

Submission to the Essential Services Commission's Energy Consumer Reforms Discussion Paper

Date of submission: 26 November 2024

About Financial Counselling Victoria and the financial counselling sector

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. We provide resources and support to financial counsellors and their agencies who assist vulnerable Victorians experiencing financial difficulty. We work with governments, banks, utilities, debt collection and other stakeholders to improve approaches to financial difficulty for vulnerable Victorians.

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters. They assist more than 23,000 Victorians each year – including people impacted by catastrophic natural disasters, newly arrived migrants and refugees, and more than 3,800 family violence victim-survivors.

About this submission

We welcome the opportunity to provide a submission to the Essential Services Commission's (ESC) Energy Consumer Reforms Discussion Paper.

Our submission is informed by what our members have told us about the needs and experiences of vulnerable consumers within the Victorian energy market. We give special thanks to the members of the FCVic Essential Services Network (formerly the Utilities Working Group) for sharing their expertise, experience with the most vulnerable consumers, and recommendations for ensuring that essential services are fair for all.

We suggest that the commentary in this submission be read in conjunction with the commentary and recommendations in our initial July 2024 submission to the ESC's Energy Retail Code of Practice (ERCOP) review as it touches upon common themes.

Further questions about this submission can be sent to [REDACTED]

Note – we use the term client, consumer and customer interchangeably through this submission, depending on the context (a financial counselling client, an energy consumer, an energy retailer's customer).

Our commentary and recommendations

The experiences and recommendations included below are drawn from the members of FCVic's Essential Services Network. Much of this content will not be new to the ESC, who have previously attended meetings of the Essential Services Network to consult on consumer experiences.

Automatic best offer for customers experiencing payment difficulty

Financial counsellors agree that customers experiencing payment difficulty should be on the best price that their current retailer is able to provide.

We note that the empowerment model of financial counselling supports a client's informed decision about their own situation. To take decision-making away from a client poses problems from a self-determination and client agency perspective. However, financial counsellors generally agree that the harm caused by unnecessary arrears on energy bills would justify protections to ensure that a consumer is on the best offer for their situation.

As such, we recommend that **reducing tariffs to match the best offer** while keeping other terms and conditions of the customer's plan is a preferred option – it retains all the other elements of a plan that the customer would have proactively signed up for in the first place while ensuring that they are paying the best price for their circumstances.

To ensure that the customer is happy with this change, the option for an **automated switch with post-switch reversal within a 10-day cooling-off period** will help to ensure that the switch is still in line with customers wishes. To support this, there should be measures put in place to ensure that notification to consumers from retailers is understandable and accessible - such as the provision of default Plain English wording, and easy-to-understand graphs or imagery showing the cost differences between the previous and new pricing structures.

The discussion paper noted that this option may be difficult to implement if the best offer has a different tariff structure (e.g. flat rate vs time of use) to the existing energy plan. We suggest that this can be addressed by retailers given their comprehensive statistical data on customer energy usage, time of day usage, and more. They should be able to calculate accurately from existing data and therefore only reduce existing tariffs to match the best offer on paper, if it is actually the best offer for the customer based on their existing energy usage.

The discussion paper also noted that there are other terms and conditions that may justify cheaper prices – payment methods, frequency, contract length. As we have mentioned in our July 2024 submission, the 'poverty premium' (e.g. where people are charged more for particular payment methods) should be removed from retailers' product ranges altogether, so these should not be a consideration in the future.

We make a note that the discussion paper at various points describes "*customers receiving payment difficulty assistance*" as the cohort who would be eligible for this automatic best offer. We suggest that this is unnecessarily narrow framing – as we have stated in our previous submission, often the stigma of asking for assistance will mean that people will struggle to pay their bills, but still not seek formal payment difficulty assistance.

We suggest that this cohort be broadened to “*customers experiencing payment difficulty*”, with guidance provided to retailers about identifying customers experiencing payment difficulty when this is not self-reported (see pages 3-5 of our July 2024 submission).

If necessary logistically, a stepped implementation noting the categories described in the discussion paper (first targeting those on tailored assistance, then standard assistance, then no assistance but still in payment difficulty) could be applied to ease implementation obligations for retailers.

Improving the ability to switch to the best offer

The recommendations provided in the previous section will assist many consumers – especially if the definition of those eligible for automatic best offer is broadened to ‘*customers experiencing payment difficulty*’ as recommended.

For those consumers who do not meet any markers of payment difficulty but who may still benefit from switching to a best offer, making this process as visible and as simple as possible would be useful. For a start, we agree that best offer messages should be visible in the body of emails as well as on the bill itself. This is a simple and effective change that will make best offer messaging more accessible for a cohort of consumers.

Further, we propose that the required frequency for including best offer messaging on bills and correspondence could be increased from every 3-4 months to every 2-3 months, and accompanied by a short statement that provides an estimation of the time required by the customer to switch to the best offer. This statement will change from retailer to retailer depending on their own processes – e.g. “10 minutes to switch by calling our call centre”, or “5 minutes to switch by using our automated website form”. This may help to manage any customer concerns around the difficulty of switching.

At a minimum, we would recommend that retailers offer at least two options for switching to a best offer to meet the differing needs of individual customers – one digital (e.g. website or app) and one non-digital (e.g. phone call).

Improving the application of concessions to bills

We start this section by referring to our July 2024 submission and the section relating to ‘*Aligning systems for automatic identification of concessions*’ – making it as easy as possible for customers to have their concession entitlement registered with their provider is critical.

We believe that retailers should be obliged to proactively seek concession information from all customers at regular intervals:

- **New customers** - whenever they sign up for an account
- **Existing customers not in payment difficulty** – six-monthly requirement, to be marked on a bill in the way a best offer needs to be made
- **Existing customers in payment difficulty** at all of the following points –
 - When first entering a payment difficulty arrangement
 - Whenever a payment difficulty arrangement changes
 - Whenever an existing concession is due to expire

- Two years after the most recent URGS application and they become eligible to apply again for another URGS

This should be a proactive onus on retailers, not an obligation on the most vulnerable and least-equipped consumers to seek out available concessions and grants.

Financial counsellors note that retailers note some systemic difficulties with the application of concessions, specifically for those clients with one name only.

Clients who have one name only find it especially difficult to have their entitlements registered. The onus should be on the retailer to ensure their internal database caters for one name only customers too.

The name retailer has recorded needs to be consistent with the name on Services Australia's database in order for the concessions to be applied. In some cases, the retailer may have mistakenly separated the person with one name only name into a last and first name.

Customers with one name frequently need the assistance of financial counsellors to advocate for their concessions to be applied to their energy account because customers' attempts have failed.

These difficulties are mirrored in other circumstances where the name on the account may not perfectly match the name on Services Australia's database – and we gave one example of this in our July 2024 submission in the case study of 'Charlie / Charles'.

On a related note, financial counsellors have raised a fault in the Utility Relief Grant Scheme (URGS), whereby people who would normally be eligible for URGS are not receiving it, because they have opted to use Centrepay to stay on top of their utility bills although they may be in financial hardship in other aspects of their life. As they are not experiencing utility arrears, they cannot apply for the URGS, though they may be in rental arrears, significant credit card or Buy Now Pay Later debt, or struggling to put food on the table.

In these circumstances, financial counsellors will recommend that their clients pause their Centrepay deductions to accumulate utility debt and become eligible for the URGS – directing their funds to other debts in the meantime. However, some clients choose not to take this action as they like the control of knowing that their utility costs will always be paid, even to the detriment of other parts of their lives.

For this reason, it is critical that 1) retailers are obliged to consider that all customers using Centrepay may require payment hardship assistance, even if they are not currently in arrears; and 2) eligibility for the URGS be considered with this information in mind (recognising that URGS eligibility is not within the ESC's remit).

Extending protections for customers on legacy contracts

We support **the prohibition of conditional discounts and conditional fees which discriminate between payment methods**, addressing the 'poverty premium' mentioned earlier in this submission and again in our July 2024 submission.

Further commentary is not necessary – though we do note that where there are customers who are impacted by this prohibition, there should be a requirement for the retailer to proactively work with the customer to move them onto the best offer for their circumstances.

Improving awareness of independent dispute resolution services

Yes, we agree that the Energy and Water Ombudsman Victoria's (EWOV) contact details (both phone and website) should be included on both the body of emails with bills or invoices, and on the bill itself. This is a simple change that clearly could lead to increased awareness of independent dispute resolution services through EWOV, given the example in other states of increased complaints after bills changes.

We recommend that this communication about EWOV on bills be accompanied by disclosure of a retailer's mandatory obligation to provide tailored assistance, rather than generic statements about payment difficulty. Sample wording to be considered:

Payment difficulty

All energy retailers must help customers experiencing payment difficulty. We can provide payment date extensions, payment plans, assistance to apply for Utility Relief Grants and energy concessions, and more. To find out more about how we can help you, please contact: [**<insert contact details here>**](#)

To make a complaint about any aspect of our service delivery, including our approach to payment difficulty, the independent Energy and Water Ombudsman Victoria can assist: [**<insert contact details here>**](#)

If you are experiencing financial hardship, the National Debt Helpline can assist: 1800 007 007.

We make a note echoing our July 2024 submission that inclusion of information on billing and correspondence is not sufficient in and of itself, given the complexity of charges on a standard energy bill. Efforts to improve transparency should include proactive community engagement and education teams embedded within retailers, responsible for working hand-in-hand with customer hardship teams and a dedicated customer advocate role, to assist consumers to understand and access their rights.

In summary

We believe that this package of consumer reforms recommended by the Energy and Climate Change Ministerial Council is largely consistent with a number of the recommendations we have made in response to Phase 1 of the ERCOP review, and so we are largely in support of these proposed reforms.

The devil is in the detail, and the options provided through the discussion paper have been thoroughly considered by the ESC. The regulatory framework must be robust, and effective in addressing the diverse needs of vulnerable consumers. Financial counsellors have provided their recommendations on these options, and we look forward to working with the ESC on this package of reforms.

Thank you for the opportunity to provide this submission to the Essential Services Commission's Energy Consumer Reforms Discussion Paper on behalf of Victorian financial counsellors who each year, assist over 23,000 vulnerable people experiencing financial hardship.