consulted on after the development of the framework and took effect from 1 July 2019.

Over the past two years, we gathered information on electricity customer bills from retailers, including information on customers' offers, electricity rates and consumption.<sup>104</sup> We analysed nearly two million bills relating to approximately 285,000 accounts across nine large and medium retailers in Victoria – around 10 per cent of Victorian electricity customers. Of these bills, around three per cent were categorised as 'hardship customers', noting that around 2.2 per cent of Victorian customers were receiving tailored assistance on 31 December 2021.<sup>105</sup>

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<sup>102</sup> Energy Retail Code of Practice, Clause 128(1)(f)(i).

<sup>103</sup> Retailers are required to show the best offer message to customers at least quarterly for electricity bills, and at least every four months for gas bills.

<sup>104</sup> Data obtained by the commission from retailers using information gathering powers under the *Essential Services Commission Act 2001*. The data is the same data provided to the Australian Competition and Consumer Commission's project on electricity marketing monitoring between 2018 and 2025.

<sup>105</sup> It should be noted that the Australian Competition and Consumer Commission collected data from retailers applicable to states other than Victoria, where the payment difficulty framework does not apply. For Victorian data, 'hardship customers' have been considered as customers receiving tailored assistance under the payment difficulty framework.

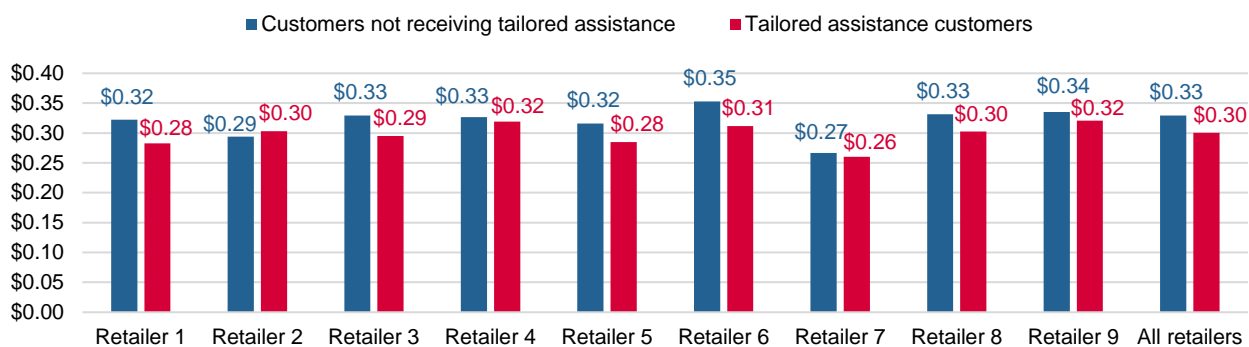
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Customers receiving assistance pay slightly lower electricity rates compared to average, but some customers are paying much higher rates

Our analysis of customer bills indicates that across Victoria on average, customers receiving assistance are being charged around the same or slightly less than other customers. This was consistent across all almost all the retailers we analysed (Figure 28). This suggests that on average, retailers have placed customers in payment difficulty on more appropriate energy tariffs.<sup>106</sup> The Consumer Policy Research Centre, in particular, noted that retailers have been more proactive in checking if a better tariff is available for customers since the introduction of the framework.<sup>107</sup> The Energy and Water Ombudsman notes that they have seen an increase in the number of tariff checks conducted by retailers in customers' cases prior to the customer contacting them.<sup>108</sup>

However, the amount specific customers are being billed (as a monetary charge for every unit of electricity) can range widely. Figure 29 shows the distribution of electricity rates paid by customers receiving assistance, with the 10<sup>th</sup> percentile paying 0.23c per kWh and the 90<sup>th</sup> percentile paying 0.41c per kWh.

**Figure 28** Effective cost per kWh by retailer, between 1 Jan 2019 and 30 Dec 2020, by retailer, deidentified



<sup>106</sup> Data obtained by the commission from nine retailers using s36 and s37 powers under the *Essential Services Commission Act 2001*. The data is the same data provided to the ACCC's project on electricity marketing monitoring between 2018 and 2025.

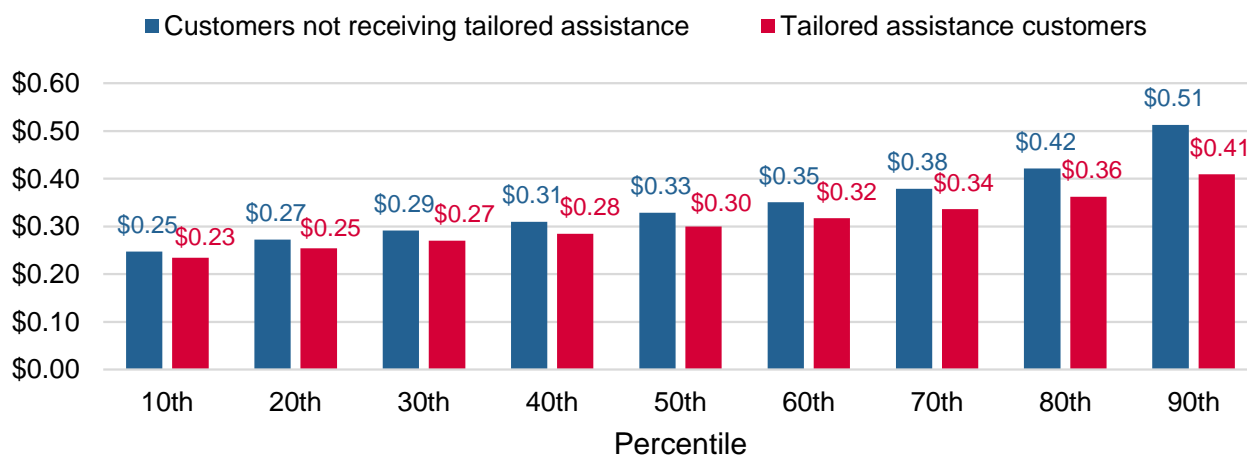
<sup>107</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 5.

<sup>108</sup> Energy and Water Ombudsman, 'Missing the Mark', pp. 16-18.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per the Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

**Figure 29 Effective electricity cost per kWh, by percentile**



Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per the Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

This indicates that while customers receiving assistance receive information on lower energy offers, including pointing to the best offer messages on bills, customers might not be acting on that information for various reasons. For example, the Consumer Action Law Centre noted that customers seeking assistance, even with community support organisations, might have reduced capacity to act having been already overwhelmed by financial strain.<sup>109</sup>

Community Information and Support Victoria and Council on the Ageing Victoria noted that some customers may not be as aware of information on better offers, as many vulnerable customers may not have reliable internet or email access, are not technology-literate, have low-literacy, or do not use English as their primary language.<sup>110</sup>

<sup>109</sup> Consumer Action Law Centre, ‘Bills here bill there’, December 2020, p. 20

<sup>110</sup> Community Information and Support Victoria, Submission to key review questions; Council on the Ageing Victoria, Submission to the Essential Services Commission key review questions, November 2021.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



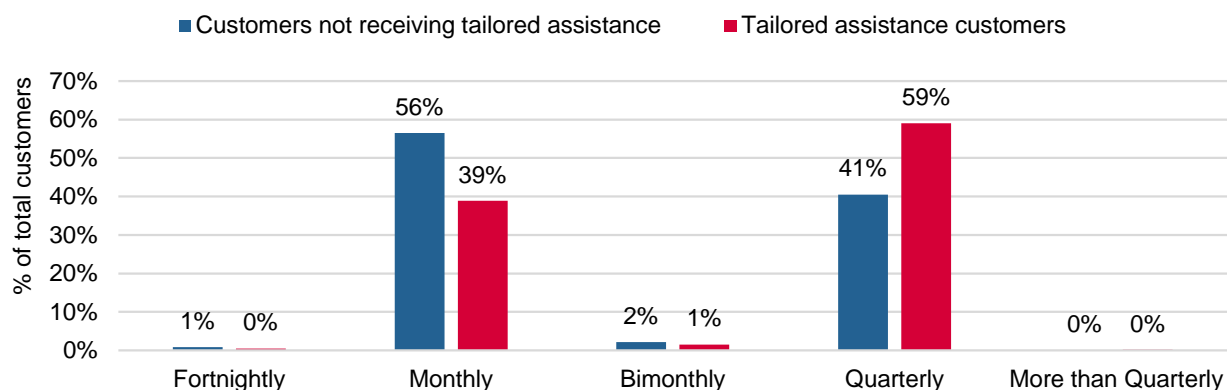
Based on the call recordings we collected, 39 per cent of customers were offered assistance over the phone at least once, to change their energy plan in order to minimise their costs.<sup>111</sup> However, Energy and Water Ombudsman of Victoria noted that it regularly saw customers with large arrears on high tariff energy plans who had not been offered utility relief grants or tariff reviews.<sup>112</sup>

With the best offer message available on customers' bills, there may be an opportunity for retailers to more actively assist customers who have been notified of a better energy plan that could suit their needs.

### Customers receiving assistance are more likely to receive quarterly bills

Our analysis of electricity bills shows that customers receiving assistance appear more likely to be billed quarterly (90 days or more) compared to being billed fortnightly, monthly, or bimonthly. Around 60 per cent of customers receiving assistance are being billed for electricity on a quarterly basis (Figure 30). However, it appears that billing frequency varies by retailer, with four retailers having most of their customers billed monthly (Figure 31). We note that this analysis is limited to electricity, where almost all Victoria customers have smart meters, making frequent billing periods more straightforward compared to gas.

**Figure 30** Customers' bill frequency, by customers receiving and not receiving tailored assistance



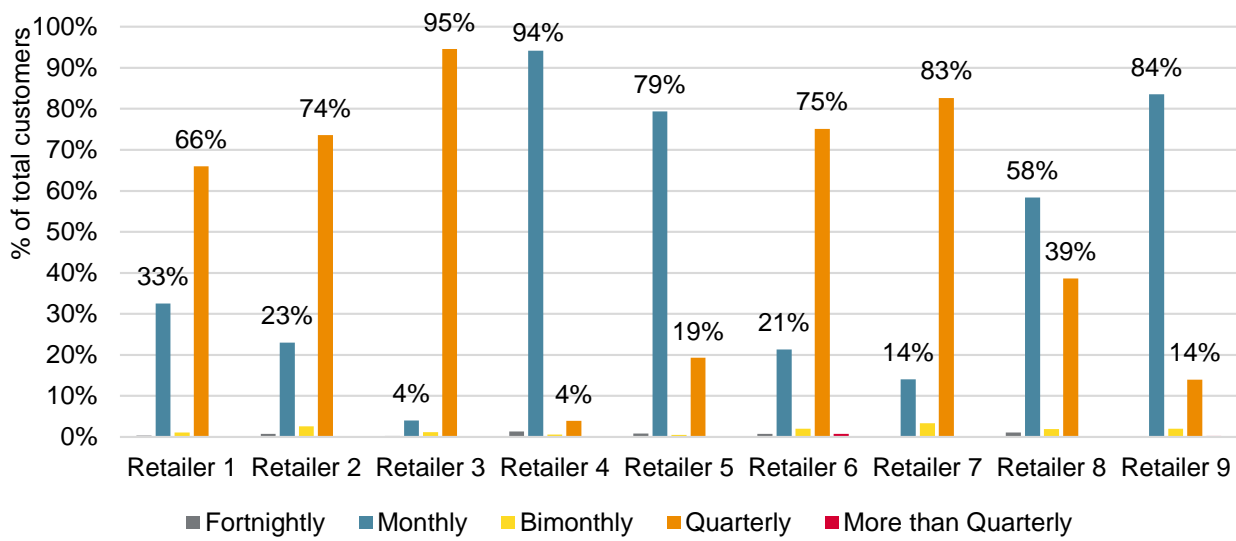
Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission's project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

<sup>111</sup> ORIMA Research, 'Call recordings study report', p. 19.

<sup>112</sup> Energy and Water Ombudsman, 'Missing the Mark', p. 4.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 31 Billing cycle of all tailored assistance customers\* by retailer**



Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

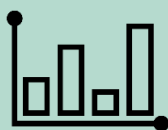
## Improving the operation of the framework: helping customers lower their energy costs

It is important to assist customers experiencing payment difficulty to lower their energy cost, especially given the increases in average arrears for customers receiving assistance who cannot pay for their ongoing usage. There are potential opportunities to support customers in lowering their energy usage to reduce cost and manage the build-up of arrears. It also appears that some customers receiving assistance remain on higher rates, despite this form of practical assistance being available to help customers find the tariff that is most likely to minimise their energy costs.

If many customers receiving payment assistance are billed on a quarterly basis, the starting level of arrears may be quite high once a bill payment is missed. There could be an opportunity to reduce this risk if retailers and customers are open to monthly billing arrangements. Community sector stakeholders further suggested measures to lower consumption or overall bills, such as more proactive checking of appropriate tariffs for customers. It was also suggested that these actions be prioritised for customers as a form of early intervention.

### Improving the operation of the framework

#### Customer outcomes vary significantly between and within retailers



- Improve appropriateness and timing of assistance provided by retailers to customers about lowering energy usage and costs.

Priority

## Practical assistance to help customers reduce their energy use, such as energy audits or energy efficiency products

For customers who cannot pay for their on-going usage, retailers are required to go beyond providing advice to customers on how to lower their energy use, and offer practical help to customers:<sup>113</sup>

(f) practical assistance to help a *residential customer* lower their *energy* costs including, but not limited to: ...

<sup>113</sup> Energy Retail Code of Practice, clause 128(1)(f)(ii)-(iii).

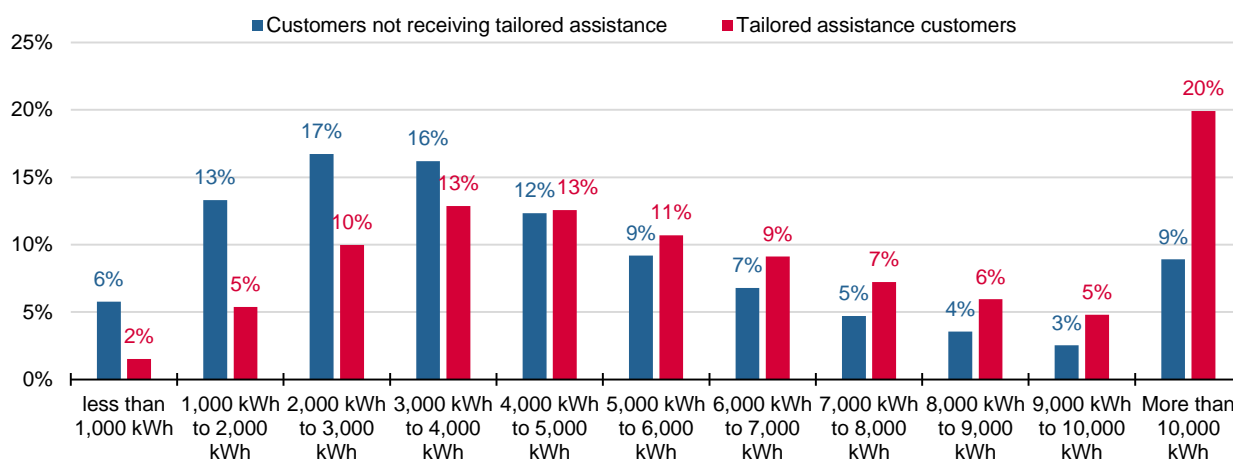
Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

- (ii) practical assistance to help the *residential customer* reduce their use of *energy*, based on the *residential customer's* pattern of *energy* use and on the circumstances of where the *residential customer* lives, provided there is scope for action to be taken for that purpose; and
- (iii) information about how the *residential customer* is progressing towards lowering their *energy* costs given at sufficient intervals for the *residential customer* to be able to adequately assess that progress.

### Customers receiving payment assistance use more energy

Our analysis shows that the median customers receiving assistance are consuming around 47 per cent more electricity compared to customers not receiving assistance. Figure 32 also indicates that a fifth of customers receiving assistance are using more than 10,000 kWh of electricity per year – around double the typical annual usage for a three to four-person household. One retailer, AGL, has been able to show they also observe this trend. They have indicated that customers in need of payment assistance, consume approximately 40 per cent more energy every year than other customers – a figure generally unchanged since 2017.<sup>114</sup>

**Figure 32** Proportion of total bills, distributed by electricity usage amounts

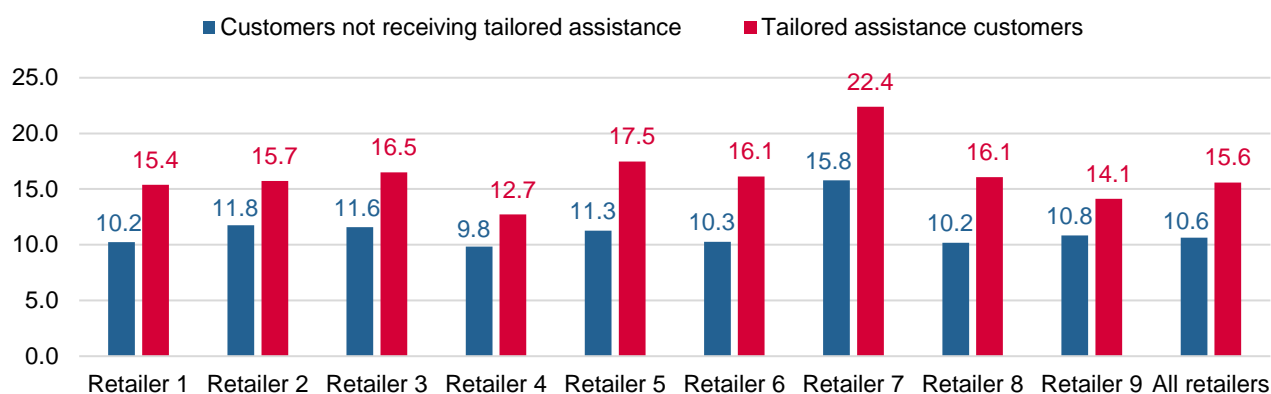


Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

<sup>114</sup> AGL, Submission to the Essential Services Commission approach, September 2021, p. 2.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

**Figure 33 Median electricity usage per day (kWh), by retailer, deidentified**



Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

We also note that retailers reported offering practical assistance to around 46,700 Victorian electricity customers every month on average during 2021.<sup>115</sup> Any additional supports to help lower energy use, such as energy efficiency assistance, will benefit both customer and retailer from preventing or reducing the build-up of arrears. Based on the call recordings reviewed, 33 per cent of customers were offered assistance at least once over the phone, to help reduce energy use (such as through energy audits or appliance replacement programs).<sup>116</sup>

We recognise there may be limits to energy efficiency or energy reduction actions some customers are able to take. Stakeholders noted that some actions were impractical or out of reach for those who are least able to afford to pay for their energy use.<sup>117</sup> For example, AGL and Origin Energy noted that renters have limited ability to make to make energy efficiency improvements to their homes, and that some customers have no option but to use inefficient heating, cooling and hot water appliances, which lead to higher energy bills.<sup>118</sup>

<sup>115</sup> Based on retailer data submitted as per the Compliance and Performance Reporting Guideline.

<sup>116</sup> ORIMA Research, ‘Call recordings study report’, p. 19.

<sup>117</sup> Origin Energy, Submission to key review questions, pp. 5-6; Dr Larissa Nicholls and Dr Kari Dahlgren, ‘Consumer experiences following energy market reforms in Victoria’, p. 36.

<sup>118</sup> Origin Energy, Submission to key review questions, p. 6; AGL, Submission to key review questions, p. 10.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

Our internal data and customer insights show a mixed outcome in the capacity of hardship customers to reduce consumption, as part of the practical assistance measures offered by AGL. AGL has observed that customers who did manage to reduce consumption by participating in initiatives including home energy audits, energy literacy programs and appliance replacement schemes were offset by an equal percentage of customers who did not reduce their consumption during their tailored assistance period.<sup>119</sup>

We have seen some positive examples of retailers providing effective practical assistance to help customers lower energy cost and usage, such as home energy audits, energy literacy programs and appliance replacement schemes, but it is unclear how effective these measures have been.

Customers who actively participated in AGL's home energy efficiency audits, appliance replacement and other energy efficiency programs and pilots were more likely to reduce their consumption compared to other TA2 customers. However, generally this indicates that customers who cannot pay for ongoing usage have limited capacity to reduce their energy consumption, so any reduction is proportionately low compared to overall usage.<sup>120</sup>

### **Improving the operation of the framework: helping customers lower their energy use**

It remains important to assist customers experiencing payment difficulty to lower their energy cost, particularly those who cannot pay for their on-going usage. These customers have been shown to be the highest users of energy, which has a significant impact on how much they are paying for their energy.

Helping customers lower their energy use through energy efficiency measures may help reduce or stabilise the build-up of arrears over time. Based on analysis, customers in payment difficulty are more likely to have higher energy use, and so this increases the potential benefit of practical options to reduce energy use.

We recognise that many energy efficiency or reduction options for these customers may be limited, but there is potential to improve how this type of assistance is offered. These may include better referral pathways for customers to existing government and non-government energy efficiency programs.

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<sup>119</sup> AGL, Submission to approach, p. 2.

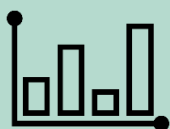
<sup>120</sup> AGL, Submission to key review questions, p. 9.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Improving the operation of the framework

### Areas for improvement

#### Customer outcomes vary significantly between and within retailers



- Improve appropriateness and timing of assistance provided by retailers to customers about lowering energy usage and costs.
- Increase retailers' understanding of customers in payment difficulty with high energy use, to help to tailor approaches to energy efficiency.
- Improve the way that retailers link customers to existing energy efficiency and usage schemes and programs.

Priority

#### The level and quality of retailer-customer engagement affects customer outcomes



- Improve retailer links with trusted third parties who support their clients or customers.

## Pause on arrears payments for up to six months and part-payments of future bills

Customers who cannot pay for their on-going usage are entitled to:<sup>121</sup>

- (g) an initial period of at least six months during which:
  - (i) repayment of the residential customer's arrears is put on hold;
  - (ii) the residential customer pays less than the full cost of their on-going energy use while working to lower that cost.

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<sup>121</sup> Energy Retail Code of Practice, Clause 128(1)(f)(i).

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

This form of assistance may not be widely accessed by customers. Our call recordings study noted that it was offered in only 2.3 per cent of the call recordings assessed.<sup>122</sup>

Origin Energy noted that customers receiving this type of assistance are ‘likely to be experiencing more severe payment difficulty’ and would be supported by a specialist team.<sup>123</sup> The Energy and Water Ombudsman of Victoria also reported that out of a sample of 90 cases it reviewed, only four cases involved a customers’ arrears being put on hold.<sup>124</sup>

### **Pausing arrears payments can provide temporary relief to some customers, or could contributing to some customers’ increased arrears**

Stakeholders expressed different views regarding the appropriateness of allowing customers to pause their repayment of arrears.

Alinta Energy noted the benefits of this assistance for providing relief for customers facing short-term financial difficulty, but ‘doesn’t provide the customer tools to help manage arrears whilst supporting ongoing consumption longer term’.<sup>125</sup>

In the case of customers who cannot pay for their ongoing energy use, retailers considered that pausing arrears payments could increase a customer’s arrears and may further compound customers’ financial positions. This would be a particular issue for those already in high arrears.<sup>126</sup> Energy Australia found this assistance “more suitable for lower debt” and that it would otherwise “increase the likelihood of arrears becoming unmanageable”.<sup>127</sup>

EnergyAustralia and Origin Energy suggested that this form of assistance may be more effective when offered in conjunction with other external assistance, such as a financial counsellor supporting a customer’s general ability to manage their finances:

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<sup>122</sup> Origin Energy, Submission to key review questions, p. 18.

<sup>123</sup> Origin Energy, Submission to key review questions.

<sup>124</sup> Energy and Water Ombudsman Victoria, ‘Missing the Mark’, p. 22.

<sup>125</sup> Alinta, Submission to key review questions, p. 3.

<sup>126</sup> Origin, Submission to key review questions; Alinta, Submission to key review questions; EnergyAustralia, submission to Essential Services Commission key review questions, November 2021, p. 6.

<sup>127</sup> EnergyAustralia, Submission to key review questions, p. 6.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?



While we are supportive of providing this payment assistance where it is suitable, we believe access to this form of payment plan should require more formal consideration of a customer's affordability and following assistance from an accredited financial counsellor.<sup>128</sup>

This increased debt is then more difficult to manage when the customer reaches the end of their repayment plan because their debt has increased over the hold period. We think this is particularly problematic because there is no need for the customer to be engaging with external assistance or support during the hold period. We know that early engagement with support results in better outcomes. Customers would be better served by seeking the assistance of (for example) a financial counsellor at the beginning of any debt hold period than at the end of one.<sup>129</sup>

Some stakeholders suggested that retailers voluntarily consider other options, such as debt waivers or payment matching, depending on a customer's circumstances. We note that some retailers do offer this type of assistance, but these are beyond the requirements of the framework.

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<sup>128</sup> EnergyAustralia, Submission to key review questions, p. 6.

<sup>129</sup> Origin Energy, Submission to key review questions.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

### **Call recordings case study 7: repayment of the residential customer's arrears put on hold**

Customer journey 3 provides an example of a customer receiving a deferment of payments. The customer, who lived in low-quality housing, had high levels of arrears. They also experienced ongoing financial strain due to employment insecurity, making their payment plan increasingly unaffordable.

The customer's payments were deferred on two separate occasions: once towards the end of 2019 for more than four months and again in the beginning of 2021 for four weeks.

The gap between the deferrals indicates that it was useful the first time, as there is no indication the customer required further deferment of the payment in 2019. The second time, the payment deferral was followed by the retailer retrospectively matching payments for the previous seven payments made and applying a debt waiver to eliminate the remaining arrears. There is evidence that the customer maintained their payments and at one time the account was in credit. This example indicates that the deferral of payments can be a useful tool to assist some customers at certain times.

Source: ORIMA Research, 'Call recordings study: case studies of customer journeys', May 2022.

Community sector stakeholders suggested other measures to lower consumption or overall bills, such as conducting more proactive checking of appropriate tariffs for customers, or ensuring all eligible customers receive help to access concessions or utility relief grants. It was also suggested that these actions be prioritised for customers as a form of early intervention.

### **Improving the operation of the framework: appropriateness of pausing arrears payments**

Some customers are entitled under the framework to put a hold on the repayment of their arrears for six months. This may provide helpful short-term relief for some customers. However, a hold on arrears could also worsen the financial position of some customers who have already accrued large levels of arrears.

In response, some retailers have voluntarily provided customers with assistance beyond the framework, such as payment matching or debt waivers. This is done at a retailer's discretion, often for customers considered to be most in need for further support and is not offered by all Victorian retailers.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

## Improving the operation of the framework

### Customer outcomes vary significantly between and within retailers



- Improve retailers' effectiveness of establishing and reviewing payment arrangements and plans.

Priority

### Customers who can pay for their ongoing energy use benefit most



- Consider alternative approaches to support customers prior to disconnection, particularly for those who cannot pay for on-going use.

Are residential energy customers supported to pay their ongoing energy use, repay their arrears and lower their energy costs?

# Are residential energy customers only disconnected for non-payment as a last resort?

The framework includes several obligations for retailers to ensure disconnecting a customer for non-payment of an energy bill is only ever a measure of last resort.

## Our key findings: disconnection as a last resort

### Key finding: Implementation of the framework is broadly meeting its objectives



There have been fewer disconnections since the commencement of the framework compared to the peak seen in 2013-14. This reduction was observed even prior to the pandemic. No disconnections occurred during stay-at-home restrictions in Victorian.

However, more than half of customers disconnected for non-payment had not received assistance beforehand. This is despite customers receiving information about ways to prevent disconnection and about available assistance (in the form of a disconnection warning notice required by the rules).

### Key finding: The level and quality of retailer-customer engagement affects customer outcomes



Timely and appropriate communication from retailers prior to disconnection remains important. While many disconnection warning notices are sent by retailers, we recognise that different retailers utilise various methods to more effectively reach out and support customers to receive assistance prior to disconnection.

The framework was designed so that the disconnection of a customer for non-payment (not paying their bills on time) is only ever a last resort by retailers.

Areas for improvement and further work

Disconnection for non-payment was intended to only be a last resort measure after appropriate steps have been taken by the retailer. This includes communicating to customers the assistance they are entitled to and assisting customers who requests it.

The provision of information and support to customers of standard and tailored assistance was discussed in the previous chapters. This chapter focuses on how customers are disconnected for non-payment under the framework.

## **Disconnection for non-payment under the framework**

The framework introduced specific safeguards for customers prior to being disconnected for non-payment. These safeguards were included as various retailer obligations.

### **Disconnection safeguards**

In Victoria, retailers must follow obligations prior to disconnecting a residential customer for non-payment. These obligations are that the retailer must:<sup>130</sup>

- have provided clear and unambiguous information about the customer's entitlements to assistance
- have exercised its best endeavours to provide assistance to the customer
- have treated the customer fairly and reasonably
- have taken the customer's circumstances into account when making assistance available, and before deciding to proceed to disconnection
- have cooperated with the Energy and Water Ombudsman (Victoria) in resolving any relevant dispute the customer raised with the Ombudsman
- have issued a reminder notice to the customer
- have provided the customer with a disconnection warning notice
- have taken all reasonable steps to provide a customer with clear and unambiguous information about the available assistance after issuing a disconnection warning notice
- be able to demonstrate that the customer has not taken reasonable action towards paying for their energy and repaying their arrears

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<sup>130</sup> Essential Services Commission, 'Payment difficulty framework: Final decision', October 2017, p xii-xiii.

- have records evidencing compliance with all these requirements.

In addition, a retailer cannot disconnect a customer who has arrears less than \$300, including GST. It should be also noted that in August 2021, as part of the Victorian government's legislative amendments under the *Energy Legislation Amendment (Energy Fairness) Act 2021*, many of these disconnections safeguards have been incorporated into the Electricity Industry Act 2000 and Gas Industry Act 2001.

These safeguards are to ensure that a customer experiencing payment difficulty has reasonable opportunities to engage with a retailer and receive assistance, so that disconnection for non-payment is only a last resort measure.

### **Increased consequences for wrongfully and recklessly disconnecting customers**

The Victorian parliament recently signalled the importance of complying with the law in relation to disconnections. Legislation has been passed that has changed the nature of wrongful disconnections to become characterised as potentially criminal conduct, and increased the seriousness of its consequences.

As a consequence of legislation that came into effect on 1 December 2021 and further legislation that took effect on 1 March 2022, energy retailers who:

- Disconnect, other than in accordance with the law, may be subject to a broader range of enforcement action that could include:
  - penalty notices of more than \$36,000 per contravention or the commencement of civil proceedings with the potential for civil penalty orders of up to \$200,000 per contravention, and
  - criminal prosecution with potential maximum penalties of up to \$1 million.
- Knowingly or recklessly disconnect a customer other than in accordance with the law may be found to have committed a criminal offence, with potential penalties of up to approximately \$1 million per contravention.

Officers involved in contraventions may also be subject to enforcement action by the commission in certain circumstances and consequences could include a potential maximum jail term of up to 10 years.

These potential consequences highlight the importance of retailers only disconnecting customers as a measure of last resort and in accordance with the laws. We prefer that Victorian retailers are proactive in ensuring compliance. We also expect the new enforcement framework and serious consequences of non-compliance will incentivise retailers to invest in

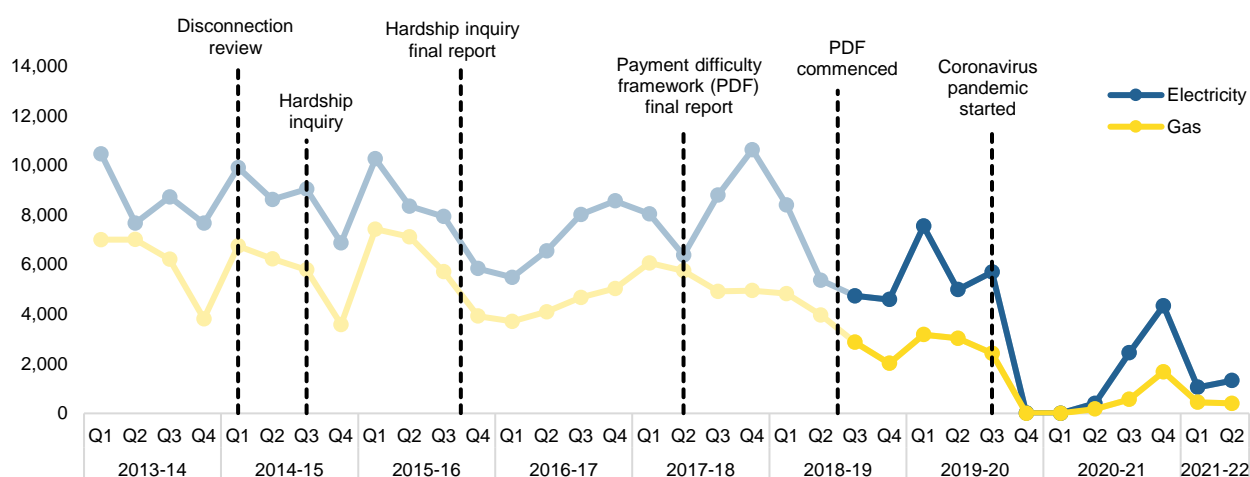
enhancing compliance systems, processes and cultures. Investment in these areas will particularly support customers accessing and receiving assistance under the payment difficulty framework.

## Levels of disconnection of residential energy customers

Since the commencement of the framework, the number of customers being disconnected for non-payment has substantively decreased, compared to the peak in 2013-14.

This is particularly clear when looking at disconnection levels throughout the full year of 2019 and the first months of 2020, where the reduction in disconnections occurred before the onset of the coronavirus pandemic (Figure 34). However, we recognise that during most of 2020 and 2021, retailers halted any disconnections in line with our expectations during stay-at-home restrictions, resulting in lower annual disconnection levels than in the past.

**Figure 34** Levels of disconnections of residential energy customers from 2013 to 2021



The Energy and Water Ombudsman also reported a significant reduction in disconnection-related complaints it had received since the framework was introduced, with this reduction occurring even before the pandemic.<sup>131</sup> Community support workers have also reported seeing a reduction in customers presenting to them for disconnection-related reasons.<sup>132</sup>

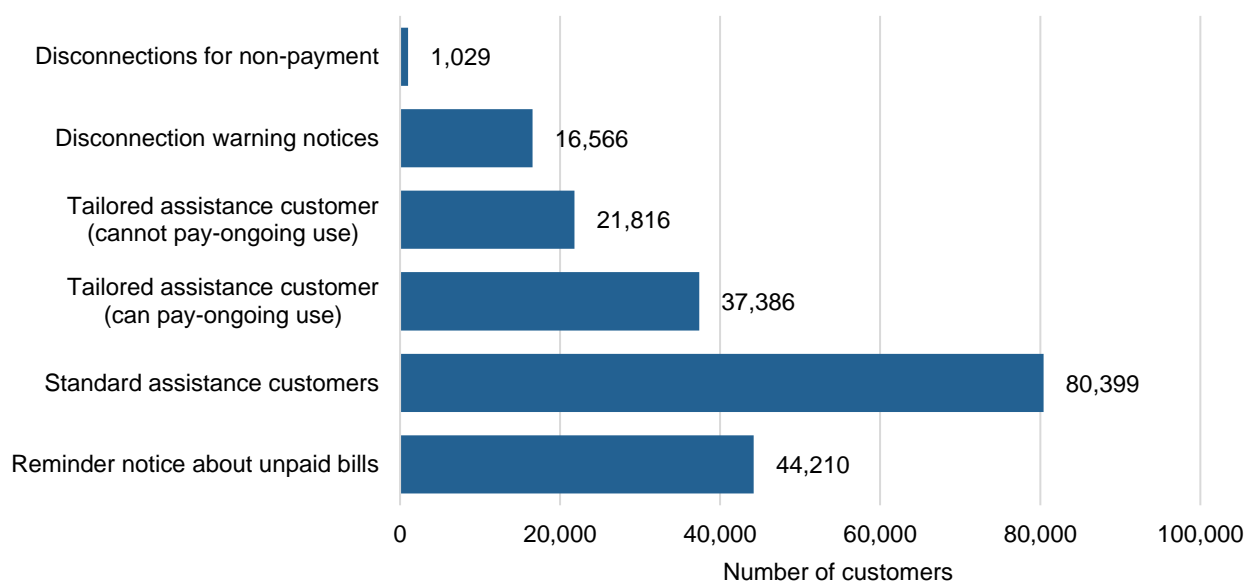
<sup>131</sup> Energy and Water Ombudsman, 'Missing the Mark', p. 7

<sup>132</sup> Community Information and Support Victoria, Submission key review questions; Consumer Action Law Centre, Submission to key review questions.

We also note that customers who are disconnected for non-payment represent a small proportion of all Victorian electricity customers. Approximately 0.70 per cent of all Victorian electricity customers were disconnected for non-payment in 2019-20.<sup>133</sup>

Retailers can only disconnect customers after complying with all of their obligations under the code, including providing the required notices and information about available assistance. If a customer does not respond they may be disconnected as a last resort for non-payment. As shown in Figure 35, only a small proportion of customers who receive reminder notices or disconnection warning notices are subsequently disconnected.

**Figure 35 Total number of Victorian electricity customers compared to customers participating in the framework (average per month, 2019 to 2021)**



We have also seen a general reduction in wrongful disconnection payments made by retailers. In 2020-21, retailers reported that 430 customers were paid a total of \$487,403 in compensation, the lowest number of customers affected, and compensation payments made in five years. Despite this observed reduction, over 400 customers were still affected by being wrongfully disconnected in 2020-21, despite the specific rules we designed to ensure that disconnections are only a last resort.

<sup>133</sup> This does not account for some customers that may have been disconnected multiple times over this period.



The commission will continue to act on non-compliance in wrongful disconnection, and we note the Victorian government's introduction of higher penalties for reckless disconnection of customers. In February 2022, Sumo paid \$500,000 in penalty notices we issued, for allegedly wrongfully disconnecting 142 customers.

We will continue to resolve wrongful disconnections referred to the commission where an outcome cannot be reached between the retailer, customer and the Energy and Water Ombudsman of Victoria. In 2020-21, we resolved nine cases relating to potential wrongful disconnection, resulting in \$21,525 in compensation being paid to four customers.

Our key findings show that many customers do receive assistance to manage their arrears and are subsequently protected from disconnection. However, the framework and retailers' support measures have limits to their effectiveness for customers who are unable to engage or cannot pay for their ongoing energy use.

The following sections consider the framework's implementation in terms of communication to a customer immediately prior to disconnection, and the degree to which customers are supported with assistance before disconnection.

### **Attempts to engage with customers prior to disconnection**

Under the code, retailers must send disconnection warning notices to customers for non-payment of a bill no less than six days before the date of disconnection.<sup>134</sup> Disconnection warning notices must include:<sup>135</sup>

- the date of issue
- the matter giving rise to the potential disconnection of the relevant customer's premises
- an explanation in plain language as to why it is being issued
- clear and unambiguous advice about what a customer needs to do to avoid being disconnected from their energy supply, including their entitlement to further assistance
- clear information on how to access assistance provided by government or community service providers if they are eligible.

Based on call recordings analysed, customers were 68 per cent more likely to mention payment difficulty to their retailer if they were prompted to engage the retailer via disconnection warning notices.<sup>136</sup>

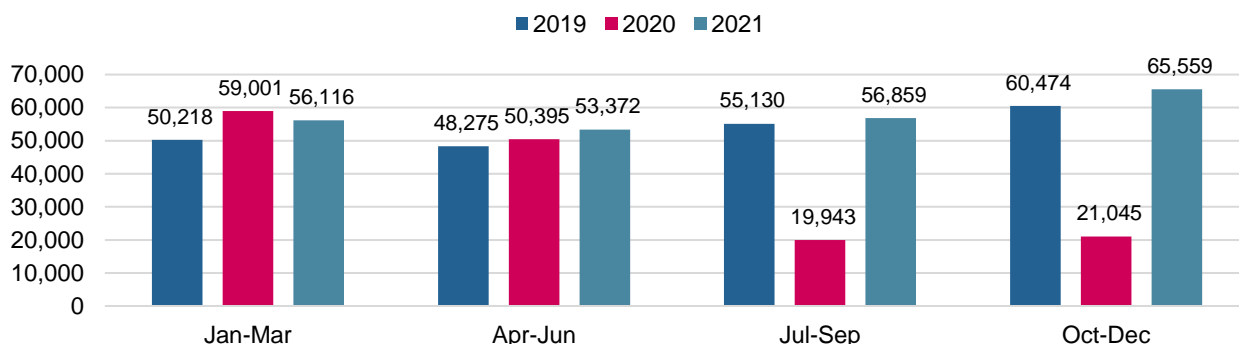
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<sup>134</sup> Energy Retail Code of Practice, clause 185(1)(d); also see definition of "disconnection warning period" in the Energy Retail Code of Practice clause 181.

<sup>135</sup> Energy Retail Code of Practice, clause 185(1)(c).

However, we have seen a general increase in disconnection warning notices since 2019, as shown in Figure 36. We also note a reduction in disconnection warning notices in 2020, which coincided with a pause of disconnections during stay-at home restrictions in Victoria.

**Figure 36 Total disconnection warning notices issued since 2019, per quarter**



Stakeholders recognise that the consequence of late intervention or engagement from customers is more likely to lead to an accumulation of arrears, which could increase the stress experienced by customers and ultimately result in disconnection. For example, when disconnection warning notices ceased during movement restrictions in Victoria during 2020 and 2021, retailers noted that an unintended outcome was an increase in arrears and a decrease in engagement for many customers.<sup>137</sup>

However, not all customers respond to disconnection warning notices to receive assistance, which can result in some customers being disconnected without having received assistance beforehand. In 2020, we also clarified that retailers must check whether a customer is receiving any form of assistance under the framework, before arranging for a disconnection.<sup>138</sup>

Since the implementation of the framework, more than half of the customers disconnected had not received assistance in the six months prior (Figure 37). This proportion increased between 2020

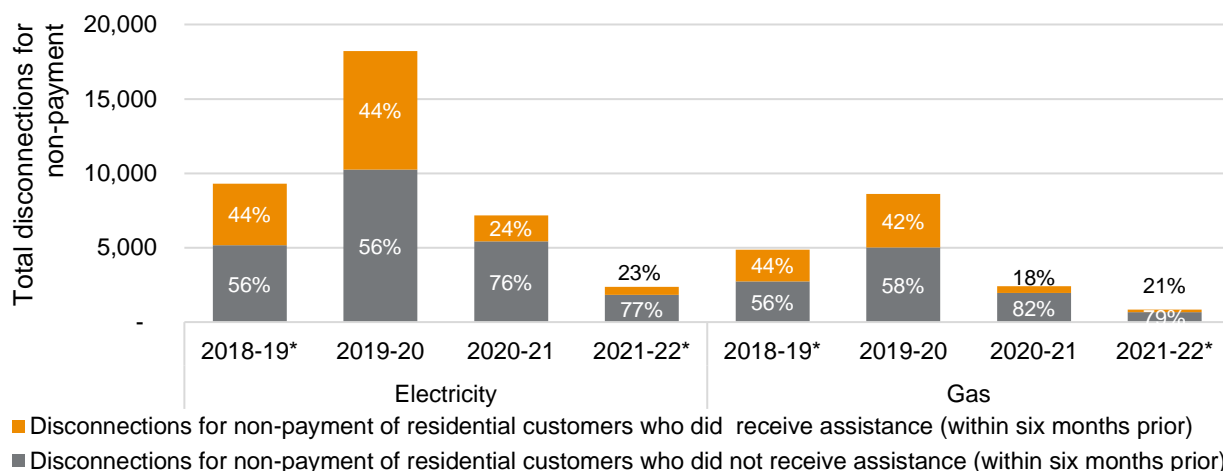
<sup>136</sup> ORIMA Research, 'Essential Services Commission Payment Difficulty Framework: Call recordings study', May 2022, p. 16.

<sup>137</sup> Origin Energy, Submission to key review questions, p. 6; AGL, Submission to key review questions, p. 12. AGL particularly noted a 40 per cent reduction in customers contacting them to make a payment on their bill.

<sup>138</sup> Guidance note 7 (2020): Preventing disconnections of customers receiving assistance under Part 3: clause 116(1)(d), published on 28 October 2020, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code/guidance-note-7-2020-preventing-disconnections-customers-receiving-assistance-under-part-3-clause>

and 2021, as retailers focused on disconnecting customers who had not engaged with that retailer for an extended period.<sup>139</sup>

**Figure 37 Proportion of disconnected customers who did not receive assistance six months prior to disconnection**



Note: \* covers the period of January to June for 2018-19 and July to December for 2021-22.

While disconnection warning notices can act as a prompt for customers to engage with their retailers, these notices tend to occur late in the customer journey. We heard that many customers see disconnection warning notices as threatening, which does not build trust between customers and retailers, and could work against any future engagement with a current or even future retailer.<sup>140</sup> When we made our final decision on the framework, disconnection warning notices were not intended as the primary mode of engagement with customers, but as a final step to give customers clear advice of what a customer can do to avoid being disconnected.<sup>141</sup>

Feedback to our review also suggested the tone of these notices should make the retailer seem approachable. The provision of complex and difficult to understand information, which is a particular issue for customers with low English literacy levels, was also raised by stakeholders.<sup>142</sup>

<sup>139</sup> This result was particularly apparent during 2019 prior to the pandemic. After the lifting of movement restrictions in Victoria, retailers resumed disconnections, retailers noted an initial focus on customers who had not engaged for some time. This proportion rose to 76 per cent of customers from 2020-21 and 2021-22.

<sup>140</sup> Appendix 3: Early observations workshop report.

<sup>141</sup> Essential Services Commission, 'Payment difficulty framework: Final decision', October 2017, p. 80.

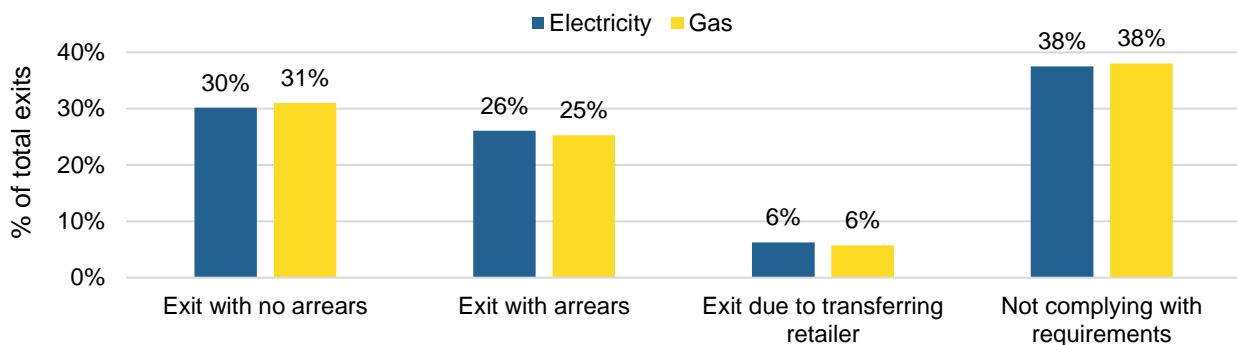
<sup>142</sup> Dr Larissa Nicholls and Dr Kari Dahlgren, 'Consumer experiences following energy market reforms in Victoria', p. 43.

## Extent of customers at greater risk of disconnection for non-payment

Under the framework, customers who are unable to comply with their payment arrangements are considered as no longer receiving tailored assistance. These customers are then in arrears with their retailer, and therefore at greater risk of disconnection.

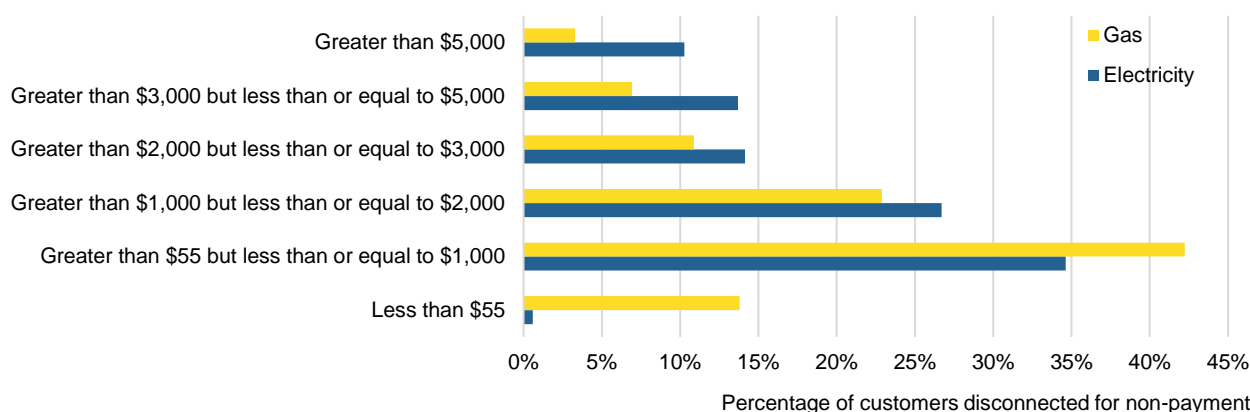
Throughout 2020-21, more than 172,000 electricity customers exited tailored assistance with their retailer. Around 30 per cent of these customers successfully paid off their arrears and no longer required assistance. However, more than third of customers exiting tailored assistance were considered by retailers as having not complied with the terms of their payment arrangement (Figure 38).

**Figure 38** Proportion of electricity customers exiting assistance in 2020–21, by reason for exit



Many of the customers being disconnected for non-payment also appear to have also accrued high amounts of arrears. Around 65 per cent had arrears greater than \$1,000 in 2021 (Figure 39). The proportion of electricity customers with more than \$5,000 in arrears also increased to 16 per cent in 2021-22.

**Figure 39 Total arrears of customers disconnected for non-payment in 2020–21**



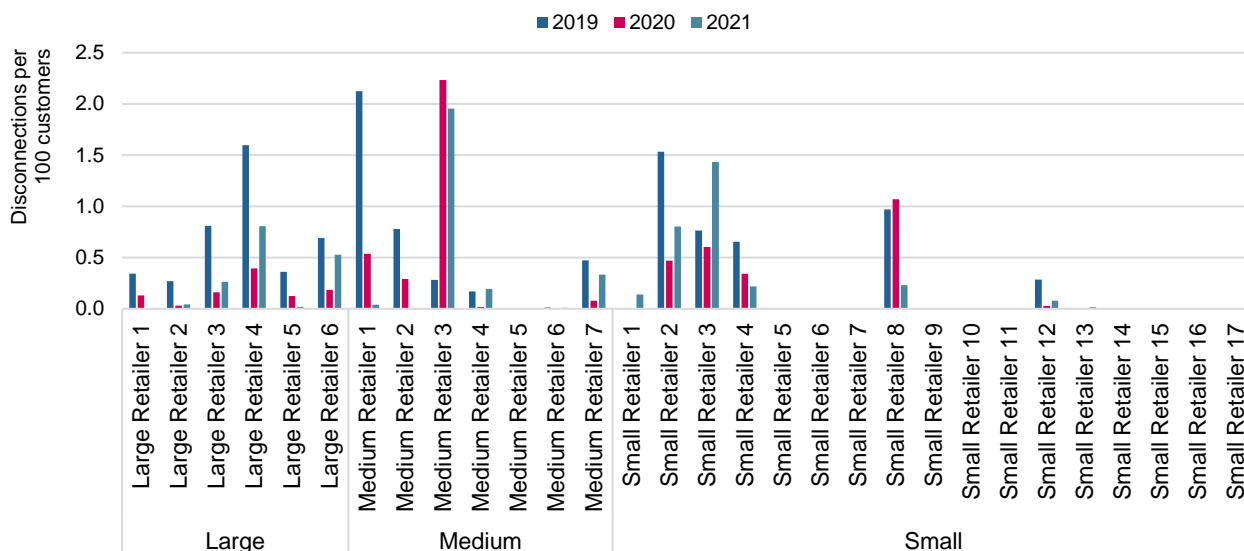
These observations suggest that retailers are disconnecting customers after attempts to engage with the customer. Most disconnections appear to only occur after the accrual of large amounts of arrears, or due to customers having attempted to manage their arrears through tailored assistance, but ultimately being unsuccessful in repaying the full amount of their arrears.

However, we have observed significant variation between retailers for the reasons why customers exit from tailored assistance. For customers who can pay their ongoing usage, it is notable that for two large retailers and two medium retailers, more than 50 per cent of customers have exited tailored assistance due to non-compliance with their payment arrangements (as previously discussed and referred to in Figure 22 on p. 71).

### Disconnection levels vary widely across retailers

However, there is notable differences in retailers’ approaches to disconnecting customers, as shown in Figure 40. This suggests that some retailers may have found ways to implement the framework in a way that leads to fewer disconnections or have different levels of discretion when considering and carrying out the disconnection of a customer.

**Figure 40 Residential electricity disconnections for non-payment (per 100 customers) from 2019 to 2021, by retailer, deidentified**

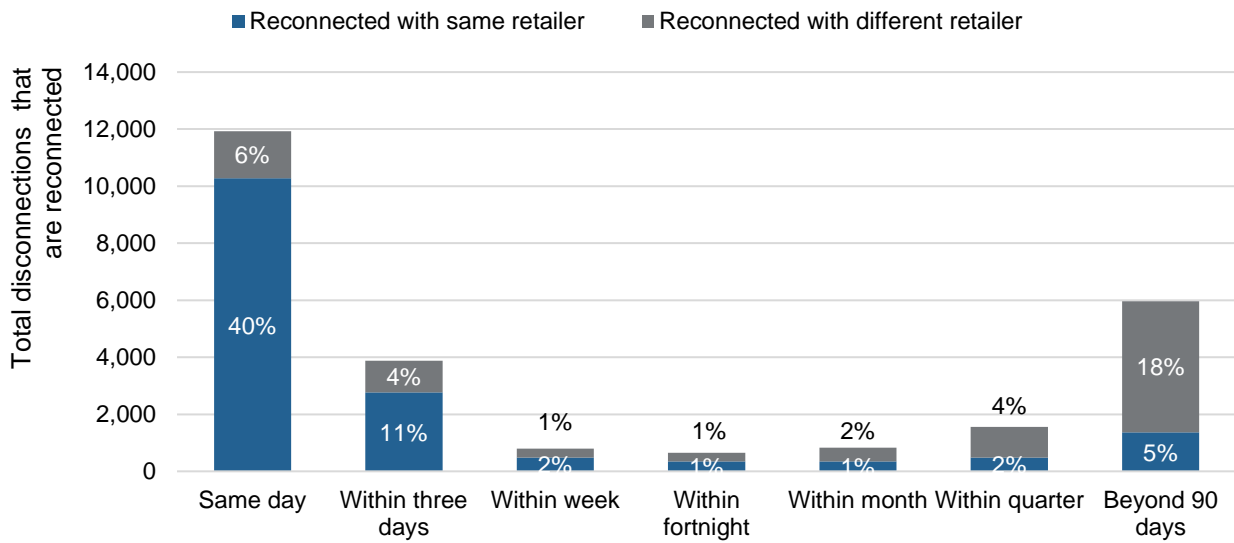


### After disconnection

If a customer is disconnected for non-payment and subsequently engages or enters into a payment arrangement with their retailer, the retailer can raise a service order of the customer’s energy supply to be reconnected by their distributor.

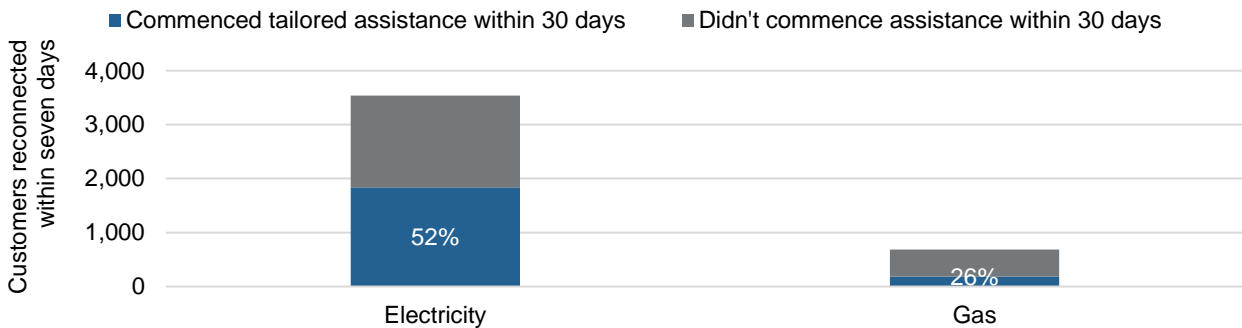
Since 2019-20, 65 per cent of customers disconnected for non-payment are reconnected within seven days of disconnection, and this has been relatively the same compared to before the framework (Figure 41). Most customers, 63 per cent, are reconnected with the same retailer they were disconnected by. We also found that 76 per cent of electricity customers who were reconnected also commenced tailored assistance within a month of being reconnected (Figure 42).

**Figure 41** Proportion of disconnected electricity customers reconnected within certain time periods, June 2019 to June 2021



Source: Voluntary data request to distributors to inform the review.

**Figure 42** Proportion of disconnected customers who were reconnected within seven days and commenced tailored assistance within 30 days of being reconnected, in 2020-21



Source: Voluntary data request to distributors to inform the review.

## Improving the operation of the framework: disconnections

Disconnections have decreased since the commencement of the framework – an outcome evident prior to the coronavirus pandemic. It also appears that most customers are being disconnected for either being unable to engage with their retailer beforehand to receive assistance or having been unsuccessful in repaying their arrears through tailored assistance.

Our study of call recordings also highlights the importance of maintaining customer and retailer engagement to help support customers pay for their energy and to prevent disconnection. Furthermore, earlier intervention and engagement between customers and retailers better assists customers, and generally leads to improved outcomes for both parties.

We have observed significant variation between individual retailers on the extent that customers are disconnected for non-payment, which indicates that some retailers may be more effective in supporting customers before considering disconnection.

We will also continue to monitor and act on non-compliance for wrongful disconnection, particularly given the increased penalties associated with reckless disconnection.

### Improving the operation of the framework

#### The level and quality of retailer-customer engagement affects customer outcomes



- Improve retailer interactions with customers, focusing on communication that recognises a customer's circumstances, including the barriers they may be facing. **Priority**

#### Customers who can pay for their ongoing energy use benefit most



- Consider alternative approaches to support customers prior to disconnection, particularly for those who cannot pay for ongoing use.



# Improving the operation of the framework

Our key findings show priority areas where implementation of the framework could be improved for the mutual benefit of both customers and retailers. Ongoing monitoring of the framework is also important to enable us to assess the framework's implementation, and to respond to issues in an agile and ongoing way.

## **Identifying areas to improve the framework's implementation**

Our review identified several areas to improve the implementation of the framework, as described in the previous chapters. We specifically identified areas for improvement that align with our key findings; to find ways to improve the poorer customer outcomes experienced with some retailers, to enhance the effectiveness of engagement between retailers and customers, and to consider alternative approaches to better support customers who cannot pay for on-going use.

These customer outcomes can be improved by helping the industry adopt better practice approaches – that is, trialling and implementing new practices and approaches that are found to be more effective. Better practice approaches will require the collective efforts of the commission, energy retailers, community support workers and groups, and relevant government departments.

At this stage, we do not consider that reform of the framework or the Energy Retail Code of Practice is required to improve outcomes.

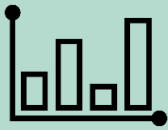
There is also a need to prioritise areas to help focus our collective efforts and resources. We have identified four areas for improvement as priorities. We determined these priorities by considering what is likely to most benefit customers and our degree of influence in these areas, such as whether improvements could be made within the scope of the payment difficulty framework. Stakeholders' views have also contributed to the development of our priority areas, including the views expressed at our stakeholder webinar in April 2022.<sup>143</sup>

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<sup>143</sup> Essential Services Commission, [Preliminary findings webinar slides and poll results](#), 7 April 2022.

## Improving the operation of the framework

### Customer outcomes vary significantly between and within retailers



- Improve retailers' effectiveness of establishing and reviewing payment arrangements and plans.
- Improve customer access to payment arrangements from their retailer.
- Improve retailer processes to ensure eligible customers are receiving concessions and utility relief grants.
- Improve appropriateness and timing of assistance provided by retailers to customers about lowering energy usage and costs.
- Increase retailers' understanding of customers in payment difficulty with high energy use, to help to tailor approaches to energy efficiency.
- Improve the way that retailers link customers to existing energy efficiency and usage schemes and programs.

Priority

Priority

Priority

### The level and quality of retailer-customer engagement affects customer outcomes



- Improve retailer interactions with customers, focusing on communication that recognises a customer's circumstances, including the barriers they may be facing.
- Further support customers' entitlement to assistance during retailer communication.
- Promote earlier customer engagement by retailers.
- Improve retailer links with trusted third parties who support their clients or customers.

Priority

### Customers who can pay for their ongoing energy use benefit most



- Consider alternative approaches to support customers prior to disconnection, particularly for those who cannot pay for on-going use.

Throughout the review, stakeholders also suggested several actions or examples to be considered, to help improve the effectiveness of implementing various parts of the framework.

In the next phase of the review, we will collaborate with our stakeholders from the energy industry and community sector, to co-develop approaches or specific actions that address the priority areas for improvement we identified. We will use these specific examples of actions as a starting point for discussion and invite stakeholders to work with us in testing and exploring these ideas.

Table 3 sets out all the identified areas for improving the operation improvement, priority areas, and specific examples of relevant actions.

**Table 3** Areas for improving the operation of the framework as related to our key findings, with examples of relevant actions

Related key finding <sup>144</sup>	Areas for improving implementation	Priority areas	Examples of relevant actions <sup>145</sup>
Key finding 2: Customer outcomes vary significantly between and within retailers	Improve retailers' effectiveness of establishing and reviewing payment arrangements and plans.	<b>Priority</b>	<ul style="list-style-type: none"> <li>Provide guidance around retailers' application of discretion (particularly regarding the perception of a two-year limit).</li> <li>Regular auditing payment plans and processes.</li> <li>Trial proactive payment plan reviews at regular intervals with customers.</li> </ul>
	Improve customer access to payment arrangements and plans.		<ul style="list-style-type: none"> <li>Trial the efficacy of direct debit or other flexible forms of payments in helping to manage arrears</li> <li>Trial easy access to bills, usage history, and payment options via mobile applications or online portals.</li> <li>Trial new self-service functions to ensure that customers have the agency to explore options.</li> </ul>
	Improve retailer processes to ensure eligible customers are receiving concessions and utility relief grants.	<b>Priority</b>	<ul style="list-style-type: none"> <li>Trial proactive measures to help customers get access to energy concessions.</li> <li>Trial automated processes for notifying customers of expired concessions.</li> <li>Trial processes that allow customers to update their concessions online.</li> <li>Increase the proactive checking for potential</li> </ul>

<sup>144</sup> With regards to key finding 1, we consider that the identified areas for improvement would help the implementation of the framework in further meeting its objectives.

<sup>145</sup> The examples provided include those advocated by stakeholders through our engagement on this review. We do not necessarily advocate the use of the examples given but seek to use these as a starting point for discussion in our engagement with stakeholders in the next phase of the review.

Related key finding <sup>144</sup>	Areas for improving implementation	Priority areas	Examples of relevant actions <sup>145</sup>
	<p>Improve appropriateness and timing of assistance provided by retailers to customers about lowering energy usage and costs.</p> <p>Increase retailers' understanding of customers in payment difficulty with high energy use, to help to tailor approaches to energy efficiency.</p> <p>Improve the way that retailers link customers to existing energy efficiency and usage schemes and programs.</p>	<p><b>Priority</b></p>	<p>eligibility for concessions or utility relief grants upon an enquiry from a customer (or at regular intervals with customers).</p> <ul style="list-style-type: none"> <li>• Share better practice of retailers with high submission and successful application rates for utility relief grants.</li> <li>• Trial targeted or more regular prompts or messages to customers about lowering energy use and increasing energy efficiency either at specific intervals, or when high usage is identified.</li> <li>• Proactive provision of energy efficiency advice to customers if they hit trigger points of high energy use.</li> <li>• Pilot new approaches to energy efficiency audits and high bill checklists provided or available to customers.</li> <li>• Trial various energy reduction measures, such as appliance upgrades, and share learnings.</li> <li>• Research into understanding the experiences of customers facing payment difficulty, to help tailor energy efficiency measures.</li> <li>• Explore possible links with the Victorian Energy Upgrades scheme or other schemes and programs to support customers experiencing payment difficulty with energy efficiency options.</li> </ul>
<p>Key finding 3: The level and quality of retailer-customer engagement affects customer outcomes</p>	<p>Improve retailer interactions with customers, focusing on communication that recognises a customer's circumstances, including the barriers they may be facing.</p>	<p><b>Priority</b></p>	<ul style="list-style-type: none"> <li>• Regular training for retailer staff about the importance of empathy in interactions with customers.</li> <li>• Targeted approaches for customers experiencing particular types of barriers.</li> <li>• Ensuring communication materials are accessible particularly for culturally and linguistically diverse customers, customers with low literacy and customers with disability.</li> <li>• Using interpreters for calls with culturally and linguistically diverse customers.</li> <li>• Support relationships between retailers and financial counsellors or community support workers, given their work in supporting customers experiencing vulnerability.</li> </ul>

Areas for improvement and further work

Related key finding <sup>144</sup>	Areas for improving implementation	Priority areas	Examples of relevant actions <sup>145</sup>
	Further support customers' entitlement to assistance during retailer communications.		<ul style="list-style-type: none"> <li>• Research and trials on effective communication methods from retailers to specific cohorts of customers about access to assistance.</li> <li>• Simplify language when communicating customer entitlements or assistance available under the framework.</li> <li>• Trial different communication channels between retailers and customers such as SMS, postcards, field visits.</li> <li>• Conduct behavioural research to review the timing and language of communication to customers, and trial new approaches.</li> </ul>
	Promote earlier customer engagement by retailers.		<ul style="list-style-type: none"> <li>• Using analytics to identify customers who may be anticipating payment difficulty to trigger early engagement.</li> </ul>
	Improve retailer links with trusted third parties who support their clients or customers.		<ul style="list-style-type: none"> <li>• Identify appropriate ways and processes for retailers to help connect customers with financial counsellors or other community support workers.</li> <li>• Support collaborative relationships between retailers and financial counsellors or other community support workers, particularly as these workers are likely to be supporting customers who cannot pay for ongoing use.</li> </ul>
Key finding 4: Customers who can pay for their ongoing energy use benefit most	Consider alternative approaches to support customers prior to disconnection, particularly for those who cannot pay for on-going use.		<ul style="list-style-type: none"> <li>• Trial and share lessons from voluntary support measures including debt waivers, payment matching, or introducing debt ceilings.</li> <li>• Trial field visits by retailers to customers to hand deliver information about upcoming disconnections.</li> </ul>

## Continued monitoring of the framework's implementation

As we complete our findings into the review, we will continue to monitor the implementation of the framework and the resulting outcomes for Victorian customers.

Retailers are currently required to report to the commission as per the Compliance and Performance Reporting Guideline. The guideline sets out performance measures relating to the framework and sets out obligations that retailers must report to the commission where it has identified a potential breach of the rules. We also regularly report on the performance of retailers and our enforcement actions through our Victorian energy market reports and updates.

However, our findings report has relied on data and information beyond what we formally require retailers to report to us. This includes direct stakeholder feedback and examples, an additional range of data sources, and call recordings. This type of information has been vital in helping to

Areas for improvement and further work

inform our review, and we see the value of continuing to collect this type of information to support our role in monitoring customer outcomes and retailer behaviour.

More specifically, the commission will consider the following additional sources of information to improve our on-going monitoring of the framework's implementation:

- **Additional performance measures for retailers to report on.** This might include the metrics as part of the voluntary requests we made to retailers that helped to inform this findings report. If we consider a particular on-going need for this information, we will formally consult with stakeholders on revising our Compliance and Performance Reporting Guideline.

We also note that we intend to continue collecting other sources of data, such as information on concessions and utility relief grants from the Department of Families, Fairness and Housing.

- **Regular collection of call recordings from retailers.** The call recordings study undertook for our review provided valuable insights about the general customer outcomes and the overall effectiveness of the framework's implementation. However, call recordings can also be used to help identify potential non-compliance. We would consider undertaking similar processes to collect and review call recordings for individual retailers, as part of our regular monitoring for compliance against the framework.

We also remain committed to ensuring we hear the voice of the consumer in our regulatory work – listening to customer call recordings is one way to receive insights directly from the customer.

We also value direct feedback from all stakeholders to help improve implementation of the framework on an on-going basis. This also includes providing us with any information on incidents that indicate possible non-compliance with the framework.

## Next steps

We aim to explore the areas for improvement we have identified as priorities in further consultation with our stakeholders.

### **Second phase of the implementation review (June to August 2022)**

Between June and August 2022, we will work with our stakeholders to develop actions that we, and the sector, can take to improve the implementation of the framework. This might include developing practical actions that can be implemented by retailers and facilitating discussions about better practices or approaches for retailers to use when supporting customers. We will also seek to find further opportunities to champion the consumer voice when implementing specific actions.

The findings from our review, and the areas for improvement we have identified, will inform our on-going work to regulate the implementation of the framework. We remain committed to using our compliance and enforcement powers to protect consumers – especially those experiencing vulnerability – and to enhance trust in the energy retail market.

### **Our on-going role in regulating the implementation of the framework**

From a compliance perspective, we will continue monitoring and analysing data and intelligence into the implementation of the payment difficulty framework. We will continue to provide education and guidance materials for retailers, such as revising the Guidance note – Payment difficulty and disconnection, and associated guidelines, where there are needs to clarify obligations or the operation of the framework.<sup>146</sup> Feedback from this review will also inform changes. These changes will be part of our on-going role in assisting compliance through industry education.

The framework has been a strategic compliance and enforcement priority in recent years. We will not hesitate to enforce non-compliance where it is necessary or appropriate to do so. Our compliance and enforcement approach is informed by our Compliance and Enforcement Policy that we released in April 2022.<sup>147</sup>

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<sup>146</sup> Guidance notes and guidelines are available on our website at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice#tabs-container4>

<sup>147</sup> Essential Services Commission, 'Compliance and enforcement policy', April 2022, <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/compliance-and-enforcement-policy>

We thank our stakeholders for their participation throughout the review and look forward to continuing this work alongside retailers, the community sector, and government to improve the ways we support and deliver essential energy services to Victorian customers.

If you would like to speak to us about this review or ensure you are on our mailing list, please contact us via email at [pdfreview@esc.vic.gov.au](mailto:pdfreview@esc.vic.gov.au).



# Appendix 1: Call recordings study scope and methodology

## Context of the call recordings study

To inform our review into the effectiveness of the implementation of the framework by retailers, the commission collected call recordings from Victorian retailers who had customers that received tailored assistance between January 2019 and December 2021.

The call recordings and supplementary information, like call notes, emails, and SMS reminders were collected. The commission collected this information using its powers under section 36 of the *Essential Services Commission Act 2001* through formal notices served to retailers in December 2021.

The notice required retailers to provide call recordings and relevant supplementary information such as call notes, emails, and SMS reminders, for a select number of their customers who received tailored assistance. The information did not include calls of customers did not receive assistance.

The purpose of collecting and reviewing this information was to assess how retailers interacted with customers and how payment assistance was discussed with customers during the phone calls.

## Sample selection

Retailers were required to provide any call recordings for a select number of customers who received tailored assistance between 2019 and 2021.

We selected customer account numbers, or provided a random process for retailers to follow:

- **For retailers that we had existing customer records:** we randomly nominated customer numbers who received tailored assistance.
- **For retailers that we did not have existing customer records:** we randomly selected a month and year (between 2019 and 2021) for a retailer to list out the customer account numbers receiving assistance in ascending order in that month, then selecting the first set of customers.

The number of customers provided was based on the retailer's size, which in total added up to 94 customers from 17 retailers.

Retailers were required to provide supporting relevant information, such as call notes or examples of other information provided to the customer.

## **Scope of services provided by ORIMA Research**

We engaged ORIMA Research, an independent research firm, to review and analyse the calls and report on the findings.

The services undertaken by ORIMA Research:

1. Analysis of call recordings and supplementary information from retailers providing assistance to customers under the payment difficulty framework.
2. Assessment of, and insight into, how retailers interacted with customers in these call recordings, primarily whether or not energy retailers are providing assistance to customers under the payment difficult framework appropriately.
3. Provision of this analysis, assessment, and insight in forms appropriate for incorporation into the payment difficulty framework review findings report and as a supplementary report to be published publicly alongside the findings report when it is released.

In the delivery of these services, ORIMA Research produced:

4. A call recordings study report. This report is a summary of the themes and findings observed throughout the analysis of call recordings addressing the objectives of the payment difficulty framework and key trends in the answers to call recording and information analysis.
5. Five customer case studies of customers exemplifying particular observations or findings.

These outputs have been released to accompany this report and are available on our [website](#).

## Appendix 2: Additional customer outcomes analysis

From September 2021 to April 2022, we collected and analysed a wide range of data to inform the review of the implementation of payment difficulty framework.

Since 2019, when the framework was implemented, we have collected quantitative data from retailers on the implementation of the framework. Our main source of data is from retailer reporting as required by the Compliance and Performance Reporting Guideline. This guideline requires each Victorian retailer to formally report to us aggregate and average data mostly relating to tailored assistance numbers, arrears levels, and disconnection.<sup>148</sup>

As part of the review, and in our on-going monitoring of the market, we have collected and analysed other data sources to supplement the regular reporting we receive. This included:

- Customer invoice data (of a sample of electricity customers) submitted by specific retailers, detailing the price customers are paying and their energy consumption. This data has been collected from retailers using our powers under the *Essential Services Commission Act 2001* and is also data that has been submitted to the Australian Competition and Consumer Commission for its project on electricity marketing monitoring between 2018 and 2025.<sup>149</sup>
- Data on concession and utility relief grants, by retailer, provided by the Department of Families, Fairness and Housing.
- Further data on customer disconnections, from a voluntarily request to electricity distributors.

We have analysed this quantitative data to understand the implementation of the framework as it relates to disconnected for non-payment, customer arrears, and the extent that customers receive assistance.

This appendix provides additional data and figures not presented directly in the findings report.

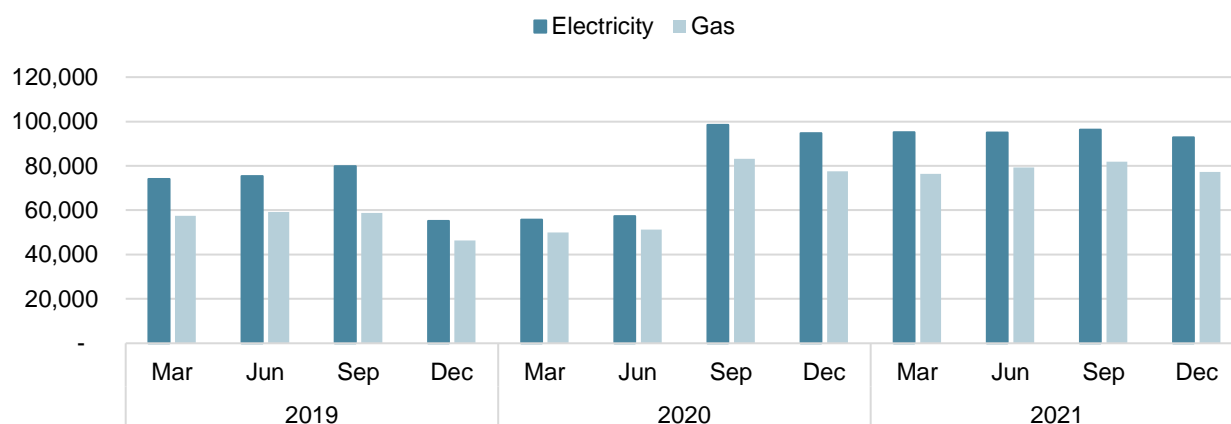
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<sup>148</sup> Essential Services Commission, 'Compliance and Performance Reporting Guideline – Version 7', 16 February 2022 (corrigendum 27 April 2022).

<sup>149</sup> 'Electricity market monitoring 2018-2025', Australian Competition and Consumer Commission, accessed 31 May 2022, <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-market-monitoring-2018-2025>.

## Standard assistance

Figure 43 Levels of standard assistance since the framework introduced, 2019 to 2021



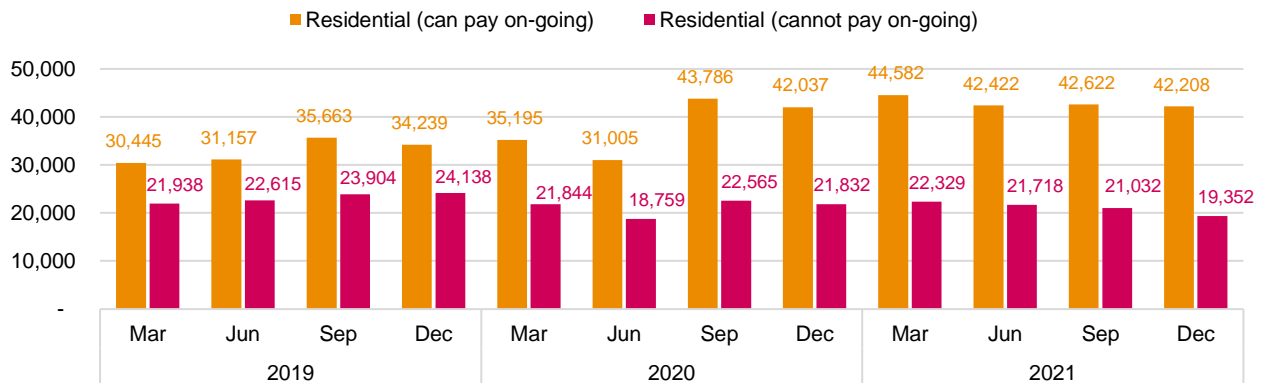
## Tailored assistance

Under the framework, customers can receive two forms of tailored assistance depending on whether they are:

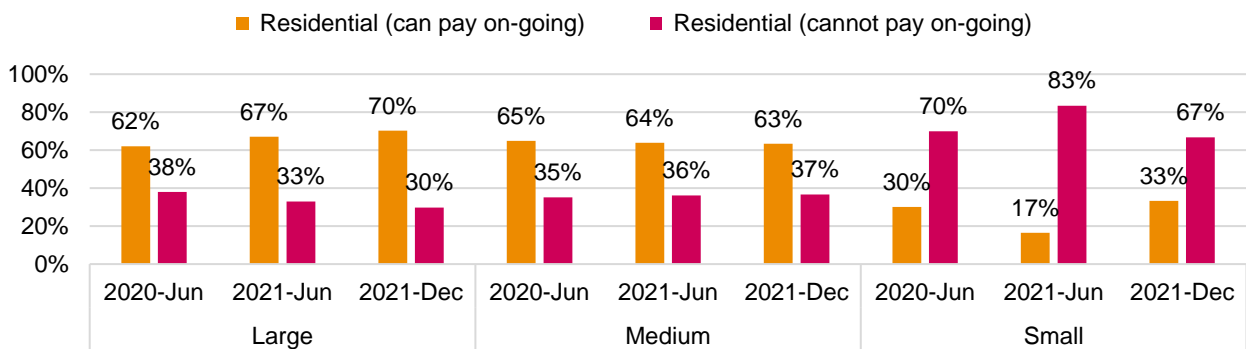
- able to continue paying for their ongoing bills while gradually reducing their debt (can pay their ongoing use), or
- unable to afford their ongoing and future energy use (cannot pay their ongoing use).

During 2019, the first year of the framework, we observed an overall increase in customers receiving both forms of assistance. However, we have since seen a moderate increase in customers receiving assistance who can pay their ongoing usage, but a decrease in those who cannot. Our analysis also indicates considerable variation between retailers on the proportion of tailored assistance customers who can and cannot pay on-going usage.

**Figure 44** Number of tailored assistance electricity customers by type of tailored assistance, 2019 to 2021



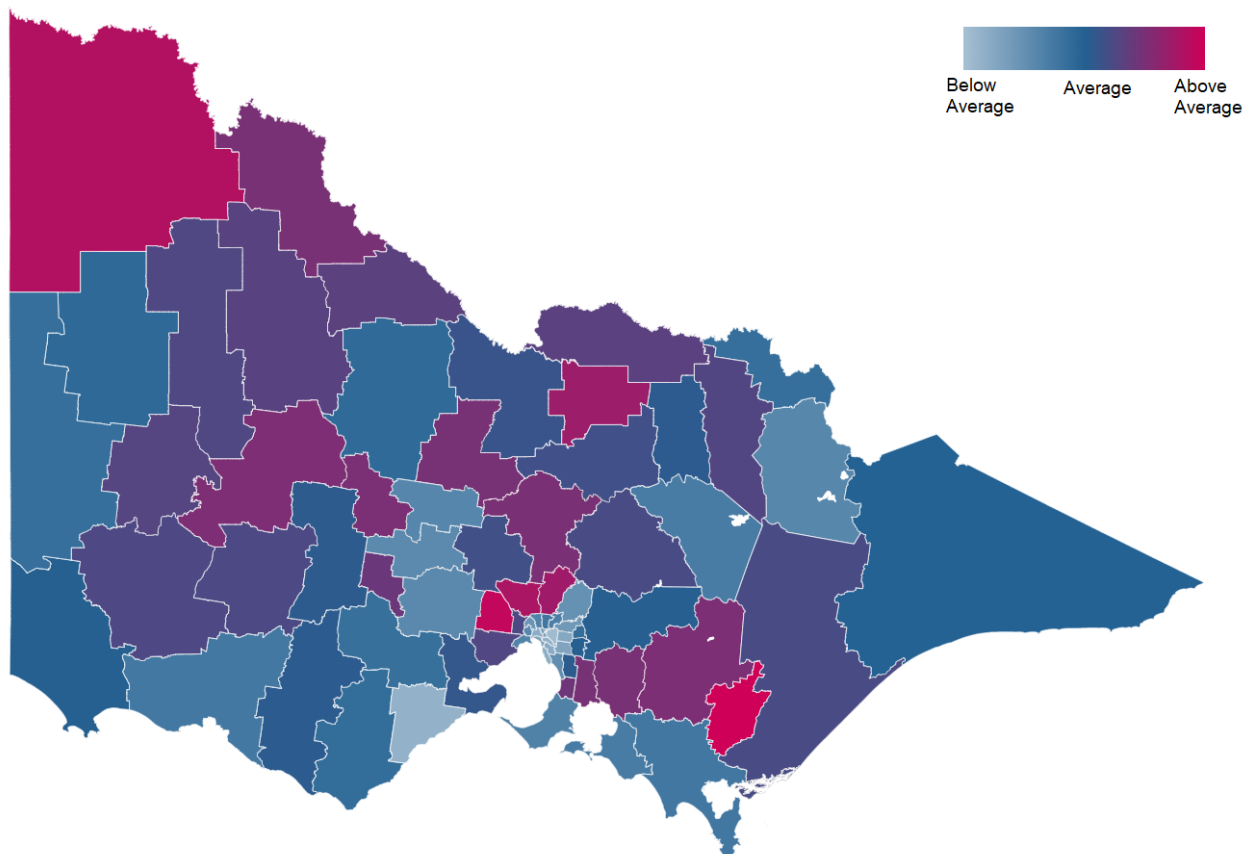
**Figure 45** Proportion of tailored assistance customers, by retailer size, June 2020 to December 2021



## Geographical location of tailored assistance customers

Figure 46 is based on a voluntary data request to retailers about where tailored assistance customers were located (by postcode, as at 30 June 2021), which shows that a higher proportion of regional Victorian customers are accessing tailored assistance compared to metropolitan Melbourne.

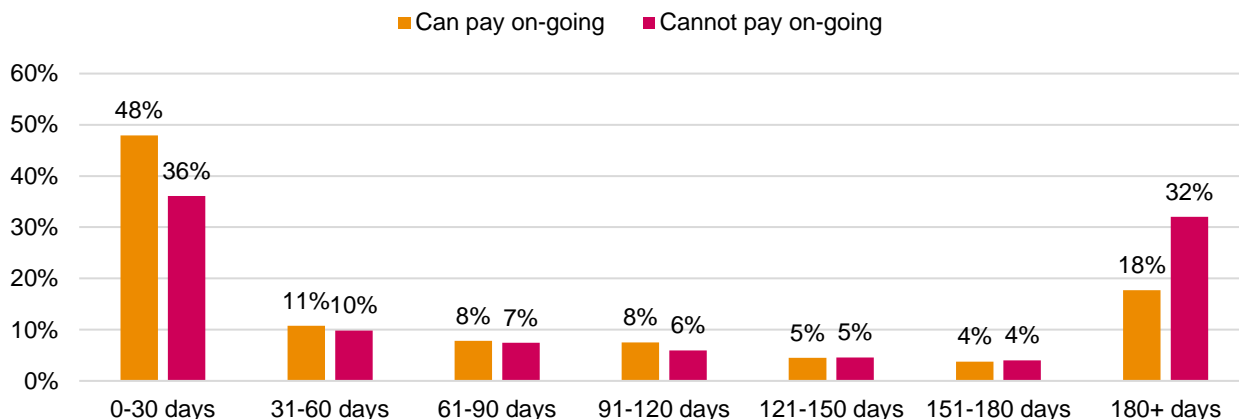
**Figure 46** Proportion of Victorian receiving tailored assistance by Local Government Area



Source: Voluntary data request to retailers to inform the review.

### Time taken to commence tailored assistance

**Figure 47** Proportion of electricity customers commencing assistance, by age of overdue bills

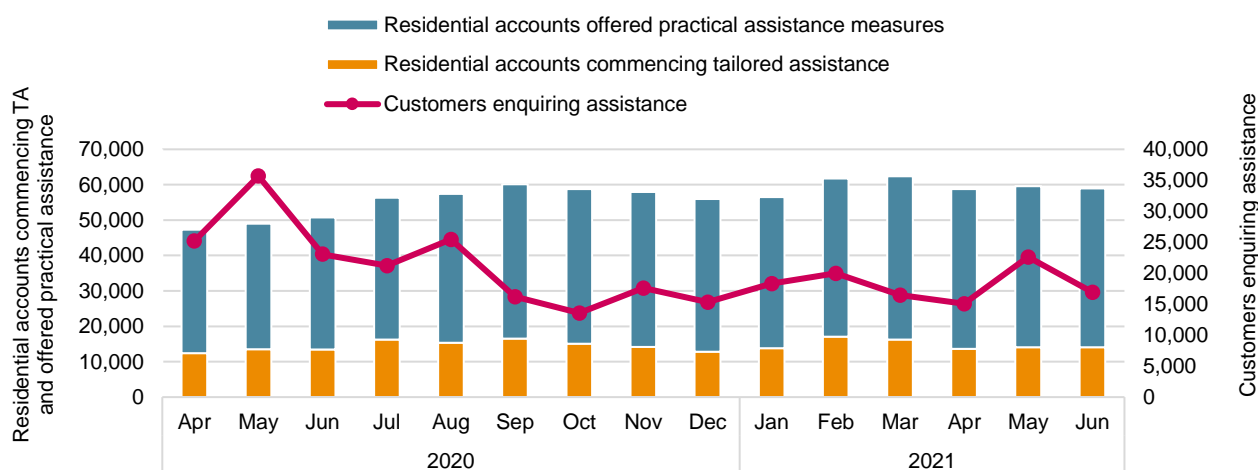


Source: Voluntary data request to retailers to inform the review.

### Practical assistance, concessions and utility relief grants

During the coronavirus pandemic, we collected further data from retailers on customers calls seeking assistance and observed an increase in customers enquiring about assistance in 2020.

**Figure 48** Electricity residential accounts commencing tailored assistance and offered practical assistance measures, compared to customers enquiring about assistance

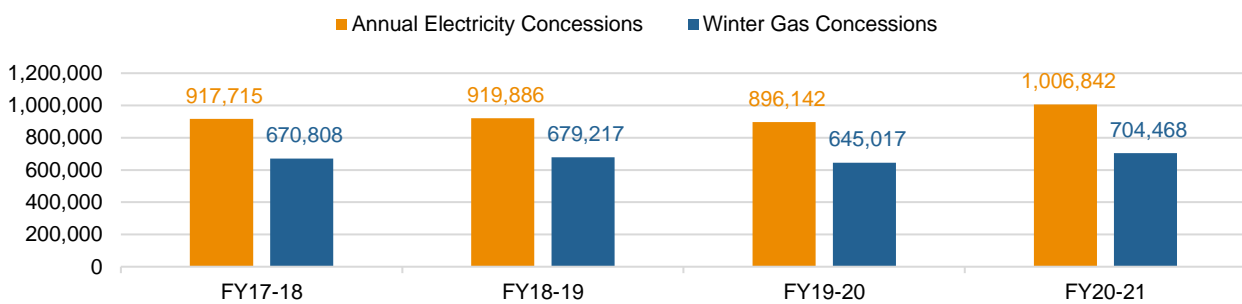


In Victoria, the following supports are available for eligible customers:

- Annual electricity concessions (applied all year), provide a 17.5 per cent reduction on an electricity bill.
- Winter gas concession (applied between 1 May to 31 October), provides a 17.5 per cent reduction on a gas bill for the relevant period
- Utility relief grants, for eligible households every two years – of up to \$650 for electricity and gas separately or \$1,300 if a household has only a single source of energy.

Almost one million Victorian households received annual electricity concessions in 2020–21, which was an increase of around 12 per cent from the previous year.<sup>150</sup> For utility relief grants, we have observed a significant increase in customers accessing these grants. Over 69,000 residential electricity customers received these grants within the last two years.

**Figure 49** Number of households that received annual concessions for electricity and gas, from 2017-18 to 2020-21

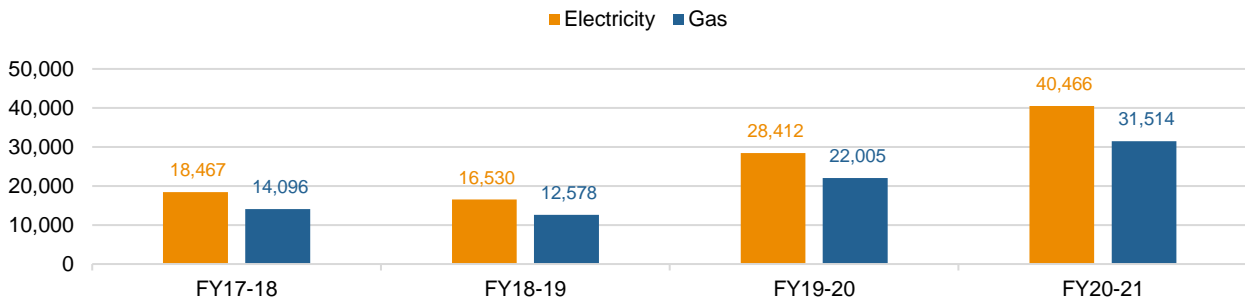


Source: Data provided by the Department of Families, Fairness and Housing Victoria

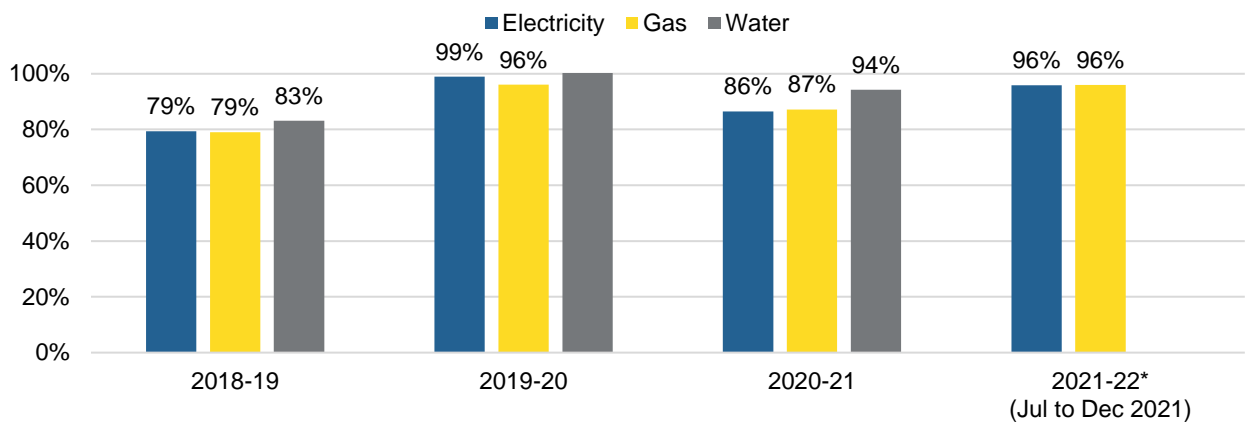
<sup>150</sup> Eligible customers are those with a valid Pensioner Concession Card, Health Care Card or Veterans’ Affairs Gold Card, and low-income households. The main energy concessions include an annual electricity concession for 17.5 per cent off a bill (applied all year), and a winter gas concession of 17.5 per cent (applied between 1 May to 31 October). Data from the Department of Families, Fairness and Housing.



**Figure 50** Number of utility relief grants approved, from 2017-18 to 2020-21, by electricity and gas



**Figure 51** Percentage of submitted utility relief grant applications approved, from 2017-18 to 2020-21, by electricity, gas and water



Source: Data provided by the Department of Families, Fairness and Housing Victoria

### Energy consumption

Increased electricity usage for customers receiving assistance is observed across Victoria, but this is more pronounced outside of metropolitan Melbourne areas, such as in the distribution areas of AusNet Services (North and eastern Victoria) and Powercor (western Victoria). This is consistent with analysis conducted by postcode.

Figures in this section come from confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

**Figure 52** Median electricity usage per day (kWh), by distribution zone

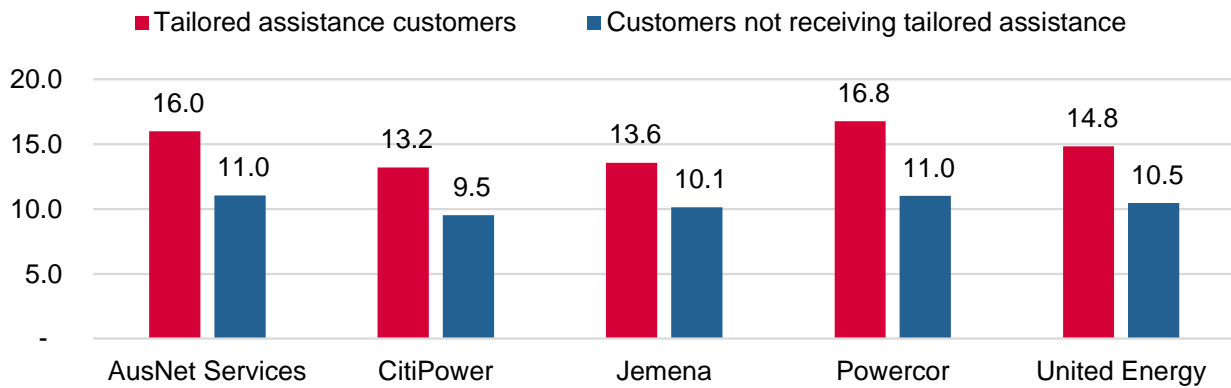


Figure 53 Customers (receiving and not receiving tailored assistance) using more electricity than average by postcode, Victoria

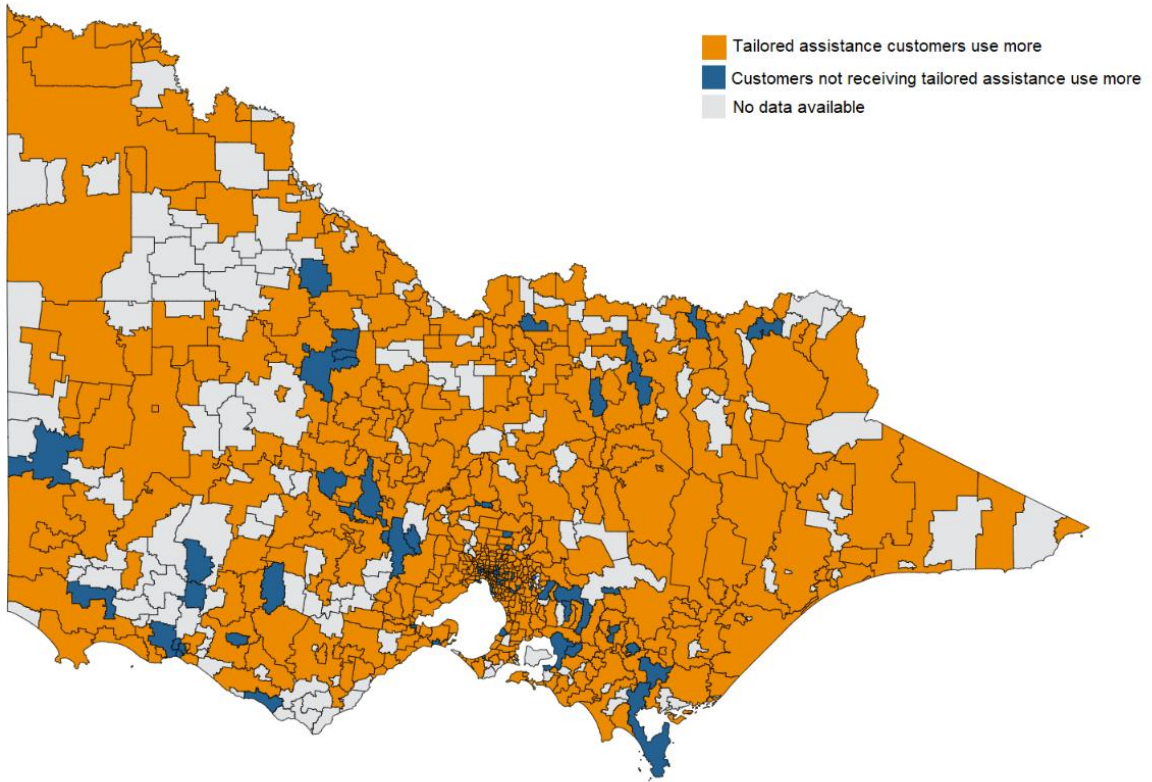


Figure 54 Customers (receiving and not receiving tailored assistance) using more electricity than average by postcode, Melbourne and surrounds

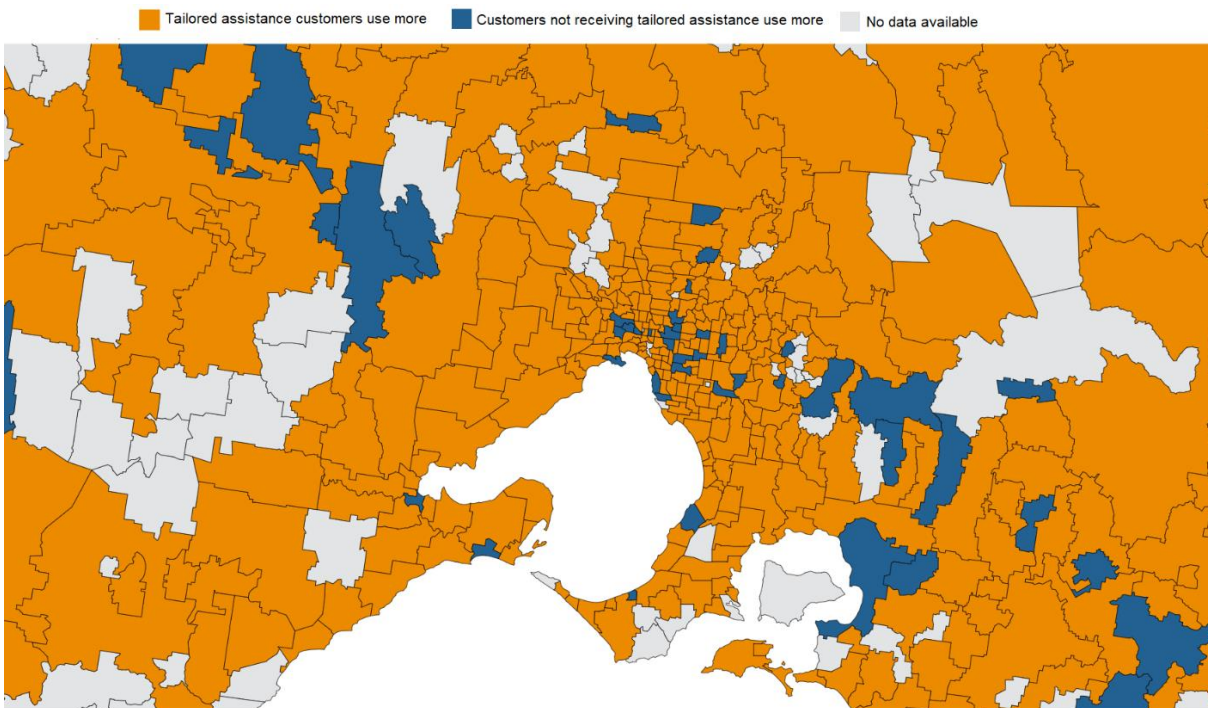


Figure 55 How much more electricity is being used by customers receiving assistance compared to the average customer's use, by postcode, Victoria

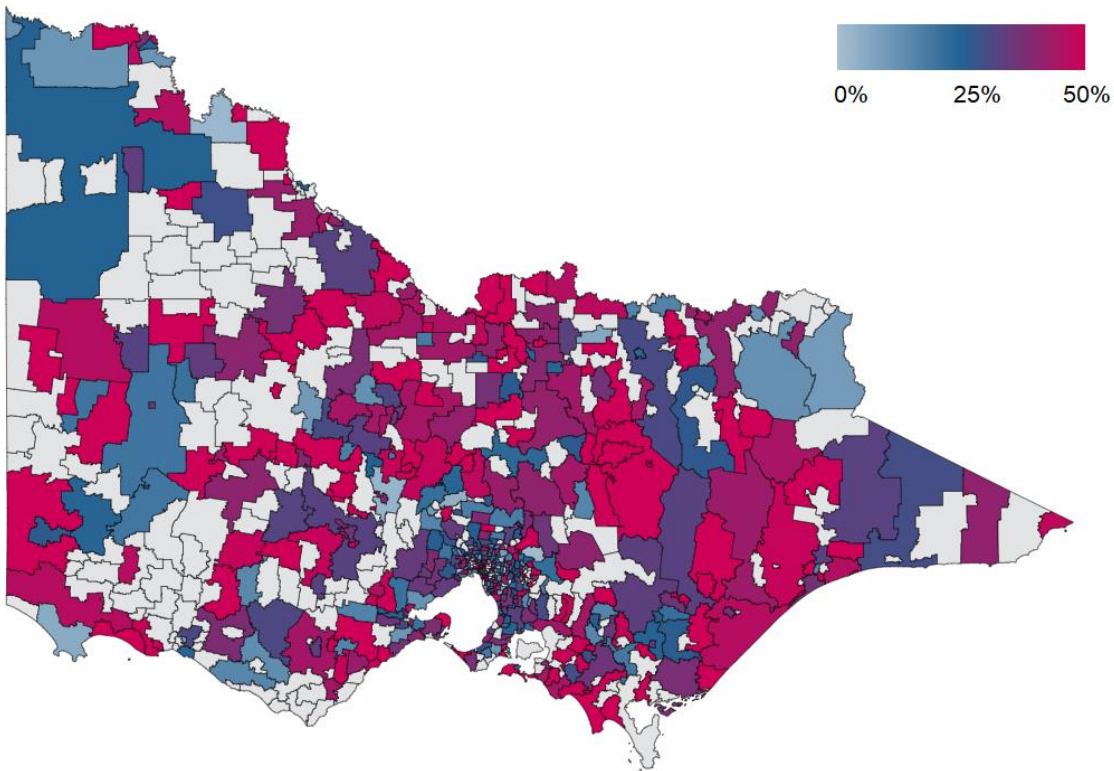
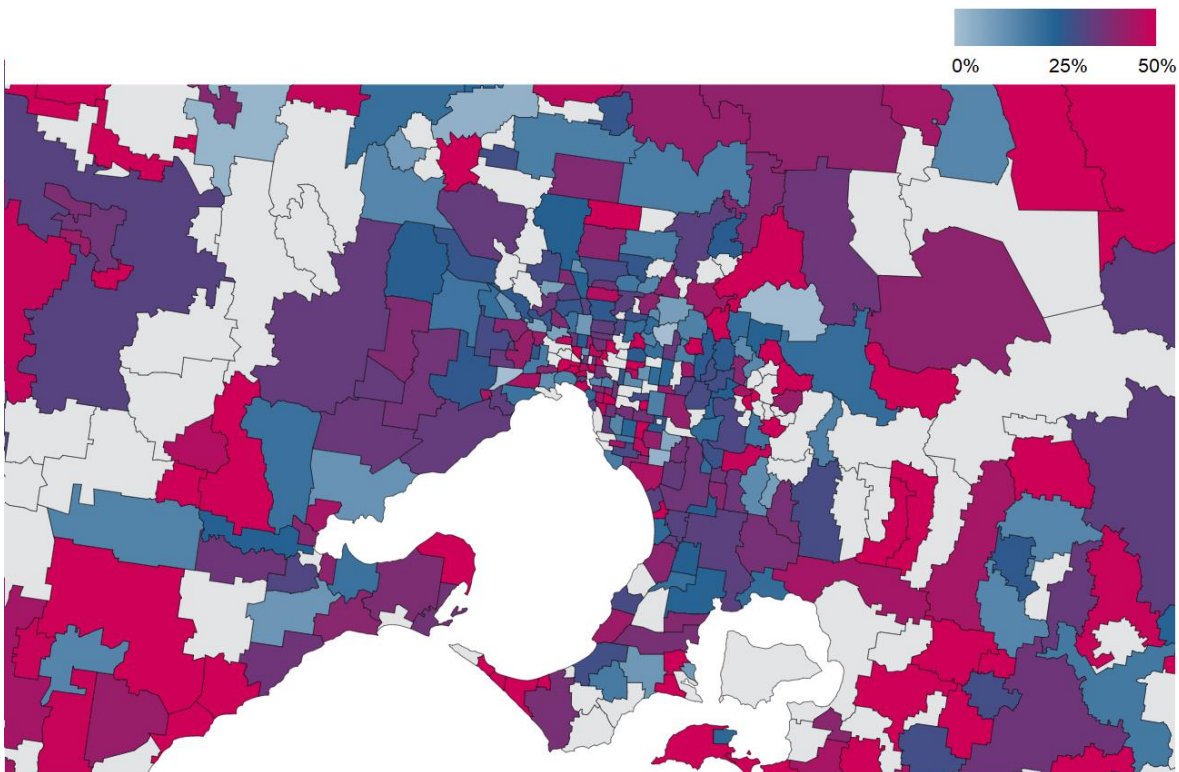


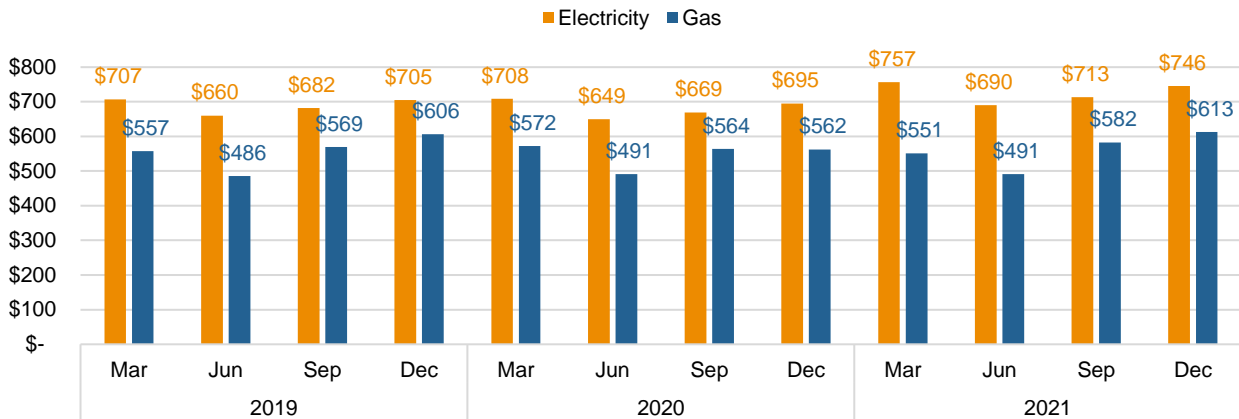
Figure 56 How much more electricity is being used by customers receiving assistance compared to the average customer's use, by postcode, Melbourne and surrounds



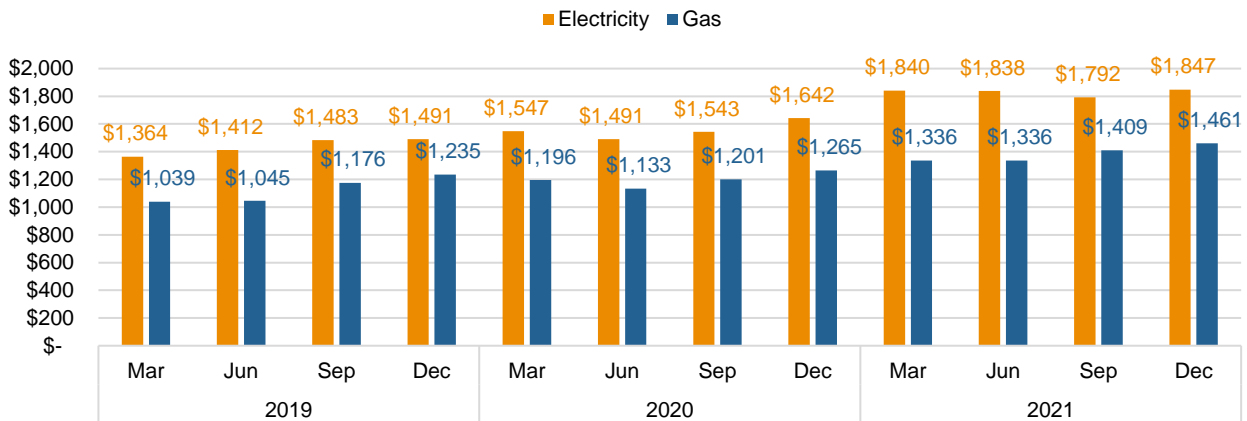
### Customer arrears

Since 2019, the average arrears of tailored assistance customers who can pay for their on-going usage has remained stable. However, the average arrears for customers who cannot pay for their on-going usage has increased by 35 per cent between March 2019 and December 2021.

**Figure 57** Average arrears of customers (who can pay for their ongoing energy use) receiving assistance

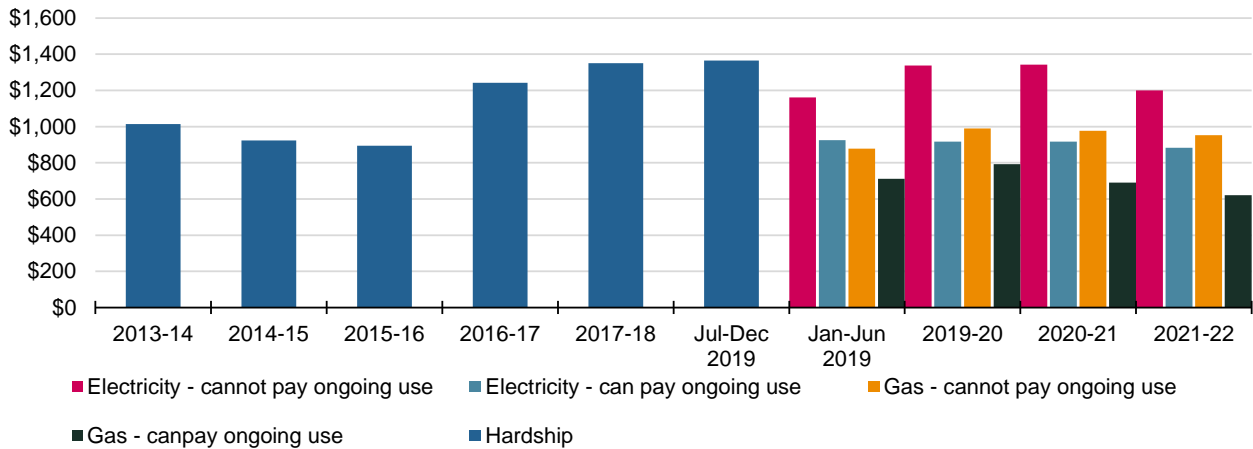


**Figure 58** Average arrears of customers (who cannot pay for their ongoing energy use) receiving assistance



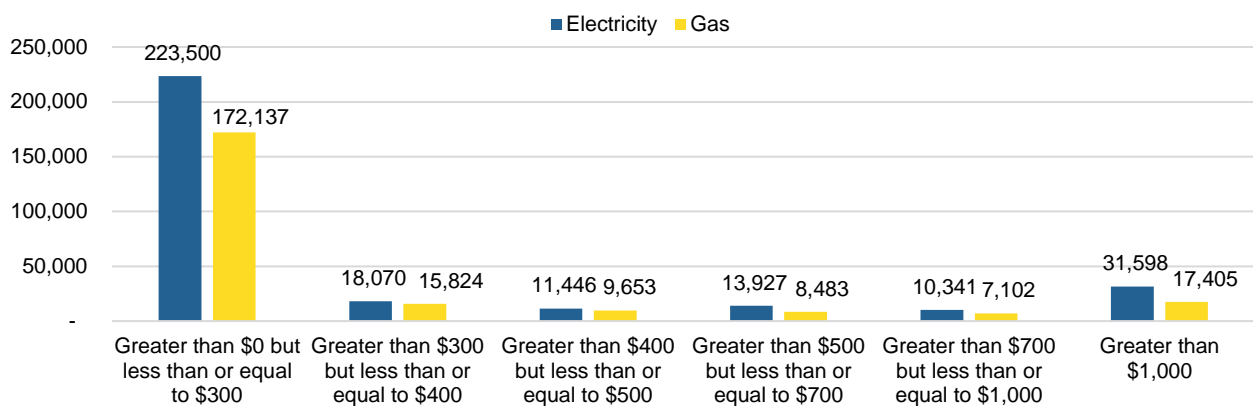


**Figure 59 Average arrears of customers commencing a hardship program or assistance under the framework**



Throughout the coronavirus pandemic during 2020 and 2021, we collected further data from retailers on the amount of arrears for customers who were not receiving assistance. This includes customers who may have previously been receiving assistance but have outstanding arrears. Our analysis indicates that at the end of June 2021, approximately 10 per cent of all electricity and gas residential customers in Victoria had an outstanding debt but were not receiving assistance, with most having arrears of less than \$300.

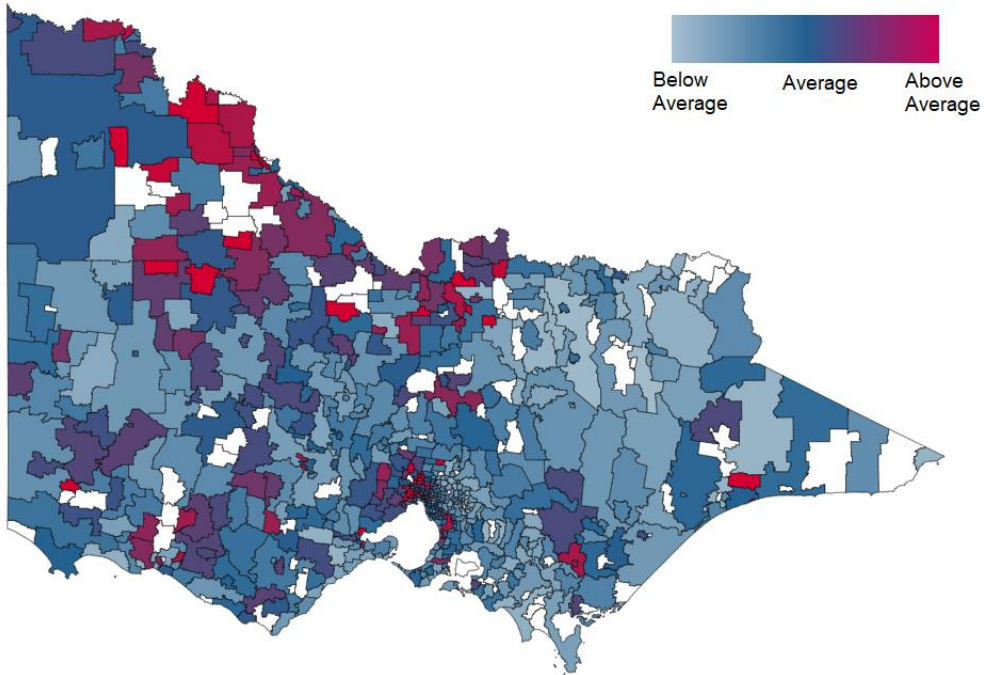
**Figure 60 Number of customers with arrears who are not receiving assistance, by electricity and gas**



Source: Voluntary data request to retailers to inform the review.

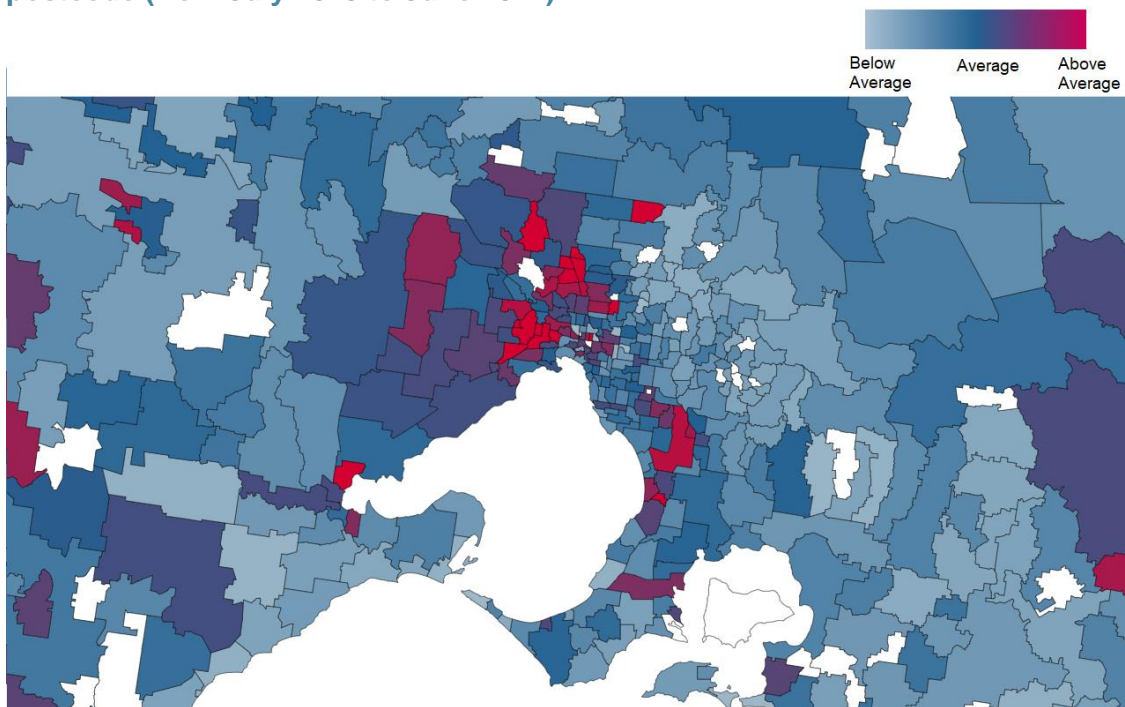
## Disconnections

Figure 61 Number of electricity disconnections for non-payment from July 2019 to June 2021 (per 100 residential customers), by postcode



Source: Data from a voluntary request to distributors to inform the review.

Figure 62 Electricity disconnection for non-payment per 100 residential customers by postcode (from July 2019 to June 2021)



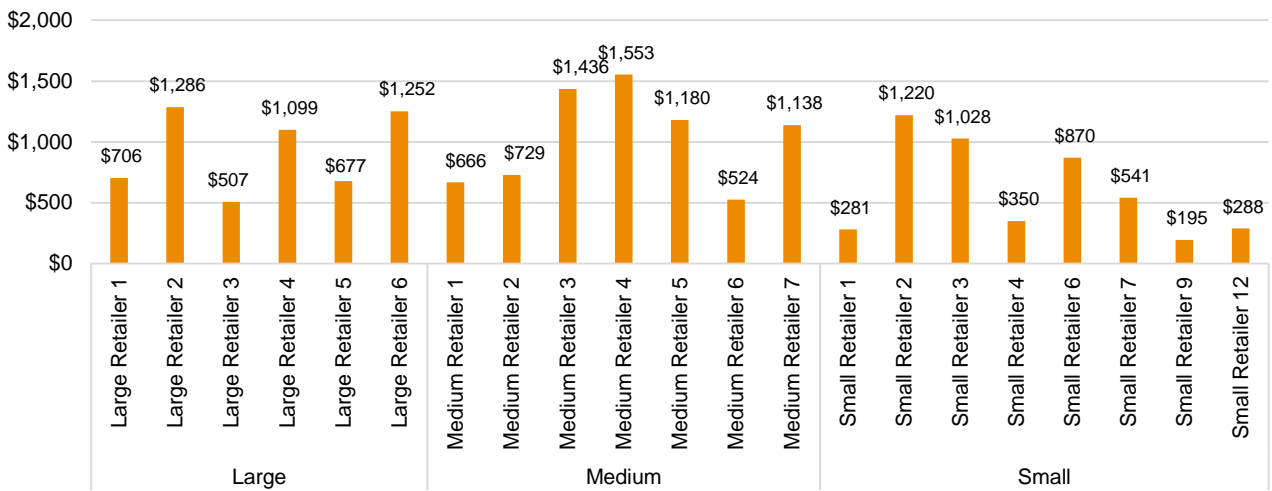
Source: Data from a voluntary request to distributors to inform the review.

## Variability of outcomes by retailer

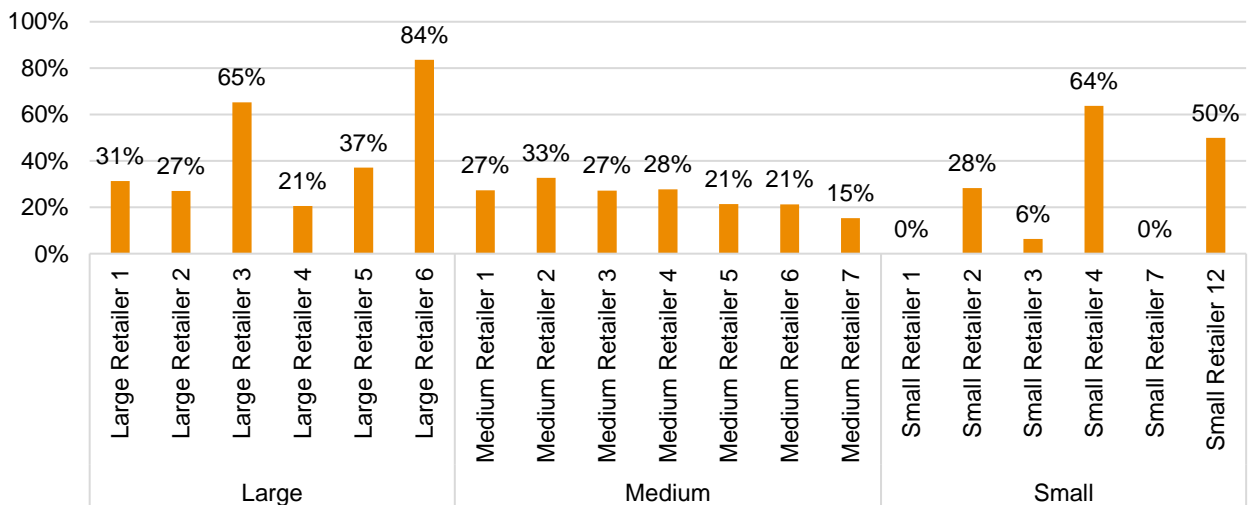
The following figures show the variability of outcomes by de-identified retailers, as shown throughout the findings report.

Figures are based on a voluntary data request to retailers to inform the review, unless otherwise specified. We note that some small retailers are not shown due to the retailer either not having tailored assistance customers, or no applicable data relevant to this metric for this time-period.

**Figure 63 Average electricity arrears for customers (who can pay on-going usage) commencing tailored assistance in 2020-21, by retailer, deidentified**

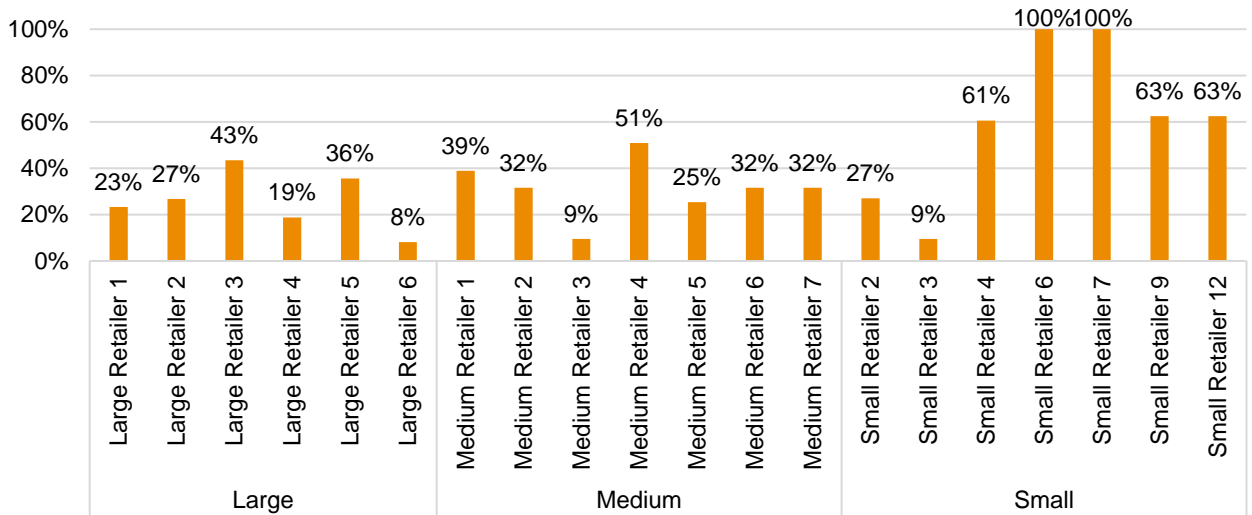


**Figure 64 Proportion of electricity customers (who can pay for their ongoing use) entering tailored assistance between 0-30 days of bill being overdue in 2020-21**

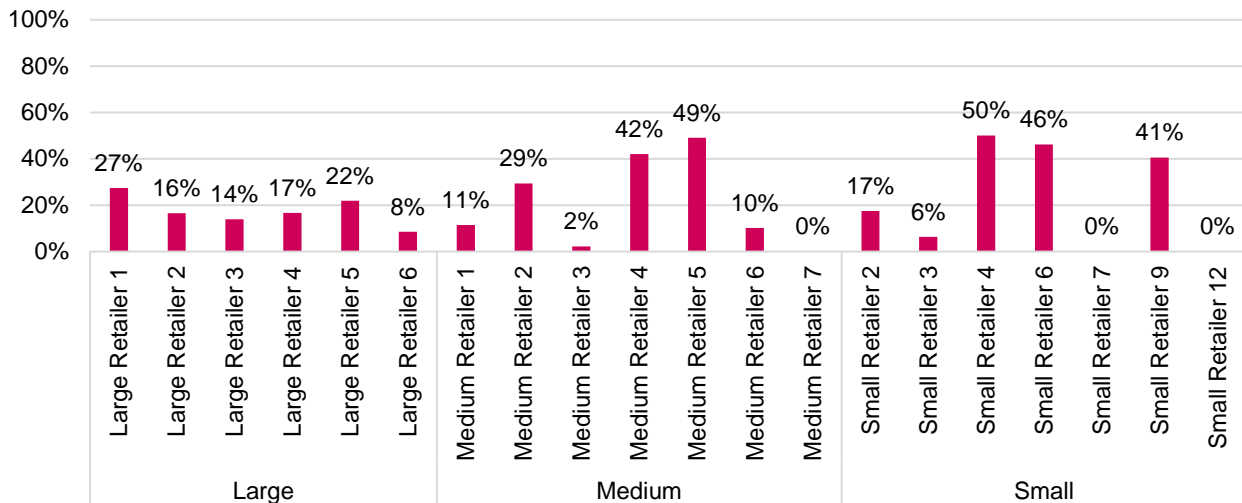




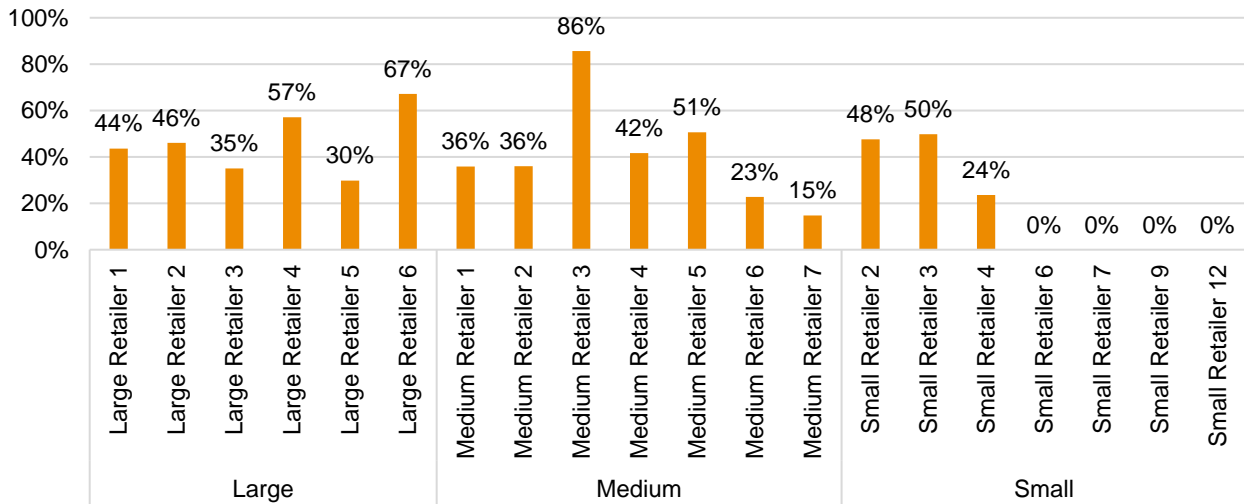
**Figure 65** Proportion of successful exits of customers (who can pay for their ongoing energy use) receiving tailored assistance, by retailer, deidentified



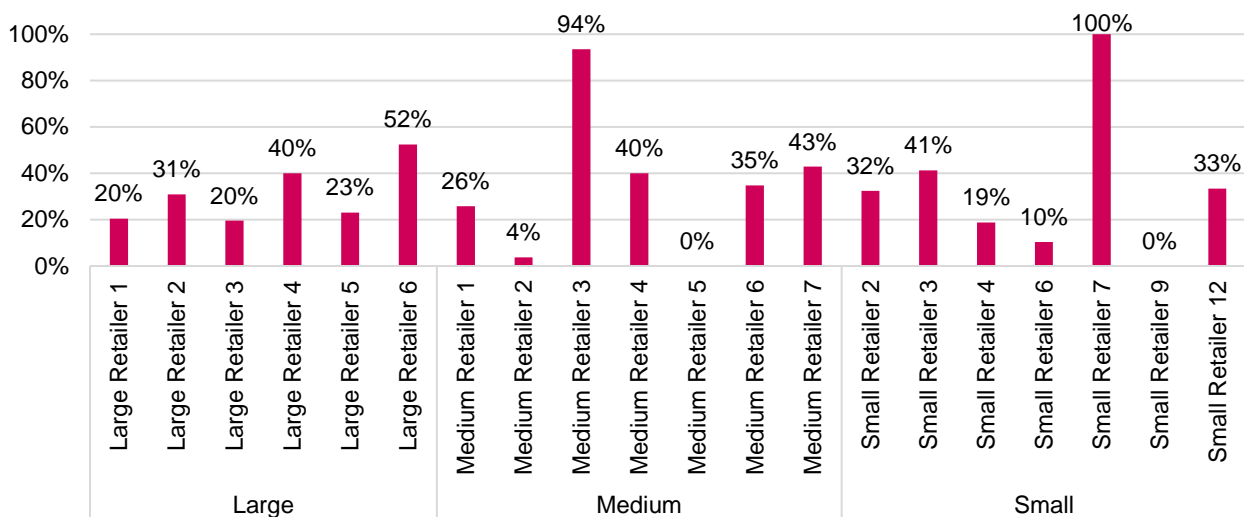
**Figure 66** Proportion of successful exits of customers (who cannot pay for their ongoing energy use) receiving tailored assistance, by retailer, deidentified



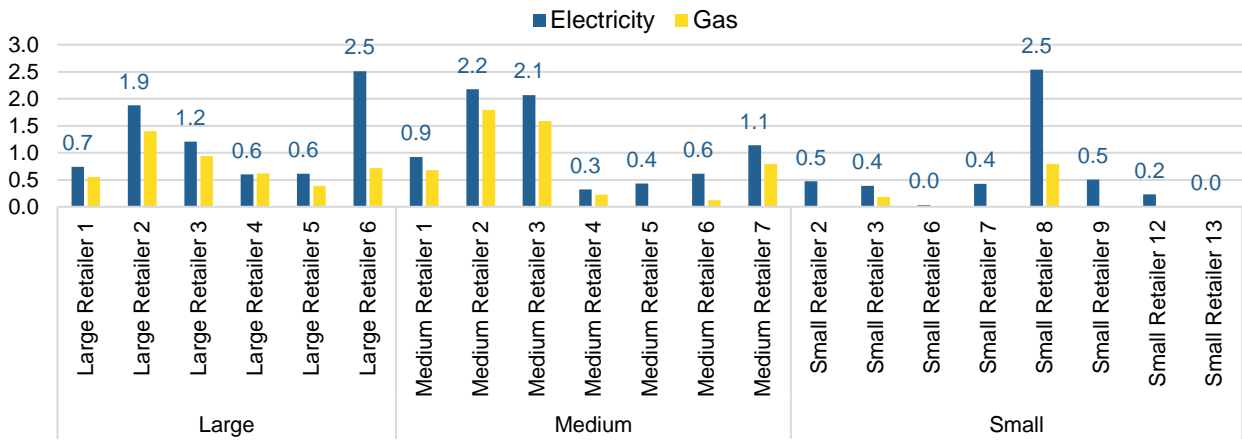
**Figure 67** Proportion of tailored assistance customers (who can pay ongoing usage) who exited tailored assistance having not complied with their payment arrangements, by retailer, deidentified



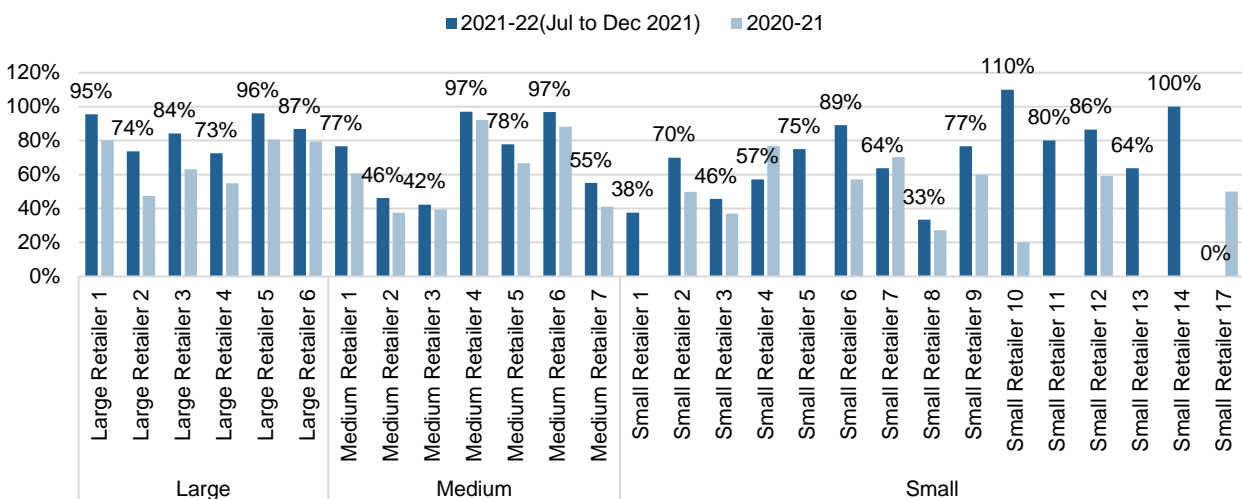
**Figure 68** Proportion of tailored assistance customers (who cannot pay ongoing usage) who exited tailored assistance having not complied with their payment arrangements, by retailer, deidentified



**Figure 69** Number of customers not receiving assistance who owe more than \$1,000 to their retailer (per 100 customers) by retailer, deidentified

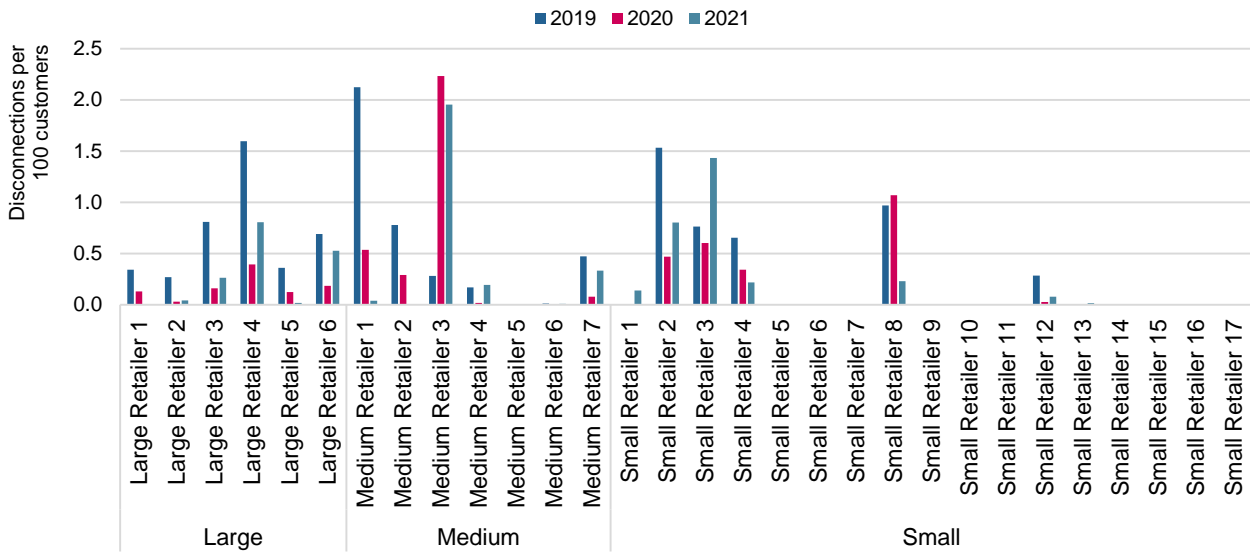


**Figure 70** Percentage of utility relief grant applications being submitted to DFFH compared to number of forms being requested, by retailer, deidentified



Source: Data from Department of Families, Fairness and Housing Victoria

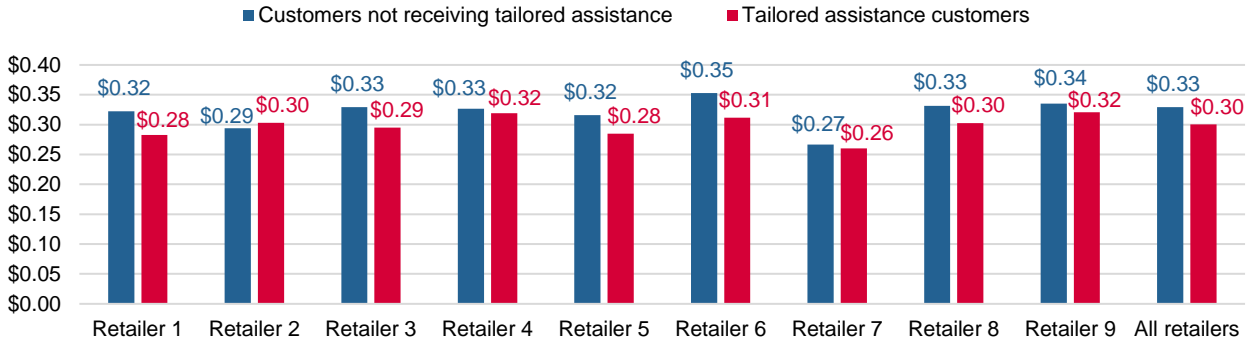
Figure 71 Residential electricity disconnections for non-payment (per 100 customers) from 2019 to 2021, by retailer, deidentified



Source: Data as reported by retailers as per the Compliance and Performance Reporting Guideline

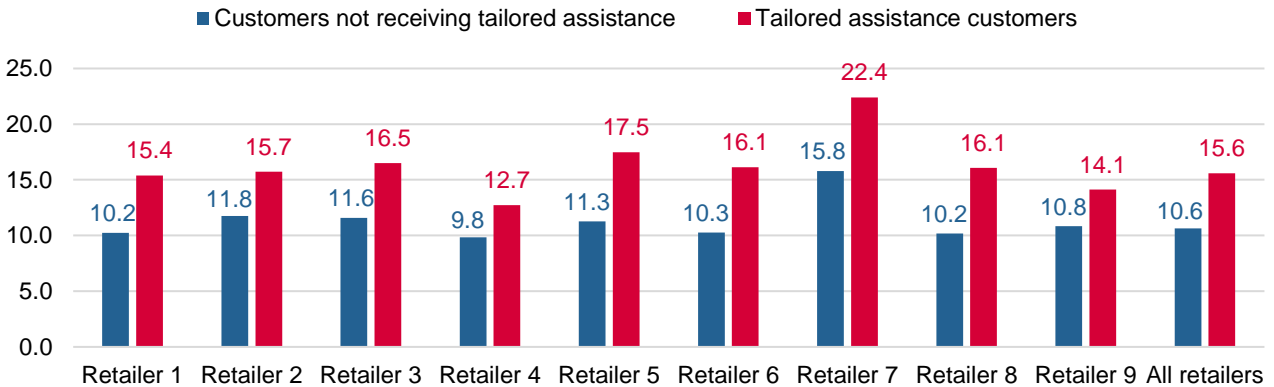
## Variability of outcomes by retailer, based on invoice data

Figure 72 Effective cost per kWh between 1 Jan 2019 and 30 Dec 2020, by retailer, deidentified



Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per the Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

Figure 73 Median electricity usage per day (kWh), by retailer, deidentified



Source: Confidential data from nine retailers between 1 January 2019 and 30 December 2020, as per Australian Competition and Consumer Commission’s project on electricity marketing monitoring between 2018 and 2025. Tailored assistance customers are defined as hardship customers in the data.

## Appendix 3: Early observations workshop report

On 16 November 2021, we held a workshop with representatives from the energy and community sectors and government to explore and invite feedback about our early observations.

Participants were invited to provide feedback about what the early observations told us about the implementation of the framework. These observations were drawn from our preliminary analysis of quantitative data submitted by retailers and consumer insights from case studies, surveys and research. The workshop was attended by over 90 participants.

### Workshop design and delivery

We presented nine [observations](#) about the implementation of the framework. To assist participants to prepare for the workshop, these observations had been sent to registered participants beforehand.

Participants were allocated to one of nine breakout rooms. We tried to ensure there was an even distribution of participants from retailers, the community sector, government, and the commission staff in each room. These breakout rooms ran for 45 minutes.

Each group was given three observations to discuss and asked to respond to the question: 'What does this tell us about how the framework is being implemented?' Each observation also had a list of sub-questions to prompt discussion. Each group was facilitated by a commission staff member and some groups also had a commission note-taker. An online Mural board (an online digital collaboration tool) was used to capture the discussion.

After the breakout rooms closed, the Mural board links were shared with participants to take a ten minute 'walk around the virtual room' to review the boards and add comments. Links to the locked Mural boards were shared with registered participants after the workshop.

## Participant feedback

Four main themes emerged from the discussions at the workshop.



**Better engagement could better support customers**



**Implementation of the framework can vary**



**Broader issues faced by customers**



**The role of government support alongside the framework**

The following sections present summaries of the comments made by participants during the workshop. These comments reflect participants views expressed during the workshop and do not necessarily reflect the commission's overall understanding.

### Theme 1: Better engagement could better support customers

The comments under the theme 'better engagement could better support customers' relate to:

- triggers for customer engagement
- the experience of customers with low financial or English literacy
- engaging the disengaged
- how to improve engagement
- appropriateness and timing of communication
- how to improve communication with customers.

#### Triggers for engagement

Some participants noted that:

- disconnection, or disconnection warning notices are often trigger for customers to engage with their retailers.
- reminder notices prompt engagement, others felt disconnection notices were more effective.
- customers are disconnected for not engaging and raised a concern that the cycle of engaging only on threat of disconnection was not being broken and that this needs to be addressed.
- increasing debt, high arrears and a debt-disconnection cycle were all



consequences of customers not engaging. For example, when disconnection notices were stopped during stay-at-home restrictions, an unintended outcome was an increase in debt.

- In contrast, some considered that customers see disconnection notices as a threat and does not build trust between customers and retailers, which also deters engagement.

## The experience of customers with low financial or English literacy

Some participants noted:

- that low financial literacy was a problem for some customers.
- low literacy levels in the community can impact the understanding of information provided to customers.
- issues for culturally and linguistically diverse (CALD) customers include:
  - lack of awareness of supports
  - challenges of self-advocating
  - a reluctance by some people to fill out forms
  - whether notices are an effective communication tool if English is not a first language
  - the impact of closing face to face support services during stay-at-home orders.



## Engaging the disengaged

Lack of engagement was noted as a big issue:

- Many noted that once customers are engaged, there are lots of tools to help them and they do not often fall off.
- Some believed that unengaged customers are the most challenging to support.

Participants agreed that there was no one reason for customer resistance to engagement. The following reasons were suggested:

- feelings of shame or hopelessness
- personal circumstances
- systemic poverty
- lack of time





- lack of interest
- customers may be struggling to pay bills to multiple providers
- a general lack of trust in retailers (or prior negative experience).

Other participant comments included:

- there is no real incentive for customers to engage early
- that the framework relies on a lot of customer effort to engage
- there was a perception that help offered is not useful
- there is a difference between providing advice to customers about assistance they may be eligible for and customers accessing assistance – customer engagement is required to provide assistance.

## How to improve engagement

Participants' suggestions for what might improve engagement included:

- early interventions such as how to engage with customers at the front end of the process
- offering utility relief grants and concessions upfront and early, and
- proactively identifying customers before they have built up arrears.



Suggestions to improve engagement focused on retailer tools including:

- consistency
- form and frequency of communication
- phone conversations
- account management and
- closer relationships with customers to identify issues and building trust with customers.

Other suggestions included:

- building a better understanding of what disengagement is and what leads to it
- looking at what works in other sectors such as banking, and
- looking at whether there is something the commission can do to help engagement with customers.

## Appropriateness and timing of communication



Feedback on effective communication from retailers included:

- the value of providing information using different media (letter, email, text, calls) and using customers' preferred communication method.
- mixed feedback on the effectiveness of SMS. On the one hand, some suggested that it was more effective than email or mail. On the other hand, others suggested it leads to little engagement.
- Some retailers support customers with low English literacy by providing language options on websites and employing multilingual staff.

Participants raised several issues that may impact how customers respond to communication, including:

- low literacy levels
- an overwhelming volume of information provided to customers, and
- low trust of retailers.

Some retailers noted that they do not want to pressure customers and were aware that customers can feel overwhelmed or harassed. However, retailers considered its obligations as being prescriptive in what needs to be covered.

## How to improve communication with customers



Some participants suggested improved communications with customers, such as:

- giving time for customers to process information
- allow further checking in with customers
- translating words that do not exist in other languages, and
- including best offer information on warning notices.
- Participants also suggested other solutions including:
- SMS correspondence about overdue accounts including a 'do you want to speak to someone' option instead of a link, and
- warning notices worded in a way that presents options for customers.

## Theme 2: Implementation of the framework can vary

The comments under the theme 'implementation of the framework can vary' relate to:

- implementation that works
- variation between retailers
- retailer staff training
- limitations in managing the on-going accrual of debt
- retailer staff training
- improving implementation
- lowering debt levels on entry to assistance.

### Implementation that works

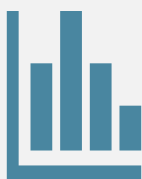


- Workshop participants noted that when the framework is being implemented well, retailers are focusing on providing support, communication, and ensuring customers are aware of their entitlements.
- Positive comments about the implementation of the framework included:
  - Compliance from retailers has been strong and that data implies that the framework has improved on previous processes and captured more customers.
  - The introduction of the framework removed barriers around information availability and proactive/reactive informing of customers.
  - Participants noted it is positive to see the awareness of the framework in the community, for example, more people accessing the framework could be an indicator of greater awareness.
  - One noted that payment plans are requested even when customers are not experiencing hardship.
- Some suggested that retailers have been engaging better, for example, through notices from retailers, tools to keep people out of arrears, and actively asking questions to find out whether customers are entitled to concessions or benefits.
- The underlying premise to the framework is that customers are entitled to assistance. One retailer noted that if someone asks for help, proof is not required and that if customers request assistance, it is provided.
- Other forms of assistance are also important, such as concessions, grants, and the pay-on-time discount.

- There were also some positive examples of payment matching processes.
- Participants noted that the framework is working to prevent disconnections and that disconnections should remain a last resort.
- The training to community workers by the commission when the framework review was implemented worked well.

## Variation between retailers

Workshop participants noted that in their experience, there was variation between the energy retailers about how the framework was being implemented:



- Despite heavily scripted processes, there are still gaps that result in people missing out on grants and/or concessions. For example, some have expressed concern about inconsistency between retailers in offering utility relief grants, and even awareness of utility relief grants within retailers.
- Someone raised the question of whether there are business practices that lead to certain business outcomes? For example, are there KPIs set for call centre staff that lead to certain outcomes?
- Some suggested that debt collectors do not always comply with the framework and were concerned how this reflects on the energy provider, as the collection agency can be perceived as being part of the same business.

## Retailer staff training

There was mixed feedback on the level of awareness among retail staff about the entitlements under the framework.



- Some participants suggested there was broad awareness of entitlements across businesses and not just in hardship teams.
- Other participants suggested that this was not the case, or that there was still a need to develop specialist skills for teams, such as customer service staff being trained by hardship team members.
- Empathy and identifying customers experiencing financial hardship were noted as important elements of training.
- It was noted that financial counsellors often observe a disconnect between retailer's official response processes and the reality of customer and advocate interaction with retailer front line staff.

## Limitations in managing the on-going accrual of debt

- Some stakeholders highlighted that the framework was working to prevent disconnections but was not addressing the management or build-up of arrears.
- Some noted the increasing number of customers with large bills and arrears, particularly that these customers often had other debts and obligations.
- Others raised that unemployment and reduced income relating to the pandemic made it more difficult for customers to cover their utility bills.
- The issue of debt holds for customers who cannot pay usage and the challenge of avoiding debt accrual while respecting customer's ability to make payments were also raised.
- Some mentioned the successful use of debt-waivers to manage high debts but were concerned about some customers who repeat this cycle. Some advocated for greater government support to help clear debts.
- One participant noted that changes to the wrongful disconnection payment rules and penalties might drive retailer behaviour change. However, it may also lead to higher debts due to potential compliance issues or penalties for retailers if customers are not engaging.
- Some noted that customers can be reluctant to move retailers if they have a large debt. Another suggested they will default rather than switch, and so be moved to a local area retailer.<sup>151</sup>
- Others raised the issue of retrospective quarterly billing, which means customers are already in arrears when they receive their bill.
- Also related to utility relief grants, there was concern that there is a backlog in processing these applications which will impact the accrual of debt.
- Another questioned the purpose of tailored assistance, stating that it seems to be more focused on keeping customers connected rather than reducing their debt levels. This was also described as a balancing act between large debts and customer harm being balanced against disconnection.
- Some workshop participants expressed concern about the two-year time limit for payment plans. While there was agreement that payment plans should not last forever, the current situation sometimes results in people agreeing to



<sup>151</sup> There are three local area retailers, who are the default retailer for certain geographical locations in Victoria – these are AGL, EnergyAustralia, and Origin Energy.

unsustainable and unaffordable plans.

- One noted that very high debts were not suitable for a payment plan.
- Energy efficiency measures were noted as a way of helping reduce debt and ongoing usage costs. However, energy efficiency modifications were raised as something that was out of reach for those who are least able to afford their consumption.
- Also raised was the limitation on renters to make energy efficiency improvements.

## Improving implementation



- Workshop participants noted that customer debt remains an ongoing issue under the implementation of the framework.
- Stakeholders questioned whether high debt levels could be prevented if the customer does not engage with their retailer, particularly given the framework relies on the customer to engage.
- Stakeholders raised concerns on how to best manage the build-up of customer arrears.
- Participants asked how assistance can be provided while balancing debt accrual.
- Some suggested whether customers be automatically opted into receiving support.
- Others raised concerns that the two-year time limit for payment arrangements can lead to unsustainable and unaffordable plans. Payment plans need to be affordable.
- One questioned whether businesses have enough incentives to reduce customer debt.
- One participant also questioned whether the criteria for access to assistance may be too narrow, especially given the new customer cohorts who are requiring assistance since the coronavirus pandemic.

## Lowering debt levels on entry to assistance

- There were several suggestions for proactive retailer practices that may result in lower debt levels when people enter the framework. Examples included:
  - monthly billing
  - credit checks
  - bill smoothing
  - upfront security deposit to have lower prices
  - phone conversations
  - offering utility relief grants and concessions up front and early to encourage engagement
  - ensuring customers were on one of the best offers.
- Some participants suggested there is opportunity for retailers to be more proactive in identifying markers that indicate support may be required.
- Some participants suggested there should be a greater focus on early intervention, given that arrears of customers seem quite high. Ensuring that other aspects of the framework are being applied in the early stages, such as addressing energy consumption, or determining whether customer is on best offer could also support this.
- One questioned whether the purpose of tailored assistance was keeping customers connected or reducing their debt levels, noting that they considered tailored assistance does not help reduce customer debt.
- Other comments about improving the implementation of the framework included:
  - a lot of customers may be reducing usage rather than accessing support and that this is not captured in the data
  - the framework is complicated and needs to be simplified for both staff and customers
  - retailers should allow long term payment plans on closed accounts instead of sending to debt collectors.



### Theme 3: Broader issues faced by customers

The comments under the theme 'broader issues faced by customers' relate to:

- customers also experience existing vulnerabilities
- lessons learned and customer experiences during the coronavirus pandemic.

#### Customers also experience existing vulnerabilities



- Some participants recognised broader issues faced by customers and suggested that referring customers to other supports to address other issues was important.
- Another questioned how effective the framework is in addressing vulnerability for a customer at a higher level.
- Several participants raised the issue of customers who simply cannot afford their consumption.
- One raised the issue that distributors can end up being the point of contact for helping people access assistance, and that it needed to be easier for customers to access grants before the distributor comes to disconnect. However, it was noted that this was not due to a lack of effort on behalf of retailers.

#### Lessons learned and customer experiences during the coronavirus pandemic



- Workshop participants reported that government support policies implemented during 2020, such as the JobKeeper payment, meant that some customers were spending more on their bills and some retailers saw a reduction in people seeking assistance.
- Other participants observed that some groups fell through the cracks of this assistance, including migrants, refugees, students, and the part-time/casual workforce.
- Some discussed the impacts of the coronavirus pandemic, such as unemployment and reduced income, that made it difficult for some customers to cover their utility bills.
- Some noted that customers reduced spending during times of uncertainty.
- Others noted that the lockdowns contributed to increased consumption because people were at home more.
- Some suggested that the pandemic has changed the customer profile of



those who require support.

- Community advocacy agencies noted that more 'non-traditional' clients were affected, such as those who experienced job loss in two income households with large mortgages.
- Changing customer profiles due to pandemic was also noted. Financial counsellors observed new types of clients who had previously been on high incomes, and were balancing mortgages, credit card payments, and high energy bills.
- One questioned whether customers were prioritising other debts because of the support available through the framework.
- Financial challenges for many customers were exacerbated by increasing energy consumption costs due to lockdowns.
- Others noted there were more customers experiencing financial hardship who were not eligible for other forms of government assistance, such as Centrelink, concessions, or grants.
- The rule change during the pandemic that halted disconnections was noted by participants.
- Some questioned the impact of this on debt accrual, others were unsure of the impact once disconnections resumed. Another noted that disconnections were dropping prior to the pandemic.
- One noted another impact of the lockdowns being that face-to-face support services were unable to be provided, particularly impacting non-English speaking customers.
- Another suggested that retailers have made customers more aware of what assistance is available.

## Theme 4: The role of government supports alongside the framework

The comments under the theme ‘the role of government supports alongside the framework’ relate to:

- Utility relief grants
- Concessions
- Victorian Government Power Saving Bonus Scheme
- Systemic poverty and ongoing energy use.

### Utility Relief Grants



- Some workshop participants noted the inconsistency between retailers and within retailers when it came to offering utility relief grants, including reports of low awareness of utility relief grants within retailers.
- Another raised the challenge of getting three participants to work together to get utility relief grants paid into customer accounts. The utility relief grants guideline has been great at helping customers access assistance in a timely way. However, it requires better engagement between retailers and customers.
- Others suggested the utility relief grants process could be made easier.
- Other comments made about utility relief grants included:
  - the backlog for processing utility relief grants will impact the accrual of debt
  - as energy is billed retrospectively, a customer is already in arrears while they wait to receive the utility relief grant
  - the \$650 payment for each utility has not kept up with the cost of energy.
- One retailer noted their challenges with obtaining information from the Department of Families, Fairness and Housing (DFFH) (such as making multiple email requests for forms, and accessing information about how to populate forms), suggesting a retailer portal with work instructions and guides assisting retailers in supporting their customers.
- One made comparison with the New South Wales Energy Accounts Payments Assistance scheme which is easier to access than utility relief grants.

## Concessions



- The feedback about concessions covered some of the impacts the concession process has on customers. The process for applying for concessions is complex and keeping details up to date is difficult because concessions must be updated regularly.
- Comments about concessions included:
  - questioning whether concession applications can be automated. There can be data matching issues with concession cards which impacts whether customers can access their entitlements.
  - a simpler approach to concessions is needed. South Australia was cited as an example.
  - some customers are not using their entitlements around concessions and utility relief grants.
  - not all customers who receive concessions fall into the framework, and vice versa.
  - concessions and Centrelink payments have not increased in line with utility bills. Therefore, a larger proportion of payments are going towards utility bills.
  - people with concessions often have higher levels of energy consumption.

## Victorian government Power Saving Bonus scheme



- Some participants noted that the funding available for the power saving bonus did not match the number of eligible customers, and it was difficult to access compared to similar schemes in other states.
- Others noted that this scheme has been a gateway into information about the framework rights, utility relief grants, and concessions.

## Systemic poverty and ongoing usage



- Some raised the issue of chronic poverty, which cannot be alleviated by retailer assistance without wider support from government.
- Others noted that further government assistance is required on a regular basis for those who cannot pay for ongoing usage.