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24 December 2010

EAPA Review
Industry & Investment NSW
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Thank you for the opportunity to comment on the Review of the Energy Accounts Payment Assistance (EAPA) Scheme Consultation Paper.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON's views about the EAPA scheme have been informed through our work with customers who have affordability issues in paying energy bills, and through an active Outreach Program where we are in contact with many community workers who distribute EAPA vouchers as part of their agencies' assistance to clients in need.

We have also participated in the EAPA Working Party since its inception and we have contributed to previous reviews of the program.

EWON endorses the current model of assistance and supports a number of the proposed modifications to the scheme. Our views and specific comments are provided in the attached submission.

If you would like to discuss this matter further, please contact me or Chris Dodds, Senior Policy Officer on 82185250.

Yours sincerely

A handwritten signature in cursive script that reads 'Clare Petre'.

Clare Petre
Energy & Water Ombudsman NSW



Energy & Water
Ombudsman NSW

Response to

Department of Industry and Investment

**Review of the Energy Accounts Payment
Assistance (EAPA) Scheme Consultation Paper**

Submitted by the

Energy & Water Ombudsman NSW

24 December 2010

Introduction

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the Review of the Energy Accounts Payment Assistance (EAPA) Scheme Consultation Paper.

Established in 1998, EWON is the approved independent dispute resolution mechanism for customers of electricity and gas providers in NSW, and some water providers. Our aim is to provide fair, equitable and independent investigation and resolution of customer complaints. We work with all the key stakeholders – providers, community agencies and the wider community, government, regulators – to improve the standard of service delivery for the benefit of NSW consumers.

In 2008 the NSW Government announced a \$272.5 million package of initiatives in response to electricity price increases to take effect from 1 July 2009. This included “\$55 million over five years to increase the annual level of funding under the current Energy Accounts Payment Assistance (EAPA) Scheme to \$100 million”.¹

In this context the then Department of Water and Energy issued a Consultation Draft on a Customer Assistance Package which had a significant focus on the Energy Accounts Payment Assistance (EAPA) Scheme. EWON contributed to that review, and our view about the essential nature of this scheme and its value to the NSW community remains.

EWON welcomes the expansion of the issues under consideration to cover needs of LPG customers and the customers of exempt suppliers. EWON also welcomes the more detailed consideration of a retailer delivery model.

In responding in detail to the issues raised in *the Review of the Energy Accounts Payment Assistance (EAPA) Scheme Consultation Paper* we have adopted the same numbering for ease of reference.

¹ P 1 Customer Assistance Policy – Consultation Draft NSW Department of Water and Energy, July 2009

4 Is the EAPA Scheme meeting its objectives

In addressing the question of whether the EAPA scheme meeting its objectives it is important to clarify those objectives. Section 3.1 of the Consultation paper indicates that the objective is

The Energy Accounts Payment Assistance (EAPA) Scheme is designed to assist householders who are financially disadvantaged and experience difficulty paying their home gas and/or electricity bills because of an emergency or crisis. The Scheme is aimed at helping people in such situations to stay connected to essential energy services.²

This section then adds:

The Scheme is a crisis program and is not intended to offer ongoing income support.

The paper indicates that the Department has a view that it is difficult to establish the success or otherwise of the program and that there are “*many other schemes in place aimed at preventing disconnection*”³. From EWON’s perspective the EAPA scheme is the primary scheme for people in an emergency or crisis. The retailers’ hardship programs are more appropriate for customers in longer term financial difficulty and the Energy Rebate provides some ongoing income support. EWON is not aware of any other program that effectively intervenes to provide emergency assistance to prevent disconnection of electricity or gas or to enable reconnection.

In our experience retailers often require the customer to seek and receive EAPA vouchers as a precondition for offering an affordable payment plan or even being accepted into a hardship program. For customers already disconnected, an EAPA payment is often the trigger to enable reconnection.

Referral to EAPA agencies is the major tool for EWON investigation staff in dealing with both disconnections and threatened disconnections. In EWON’s view the EAPA scheme is an essential component in assisting to avoid disconnections and is a critical point of intervention when a customer has an emergency or crisis situation in relation to their energy supply.

² P11 Review of the Energy Accounts Payment Assistance (EAPA) Scheme Consultation Paper. Department of Industry and Investment. 24 December 2010.

³ P14 *ibid*

Data

In both 2005 and 2008 Anglicare made available to the EAPA working party (and to the relevant Department) research they had undertaken into the EAPA scheme. The 2008 research clearly indicated that while 57% of clients had previously received EAPA, only 16% had done so in the preceding 6 months and only a further 14% in the preceding 12 months⁴.

This confirms the 2005 report and indicates that this program is providing assistance in the crisis and emergency context rather than for income support. The number of repeat users would be much higher if this was primarily an income support program.

EWON understands that the Department has collected significant data from EAPA agencies and energy retailers which could provide a strong base for quantifying the effectiveness of the scheme. There will be some gaps in data, for example where a customer moves retailer, but we suggest that overall the current data set available for analysis will hold many of the answers about whether the EAPA scheme is achieving its objectives.

In 2009 the then Department of Water and Energy issued the Customer Assistance Policy – Consultation Draft. There was a significant section on EAPA, and the majority of respondents indicated their experience of the value of this scheme. EWON notes that two retailers based outside NSW were critical of the scheme and raised questions about the current model.

EWON has considered alternatives to the EAPA scheme but we are not able to identify a better model at this stage.

Throughout the debate around the hardship provisions in the NECF process retailers have made the point that energy affordability cannot be separated from other issues occurring in a customer's life, for example, for some customers payment of their energy bill was being balanced against food, rent and a range of other pressing calls on limited incomes.

The benefits of providing EAPA energy assistance through a Community Welfare Organisation (CWO) is that a range of other issues can be addressed by skilled and experienced staff. Recently an EWON staff member attended a major CWO office in western Sydney for a full day to observe the assistance they provided. Along with EAPA, this agency provided assistance with food vouchers, Telstra vouchers, Sydney Water vouchers, and hampers. They also provided referrals to Energy Retailer hardship programs, housing services, financial counsellors, legal advisers and a range of other agencies.

⁴ Helping with the Cost of Energy Anglicare Sydney Research brief October 2008

A model where a customer approaches a retailer for an application form and then sends this form to government department for assistance with an energy bill may have an administrative attraction, but it does not allow for the more comprehensive response often offered by CWOs. This holistic approach is more likely to achieve a lasting outcome and avoidance of disconnection, thus meeting the objectives of the EAPA scheme.

5 Retailer Delivery Model

EWON supported the trial of EAPA delivery by an energy retailer, Country Energy. EWON recognises the practical and personal difficulties some customers experience in accessing the services of CWOs, and supports a limited expansion of the program whereby EAPA is distributed through retailers. Such an expansion should be based on strong and comprehensive guidelines that would impose strict requirements on retailers participating in this program.

5.2 Effectiveness of current CWO Delivery Model

In EWON's view there is some scope for retaining the current delivery model while at the same time exploring greater effectiveness. As we understand it, in Western Australia the model retains assessment at a CWO level thus ensuring the broader assistance and referral. The critical difference is that the processing of payments is centralised, with direct transfers of credit on to customers' accounts via a software arrangement. EWON notes that the lack of retail competition in Western Australia makes such a system significantly simpler than in NSW, however we suggest it provides some pointers to the future of the EAPA program.

The administrative costs to the Department, retailers and CWOs (unfunded) for the current voucher system are significant. The need for vouchers could be eliminated or significantly reduced through a distribution system with the following features:

- an allocation of a resource value to each CWO similar to the current allocation system
- a central office (or offices) which, when provided with a CWO authorisation based upon an assessment, transfers the necessary credits electronically to a customer's account with the retailer.

Such a process could effectively address a number of the administrative issues raised in the current Consultation Paper.

EWON is aware that a number of the major agencies already have significant computer capability through which they are able to track client assistance and needs at a high level. We understand that it would be a relatively simple step to explore either each major agency centralising a computer transfer of credit arrangement for their own clients, or alternatively funding one agency to process all the relevant transactions similar to the WA model.

5.4 Principles for proposed voluntary retailer delivery of EAPA

The principles for retailer delivery provide additional criteria to the eligibility criteria in the current guidelines. These additional criteria are primarily based around significant access problems that potential clients may have in accessing a CWO. EWON would endorse this approach which correctly positions a retailer program as a fallback option where lack of access to a CWO poses significant barriers to a customer receiving assistance.

5.5 Proposed Framework for Retailer Delivery Model

EWON is satisfied that the framework and the proposed terms and conditions associated with the proposed retailer delivery will provide the necessary regulatory framework to ensure that customers' best interests are served by this scheme.

5.8 Amounts of EAPA to be allocated to retailers for delivery of EAPA

EWON agrees that the amounts EAPA to be distributed by retailers should be limited. However, the rapidly increasing price of energy may render a set amount of funding relatively inadequate fairly quickly. The total amount allocated needs to be regularly reviewed against the rising cost of energy and the total budget for EAPA.

While the current funding level of the EAPA scheme is retained then the total nominated amount of \$250,000 seems to be set at a reasonable level. If however the promised \$55 million increase in funding is applied to the scheme, then the total amount allocated to retailers should be increased to an amount that retains the current proportion.

EWON would support the proposed formula for allocation of the total amount between participating retailers.

6 Options for Scheme Parameters

6.1 Face value of EAPA Vouchers

In our view, increasing the ceiling amounts payable to customers will effectively extend the assistance available under the scheme. We therefore support the increase in the face value of each voucher, as this may ensure a higher level of assistance given to each customer. An increase in individual voucher amount is also appropriate given the recent and further expected increases in energy prices.

In responding to the specific face value options presented in the Consultation Paper, EWON suggests that the Department should be guided by the advice of the frontline agencies with direct experience of delivery of EAPA assistance.

The administrative costs of a limited number of different face value vouchers should not rule out this option if the agencies can make a case that this would provide significant customer benefit.

6.2 Customer Maximum Amounts

EWON would support the introduction of a mechanism which reviewed limits on an annual basis following increases in energy costs. One of the key benefits of the EAPA scheme has been the flexibility which allows the customer needs to be met by either a contribution to the bill or in some circumstances a full payment of the outstanding arrears.

The primary objective of the EAPA scheme is to assist customers in emergency situations remain connected to essential energy supply. The proposed options all have potential benefits, and again EWON suggests that the Department take advice from the experienced frontline agencies to establish the best possible customer outcomes in the delivery of EAPA assistance.

6.3 Placing a bill in credit

EWON would strongly support option 2 which recommends allowing the account to go into credit for up to the value of one voucher. This will have immediate benefits. Confusion often arises with customers paying part of a bill and then an EAPA voucher taking the account into credit. This voucher is then rejected and the account remains in arrears with possible debt collection activity and disconnection. Option 2 would resolve this issue.

7 Options for Liquefied Petroleum Gas customers

EWON supports the extension of the EAPA scheme to domestic users of Liquefied Petroleum Gas (LPG).

Because of the limited availability of reticulated natural gas in NSW, there are many consumers using LPG (bottled gas) for cooking, hot water and heating. The standard energy consumer protections available to reticulated gas users do not apply to bottled gas users, and there are no supporting regulatory arrangements. In particular, if LPG customers have difficulty in paying their account they are not eligible for government assistance such as EAPA.

IPART noted in the recent Draft Report for the current review of regulated gas tariffs that:

Across NSW, there are around 1 million households connected to gas in NSW, which is around one third of all households. The results of our household surveys show that 49% of respondents in the greater Sydney region and 29% of respondents in the Hunter, Wyong and Gosford regions were connected to gas.⁵

It follows that around two thirds of NSW households are not connected to a gas network. Many of these households do not have a choice because they live in areas where there is no option of connecting to reticulated gas, and LPG is their only alternative. In much of regional and rural NSW the only way to cook or heat with gas is to use LPG.

In the same report IPART indicated that since 2001 there has been a 3.1% growth in the number of gas customers. IPART expects the growth to continue. This growth will be driven by customers looking to reduce their energy costs by moving from electricity to gas. As well, by 2013 conventional electric hot water systems will have to be replaced by either gas, solar or electric heat pump systems

On 25 May 2005 the Board of Directors of LPG Australia approved a Victorian LPG Retail Code⁶. This followed consultation with consumer representatives, the Energy and Water Ombudsman (Victoria) (EWOV) and other stakeholders interested in LPG, and with the support of the Minister for Energy, Industries and Resources.

The LPG Code sets out the main terms and conditions of supply to consumers, and ensures retailers and agents follow set procedures. Furthermore, the Code provides details on the process to resolve customer disputes. The Code only applies to sales where bottled LPG is delivered to a domestic customer's site. It

⁵ IPART Draft Report Review of regulated retail tariffs and charges for gas 2010-2013, p62

⁶ http://new.dpi.vic.gov.au/_data/assets/pdf_file/0010/13789/Victorian-LPG-Retail-Code---Version-2-2009-Revised.pdf

does not apply to the sale of bottled LPG to business customers or to point of sale deliveries.

The LPG Code is a voluntary Code. By volunteering to comply, an LPG retailer agrees to abide by the Code terms and conditions of service, and also to participate in and be bound by the dispute resolution scheme of the Energy and Water Ombudsman (Victoria) (EWOV). If a consumer feels their retailer has not complied with the Code they may contact EWOV for assistance or to register a complaint against their retailer.

In Victoria, eligible LPG customers are entitled to government assistance such as the Non-Mains Winter Energy Concession and are also entitled to a Non-Mains Utility Relief Grant Scheme which provides assistance to households experiencing a sudden or temporary financial crisis.⁷

To date in Victoria five LPG retailers (Elgas, Kleenheat, Origin Energy, Powergas and Supergas) have voluntarily signed up to the Code and are members of the EWOV scheme.

It is clear from the Victorian experience that it is possible to clearly identify retailers who provide LPG supplies for essential domestic purposes. Thus EWON would support Option One as proposed in the Consultation Paper. Based on the Victorian experience, the number of retailers likely to be involved in this option would be no more than five or six, rather than ‘hundreds’ as suggested in the consultation paper. Two of these, Origin Energy and Country Energy, already deal with EAPA for electricity and gas accounts and are already members of EWON.

EWON does not support the approach in Option 2, which seems to propose a concession. Eligible customers already receive an energy rebate through their electricity account. A concession is not emergency assistance but is more correctly classified as income support. EAPA is an emergency assistance scheme aimed at ensuring customers remain connected, and in that context Option 2 would not meet the objectives of the program.

⁷ http://www.dhs.vic.gov.au/concessions/search?mode=results&queries_normal_query=LPG

8 Options for Exempt Sellers' customers

EWON strongly supports the expansion of EAPA to the customers of exempt retailers whose energy supply is separately metered and who are provided with bills based on that metering.

EWON has consistently pointed to the anomaly that some of the most vulnerable customers in NSW are excluded from the assistance offered by the EAPA scheme. EWON has recently written to the Minister supporting a proposal of PIAC, NCOSS and others for the Government to commit in principle to expansion of eligibility of the EAPA scheme, and to convene a working party of stakeholders to establish the most effective mechanism through which that commitment could be implemented.

EWON considers that such a process would be a welcome outcome of this consultation.

EWON makes the following comments on the specific options outlined in the Consultation Paper.

Option 1

This option proposes that customers provide EAPA vouchers to the exempt seller who then forwards them to the retailer who is providing supply to the exempt site.

EWON has concerns about this proposed model. The vulnerability of tenants in residential parks or boarders may result in a high level of unwillingness for potential clients to expose their financial circumstances to their landlord. We believe that this model would create a significant barrier to eligible customers seeking assistance. It would also increase the administrative burden on retailers.

Option 2

This option proposes that customers present the bill to a CWO and then forward the EAPA voucher to I&I NSW who would then forward a cheque to the customer directly.

While this is EWON's preferred model among the options presented, we would suggest that the method of delivery of EAPA to customers of exempt retailers be considered further by a working group as referred to above.

Option 3

This seems to propose a concession model. Eligible customers already receive an energy rebate through their electricity account. A concession is not emergency assistance but is more correctly classified as income support. EAPA is an emergency assistance scheme aimed at ensuring customers remain connected, and in that context Option 3 would not meet the objectives of the program.

9 Options for Scheme Administration

9.1. Australia Post

EWON strongly supports the proposal to make mandatory on retailers an Australia Post payment option. EWON has a number of cases with a retailer that does not offer Australia Post payment arrangement for its customers. Our investigations concern lost or misplaced vouchers, and they highlight the significant inconvenience for customers and CWOs where EAPA vouchers cannot be easily applied to an energy account through Australia Post.

9.2 CWO Accreditation and Review Process

The EAPA scheme provides no funds to CWOs to assist with the cost of voucher distribution to their clients. Therefore any unnecessary burdens around accreditation and review of CWOs seem problematic. The relationship between the Department and CWOs assisting in the delivery of EAPA vouchers appears more one of partnership rather than a funding contract arrangement.

This is not to say that there should not be proper standards and accountability around participation in the scheme. However as in any fair partnership, for each requirement we suggest that there should be balancing support provided to the CWOs by the Department.

EWON notes that there appear to be no transitional arrangements from the current situation to a more comprehensive regime of accreditation. Any such transition needs to be undertaken in a staged and sensitive way to ensure no unnecessary disruption to assistance delivery.

9.3 Guidelines

It is EWON's experience that some CWOs appear to unnecessarily restrict EAPA to customers who are in 'exceptional circumstances', as they are reluctant to complete an Exception Report. In other instances CWOs 'ration' their voucher allocation for fear of running out of vouchers, or do not use their allocations and return unused vouchers at the end of each year. It may help if the guidelines more clearly explain the function of the Exception Report as collecting information to better target assistance in the future, rather than giving the impression that an agency has in some way breached the guidelines.

It may also be worth considering how the guidelines could better explain how CWOs can access emergency vouchers and manage their allocations effectively to ensure as many vouchers as possible are distributed to customers assessed by the agencies as in financial need.

Conclusion

EWON strongly supports the current method of providing emergency assistance to customers encountering problems with maintaining their energy supply because of affordability issues. That is not to say that there is not room for improvement.

EWON supports the extension of eligibility for EAPA to customers of exempt retailers and to customers who use LPG for essential domestic purposes.

EWON supports the Retailer delivery model with the proposed terms and conditions. EWON would add that if this reform is implemented it should be reviewed on a regular basis to ensure that the aims of involving retailers in EAPA distribution continue to be met.

EWON supports increasing the schemes parameters so that assistance matches the rising cost of energy.

The various modifications and changes proposed in this consultation paper are not significant compared to the impact of an additional \$11 million in ensuring that NSW customers are helped to stay connected to essential energy services.

