JULY 2019

ENERGY ASSISTANCE REPORT

Tracking how Victoria's changing energy policies are impacting households in the state

consumer action law centre

ABOUT

Consumer Action Law Centre is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

ACKNOWLEDGEMENTS

This report is part of a work program made possible through funding by Energy Consumers Australia.

DISCLAIMER: The views expressed in this report do not necessarily reflect those of Energy Consumers Australia.

Consumer Action is located on the land of the Kulin Nations. We acknowledge all Traditional Owners of Country throughout Australia and recognise the continuing connection to lands, waters and communities. We pay our respect to cultures; and to Elders past, present and emerging.

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01 KEY FINDINGS

- **Energy disconnections have significantly reduced following the implementation of the Victorian Government's Payment Difficulty Framework from 1 January 2019.** The Payment Difficulty Framework was a major reform to energy regulation in Victoria. It created new requirements for energy retailers to assist people when they have difficulty paying a bill. Since the policy was implemented, zero disconnections have shown up in our sample of calls to the National Debt Helpline. Our data also shows that there has been a reduction in people with very large bills contacting our service and less inappropriate referrals since the new requirements were introduced. This does not demonstrate causation but is nevertheless a positive result.

- **Energy Companies are still failing to comply with some aspects of the Payment Difficulty Framework.** There are still examples of poor practices and the Essential Services Commission must take compliance and enforcement action to hold energy companies accountable and protect Victorians who are most at risk of losing access to essential energy services.

- **Early intervention is important because energy debts can spiral out of control. Energy debts are the 'canary in the coalmine' for financial hardship and they lead to other debts when not adequately addressed with early intervention.** Energy retailers have a social responsibility as essential service providers to assist people who are unable to pay their energy bills. This is formalised in the Payment Difficulty Framework.

- **There is a strong relationship between receiving a Centrelink income and issues with energy debt.** If the Federal Government was to raise the single rate of Newstart, Youth Allowance and other related payments by at least $75 a week, it is likely that the number of people struggling to pay their energy bills would decrease.

In 2019

The proportion of people who have an energy issue who speak **a language other than English at home has doubled** in 2019 compared to the preceding 18 months

An average of **14%** of calls were energy related

Over **50%** of callers reporting energy issues have **Centrelink** as their primary income source

Callers with energy issues are more likely to have flags on their call file that they have experienced or are experiencing **family violence**

7% **of all calls noting energy issues**

From 1 January 2019 we have seen the amount of **disconnection** reported in the sample drop to **0** **compared to 1 every two days on average** in the sample beforehand

45% of callers who raised an energy issue also noted a **life event** as a **significant vulnerability** in relation to debt

Over **19%** of callers raising an energy issue were also experiencing **mental health issues**

Women are more likely to call and have energy issues noted than men

57% **of all calls noting energy issues**

02 ABOUT THIS REPORT

Energy services are essential to every household in Victoria. We must purchase these services to remain physically healthy, mentally well and to enable us to function in society. Electricity and gas debt and disconnection issues have always been amongst the top issues reported to Consumer Action's National Debt Helpline (**NDH**). The NDH is a free telephone financial counselling service available to Victorians.

This report analyses unique data from 1867 file system records. These file records were made based on individual calls to NDH where services were provided. Out of this sample of almost 2,000 calls, an average of 14 per cent of these calls were energy related, i.e. the notes made during the call clearly mention that the caller had an energy issue.

When a person calls NDH, a financial counsellor will support a caller to assess their debts, identify issues that may be contributing to the caller's debt issues and provide options for addressing the debts. They then make the referrals necessary for the caller to self-advocate or to receive further assistance from a community-based financial counsellor who can advocate on the person's behalf. Financial counsellors make notes in our client management system throughout this process. They also record some general demographic information and in some cases flag vulnerabilities.

This report provides insights on the impact of regulation and policy reform implemented by the Victorian Government in relation to energy issues reported by callers to NDH. It is the result of reviewing a sample of NDH call notes since July 2017 to reveal trends.

As decision makers implement reforms to the energy system and energy policy in Victoria, we will continue to analyse our call data to reveal the impact of these policies on those facing difficulty paying their bills. We will also report any systemic issues that we see arising or continuing that must be addressed.

The Payment Difficulty Framework was a major reform to energy regulation in Victoria. It created new requirements for energy retailers to assist people when they have difficulty paying a bill and came into effect on 1 January 2019. In this report, we examine the framework's impact on people calling our services.

We welcome suggestions for future analysis with the data available. To better inform researchers and decision makers a deidentified set of some of the data that has been used for the analysis in this report is available on Consumer Action's website.

Methodology

Consumer Action's policy team selected two days of each month from July 2017 to May 2019. The team reviewed every call note record in our internal system and identified all calls that clearly mentioned an energy issue. The nature of each energy issue was then further coded wherever the issue was clearly noted.

Each call note also includes some general demographic information and some notes also flagged callers' vulnerabilities. This information helps us understand where an issue is disproportionately impacting a group of people.

We discuss the limitations we have identified in the information we are analysing further in Appendix A. Regardless of these limitations, we have found the compiled information useful in supplementing the individual case studies and anecdotal evidence we often present to decision makers and utilise to further our understanding of systemic issues. We have also gathered information about issues with energy retailers from our own financial counselling team and other community workers to inform our work.

To better inform researchers and decision makers, a deidentified set of some of data that has been used for the analysis in this report is available on Consumer Action's website.

Sample

Our sample for this report included 2256 records which are made up of two consecutive days of file system records for each month from July 2017 to May 2019.

Some of the records included calls from interstate, calls where the caller was looking for or needed to access a different service, and other reasons where the service was not able to be provided (these might include information-only service). When we took these records out of the sample, we found that 1867 callers had been provided services by the NDH in the sample.

Based on those figures there were 40.6 calls a day on average where service was provided in the sample. To ensure consistency we have limited our analysis to just the calls to where a service is provided (wherever relevant).

Some analysis in the Excel document of deidentified information that accompanies the report may not remove calls where no service was provided as we would not have recorded information in those entries that is relevant to this analysis.

Our two cents

Energy disconnection for those who have the inability to pay is unacceptable. This report indicates that, so far, the Payment Difficulty Framework in Victoria has been successful in making energy disconnection a measure of last resort. This is a significant achievement as Victorians facing impossible financial situations should not face disconnection due to an inability to pay. Prior to the implementation of the Payment Difficulty Framework, Victorians faced these unfair disconnections regularly.

However, this report also identifies other instances of non-compliance with aspects of the new framework. For the first three months of 2019, trends were looking good in our sample data. However, in April and May, the NDH again heard that callers are continuing to face issues with unaffordable payment plans, barriers to accessing the utility relief grant and not receiving proactive and adequate assistance from their energy retailers when they are having trouble paying energy bills. This contradicts the very purpose of the framework which is designed to ensure that everyone is entitled to a minimum standard of assistance from their energy retailer when they are unable to pay.

This is concerning as the decline in disconnections may only be temporary. The framework requires retailers to allow those in serious payment difficulty, who are most at risk of disconnection, a six month 'hold' on arrears where they cannot be disconnected. From July, this hold period will begin to expire for many and our data suggests that some retailers are failing to act reasonably in response to peoples' circumstances. If retailers fail to be reasonable in relation to extending the hold on arrears, we may see disconnections on the rise in the near future.

The Essential Services Commission (**ESC**) has recently received a funding boost from the Victorian Government of $27.3 million dollars over four years as part of election commitments which included increasing the regulator's capacity and powers to undertake enforcement. The ESC must prioritise using these powers to enforce compliance with the Payment Difficulty Framework to ensure that failures from retailers do not lead to more disconnections for people with an inability to pay.

If energy retailers cannot act reasonably in relation to their ability to disconnect, regardless of the Payment Difficulty Framework, then we call for this ability to be taken away from private businesses.

While this report analyses the impact of the Payment Difficulty Framework on the nature of calls about energy at the NDH, many reforms are being implemented on 1 July that we may examine further in the future. On 1 July, Victoria will introduce:

- the regulated Victorian Default Offer price;
- the requirement that percentage discounts be expressed relative to the Victorian Default Offer price;
- a clear advice entitlement for households to understand the best offer for their needs when switching;
- best price offer notifications on billing; and
- changes to the way utility relief grants ('**URGs**') are provided.

These reforms should improve outcomes for all households in Victoria. Consumer Action will continue to work to ensure that those who are most at risk of losing their energy supply are benefiting from the reforms.

03 ABOUT THE PAYMENT DIFFICULTY FRAMEWORK

The Payment Difficulty Framework reform went live on 1 January 2019. The framework entitles all people who have difficulty paying their bill to minimum levels of assistance that are tailored to their needs by their electricity or gas retailer. The framework's purpose is to make disconnection a last resort for households who cannot pay their bills.

The framework is a major change from the previous framework which was largely based on the retailer's own hardship policies. Previously energy retailers had much more discretion as to who was entitled to assistance and what regular amounts could be demanded. The assistance a household received could vary drastically depending on what business provided their energy service. They could also disconnect essential services without offering assistance.

The Payment Difficulty Framework reform means that now retailers must:

- inform people who are in $55 debt of their minimum entitlement for assistance;
- accept households at their word about difficulty paying and what they can afford;
- not require a person to provide information or access support services as a condition of providing assistance;
- always accept a payment plan proposed by a household if that results in their debt being paid off in two years;
- adjust payment plans, accept reasonable late payments and not automatically proceed to disconnection when a household misses a payment towards a payment plan;

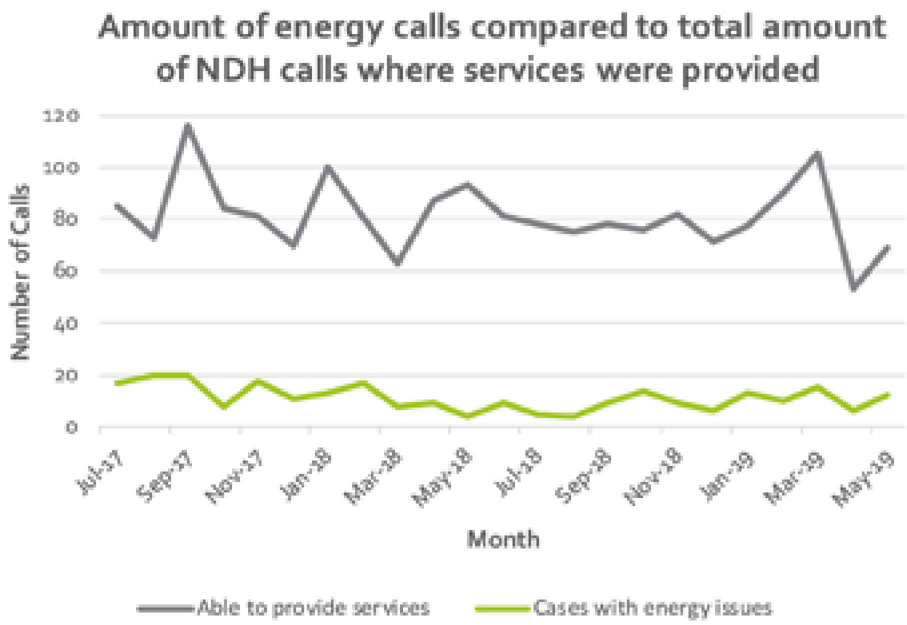
- provide information about government and non-government support services; the lowest energy rate, and a six month 'hold' on arrears;
- provide practical assistance to safely lower the amount of energy usage if the household is unable to afford their ongoing energy usage; and
- demonstrate compliance with all required minimum standards.

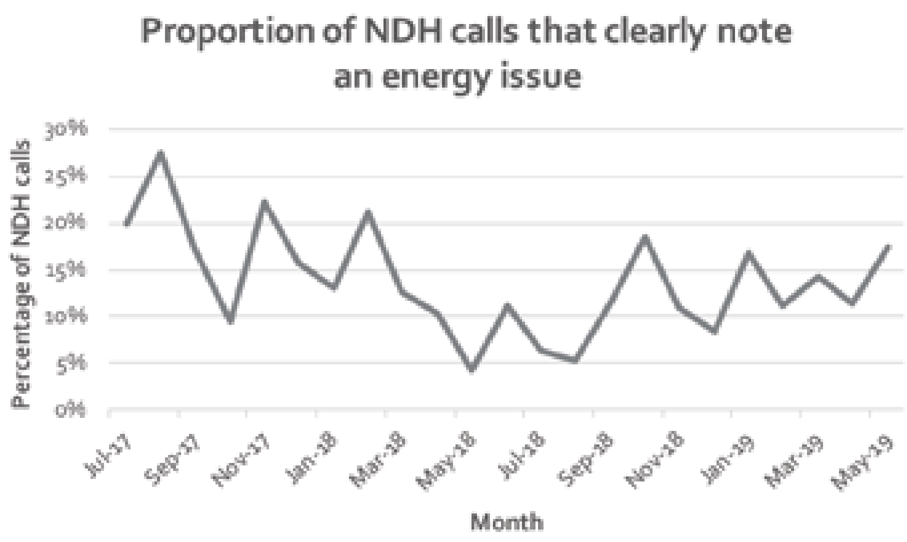
Consumer Action supports the Payment Difficulty Framework as it should lead to much better outcomes for Victorians who are at risk of losing access to essential energy services. The full requirements on retailers are recorded in Part 3 of Victoria's Energy Retail Code.[1] Guidance about how to comply with the framework has also been released by Victoria's energy regulator, the ESC.[2]

1 Essential Services Commission, 1 January 2019. Energy Retail Code Version 12.
2 Essential Services Commission, 2017. Energy Compliance and Enforcement Policy: Guidance note – Payment difficulty and disconnection: Version 1.0

04 ISSUES ANALYSIS

4.1 Calls to the National Debt Helpline about energy issues over time



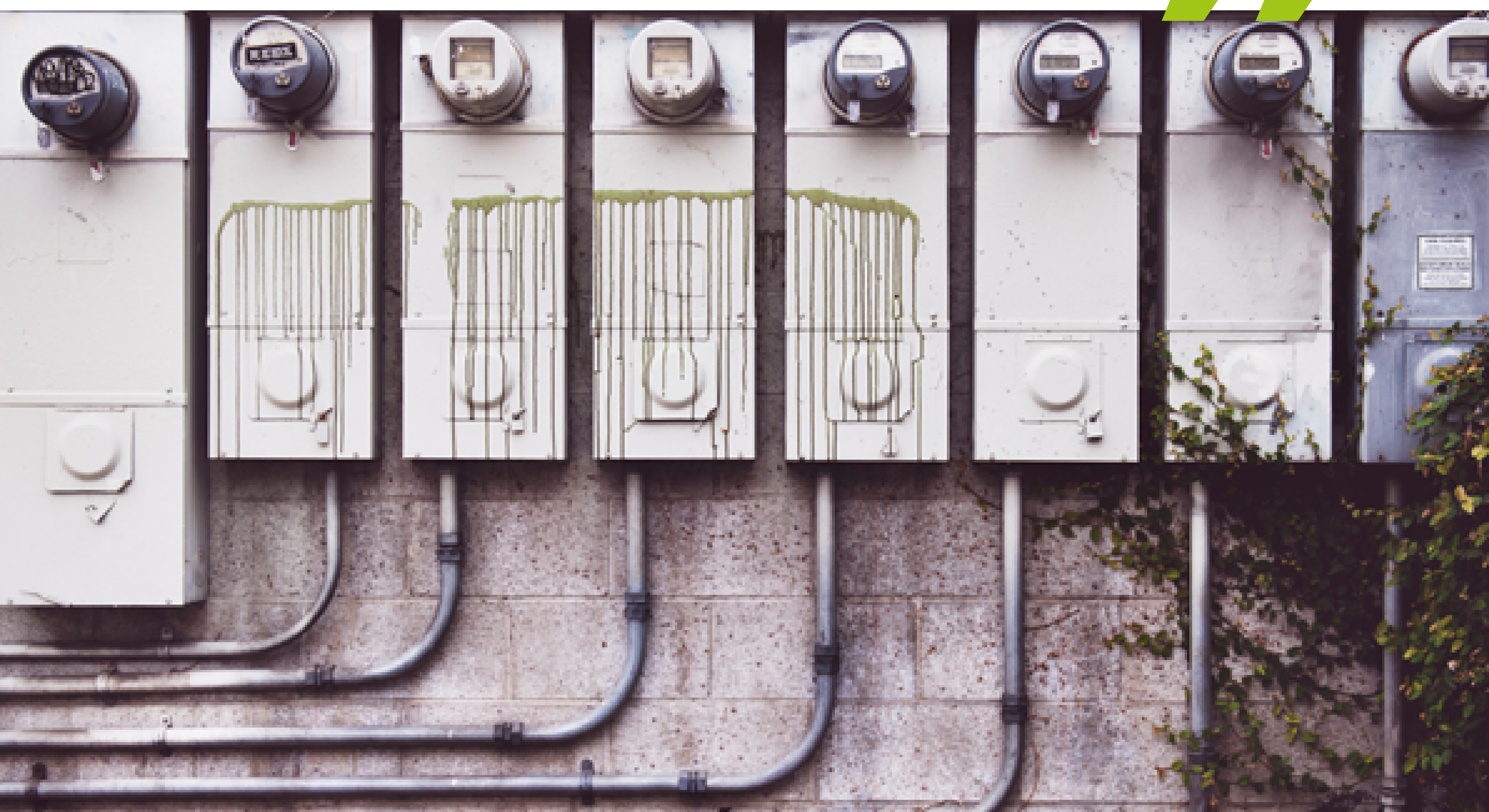


The NDH has received a steady number of energy related calls since the Payment Difficulty Framework was introduced. The sample indicates that, on average, callers have an energy issue clearly noted around 14 per cent of the time. Over the months in the sample the amount of energy calls varied between one in twenty and up to one in four as a proportion of calls. However, this is because the overall numbers of calls fluctuated. At three periods in the 23 months of the sample, there were significant increases in total calls where services were provided.

This may indicate that Victorians struggling to make ends meet always have difficulty paying these bills. Many financial counsellors have expressed a view that energy debts are the 'canary in the coalmine' for financial hardship and that they lead to other debts where not adequately addressed with early intervention.

The Payment Difficulty Framework requires retailers to intervene earlier when someone is having difficulty paying their energy bills by making a person aware of government and non-government assistance like financially counselling services. This may mean that people in payment difficulty may be referred to the NDH more consistently than in the past. When the ESC releases the next annual Victorian Energy Market Report and provides information about the overall number of people receiving assistance from energy retailers, we will be able to better understand whether the proportion of Victorians receiving assistance from their energy retailer that get referred to the NDH has changed.

> **Many financial counsellors have expressed a view to Consumer Action's policy team that energy debts are the 'canary in the coal mine' for financial hardship and that they lead to other debts where not adequately addressed with early intervention.**



Energy calls with other debts

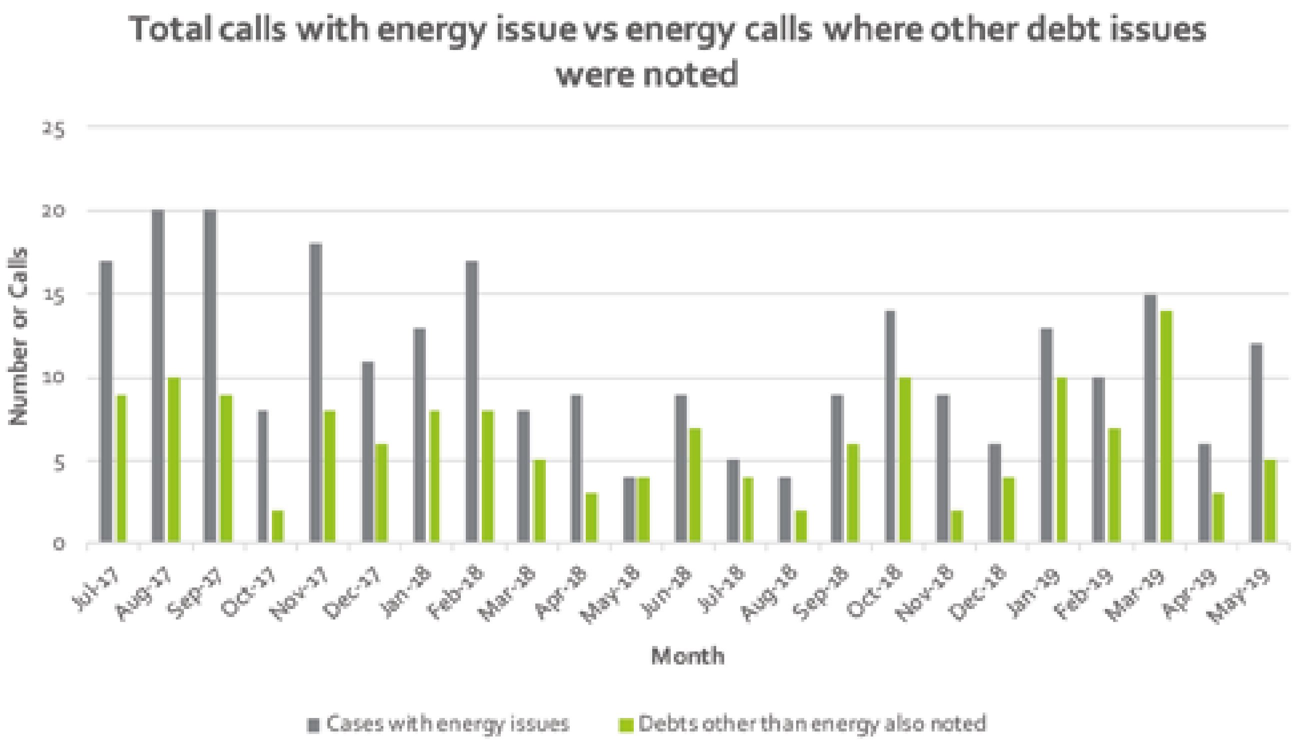
For the first three months following the Payment Difficulty Framework reform, callers reported other debt issues (e.g. credit cards, payday loans, home loans etc) where an energy issue was noted more often than any other time in the sample. Where callers have multiple debts, this indicates that the person is in general hardship and is facing financial difficulty not just with their essential energy services.

Although people finding themselves in this situation is unfortunate, when they are in that situation, access to financial counselling services is essential to help people understand their options. In April and May, the number of callers with energy and other debts has dropped to previous patterns.

Energy retailers should be able to adequately assist those who only have energy debts through their own assistance measures. It is appropriate for retailers to refer people to the NDH where they are experiencing financial issues involving other businesses that are impacting their ability to pay for essential energy services. Financial counsellors are experts in assessing all the options available to a person in such situations.

The community sector's resources are often strained. The NDH's services are provided where they are needed but assisting people who are only facing energy issues like an unaffordable payment plan may not be efficient for the caller, the financial counsellor and the caller's retailer when the retailer should have addressed the issue in the first place.

Retailers must continue to work to improve their processes so that they engage with their customers to overcome or address difficulty paying bills. Regulators must ensure that energy retailers are meeting minimum standards for assistance.



Inappropriate referrals

Since 1 January 2019, there have been less instances of clearly noted inappropriate referrals to NDH by an energy retailer in the sample, while the number of calls with energy issues have remained steady. Although the sample is small, this may indicate that the new requirements under the Payment Difficulty Framework have meant that retailers have improved their practice.

The Payment Difficulty Framework requires that retailers not make access to minimum standards of assistance conditional on a household accessing support services like financial counselling.[3] The ESC's guidance note also provides a best practice example of what to advise a household when they are being referred to the NDH[4] Financial Counselling Australia also publishes a guideline for referrals.[5]

We recorded wherever it was clear that a retailer referred someone inappropriately in the sample. Often these referrals are an unnecessary strain on limited services.

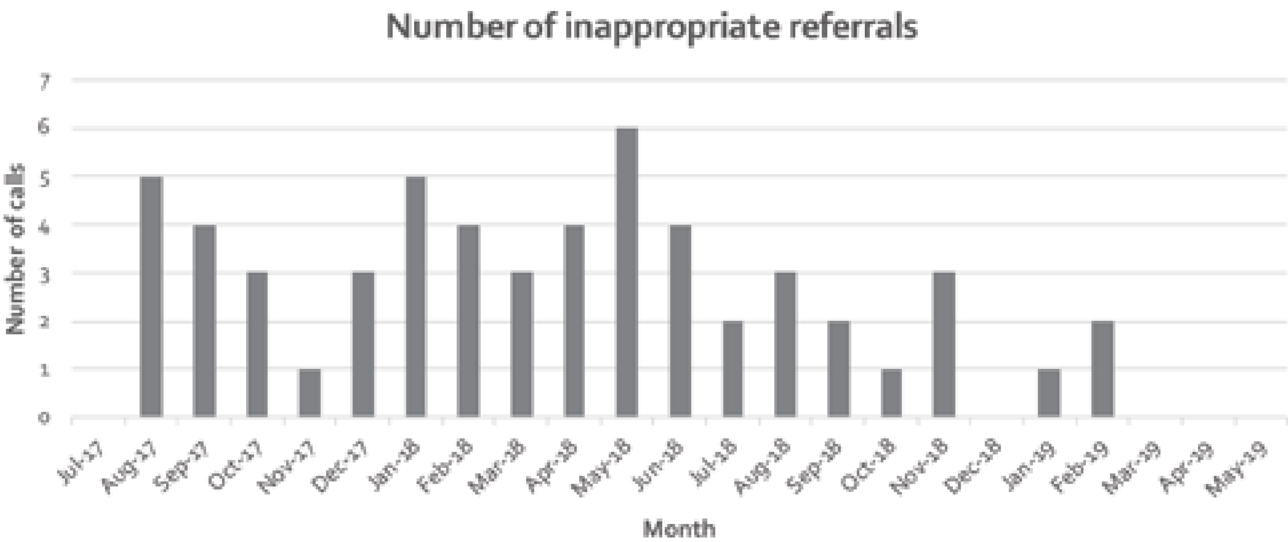
We consider that inappropriate referrals include situations where the retailer:

- said any assistance was conditional on accessing financial counselling;
- has clearly failed to assist their customer;
- failed to inform their customer that they were being referred to an independent and confidential service and what services we provide; or
- referred someone we cannot assist (an example being an interstate household).

When reviewing call notes it was sometimes difficult to clearly interpret an inappropriate referral as financial counsellors will often just move on and assist the caller regardless.

However, it was clear that in the 18 months preceding the Payment Difficulty Framework two 'tier one' energy retailers, AGL and Origin Energy, often referred to NDH and that Origin had the greatest proportion of inappropriate referrals. Notably, Energy Australia is an equivalent sized retailer and the NDH receives significantly less calls with energy issues noted that mention Energy Australia.

Two of the inappropriate referrals this year were from Lumo Energy, the other was unknown. We notified a Lumo Energy representative of these issues along with any others we had seen in April and they agreed to raise the issue internally. Since then the only call clearly noted as a referral from Lumo Energy in May was not an inappropriate referral.

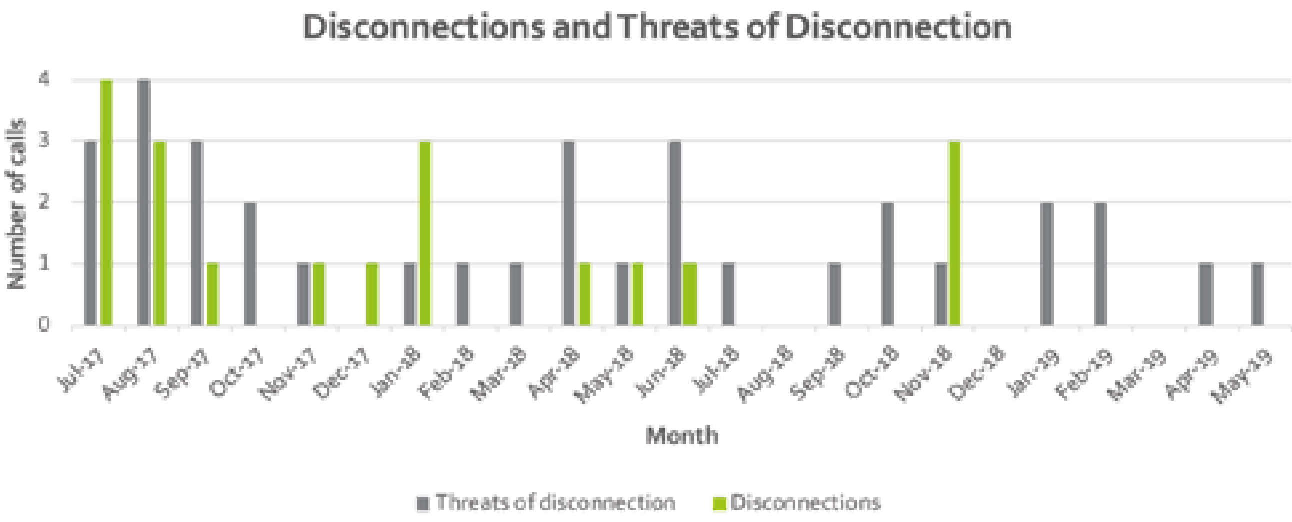


3 Essential Services Commission, 2017. *Energy Compliance and Enforcement Policy: Guidance note – Payment difficulty and disconnection:* Version 1.0 22 December, p.60

4 Ibid p.34

5 Financial Counselling Australia. *Referring to Financial Counsellors; A guide for energy companies.* Retrieved 10 July 2019 from: https://www.financialcounsellingaustralia.org.au/docs/referring-to-finanical-counsellors-a-guide-for-energy-companies/

4.2 Disconnections and Threats of Disconnection



Disconnection

Energy disconnection for debt collection purposes is completely inappropriate, especially in circumstances where the household being disconnected has an inability to pay. Disconnecting a household presents a serious safety risk because energy is a service essential to health, wellbeing and social participation. Our Heat or Eat report from 2015 discusses the unacceptable impact on people who are disconnected.[6]

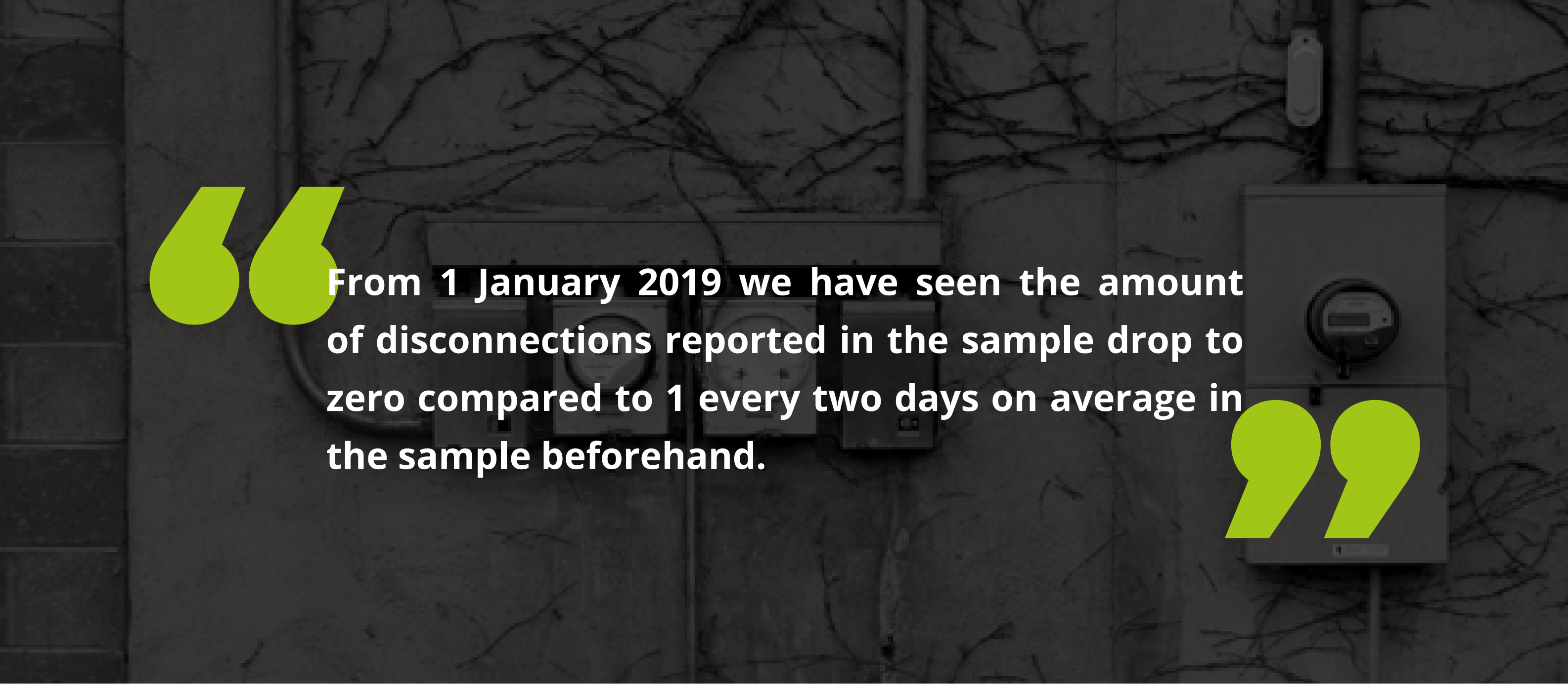
So far, the introduction of the Payment Difficulty Framework has succeeded in lowering disconnection rates. We are conscious that this may be due to the six months 'hold on arrears' required by the Framework. Once this period ends, it may result in disconnection for affected households if they are not supported with a sustainable payment arrangement.

The main objective of the Payment Difficulty Framework is to make energy disconnection a last resort. From 1 January 2019 we have seen the amount of disconnections reported in the sample drop to zero compared to one every two days on average in the sample beforehand. This is encouraging but this doesn't mean disconnections have ceased completely. Consumer Action's policy team has still heard of a handful of disconnections from January 2019 to June 2019. We will continue to advocate that no one be disconnected due to an inability to pay. Enforcement action must adequately deter retailers from wrongfully disconnecting customers wherever this is found to have been the case.

Prior to 1 January 2019, our sample of NDH records identified disconnections in waves. In contrast to the Energy and Water Ombudsman Victoria's (EWOV's) much larger data set that indicated a fall in actual disconnections at the end of 2018,[7] we saw a spike of disconnections in the sample in November 2018 just before the Payment Difficulty Framework was implemented.

In our sample data from 2017, over a third of calls that noted Origin as the energy retailer mentioned an actual disconnection or threat of disconnection in the call notes. Seventeen per cent of calls from Origin in the sample were in relation to a disconnection and 17 per cent of calls from Origin were in relation to a threat of disconnection. Almost all of this conduct was noted before 2019. The seven calls clearly identified as involving Origin this year do not clearly note a disconnection and note one threat of disconnection.

6 Consumer Action, 2015. *Heat or Eat; Households should not be forced to decide whether they heat or eat.*
7 EWOV, 2109. *Affordability report July-December 2018*. Retrieved 19 June 2019 from: https://www.ewov.com.au/files/affordability-report-march-2019_0.pdf



> **From 1 January 2019 we have seen the amount of disconnections reported in the sample drop to zero compared to 1 every two days on average in the sample beforehand.**

Previous disconnections may have compounded long term payment difficulty for Origin and other retailers' customers. If a household is struggling to keep up with payment arrangements, and this has in part resulted from a lack of assistance or disconnection from their retailer in the past, then these circumstances should be factored into being flexible about tailoring assistance under the Payment Difficulty Framework wherever the retailer has discretion about the level of assistance to be provided.

As noted, the new framework was implemented on 1 January 2019 and includes a six month 'hold on arrears' for those facing serious difficulty in paying their ongoing energy costs before their retailer can disconnect.[8] Where extending this 'hold on arrears' is reasonable given the person's circumstances, we consider this period should be extended. But the NDH team and other community workers making reports to Consumer Action using an online reporting form[9] indicated that retailers had not listened to their client's circumstances and provided tailored assistance (this occurred in 21 out of 22 responses about misconduct this year). If such conduct is still widespread it may be unlikely that many will have their six months 'hold on arrears' extended. Consumer Action will be examining retailers' conduct closely as this 'hold' expires for those most at risk of energy disconnection from July 2019 onwards.[10]

Threats of disconnection

Threats of disconnection have continued to be reported to the NDH since 1 January 2019 despite no disconnections appearing in the sample.

Changes under the Payment Difficulty Framework require retailers to first contact a customer that has failed to pay their bill on time promptly. Within 21 business days after a bill becomes due, a retailer should advise their customer of their entitlement to assistance. There must be meaningful communication advising customers of entitlements to assistance and warning the customer that they are at risk of disconnection in clear and unambiguous terms. These obligations aim to ensure that disconnection is only pursued as a measure of last resort.[11]

Threats of disconnection before assistance is offered are unacceptable and such situations are not compliant with the Payment Difficulty Framework. Unfortunately, NDH call notes are often not detailed enough to be clear as to whether energy retailers have threatened disconnection before or after appropriate assistance is offered.

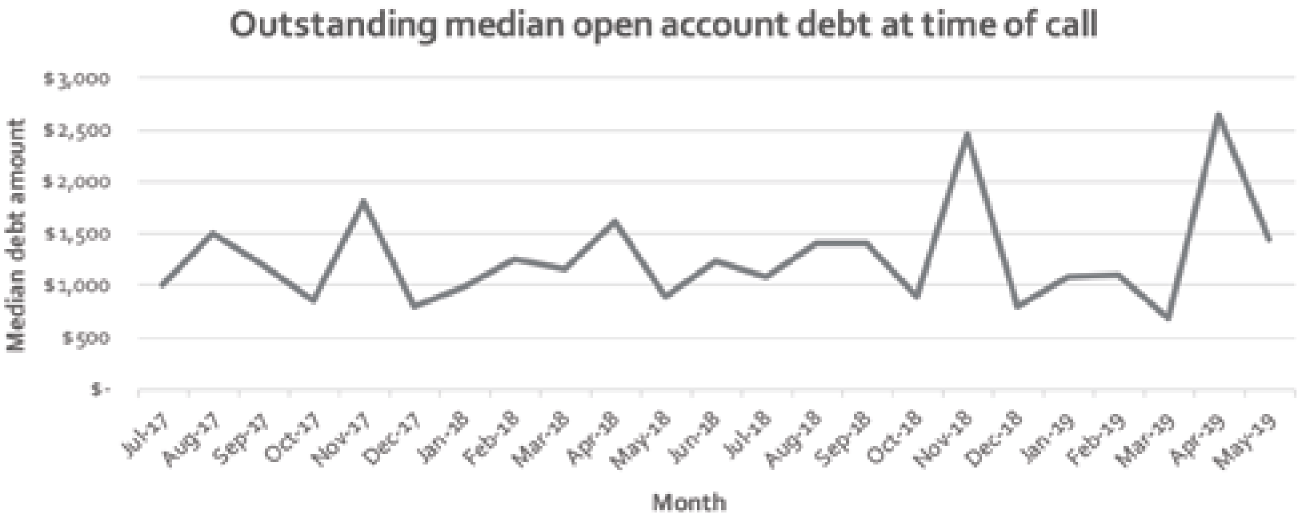
8 79(1)(f) Essential Services Commission, 1 January 2019. Energy Retail Code Version 12.

9 Our online form with the questions asked is available here: https://workers.consumeraction.org.au/report-energy-retailer-misconduct-in-victoria/

10 It should be noted that retailers may argue they were compliant before 1 January with providing the minimum standards outlined in the payment difficulty framework then such holds could end earlier.

11 Essential Services Commission, 2017. *Energy Compliance and Enforcement Policy: Guidance note – Payment difficulty and disconnection:* Version 1.0 22 December, p.68.

4.3 Outstanding open energy account debt at the time of call



When assessing the call notes we distinguished between energy issues with open (i.e. active) electricity and gas accounts as opposed to debts from closed accounts. The Payment Difficulty Framework protections are aimed at assisting those with open accounts.

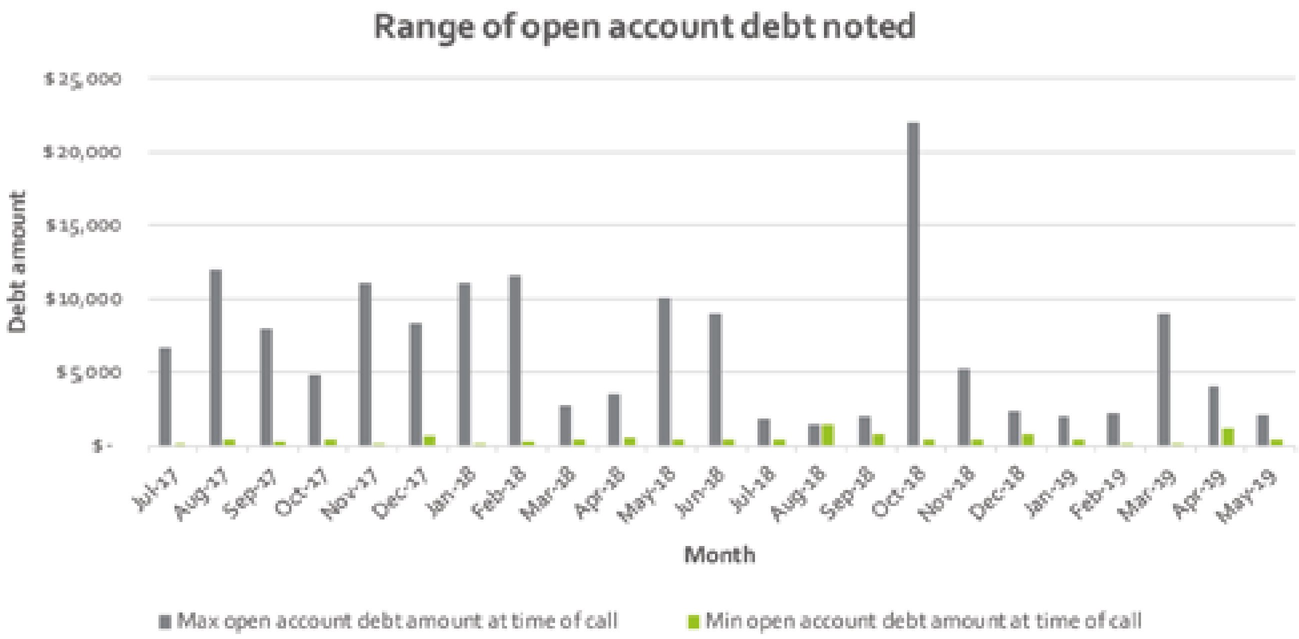
The above graph shows a steady trend in median debts for each month in the sample and two 'spikes' in the amount of energy debt reported by callers at the end of 2018 and in April 2019. Electricity and gas prices have risen over this period[12] and that should also be factored in when analysing the graph.

Over the January 2019 – March 2019 period it appeared that people contacting the NDH had lower debts than previously. This may be because they are better informed about their options, or they may have been referred by their retailer at an earlier point. However, the increase in debts over the April 2019-May 2019 period indicates that many callers still have high debt levels. The reasons for this need to be understood and addressed by the ESC through auditing retailer's compliance with requirements around the provision of timely assistance as enshrined in the Payment Difficulty Framework.

The earlier a person receives financial counselling, the sooner they are likely to access options that prevent them from experiencing a debt spiral, enabling them to prioritise maintaining their access to essential services. This, in turn, will increase their likelihood of overcoming payment difficulty.

Ideally, with the requirement for retailers to inform households in Victoria of government and non-government support available, and to offer them an affordable payment plan if they have $55 or more overdue, we would see a downwards trend in debt levels over time.

12 St Vincent de Paul Society, 2019. *Energy Reports – Victoria.* Retrieved 20 June 2019 from: https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/VIC/



Debts over $3,000 or $10,000

Since the Payment Difficulty Framework was implemented, only two records in the sample have indicated an energy debt over $3,000. In the 18 months preceding, debts above this level (which were classed as high arrears by EWOV in an affordability report[13]) were picked up in the sample, on average, just over once every two days. There will be a number of reasons as to why there has been a decrease in reported debts. At this stage it is too early to infer why this is the case, but it is a positive development.

Year	Open account debts over $3,000	Open account debts over $10,000	Closed account debts over $3,000	Closed account debts over $10,000
2017-18	24	6	5	1
2019	2	0	0	0

EWOV also reported debts over $10,000 as 'very high debt hardship cases.'[14] Of the six debts of this size picked up in the sample before 2019:

- one was a business debt that an individual was responsible for;
- four had Centrelink as their income source;
- one was clearly noted as being disconnected;
- another involved a complex work arrangement following a workplace injury.

The greatest amount of debt noted was around $22,000.

It is likely that many of these debts reflect endemic problems like insufficient social welfare payments. While that may be the responsibility of Federal Government, energy retailers should understand it is a circumstance that makes it unreasonable for them to disconnect a household and take action that further disadvantages a customer.

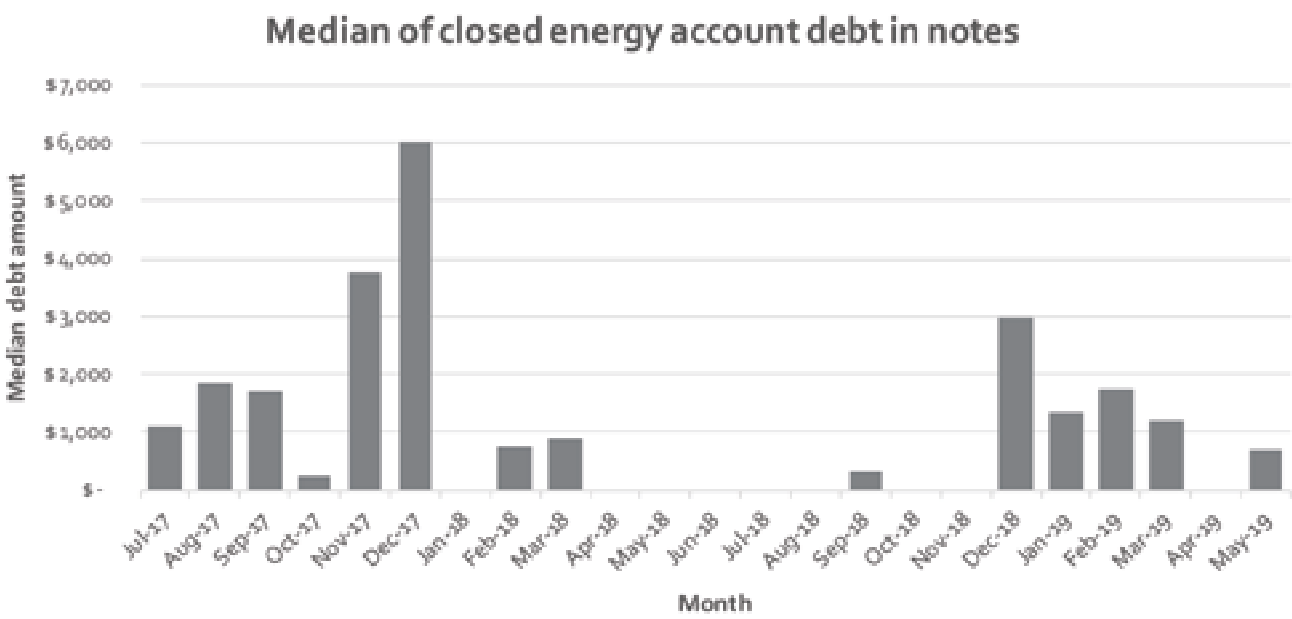
13 EWOV, 2018. *Affordability report* March 2018. Retrieved 19 June 2019 from: https://www.ewov.com.au/reports/affordability-report/201803
14 ibid

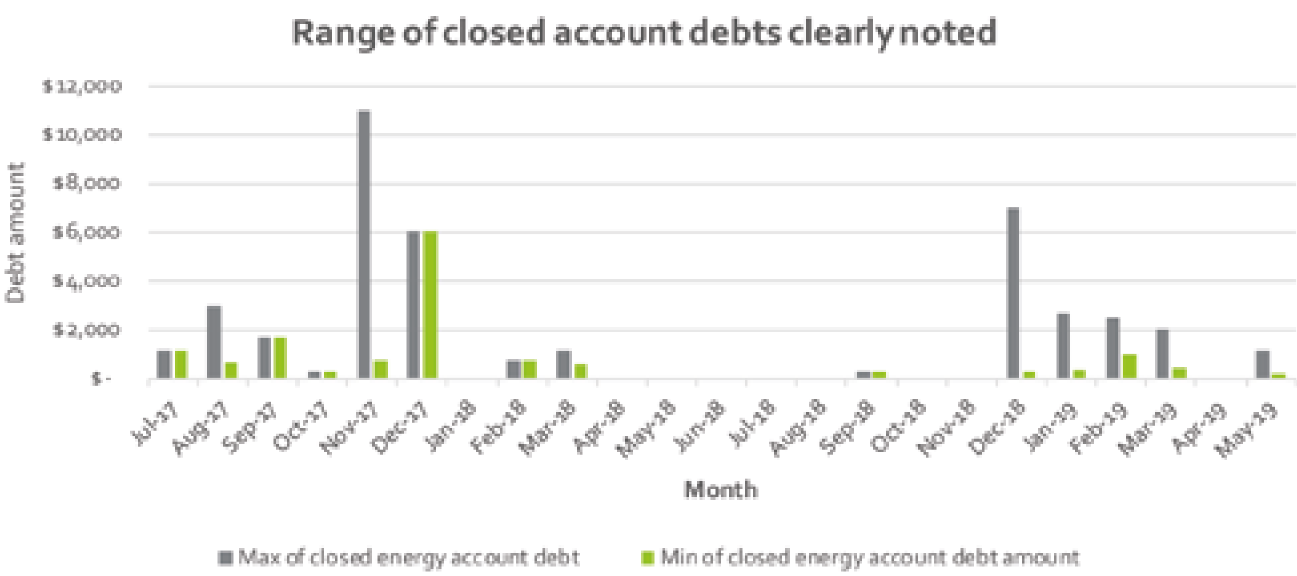
Closed account debt

When reviewing the call notes it became clear that debts from closed energy accounts are a significant issue. There were few instances of these debts identified in the sample throughout 2018 but they have been identified in every month of 2019 so far except for April.

Debts on previous accounts do not lead to energy disconnections. However, unfair or harsh debt collection practices may create unnecessary consequences for callers and, if these debts are over the $5,000 bankruptcy threshold, then they put the debtor at risk of bankruptcy. Unaffordable payment plans, demands for lump sum payments, and excessive debt collection fees can compound hardship where callers have no ability to pay.

We consider that these debts (or at least debt levels) are 'unfair' where retailers failed to assist an account holder to access URGs, concessions, a sustainable payment plan, and/or a fair price. Closed account debts may also lead to adverse listings on credit files that force such customers to use predatory fringe lenders. Payments to debt collectors for closed account debts may impact on a customer's ability to pay for utilities on open accounts and put the person at further risk of disconnection.





Judgment-proof callers who have no assets or income that can be recovered and little prospect of receiving additional income in the future may be able to avoid debt collection.[15] However, they must first be aware that this option is available to them and inform those collecting the debt.

Given debt issues with closed accounts are regularly appearing in the sample, and the significant impact we see these debts having on consumers, we consider that reform is needed to ensure the collection of debts on closed energy accounts is fair.

Unaffordable payment plans

Some callers to the NDH are still reporting that they are asked to accept unaffordable payment plans since the changes starting January 2019. Our data seemed to indicate a positive trend in the initial months since the Payment Difficulty Framework was implemented, but in May 2019 we saw the number of callers with unaffordable payment plans rise to a comparatively high number.

This higher level of callers reporting unaffordable payment plans is concerning as these plans are likely to lead to people going without other essentials to keep up, further compounding hardship.

The entitlement to a six month 'hold on arrears' that started in January 2019 will begin ending soon. This, together with instances of unaffordable payment plans, make us wary that there may be a return of regular disconnections for those unable to pay. To protect against this outcome, it is important that retailer staff are able to recognise and respond reasonably to households' circumstances.

15 Protections in judgment debt recovery and social security legislation prevent social security payments from being taken to satisfy court judgments.

Utility Relief Grants

TThe Payment Difficulty Framework requires retailers to give timely information to those with arrears over $55 about the availability of URGs. Our calls notes indicate that callers are experiencing more barriers to accessing this targeted government assistance for energy debts since the beginning of 2019.

When a caller has an energy debt, a financial counsellor always checks if they have had access to an URG. Currently, the Victorian Government grant is up to $650 each for gas, electricity and water services that can be used towards the last six months' usage. The grant can immediately resolve escalating debt and allow for more manageable payment plans for any remaining debt and ongoing usage.

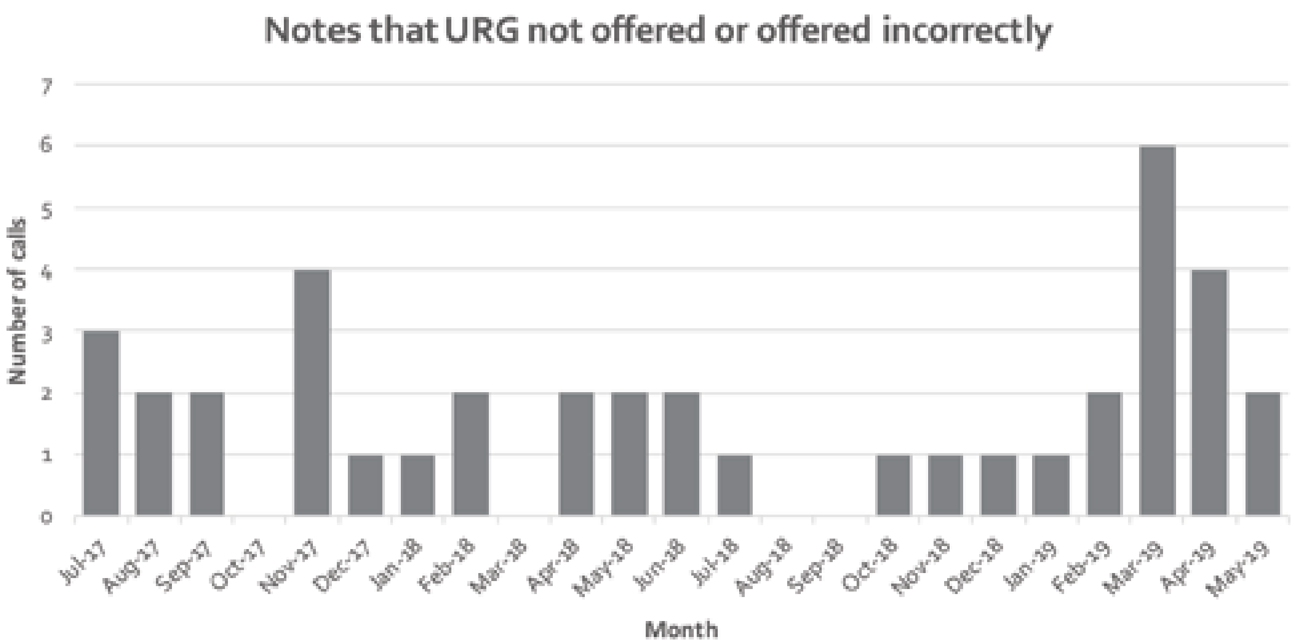
Following a review of the URG Scheme by the Department of Health and Human Services (**DHHS**) the scheme will be reformed on 1 July 2019 to improve accessibility.

Consumer Action supports the changes which include:

- a simplification of the application form;
- allowing online as well as paper-based application;
- allowing households with only electricity instead of both electricity and gas services to access $1,300; and
- allowing access to multiple smaller grants up to the two-year cap as opposed to a single payment.

URGs are an essential tool for households overcoming payment difficulty. In many scenarios, timely provision of URGs can prevent a debt spiral where a household ends up unable to afford any essential services. Our analysis on flagged vulnerability below shows a strong correlation between energy debt and life events that can be eligibility criteria for accessing the grant.

Energy retailers are gatekeepers for access to URGs and it is a problem if they are regularly failing to effectively assist their customers to access URGs. Analysis of the sample of NDH calls this year indicates that there were 15 out of 56 records where an energy issue was noted and an URG was not offered even though the caller is likely eligible. Only six in 56 calls noting energy issues clearly noted that an URG had been accessed.



Unfortunately, it appears that energy retailers regularly fail to play their part. They often do not offer the URGs form to those who are eligible, offer it too late, provide no assistance to fill out and return the form or incorrectly tell people that they are not eligible.

This conduct results in unacceptable consequences for people experiencing payment difficulty and puts avoidable strain on the community sector's resources. It also results in costs to retailers (passed on and spread across other customers' payments) where compounding payment difficulty leads to additional bad debt.

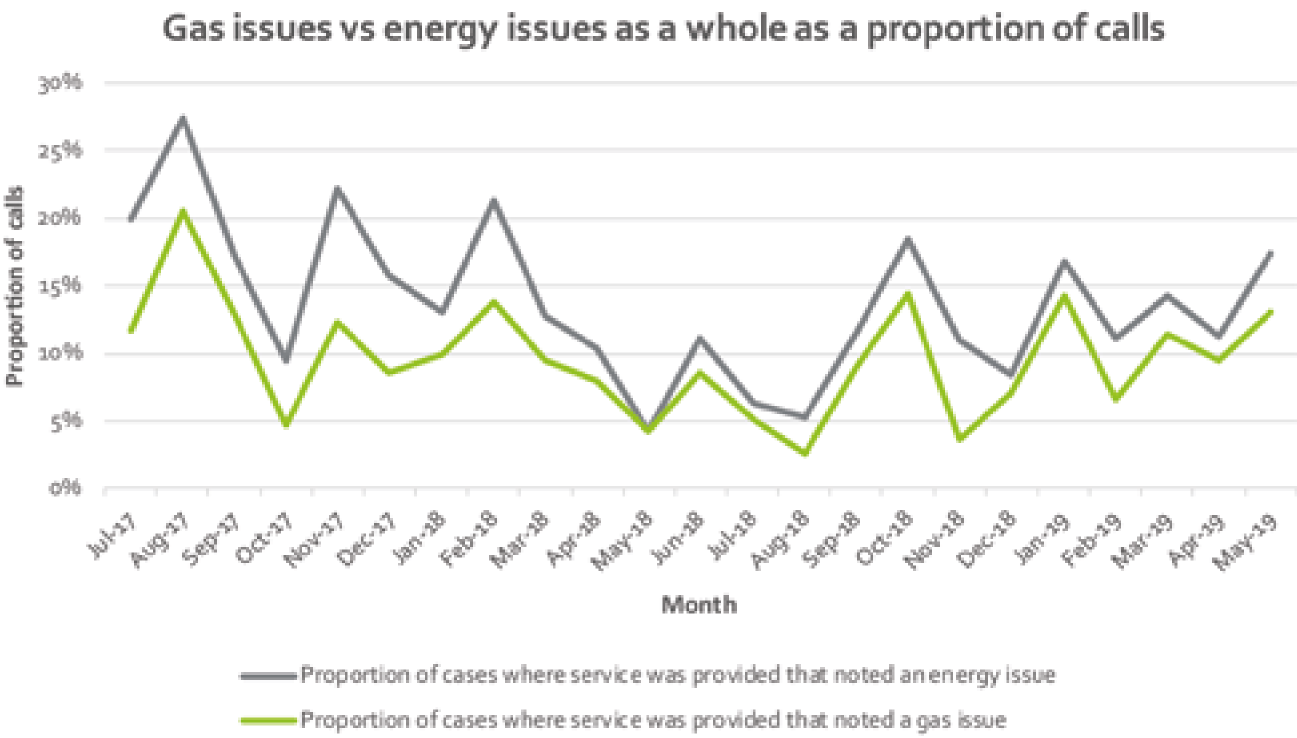
The most recent figures from the ESC show that more than half of URG forms that are sent out by retailers never arrive at DHHS for processing.[16] Some retailers' form return rates are worse and indicate that the ESC should investigate whether these retailers are clearly failing in their obligations to support those experiencing payment difficulties.

16 Essential Services Commission, 2019. *Victorian Energy Market Report 2017-18 – Appendix – Performance of energy businesses.*

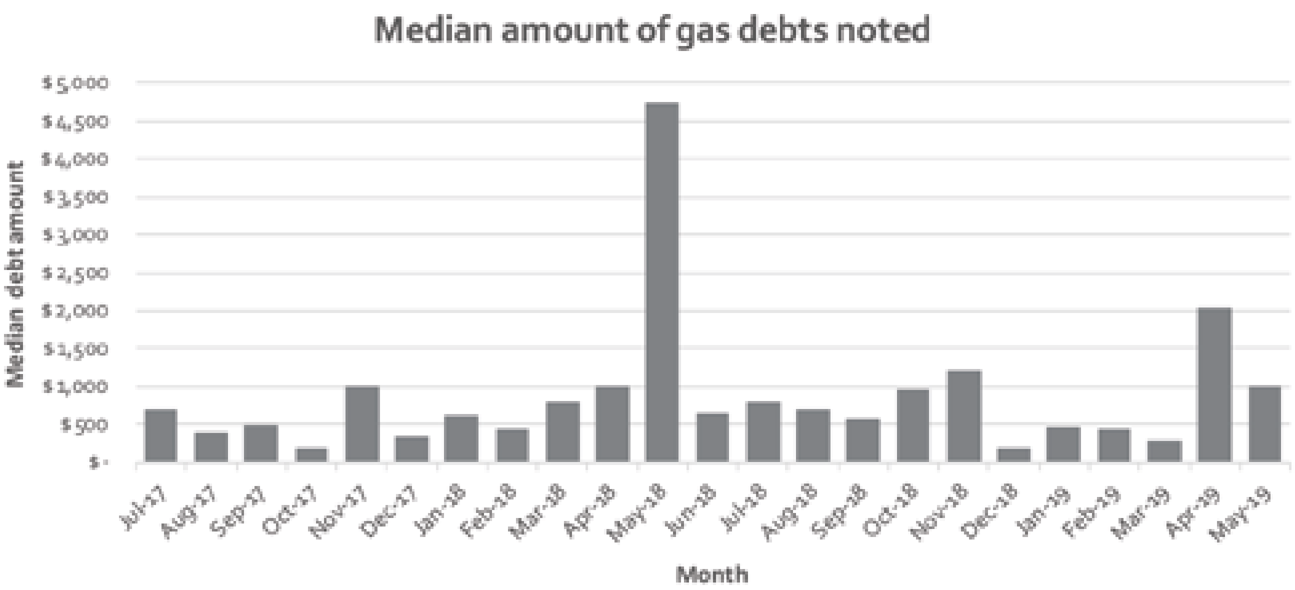
Gas debts

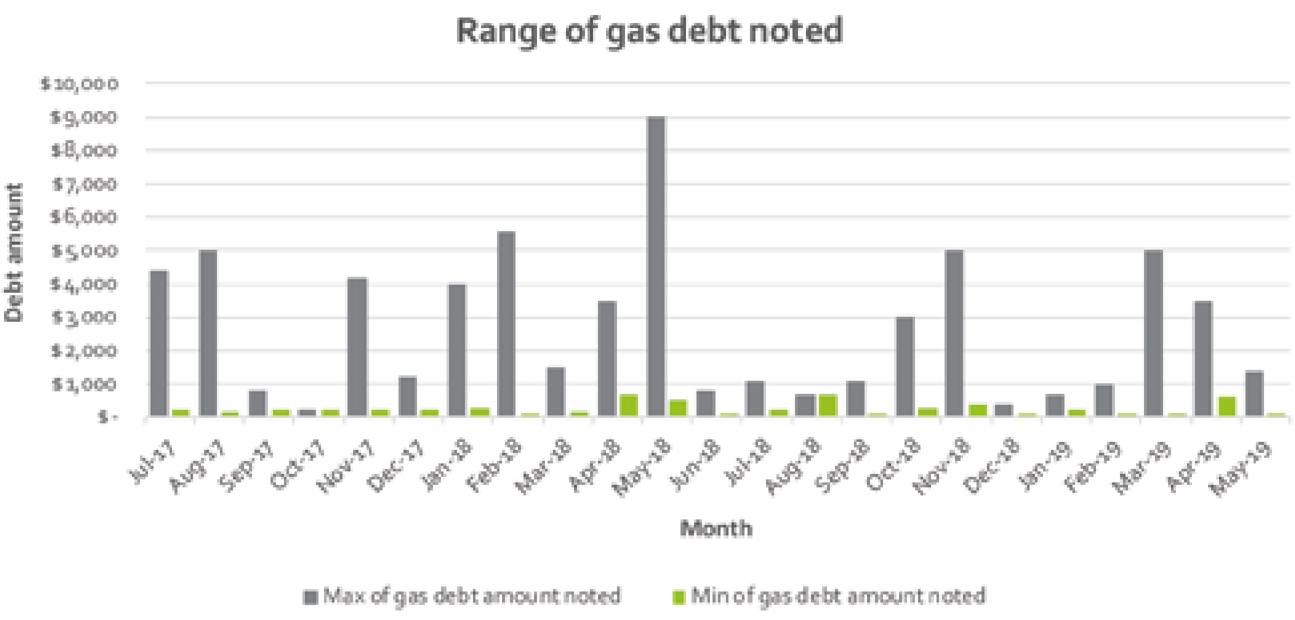
Wherever clearly noted we have distinguished electricity debt issues from gas debt issues instead of simply grouping all debts under energy. It is not always possible to deduce this as retailers often offer both services. The amount of calls where gas was clearly noted as a fuel type involved in an energy issue has followed the same trend as energy issue calls in general.

In the future we will be watching the interaction closely as the Victorian Default Offer regulated price has only been implemented for electricity. Gas prices have risen significantly,[17] and consumers and policy makers find the gas market more complex to navigate. With less protections in place we may see an increase in the proportion of issues with gas.



17 St Vincent de Paul Society, 2019. *Energy Reports – Victoria.* Retrieved 20 June 2019 from: https://www.vinnies.org.au/page/Our_Impact/Incomes_Support_Cost_of_Living/Energy/VIC/


Median amount of gas debts noted
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$ -
Median debt amount
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
Aug-18
Sep-18
Oct-18
Nov-18
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
Month


Range of gas debt noted
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$ -
Debt amount
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18
Jul-18
Aug-18
Sep-18
Oct-18
Nov-18
Dec-18
Jan-19
Feb-19
Mar-19
Apr-19
May-19
Month
Max of gas debt amount noted
Min of gas debt amount noted

4.4 Issues harder to identify from the information available

Due to the short time spent providing our services on a call and the practicalities of discussing complex pricing arrangements the NDH does not note the exact prices people are paying. In the future we may be able to gather this in a simpler way if the service sees value in checking with callers with energy issues as to whether they are on a Victorian Default Offer price which will provide a reference point.

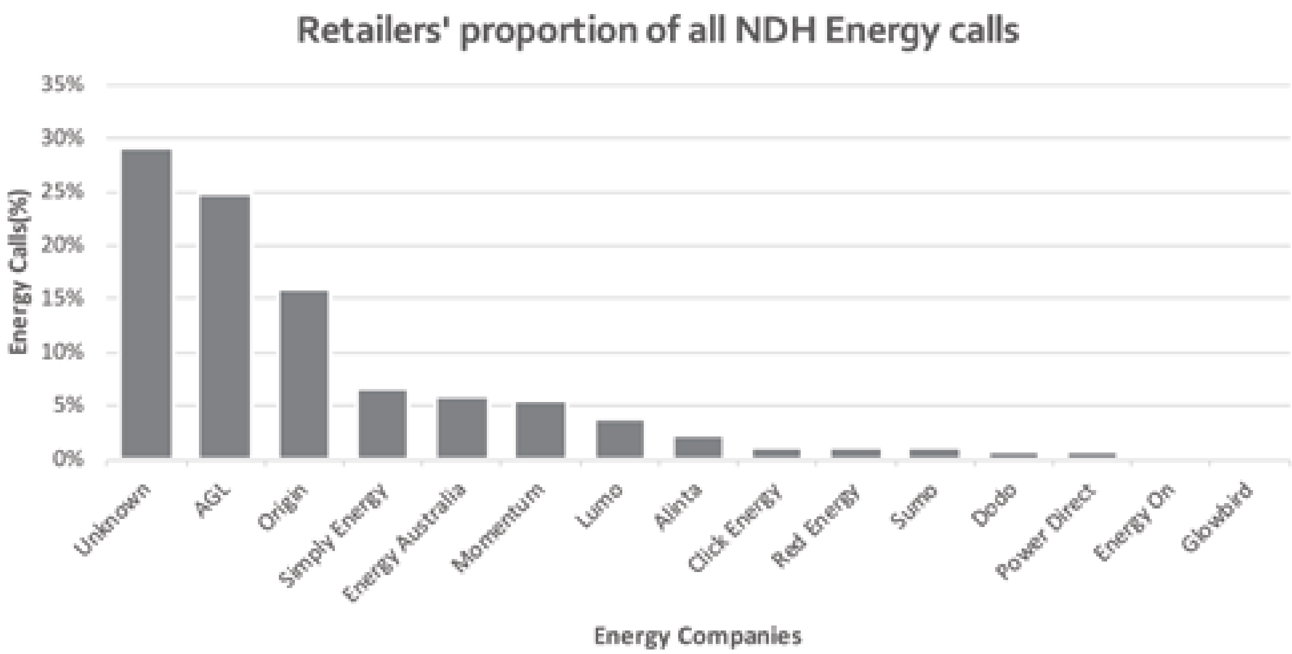
It is also hard for the NDH to detect and note the underconsumption of energy. The Victorian Council of Social Services discusses this issue of people in Victoria going without essential services to afford their bills and the consequences to quality of life that they face as a result in their *Power Struggles* report.[18]

Appendix B also lists a number of issues we actively searched for during analysis of the sample but often found hard to clearly identify in call notes.

Energy retailers

Often callers will provide the name of the energy retailer and this is recorded in call notes. We have recorded the businesses supplying people with energy issues wherever this is the case within the sample.

Our sample is small and almost a third of calls with energy issues do not clearly note the retailer so this should be taken into consideration when comparing how often a retailer was named.



18 VCOSS, 2017. Power Struggles: Everyday battles to stay connected. Available at: https://vcoss.org.au/wp-content/uploads/2018/04/POWER-STRUGGLES-2017.pdf

Over the whole sample Momentum Energy had more calls compared to their most recently reported market share. Calls about AGL, Origin, Lumo and Simply Energy generally reflected their market share while Red and Energy Australia were mentioned much less often than their market share.

Figure 3.1 Market share residential electricity customers, by retailer average across 2017-18

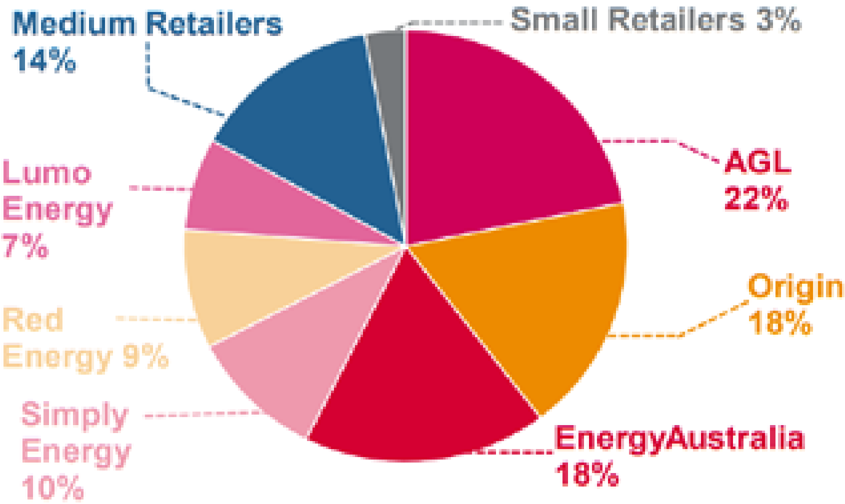
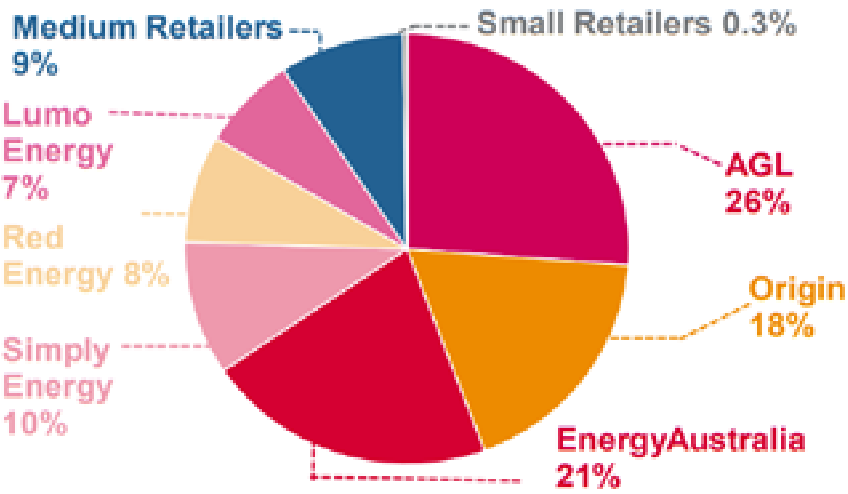


Figure 3.2 Market share residential gas customers, by retailer average across 2017-18



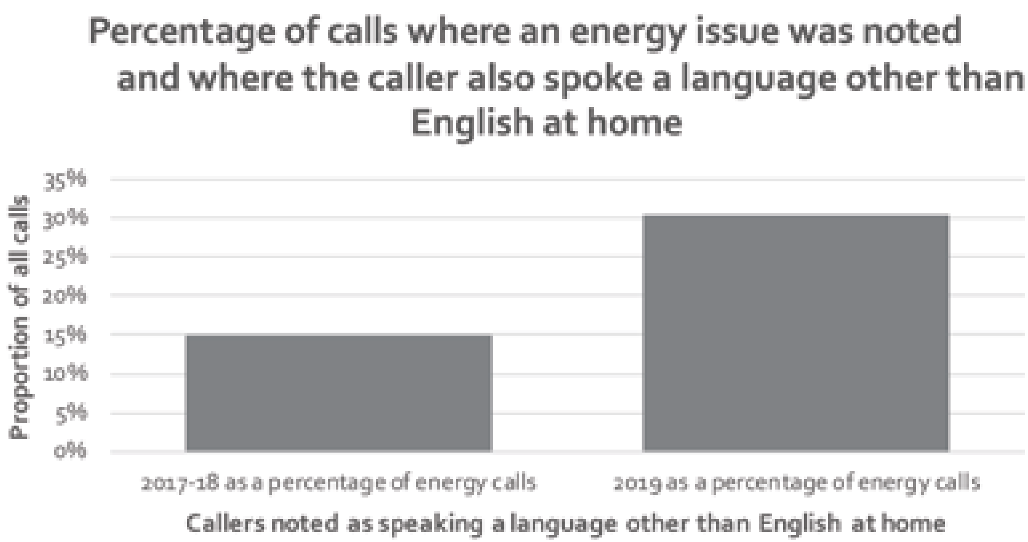
1 Essential Services Commission, 2019. Victorian Energy Market Report 2017-18, p.25

05 DEMOGRAPHICS ANALYSIS

5.1 Energy issues for people who speak a language other than English at home

Since the Payment Difficulty Framework was implemented the proportion of records clearly noting an energy issue that also noted that the caller spoke a language other than English at home has doubled.

Between July 2017 and December 2018, 30 out of 201 callers with an energy issue were noted as speaking a language other than English. In the 2019 sample 17 out of 56 callers are clearly noted as having an energy issue and speaking a language other than English at home. Care must be taken to ensure that Culturally and Linguistically Diverse households receive assistance to avoid payment difficulty.



5.2 Housing

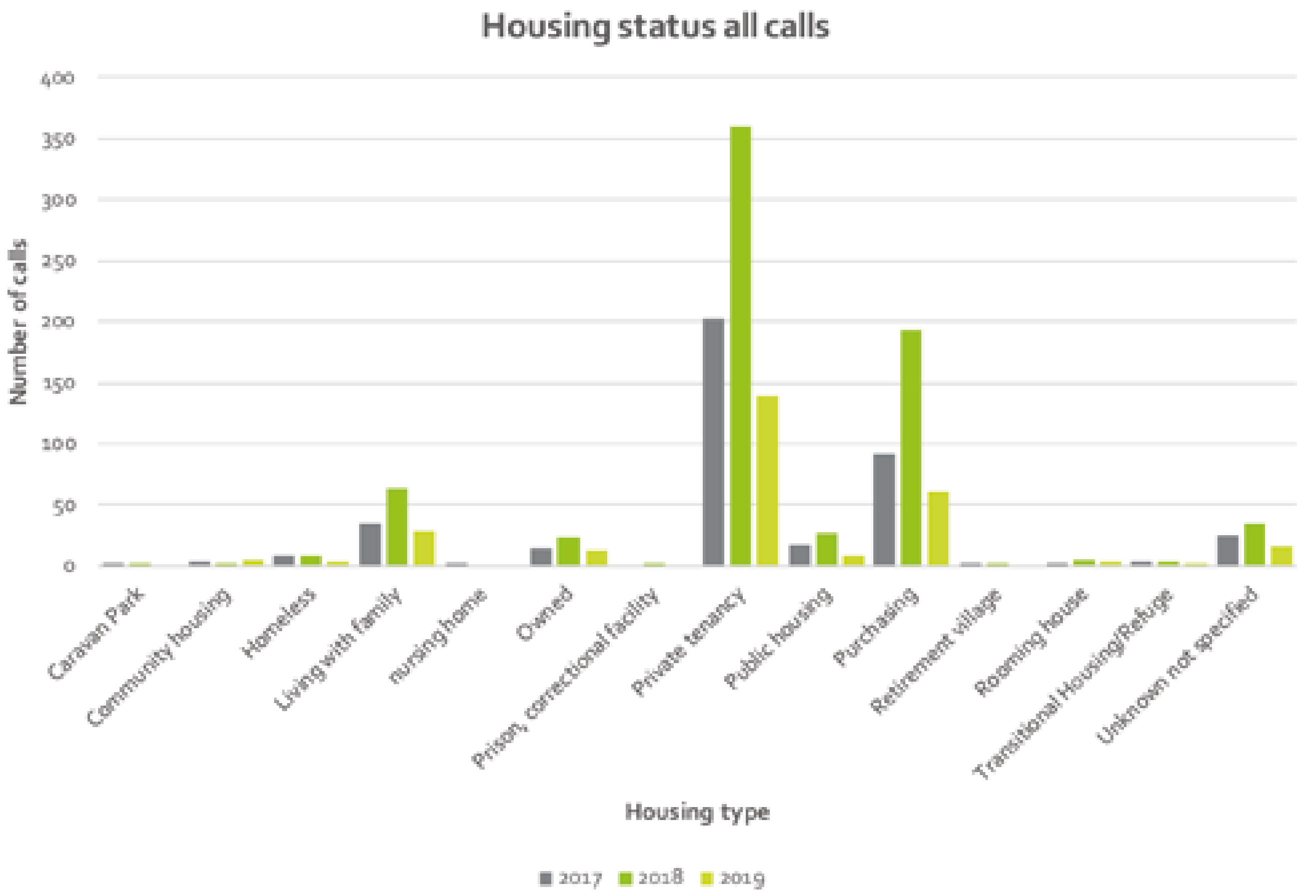
Those calling the NDH with energy debts are more likely to be in private rentals and public housing than others.

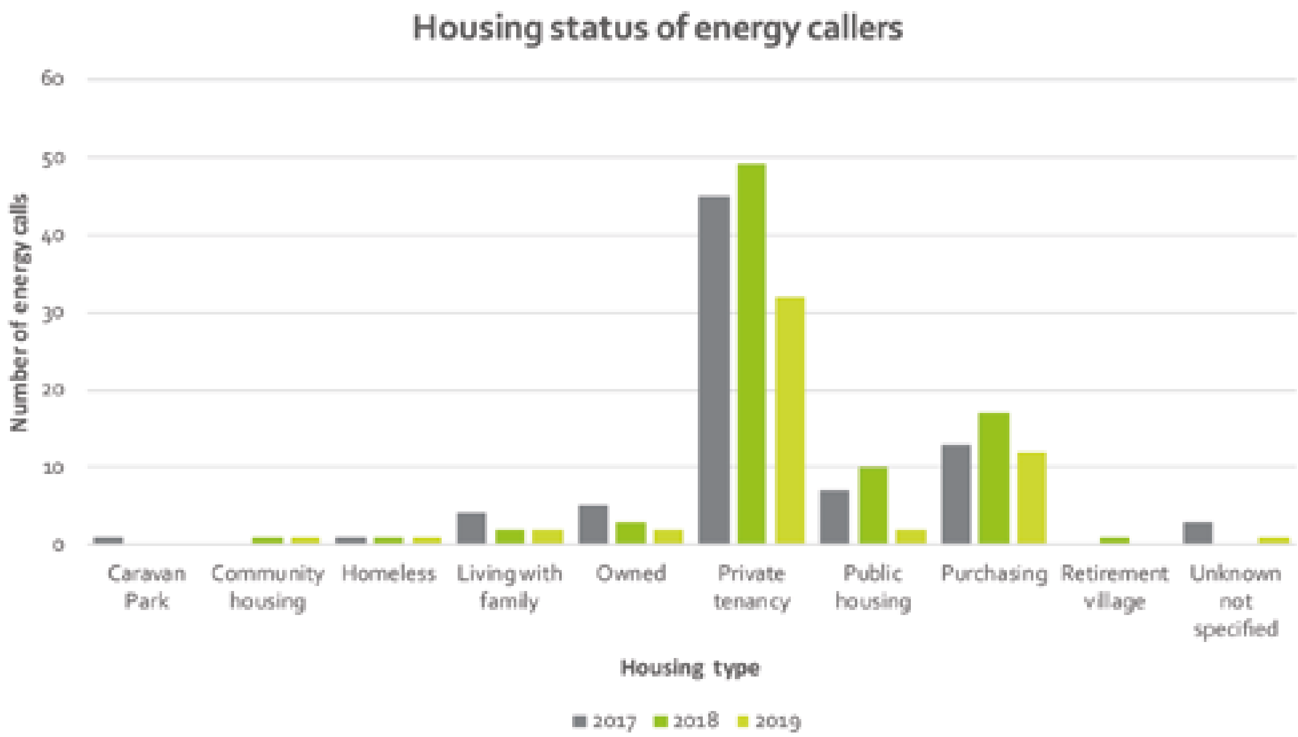
People in such housing are likely to have less resources than those who are purchasing a home through a bank loan or those who own their home and therefore more likely to be facing issues like having difficulty paying a bill.

They are also further disadvantaged by being less likely to have control of the amount of energy they consume as control over many of the changes that could improve the energy efficiency of their home lies in the hands of their landlords.

Changes to the Residential Tenancy Act in Victoria in 2018 include the ability for Government to regulate minimum standards for energy efficiency in private rental properties. The Government must take the opportunity to implement strong reforms on these standards to decrease the number of people facing difficulty paying bills and encourage the positive health outcomes associated with the ability to efficiently utilise energy to maintain a healthy home environment.

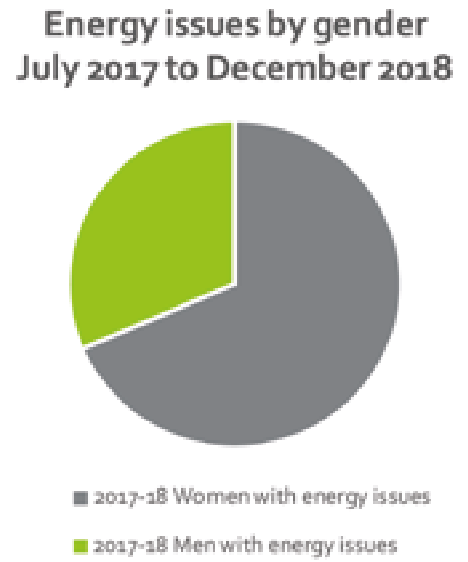
The government must also take action to ensure that those in public housing also see improvements in the energy efficiency of their homes by appropriately upgrading these properties.

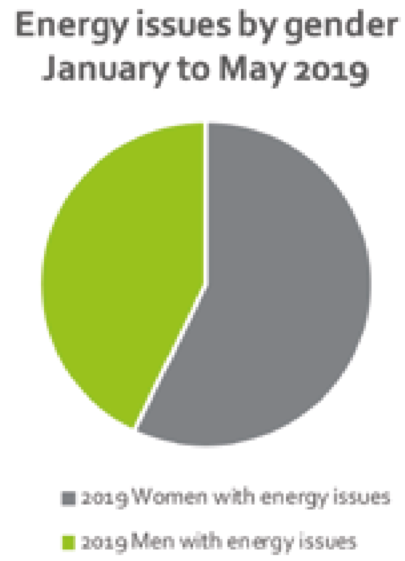

Housing status all calls
400
350
300
250
200
150
100
50
0
Number of calls
Caravan Park
Community housing
Homeless
Living with family
nursing home
Owned
Prison, correctional facility
Private tenancy
Public housing
Purchasing
Retirement village
Rooming house
Transitional Housing/Refuge
Unknown not specified
Housing type
2017
2018
2019

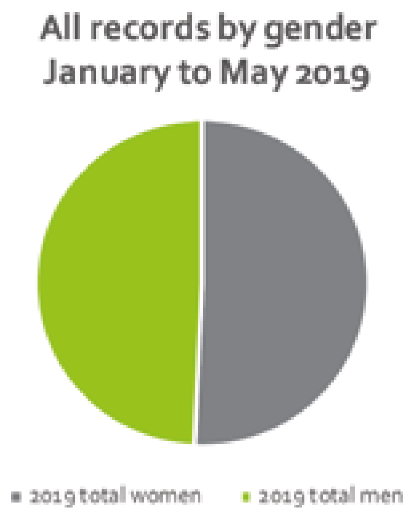

Housing status of energy callers
60
50
40
30
20
10
0
Number of energy calls
Caravan Park
Community housing
Homeless
Living with family
Owned
Private tenancy
Public housing
Purchasing
Retirement village
Unknown not specified
Housing type
2017
2018
2019

5.3 Gender

The sample revealed that women are more likely to call and have energy issues clearly noted than men in general and women make up a greater proportion of the calls where energy issues are noted. We plan to make further analysis about gender relationships to other issues coded in the sample if we have the opportunity at a later date.





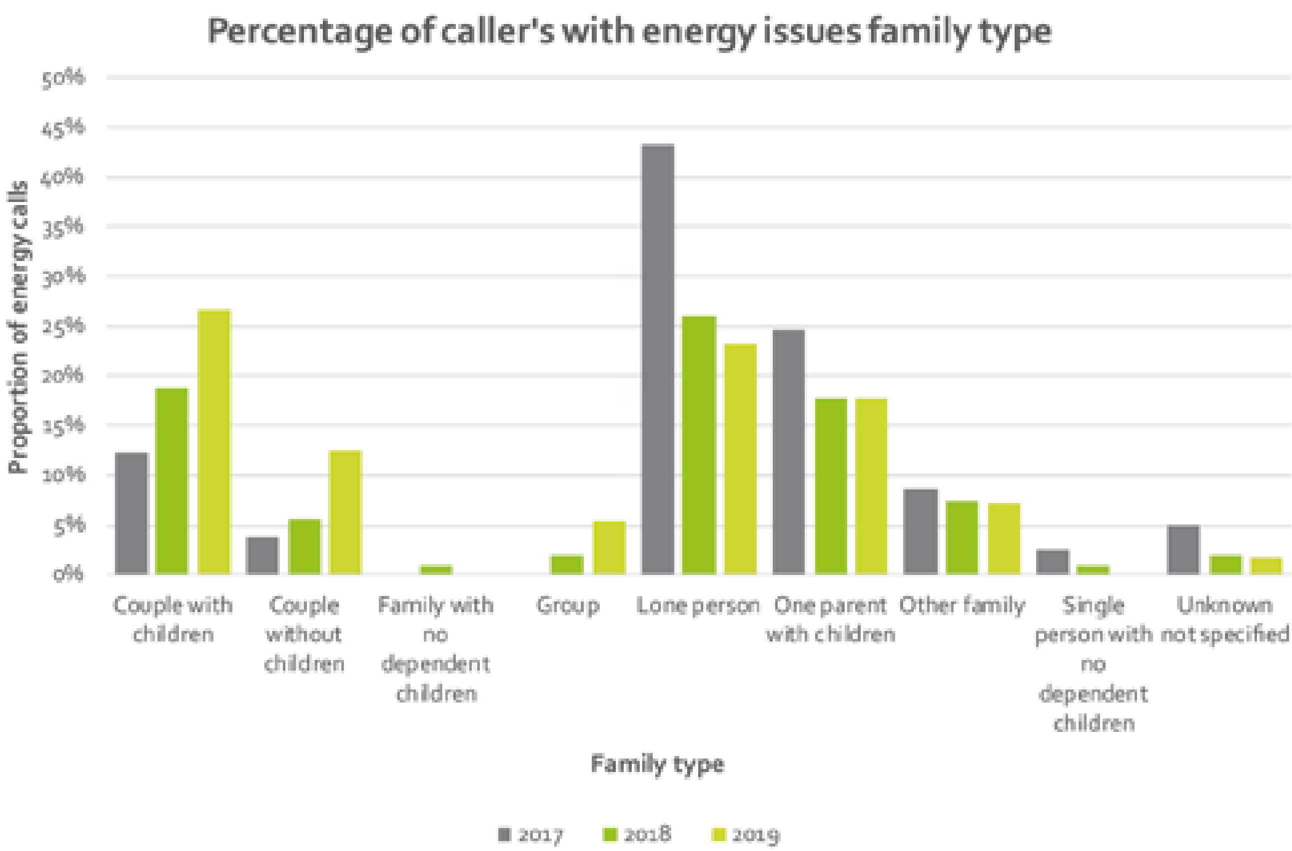


5.4 Family type

Energy retailers must consider the number of income earners against the number of people in the household wherever they have discretion as to how to tailor assistance under the Payment Difficulty Framework.

The sample indicates that lone people, single people with dependent children and couples with children have made up a much greater proportion of records clearly noting energy debt throughout the sample compared to other family types. Lone people face the prospect of covering living expenses with one income and without family support payments when on a low income, while those with children and especially those with one income must cover the cost of energy use of multiple people with their income. All are more likely to find themselves unable to pay.

A graph of family types across all calls has not been analysed as there are some discrepancies in the coding of family types with records over the sample period.[19]

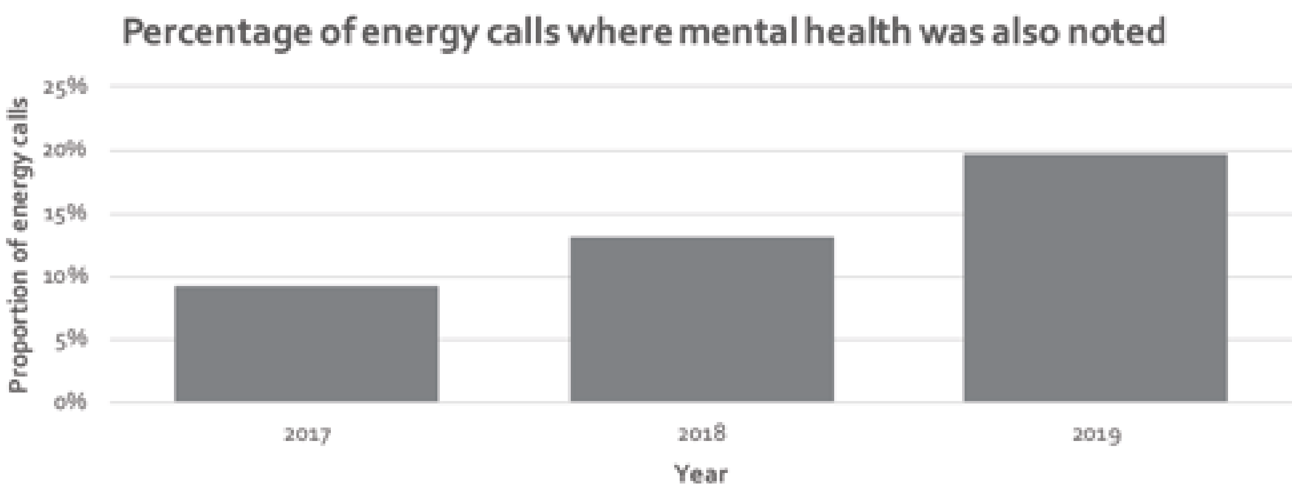


19 For instance, 'couple of children' and 'couple with dependent children' have both been coded some years.

5.5 Flagged vulnerability

Mental health issues

In 2019, 11 of the 56 calls that clearly noted energy issues also had mental health issues noted. As a proportion of energy calls, these have an upward trend across the sample. In the 2019 sample, eight per cent of all records in the sample were flagged with mental health issues as a vulnerability compared to 20 per cent of those which clearly noted an energy issue. Mental health was a significant factor discussed in interviews for our *Heat or Eat* report.[20] Consumer Action has recently provided a submission to the Royal Commission into the Victorian Mental Health System suggesting that essential service providers, including utility companies, need to develop their understanding of the challenges that their customers with mental health problems face and develop universal design and mental health standards in their provision of services.[21]



20 Consumer Action, 2015. *Heat or Eat; Households should not be forced to decide whether they heat or eat.*

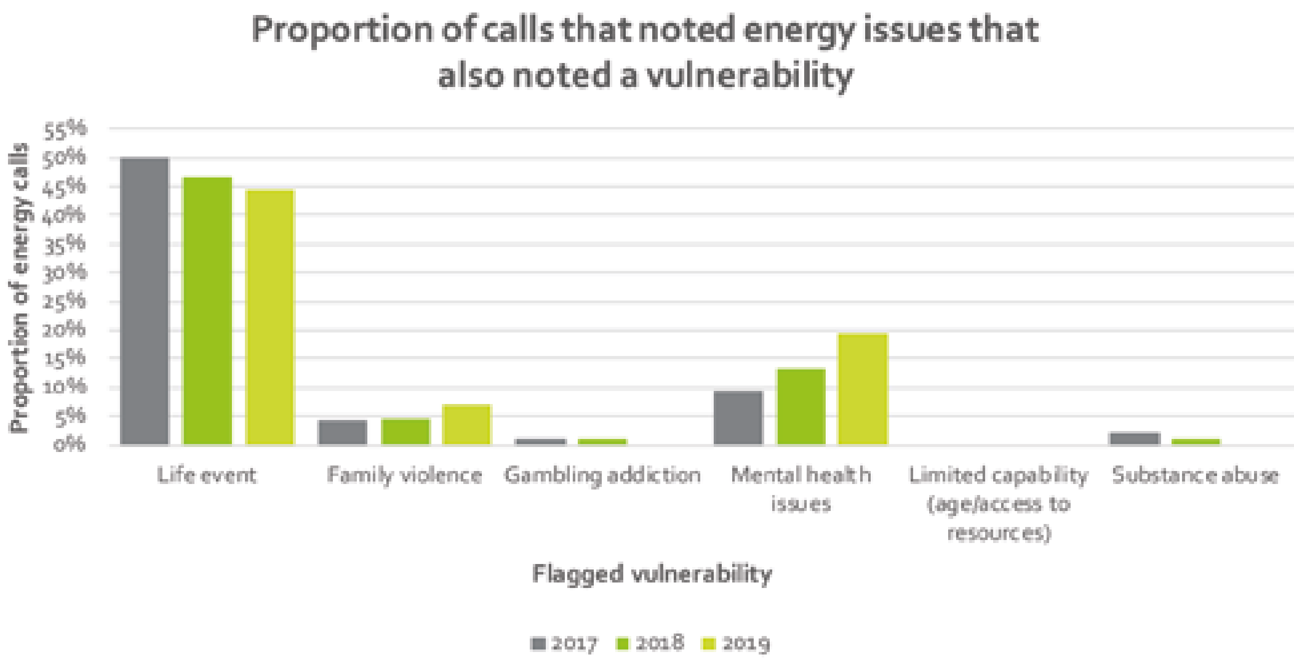
21 Consumer Action, 2019. *Submission; Royal Commission Into Victoria's Mental Health System. Retrieved 10 July 2019* from: https://consumeraction.org.au/wp-content/uploads/2019/07/190705-RCVMHS-Consumer-Action-submission.pdf

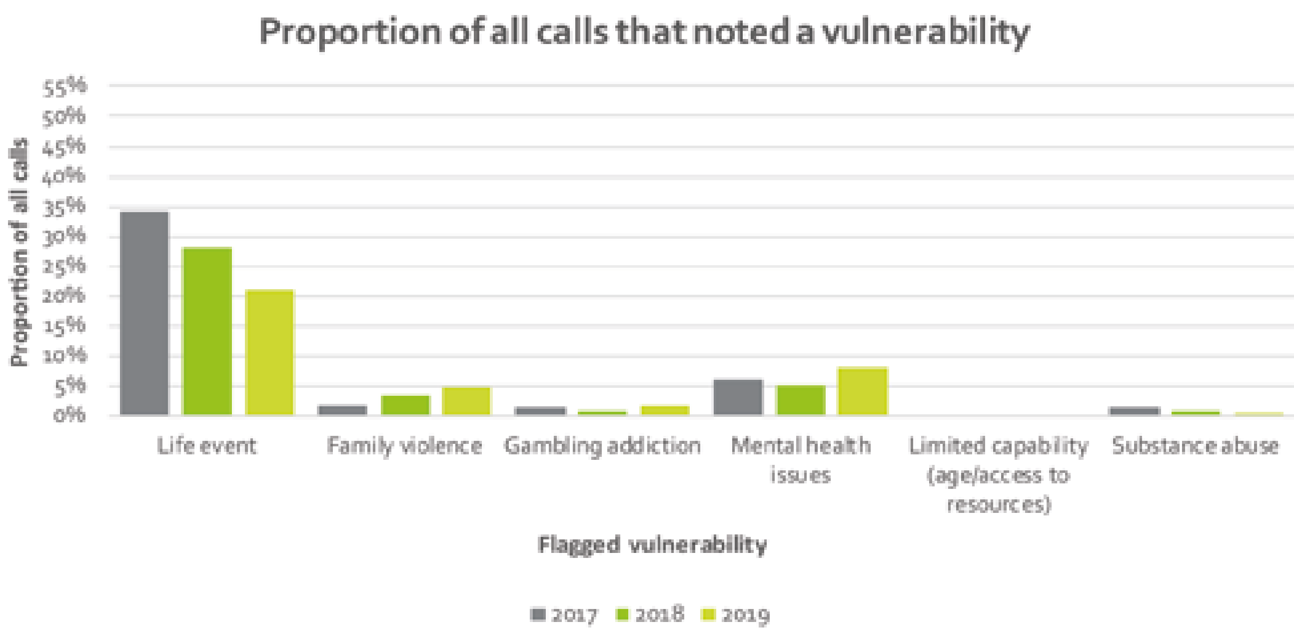
Life event

Life events are a significant contributor to energy issues for callers to NDH. Some examples of life events that could cause a financial counsellor to use this flag include losing employment, a newborn child increasing costs in the household, a workplace accident or the death of a family member.

Forty-five per cent of records that clearly note an energy debt in the 2019 sample also noted a life event as a significant vulnerability as compared to 21 per cent of all records in the sample. Victorians calling the NDH and who are experiencing vulnerability due to a life event are more likely to have energy issues than those who don't have these experiences.

Energy retailers should be considering any known life events wherever they have the discretion about how to tailor assistance for a household which has difficulty paying bills.



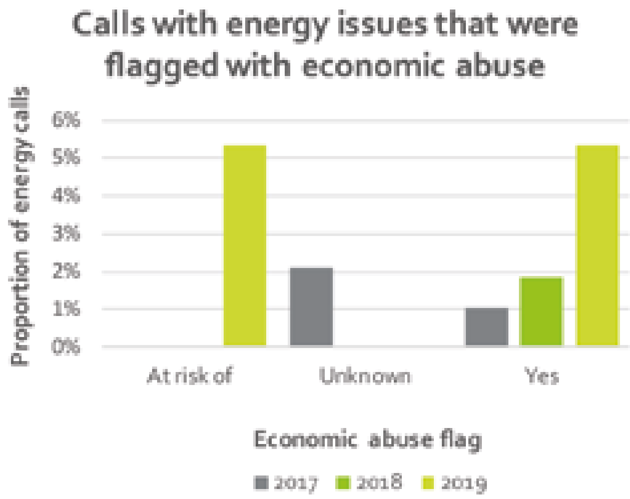


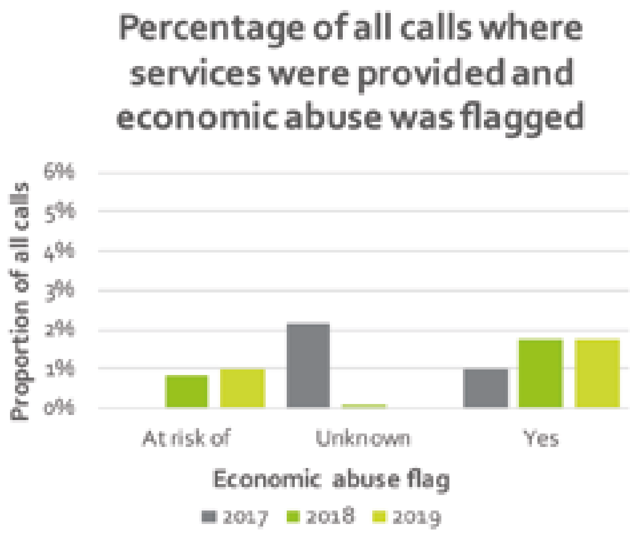
Family violence and economic abuse

Callers with energy issues are more likely to have flags on their call record that they have experienced, are experiencing, or at risk of family violence and/or economic abuse.

In the 2019 sample, family violence was flagged on seven per cent of records that clearly noted energy issues compared to five per cent in the wider sample of all records. Five per cent of all calls clearly noting an energy issue also clearly flagged that the caller was experiencing economic abuse while five per cent were also flagged as being at risk of economic abuse in the sample. In contrast, two per cent of other non-energy calls to the NDH flagged that the caller was experiencing economic abuse, while one per cent were flagged as being at risk of economic abuse.

In general, the flagging of economic abuse and family violence in the whole sample has increased since 2017 which may reflect the additional training provided to Consumer Action staff following the Royal Commission into Family Violence in Victoria. The ESC is currently working to implement recommendations relating to energy providers from the Royal Commission. Consumer Action also participates in the Economic Abuse Reference Group in Victoria that has made resources available to help businesses implement changes to address aspects of family violence where perpetrators control victim's access, use and maintenance of economic resources.[22]

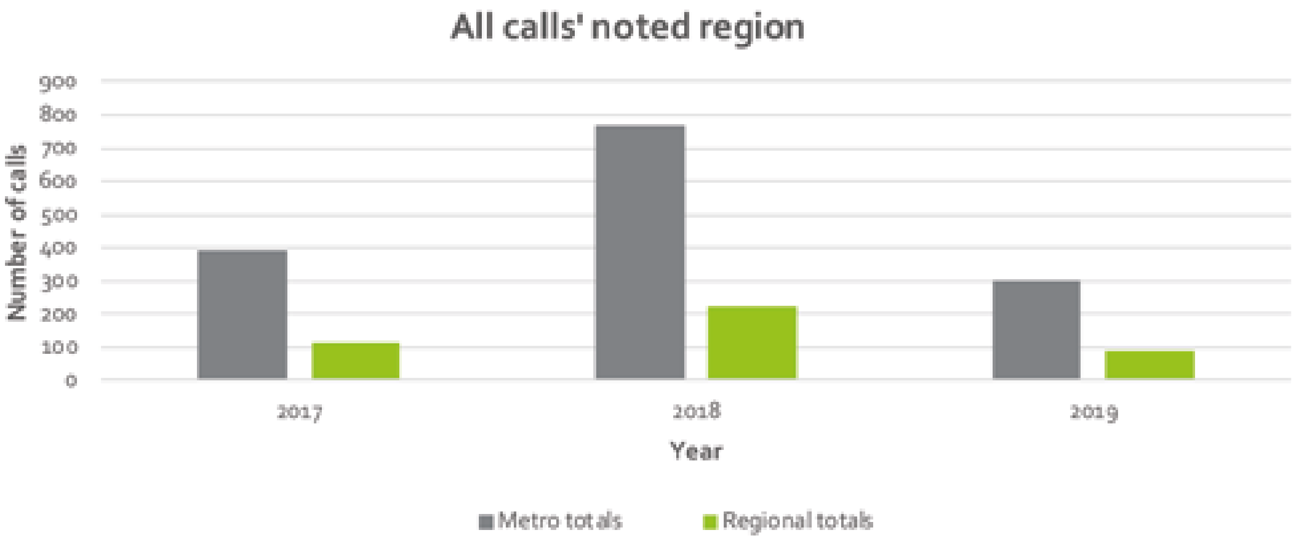


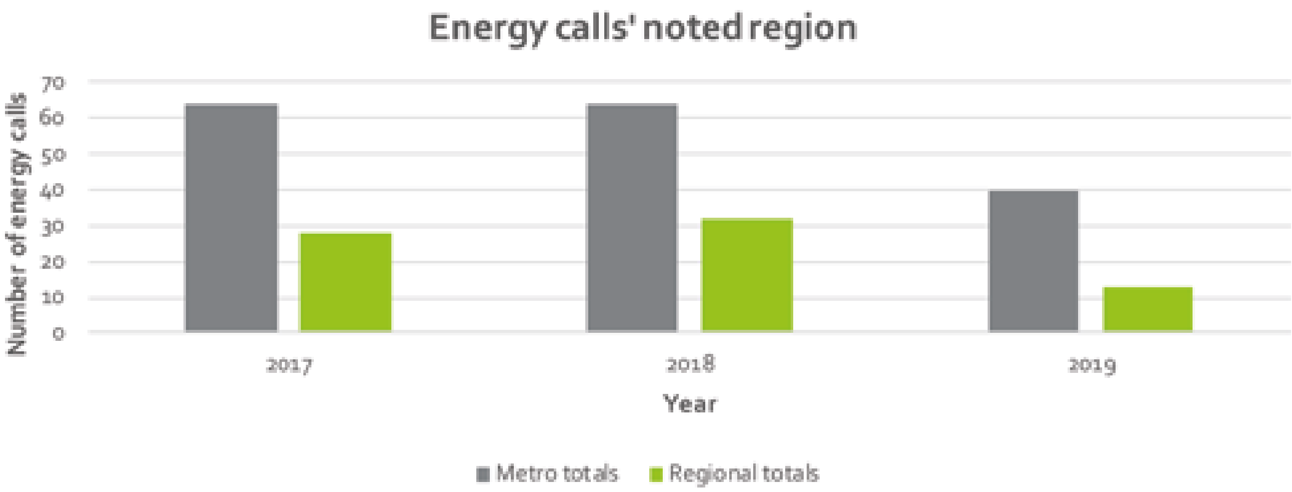


22 See https://earg.org.au/

5.6 Regions

The sample generally indicates that those with energy issues clearly noted are more often living in regional areas than the overall sample. From our previous research and call notes we are unable to establish why this is the case. At this stage, Consumer Action's policy team has flagged this for further research.





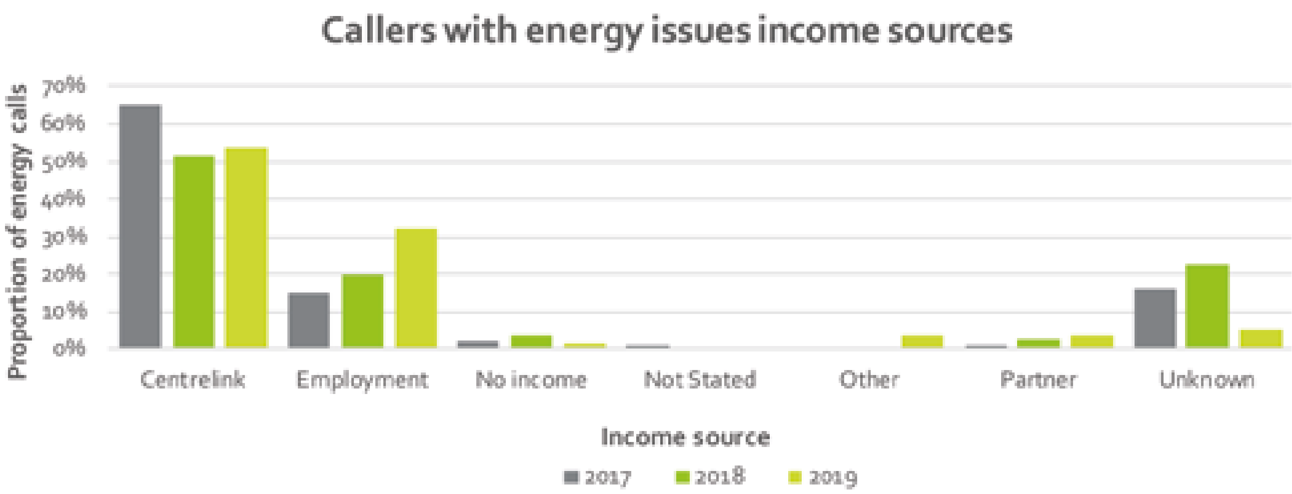
5.7 Income sources

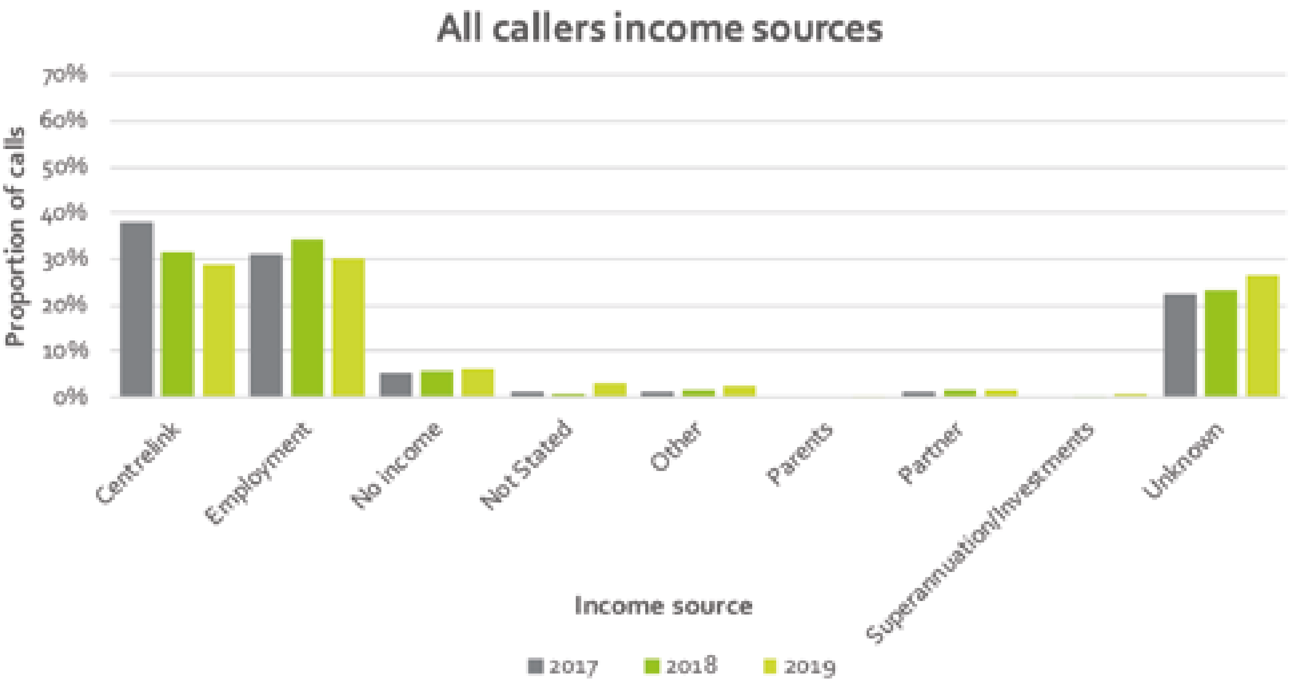
Government assistance payments are too low, and the Federal Government must raise the rate of the Newstart allowance and related payments. Throughout the sample, over 50 per cent of callers reporting energy issues have Centrelink as their primary income source. When compared to all records in the sample, it is clear that those receiving Centrelink payments are far more likely to report an issue with energy services.

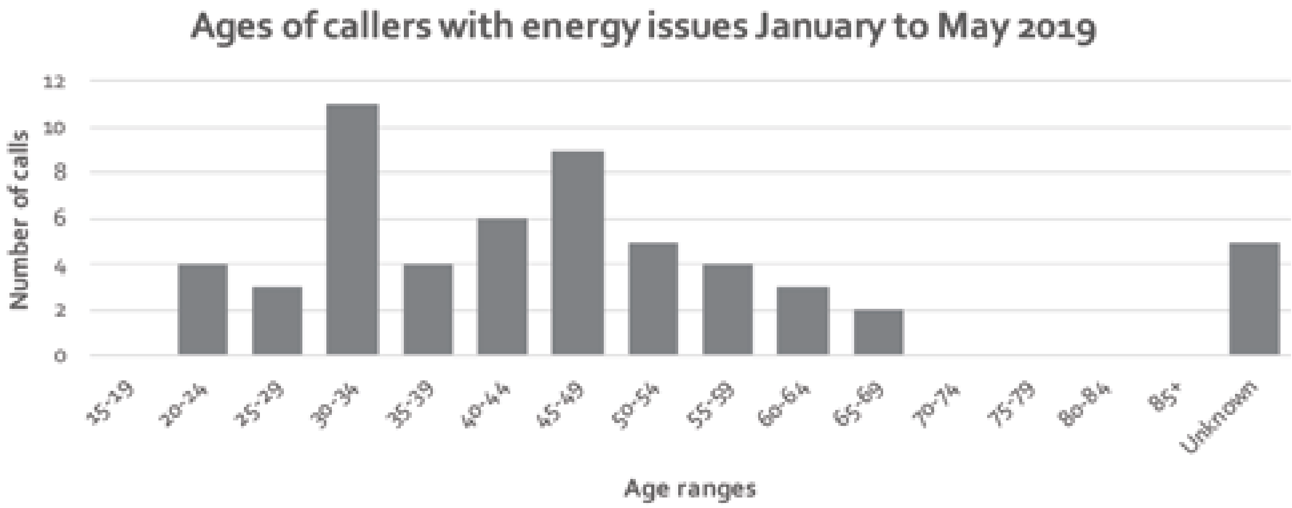
It is also worth noting that across each year the amount of people that have employment as their main source of income and reported an energy issue has increased which may reflect issues with rising energy prices.

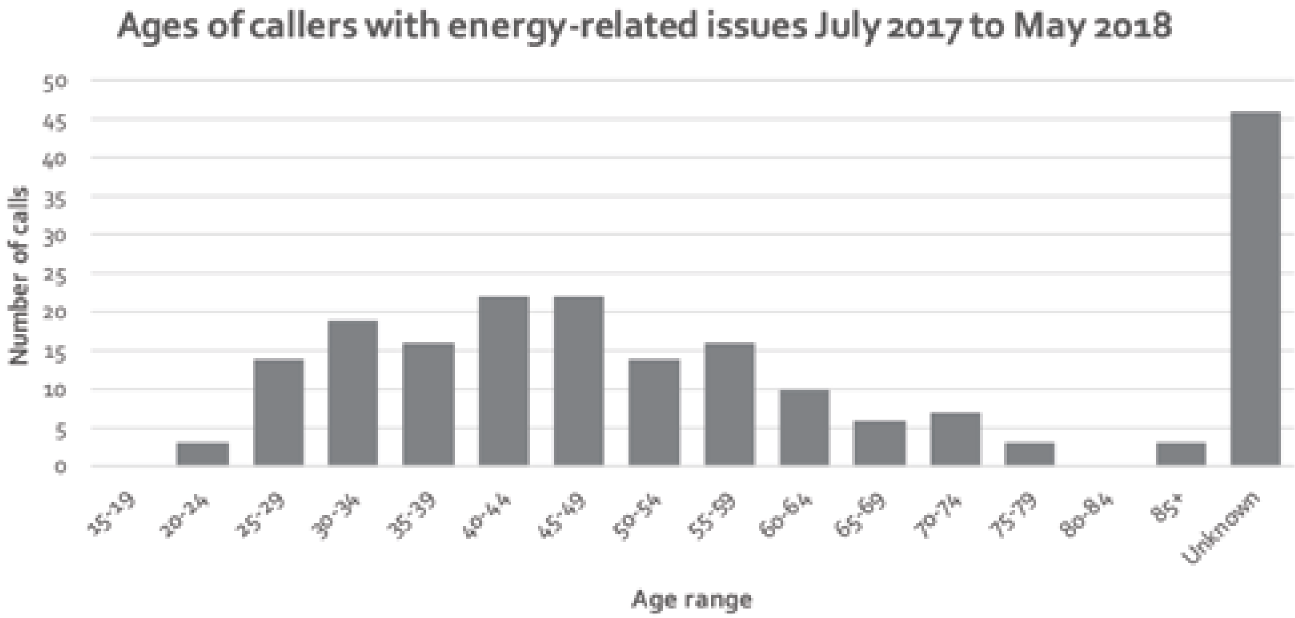
5.8 Caller age

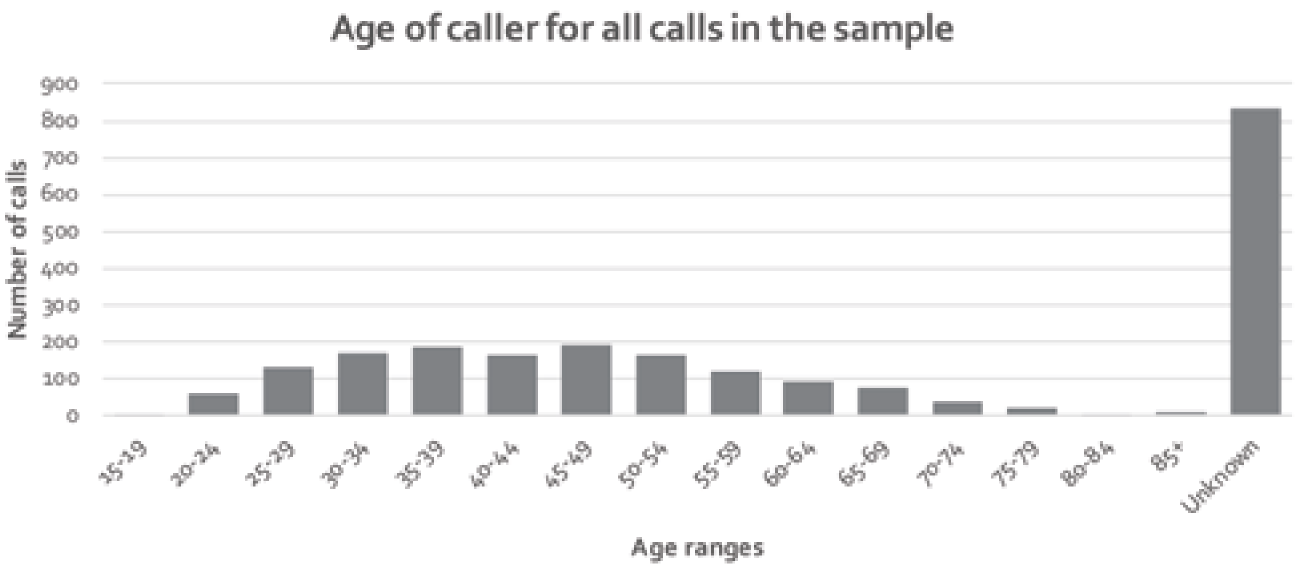
Compared to before the Payment Difficulty Framework's implementation and the sample, there appears to be a greater proportion of callers reporting energy issues in the 30-34 age group and 45-49 age group. This may have occurred simply because the sample over this period is small and therefore likely to be more volatile. As with regional differences we have not spotted any reason for this and the policy team has flagged this for further research.






Ages of callers with energy issues January to May 2019
Number of calls
Age ranges
15-19
20-24
25-29
30-34
35-39
40-44
45-49
50-54
55-59
60-64
65-69
70-74
75-79
80-84
85+
Unknown


Ages of callers with energy-related issues July 2017 to May 2018
Number of calls
Age range


Age of caller for all calls in the sample
Number of calls
Age ranges

5.9 Other information collected but not discussed

Our system also gathers information about callers who identify as Aboriginal and/or Torres Strait Islander as well as information about the types of disability that callers report they experience. In analysing this information we did not spot any trends, perhaps due to a relatively small sample. The information is still included in the Excel spreadsheet of some of the deidentified information analysed in this report.

06 APPENDIX A

Discussion of the data's limitations

The sample is derived from two days of calls from each month. If a retailer runs its billing cycles or other processes on regular weeks that do not align with the sample, then the flow-on effect to what energy calls are noted at NDH may not arise.

From 1 April 2019 the National Debt Helpline Consumer Action in Victoria went from being the only provider of the National Debt Helpline service in Victoria to the larger of two services answering calls from the 1800 007 007 number in the state. This may have an impact on the volume of call services we provide from this time.

Much of the analysis only relies on clear notes which are typed in a free text box in our current filing system. This means that changes in staff or note taking style may influence what information can be considered clearly noted when the Consumer Action Policy team reviews the notes.

Demand for the National Debt Helpline service was very high in February 2019 and resulted in a significant call back list. Although all calls where no service was provided were removed from analysis to prevent them from influencing our findings, this spike in demand may have had an influence. This spike also points to the need for more funding for financial counselling as Consumer Action and many other services often cannot keep up with demand.

Some calls come through from outside the jurisdiction. These had to be excluded despite the fact that some of them were energy calls. The National Debt Helpline Consumer Action is unable to provide service to people interstate as Victoria is governed differently from the rest of Australia.

07 APPENDIX B

Columns of data collected – explanation

Unable to provide Financial Counselling

We checked each NDH entry to ensure that it reflected a financial counsellor actually providing a service to a person in Victoria. Instances where a message was left but NDH were unsuccessful in returning the call or where the call was from interstate were removed from the data.

Energy issue

We checked all notes in records for whether energy issues were recorded. Often a debt amount owing for electricity or gas is recorded by the financial counsellor or simply that these debts exist, being one of the issues faced by the caller but amounts are not known. In some notes a narrative of an energy issue other than debt is described, for example an energy disconnection.

Some notes on referrals also indicate an energy issue, particularly where there are referrals to the Energy and Water Ombudsman.

Are there non-energy debts

We checked each record with an energy debt to see whether or not the caller had other debts. This may in time help us understand more about the relationship between energy debt and other debts or whether some retailers are inappropriately referring when energy is the only issue.

Gas or Electricity or Both

Where possible we assess which fuel types the energy issue includes to see if trends become apparent over time.

Current retailer

Where possible we recorded the current retailer that was noted on a record with an energy issue. This helps us understand whether the caller is at risk of losing access to energy because of disconnection and whether the debt amounts and issues are occurring under the current regulatory frameworks.

Former retailer

Where possible we recorded that there was a debt owing on a closed energy account. Different regulations and laws apply in these circumstances.

Multiple retailers

If it is clear that the caller had accounts from more than one active retailer this was flagged as it may make it harder to analyse information. Whether or not someone accesses their gas and electricity from different retailers may also reveal trends in competition.

Inappropriate referrals

As discussed in our in-depth analysis on occasion an inappropriate referral from an energy retailer is clearly noted where there are energy issues.

Utility Relief Grant not offered or offered incorrectly

Where it was noted that the caller that was likely eligible had not had an URG or that the retailer had made access to an URG conditional on speaking to a community agency or had referred someone to fill out the URG without first offering help or had given incorrect information about the utility relief grant, this was recorded.

Utility Relief Grant received

Where someone had received the benefit of an URG this was also noted. If successful, changes to the accessibility of the grant from 1 July 2019 will increase the amount of callers reporting this.

Unaffordable payment plan

Where a call with an energy issue noted that the caller was being pressured into, had been pressured into, or was on a payment plan that they could not afford from their energy retailer this was noted.

Two failed payment plans then threat of disconnection

Under the hardship regulation before 1 January 2019 energy retailers were able to disconnect a customer after they failed to meet two payment plans. Financial counsellors often reported callers having this experience and having failed on unaffordable payment plans that retailers set at their discretion. Wherever this scenario clearly arose in the notes we have recorded the phenomena. It is harder to spot in the notes than was initially anticipated.

Large debt but no assistance offered/ Large debt before assistance offered

The Payment Difficulty Framework has a trigger for a consumer's entitlement to assistance wherever someone is over $55 in debt. We checked each record to see if it was clearly noted that no assistance had been offered or offers of assistance were too late given a significant debt had arisen. Unfortunately, this is often not clear from brief notes.

Closed energy account debt

If the amount of debt from a closed energy account was recorded this was noted.

Outstanding open energy account debt at time of call

If known, we recorded the total amount of energy debt from active accounts that was noted. This includes both electricity and gas accounts.

If 'dual fuel' how much gas debt

Where it was clearly noted that the person had a gas debt the amount was noted here. The gas debt should be subtracted from the total outstanding active energy account debt at time of call. It is often difficult to distinguish gas and electricity debt in the notes. Callers often just refer to the total amount that they owe a company that provides them both services.

Threat of disconnection

If it was clearly noted that the caller had been threatened with disconnection this was recorded.

Disconnected

If it was clearly noted that the caller was disconnected at the time of call this was recorded.

Large lump sum payment demanded

Often an issue will arise where an energy retailer demands an unrealistic lump sum payment for a person to access assistance, reconnect or stay connected. These are unhelpful and are likely to cause a customer to not engage. A retailer unreasonably requesting a lump sum payment can also lead to customers accessing fringe finance which can compound their hardship. Wherever it was clear from the notes that a caller had reported a retailer demanding a lump sum payment it was recorded.

Practical assistance offered

The Payment Difficulty Framework requires retailers to offer "practical assistance to help the customer reduce their use of energy, based on the customer's pattern of energy use and on the circumstances of where that customer lives, provided there is scope for action to be taken for that purpose".[23] This is provided when a customer is unable to afford their ongoing energy use. This requirement is outcomes-based and is quite hard for financial counsellors to check upon let alone note. However, in some circumstances we observed clear notes in relation to retailers providing energy audits, we recorded this.

Best tariff assessed

Where a customer is unable to afford their ongoing energy, retailers must also help by offering the tariff that is most likely to minimise the customer's energy costs. Because most people find energy pricing complex and confusing it is often difficult for a financial counsellor to know from a phone conversation whether the caller is paying a fair price. However, financial counsellors do at times check whether the caller has had help to get the best tariff from their retailer. Wherever this was clearly noted in call notes it was recorded for analysis.

Caller has been denied a retail offer?

The NDH occasionally receives calls from someone who has been denied a market offer from their retailer. This often is the result of credit-checking, meaning the retailer believes the person calling is an undesirable customer. Price competition in energy is supposed to enable lower prices for all. However, where we see this reported, it indicates that those who are in the greatest need for low prices due to financial issues are at the greatest risk of being denied the benefits of price competition. Wherever clearly noted we have recorded reports of this issue from callers.

Retailer staff are disrespectful or inconsistent

At times the behaviour of retailer staff that results in a person feeling disrespected is the greatest barrier for engagement that leads to that person overcoming payment difficulty. There is significant stigma directed towards people with debts especially people with debts that have arisen in relation to social issues. Unempathetic attitudes from retailer staff including inappropriate remarks are sometimes reported by callers to the NDH, wherever this is mentioned in the notes, we recorded it.

Similarly, the confusion caused by different retailer staff having conflicting responses to a request for assistance can often prove a great barrier to a person juggling multiple issues including energy debt. Where the uncertainty that arises from such situations is noted in the call notes we have recorded it as part of our analysis

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23 Part 3, 79 (1)(e)(ii, Essential Services Commission, 1 January 2019. *Energy Retail Code, V.12,)*

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