Heat or Eat

Households should not be forced to decide whether they heat or eat.

A report prepared by the Consumer Action Law Centre

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consumer action law centre

Heat or Eat

In the year 2013/2014, over 50,000 Victorian properties were disconnected from energy.

Disclaimer

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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or Energy Consumers Australia.

The case studies cited herein do not claim to be representative or of a statistically significant number. They are, however, the lived experience of six consumers who have approached Consumer Action, Odyssey House or Kildonan UnitingCare for assistance, and represent a range of vulnerable and disadvantaged consumers across different geographic areas and retailers. Analysis of the incoming calls to Consumer Action's financial counselling service also suggests that the issues raised in the case studies are broadly representative where the same or similar issues are experienced by other callers.

* The Consumer Advocacy Panel ceased operations on 30 January 2015. Its functions have been transferred to Energy Consumers Australia, established on the same date.

The Consumer Action Law Centre is an independent, not-for-profit consumer casework and policy organisation based in Melbourne, Australia.

www.consumeraction.org.au

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Consumer Action provides advice and support to thousands of consumers who experience financial difficulty. Our experience is that those in the most difficult situations are often unable to advocate for themselves. This report, and the case studies it contains, would not have been possible without the assistance of Consumer Action's financial counselling staff.

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Foreword

Financial difficulty can happen to anyone. The vast majority of those experiencing financial difficulty want to pay their bills and keep connected to essential services. However, it is often an unexpected external event that can affect people's connection to essential services, for example, a job loss, illness, a relationship breakdown or the failure of a small business. Sadly it is also the everyday experience of those living in entrenched poverty, with poor housing and low incomes.

Disconnections in Victoria increased from 9,598 electricity disconnections in 2008-09 to 34,448 in 2013-14, **an increase of 359%.** For gas, disconnections had an **increase of 239%** from 10,077 in 2008-09 to 24,178 in 2013-2014.[1] The growth in disconnections highlights systemic failures in the energy market for many consumers, with alarming ramifications.

This report describes the various issues that contribute to disconnection, how access to energy and financial difficulty interrelate and the chain of events that result in disconnection. Fundamentally, it describes the additional avoidable costs incurred—economic, social and emotional—when someone is disconnected. In addition to attempting to calculate those costs, the report provides detailed case studies of six Victorians who have been disconnected in the past 12 months.

Consumer Action appointed researchers from the Beyond Behaviour Change (BBC) Research Program at RMIT University's Centre for Urban Research to conduct confidential in-depth interviews with consumers who were disconnected.[2] The findings of that research expose the impact that the disconnection has on individuals and their households, and how it exacerbates existing financial, emotional or social stress. The report also draws upon the understanding and expertise of Consumer Action's legal and

[1] Essential Services Commission 2014 Energy Retailers Comparative Performance Report –Customer Service, 2013-14, December 2014. The figures for 2014-15 have yet to be released.
[2] Strempel, A. Nicholls, L. Strengers, Y. (2015) *Disconnection Case Studies: Understanding the household experience,* Centre for Urban Research, RMIT University

financial counselling services. These services speak to over 20,000 Victorians experiencing financial difficulty who contact us each year.

Many Victorians are increasingly unable to cover the cost of their energy use. This can be due to income insufficiency, or a range of issues that combine to result in inability to pay. The case studies in this report demonstrate how one's financial position can become substantially worse, as a result of disconnection. It can also contribute to poor health and exacerbate other social problems.

While it is accepted that energy retailers aren't responsible for income insufficiency, they do play a significant role when it comes to facilitating disconnections. The report finds that poor customer service, badly targeted marketing and an unsophisticated approach by some retailers to handling customers with financial difficulties can make a difficult situation much worse. For example, court-based collection strategies including bankruptcy can put family homes at risk.

This report has been prepared to contribute to the current inquiry into best practice financial hardship programs of energy retailers, being undertaken by the Essential Services Commission (**ESC**). The inquiry commenced in March 2015 and a draft report will be published in late August.[3] The goal of this report is to provide further evidence to the ESC of the harms caused by current practices associated with energy hardship and disconnection. It also suggests some significant reforms that the ESC could consider as part of its inquiry to better protect vulnerable Victorians, as well as a recommendation to the Victorian Government to further enhance its recent announcement in relation to energy efficiency.

While we know that income insufficiency is a significant contributor to many who are experiencing financial hardship and subsequent disconnection from energy, this issue is beyond the scope of our work and that of the ESC. We have chosen to focus on sensible and practical measures to guide retailers at various points of the sales and collection cycle to help their customers maintain

[3]Essential Services Commission, Energy Hardship Inquiry, Update June 2015, http://www.esc.vic.gov.au/getattachment/079ab266-c594-4b50-ba50-8abaaef85834/The-Essential-Services-Commission-June-Newsletter.pdf

connection to their energy supply and for the Victorian Government to help Victorian households achieve energy efficiency and affordability.

Consumers who have high debts would also benefit from lower bills, the result of more specific assistance around consumption. The Victorian Government's recent commitment to energy efficiency, specifically the commitments to improving the efficiency Victoria's residential and commercial buildings, as well as providing active support to vulnerable consumers[4] is a step in the right direction. The recommendations of the One Million Homes Alliance in relation to finance arrangements for energy efficient upgrades, better regulations around rental properties and the targeted retrofitting of public and community housing should also be adopted.[5]

Energy efficiency and other support for vulnerable consumers should be delivered by retailers in partnership with service based organisations with proven experience in working with vulnerable consumers and providing efficiency advice.[6] The benefits of a home energy audit go far beyond savings to energy bills, and can provide consumers with broader education around using energy and managing costs. This support should be through multi-channels, with individual advice provided in-home and via telephone, boosting existing online measures.

The report makes recommendations that, if embraced, would assist consumers to remain connected at an affordable level of supply, with increased accountability on retailers for the impact of disconnections. The recommendations are

1. To cap the maximum amount of fortnightly income that a retailer can request from a consumer in receipt of government allowances for gas, electricity and water.
2. For the Victorian Government to initiate a home energy audit program for low income households that is deliverable by retailers as a condition of the Energy Retail Code.

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[4] Victorian Government, Media Release Labor Government Saving Energy And Growing Jobs, 26 June 2015 http://www.premier.vic.gov.au/labor-government-saving-energy-and-growing-jobs
[5] http://environmentvictoria.org.au/onemillionhomes
[6] Victorian Government, Media Release Labor Government Saving Energy And Growing Jobs, 26 June 2015 http://www.premier.vic.gov.au/labor-government-saving-energy-and-growing-jobs

3. That the decision for retailers to disconnect account holders be made by an independent panel or arbiter.

Society has a greater role to play in addressing the problems of access to energy as an essential service. We need to consider the value that we place on households being able to participate fairly and equally, including fair and safe access to energy. Households should not be forced to decide whether they heat or eat.

1. Disconnection—the problem

Many consumers experiencing financial hardship face high energy debts which can result in debt collection and disconnection. The contributing factors to this problem are complex and intertwined. However, typically, there are three key factors: the rising cost of energy, the insufficiency of household income, and high consumption levels. For some consumers, their individual circumstances can combine to impact on their ability to maintain connection to energy, including factors such as unemployment, poor health, and exposure to violence. In addition, the practices of retailers themselves, through poor customer service, badly targeted marketing practices and an unsophisticated approach to working with those customers experiencing financial difficulties, can have significant impacts on those consumers already finding it difficult to stay connected.

These factors are discussed below, noting that while one issue can be the driver of difficulty paying for energy bills, it is often the combination of one or more factors that can lead to disconnection.

The pillars of access: Price, Income and Consumption

Electricity prices in Australia have jumped by an average of 82 per cent in the last seven years and 45 per cent in the last three years alone.[7] In real terms, this has delivered significant hikes in energy bills.

In Melbourne, however, which has the highest level of consumer switching and is often held as the most competitive market in Australia, prices have increased by ***84 per cent*** in seven years. While prices were expected to, and did, fall following the removal of the carbon tax,[8]

A Consumer Action client who accumulated a considerable debt over five years, experienced price changes (ex GST) from October 2010 with a retail tariff of 18c/kWh and a standing charge of 65c/day, to May 2013 with a retail tariff of 31c/kWh and a standing charge of $1.14 per day. Price rises over this period alone resulted in an average 57% increase.

[7] Electricity Supply Association of Australia, *Fact sheet: Electricity Price Growth* http://www.esaa.com.au/Library/PageContentFiles/64b28ac8-0cad-4f90-85fd-cc493840aa1f/121017_Electricity_Price_Growth.pdf

evidence shows that prices are now back at the carbon tax level, and are continuing to rise.[9]

Recent research conducted by the Brotherhood of St Laurence[10] looked into the retail margins in Victoria, finding that the retail component of electricity bills is far higher than in other states, and that that energy retailer fixed charges were far higher in Victoria than in any other state.

These costs are a key contributor to the difficultly some households face in being able to afford their energy bills, and can be avoided. Improving the effectiveness of retail competition and thereby reducing the retail component of electricity bills would reduce overall bills for Victorian consumers.

Based on current prices, a dual fuel inner city Victorian household with average use will pay $2,470 annually, or $47.50 per week. Those living in the inner west pay $2,740 annually, or $53 per week. This is a significant expense for many consumers, and is particularly onerous for Centrelink recipients on a fixed, low income. For households with above average consumption, for example families with young children, the costs are even higher.

Many of the consumers that contact Consumer Action are experiencing a range of financial pressures. A number of clients also include those higher income households with debt stresses. For many consumers, the cost of energy is a significant component of expenditure. While bills are typically issued quarterly, we can still consider usage and cost on a fortnightly basis in line with receipt of income.

Where the income is based on Centrelink Newstart payments, for example, it becomes very clear that in all but exceptional cases, the cost of consumption will outstrip the available income. As a consequence, many consumers are accruing significant debts as they struggle to pay for their energy use, as well as paying off any arrears. If the consumer keeps accruing debt that is unpaid, this can ultimately

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[8]Australian Energy Market Commission, *2014 Residential Electricity Price Trends*, December 2014 http://www.aemc.gov.au/Markets-Reviews-Advice/2014-Residential-Electricity-Price-Trends/Final/AEMC-Documents/2014-Residential-Electricity-Price-Trends-report.aspx

[9] St Vincent de Paul, *Victorian Energy Prices, January 2015*, Pg 9-11 https://www.vinnies.org.au/icms_docs/209274_Victorian_Energy_Prices_-_January_2015.pdf

[10]Carbon and Energy Markets, *A critique of the Victorian retail electricity market,* June 2015 http://www.bsl.org.au/fileadmin/user_upload/files/research/reports/BSL_A-critique-of-the-Victorian-retail-electricity-market_July_2015.pdf

lead to disconnection, or debt collection strategies such as court judgment or bankruptcy.

In 2013-2014 the ESC found that Victoria had the highest rate of increase in electricity disconnection rates across Australia,[11] 57% of those were reconnected in the same name which suggests that the disconnection could have been avoided if the bills had been paid.

The combination of rising costs for rent/mortgage, food, transport, utilities, education and other basic cost of living expenses result in significant cost pressures for low income Victorians.

The majority of the clients Consumer Action financial counsellors assist are sole parents, or unemployed couples. They are often welfare recipients living in entrenched poverty. A significant number of clients receive the Disability Support Pension or Newstart, with average annual incomes between $10,000 and $20,000 per year. They commonly live in rental properties in low cost rental areas such as the western, north western or outer eastern suburbs of Melbourne. Clients typically present with utilities problems, which act as a trigger for a range of financial and other issues. A key driver of financial problems is insufficient income, combined with or exacerbated by lost jobs, injuries, relationship breakdowns, illness, and family violence.

[11] Essential Services Commission 2014, *Energy retailers comparative performance report—pricing 2013-14*, October 2014 http://www.esc.vic.gov.au/getattachment/e57104e1-3036-401a-b618-58c9336b7ff4/Energy-retailers-comparative-performance-report-Pr.pdf

Low income households spend more of their income on energy than average income households (who spend 5.3%),[12] and often reside in dwellings which typically have less insulation and window treatments and have less solar electricity or hot water installed, compared to other households.[13] Recent Salvation Army research noted that:

> *respondents continue to encounter severe housing stress connected with inadequate economic resources. Results highlighted that individuals spent 59% of their total income per week on accommodation expenses. Therefore, individuals spent $180 per week on accommodation and had less than $125 a week left ($17.86 per day) to live on.*[14]

In many instances, low income households self-restrict their energy use to the detriment of their wellbeing. In a study by the University of Sydney in 2013, researchers described some of the approaches low income households use to reduce their energy costs:

> *Never or rarely leaving home, using only one room, shorter (or occasionally, no) showers, watching less television, going to bed fully clothed (or early) to avoid the use of heating, families using a common sleeping room when cold, rarely having friends or extended family at home to avoid using cooking appliances and/or the room temperature being uncomfortable – these are some of the 'strategies' that low-income households have adopted to 'manage' their energy use as they endeavour to control the size of bills. These actions are far more extreme than the commonly promulgated measures to improve household energy efficiency.*[15]

The Newstart allowance for singles has increased from $449.30 or $486.00 with dependents in 2009 to $519.20, or $561.80 with dependents in 2015. The cost increases associated with energy, as outlined earlier, have far exceeded the increase in income for the most vulnerable households.

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[12] Australian Bureau of Statistics (2013) *4670.0 - Household Energy Consumption Survey, Australia: Summary of Results, 2012*
http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4670.0~2012~Media%20Release~Households%20spend%20$99%20per%20week%20on%20energy%20(Media%20Release)~10000
http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4670.02012?OpenDocument
http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4670.0~2012~Main%20Features~Economic%20resources~10003
[14]Salvation Army, *National Economic and Social Impact Survey 2015* Pg 7
https://salvos.org.au/scribe/sites/auesalvos/files/media/newsroom/pdf/2015-tsa-esis-report.pdf
[15] Chester, L (2013) University of Sydney, *The impacts and consequences for low-income Australian households of rising energy prices* p6
http://www.householdenergyuse.com/resources/Impacts_Consequences_Low_Income_Households_Rising_Energy-Bills_Oct2013.pdf

Low income households also face more barriers to energy efficiency. They are often unable to afford to upgrade to more efficient appliances and commonly live in poor quality rental housing.

A 2010 report by Environment Victoria described the benefits of a retrofit program targeting low income households, recognising these people were least able to mitigate against rising energy and water costs.[16] The significant savings of such a program, at that time, were estimated to be $296 per household, and even now, would deliver much needed relief to struggling Victorians trying to make ends meet. In-home audits, delivered via the Home Energy Saver Scheme, axed by the Federal government in mid 2014, provided comprehensive benefits to low income households. A report by Kildonan UnitingCare describes the positive outcomes of a similar program to recipients of energy audits.[17] In a welcome move, the Victorian Government recently released its Energy Efficiency and Productivity Statement,[18] which includes in its priorities for action, exploring ways to strengthening the energy performance of existing buildings and options to provide funding assistance for appliance and housing upgrades for those who need it most.

Snowballing financial pressure

The problems facing consumers in managing their energy costs is not the only issue they face. Consumer Action receives over 20,000 calls per year and while energy debt can often be a trigger for consumers to seek assistance, it often reveals a range of complex and critical issues. This is reflected more broadly in the issues recorded by the ABS, Australia wide:

> *Although average energy costs increased in relation to household income and wealth, energy costs had more impact on the economic wellbeing of lower economic resource groups. For instance, nine percent of low income households experienced at least one indicator of financial stress associated with their energy use compared to two percent of high income households. Nearly one in five low income households (18%) could not pay their electricity, gas or telephone bills on time, while 13% had their electricity or gas services disconnected sometime during the last 12 months. By comparison, only five percent*

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16 Environment Victoria (2010): *One Million Homes* p11

17 Research results from Kildonan's Energy Efficiency program, Pgs 1-2 , https://www.kildonan.org.au/media-and-publications/research/

18 Saving energy, growing jobs, *Victoria's energy efficiency and productivity statement, June 2015* http://www.energyandresources.vic.gov.au/__data/assets/pdf_file/0004/1145569/Energy-Efficiency-and-Productivity-Statement.pdf

of high income households could not pay their bills on time and two percent had their services disconnected.[19]

In the case of those interviewed for this report, participants typically experienced compounding or 'snowballing' costs and debt in the lead up to disconnection. Further, according to RMIT researchers, several of the participants in their interviews had been left with financial burdens from previous relationships. It was unexpected costs that tipped them into further debt, for example when a hot water system broke down, or a car was damaged in an accident.

Several participants found themselves rotating through disconnections from various services—for example they would have to decide whether their phone or gas was more important that month, knowing that paying one bill would mean another could not be paid.

The Salvation Army's *National Economic and Social Impact Survey 2015* highlights the balancing act of ordinary people trying keep a roof over their heads, and prioritising some payments over others. The largest group of those experiencing financial difficulty were women (67%), of all respondents 88% were totally dependent on income support, and 87% were unable to afford essential items. Significantly, in 59% of cases, clients reported physical or mental health issues. Almost 60% were either late with payments, or simply unable to pay their utility bills.[20]

Vulnerability and the impact of complex crises

Vulnerability is sometimes considered to be limited to be those on low incomes, the aged, or those with poor health or a disability. Vulnerability is in fact considerably broader, and any combination of issues can lead to a state of crisis. For example, losing or job or experiencing an illness or accident can leave someone

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[19] Australian Bureau of Statistics (2013) *4670.0 - Household Energy Consumption Survey, Australia: Summary of Results, 2012*
http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/4670.0~2012~Media%20Release~Households%20spend%20$99%20per%20week%20on%20energy%20(Media%20Release)~10000
http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4670.02012?OpenDocument
[20] Salvation Army, *National Economic and Social Impact Survey 2015* Pg 7
https://salvos.org.au/scribe/sites/auesalvos/files/media/newsroom/pdf/2015-tsa-esis-report.pdf

vulnerable to financial difficulty. A Yarra Valley Water report in 2013 found that 42% of Melbourne households were particularly vulnerable to financial hardship.[21]

Many people that contact Consumer Action have experienced job loss, reduced work hours or are recently bereaved. While these factors are likely to impact on most people at some time in their lives, many are unprepared for the implications of these events, including financial difficulty and emotional instability. Others have been involved in accidents or are victims of a violent crime or event, resulting in post traumatic stress disorder or other complications.

Domestic violence is also a significant issue. In the clients that RMIT interviewed for this report, domestic violence was a contributing factor for four of the six participants, and a fifth participant had been a victim of violent crime (see Case study 1: Karen). While clients come to Consumer Action seeking financial counselling, there are often more serious, underlying issues. At the time of referral to the research team, the high incidence of domestic violence was not apparent, and nothing in the selection process actively recruited participants with these or other experiences or backgrounds. The single deciding factor was whether they had been disconnected or not.

Significant contributing factors for many consumers facing financial difficulty are acute and chronic health issues. Of the clients interviewed for this report, most suffered from physical illness or injury, and all had histories of mental illness. Acute episodes of mental health can result in unpredictable energy consumption patterns and behaviours, a key contributor to high bills. It can also mean that people are unable to stay engaged with their energy retailers through, for example, making regular repayments. While the sample size for this research is small, there appears to be a relationship between these vulnerabilities and energy debt and disconnection. This is also the experience of financial counsellors at Consumer Action:

> *For many who already live with mental distress, the cost of energy is a common problem. The correlation between those in debt and those with mental health issues is strong. Most people have either had issues themselves or have a family member who has. For some people with mental health problems, there are times when being responsible for yourself simply isn't possible, further creating obstacles to participating in appropriate self advocacy in order to address rising utility bills,*

[21] Smart Water Fund, Supporting Vulnerable customers, Report July 2013

creating increased vulnerability and disadvantage for many who experience mental health issues.[22]

Retailers and their customers

The competitive nature of Victoria's energy market can create its own problems, with aggressive acquisition tactics and profits driving a sales and marketing culture that is transactional in nature. The incentives for retailers are not weighted towards the needs of low income and vulnerable consumers, who at best will contribute little to the profit margin and at worse be a cost to the business if long term hardship is that person's reality.

While income adequacy is not the responsibility of energy retailers, there is, in their role as providers of an essential service, responsibility to support consumers as explicitly stated in the Energy Retail Code and commercial licence obligations. There is also an implied duty of care to ensure that the provision of energy, and the treatment of people experiencing difficulty paying bills, does not add to existing hardship or social disadvantage.

Despite this, participants in RMIT's interviews were subject to "aggressive retailer marketing practices" with several incidences recounted of being repeatedly approached by door-to-door and online marketers seeking to sign them up to new energy contracts, sometimes over a period of several months or in one case, more than a year (see Case study 6: Rod). It is possible, since participants who reported these experiences lived in socio-economically disadvantaged areas, that retailer salespeople were deliberately targeting vulnerable households. Some reported customer acquisition tactics had confused participants. For example, one participant signed up to a contract thinking she was only answering a survey (see Case study 3: Emira) while another spent twenty minutes with a door-to-door salesperson inside her home, believing him to be an official who was checking she was on the correct tariff. The same person also had a door-to-door salesperson arrive at her back door, having entered the property by climbing over a fence.

Participants in RMIT's interviews also indicated numerous deficiencies in how 'frontline' retailer customer service staff dealt with them. They consistently described staff as unsympathetic, patronising, and insensitive to genuine hardship. This exacerbated existing mental health issues (see Karen, Sarah, Lyn) and

[22] Anna Tiakanas, Financial Counsellor and Psychologist, Consumer Action's Financial Counselling service.

participants particularly noted the distress associated with having to repeatedly tell their stories to unsympathetic staff, and feelings of harassment and intimidation.

Crucially, retailer responses were rarely reported to assist participants avoid future disconnections—rather, they tended to increase their likelihood. For example, several participants were denied access to hardship programs even though they were clearly experiencing significant hardship at the time of contact. In some cases this was because they had missed payments while on hardship programs in the past (see Case study 1: Karen); for others, frontline staff prevented access to those involved in dealing with hardship customers (see Case study 5: Lyn).

Significantly, participants consistently reported that call centre staff demanded large upfront and ongoing repayments even when participants revealed their regular income and expenses and clearly demonstrated that the requested payments were unaffordable in their circumstances. Retailers reportedly refused to accept participant offers of lesser, more affordable payments. Failure to appropriately agree affordable payment plans was a key finding of Consumer Action's research in our 2014 report *Problems with Payment.*[23] When EWOV assesses the most appropriate payment plans for clients, in 79% of cases they are less than the payment plan offered by the customer's retailer.[24]

Retailers also failed to alert participants to schemes or concessions they were eligible for, such as the Utility Relief Grant Scheme (see Case study 4: Sarah) and the Medical Cooling Concession (see Case study 5: Lyn). In two cases, retailers were not applying appropriate concessions for which participants had provided concession eligibility details (see Case study 1: Karen and 2: Julie). In those cases, financial counsellors or EWOV discovered that concessions were not being applied.

Several participants reported that retailers did not inform them about or refer them to services that could assist them, such as financial counsellors and EWOV. Participants typically found these services by chance. For example, several participants saw financial counselling services advertised in brochures, or were told about them while seeking food or other help from social service providers. They were usually surprised to learn that such services existed, and many felt that

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[23] Consumer Action Law Centre, Problems with Payment, July 2014; http://consumeraction.org.au/wp-content/uploads/2014/07/Problems-with-Payment_July-2014.pdf

[24] EWOV, A closer look at affordability, March 2015 http://ewov.com.au/__data/assets/pdf_file/0015/14523/A-closer-look-at-affordability.pdf

as the disconnections were presumably ‘their fault’ nobody would be able or willing to help them.

2. Disconnection—the experience

The cost of disconnection is broad and difficult to quantify. Numbers of disconnections (wrongful or otherwise) do not capture the implications of the disconnection to the household, or the ways in which the disconnection could have been avoided. They also do not record the cost that poor customer service imposes on support and emergency relief agencies that help vulnerable consumers maintain access to essential goods and services.

It is only by talking to real people who have been disconnected that we gain a fuller understanding of the impact of this complex combination of events. This provides clues for changes to alleviate the impact on vulnerable consumers and ensure they remain connected to their energy supply at a rate that is affordable.

Consumer Action appointed researchers from the Beyond Behaviour Change (BBC) Research Program at RMIT University's Centre for Urban Research to conduct confidential in-depth interviews with consumers who were disconnected[25],to gain a fuller understanding of the chain of events that led to the point of disconnection, their experience of disconnection and the ongoing impacts of the disconnection. Details of RMIT's approach and the methodology are provided in **Appendix A**. Details of participant demographics and interview schedule are provided in **Appendices C and D**.

Here are six case studies prepared by the RMIT research team, summarising those interviews.

[25] Strempel, A. Nicholls, L. Strengers, Y. (2015) *Disconnection Case Studies: Understanding the household experience,* Centre for Urban Research, RMIT University

Case study 1: Karen

“I was in such a state of depression that I didn’t really care… My main priority was to try and get my children back.”

Karen is a single mother of four children living in public housing. Her gas and electricity were disconnected for about a week in October 2014. At that time Karen was a victim of domestic violence. Her children had been removed from her care as it was not safe at home. As a result Centrelink switched Karen from the parenting payment to the lower Newstart allowance.

On Newstart Karen received about $500 per fortnight, of which $360 went to rent. At the same time as Karen's income decreased, her situation triggered extra costs. Her children stayed with her brother 250km away, and Karen drove to visit them three times a week. She used up her modest savings on petrol costs, and fell behind on rent and bills until she had more than $5000 debt.

Karen was suffering from depression, anxiety and post-traumatic stress disorder, which made it hard for her to manage finances. At one point she was hospitalised because of her deteriorating mental health.

At first Karen continued to make minimum payments on her bills, but her debts escalated. She called her electricity and gas retailers – Simply Energy and Origin Energy – to explain her situation. They each said she owed about $2000 and must pay 75% up front to avoid disconnection. Karen offered to pay each company $150 instead, but both refused her offer.

"I was crying, I was trying to tell them my whole situation, what happened; but they're still like 'no, no, no'."

Karen had been on hardship programs for her gas and electricity bills previously, but was disqualified when she missed payments. Both retailers refused to allow her back onto hardship programs. Eventually, Karen's electricity and gas were disconnected.

Karen says retelling her story to different people each time she phoned a retailer caused her to relive traumatic experiences. Unsympathetic and accusatory staff made it even more difficult.

"I had to re-explain the whole story heaps of times. MoneyHelp said, 'Try ringing them again', and I'm just like, I can't do that again because it just does my head in. I'm just starting to get myself all right in the mind and then you've got these people putting you down again…"

Karen stayed at home throughout the disconnection. She was too embarrassed to tell friends what had happened, and had nowhere she felt comfortable going. She washed quickly with cold water, used a public laundry, and ate cereal, takeaway and cold canned food. When she visited her children she bought takeaway for them too, which became expensive. The food in her fridge and freezer went off, and her fridge blew up because melt-water got into the motor while it was turned off. It cost Karen $400 to replace it. Karen says she felt hopeless.

I lived without [gas and electricity] for a while until it just got unbearable...

Then the Department of Human Services said Karen's children could return home if things were in order, and that motivated her to address the disconnections. She contacted MoneyHelp, who referred her to EWOV; they negotiated on Karen's behalf and her services were reconnected the same day. EWOV also discovered Origin Energy had not been applying the concessions Karen was eligible for. Resolving this reduced her debt by about $800.

Once EWOV got involved, Simply Energy agreed to put her back on a hardship program and accept regular payments. Origin still refuses to allow her onto hardship, and calls her regularly to demand a large up-front payment. Karen expects they may disconnect her gas supply again.

Karen says she wants to clear her debt and move on, but cannot pay what Origin demands.

"I could be disconnected again, but hopefully they see that I'm making the regular payments and these are all I can afford…"

Case study 2: Julie

“It was really getting me down. You don’t sleep, you don’t eat; or you eat wrong. And at the end of it [my ex] is still out there: he’s told me he can jump out from anywhere. So I always have a bag ready to flee.”

Julie is 48 years old and lives alone in a public housing unit. In the past Julie has struggled with alcohol addiction, and has recently escaped a violent partner. She suffers from post-traumatic stress disorder (PTSD) and osteoporosis, and is recovering from a severe ankle injury that restricts her mobility. Julie's gas supply was disconnected for about two weeks at the end of 2014. Around that time Julie was supporting a friend, who slept on her couch and cost her a lot of money. Her car was then struck by another car, creating extra costs.

Unable to work because of her injury, Julie fell behind on her bills. AGL, her gas retailer, threatened her with disconnection. Until this point Julie had paid her bills by automatic direct debit, and says she was often ahead in her payments.

"If anything hopefully I'd have some in credit… I did try to keep in touch with everybody; I don't want free gas, I don't want free electricity."

As her debt grew into the thousands, Julie began receiving final notices. She lived on $93 per week after rent and other bills, and of that $60 went to her AGL payment. Julie asked AGL repeatedly for an extension, but she says they refused. They told her she could either pay in full, or accept a plan that was too much for her to afford. Julie says AGL staff were generally unsympathetic, and recounts one particular example:

"The [AGL] fellow was very rude, very unhelpful. It was a bit like taking advantage of a female going into a motor mechanics: 'right, we got one here'. That's how I felt. I hung up on him in the end, burst into tears; he could hear I was getting very anxious but he just kept saying the same thing over and over again."

Eventually AGL disconnected Julie's gas supply, meaning she couldn't use her stove or hot water. Julie boiled water in the kettle to cook instant meals, and used a bucket to wash. Eventually Julie came across a financial counselling service, which she says helped her immensely.

"The financial counsellor put my life back in order… I could almost cry now just talking about him; he's such a terrific bloke."

"I keep looking at the paperwork thinking, you're making me have to pay more, more, more, which I'm telling you is getting harder, harder, harder, and more impossible."

The counsellor advised Julie to call EWOV and stop speaking to AGL. He and EWOV then negotiated with AGL on Julie's behalf and her gas was reconnected a day or two later. They also discovered that Julie wasn't receiving the concessions she was eligible for. Meanwhile, disconnection and reconnection fees increased her debt.

Julie says her financial situation and the disconnection have caused her significant emotional distress, which comes on top of the trauma of her domestic violence situation. Julie can recall a time when life felt more hopeful: she owned her own home and practiced as a health therapist. She lost the house when her marriage broke down and things have spiralled downwards since then. Julie is trying to get her life back on track and recover from her experiences, but she still lives with the threat of violence and struggles with PTSD symptoms. Julie gave this advice for energy companies dealing with people in her situation:

"I'd say, first, get somebody who has a compassionate voice and is genuinely there to help them. There's a handful of people that are just being buggers, but the majority of people want to pay their bills: they're just battling to get that much money."

Case study 3: Emira

“I had a domestic issue and [the retailer] was demanding money that day. I was more worried about my son’s safety: I just wanted to get him out of there. I hung up the phone and they rang me back in half an hour, while I’m trying to get ready to get out… but they don’t care. They just want their money.”

Emira lives in public housing in regional Victoria with her young son, Jack. At 27, she has faced significant challenges in her life: she left a violent family home at 14, and has since found herself in a series of abusive relationships. Originally from Bosnia, she now has no family in Victoria. She is not currently working and receives a Centrelink payment. Emira has significant debt, much of which comes from a previous relationship: she believes her ex-partner has incurred at least $30,000 debt in her name. Emira has also taken out loans and borrowed money from friends, and is paying off a court fine. Emira's electricity was disconnected for five days in 2014. She owed about $1000 and her retailer, Simply Energy, demanded $480 up front. Emira paid $35 and was then disconnected. Emira says she had tried to negotiate a payment plan but Simply Energy insisted on $80 per week, which she could not afford.

Emira sought help from St Vincent de Pauls (Vinnies), who offered to pay $280 on her behalf; but Simply Energy would not accept less than $480. Eventually Vinnies paid $480 and Simply Energy agreed to reconnect Emira's electricity the same day; however, Emira says it remained off for 5 days. Emira's water supply and gas oven rely on electricity, so during the disconnection she lost those services as well. Emira's son Jack was four at the time. Initially they spent time at a friend's house, but it was not a safe place.

"They're drunk; and then the bloke starts abusing his missus and I got my son there – it's not the sort of thing I want Jack to grow up seeing."

Emira says a friend provided some food for Jack, while she went without. It was cold and they used blankets to keep warm. Emira worried about the impact on Jack.

"Kids need to eat, they need to have their bath; and it's hard when he's crying at the fridge because he wants food, and I can't give him food because it's gone off… It's not fair. I can go without, but he can't."

She was relieved to have Vinnies acting on her behalf, as Simply Energy was unsympathetic.

"The only people that helped me was Vinnies. It was kind of nice that I had someone else on my side, because I ended up having a mental breakdown; when [Simply Energy] rang me up, I couldn't even talk on the phone. I didn't make sense. And he was telling me to calm down, but how the hell can I calm down?"

Emira had switched her electricity account to Simply Energy through a door-to-door salesperson. She says at the time she did not realise she was signing up to a new retailer.

> ***"I never had to put up with doorknockers until I moved here. They were here every second day, and heaps of people were changing over until they [realised] what was going on. I didn't even know that I was changing my company while I was doing it – I thought I was just doing [a survey] or something for them."***

Once she has repaid her debt Emira plans to return to her previous retailer who she still has her gas account with, and finds easier to deal with.

> ***"I owed them gas money [for] over a year [but] they haven't turned it off once. 'Cause they're happy with the money that I've given them... But [Simply Energy], they're full-on. They'll ring me up 7 o'clock in the morning, 10 o'clock at night while I'm in bed..."***

At one stage, Simply Energy called while Emira was trying to escape a domestic violence situation. Emira says energy retailers could make it easier for people in hardship by being realistic.

> ***"Not to demand so much money – make it a reasonable amount for people... $100 a week, that's a lot of money. I don't know anyone on Centrelink who can cough up [that much] for their bills."***

Case study 4: Sarah

“It’s not just the physical fact of being without electricity; it’s the stresses and the same that feel quite traumatic… The second night I was so depressed I didn’t even cook myself dinner.”

Sarah is a writer in her forties. She lives by herself in an inner Melbourne apartment, which she rents privately. With a tertiary degree and regular work, Sarah had always been able to manage her finances; but things changed after she was held up in an armed robbery, and later assaulted. She developed post-traumatic stress disorder (PTSD), anxiety and depression. Suffering regular panic attacks and agoraphobia, she stopped working and fell behind on bills.

With about $350 owing to AGL for electricity, Sarah applied for a utility relief grant. The grant reduced her debt to about $150, and she paid a further $25 up front. She was left with no money and began receiving calls and letters from AGL, which she did not answer.

> ***Essentially I just put my head in the sand. I didn't know what to do; I didn't have the means to rectify it. I had received a registered post letter from [AGL] before the energy was disconnected. I didn't open it because I knew what it would be about.***

Sarah accepts responsibility for not responding, but feels AGL could have handled things better.

> ***Given that they knew my situation and in the end I only owed $220.00... I just wonder whether there are better ways to go about addressing these issues than just cutting someone's power off.***

Sarah says AGL's approach was distressing, and compounded her mental health issues.

Eventually Sarah's electricity was disconnected for two and a half days in March 2015. Sarah stayed at home and did not tell anybody what was happening.

> ***I found myself unable to even reach out [to] people in my social circles to ask if I could come over for dinner, because I would have had to explain that my electricity had been disconnected… I felt quite alone with the problem... I hadn't even told my boyfriend.***

With no money for takeaway and food going off in the fridge, Sarah initially tried to make do with what she had. But her situation quickly brought her down.

After two days Sarah contacted MoneyHelp. On their advice she called EWOV, who negotiated with AGL to have her electricity reconnected within the hour.

> ***When that happened I just burst into tears… I felt like I'd lost a sense of my own agency to negotiate with the power company, because their methods of communication had become so aggressive and so inhuman.***

Sarah found out about MoneyHelp and the Utility Relief Grants Scheme through her jobseeker network. AGL did not refer her to them, and she thinks many people would be unaware of them.

> ***I think people can get into a situation where they feel so desperate that they don't really believe they can get help… the first day I was disconnected I felt powerless. I didn't have the courage to call the electricity company and I didn't know who to go to... Certainly I wasn't thinking, 'oh yeah, I'll just call the Ombudsman'.***

Sarah feels she is recovering from PTSD and hopes to find work soon.

> ***I don't want to be long term unemployed... My goal is to be able to return to a functioning, abundant, resourceful life, and contribute my skills to society.***

In the meantime, after rent and bills, Sarah lives on $216 per month. She still owes $210 to AGL and worries she could be disconnected again. Sarah thinks retailers could play a more supportive role for customers in hardship.

> ***There [could] be some sort of advocacy team [where] you are assigned one person to deal with [who] forms a kind of a professional relationship with you, to help understand your situation and to come up with a plan.***

Case study 5: Lyn

"It just snowballed: we'd be cut off from the gas or electricity or phone… You'd manage to get it back on and then something else would get disconnected. Because to get one put back on you have to not pay something else, to catch up."

Lyn is 58 years old. She lives with her daughter in Melbourne's north, and they have experienced several energy disconnections. Lyn is a survivor of domestic violence, and her financial problems stem from there. After years of abuse Lyn took out an intervention order against her husband.

So I found myself, all of a sudden without thinking about how I'm going to survive; we still had to manage the mortgage and everything. He just stopped paying it... For a little while he kept the payments up but then he met somebody and then the payments stopped.

Lyn found some casual work and began to get her life on track. About a year later, though, she injured her back and could not work.

I was managing up to then, I was just keeping afloat. Staying just one step ahead of all the debts. Then when my back went I had no idea where to go… we'd have garage sales just to make ends meet and I would sell things that I needed. I raided the cutlery draw…

Eventually Lyn's back improved and she found a new job, but then she suffered four heart attacks related to a nervous system condition, and has been unable to work ever since. Debts piled up.

Sometimes Lyn would go several days without eating so she could feed her daughter. Disconnections could last for weeks, and Lyn tried to shield her daughter from the impacts.

One night when the electricity had been cut off, it was in the middle of winter and I'd put the fire on and sort of made a game out of it... We'd dance in the dark with a couple of candles and the fire going so she didn't get distressed about it.

Lyn and her daughter used public showers and cooked on park BBQs.

I'd have to face people that I knew and make lies. I told them the hot water service broke down, so when the hot water service really broke down I couldn't say [that] again. So there was that humiliation...

Lyn's situation had a significant impact on her mental health, to the point where she was suicidal.

I ended up getting so depressed. I remember going to bed one night and thinking my daughter was better off without me… The thing is you feel like you're on your own. One day I just dropped in the middle of the lounge room floor and just started bawling, and I cried for hours and hours… You end up feeling like a complete failure; they push you to feel like that.

No retailer ever referred Lyn to a financial counselling service. Eventually, a Centrelink worker sent her to Kildonan Uniting Care. Lyn arrived feeling desperate.

I leant across the window and it said financial counselling, and I just went in. I had no idea what they were going to do… But it was the best move I've ever made. Even though there [were still] times I got disconnected, through the help of a financial counsellor they would get it put back on.

The counsellor discovered Lyn was eligible for the Medical Cooling Concession, as she has a nervous system condition. Her retailer had never mentioned this, even though she told them about her condition many times.

Lyn has been on hardship programs at times, but she says it can be difficult to get accepted.

It depends on who you're talking to at the front line. [One woman] said, 'you don't need to go through to the hardship area, I can help you'. But she didn't help me… it's like you have to stand up them, like standing up to a bully in a way. That's what it feels like.

But Lyn says once the financial counsellor gets involved, it's a different story.

When I was doing it myself they wouldn't listen to me at all, it was like they didn't believe me... When the financial counsellor used the same words, they listened. You're just treated like a complete fool...

Ultimately, Lyn wants retailers to treat people in hardship situations better.

I do think it comes down to them showing compassion, understanding and listening properly. That would be my advice; and treat everyone on an individual basis... Offer them some support services that are out there.

Case study 6: Rod

“If I’m really depressed I tend to just set the bills aside and not open them, and hope they go away.”

When his electricity was disconnected in late 2014, Rod lived with his wife and four of his seven children in Melbourne's north. The disconnection lasted four days. Rod says the automatic payments he'd set up with Energy Australia had stopped going through, which he did not realise until the electricity went off.

"Because I was confident I'd fixed [the payments] up I didn't worry about them. And then there was one month where I was receiving a lot of letters from [the retailer]. I thought, 'Unusual; I'll open one', but I got side-tracked. The next day we got cut off. So I went back and opened it and it said, 'You're being disconnected for non-payment.'"

Rod called Energy Australia, who said he owed $600 and must agree to pay $250 per fortnight to be reconnected. He'd previously paid $100 per fortnight and could not afford the increase. Rod and his wife had a combined income of about $950 per fortnight, of which $800 went to rent and bills.

Rod is 51 and suffers from Type 2 diabetes, heart problems, chronic fatigue and depression. He says the depression can make it hard for him to manage bills and correspondence.

Rod has multiple qualifications but was unemployed at the time of the disconnection. His wife had irregular casual work. Energy Australia suggested he see a financial counsellor, but Rod didn't feel that would help.

"I knew what my finances were like, I knew how to pay it, but they just weren't willing to accept what I was [offering]. I said, 'I can pay 150 a fortnight to pay off the balance' and they said, 'No, you'd have to pay 250…'"

During the disconnection Rod and his family stayed a few days with friends. They incurred extra costs including buying takeaway food and using payphones to call Energy Australia. On returning home they replaced spoilt food and bought a gas bottle for the BBQ, which they used for cooking.

Rod applied for a bank loan but was refused. Eventually he borrowed money from friends and paid $400 to Energy Australia. His electricity was then reconnected. Rod then decided to switch to Origin Energy, who had been calling and doorknocking him for more than 18 months.

“Origin Energy [said] ‘We’ll give you this and this and this’, and I said ‘Yeah alright,’ because (a) I was sick of getting phone calls [from them], and (b) I’d just been through all this stuff with Energy Australia... And Origin kept saying, ‘we’re the actual supplier for that area so it will be cheaper for you’.”

After switching to Origin, Rod received calls from Energy Australia offering him new deals. He decided to go back to them. This caused problems: Rod says he notified Origin that he wished to cancel his contract within the cooling-off period, but then received a large bill from them.

“The contract didn’t arrive until after I’d said I didn’t want it [so Origin] just proceeded with it. So I was getting bills from Energy Australia [and] from Origin; I didn’t know what I was meant to be paying.”

Rod is now in debt to both retailers. He says dealing with them has made his depression worse.

“It makes you feel terrible; you feel really belittled. They say, ‘But your family needs the electricity’… [I think] they put the guilt on so that you will try harder to come up with the money. You don’t feel like you’re a human when you get into financial hardship with companies like that. “

Rod hopes energy retailers will try harder to understand how difficult things can be for low income households.

“I think they need to walk a mile in somebody’s shoes, to understand what we go through... It’s not like I’ve never worked [but] I had a large family and a lot of things came up... [Retailers] make you feel you’re not earning enough, you need to find more money… people don’t really know what it’s like out there to try and get a job. There was an instance [where] there was about 200 applications for one position and when you’re up against 200 people, unless you’re it-and-a-bit you’ve got no hope.”

3. Disconnection—the Impact

It is hard to understand or know the true extent of the impact of disconnections on individuals and their households. However, the experience of those included in this research goes some way to describing the range of emotions and other negative factors that result from being disconnected.

While the impact of the process of disconnecting a customer is difficult to quantify, the detriment is clear. The research highlights how the act of disconnection, both wrongful and lawful, results in perverse outcomes for consumers that perpetuate a cycle of financial difficulty and vulnerability that are hard to overcome.

The impact on wellbeing

Overwhelmingly, participants of the research found that being disconnected caused significant distress. Participants experienced feelings of shame, humiliation, fear and anxiety, and the disconnection events compounded existing mental health issues and had a serious impact on participants' wellbeing. As mentioned previously, all participants suffered mental health problems and several were experiencing post-traumatic stress disorder (PTSD), depression and anxiety at the time of disconnection. These participants described how their dealings with retailers exacerbated their symptoms, and led them to see their situation as hopeless (see Case studies 1: Karen, 5: Lyn, 4: Sarah and 2: Julie). One participant described feeling that she had failed her child, and was almost suicidal by the time she started to see a financial counsellor (see Case study 1: Lyn).

Participants who had experienced domestic violence or assault had very real reasons to fear unidentified or unexpected phone calls and visits. Retailer practices of concealing their phone numbers and calling at unexpected hours, including late at night or early in the morning, contributed to participants' trauma and feelings of being 'stalked', 'bullied' or 'harassed'. Far from 'motivating' people to keep up to date with their bills, the emotional impacts made it more difficult for them to even pick up the phone, much less engage in negotiations to improve their financial situation.

Most also described electricity disconnection as a humiliating experience, and feelings of shame led several participants to hide their situations from family and friends.

The impact on dependents

In many instances, it is important to recognise the impact of high debt levels and disconnection is not limited to the account holder. It is likely that there are multiple occupants, including children, living at the disconnected property, or where a debt has been pursued, and the impact of these actions extend to them as well.

In those interviewed for this research, all but two participants had dependent children at the time of disconnection. They expressed concern about the emotional impact on their children through being exposed to the parent's stress and shame.

In case study 3, it is explained that Emira's 4 year old son stood at the fridge door crying from hunger, but the food had gone off. Others mentioned rationing food (and going hungry themselves) so their children could eat.

One participant's daughter suffered asthma, which was made worse in the absence of heating when the gas was disconnected. Despite apparent safeguards for the commercial provision of an essential service, households are faced with the decision to heat or eat.

The impact on financial stability

Disconnections resulted in extra costs for participants that made it harder for them to get out of debt and avoid future payment defaults and disconnections. Some of these extra costs are very direct—for example, disconnection and reconnection fees. Other, less obvious costs include:

- replacement of spoilt food when there is no electricity to power fridges and freezers
- purchase of take-away meals, often for the whole family
- taxi fares or petrol costs, including trips to laundries, other people's houses (to shower, wash clothes, cook), shops (to buy new food after existing food has spoilt), take away stores, and other services
- using coin-operated public laundries for washing or BBQs for cooking.

- entry to public facilities such as swimming pools to shower
- phone charges (calling retailers, social service providers, EWOV and others to deal with disconnection/seek help)
- purchasing candles, blankets and other goods to manage in the absence of heating and lighting.

One participant also had to pay for a new fridge as a result of her electricity disconnection after melt water entered the motor. The costs as a result of her disconnection totalled more than $700 (see Case study 1: Karen).

For households already experiencing hardship, these extra costs can force them into a cycle of payment default and disconnection.

The impact on intervention services

All participants found their way to financial counsellors at some stage but it often took time before they knew this assistance was available and where to look for it. Four participants had also been assisted by EWOV. Participants often became emotionally overwhelmed when they spoke about the help they'd received from financial counsellors and EWOV. They described feeling relieved, surprised and grateful because someone was finally helping them, when they had thought they were alone with their problems (see Case study 2: Julie, 4: Sarah and 5: Lyn).

Financial counsellors and EWOV staff typically took over negotiations on behalf of participants, and usually achieved outcomes that participants had not been able to. These included getting services reconnected, negotiating payment plans, identifying eligible concessions and schemes, and in one case, arguing for compensation for spoilt food.

A charity organisation paid $480 on behalf of a participant because the retailer refused to reconnect without it, but the reconnection did not happen for a further four days (see Case study 3: Emira). In this case it was unclear why the retail staff member did not refer the participant to EWOV, who may have achieved a better outcome.

However, in all other cases the involvement of financial counsellors and/or EWOV meant services were reconnected on the same or the following day, regardless of how much (if any) of the debt was paid up front.

The value of financial counsellors and access to EWOV cannot be understated. People in serious financial difficulty are often unable to help themselves, partly because they may be unaware of their rights, but mostly because they are so overwhelmed they cannot break the debt cycle alone. Simple assistance measures such as ensuring they have access to concessions, that they have received emergency grant help when they need it, that they are on an affordable payment plan or have access to a hardship program, go a long way in setting a consumer on the correct path to financial stability and independence. Early intervention strategies, combined with more sophisticated hardship programs that offer energy audits, debt waivers and a range of assistance can proactively help consumers avoid debt accumulation and disconnection.

The impact on financial counselling services

The number of Victorian retailers who refer clients to Consumer Action's financial counselling service as a condition of accessing a payment plan or the hardship program is concerning. This is not a requirement of the ERC, and can be effectively outsourcing basic customer service to the community sector. While appropriate referrals—for example, where an individual has multiple debts—are welcome, many energy debt matters can and should be dealt with appropriately by the retailer without referral to a financial counsellor.

We commissioned economic consultants Oakley Greenwood to survey Victorian financial counsellors to assess the cost to the sector of providing services relating to energy debts and hardship, including access to concessions and payment plans. The survey was sent to 200 financial counsellors across Victoria, and we received 23 responses,[26][27] representing 4070 vulnerable Victorians over the last 12 months (April 2014-April 2015).

Results from the survey indicate that:

- **65% of clients present with an energy issue**.
- **95% of financial counsellors report that this percentage has increased over the last 3 years** (increased a lot: 65%; increased a little: 30%). Only 1 respondent reported a decrease in time spent on energy cases over the last 12 months.

[26] Financial Conduct Authority, *Occasional Paper No. 8, Consumer Vulnerability*, February 2015. http://www.fca.org.uk/news/occasional-paper-no-8
[27] Oakley Greenwood, The Direct Cost of disconnections, Page 5

- **Financial counsellors spend on average 43% of their time on clients' energy issues** (although this varies widely between 20% and 80%).

The time that financial counsellors spend on energy cases is made up of:

- rectifying problems caused by retailers and negotiating affordable payment plans (44%);
- assisting clients access hardship programs (17%);
- addressing high consumption (11%);
- working to avoid client disconnection or organise reconnection (9%);
- assisting clients access utility relief grants (9%); and
- addressing a range of other energy related issues (10%).

These results suggest that energy retailers are failing to provide adequate customer service generally, and hardship services more specifically, to the most vulnerable Victorians. This is supported by a further finding which indicates that in 41% of energy cases received by financial counsellors, the client should have been given access to the retailer's hardship program, but had not been; 13% should have been referred directly to Department of Health and Human Services in relation to concessions or a Utility Relief Grant, but had not been; and approximately 10% should have been referred to EWOV for dispute resolution (including wrongful disconnections), but were not.

While the cost of this to the financial counselling sector is significant, it is clear that there is significant scope for improving customer service within energy retail operations, and in particular, in providing reasonable access to hardship assistance and programs to vulnerable and disadvantaged Victorians.

Picking up the tab for a failure in customer service represents a significant cost to the community sector, at a time when funding for these services is being reduced or cut. Oakley Greenwood have estimated the current cost to the sector in Victoria to be approximately $2.875 to $4.085 million, however this figure is limited by extensive barriers to information by the broader energy sector, which impeded true analysis of the cost. A summary of information limitations is provided in **Appendix B**.

What is apparent however is that the time that financial counsellors spend dealing with energy-related issues that are primarily the responsibility of the energy retailer is time which could have been spent on other pressing issues for the client, or with another client. Poor energy retailer customer service has flow on impacts beyond the individual consumer.

4. Energy is an essential service

"Energy is an essential service." We hear this so often but increasingly the concept is being questioned as retailers react to growing consumer debts and its impact on the company bottom line.

Energy is essential for our health, wellbeing and social participation. In many respects, it provides a platform from equality in our society. The delivery mechanism for energy services—particularly the role of energy retailers who supply and sell energy to consumers—must be robust and be able to deliver according to the needs of all.

There is a lot to be said for the way in which businesses treat their customers.

Yarra Valley Water has identified a business case for a more proactive approach to addressing the issue of long term and increasing payment issues in provision of an essential service. Acknowledging the difference between a regulated monopoly such as Yarra Valley Water and the private entities that are the energy retailers, there are still key principles that can apply to the energy sector. The success of a different approach requires strong executive leadership and an organisational commitment to transform the culture of the business. In assessing the Yarra Valley Water example, a key factor is recognition that where some debts are unrecoverable, working within a customer's genuine ability to pay is, in the long term, a financial advantage to a business. This approach acknowledges the value of a long term relationship with customers and partnerships with the consumer and welfare sectors.

While there are signs that some energy retail businesses are making efforts to work more closely with their clients on hardship programs, this is not yet accepted as standard practice across the retail sector, and some retailers still do not have comprehensive models for working with vulnerable customers. With the emergence of new technology, products and services,[28] the way in which businesses and Government response to issues

[28] Consumer Action Law Centre, *Smart Moves for a Smart Market*, July 2014 http://consumeraction.org.au/wp-content/uploads/2014/08/Smart-Moves-for-a-Smart-Market-eVersion.pdf

of access and connection to services is paramount. Unlike non-essential services, consumers have little choice but to stay in what must feel like a loveless, and in some cases abusive, relationship.

Getting it right—how to keep the lights and the heating on

It's clear that something needs to change. Businesses on their own are not responding sufficiently to the issues facing so many domestic consumers, and co-ordinated sector wide approaches are now necessary. We invite the ESC and the Victorian Government to work with consumer groups and energy businesses to determine the most effective and efficient means of implementing these measures.

Detailed below are some market changing initiatives that will make the energy market fairer for consumers across Victoria, and, if replicated elsewhere, across the National Energy Market.

Capping payments from Centrelink recipients

We have provided evidence-based critiques, in this and previous Consumer Action publications, of the ability of retailers to evaluate a consumer's capacity to pay. This is supported by EWOV's findings that retailers' evaluations of capacity to pay are often poor.[29] If retailer customer service staff are unable to deliver the support many customers experiencing financial difficulty need, then a mandated revised approach is now necessary.

Instead of a retailer having the discretion to establish a payment plan based upon their interpretation of a consumer's capacity to pay, the maximum amount of income a retailer can garner from recipients of income support could be capped. Those households need also to pay for accommodation, transport, food and other essential items, and they truly do have limited capacity to pay.

Consumer Action's financial counsellors consider that $50 per fortnight is the maximum amount many could afford to pay, and this would need to cover all energy *and* water bills. We welcome further consideration of an appropriate cap.

> **Recommendation 1:** Cap the maximum amount of fortnightly income that a retailer can request from a consumer in receipt of government allowances for gas, electricity and water.

[29] EWOV, A closer look at affordability, March 2015
http://ewov.com.au/__data/assets/pdf_file/0015/14523/A-closer-look-at-affordability.pdf

The reintroduction of in-home audits and energy efficiency assistance schemes

The role of government in addressing the shortfall between cost and consumption is critical.

While current concessions and assistance programs for those needing assistance to tackle a large bill is welcome, there must be a focus on improving the energy efficiency of households to tackle ongoing unaffordable usage. This is the most valuable and necessary intervention that can assist those consumers with maintaining affordable access to supply.

Now is the time to re-introduce proven, successful energy efficiency programs. In 2012 Kildonan UnitingCare published a report evaluating the savings from its energy audit program, which equated to average annual household savings for electricity alone to be 1,542 kW. At the time, this translated into a saving of $339 in the first year following the visit.[30] While costs vary over time, as demonstrated in this report, it is essential the focus is on assisting consumers to gain control of their consumption decisions and behaviours, and this in turn will flow through to relative cost reductions.

Some energy retailers have partnered with agencies, such as Kildonan UnitingCare, to provide energy audits. It is recognised that these are an essential tool for understanding consumer's consumption. However audits are not conducted consistently, nor is it a practice adopted, industry wide. There is a key opportunity for a government-industry partnership to enable these efforts to be rolled out at a scale that provides significant relief from the spiralling costs of energy use for the most vulnerable Victorians.

Recommendation 2: The Victorian Government initiates a home energy audit program for low income households that is deliverable by retailers as a condition of the Energy Retail Code.

Oversight for disconnections

The impact of disconnection on the lives of the most vulnerable Victorians has led us to conclude there is a very strong case for removing the right of retailers to use disconnection as a debt collection tactic.

More than fifty thousand Victorian properties were disconnected from energy in 2013/14. The true cost of disconnection goes beyond a decision to cut off supply of an

[30] Research results from Kildonan's Energy Efficiency program, Pgs 1-2 , https://www.kildonan.org.au/media-and-publications/research/

essential service. It is a conscious act of denying access to a safe and fair standard of living and fails to acknowledge the multiple pressures on the poorest members of society.

The actions of energy retailers are having a significant and negative impact on the lives of those with mental illness, on the vast numbers of women experiencing domestic violence, and on Victorians struggling to decide whether they should heat their homes, or feed their kids.[31]

The decision to disconnect someone cannot be taken lightly. It therefore needs to be taken out of the hands of retailers, and made instead, by an independent arbiter who can provide the necessary oversight for such a significant action.

Recommendation 3: The decision for retailers to disconnect account holders should be made by an independent panel or arbiter.

[31] http://ewov.com.au/__data/assets/pdf_file/0016/14524/A-closer-look-at-affordability-full-poster.pdf

5. Conclusions

In the face of rising energy affordability levels, disconnecting consumers from energy is not working. It results in significant levels of detriment for occupants of the household, the ramifications of which spread far beyond the account holder.

As an alternative to disconnection, some businesses are focusing their efforts on debt collection and suing individuals to recover debt. In our experience, the impact of this is equally, if not more drastic, resulting in forced homelessness and increased reliance on social welfare systems.

The recommendations we have made in this report, should they be adopted, go some way to addressing the needs of these households. With an increasing number of retailers entering the market, combined with the array of innovative business models drawing upon solar and soon, battery technology, we expect issues of access and affordability to escalate.

As a society, we need to consider the value that we place on households being able to participate fairly and equally. We need to accept and address the issue that fair and safe access to energy is increasingly at risk. Households should not be forced to decide whether they heat or eat.

6. Appendices

Appendix A - RMIT - Methodology

Recruitment

To be eligible for the study participants needed to be older than 18 years, and to have experienced gas and/or electricity disconnection for more than one day because of inability to pay.

Participants were sourced from Consumer Action's MoneyHelp financial counselling service, and from external organisations including Kildonan Uniting Care and Odyssey House. When clients presented who were experiencing or had experienced disconnections, Consumer Action or the referral organisation explained the research and offered them the opportunity to participate. With the clients' approval, Consumer Action then provided clients' details to the BBC team.

Consumer Action provided 12 names in total; of those, five participated. Three were ineligible as their disconnections occurred outside Victoria or lasted less than one day, and the remaining four initially agreed to participate but did not respond to follow up calls or messages.

One further participant was sourced from a separate project being conducted by the Centre for Urban Research, after BBC researchers learned she was eligible.

The BBC team also sought to recruit from RMIT University networks, including financial advice services for students and staff communications; these efforts did not yield any participants.

Table 1 (below) shows how the six participants were recruited.

Table 1: Participant referrals

Referral agency	Number of participants
Consumer Action's MoneyHelp service	3
Kildonan Uniting Care	1
Odyssey House	1
RMIT's Centre for Urban Research	1

Upon receiving contact details a BBC researcher phoned each potential participant to confirm their eligibility for, and interest in, participation. In several cases the researcher established initial contact via text message, as some participants indicated they would not answer calls from unknown or private numbers.

After confirming eligibility and willingness to participate, the researcher organised a time and venue for interviews.

All participants were given a Coles/Myer voucher valued at $60 as an incentive to participate, and in appreciation of their time.

A summary of participant demographics is provided at Appendix A.

Data collection

BBC researchers conducted 6 in-depth, semi-structured, face to face interviews with Victorian householders who had experienced disconnection of their gas and/or electricity supply.

Two interviews were conducted in neutral public places (a café and a hotel, respectively) at the participants' request. All others were conducted in participants' homes.

The research was conducted in accordance with the requirements of RMIT's Human Research Ethics Committee. Recognising the sensitive nature of the topic, the researchers took care to ensure participants understood the intent and conditions of the research before agreeing to be involved, and again before conducting interviews. Before each interview the participant was given an information statement, had the research explained to them in detail, and signed a consent form. Participants were also advised that they could stop the interview at any time, and were not obliged to answer any question or provide any details they were not comfortable with.

All interviews were recorded using a digital voice recorder, and lasted around one hour.

At the beginning of each interview, participants were asked to describe how their disconnection/s came about. The interviewer then asked a series of questions about the experience and the associated costs and impacts, using an interview schedule (shown at Appendix B) to ensure key topics were covered.

Before the conclusion of each interview, interviewers asked a series of demographic questions (**Appendix C** of Disconnection Case Studies: Understanding the household experience[32].

All data collected were de-identified, and measures have been taken to ensure participants' anonymity in the reporting of this research. These measures include changing names and identifying details, and referring to regions rather than suburbs or towns where participants live.

Analysis

All interviews were professionally transcribed. The budget did not include time for thematic coding analysis or comparative analysis across cases; however, individual transcripts were analysed to draw out key themes (summarised in section 3) and to develop case study narratives for each household (section 4).

Financial and demographic data were entered into an Excel spread sheet and tabularised (see Appendix A[33]).

Limitations

This research is not, and was not intended to be, representative of a wider sample; rather, it aims to illustrate individual lived experiences of disconnection events, and some of the direct and indirect costs for participants and their families.

The researchers collected accurate data about the costs of disconnection for each participant where available. Participants often had difficulty recalling or did not know particular details such as the exact figures of fees, debts and costs; dates and duration of disconnections; the names of their energy retailers; or their regular income. No figures or details have been verified by energy retailers or other authorities. Some inaccuracies may be present in the data due to reliance on participant self-reporting.

[32] Strempel, A. Nicholls, L. Strengers, Y. (2015) *Disconnection Case Studies: Understanding the household experience,* Centre for Urban Research, RMIT University
[33] ibid

Appendix B - Oakley Greenwood summary of data limitations

In collecting the data for these studies we encountered some difficulties that had material implications for our ability to comment on the adequacy of current approaches to financial difficulty and hardship. In particular, it was very difficult to collect data from across the sector to appropriately monitor the outcomes of current practices for consumers.

Specific to the costs produced in this report, are a number of limitations that we have had to apply based upon data collection issues. As such, the estimate provided must only be considered as partial, as **it only includes:**

- The direct labour costs incurred by financial counsellors
- The direct labour costs of EWOV personnel likely to be involved in credit issues

It does not include:

- Any of the costs incurred by energy retailers in running their hardship programs, including:
  - Labour costs for personnel detailed to the hardship and disconnection process
  - Labour and systems costs for data keeping and reporting associated with regulatory requirements concerning hardship programs and the disconnection process
  - Overhead expenses associated with the hardship program
  - Any overhead expenses associated with financial counsellors
- Any costs incurred by community organisations (other than financial counselling costs) in dealing with clients that are experiencing payment problems or disconnection from their electricity or gas supply, including:
  - Labour costs of the personnel (other than financial counsellors) providing services to these customers
  - Any overhead expenses associated with these personnel
  - Any out-of-pocket costs associated with the services provided to these consumers
  - Any overhead expenses associated with EWOV personnel that deal with credit issues
  - Any labour or overhead costs associated with DHS personnel detailed to the Utility Relief Grant Scheme

- Any costs incurred by the Essential Services Commission associated with hardship issues, including:
  - Labour and systems costs for data keeping and reporting associated with the monitoring of energy retailers' compliance with regulatory and legislative requirements associated with the financial hardship program and the disconnection process
  - Any overhead expenses associated with those compliance monitoring and reporting activities.

It should also be noted that the estimate provided here is likely to be a lower-bound estimate of the costs incurred by the stakeholders for whom information was available because of the nature of the information made available

Appendix C - RMIT research Participant demographics

	1	2	3	4	5	6
Age	33	48	27	40-45	58	51
Gender	F	F	F	F	F	M
Location*	Outer SE suburbs	SE suburbs	North Vic (regional)	Inner Melbourne	Northern suburbs	Northern suburbs
Dependants living at home*	3	0	1	0	1	4
House type*	House	Unit	Villa	Apartment	House	House
Tenure*	Public rental	Public rental	Public rental	Private rental	Part own (mortgage)	Private rental
Rent / mortgage*	$180/wk	Unsure	~$116/wk	$1100pcm	Unsure	$300/wk
Income amount*	$500/fortnight	Unsure	$580/fortnight after rent, bills	$1316/month	Unsure	$950/ fortnight
Income source*	Centrelink – Newstart	Centrelink – disability support pension	Centrelink – parenting payment	Centrelink - Newstart	Centrelink – disability support pension	Centrelink - Newstart
Employment status*	Unemployed/ parent	Unemployed	Unemployed/ parent	Unemployed (ad hoc freelance)	Unemployed/ full-time carer	Unemployed (ad hoc cleaning)
Cultural background	Australian	Australian	Bosnian	Australian	Scottish	Australian
Concessions*	Pensioner card (non-aged); HCC	DSP HCC	HCC	HCC	DSP HCC	HCC
Illness/injury*	Depression, anxiety, PTSD; daughter has asthma	Major ankle injury (3 surgeries); osteoporosis; PTSD; alcoholism (past)	Hepatitis C; back injury; inflammatory bowel syndrome; depression	PTSD, depression, anxiety	Autonomic neuropathy & related cardiopulmonary problems; ailing kidney; depression. Daughter: life-threatening allergies, asthma	Chronic depressive disorder; chronic fatigue. Wife has chronic back pain & sleep apnoea (requires breathing machine)

*** At time of disconnection**

Appendix D - RMIT research - interview schedule

Background to disconnection

1. Have you had your energy supply disconnected more than once? If so, we will focus on the most recent disconnection.
2. When did the disconnection happen?
3. Which service/s were disconnected (gas or electricity)?
4. Do you remember how long your energy supply was disconnected for?
5. In your opinion, what caused the disconnection? Were you told that you would be disconnected before it happened?
    a. Who told you and how? (e.g. letter or phonecall from energy provider)
6. Did the energy company give you any options to avoid disconnection?
    a. What were they?
    b. Did you try any of them?
7. Did you tell the energy company that you were experiencing financial difficulty?
    a. If not, what made it difficult for you to do this? (e.g. life circumstances, previous experience with energy company)
    b. If yes, what was the energy company's response?
8. Did you speak with any financial counsellors before the disconnection occurred?
    a. Who put you in touch with them?
    b. What was that experience like (e.g. helpful, frustrating, unhelpful)?
9. Did you speak with anyone else about your bills or the disconnection before it happened?
10. Was there anything that made it hard for you to understand what the energy company wanted you to do?

Payment and bills

1. Were you on a payment plan or hardship program at the time when you were disconnected?
    a. Do you remember how often and how much you had to pay?

2. Do you remember how often you were receiving bills at that time? (e.g. quarterly, two monthly, monthly)
3. How did you usually pay your bills at that time?
    a. Australia Post Billpay
    b. BPAY
    c. Centrepay
    d. Cheque/money order
    e. Credit card
    f. Direct debit
    g. In person at Australia Post
4. At the time when you were disconnected, had you been receiving bills as usual?
5. Do you know how much money you owed the energy company when you were disconnected?
6. The amount the energy company said you had to pay – do you know how many bills that included? (i.e. one bill's worth of charges or more than one)
7. What made it hard for you to pay your energy bills at that time? (e.g. job loss, relationship break up, birth of child, illness, other debts)
8. Was this the first time you had problems paying an energy bill?
    a. How often would you say you'd had problems paying?

<u>During the disconnection</u>

1. Can you describe how it felt to be disconnected?
2. During the time when your energy supply was disconnected, did you stay at home? If yes:
    a. What things did you have to go without during the disconnection?
    b. What changes did you make to your daily routines and practices? Prompts: cooking, tea and coffee, food storage, bathing, laundry.
    c. Do you remember what the weather was like during the disconnection – was it hot or cold? How was your comfort affected?

    If you didn't stay at home:

    a. Where did you go?
    b. How long did you stay there?

c. Did other household members go with you? Pets?

d. Did that place feel comfortable/welcoming? Did you feel that it was a safe place for you/others?

e. Were there things you had to go without during that time? How did you manage that?

3. Do you or anyone in your household have any special needs that make it particularly important to have access to gas/electricity? (e.g. medical equipment or conditions)
4. Did the disconnection affect your employment, study or job-seeking?
5. Were other household members, including pets, affected by the disconnection in different ways than you? Can you tell me a bit about these effects (for them and for you)?
6. Did the disconnection cause any other short term difficulties we haven't discussed already?

Costs of disconnection [interviewer to record all costs in Costs Record]

7. Were there any direct costs associated with the disconnection? E.g.:

    a. Disconnection/reconnection fees

    b. Phone calls to energy company, financial counsellors, bank, etc.

    c. Appointment fees, travel to/from appointments with financial counsellors etc.

    d. Short term loan costs

    e. Alternative accommodation (or as an indirect cost)?

8. Where there any indirect costs associated with the disconnection? E.g.:

    f. Replacing food

    g. Purchasing takeaway/ready-made food

    h. Purchasing appliances, e.g. electric heaters to replace gas

    i. Travelling to/from other places to shower, use internet, cook etc.

    j. Purchasing candles, blankets or other supplies

    k. Replacing medicines or other perishables

    l. Cancellation fees for missed appointments etc.

    m. Late payments for other bills (e.g. couldn't pay without internet; couldn't pay because of other costs)

n. Time as a cost (including if work was missed)? E.g. How much of your time would you say you put to resolving the disconnection and other arrangements to cope with it?

<u>After the disconnection</u>

9. How was your disconnection situation resolved?
    a. Did you pay anything towards the amount the energy company said you had to pay?
    b. Did the energy company waive any of the amount they said you had to pay?
10. What were your interactions with the energy company like after the disconnection?
11. Are you still in contact with financial counsellors or any other services?
12. Has your life returned to normal after the reconnection?
    a. If no, why not?
    b. If yes, how long did it take? (i.e. when were you able to resume everyday activities and routines as before)?
13. Did the disconnection cause any long term problems we haven't discussed already (including things like relationship difficulties)?
14. Do you feel confident about avoiding disconnection in the future?
15. Are there things that you think need to change to help people such as yourself avoid disconnection in the future? If so, what, how?