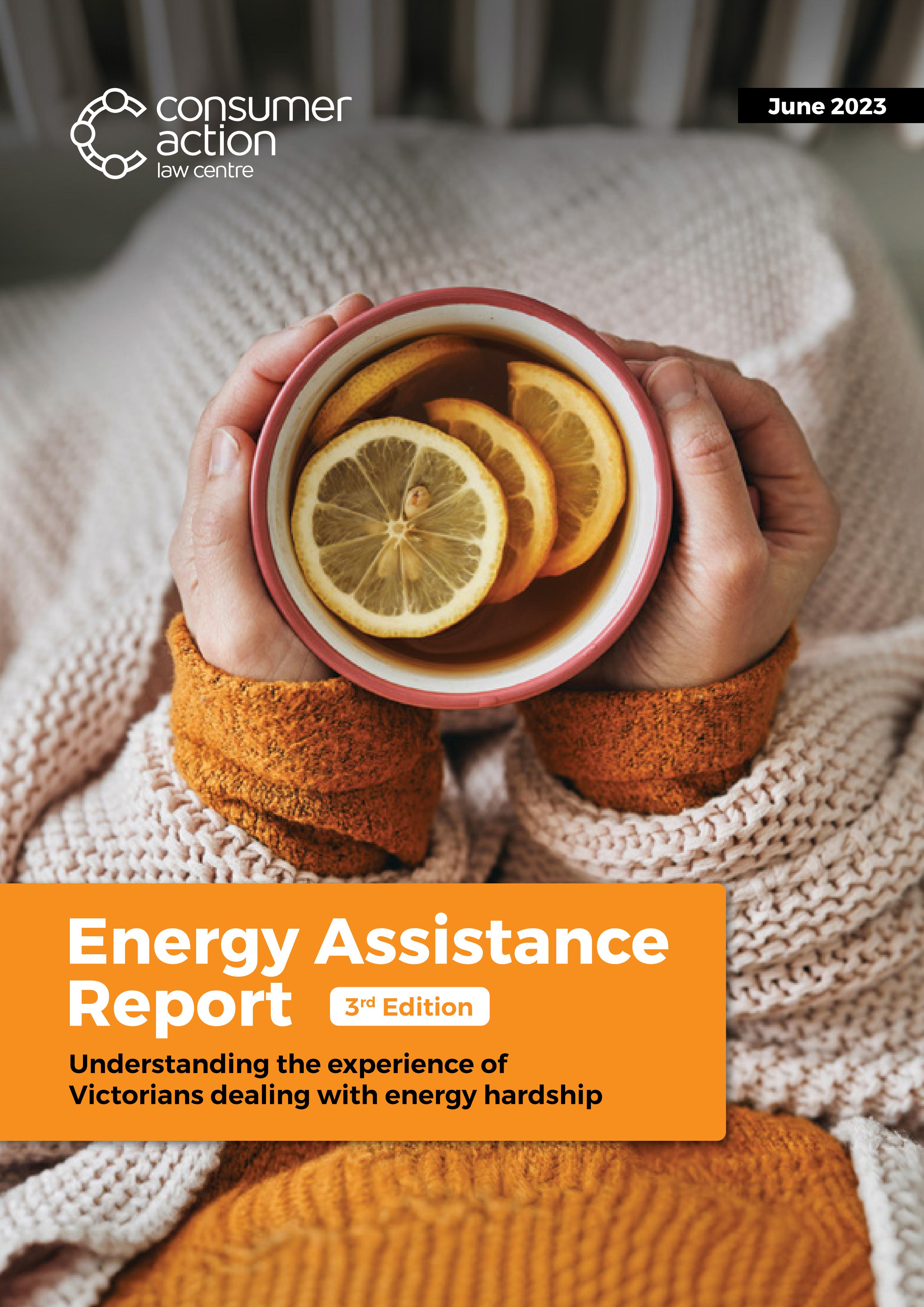

consumer action law centre

June 2023

Energy Assistance Report

3rd Edition

Understanding the experience of Victorians dealing with energy hardship

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ABOUT

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct frontline services assist Victorians, and our advocacy supports a just marketplace for all Australians.

Consumer Action Law Centre acknowledges the Traditional Owners of Country throughout Victoria, and recognises First Peoples' continuing connection to lands, waters, and community. We pay our respects to Elders past and present who carry the memories, traditions, cultures, and aspirations of First Peoples, and who forge the path ahead for emerging leaders.

CONTENTS

01 EXECUTIVE SUMMARY

Access to affordable, reliable energy is one of the key challenges facing governments, the energy sector, and consumers in 2023. Victorians are increasingly struggling to afford their energy costs with the average energy debt among Victorian callers to the National Debt Helpline (**NDH**) in 2022 43% higher than in our previous report. Underpinning the growing hardship among energy callers is the current cost of living crisis. Thousands of Victorians will be turning off their heating and shivering through this winter as energy prices are set to soar.

This is Consumer Action Law Centre's (**Consumer Action**) third Energy Assistance Report, following our previous reports published in July 2019 and July 2021. These reports have tracked improvements in hardship assistance for Victorian energy customers since the introduction of the Payment Difficulty Framework (**PDF**), and highlighted the persistent gaps where people are not receiving the assistance they are entitled to that will help them manage their energy bills. This report reviews NDH contact data from January to December 2022, and what our financial counsellors have reported from their conversations with people experiencing financial hardship. Of the 6,494 people who contacted the NDH in 2022, 697 (10.7% of the sample) mentioned energy debt as an issue.

> **Thousands of Victorians will be turning off their heating and shivering through this winter as energy prices are set to soar.**

Inadequate assistance for Victorians in hardship

Despite improvements since the introduction of the PDF, we continue to receive calls from Victorians who have not been provided with the assistance they are entitled to. Failure to offer the Utility Relief Grant Scheme (**URGS**), inadequate hardship assistance, and breaches of the PDF were the major issues noted by our financial counsellors. A concerning number of callers were on unaffordable payment plans or had not been offered URGS by their retailers, even though they appeared to our financial counsellors to be eligible. We experienced a slight decrease in people contacting us about unaffordable payment plans from the 2021 report. Conversely, we noted an increase in callers who were not offered URGS (16.8% in 2022 compared to 13% in the previous period). In many instances, people were pressured to accept a payment arrangement because their retailer refused to accept anything less, even though the plan was never affordable for that person. Furthermore, a number of callers were asked for large, lump sum payments by their retailer which they clearly could not afford to pay. Despite the improvements noted in 2022, energy retailers continue to be inconsistent in their application of the PDF and the assistance they offer. Among our callers, there seems to be a particular failure by retailer staff to consider people's circumstances when discussing available payment assistance.

There is a clear need for further compliance and enforcement action by the regulator. We recommend that the Essential Services Commission (**ESC**) take increasing compliance and enforcement action to hold energy companies accountable for failure to comply with the PDF, with a particular focus on URGS obligations.

Growing financial hardship and energy debt

Typically, people calling the NDH with an energy issue have energy debt exceeding $2,000 at the point of contact, with the average debt across the year being $2,459. This represents a significant increase from the average recorded in our last Energy Assistance Report, where the average energy debt was $1,718. A clear majority (71.9%) of energy callers have other financial difficulties and debts that they reported alongside their energy hardship, compared with 63% in our previous report. These other financial difficulties included debts such as credit cards, payday loans, buy now pay later debts, personal loans, or housing arrears, as well as other utility arrears including telecommunications and water debts. People calling our service are in increasingly difficult positions trying to manage their expenses and debts on a very limited income, and inadequate assistance from their energy retailers is only exacerbating their hardship.

On average, energy callers to the NDH indicated a fortnightly income of less than $1,000 ($967). This places the majority of our callers with energy issues around or below the poverty line. As uncovered in our previous Energy Assistance Reports, it is evident that Centrelink payments are insufficient to cover even the most basic living expenses.

There is a clear need to increase the value of income support payments. We recommend that the Federal Government provide an immediate and permanent increase to Centrelink payments, as well as regular indexation.

While retailer failure to offer URGS and adequate hardship assistance were consistent problems, we also heard from a number of callers who had applied their concessions and set up payment plans but were still unable to repay their arrears and cover their ongoing usage. 17.5% of energy contacts in 2022 involved customers who told our financial counsellors that they had already accessed URGS but were still struggling with their energy debts. It is apparent that concessions and grants are often not sufficient to cover the cost of energy for customers experiencing financial hardship and vulnerability, and the current cost of living crisis is only decreasing the value of existing entitlements.

We recommend that the Victorian Government commit to a review of energy concessions to improve energy affordability for low-income households, while ensuring the value of existing concession entitlements is maintained.

Minor increase in disconnections

There were 13 instances of disconnection (1.9% of energy calls) noted by callers in 2022, and a further 20 threats or notices of disconnection reported (2.9% of energy calls). This represents a slight increase in disconnections from the previous report, where there were two disconnections (1.5% of energy calls), and a decrease in disconnection threats (5% of energy calls). We expected to see a higher number of disconnections due to the previous dataset sampling a period where the ESC had advised retailers not to disconnect customers for non-payment. Despite this recommendation having since lapsed, this does not appear to have been borne out in our data.

It has also been positive to see a decrease in energy retailers inappropriately referring people to the NDH, with only 7 inappropriate referrals noted in 2022 (1% of the sample) compared with 13 (9.8% of the sample) in the previous report. This indicates that retailers are improving in terms of acting in accordance with the PDF and supporting their customers to access hardship assistance, as opposed to referring them on to someone else. We hope to see this number continue to drop and energy businesses only referring their customers to the NDH and other similar community services when that person requires advice and support that is beyond the obligation and scope of the retailer.

A picture of energy vulnerability in Victoria

Demographically, we continued to see an over-representation of marginalised communities among energy callers, as well as demographic markers that indicate acute financial hardship.

Energy callers are significantly more likely than callers to the NDH generally to identify as women, be a single parent or live alone, live in public/community housing, speak a language other than English at home, and list Centrelink as their primary income source. They are also more likely to have no income source, rent their home, and to have been impacted by mental health challenges and/or family violence. Aboriginal and Torres Strait Islander communities were also over-represented in our energy contacts compared to general NDH data. These markers were generally consistent with the previous report, continuing to show an over-representation of these groups of people.

The financial hardship experienced by our energy callers is connected to a broad range of socioeconomic determinants, and their energy issues are only part of the difficulty they are experiencing in supporting themselves and their families. On average, energy callers report a fortnightly income that places them in or at risk of poverty, and their energy debt is just one indicator of the financial hardship they are facing.

People contacting the NDH often describe feeling completely overwhelmed by their financial situation. They feel so stressed that it becomes very difficult to think about and take action to try and manage their debts and bills. Callers with experience of mental health challenges and psychological distress tell us that it is particularly challenging to engage with retailers and other services providers, even where these institutions can assist. Energy retailers and other service providers need to deepen their understanding of how mental health challenges impact a person's life and capacity, and design informed and empathetic solutions to minimise barriers to engagement.

The release of the ESC's vulnerability strategy reflects a growing awareness of the need to remove barriers for people in accessing essential services. We recommend that the ESC and industry prioritise work to develop understanding of the difficulty faced by customers with mental health challenges and implement universal mental health standards in their service provision.

On balance, the data collected and analysed in this report shows relative consistency with our prior two reports. Energy-related contacts in 2022 represented a marginally smaller percentage of NDH calls than noted in previous reports, however gaps in assistance remain, and the cost of living crisis is only exacerbating the cases of energy hardship that persist. We note four key areas (below) for improvement and eleven recommendations (later) for reform to better protect Victorians experiencing vulnerability and financial hardship:

- **Increased compliance action and considered regulation priorities for the ESC;**
- **Expanded income support and concessions reform;**
- **Improvements to the PDF; and**
- **Data insights and reporting.**

> **People contacting the NDH often describe feeling completely overwhelmed by their financial situation. They feel so stressed that it becomes very difficult to think about and take action to try and manage their debts and bills.**

02 INTRODUCTION

Background

Access to affordable and reliable energy supply underpins our daily lives. In the wake of the COVID-19 pandemic many of us spend more time at home and are heavily dependent on our energy consumption for education and work.

Recent energy market reforms in Victoria have helped to improve the assistance available to customers experiencing vulnerability and payment difficulty, however energy affordability remains a challenge for thousands of people. Wholesale energy market conditions and rising cost of living pressures in 2022 have made it increasingly difficult for Victorians to manage their energy bills. As the ESC notes in their most recent Victorian Energy Market report, "By the end of December 2022, 65,584 electricity and 56,466 gas residential customers were receiving tailored assistance from their retailer to help pay their bills."[1] They also note that the number of gas customers receiving assistance is the highest number recorded since the introduction of the PDF in 2019.[2]

Deregulation of the energy market in Victoria through the reintroduction of competition in 2002 and full deregulation in 2009 did not deliver cost benefits to consumers, and instead primarily increased the profit margins for retailers. The failure of the competitive market necessitated an Independent Review into the Electricity and Gas Retail Markets in Victoria in 2016, and the panel's final report proposed 11 key recommendations to improve consumer outcomes.[3] Since the release of the report, additional reforms have been introduced to ensure price certainty and fairness in the market. The most significant has been the Victorian Default Offer (**VDO**), which was introduced in 2018 as a guaranteed fair price available to all Victorian electricity customers.

Around the same time, the ESC began an inquiry into hardship support available for energy customers, spurred primarily by the large number of disconnections that had been occurring in Victoria.[4] This inquiry resulted in the introduction of the PDF in 2019, which set out the assistance that customers are entitled to from their energy retailer to avoid disconnection, minimise debt accrual, repay

1 Essential Services Commission, *Victorian Energy Market Report: March 2023*, 2023, p. 13.
2 Ibid, p. 133.
3 State Government of Victoria, *Independent Review into the Electricity and Gas Retail Markets in Victoria*, 2017.
4 See the final report here: Energy-Hardship-Inquiry-Final-Report-February-2016-1.pdf (esc.vic.gov.au)

arrears, and manage their ongoing usage. The PDF was then reviewed across 2021-2022 with a focus on the effectiveness of the framework's implementation. The review found that implementation was broadly meeting the objectives of the PDF but that customer outcomes varied between retailers, and that customers who could not pay for their ongoing usage were less likely to derive benefit from the framework.[5]

Recently, there has also been a growing recognition of the need to improve access to essential services for people experiencing vulnerability, with both the ESC and the Australian Energy Regulator (**AER**) launching consumer vulnerability strategies in 2022. These strategies highlight the importance of understanding and minimising the barriers that people face in navigating the essential services market, in order to ensure equitable access to services such as energy.

This report

While recent reforms have expanded the assistance available for people experiencing difficulty paying their energy bills, it is critical to ensure they are working effectively and reaching the people who need them most. This is the intention behind this report. We review calls to our financial counsellors from Victorians reporting difficulty paying their energy bills to understand people's experience of accessing support.

This is the third report into energy assistance that Consumer Action has published. The first report *'Energy Assistance Report: Tracking how Victoria's changing energy policies are impacting households in the state'* was released in July 2019, and the second report titled *'Energy Assistance Report 2nd Edition: Tracking the impact of Victorian energy reform on households'* was published in September 2021.[6] The first report explored whether consumers experiencing vulnerability had benefitted from recent reforms to the Victorian energy market, particularly the introduction of the PDF on 1 January 2019. This was done by analysing energy issues reported by a sample of callers to Consumer Action's financial counsellors at the NDH over 23 months, from July 2017 through to May 2019. The second report undertook a similar review to explore ongoing compliance with the PDF, understand what assistance customers in financial hardship were receiving from their retailers and to identify any persistent gaps. This second report reviewed 18 months of call data from July 2019 to December 2020 and was particularly concerned with challenges associated with the COVID-19 pandemic and the responses from energy retailers.

Energy affordability has become a salient issue during 2022 and is becoming even more so during 2023. In 2022 increasing wholesale prices, market suspension, and projected retail price spikes led to a package of price caps and targeted bill relief at the Federal level, and the reintroduction of the State Electricity Commission in Victoria. This year, discussion has centred around the impact of looming price increases. Clearly, energy affordability is a pressing issue facing households and action to address this is a political priority.

Like the previous two reports, this version explores trends in energy debt and hardship assistance reported by people calling our financial counsellors. Twelve months of calls were reviewed from 1 January 2022 to 31 December 2022. Analysis of trends in energy calls has been performed both by month across the period under review, but also by energy retailer (where the retailer was clearly identified during the call). We also explore trends by demographics, such as caller gender, age, primary source of income and their household type.

About the National Debt Helpline

Consumer Action's financial counsellors receives the majority (60%) of calls from Victorian residents to the NDH. The NDH is a national not-for-profit email, telephone and online chat-based financial counselling service providing free, confidential, and independent financial advice to Australians experiencing financial difficulty. There are multiple financial counselling agencies around Australia that answer calls to the NDH. This report analyses only calls from Victorians to Consumer Action's financial counsellors at the NDH. No call data in this report has been captured from other agencies.

Financial counsellors are qualified professionals who provide information, advice, and advocacy to people in financial difficulty. Their services are non-judgmental, free, independent, and confidential. When a person contacts the NDH, a financial counsellor will work with them to assess their debts, identify factors that may be contributing to their debt issues and provide options to address the debts. Where a person can self-advocate, the financial counsellor will then provide them with information and resources to draw on. Where more support is required, people can be referred to a local community-based financial counsellor who can provide further assistance and advocate on their behalf, or Consumer Action's financial counsellors may provide some limited advocacy on behalf of clients. Financial counsellors make notes in our client management system throughout this process. They also record other information, such as general demographic details.

NATIONAL DEBT HELPLINE
1800 007 007
ndh.org.au

5 Essential Services Commission, *Payment difficulty framework implementation review 2021*.

6 See the first report here: *https://consumeraction.org.au/wp-content/uploads/2019/07/190620_Energy-Assistance-Report_FINAL_WEB.pdf*, and second report here: *https://consumeraction.org.au/wp-content/uploads/2021/09/210810_Energy-Assistance-Report_2nd-Edition_V5.pdf*.

03 METHODOLOGY

This report deals with a shorter time frame than that examined in previous reports, reviewing only 12 months of data. With a shorter period under review, we have also revised how data is sampled and extracted. Past reports involved a sampling process and selection of two consecutive days of calls (where financial counselling services were provided) per month for extraction and analysis, while this report has pulled the data from every day of contacts (again where services were provided) from the 2022 calendar year. By reviewing the entire year, we remove the risk that issues may have been under or over-represented in the sampling process, while restricting the review to the calendar year provides us a manageable number of cases to review.

Each call record in our sample contained a range of general demographic information, such as a caller's year of birth, gender, their home postcode, income source, and their estimated income. Information about the caller's debt is also recorded – this may include the product or service involved, the creditor's name, and specific issues a caller has encountered, such as inadequate hardship assistance being offered. An explanation of the data recorded is included in Annex A.

There are limitations associated with the data presented, largely as a result of our financial counsellors being dependent on the information that a caller clearly articulates to complete their records. People with NDH appointments may not answer their phone when called by the financial counsellors or may be limited in the time and capacity they have to discuss their situation. Financial counsellors also speak to people who are calling on behalf of a client, and conversations are limited to general information and advice. It is also possible that there are features common to this cohort which may distort trends in the sample.

The change in case file layout in May 2022 may also have impacted the data collected. As with the previous report, analysis was undertaken based on data entered in client files and accompanying case notes typed in free text. This means variances in data entry and note-taking style between financial counsellors may have impacted the data, particularly when the appearance of the system changed.

Despite these issues, we believe that this call data serves as a useful extension to individual case studies and community sector insights, highlighting common gaps and trends in hardship support from energy retailers across 2022.

Overview of sample

The sample referred to in this report consists of 6,494 contacts to the NDH between 1 January and 31 December 2022 (inclusive). Contacts include calls, online chats, and enquiries directed to the NDH. This report has analysed a much larger dataset than the previous reports – 6,494 total contacts compared to 1,175 in the 2021 report – and the sampling process did not exclude cases where financial counsellors were not able to contact the person for an appointment or provision of further information. These contacts with no follow-up have still been used for demographic analysis of NDH callers.

Previous reports utilised a sampling process where two consecutive days of calls to our financial counsellors each month throughout the sample period were selected to form the dataset. The 2021 report sampled and analysed 36 days of contacts, a much smaller sample size than this report where every operating day of the year was included. It is therefore difficult to compare the call numbers in this report to previous reports. In the second report we noted a significant decrease in call numbers from the first report, after adjusting for the shorter time frame. While we cannot directly compare the data from these past reports to the current data set, we note that there were only 4,704 calls to the NDH recorded in 2020, and that there was a significant increase to 6,657 in 2021. 2020 was a particularly quiet year due to the increase in support payments during COVID-19 lockdowns, and contacts to the NDH were very low. As pandemic-specific supplements and supports have been cut back, our financial counsellors have experienced a significant increase in calls. The 2022 call data appears consistent with the previous year, with only a small (2.5%) decrease. Outside Consumer Action, broader NDH data indicates a steady increase in contacts, particularly in the first few months of 2023 (around a 30% increase). The cost of living crisis is putting more and more people in difficult financial situations and increasing the need for the services of financial counsellors to help manage expenses and debts.

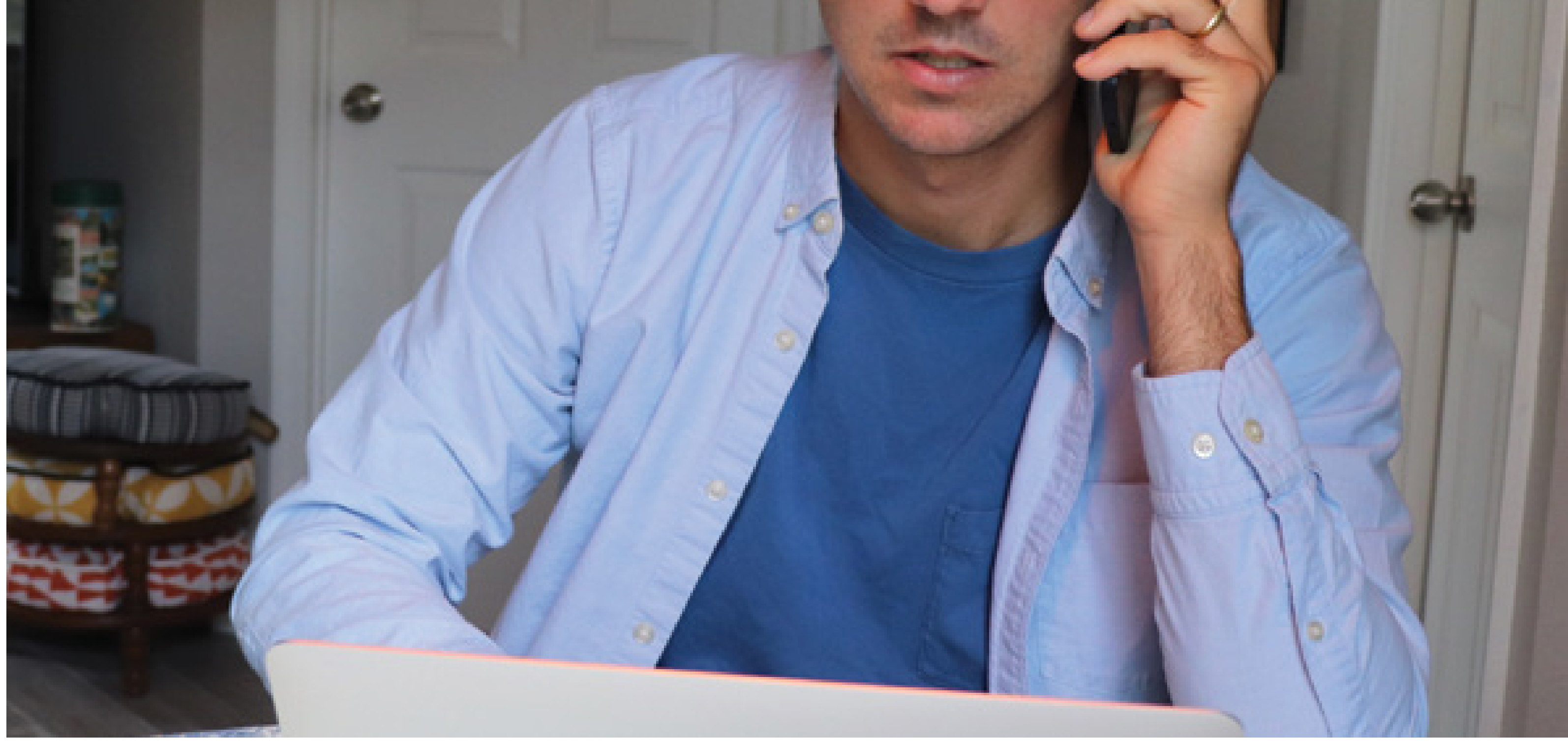
Of the 6,494 calls in 2022, 697 (10.7% of the sample) mentioned an energy issue. This is a slight decrease on the previous reports, with energy calls making up 11.3% of overall contacts in the sample used in our 2021 report.

As with the previous reports, a spreadsheet containing the data discussed in this report has been made publicly available for download. We welcome other individuals or organisations reviewing the data and performing additional analysis. Copies of this data have also been provided to regulators to highlight systemic issues and instances of non-compliance with consumer protections.

6,494 contacts

NDH between 1 January and 31 December 2022

697 contacts mentioned an energy issue



04 ISSUE ANALYSIS

Energy Calls

Calls about energy issues over time

Our sample indicates that our financial counsellors have continued to receive a significant number of calls from people mentioning energy issues during the 12 months under review, with a slight decrease from previous periods. Figure 1 compares the number of callers mentioning energy issues in each month of the sample versus all calls where financial counselling was provided. The highest number of energy-related calls in the sample came in February 2022, with 77 people calling about energy issues in the calls reviewed that month, while a low of just 33 energy-related calls was recorded in our May 2022 sample.

In total, 697 of the 6,494 calls in the sample involved an energy issue (either electricity, gas or both), equating to 10.7% of all calls where financial counselling advice was provided. This is slightly lower than was recorded in the previous report, where 11.3% of contacts involved an energy issue.

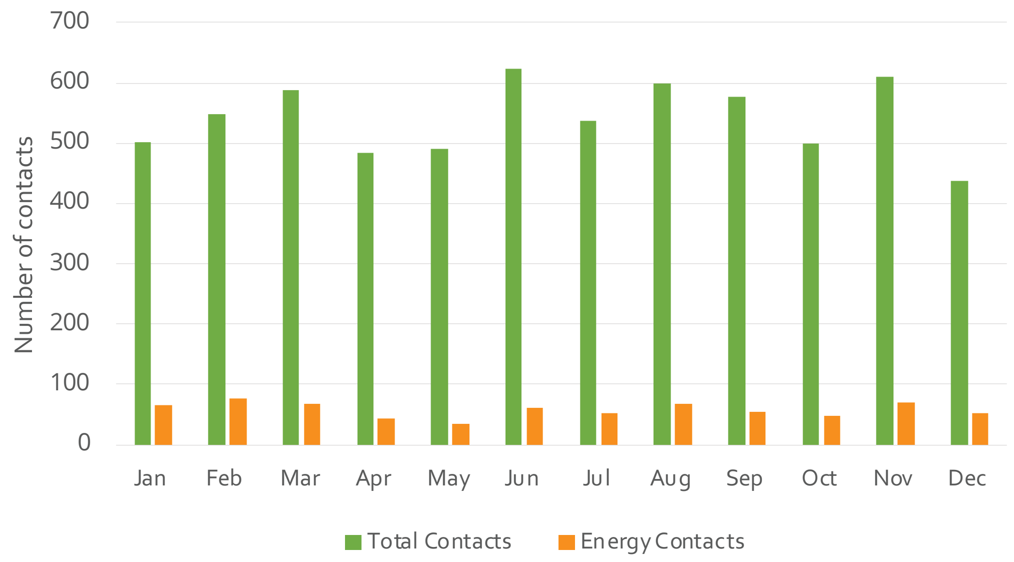


Figure 1. Number of energy contacts compared to total contacts by month.

As can be seen in Figure 2 the proportion of energy-related calls in our sample varied month-to-month. Energy calls in our sample were lowest in May 2022, making up only 7.1% of calls from people in that month, and peaked in February, where energy issues were reported in 14% of calls.

Similar month-to-month variation was also found in both of the previous reports. These variations in call volume appear to follow a seasonal pattern aligned with times of higher energy use and billing cycles. Energy-related calls were higher in late-summer, with a second spike coming out of winter. Again, a similar pattern was found in the earlier reports.

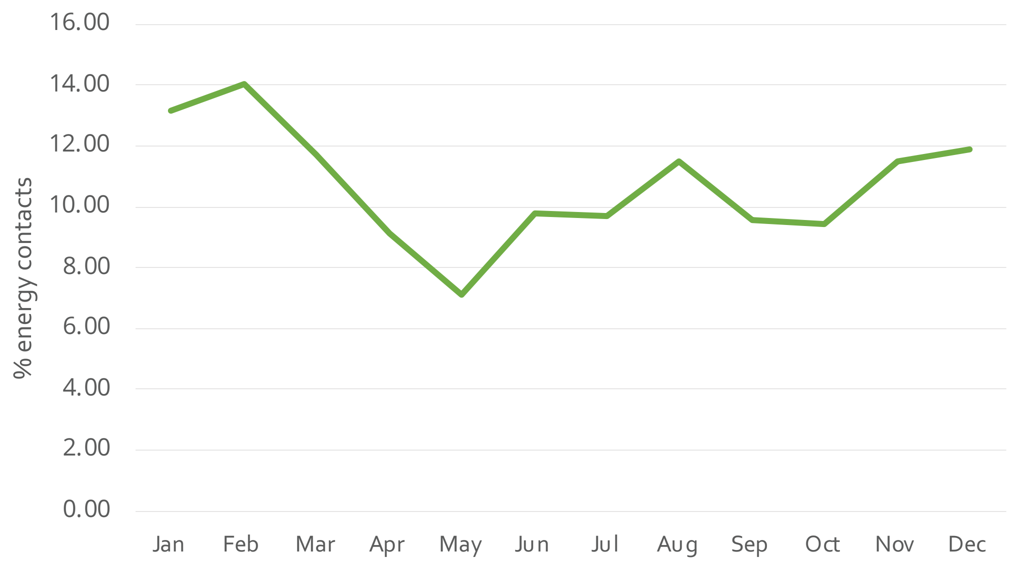


Figure 2. Proportion of contacts that clearly note an energy issue by month.

Gas Issues

Gas issues were less commonly noted than electricity issues, being mentioned by 233 people. This represents 3.6% of total calls and 33.4 % of energy-related calls in the sample. This difference may be due to a lower proportion of callers using gas, lower gas debts among callers, or a limitation of our file management system wherein a financial counsellor can only select a maximum of three products or services for each person contacting our service. Many callers to the NDH have multiple debts. Where a person has more than three debts, it may be that gas debts have not been flagged on their file, particularly in an instance where an electricity debt has already been noted. If gas is not selected as a financial difficulty type, these cases will then not appear in our data collection.

The proportion of people calling about gas issues by month is presented in Figure 3. Gas calls in our sample follow a similar pattern as electricity calls, albeit at a lower level. This suggests that there is no difference in hardship patterns between the two energy types, with call volumes increasing at times of higher energy usage. Indeed, people in energy hardship are likely to have issues with both gas and electricity if they use both fuel types – 91.4% of people who flagged issues with their gas bills also mentioned electricity issues when talking to our financial counsellors, consistent with the figure of 90% recorded in our previous report.

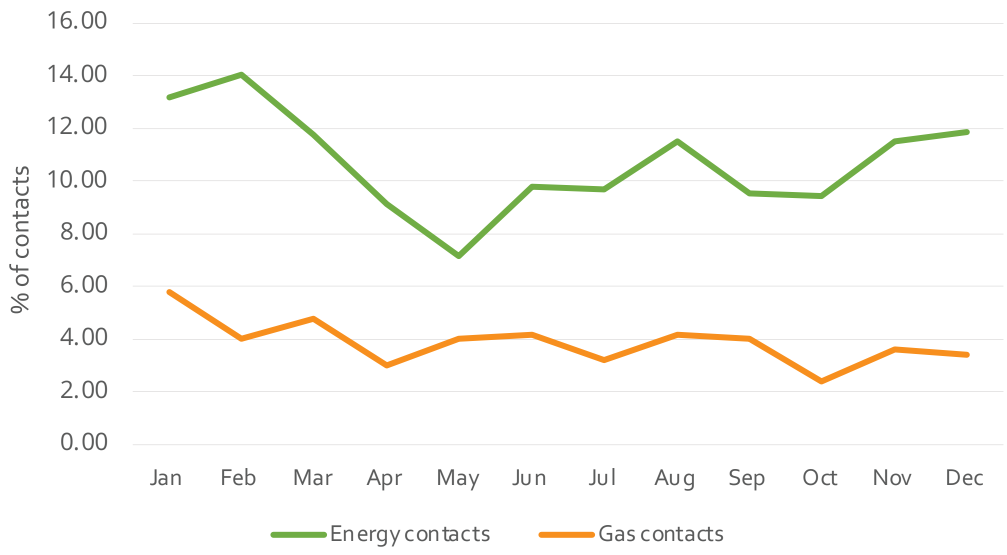


Figure 3. Gas contacts compared to energy contacts (as proportion of total contacts) by month.

Outstanding Energy Debt

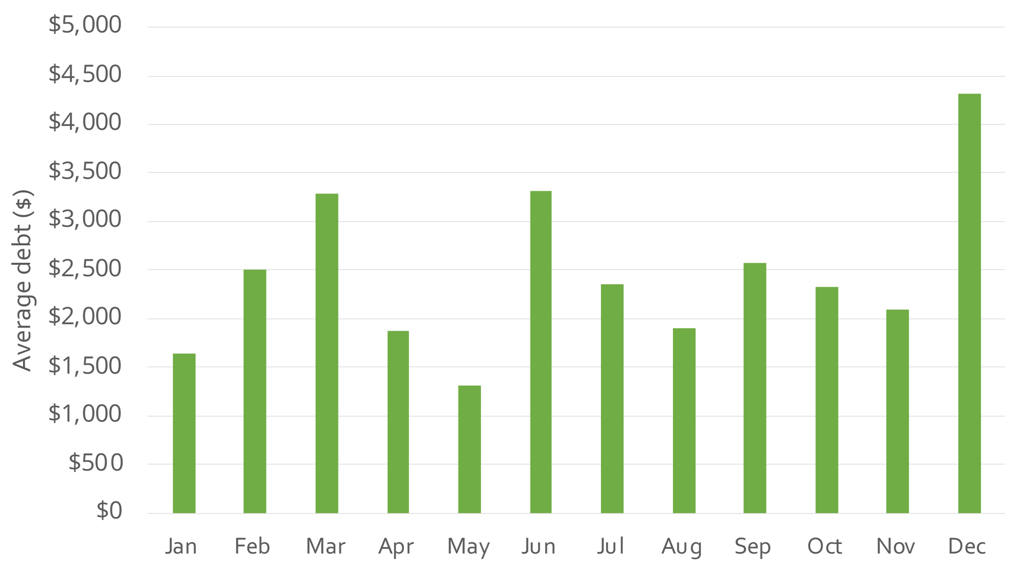


Figure 4. Average energy debt per month

Of the 697 energy-related calls analysed, 382 people noted the amount their accounts were in arrears. These varied between rough estimates and exact dollar amounts.

When looking at average electricity debts by month, these amounts hovered roughly between $1,500-$3,000, save for three spikes in March 2022, June 2022, and December 2022. These spikes appear to result from multiple cases of large debts being recorded in these months rather than an indication of growing electricity debt among people calling our financial counsellors. A similar pattern was observed in our previous report, though with slightly smaller average debt amounts.

The range of electricity debt recorded in the sample reflects the breadth of hardship cases our financial counsellors hear. Some people may be calling about a small or relatively recent debt, while other callers may have debts in the thousands of dollars, accrued over multiple years. The smallest electricity debt noted was $55, while the highest was a staggering $24,000. Figure 5 presents the minimum and maximum amounts of energy debt mentioned by people calling our financial counsellors for each month of the sample.

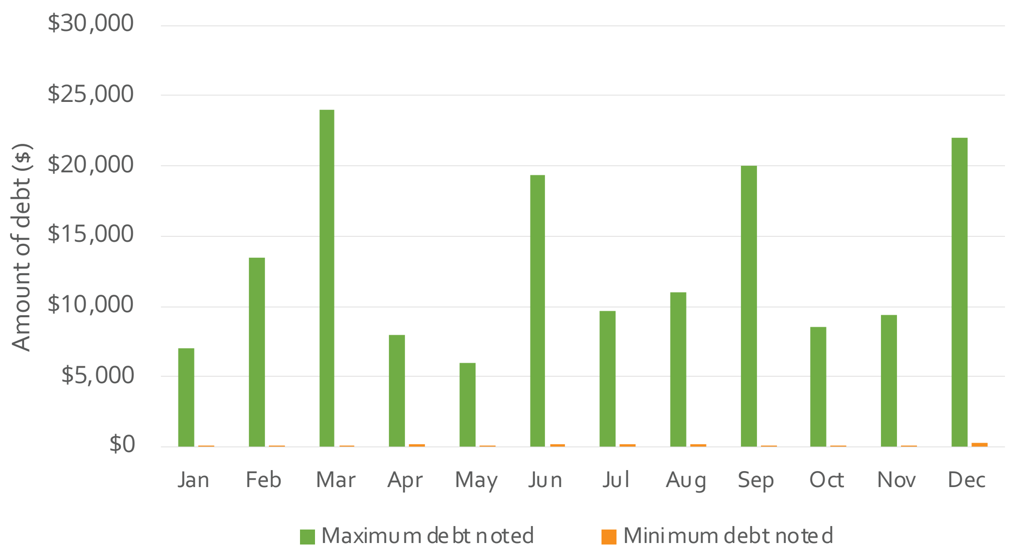


Figure 5. Maximum and minimum value ($) of energy debt by month

Cases of large debt

Large energy debts (debts totalling more than $3,000) were reported by 82 people in our sample (11.8% of energy-related calls). This is slightly less than the 13% of energy calls where people noted large debts in the previous report.

There were ten instances of debt over $10,000 that were reported. Of these ten debts, five involved cases where the debt recorded was $20,000 or more. Details of four cases are provided below, with the fifth case detail in Sandra's case study. These cases involved:

- A victim-survivor of family violence who was very concerned about disconnection at the property she shared with the perpetrator. She had open accounts with two energy retailers, one of whom had been alerted to the family violence. The caller was afraid that the retailers would not allow her to transfer the accounts into her ex-partner's name and that these debts would follow her. She owed approximately $24,000 for electricity and gas.
- A self-employed woman whose business was recovering from a downturn. She owed $17,000 to one retailer for electricity and $7,000 to another for gas. The caller was on payment plans for $50 per fortnight for each utility but said her retailers had pressured her for more. She indicated that her retailers had offered no assistance other than an URGS application and a referral for financial counselling. She also said that she had not had hot water for 12 months and could not afford have it turned back on.
- Another victim-survivor of family violence who had recently escaped the relationship. She told the NDH that she had ignored her debts in recent years while she was experiencing the violence. The caller's energy use was extremely high, and the financial counsellor wondered why the retailer had not raised the issue with them earlier. She owed a combined $22,000 for her electricity and gas and was struggling with other debts.
- A parent living on JobSeeker and hoping to be able to repay a $20,000 gas debt (as well as a smaller $2,000 electricity debt) once they were able to find full-time employment. The caller said their gas retailer had not contacted them at all until they heard from a lawyer. They said their gas retailer had not offered any assistance. The financial counsellor was once again very concerned that the gas retailer had let the account get to this stage without offering any support.

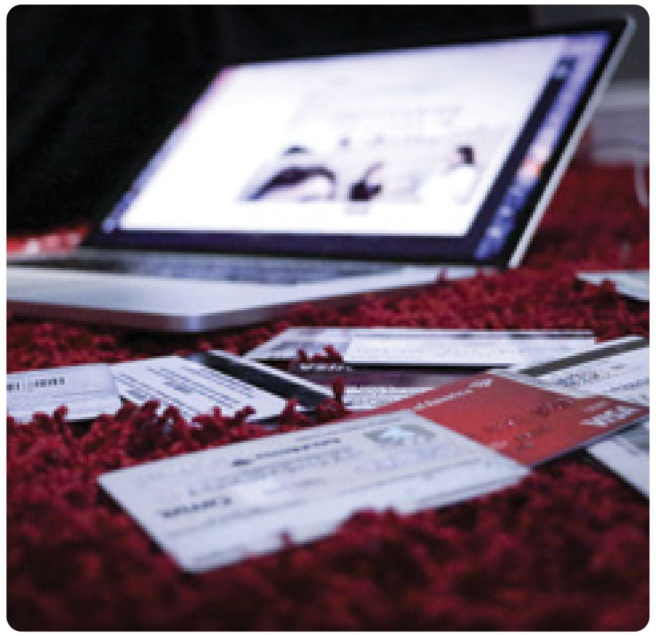
Sandra's story

Sandra (name changed) lives with her husband and three children who are all full-time students. She called the NDH in September 2022, at which point her energy debt was $20,000. Sandra and her husband were also struggling with mortgage arrears, but she said she felt more confident to manage these issues than she did her energy debt.

Sandra said that she was disconnected six weeks earlier and only reconnected after paying several hundred dollars up front and entering into a very high payment plan of $200 per week. She indicated that her retailer has been very difficult to deal with and has offered minimal support. Sandra was not sure if her current arrangement was covering their current usage and if their debt would ever be repaid. She told the NDH that she was upset at the treatment she had received from the retailer and lacked confidence to make the appropriate arrangements and complaints.

The financial counsellor expressed concern that the debt was allowed to climb so high before any arrangement was put in place and discussed the PDF. Sandra was referred to a local financial counselling service for assistance with her energy debts and retailer.

None of these callers appeared to have received adequate assistance from their retailers, and two seem to have had little to no contact at all prior to their debts reaching astronomical levels.



Closed account debt

We also analysed debts from closed energy accounts when reviewing call records. An understanding of calls to our financial counsellors where people raised issues related to closed accounts is important, as it is our understanding that PDF protections only apply to active accounts.

Fifty-nine people (8.5% of energy calls) raised issues with closed accounts. The amount of debt was recorded for 44 of these cases. The average closed account debt across these calls was $2,586, with a minimum of $114 and a maximum of $13,000. Sixteen of these cases involved the debt having been sent to a debt collector. There were several cases noting harsh debt collection practices, and we know these behaviours can have adverse consequences for people. People with old energy debts were experiencing significant stress associated with being pursued for money they did not have, as well as the difficulty of acquiring credit or services where a credit rating is checked, including for new energy accounts. Several callers indicated that they were unable to be connected at a new address due to debts associated with a closed energy account. Where these debts had been referred to a debt collection agency, people were generally experiencing even more significant pressure to repay and felt harassed by the aggressive tactics of the collectors.

Alyssa's story

Alyssa (name changed) called the NDH about an old energy debt that had been sold to a debt collector in 2018. At the time of the call, she was being pursued by the debt collector for approximately $240, and the collector was threatening to relist a default against her. Alyssa had received an intention to list from the debt collector and was worried about her credit report if she did not pay.

Alyssa is a single mother living in public housing. She indicated that she was receiving Centrelink as her primary income source. In 2017, she was experiencing financial hardship and contacted her energy retailer for assistance. She told us that the retailer advised that someone would call her back to discuss the support available but that she never heard from them. The debt had been with the collector for four years at the time of the call, and Alyssa had made her most recent repayment six months prior to calling the NDH. She said that she has had two debts listed on her credit report (one from the retailer and one from the debt collector) with two defaults recorded for each, bringing her up to four defaults listed. Even years after accruing a relatively small debt with her energy retailer, Alyssa was still dealing with debt enforcement and defaults being listed against her.

Our financial counsellors indicated in the case notes that Alyssa was judgment proof, and that she was being aggressively pursued for the debt and felt harassed by the collectors. The financial counsellor referred Alyssa to the Energy and Water Ombudsman of Victoria (**EWOV**) to file a complaint and provided her with information about her rights regarding hardship assistance.

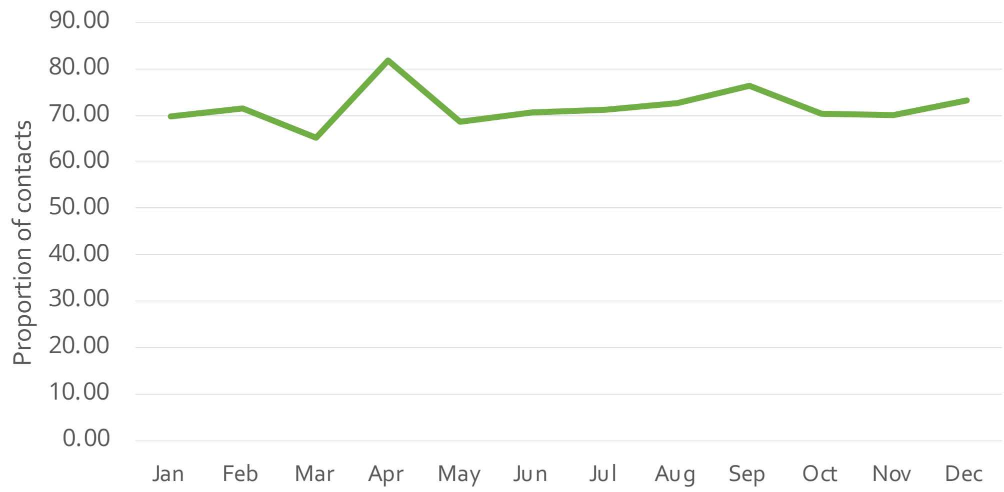


Figure 6. Proportion of energy contacts where other debts noted (by month).

Energy calls with other debts

A clear majority (71.9%) of energy callers in the sample reported other financial difficulties and debts alongside their energy hardship. These other issues included debts such as credit card, payday loans, buy now pay later debts, personal loans, or housing arrears, as well as other utility arrears including telecommunications and water debts. This is an increase on the proportion in the previous report, where 63% of energy callers reported having additional debts. This increase may reflect rising living costs and the challenges people are facing in covering their basic expenses.

The proportion of energy callers with other debts each month is presented in Figure 6. Across our sample, the number of people calling about energy issues who had other debts was broadly similar each month, with a maximum in April 2022 and a minimum in March 2022.

> **A clear majority of energy callers in the sample reported other financial difficulties and debts alongside their energy hardship.**

Ivan's story

Ivan (name changed) called the NDH in November 2022. He lives with his wife and three children and experienced a drastic drop in his income due to COVID-19 and is only just beginning to recover. Ivan said that his income was highly dependent on overtime and that recovery from the pandemic has been slow. He indicated that he had previously used Buy Now Pay Later (BNPL) to cover living expenses and still owes over $4,000.

Ivan owes nearly $7,500 for his energy bills and is currently on payment plans totalling $320 per fortnight. This is not affordable, and he said he has had previous payment plans fall over due to unaffordability. He is struggling with this arrangement and does not know whether it is paying down arrears at all. Ivan told the NDH that he was told about URGS but that his retailer said he was ineligible due to his income level. He said they offered no other support and have consistently asked for higher payment plans. Ivan indicated that he had tried to change retailers but was unable to due to his credit score.

Our financial counsellors noted that Ivan was very stressed and felt his energy debt was insurmountable. We sent him information regarding applying for the Power Saving Bonus and referred him to a local financial counsellor for further support.

Disconnections

Actual disconnections

Our previous report observed a decrease in disconnections associated with the ESC's advice to retailers discouraging disconnection for non-payment across much of 2020 and 2021. Thirteen instances of disconnection were mentioned to our financial counsellors in 2022, which equated to 1.9% of energy contacts in the year. This is a slight increase when compared to the 1.5% of energy calls mentioning disconnection in the 2021 report, but still represents a low value compared to the pre-COVID-19 figure of 7% of energy calls (as recorded in our 2019 report).

Positively, it appears from our data that instances of disconnection for non-payment have not skyrocketed following the ESC ending their recommendation to pause disconnections on 30 June 2021. We note that there were a few callers who indicated that they had been disconnected prior to 2022 but did not include these disconnections in our analysis to reflect only disconnections occurring in the sample year.

ESC data has similarly indicated an increase in disconnections since 2020, with around 19,000 Victorian energy customers disconnected for non-payment in 2021-2022.[7] This figure is a significant increase from 2010-2021, but still markedly lower than the 2019-2020 financial year.

The retailers and debt levels of each of the disconnections are shown in Table 1. Two retailers, Origin and AGL, were responsible for most of these disconnections, with four reported against each business. The average debt level for a disconnection was $7,523. Retailers can disconnect a customer with more than $300 owing,[8] and all the cases of disconnection in our sample cleared that threshold. While we are glad that no one was disconnected in breach of the debt level requirement, we believe that $300 (equivalent to around 3 months of the average annual energy bill) is too low a threshold and should be raised to better reflect ESC requirements to treat disconnection as a measure of last resort. This is of greater significance giving rising inflation, costs of living and the significant jump likely for energy prices in 2023.

Disconnections	Retailer	Debt level
Caller 1	Origin	$800
Caller 2	Sumo	$2,556
Caller 3	Origin	$500
Caller 4	Powershop	Not listed
Caller 5	AGL	$2,881
Caller 6	Origin	$19,314
Caller 7	AGL	$4,000
Caller 8	Origin	$5,980
Caller 9	Not listed	Not listed
Caller 10	Not listed	$4,200
Caller 11	AGL	$20,000
Caller 12	Not listed	Not listed
Caller 13	AGL	$15,000

Table 1. Actual disconnections associated with energy contacts in 2022.

Elaine's story

Elaine (name changed) first called the NDH in June 2022. She has experienced family violence and is dealing with mental and physical health challenges. Elaine was disconnected the day she called and estimated that she owed her retailer around $4,000. She indicated that dealing with debt was not a priority for her while she was navigating and escaping an abusive relationship, and that things had recently escalated.

Elaine told the NDH that she accessed URGS in 2014 and had tried to apply again three times with no help from her retailer. She said she requested paper forms that never arrived on one occasion and applied over the phone twice, but nothing ever happened with the applications. Elaine reported that she had been paying $30 each per fortnight for electricity and gas but stopped payments around a month prior to being disconnected. In July, she said she had already had to pawn her possessions to keep up and had received a notice to vacate her home after falling behind on rent.

The financial counsellor referred Elaine to the Energy and Water Ombudsman of Victoria to get her energy reconnected as soon as possible and discussed URGS. Elaine later told us that her energy debt had been waived after she contacted EWOV.

7 Essential Services Commission, *Victorian Energy Market Report 2021-22*, 2022, p. 14.
8 Essential Services Commission, *Having trouble paying your energy bills? You have rights*.

Threats of disconnection

While the number of actual disconnections increased slightly from the previous report, there were comparatively less threats or notices of disconnections mentioned by our callers in 2022. Twenty people in the sample reported that they had been explicitly threatened with disconnection in their interaction with customer service staff or had received a disconnection notice, representing 2.9% of the total energy-related contacts. This is compared to 5% of energy-related calls in our 2021 report.

Again, it is positive to see that less Victorians are facing disconnection and that retailers are seemingly improving their compliance with the ESC's requirement to disconnect energy customers only as a matter of last resort. We know disconnection threats are often used to intimidate people into paying arrears. Not only do these threats cause undue stress to people, but the looming spectre of disconnection can also be used by retailers to coerce people into paying more than they may be able to afford. We are pleased to see that usage of this tactic appears to be decreasing.

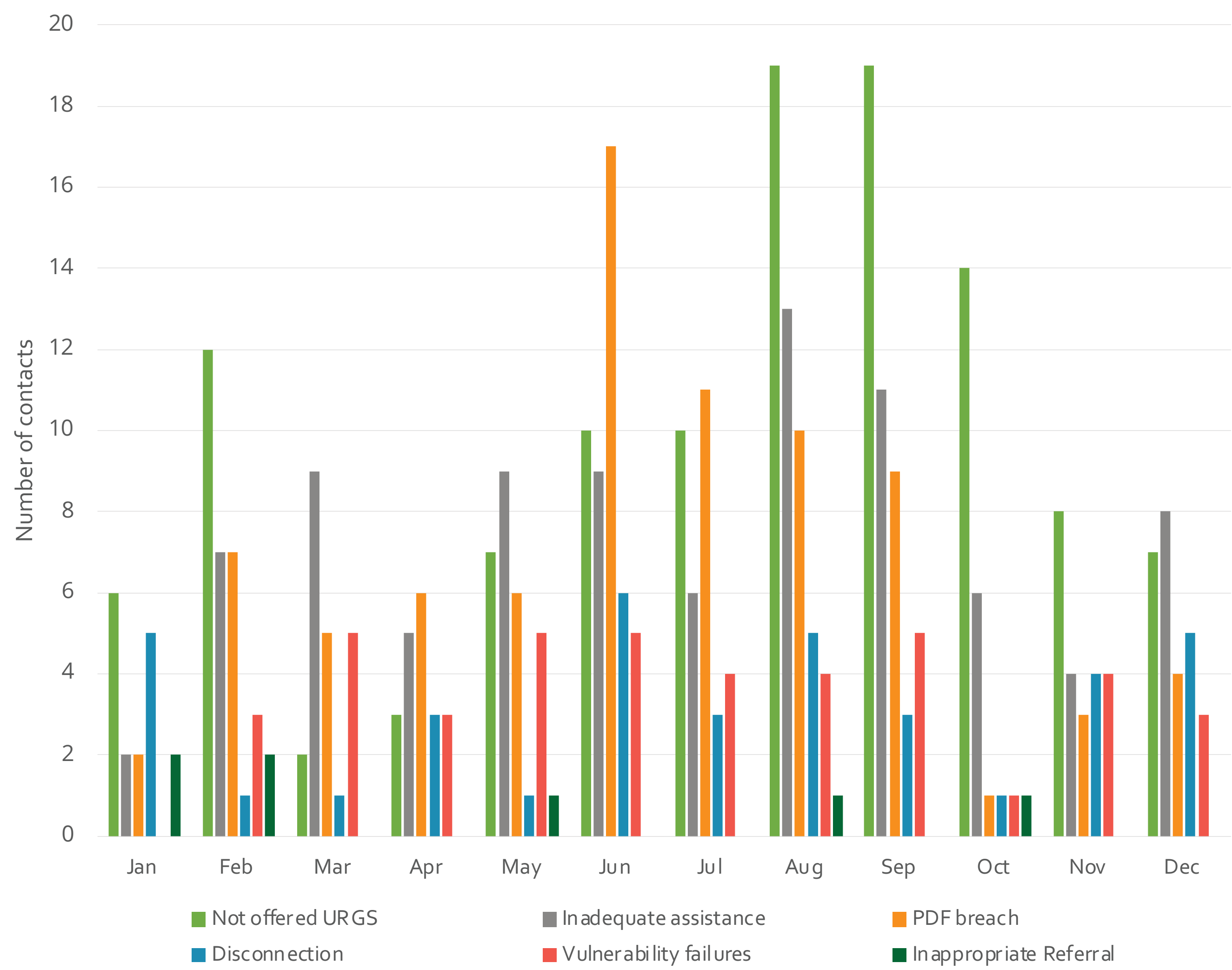


Figure 7. Systemic issues reported in energy contacts by month.

Systemic Issues

For each financial difficulty type a caller presents with, our financial counsellors can select from several relevant systemic issues associated with that service or product. The most prevalent systemic issues for energy-related contacts were failure to offer URGS, inadequate hardship assistance, breaches of the PDF, disconnection, and failure to identify/account for vulnerability. In analysing the data, we were also interested in cases with 'inappropriate referral' marked as a systemic issue for the purposes of comparison with previous reports. The occurrences of these systemic issues are charted in Figure 7.

Failure to offer URGS

The PDF requires retailers to offer additional, tailored assistance for customers with energy arrears. In October 2020, this requirement was updated to include the obligation for retailers to help customers apply for the URGS and to lodge the application on their behalf where possible.[9] In our 2022 data sample, 117 energy-related contacts involved customers not being offered URGS by their retailers or not being supported to apply, representing 16.8% of all energy contacts. This is an increase on our previous report, where 13% of energy-related calls involved failure to offer URGS. Comparatively, there were 122 contacts (17.5% of energy cases) where case notes indicated that the person had applied for URGS and/or been given sufficient information and support to do so by their retailer. This is only a slightly larger percentage than those who were explicitly not offered/denied URGS.

It was particularly concerning to see that many callers had never even heard of the URGS, let alone been offered support in applying by their retailer. The amount of the grant – up to $650 per utility, or $1300 for customers using only electricity – can assist people facing unexpected hardship to significantly reduce their arrears. Assuming a person had an energy debt of $2,459 (the average in our sample), their debt would be cut by over 50% if they were to receive the full $1,300 grant. With energy retailers currently designated as gatekeepers for people to access URGS, it is a problem if they are regularly failing to assist their customers to access the grant. If people are not aware of the grant, they cannot be expected to know how to ask their retailer for the assistance they are entitled to, and retailers need to be more proactive in explaining the URGS and supporting their customers to apply. The PDF review reported that water companies are submitting URGS applications at a significantly higher rate than electricity and gas retailers, with 87% of grant applications requested being submitted in the water sector in the 2020-2021 financial year compared to 59% for energy and gas (each).[10]

Inadequate hardship assistance

Aside from their URGS obligations, retailers are required under the PDF to support customers in hardship through both standard and tailored assistance measures.[11] 'Inadequate hardship assistance' refers to a retailer's failure to offer any and/or all of these supports to a customer. There were 89 contacts flagged with this issue in 2022, accounting for 12.8% of all energy-related contacts.

One of the key supports available under the PDF is the provision of affordable payment plans to help customers repay their arrears. Concerningly, this an area in which we consistently see retailers failing to deliver on. Many of our energy-related contacts involved people being pressured into unaffordable payment plans or refused the affordable options they offered to their retailer, and consistently asked for lump sum payments of arrears that the customer could clearly not afford. In our 2021 report, we noted 14% of energy calls as involving unaffordable payment plans. While the problem clearly persists, the 2022 data does reflect a slight decrease in occurrences of inadequate hardship assistance.

Isabel's story

Isabel (name changed) was audibly distressed when she contacted the NDH in August. She said she had been dealing with physical health problems and was on strong medication, and that she had previously fled a violent relationship. Isabel also experienced harassment from another perpetrator, and these situations caused her immense distress that resulted in her admission to psychiatric care.

She told the NDH that she owes over $1,200 in energy debt and was asked by her retailer for at least $500 in part payment and to set up a payment plan. Her retailer did not discuss a payment plan figure but wanted a lump sum payment which Isabel was waiting on a friend to help her with. Isabel said she had asked the retailer for URGS and was sent files that she could not access on her phone. She reported that they did not offer any help with the application and have not provided any form of assistance with her bills thus far. Isabel indicated that her retailer had threatened to disconnect her.

Our financial counsellors determined that Isabel had no family violence support and supplied her with resources to seek assistance. They also advised her to call EWOV immediately if her retailer did disconnect her. She was referred to a local financial counsellor for further support and advocacy.

9 Essential Services Commission, *Payment difficulty framework implementation review 2022*, 2022, pp. 22-23.
10 Ibid, p. 81.
11 Ibid, pp. 22-23.

PDF breaches

This is another broader category of systemic issues used by financial counsellors when their conversations with people with energy hardship reveal suspected breaches of the PDF, which may or may not overlap with other systemic issue categories such as inadequate hardship assistance and failure to offer URGS. Contacts with PDF breaches identified in the record are particularly concerning due to indicating failure on the part of retailers to comply with the requirements of the framework. There were 81 energy contacts in 2022 that involved a suspected PDF breach, accounting for 11.6% of all energy calls in the sample. Our previous report did not include data related specifically to this systemic issue, and so no direct comparison can be made.

Failure to identify/account for vulnerability

The ESC is required to consider people experiencing or at risk of experiencing vulnerability in their decision-making and defines vulnerability in terms of the barriers people experience to engaging with essential services that result in socio-economic harm or exclusion.[12] Changes to the PDF in 2019 sought to minimise these barriers and require retailers to offer all the information and assistance a customer experiencing vulnerability might need to access their entitlements under the PDF.[13] 'Failure to identify/account for vulnerability' refers to the ongoing issues associated with retailers not offering effective assistance or taking steps to identify and support customers facing payment difficulty. There were 42 cases in the 2022 sample where financial counsellors listed failure to identify/account for vulnerability as an issue (6% of energy-related contacts). In these instances, retailers are not creating/holding an appropriate space for customers to disclose their situation and discuss their options safely and effectively. Again, our previous report did not include data related to this issue, so no direct comparison can be made.

> **Many callers had never even heard of the URGS, let alone been offered support in applying by their retailer.**

Inappropriate referrals

With the introduction of the PDF, retailers were prevented from placing conditions on people accessing hardship assistance, including requiring customers to speak to a financial counsellor before receiving assistance. Despite this, as in our previous reports we continued to receive calls from people whose energy company had referred them to our financial counsellors before they would provide hardship assistance. Wherever this was found to have occurred, our financial counsellors flagged the call as involving an 'Inappropriate referral' in our client management system.

There were only seven instances of inappropriate referrals for energy callers in 2022, representing only 1% of all energy-related contacts across the year. This is a significant decrease from the 7% figure reported in our 2021 report. This latter figure was also significantly smaller than the 22% figure recorded in 2019. We also note that there were 49 instances of 'appropriate referrals' – contacts where the caller's energy company had referred them to the NDH and there was no indication in the case notes that they had failed to meet their obligations prior to doing so. We are pleased to see retailers taking increasing responsibility for assisting their customers and hope to see this number continue to drop.

12 Essential Services Commission, *Getting to fair: Breaking down barriers to essential services*, 2021, p. 3.
13 Essential Services Commission, *Payment difficulty framework implementation review 2022*, 2022, pp. 23-24.

Energy Retailers

People often provide the name of their energy retailer when speaking to our financial counsellors, and wherever a retailer was named this was reported in the case notes and then in our data analysis. The caller's energy provider was identified in 55.2% of energy-related contacts (385 cases). Some callers reported multiple energy retailers associated with both open and closed accounts.

Thirteen large and medium retailers serve over 96% of Victorian residential energy customers, with multiple small retailers serving the remaining 4%.[14] A total of 19 different retailers (12 large and medium retailers and 7 small retailers) were mentioned in energy-related calls in our sample. Of the biggest retailers, only one medium retailer (Globird Energy) was not represented in the sample.

In terms of the most mentioned retailers, the top three most often mentioned by callers were AGL (16.21% of energy related calls), Origin (8.90%) and Simply Energy (8.18%).

However, given the vast differences in market share between retailers it is essential to look at calls proportionate to the number of customers each energy company has. Table 2 outlines the number of times retailers were identified in calls in our sample, the proportion of calls about each retailer and their market share.

Only Elysian Energy and Blue Energy, both small retailers, had proportionally more contacts than their market share. However, in the case of both retailers there was only a single call recorded in the sample. Five of the six large energy retailers were mentioned less often than their market share, with Simply Energy contacts generally reflecting their market share. Of the medium retailers, Dodo and Sumo Power were noted most often compared to their market share, with the proportion of calls being roughly equal to their market share.

Retailer	Number of contacts	Proportion of energy contacts (%)	Retailer market share (%)
Large retailers			
AGL	113	16.21	22.30
Origin Energy	62	8.90	16.80
Energy Australia	55	7.89	14.97
Simply Energy	57	8.18	8.65
Red Energy	29	4.16	7.86
Lumo Energy	19	2.73	5.96
Medium retailers			
Alinta Energy	19	2.73	4.78
Momentum Energy	12	1.72	3.64
Tango Energy	3	0.43	3.16
Powershop	7	1.00	2.63
Dodo	12	1.72	1.84
Sumo Power	7	1.00	1.41
Small retailers			
First Energy	3	0.43	0.60
Energy Locals	1	0.14	0.33
Elysian Energy	2	0.29	0.26
People Energy	1	0.14	0.19
Blue Energy	1	0.14	0.00
Click Energy	1	0.14	N/A
Seene Energy	1	0.14	N/A

Table 2. Energy contacts by retailer (number and proportion), compared to market share.

14 Essential Services Commission, *Victorian Energy Market Dashboard*.

05 DEMOGRAPHIC ANALYSIS

Gender

The 2022 call data has reinforced that women are slightly more likely to call the NDH than men, making up 48.7% of callers compared to 39.1% for men. The remaining cases involved contacts where the person did not specify their gender. While our financial counsellors can record other gender identities (intersex or indeterminate) in our case file software, there were no non-binary callers identified in our sample.

For energy-related contacts, women are over-represented in the sample compared to the general call data. 61.3% of callers with energy issues identified as women, while 33.8% identified as men. This is less disparate than was observed in our previous report, where 71% of callers were women, but nonetheless reflective of the gendered dimensions of energy and financial hardship. Our findings reinforce similar data collected by the Victorian Council of Social Service (**VCOSS**), which reported that women are more likely (60.3%) to face payment difficulty in relation to their utility bills.[15] Economic inequality based on gender is a well-established fact connected to several key determinants. Australian women are paid $26,600 less per year than Australian men on average,[16] and women who have experienced family and/or sexual violence are twice as likely to report financial hardship.[17] COVID-19 has only exacerbated financial hardship and associated mental distress for women, particularly young women, women aged 55-64, and women with low-income backgrounds.[18] This is particularly important given other demographic factors associated with our energy callers and given our understanding that energy hardship is so deeply connected to other difficulties with debts and general financial well-being.

15 Victorian Council of Social Service, *Battling On: Persistent Energy Hardship*, 2018, p. 46.
16 Workforce Gender Equality Agency, *Australia's Gender Equality Scorecard 2022*, 2022, p. 4.
17 A Campbell & J Baxter, 'Young Australian women in financial hardship are twice to three times as likely to experience violence', *The Conversation*, 2021.
18 J Enticott et al., 'Mental Health in Australia: Psychological Distress Reported in Six Consecutive Cross-Sectional National Surveys From 2001 to 2018', *Frontiers in Psychiatry*, vol. 13, 2022.

Age

The average age for people contacting the NDH with an energy issue was 50 years old, roughly equal to the average of 51 among all callers to the NDH in 2022. While skewing towards older people, our energy callers represented a broad spectrum of age demographics, with the youngest caller in our sample being only 21 and the oldest being 89. The average age of our energy and total NDH callers by month is represented in Figure 8.

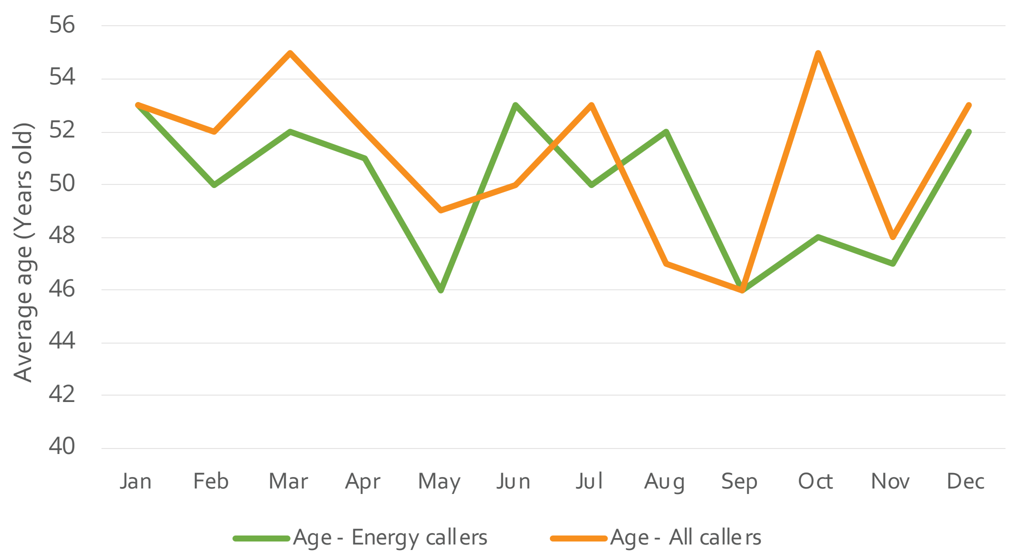


Figure 8. Average age of energy-related and all contacts by month.

Cultural and Linguistic Diversity

Aboriginal and/or Torres Strait Islander peoples

During the collection of demographic information at the start of a call, our financial counsellors ask individuals if they identify as Aboriginal and/or Torres Strait Islander.

There were 20 people who contacted the NDH with an energy-related issue in 2022 who identified as Aboriginal, representing 2.9% of all energy callers. Comparatively, 1.9% of all NDH callers identified as Aboriginal and/or Torres Strait Islander when asked. Both figures demonstrate an overrepresentation of Aboriginal and/or Torres Strait Islander peoples (who made up 0.9% of the Victorian population as at the 2016 census[19]) among NDH clients, and even more so among those experiencing energy hardship.

Our data correlates with research findings that First Nations Victorians are nearly twice as likely to experience poverty, particularly those located in regional Victoria.[20] Systemic racism and socio-economic inequalities mean that Aboriginal and Torres Strait Islander peoples are at significantly greater risk of experiencing financial hardship, and these payment difficulties and barriers clearly extend into the energy space.

First Nations Victorians are more likely to present to the Energy and Water Ombudsman Victoria (**EWOV**) with disconnection and/or other credit complaints than non-Aboriginal and Torres Strait Islander customers.[21] With respect to their energy bills, Aboriginal and/or Torres Strait Islander peoples face not only payment difficulty as a result of financial hardship, but barriers to accessing assistance with retailers who are not necessarily operating in a way that is culturally safe.[22]

Languages other than English spoken at home

Callers of culturally and linguistically diverse (**CALD**) backgrounds were similarly overrepresented in energy contacts. 20.9% of energy callers spoke a language other than English at home, compared with 13.8% of all NDH callers. This higher number of CALD callers mentioning energy issues continues a trend from the previous reports. The continuation of this disparity suggests that more effort is required to ensure people from a CALD background are receiving appropriate assistance from their retailer.

People who are not fluent English speakers may experience communication barriers in dealing with their energy retailer. Two callers contacted the NDH with the help of interpreters and indicated that they would be able to self-advocate and request assistance from their retailer with an interpreter once armed with the advice and information provided by our financial counsellors. People from CALD backgrounds and communities often have low energy literacy because of language and cultural barriers,[23] and CALD communities have named confidence as the most significant hurdle in managing their energy usage and bills.[24]

19 Department of Health, *Demographic data 2018*.
20 Victorian Council of Social Service, *Every suburb Every town: Poverty in Victoria*, 2018, p. 38.
21 Energy and Water Ombudsman Victoria, *Missing the Mark*, 2020, pp. 13-14.
22 Ibid, p. 15.
23 AMES Australia, *ACCC inquiry into retail electricity supply and pricing*, 2017, p. 2.
24 AGL, *Helping diverse communities take charge of their energy*, 2021.

Income

Of the 6,494 contacts to the NDH throughout 2022, 37.4% reported a Centrelink payment as their primary income source. However, energy callers were significantly more likely to have Centrelink as their main income source, with 59.8% of people calling about energy issues reporting a Centrelink payment as their primary source of income. This is an increase from the last report, where 49% of energy callers reported Centrelink as their primary income source.

Callers with energy issues were also more likely to have no source of income, and less likely to be employed, as indicated in Figure 9.

On average, energy callers to the NDH indicated a fortnightly income of less than $1,000 ($967). This places the majority of our callers with energy issues around or below the poverty line.[25] As uncovered in our previous reports, Centrelink payments are often insufficient to cover even the most basic living expenses. Callers with energy-related issues are generally struggling to make ends meet. A permanent increase to the base rate of Centrelink payments would have a significant impact on energy affordability and the general economic security of these households.

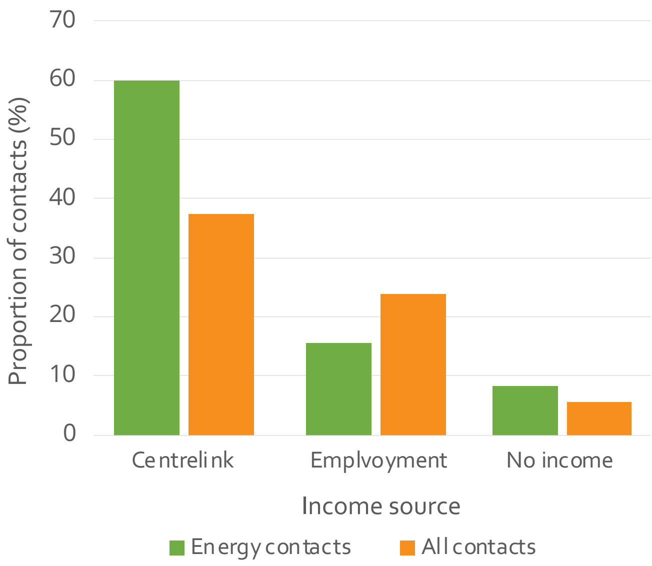


Figure 9. Proportion of contacts by income type.

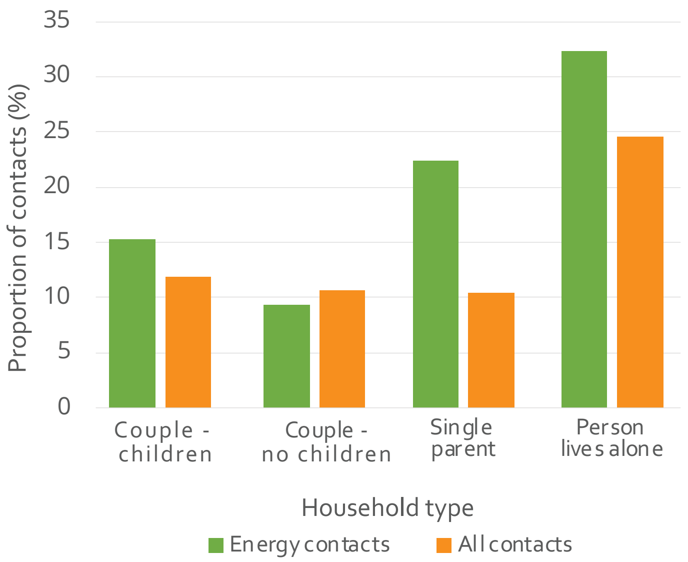


Figure 10. Proportion of contacts by household type.

Household type

Over half of energy-related contacts in 2022 came from people living alone (32.3% of calls) or single parents with dependent children (22.4%). This is consistent with the findings of our previous reports. Callers with energy issues were more than twice as likely to be single parents than callers to the NDH more generally.

Figure 10 presents the proportion of calls by household type, comparing the percentage for all contacts in 2022 versus those for energy-related contacts.

25 Australian Council of Social Service, *Poverty in Australia 2020: Part 1 Overview*, 2020, p. 11.

Housing

The majority of energy-related contacts came from people living in private tenancies (46.3%), followed by those who mortgaged or owned their home (26.3%). This is a slight difference from the 2021 report, where 54% of energy callers were tenants and 23% owned their homes.

The overrepresentation of tenants among energy callers is due to the combination of people who rent typically having fewer financial resources than people who own their home, while also having less ability to improve the energy efficiency of their home as these changes are typically not at their discretion.

Callers with energy issues were comparatively more likely to be renting their residence or to live in public/community housing. Figure 11 compares the housing situation for energy callers to that of all people contacting the NDH in 2022. The over-representation of energy callers in private rentals or public/community housing highlights the challenge of managing energy bills and usage for a property you do not own, in addition to the financial position of our energy callers.

Figure 11. Proportion of contacts by housing situation.

Flagged vulnerability

Life event

During a call, a financial counsellor can flag where a 'life event' has contributed to financial difficulty. Examples of a life event could include, but are not limited to, losing a job, health challenges such as serious illness or injury, a relationship breakdown, or taking on caring duties for another person.

Life events were commonly identified by our financial counsellors, being flagged in 32.7% of contacts in 2022. They were even more common amongst energy callers, with 52% of cases including 'life event' as a flagged vulnerability.

Given the high rate at which unexpected life events are involved in energy hardship, these issues clearly need to factor more prominently in hardship practices. PDF requirements such as the six months pause on arrears payments customers are entitled to under tailored assistance measures[26] have the potential to significantly alleviate bill stress for customers who have been impacted by unexpected life events and should be applied more frequently and consistently.

Mental health challenges

Our financial counsellors can also select from several specific vulnerability flags. Mental health challenges are among the most common vulnerability types recorded during calls to our financial counsellors, and particularly amongst energy callers.

Among all NDH callers in 2023, 9.8% mentioned experiencing mental health challenges, a slight decrease from the 11% figure noted in our previous report. As in the 2021 report, people with mental health challenges were comparatively overrepresented among energy callers, with 15% of energy-related cases being flagged with this vulnerability type.

People contacting the NDH often describe feeling completely overwhelmed by their financial situation. They feel so stressed that it becomes very difficult to think about and take action to try and manage their debts and bills. Callers with experience of mental health challenges and psychological distress tell us that it is particularly challenging to engage with retailers and other service providers, even where these institutions can offer assistance. Energy retailers and other service providers need to deepen their understanding of how mental health challenges impact a person's life and capacity, and design informed and empathetic solutions to minimise barriers to engagement.

Both the ESC and the AER have made developing strategies to support customers experiencing vulnerabilities a priority, and the ongoing mental health crisis in Victoria emphasises the severity of the vulnerabilities and challenges that people like Marion (see below) experiencing mental health challenges face. Understanding and supporting people with lived experience of mental health challenges should be a priority area for essential service regulators in order to better recognise and accommodate customers experiencing vulnerability in relation to their mental health.

Marian's story

Marian (name changed) called the NDH in February 2022. She has been recovering from physical health problems and surgery, as well as experiencing complex mental health challenges. Her sole income is Centrelink. Marian reported that she had been struggling to deal with her energy retailer for two years – ever since she became a customer.

Marian told the financial counsellor that she had written to and phoned her energy retailer on several occasions to request a hardship assistance form but never received one. She also indicated that one was not available on their website. Marian said that her retailer advised her she needed to speak to the hardship team, but she was never transferred when asked and did not receive any calls back. She said that her retailer had never discussed URGS or the PDF with her.

Dealing with the retailer eventually became too stressful for Marian's mental health and she stopped paying the energy bill. She told the NDH that her bill was $500 at that point, but that her retailer then added an additional $400 as a fine. Marian said she then received a final notice and has had someone knocking on her door from the retailer.

The financial counsellor discussed Marian's options with respect to the PDF and applying for URGS. She was referred to a local financial counselling service for ongoing assistance with her energy and credit card debt. The NDH also supported Marian to apply for the Power Saving Bonus (**PSB**).

26 Essential Services Commission, *Payment difficulty framework implementation review 2022*, 2022, p. 23.

Family violence

Family violence was another vulnerability type that appeared more often in energy-related cases than NDH contacts more broadly. Among energy callers, 13% had been impacted by family violence compared to 6.25% of all callers. This pattern of a higher proportion of energy callers having experienced family violence was consistent with the previous report.

Victim-survivors of family violence are at elevated risk of financial hardship due to complex factors such as economic abuse, separation/divorce, becoming single parents, and having to think about and prioritise their safety first and foremost before worrying about their financial wellbeing. Specific protections for energy customers who are victim-survivors of family violence were introduced in January 2020 but have evidently not been enough to sufficiently support all the callers in our sample who have experienced violence.

Amanda's story

Amanda (name changed) is a single mother to three children and a victim-survivor of family violence who first called the NDH in May. Her ex-husband had not contributed to their household finances for many years and Amanda was always responsible for paying the bills, even those in his name. Amanda's income is being stretched thin across household expenses for herself and her three children, payday loan repayments, and her energy bills. She is also struggling with the cost of mediation.

Amanda told financial counsellors that she owes $3,000 to her retailer for electricity and gas and is currently on payment plans totalling over $120 per fortnight for energy. These debts are connected to an old account in both her and her ex-husband's name. Amanda said that the retailer cancelled that account and started a new one in her name only, which they said made her ineligible for URGS to pay off the old bills and that she had to repay that debt in addition to her current usage costs.

Our financial counsellors told Amanda that she would be eligible for URGS for her current account and discussed how she could apply once these bills come through. They also discussed the PDF and Amanda's options to negotiate more affordable payment plans for her closed account.

Limited capability

Financial counsellors can also flag 'limited capability' as a vulnerability type during a call, referring to a caller's capacity to advocate for themselves with creditors and navigate their financial situation. As with the other major vulnerability types discussed in this report, people experiencing limited capability are over-represented among energy callers (19.8%) compared to all NDH callers (10.4%). People contacting our financial counsellors with energy issues are evidently facing a lack of information, confidence, and capacity to manage their expenses and engage with their retailers. The ESC requires that energy retailers are accessible for their customers, but barriers remain that make it very difficult for people to seek out their entitlements when they are experiencing limited capability.

06 CONCLUSIONS AND RECOMMENDATIONS

Overall, the 2022 call data indicates a mixed bag for energy customers in Victoria. There were slightly less energy-related contacts to the NDH as a proportion of all contacts compared with the previous reports, but the average debt level for those who did call with energy hardship was significantly higher. Disconnections also increased from the 2021 report, though we note that advice to retailers from the ESC to cease disconnections during COVID-19 lockdowns was a major factor in the low rates recorded in our previous report. Positively, threats and notices of disconnection occurred less frequently in 2022 than in our earlier reports, and we hope this is reflective of retailers increasingly treating disconnections for non-payment as a last resort, in line with the intention of the PDF.

We were pleased to see a significant drop in inappropriate referrals from retailers, and slight decreases in the proportion of callers noting unaffordable payment plans and inadequate hardship assistance. Conversely, we observed an increase for those not being offered URGS by their retailer. We also note that from the call notes, we were not able to determine whether customers were being offered other tailored assistance measures required by the PDF, such as energy audits and practical advice for reducing energy costs.[27] There was only one case that mentioned an energy audit, and a small number (9 contacts or 1.3% of energy contacts) where the customer's bills had been put on hold.

Demographically, we continued to see an overrepresentation of marginalised communities among energy callers, as well as demographic markers that indicate acute financial hardship. There was a strong correlation between receiving Centrelink as primary income and energy hardship, which has only grown stronger since the 2021 report. Our energy callers were less likely to own their home than other NDH callers, and more likely to be living in public/community housing. Single parents were also evidently struggling with energy debts at a disproportionate rate. Women, people from CALD backgrounds, Aboriginal and/or Torres Strait Islander peoples, victim-survivors of family violence, and people with lived experience of mental health challenges were similarly overrepresented in energy-related contacts, highlighting the needs for additional protections to ensure that the PDF is effectively serving all identities and communities.

27 Essential Services Commission, *Payment difficulty framework implementation review 2022*, 2022, p. 23.

There are four broad areas for action and improvement that we consider to be critical for facilitating better outcomes for people experiencing energy hardship. Based on the findings in this report, we suggest:

- **Increased compliance action and considered regulation priorities for the ESC**;
- **Expanded income support and concessions reform**;
- **Improvements to the PDF**; and
- **Data insights and reporting**.

Details and recommendations are discussed below.

Regulation and enforcement

The PDF has been improving outcomes for Victorian energy consumers since its introduction, but our call data continues to reflect gaps in the efficacy and consistency with which its protections are applied. Energy retailers are improving their conduct but robust compliance and enforcement activities from the ESC are required to deter ongoing poor practice. We believe the ESC can do more to focus their attention on problem areas identified by our callers to shift retailer behaviour and protect customers experiencing vulnerability and hardship.

Our 2022 call data clearly indicated that many Victorian energy customers are not being offered the assistance they are entitled to under the PDF. Callers were especially likely to not have been offered URGS or supported to apply and were often pressured into unaffordable payment plans. People experiencing obvious payment difficulty and vulnerability frequently received little to no support from their retailers, and the protections of the PDF were rendered ineffective by retailer unwillingness to apply them consistently for our callers. The PDF is only as effective as the work that enforces it, and this work must continue and strengthen in order to improve retailer conduct.

We have been pleased to see the ESC's 2022-2023 Compliance and Enforcement Priorities including PDF compliance as one of seven key priorities for compliance work in the current financial year.[28] We also note the recent enforcement action taken against Origin[29], AGL[30], and Alinta[31] in 2022 and 2023. It is also positive to see that the 2022 Compliance and Enforcement Policy recognises the importance of referrals from consumer groups and financial counsellors in recognising ongoing compliance issues[32], and we hope the data in this report can be of similar value. We hope to see retailers held to account for the kinds of failures and breaches we observed in our call data, and to see tangible results for energy customers moving forward.

RECOMMENDATION 1

The ESC must take compliance and enforcement action to hold energy companies accountable for failure to comply with the PDF, with a particular focus on URGS obligations.

Energy debts associated with closed accounts was a key issue among our energy-related contacts. Fifty-nine people called the NDH in 2022 with energy issues that pertained to closed accounts. These debts averaged $2,586, slightly more than the overall average energy debt level, and in 16 cases had been passed on to debt collectors. Customers with large energy debts with closed accounts could not access URGS to pay them down and were struggling to cover repaying arrears on their old debts as well as keeping up with their current energy bills. Energy affordability issues pertain to both current and closed accounts and debt collection practices need to be consistent and fair to help people experiencing financial hardship to manage their energy debts.

Several callers reported experiencing harsh debt collection practices. These people generally reported experiencing significant pressure to repay their debts and many felt harassed by the aggressive tactics used by the debt collection agencies. There has been no apparent reform on debt collection specific to closed energy accounts, with the debt clauses of the Energy Retail Code remaining the same. We recommend that the ESC review these debt clauses and reform their regulation around debt collection to protect customers with old energy debt from being harassed for repayment, refused a new connection, and having their financial difficulty unfairly exacerbated.

Customers with old energy debts should be entitled to the same protections as those with arrears relating to an open account, and the ESC should consider regulation surrounding the on-selling of debt to collection agencies to better protect customers from aggressive and unfair collection practices, as well as updating regulatory guidance to clarify that customers with closed accounts are still entitled to PDF protections

RECOMMENDATION 2

The ESC undertake work to ensure that debt collection on closed energy accounts is fair.

RECOMMENDATION 3

The ESC should update regulatory guidance to make clear that PDF protections apply to closed accounts.

28 Essential Services Commission, *Our energy compliance and enforcement priorities*.
29 Essential Services Commission, *Origin Energy pays more than $70,000 in penalties over alleged bill payment assistance and life support breaches*, 23 August 2022.
30 Essential Services Commission, *AGL under scrutiny from regulator over alleged wrongful disconnections and failing to help customers in bill stress*, 11 August 2022.
31 Essential Services Commission, *Alinta Energy pays penalties for allegedly failing to provide adequate assistance to customers in financial hardship*, 24 January 2023.
32 Essential Services Commission, Compliance and Enforcement Policy: March 2022, 2022, p. 13.

The call recordings study as part of the PDF review found that retailer operators were almost always respectful of customers (98%) and to have provided support (94%).[33] These are encouraging results, but our call data indicates the significant problems experienced by those people that are not treated well during interactions with their energy retailers. People calling the NDH with energy issues often indicated poor experiences with retailers who were not empathetic to their situation. Customers reported being repeatedly asked for lump sum payments, pressured into unaffordable payment plans, hung up on, and generally not being spoken to respectfully when they spoke to their retailer, which discouraged them from further contact.

The moralisation of debt and financial hardship is a consistent and salient issue noticed by our financial counsellors, and we know that people experiencing payment difficulty are often also experiencing shame in relation to that difficulty. Poor customer service experiences with creditors and retailers only contributes to this feeling of shame and low confidence.

Energy retailers continue to treat their customers in a manner which our callers describe as very difficult to deal with, and these experiences only exacerbate the difficulty they are experiencing in engaging with retailers and managing their debts/expenses.The 2022 PDF review identified training of retailer staff in relation to empathy, targeted support, and accessible communications as a priority for the ESC.[34] We recommend that this work should include not only include improved training and guidance for retailers but minimum standards for customer service conduct that can and will result in compliance action if repeatedly breached. Many people calling NDH about energy debts have only come to us after having first spoken to their retailer and having had a poor interaction. Retailers with consistent complaints of poor interactions with customers need to be held accountable for their failure to adequately support people experiencing payment difficulty. Rather than poor customer service being seen as the failing of individual staff members, consistent complaints of negative customer interactions should be subject to investigation as indicative of a poor compliance culture and systemic failure on the part of the business.

RECOMMENDATION 4

Energy retailers raise standards of training and culture to ensure people with debt issues are respected and supported, while the ESC introduce and enforce applicable minimum standards to encourage positive interactions with customers experiencing vulnerability.

Income support and concessions reform

Many people calling the NDH with energy debts and affordability issues simply do not have enough income to cover all their essential expenses and repayments. Our data indicates that this is particularly prevalent for people living on Centrelink and income support payments.

Energy is one of the most essential services a person requires to live comfortably and safely, and the inability to cover energy costs is often reflective of acute financial hardship. The Federal Government's income support payments are not currently sufficient to keep recipients out of poverty and able to pay their energy bills. No matter how comprehensive the protections of the PDF, there will always be a small but significant proportion of the population who simply cannot afford their energy usage due to low income. Permanent increases to income support payments and energy concessions will help ease the cost of living pressures on low-income households and reduce cases of energy hardship.

Small increases to income support payments in the last year have not been enough to keep up with exponentially higher costs of living. People living on Centrelink payments were overrepresented in our call data, as were people experiencing poverty. The current payments are clearly not enough to allow households to cover basic expenses. Real and permanent increases to these payments will have significant impact on energy affordability for people who are currently unable to pay their bills due to limited income. We support the Australian Council of Social Service (**ACOSS**) recommendation that the JobSeeker payment (and other income support payments) be increased to a minimum of $76 per day.[35]

RECOMMENDATION 5

The Federal Government provide an immediate and permanent increase to Centrelink payments, as well as regular indexation.

33 Essential Services Commission, *Payment Difficulty Framework: Call recordings study, 2022*, p. 5.
34 Essential Services Commission, *Payment Difficulty Framework: Implementation Review – Findings Report, 2022*, p. 115.
35 Raise the Rate, *FAQs*, accessed 28 April 2023.

Customers having never been offered URGS was a persistent problem in our call data, and it is evident that the people who need it most are not always able to access the grant. URGS can significantly cut down a person's energy debts, and the responsible department – the Department of Families Fairness and Housing (DFFH) – needs to ensure that people can access the grant in timely manner.

There has been no comprehensive review of energy concessions in recent years, and our data indicates that there are still gaps. While a lack of support from retailers was a critical problem, many of our callers had accessed the grants and concessions they were eligible for and were still struggling with energy debt. We recommend that the Victorian Government regularly review energy concessions to ensure they are improving energy affordability for people on low incomes in the community. Especially during a time of rising energy prices, it is critical that grants and concessions are keeping pace with rising costs, as well removing barriers that may be preventing people accessing these supports.

RECOMMENDATION 6

The Victorian Government commit to a review of energy concessions to improve energy affordability for low-income households, looking at eligibility, barriers to access, and sufficiency.

Payment Difficulty Framework reform

In 2022, the ESC published their review of the implementation of the PDF. This review found that the PDF was broadly meeting its objectives but there were inconsistencies in the application of the framework that resulted in significant gaps for many customers.[36] The PDF has clearly improved outcomes for people experiencing financial hardship and payment difficulty, but regular review and reform is necessary to fill observed gaps and continuously improve retailer conduct and consumer outcomes. The review noted that the PDF was not working as effectively for people who cannot afford to pay their ongoing usage – those who are commonly calling the NDH and who are in most need of assistance.

People with lived experience of mental health challenges face evident barriers to engaging with the energy market and with their retailers. Our energy callers were more likely to have experienced mental health challenges than general NDH callers, and often described the difficulty they were facing in managing their financial situation and dealing with their retailers because of their mental health conditions. The ESC's 'Getting to fair' decision paper noted mental health as a significant contributor to access barriers.37 However, the ESC's actions list refers only generally to consumer engagement and accessibility and does not detail any specific strategies for engaging energy retailers in mental health provisions. The expertise of people with lived experience of mental health challenges is both critical and available to inform ESC guidelines and retailer conduct, and we recommend that the energy sector prioritise extending their knowledge of lived experience values and trauma-informed approaches to better support energy customers experiencing mental health challenges.

RECOMMENDATION 7

The ESC and industry prioritise work to develop understanding of the difficulty faced by customers with mental health challenges and implement universal mental health standards in their service provision.

36 Essential Services Commission, *Payment difficulty framework implementation review 2021*.
37 Essential Services Commission, *Getting to fair: decision paper*, 2021.

First Nations people and callers from CALD backgrounds were overrepresented in our energy call data, indicating particular drivers of financial hardship and barriers to engagement that require tailored solutions. While the PDF implementation review recognises additional and intersecting barriers to access, no specific additional protections were cited aside from obligation to consider family violence circumstances before discontinuing tailored assistance.[38] We recommend that the ESC prioritise research into understanding experiences of payment difficulty among different cohorts of customers. Findings would be used to develop targeted approaches for these customers, and we would hope to see these approaches formalised in future regulatory guidance and review.

As one example of an initiative that could come out of this work, a training program in Sydney was launched in 2021 to educate CALD community leaders to empower others to be able to confidently and informedly self-advocate in the energy system. Pilot participants reported better understanding of how the energy system works, and increased confidence in taking action relating to their energy usage and bills.[39]

RECOMMENDATION 8

The ESC considers introducing additional protections for specific cohorts of customers, such as people Aboriginal and Torres Strait Islander communities, to reduce barriers for these groups.

In their review of the implementation of the PDF, the ESC cites examples of payment matching and debt waivers from retailers but maintains that these are voluntary on the part of the retailer and not required by the PDF. The review also includes trialling voluntary supports such as debt waivers and payment matching and sharing learnings to inform future directions as a priority.[40] We recommend that these practices not just be encouraged among retailers but mandated as necessary for customers who are unable to afford their ongoing energy use. Energy is simply too essential for best practice to be voluntary.

RECOMMENDATION 9

The ESC should implement additional and more consistent PDF entitlements for customers who cannot afford their ongoing energy usage, including potential debt waivers and payment matching.

Data insights and reporting

Regular and transparent data reporting is critically important for determining the extent of energy hardship in Victoria and how best to address it. Reports such as this one offer key insights into the experiences of energy customers but are naturally limited due to pertaining to only one financial counselling service.

To this end we welcome the ESC's recent launch of their online Energy Market Dashboard as this will provide a quick and easily accessible overview of key trends. Given the ongoing prevalence of issues related to URGS in our energy work, we once again suggest that the DFFH commit to bi-monthly publication of URGS data so that consumer advocates and stakeholders can better understand the barriers to access and how we can work to address them. Currently, only limited financial year summary data is publicly available and does not provide the depth or detail needed to properly assess the state of the URGS

RECOMMENDATION 10

The DFFH commit to publicly releasing bi-monthly URGS data to increase transparency around any barriers to people accessing the grant.

Data reporting and insights are essential for improving understanding of what energy customers are experiencing and how they can be better supported to manage their bills and arrears. Victorian Energy Market Reports are now being released quarterly as full reports as opposed to the shorter updates of previous years, and it has been positive to see expanded data presented in appendices as opposed to summaries. We recommend that the ESC, retailers, and advocates continue to review and improve reporting and to develop more regular and detailed datasets and analyses.

RECOMMENDATION 11

The ESC work with retailers and consumer advocates to formalise ongoing collection and reporting of customer support data to better track the number of customers facing payment difficulty and the support they receive.

38 Ibid.
39 The Energy Charter, *#BetterTogether – Collaborating to support energy literacy for culturally and linguistically diverse (CALD) customers*, 2021.
40 Essential Services *Commission, Payment difficulty framework implementation review 2021*.

ANNEX A EXPLANATION OF DATA COLLECTED

Financial counselling services provided

Contacts recorded in the data set were restricted to those that had been recorded with a 'Financial Difficulty Type' and therefore where our financial counsellors had connected with the client to discuss (at least in preliminary detail) their concerns and reason for calling the National Debt Helpline.

Energy issue

Each call record was checked for whether energy issues were noted. During the call a financial counsellor is able to record up to three financial difficulty types (e.g. credit card debt, housing arrears (mortgage) and utilities (electricity).

All call records which listed one or both of 'Utilities – Electricity' and 'Utilities – Gas' as a financial difficulty type were identified as a call involving an energy issue. All these call records were reviewed to confirm that they involved an energy issue.

Fuel type

Where possible we assessed which fuel types (electricity and/or gas) the energy issue included. Usually this was clear from the financial counsellor's recording of financial difficulty type. However, the call notes for each energy call were reviewed in detail to assess which fuel types of the customer had. Typically, omission of one fuel type was due to a financial counsellor being unable to record more than three types of financial difficulty. Where a caller had multiple debts, for example a credit card debt, a personal loan, and gas and electricity arrears, a financial counsellor may only record one utility under type of financial difficulty.

Disconnection

During a call, a financial counsellor is also able to record issues specific to the type of debt being discussed. For utility debts, these include 'Essential service – disconnection' and 'Hardship assistance – inadequate'.

Wherever a financial counsellor noted disconnection as an issue this was recorded. All energy related call records were reviewed to check for additional disconnections not flagged by financial counsellors.

Threats of disconnection

Wherever it was clear from the call notes that a person had received a disconnection threat (either verbally, written, or electronic) this was recorded.

URGS not offered

Financial counsellors are able to select 'URGS – failure to offer' as an issue. This is selected when a caller that is likely eligible has either not been advised of the Utility Relief Grant Scheme, has otherwise given incorrect information about the grant, the retailer had made access conditional on speaking to a community agency, or had required someone to fill out the application form themselves without first offering help.

Wherever 'URGS – failure to offer' was selected by financial counsellors we have recorded this in our analysis. Call notes were then reviewed for any explicit mention of the caller not having been offered URGS by their retailer, and systemic issue data was updated accordingly.

Inadequate hardship assistance

Where a caller has not received all/any of the supports they are entitled to from their retailer, the financial counsellor may select 'Hardship assistance – Inadequate' as a systemic issue pertaining to the case. Calls were identified based on this categorisation by financial counsellors. Due to the somewhat ambiguous nature of the issue, only cases flagged with 'Hardship assistance – Inadequate' were included in this category and there was no review of call notes for this purpose.

Inappropriate referrals

As discussed in our in-depth analysis, on occasion an inappropriate referral from an energy retailer is clearly noted. Where this occurs, financial counsellors can select 'Inappropriate referral'. Cases were identified based on this flag on case records and any case notes that clearly indicated an instance of inappropriate referral.

Closed account debt

Wherever possible we recorded that there was a debt owing on a closed energy account. This was done through review of case notes.

Large debt

Where debts were disclosed, amounts more than $3,000, $10,000 and $20,000 were recorded. This was done by review of case notes. These amounts were calculated as total energy debt and were not separated by fuel type.

Other non-energy debts

We checked each record with an energy debt to see whether the caller had other debts. This was done by review of the financial difficulty types (1-3) selected by the financial counsellor for each call.

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