

3rd December 2021

Commissioners
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, VIC 3000

[Submission to the Essential Services Commission – Energy payment difficulty framework implementation review](#)

Dear Commissioners,

Thank you for the opportunity to provide feedback on the implementation review of the Payment Difficulty Framework (PDF). Consumer Policy Research Centre (CPRC) aims to create fairer, safer and inclusive markets by undertaking consumer and policy research and working with leading regulators, policymakers, businesses, academics and community advocates.

CPRC welcomed the introduction of the PDF and its design focusing on early engagement and entitlements has broadly improved consumer outcomes, with the potential for further significant improvement as implementation issues are resolved.

As identified in CPRC's partnership report with Dr Larissa Nicholls and Dr Kari Dahlgren, *Consumer Experiences following Energy Market Reforms in Victoria: Qualitative Research with Community Support Workers*, key issues include significant inconsistency of understanding and implementation of the PDF and related reforms both between retailers and within retailers. The result of this is consumers do not receive their entitlements or only access these entitlements with the assistance of financial counsellors, advocates or outreach workers. These findings are also echoed in both editions of Consumer Actions' *Energy Assistance Report* and the *Missing the Mark* report by the Energy and Water Ombudsman Victoria. The inconsistent implementation of PDF has also been identified our outreach work supporting hard to reach households to access the Power Saving Bonus.

As part of CPRC's outreach work, our team has been working with various consumers experiencing vulnerability to access the Power Saving Bonus – a Victorian Government program to provide concession card holders \$250. Where covid-restrictions have allowed, the CPRC outreach team has provided this assistance in person to households predominantly in public housing estates across Melbourne. This in person support enables our outreach team to collect valuable insights about key information provided on or missing from energy bills and consumers' experience in Victoria's energy market, identifying eligibility for URGs, ensuring concessions have been applied and providing a tariff check via the Best Available Offer. Between 1st March and 15th July 2021, the outreach team provided in-person support to 2,667 individuals to apply for the Power Saving Bonus and is the basis for the findings outlined below.

Concessions

Our outreach team identified 548 (21%) of households eligible for the Power Saving Bonus did not have their Annual Electricity Concession applied to their bill. The onus on consumers

to notify their retailer that concessions have fallen off their bill creates additional difficulties for consumers at risk of vulnerability – particularly those with limited English, literacy issues, difficulties reading font size on bills, and those facing digital exclusion as bills increasingly move online. This is also particularly problematic for individuals unaware that their concession card provides an entitlement to an Annual Electricity Concession. As outlined by Nicholls and Dahlgren, concessions are sometimes applied to an electricity bill but not a gas bill with the same provider.¹ Retailers must address concessions processes which are failing to provide consumers with the support they are eligible for. Failing this, the ESC can itself provide more detailed guidance to retailers to address this systemic failure.

Importantly, an effective concessions process can be automated by retailers, avoiding unnecessary burden for consumers experiencing vulnerabilities and ensuring bills are more affordable to avoid payment difficulty. Through engagement with various retailers, CPRC has identified one retailer Red Energy has implemented automatic update of concessions, without the need for an individual to flag a new concession card with their retailer. Red Energy seek a consent to conduct ongoing validation of someone's concession, and then run bulk monthly validations of concessions with Services Australia. Where a validation fails, Red Energy flag the account to follow up issues with the consumer. This effectively automates a process that otherwise creates an unnecessary administrative burden and improves affordability for consumers experiencing vulnerability.

Payment plans

Broadly, the introduction of the PDF has helped to formalise the entitlement to a payment plan, which helps consumers and advocates acting on their behalf access support when contacting retailers. This has been particularly valuable in both ensuring consumers can access a payment plan and establishing a more affordable payment plan.

However, inconsistencies remain between and within retailers in the application of the entitlements around payment plans. Our outreach work has identified that retailers are setting up payment plans resulting in low-income concession card holders being overcharged through their fortnightly payment plan – reflecting poor payment plan design and little/no review mechanism to ensure payment plans are appropriate and actually match the ongoing cost of energy consumption and arrears. In one example, a consumer paid \$55 a fortnight when he only needed to pay \$28. This resulted in him being more than \$600 in credit. In another example, a consumer on a low income had accumulated over \$1,300 of credit on his account due to his fortnightly payment plan being set at more than double the rate required to cover his ongoing energy use costs.

Recommendation 1: Retailers engage in regular payment plan review to ensure consumers experiencing payment difficulty have appropriate payment plans.

Recommendation 2: The ESC engage in a periodic audit of payment plans.

Utility Relief Grants (URG)

Data from the ESC indicates a growing number of consumers accessing URGs since the introduction of the PDF. This is a positive and welcome development. However, CPRC has also found numerous instances of individuals eligible for an URGs who have not been assisted by their retailer, again requiring the outreach team to help access this support. Of

¹ Consumer Policy Research Centre, 'Consumer experiences following energy market reforms in Victoria' (quarter 4 final report), interviews report for the Essential Services Commission, June 2021

those households eligible for the Power Saving Bonus, CPRC found 108 households eligible for an URG and assisted these individuals to access this support.

As identified by Nicholls and Dahlgren, there are significant inconsistencies within retailers around awareness of URGs and eligibility.² Some consumers have not been provided an URG by their retailer on the basis selective use of URGs criteria – demonstrating a poor understanding by retailers about the supports consumers are entitled to within retailers.

Recommendation 3: ESC audit retailer processes around providing URGs.

Tariff Review and Best Available Offer

As identified in Nicholls and Dahlgren, retailers are broadly more proactive checking for a better tariff when assisting consumers experiencing vulnerability under the PDF. Again, this varies between retailers, with some call centres staff automatically checking for better offers as a matter of standard process - while others seem unaware of the Best Available Offer reforms.³

While the Best Available Offer mechanism itself sits outside the PDF and a tariff review is only required for consumers with more severe payment difficulty, these are important mechanisms that can help avoid payment difficulty. Our outreach team found a substantial proportion of consumers not on the Best Available Offer, in some cases leaving hundreds of dollars on the table. Of the 2667 households our outreach team supported between 1 March and 15 July, 50% (1324) households were not on the Best Available Offer, with average dollar savings of \$167. Of those households where CPRC identified a Best Available Offer left on the table, 13% (175 households) were able to save in excess of \$300. CPRC identified six consumers living with disability – three of whom received the Excess Electricity Concession - who were on tariffs ranging from **\$355 to \$2863** above the Best Available Offer (see appendix 1). The outreach team reports that those households with significant Best Available Offer savings almost universally report *no* awareness of this mechanism. Part of the issue appears to be the ambiguous wording of the Best Available Offer bill notification.⁴ This group of consumers – predominantly living in public housing towers – is also more likely to present with low literacy, or limited English, and low awareness of their entitlements. This highlights the importance of improving the diversity and range of communication methods to support consumers access these products.

Low trust in the energy sector also remains a barrier. Our outreach team report some consumers are reluctant to believe the Best Available Offer notification as genuine – and only after a conversation about the Victorian Government’s reforms and ESC regulation that consumers are motivated to obtain the Best Available Offer, as displayed on their bill. Others remain unconvinced, even when advised they will stay with the same provider and the outreach team will assist with the switch to a better plan on the spot, one consumer responded “*no thanks, I’m happy with how it is love*”. While these anecdotal examples do not reflect the experiences of the whole market, they point to the deeper lack of trust among some consumers and status quo bias.

² Ibid., 6, 24.

³ Ibid. 31-32.

⁴ Ibid.

Drawing on ECA's *Consumer Sentiment Survey*, Byrne and Martin find statistically significant evidence that lower income consumers are less likely to engage in search and switching behaviour.⁵ Byrne and Martin point to evidence elsewhere 'implying lower-income households suffer disproportionately from behavioural biases'.⁶ In our view, it may be more beneficial for retailers to switch low income consumers with concessions onto the Best Available Offer, regardless of whether they are in payment difficulty, in order to avoid accruing arrears among those least able to pay.

The lack of tariff review among retailers is another issue raised by our outreach team, who continue to encounter examples of vastly inflated pay on time discounts on energy bills of consumers experiencing vulnerability. While these examples may be evergreen contracts struck before the introduction of the cap on pay-on-time-discounts, these tariffs are confusing for the consumers in vulnerability, and can result in bills well beyond the Victorian Default Offer if consumers miss a payment deadline. In just the last two weeks our outreach team has two significantly inflated pay-on-time-discounts – one of 43% off (\$0.4983p/kWh and standing charge of \$1.7193) and the other 35% off (\$0.3259 p/kWh and standing charge \$0.3259). Other issues identified by the outreach team include retailers overcharging consumers with concession cards, leaving them with a significant credit (figure 1).

Case example 1

In November 2021, CPRC supported a lady living in an over 55s public housing high rise in Brunswick to access the Victorian Government's \$250 Power Saving Bonus.

The lady is an aged pensioner and receives the Annual Electricity Concession applied to her bill. However, CPRC found that she was over \$1,000 in credit on her account and had a Best Available Offer notification on her bill of \$700.

Retailers could be automatically checking for accounts in significant credit, particularly where concessions are applied and notifying customers of both the Best Available Offer and reassessing payment plans.

The ESC's data indicates the proportion of consumers receiving tailored assistance and an energy concession who cannot afford ongoing use has remained largely unchanged at around 64% between March 2019 and June 2021.⁷ Our research has demonstrated the lack of uptake of the Best Available Offer amongst vulnerable cohorts. Given this data highlights ongoing affordability issues, there may be benefit in introducing a default mechanism for vulnerable cohorts to ensure they receive the Best Available Offer.

Recommendation 4: ESC audit retailers tariff review processes.

Recommendation 5: Retailers engage in periodic tariff review of all consumers with a concession card to ensure they are on an appropriate and comprehensible tariff.

Recommendation 6: Retailers consider a mechanism to default vulnerable consumers to the Best Available Offer

Switching consumers to the Best Available Offer is also highly variable between retailers and between staff. One retailer – Tango - appears to have largely automated the process,

⁵ David P Byrne Leslie A Martin, *Consumer Search and Income Inequality* (February 2, 2021). Available at SSRN: <https://ssrn.com/abstract=3773860>

⁶ Ibid.

⁷ Essential Services Commission, *Victorian energy market report: 2020–21*, 29 November 2021, p 36, figure 12.

reducing the effort involved and time required to less than 5 minutes. For other retailers, even with an advocate assisting a consumer it can take up to an hour – one retailer advised “call back another day, the guy that does that isn’t here today”. The outreach team have raised concerns that those clients who experience this hour long process to switch tariff within a retailer are unlikely try to do this themselves in the future because the process is so arduous even with the assistance of an advocate.

Recommendation 7: ESC consider auditing internal switching process or mandating retailer timeframes for making the switch once a customer has contacted and requested the shift to the Best Available Offer.

Proactive support, engaging consumers and disconnection

The ESC has found more than half of customers disconnected were not receiving assistance in the six months leading up to disconnection.⁸ Our own anecdotal experience points to continued low awareness of supports, low trust and engagement in the sector among consumers experiencing vulnerability. In our COVID19 *Victorian Energy Insights October* report for the ESC, we found of those who hadn’t contacted their provided in the previous month (82% of our sample), a higher proportion of renters and consumers living with disability reported they either didn’t think it was worth the effort, had too much going on, or weren’t confident energy providers would assist them than other subgroups.⁹

The channel and framing of messages around available supports does matter. While we note the ESC has published data around number of reminder and disconnection notices, without further data around the attempts made by retailers to contact their customers by SMS, email or phone, and further analysis of the framing of these communications, it is difficult to draw meaningful conclusions about why such a large proportion of consumers didn’t receive assistance before disconnection.

Retailers don’t explicitly outline consumer entitlements in regular communications with consumers, instead prompting consumers to call their provider to access assistance or look up a hardship policy. In a sector with low trust and low awareness of available supports, consumers may avoid contacting providers because they are unaware of their entitlements. Information about PDF entitlements is not immediately available on the homepage of different retailers’ websites – and evidence indicates more than one in ten Australians have a high digital exclusion score.¹⁰

Recommendation 8: ESC gather and publish anonymised data around different retailers ‘best endeavours’ attempts to contact consumers, to examine how entitlements are communicated to consumers – both in terms of supports available and how to access it.

Our outreach team has encountered examples of retailers issuing consumers with disconnection notices well under the minimum \$300 threshold. Our outreach team assisted a lady who received a disconnection warning notice with arrears of just \$133.

⁸ Ibid., 38.

⁹ Consumer Policy Research Centre, *Victorian Energy Insights Report October 2020*, report for the ESC, 2020, 18.

¹⁰ <https://www.digitalinclusionindex.org.au/key-findings-and-next-steps/>

Recommendation 9: ESC consider auditing retailers processes around disconnection

The need for consistent and coordinated communications and engagement with vulnerable consumers

CPRC's Energy Simplified and Power Savings Bonus partnership with the Victorian Government which delivers outreach to culturally and linguistically diverse communities, seniors, and those living in public housing properties, has underscored this need for tailored approaches to education and consumer empowerment.

Information about PDF supports, and other government supports needs to be delivered by those with a strong working knowledge of the regulatory framework, as well as a demonstrated track record of engaging and supporting vulnerable energy consumers. Broad-based communications campaigns do not reach a significant proportion of those that most need energy support. This outreach has also enabled the sharing of insights into retailer behaviour back with the ESC and DELWP, enhancing market monitoring. The ongoing off-again, on-again nature of funding of these programs significantly reduces their effectiveness as networks and relationships are lost and then need to be reformed again, once outreach funding is provided again.

We would welcome an opportunity to discuss with the ESC the significant value of consistent outreach and research into the lived experiences of Victorian energy consumers to support the objectives of the PDF.

Recommendation 10: The ESC and DELWP co-fund and partner with community organisations who are skilled in delivering energy information and outreach activities to consumers experiencing vulnerability around Victoria.

Delivering the intent of the PDF

We appreciate that the transition to the PDF is a complex process for businesses which may require significant system rebuilds to meet new obligations. We also note the disruption COVID19 may have created in implementing new systems.

However, our experience demonstrates widespread inconsistencies with the implementation of the framework, suggesting some retailers have not genuinely committed to delivering the objectives and intended objectives of the PDF. This is perhaps most clearly demonstrated by widespread instances of inconsistency both within and between retailers, as well as widespread evidence of consumers with concessions on high tariffs.

If you have any questions about this submission, please contact Ben Martin Hobbs, Senior Research and Policy Manager at ben.martinhobbs@cprc.org.au.



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Appendix 1: Residents with a disability not being supported to access the Best Available Offer

CPRC is working with disability service provider Scope to support clients in its residential accommodation to access the Victorian Government's \$250 Power Saving Bonus.

In conducting this work, CPRC found six properties with electricity accounts with EnergyAustralia that could save a combined total of \$7,848 by moving to the Best Available Offer, as shown on their bills (below). One of these households alone could save \$2,863, representing a significant savings for these householders with a disability who pay the cost of their utility bills from their Centrelink payments.



Figure 1: actual Best Available Offer notifications from the 6 Scope properties

All of these Scope households had concessions applied to their account, including the Excess Electricity Concession in three of the households due to their high patterns of consumption. Although EnergyAustralia was aware that the households were in receipt of these concessions, they did not proactively approach the households to notify them of the Best Available Offer savings or to support them to switch to these significantly cheaper plans.

When CPRC sought to assist these households to switch to the Best Available Offer, the process was long and complicated, taking Scope and CPRC several weeks of advocacy, including a lengthy process to meet EnergyAustralia's authority to act requirements.