

27 July 2009

Customer Assistance Policy
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Thank you for the opportunity to comment on the *Customer Assistance Policy Consultation Draft*.

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

EWON welcomes the work being undertaken by DWE to assist customers facing financial difficulties to pay their energy bills and stay connected to essential energy services. This is particularly relevant in the current economic climate, and with the recent significant increase in energy costs.

Question 1: Does the proposed package of policy and program measures achieve the Government's objective of using the \$125m CAP and \$55m EAPA funding to assist households facing financial difficulty to pay their energy bills and stay connected to essential energy services?

The funding for the *Customer Assistance Policy* has been described "up to \$125 million over five years", however the Consultation Draft does not contain a breakdown of this funding into the individual components of the package. This has limited our ability to comment on the extent and effectiveness of the proposed programs outlined.

EWON welcomes the separate increase in funding of the EAPA scheme.

Question 2: Is the scope and content of each policy and program measure appropriate, in light of the Government's overarching objective and the focus or target of each individual measure?

This question will be addressed separately for each of the proposed measures. For ease of reference we have adopted the same numbering as the *Customer Assistance Policy Consultation Draft*.

1. Financial Counselling

EWON's experience with customer complaints confirms DWE's observation that there can be long waiting lists for an appointment with a financial counsellor, particularly in rural areas of NSW. We therefore welcome DWE's exploration of the most effective way to improve customer access to this effective and empowering service.

We see the need for an increase in the number of financial counsellors in the existing agencies within NSW, to help reduce the waiting lists for customer appointments. An extension of these services into areas of NSW not currently well serviced by the existing organisations is also highly desirable. While familiarity with energy related issues is important for assisting with this aspect of a customer's budget, we also note the importance for financial counsellors to take a holistic approach and review the complete financial situation of each customer.

Training of financial counsellors

Training for trainee financial counsellors is currently offered by the *Financial Counsellors' Association of NSW* (FCAN), and EWON participates in this by providing a workshop on important aspects of the energy industry and how we can assist resolve customer complaints. The EWON training includes details of hardship programs and other forms of assistance available through energy and water retailers, the various government rebates available, an explanation of the basic regulations relating to disconnection, and some energy saving tips to assist customers.

We would be concerned if the recommendation in the Consultation Draft that funding could be used for training resulted in duplication by DWE of a service already provided by FCAN and EWON to trainee counsellors. However, EWON would collaborate with any new financial counselling training services or government programs and we strongly support new initiatives that assist customers to stay connected to essential energy services and manage their energy accounts.

As well as training for new counsellors, EWON also regularly attends seminars and conferences held by FCAN, where energy information can also be provided to existing counsellors. We have produced a factsheet that is widely distributed to all community workers, including financial counsellors, providing an overview of a range of common energy issues, and contact details for the retailers' hardship sections: [Energy Essentials for Community Workers](#). A more extensive range of factsheets is available on our website: www.ewon.com.au.

A similar factsheet by DWE setting out the terms of all the NSW Government Rebates and Assistance programs would be a useful resource for all community workers. Also see our comments below on the re-design of DWE's website, which we believe would assist in making important information more readily accessible to all community workers, including financial counsellors.

Energy focused financial counselling

We note the proposal that financial counsellors could be trained “*in issues specific to the energy market, such as identifying and addressing the underlying causes of high bills*”. It is not clear whether this proposes that financial counsellors could then conduct a home energy audit for their clients. EWON sees great value in home energy audits in assisting customers to manage their energy usage. However this appears to be beyond the scope of the services financial counsellors currently provide to their clients, and beyond their current resources.

We note the reference to the services provided by Uniting Care Kildonan in Victoria, which we understand offers free energy efficiency home visits to customers. Kildonan’s [brochure](#) for this service describes this service as being valued at over \$350, and ‘*offered to you by your energy retailer at no cost*’.

It is not clear if the proposed call for tenders for ‘*the provision of energy focused financial counseling services by not-for-profit organizations*’ envisages a similar service to that operated by Kildonan, and if so, what the role of the retailer would be in this funding model. We would appreciate clarification of this.

We have included further information about EWON’s experience of financial counsellors and energy customers in financial hardship at Attachment 1.

2. Targeted Financial Assistance

Energy Grants Scheme

We support this scheme which is targeted at replacing old and inefficient household appliances with more efficient models for low income households. This should assist in reducing their energy bills.

The Consultation Draft appears to restrict eligibility to these grants to customers ‘*participating in their retailer’s hardship program*’. We suggest that the grants scheme should also be extended to customers of exempt retailers in Residential Parks, who are often in significant hardship but do not have access to a retailer’s hardship program.

We note the references to the NILS program, and are concerned that there appears to be an assumption that this is more widespread than it actually is in NSW. It is EWON’s experience that the NILS scheme does not currently reach customers across NSW, and that this valuable and relevant program may also be in need of additional resourcing.

The comment in the Consultation Draft about the benefit of NILS to customers, “*particularly where retailers support NILS programs*” appears to imply that retailer supported programs are common, whereas in our experience this is not the case.

Medical Cooling Rebate Pilot Program

We support this pilot, but suggest that it should be renamed the *Thermoregulatory Rebate*, as we understand that some of the conditions mentioned would require heating as well as cooling to compensate for the body’s impaired ability to regulate its own temperature.

We would appreciate clarification that this rebate would also be available to customers of exempt retailers in Residential Parks, in the same way that the current Energy Rebate is administered.

We note that the program is only a 5 year pilot, and suggest that the process for evaluating the program at the end this period should be specified, with some indication of the conditions that will determine whether the pilot would be continued or not.

Service Availability Charge (SAC) Rebate

While we note that there is to be further consultation with stakeholders on the details of this proposal, in its current form it appears to present some potential administrative challenges. The event that constitutes a ‘*sudden or severe change of circumstances*’ may not involve a complete billing period, or may straddle more than one billing period, which would require clarification if the total SAC would be refunded, or only a pro rata proportion for a particular billing period. It could also place a burden on both customers and retailers if extensive documentation is required to support the application of the rebate.

Is it contemplated that this rebate would be available to customers of exempt retailers in Residential Parks, in the same way that the current Energy Rebate is administered?

In our view, a more effective way to target assistance to those customers during periods of very low or no usage is a scheme by which if the energy consumption charge for the primary residence is less than the SAC for a period, then the SAC is reduced to match it. In this way, the SAC will never be higher than the level of consumption. We understand that the Victorian Government concession based on this model has proved effective in assisting customers in this category. We would be interested in being involved in further consultation on this issue.

3. Reform of the EAPA Scheme

EWON welcomes the increase in the EAPA budget to \$100 million over 5 years. The interim step of increasing the assistance to \$240 for each bill, with a maximum of \$480 in any 12 month period, should help to relieve some of the financial distress that many low-income energy consumers are currently experiencing. We note that Community Welfare Organisations (CWOs) will continue to have the discretion to provide additional EAPA assistance to customers in exceptional circumstances.

Broadening the application of EAPA

We agree with DWE's observation that many customers experience financial difficulties which extend beyond one isolated crisis event, and could result in an ongoing need for assistance extending over several months. With the current forecast for a continuing rise in unemployment levels, this is likely to increase. However the EAPA scheme has always been seen as a crisis program, particularly to avoid imminent disconnection, and not as ongoing income support. EWON usually encourages customers in financial difficulty to engage with a range of strategies to realistically manage their energy expenses, by referral to financial counsellors, energy saving advice, or the hardship programs offered by retailers.

We do not believe that the broader application of EAPA is intended to change this approach and provide ongoing income support, particularly if this would limit the amount of assistance that could be provided to customers in crisis. We would suggest that a combination of measures such as the energy grants, the retailer hardship programs, energy saving advice and the allocation of EAPA above the recommended limit in the first instance may assist customers in longer term financial difficulty.

Increase in the amount of EAPA assistance

- *(i) Increase in the ceiling amounts*
EWON supports the interim increase in the ceiling amounts to \$240 per customer per bill, and to \$480 per year. We would also support this ceiling being continually reviewed as increases in the regulated price of energy impact on the size of average quarterly energy bills.
- *(ii) Increase in the face value of EAPA vouchers to \$50 or \$60*
In our view, increasing the ceiling amounts payable to customers will effectively extend the assistance available under the scheme. We also support the increase in the face value of each voucher to \$50 or \$60, 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 increases in energy prices.

Expansion of the retailer delivery program

EWON recognizes 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, based on the regulatory framework outlined which would impose strict requirements on retailers participating in this program.

Revising and strengthening the EAPA guidelines

EWON supports a review of the Ministerial Guidelines for EAPA distribution, and would like to be involved in the stakeholder consultation. In particular, we support:

- *extension of the EAPA scheme to residents of Residential Parks*

EWON regularly receives complaints from customers of exempt retailers in Residential Parks who are in financial difficulty. These customers pay for their electricity usage at a similar tariff to the standard electricity supplier in their area, and are subject to the same price impacts when these tariffs increase, however to date they have been unable to access EAPA.

EWON suggests that DWE should review this inequity, with the aim of establishing a method of delivery of EAPA to these customers in consultation with relevant stakeholders.

- *a clarification of the circumstances in which CWOs can exceed the recommended allocations*

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.

- *a clarification of the eligibility criteria*

The recent report *Cut off II: the experience of utility disconnections, January 2009*, published by the Public Interest Advocacy Centre, identified that approximately 63% of the households that had been disconnected drew their main income from employment rather than pensions or benefits.

EWON would like any review of the EAPA Guidelines to stress that EAPA is available to all NSW customers who may be in financial difficulties, irrespective of their source of income, to encourage CWOs to take a broad approach to eligibility for this scheme.

Delivery of EAPA by CWOs and the role of Energy Liaison Officers

Please see our comments about Energy Liaison Officers in Point 4 below.

4. Better Information and Communication for Customers and the Community

- *a single Government hosted online source for consumer information*

It is noted that DWE's website already contains information about a range of government assistance measures, such as EAPA and the various rebates available. The site also contains information about the energy market, choosing a supplier, help with bills and energy saving advice with links to other resources. However, this information is not easily located on the website. It requires consumers to firstly click the *Energy* tab, then select *Energy Consumers*. For many consumers this may not be particularly intuitive.

While we would support the redesign of the current DWE website to make this basic information more accessible for customers and community workers, we consider that maintaining an effective website is a core function of DWE, and that funding for this should not be part of the *Customer Assistance Policy*.

It is not clear if the reference to "*how to negotiate the competitive market*" envisaged maintaining a resource allowing customers to compare the rates offered by all the providers. If this was the case we would not support this, as this service is already offered by at least two other online services, (www.choiceswitch.com.au and www.goswitch.com.au) and it would appear to be an unnecessary and costly duplication. However providing links from the DWE website to these services would be very useful to consumers.

- *community outreach by Energy Liaison officers*

It is difficult to assess the effectiveness of this proposal without further details on the number of positions envisaged. However, we have concerns about this proposal potentially distracting funding away from more direct assistance to customers in financial difficulties. While we appreciate the need for DWE to develop and maintain strong links with community agencies, we feel this function might be more effectively achieved through expansion of the EAPA team within DWE, to ensure close links are maintained with the agencies distributing the vouchers, monitoring their distribution more closely, and ensuring vouchers are delivered to the areas in most need. These officers could provide ongoing training and support to the CWOs who are involved with delivering EAPA assistance to customers, to ensure the objectives of this scheme are met.

5. A Strengthened Framework for Customer Hardship charters

EWON supports the proposal for a strengthened framework for NSW consumer protection, to implement the Customer Hardship element of the *National Energy Customer Framework* (NECF). We note that the provisions of the NECF have not yet been finalised, and would like to draw to your attention to two areas of concern that EWON highlighted in our submission on the first Exposure Draft:

- *payment plans to be available to customers after disconnection*

Retailers are currently required to provide payment plans to customers in financial difficulties *prior* to disconnection. However it is EWON's experience that many customers do not actually make contact with their retailer until after disconnection, when they are forced to face the crisis situation and to seek assistance. There is currently no obligation on the retailer to provide a payment plan in these circumstances. EWON would like to see the requirement to provide a payment plan to be extended to customers *after* disconnection.

- *the shortened collection cycle*

EWON is concerned about the proposal in the draft NECF to introduce a shortened collection cycle, which is not currently allowed in NSW. We have concerns that this may significantly increase the number of disconnections in NSW, when one of the aims of DWE's current draft *Customer Assistance Policy* is to reduce the levels of disconnection.

EWON would support the requirement for retailers to maintain and publish a Customer Hardship Charter as well as offer customers in financial hardship a second or renegotiated payment plan within a 12 month period. EWON also supports the extension of the existing IPART compliance regime, reflecting the proposal under the NECF for the Australian Energy Regulator (AER) to develop and report on hardship indicators.

Finally, EWON agrees that there should be a review in two years of the Customer Assistance Policy and related measures to ensure these are best meeting the needs of vulnerable customers, as noted in the Consultation Draft, page 2.

If you would like to discuss this submission further, please contact me or Emma Keene, Manager Policy and Projects on 8218 5225.

Yours sincerely



Clare Petre
Energy & Water Ombudsman NSW

Attachment 1

Financial Counselling for Customers with Utility Debts

What is financial counselling?

Financial counselling is a free, independent community service for people experiencing financial difficulty.

Financial counsellors may assist people to manage through a short term crisis and plan to prevent a future one, although in current times most people attending financial counsellors have complex situations involving factors including loss of home, eviction, business debts, gambling issues, relationship breakdown and unemployment, which has led to over-commitment and impending legal action. Many of these clients also have utility debts that are unmanageable at the time of the appointment.

The key values of financial counselling service are embedded in empowerment and education of the client and resolution of the financial problems that impact personal health, relationships and the ability to cope with day to day activities.

Clients are educated on their rights and responsibilities and the options available to change behaviour and improve their situation. The aim of financial counselling is clearly to have the client remain independent and to take full control of their financial affairs so that they are better able to manage in the future.

For some clients simply discussing their financial problems is sufficient for them to move forward and effect change – others require a number of appointments to address longer term issues.

A financial counsellor is able to assist in the following ways:

- ◇ help organise financial information
- ◇ design a personal budget and suggest changes for improved management
- ◇ explain a client's rights and responsibilities when using credit and related services
- ◇ assess eligibility for government assistance
- ◇ talk with creditors to negotiate payment plans and time to pay
- ◇ explain the debt recovery process, bankruptcy and other alternatives
- ◇ provide referral to other services, for example, gambling, family support, personal counselling or community legal aid.

Financial counsellors also provide community education on financial matters to assist in the prevention and earlier intervention of financial problems. Many financial counsellors use the “MoneyMinded” training package¹ and publications available through the NSW Fair Trading office and the Australian Securities Investment Commission (ASIC)

Financial counsellors are not financial advisors and as such do not give advice, nor assist with investment type information.

Who are the financial counsellors?

There are currently 216 accredited financial counsellors working in NSW.

Financial counsellors may be employed staff or volunteers who have completed an accredited financial counselling training program and who work in community organisations in NSW providing a free service.

Accredited financial counsellors in NSW must be a member of the state association for financial counsellors The Financial Counsellors’ Association of NSW Inc (FCAN) and meet supervision and annual training requirements.

The Financial Counsellors’ Association of NSW Inc (FCAN)

FCAN currently has 216 members and exists to ensure the provision of financial counselling to the community and to actively participate in credit and debt reform in NSW.

FCAN achieves its mission statement by:

- ◇ The provision of professional development through accredited training programs for new financial counsellors and ongoing training via monthly meetings /newsletters and an annual conference.
- ◇ Providing a forum for identification of credit and debt issues in the community.
- ◇ Being proactive in informing the community of these issues and advocating to relevant authorities for change where necessary

Funding and Waiting Lists

The NSW Office of Fair Trading and the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) both provide funding grants to financial counselling service agencies.

¹ Money Minded website ¹ <http://www.moneyminded.com.au/>

On 1 July 2009 additional funding of 1.6 million has been granted to financial counselling including a top up to some existing agencies and providing funding to new agencies. Total funding from NSW Fair Trading programs is \$5.4 million per annum until 2012.

Current funding does not provide sufficient service provision in NSW which results in long waiting lists and delay for consumers – often up to 4 weeks.

Increasingly financial counsellors find that matters are becoming more complex and that the majority of cases will include utility debts. Financial counsellors have advised that *“when the utility debts are not being paid you know the client is in long term financial crisis.”*

Many services need to close their books and reopen when appointments are available as they do not have the financial counsellors available to meet the demand for the service.

In July 2009 EWON surveyed a small number of financial counselling agencies recently to try and determine current waiting lists and found that:

- a Bathurst financial counselling agency that covers 1/3rd of NSW from Central West, Mid Blue Mountains, Dubbo, Lithgow, Condobolin reported a 3-4 week waiting list.
- Albury and Ballina both reported a 4 week waiting list
- Western Sydney, Taree, Byron Bay, Murwillumbah and Casino have a 3 week waiting list.

However agencies in Newcastle and Sydney report only a one week wait for an appointment. The significant difference in waiting lists forces some consumers to travel to larger centres to receive urgent assistance.

Increased funding for direct casework would relieve waiting lists and enable consumers to more quickly respond to their financial problems.

EWON’s relationship with Financial Counsellors

EWON has contact with financial counsellors in a number of ways:

- a customer contacts EWON when their energy supply has been disconnected or is at risk of disconnection and as part of our investigations we make a referral to a financial counsellor
- a financial counsellor contacts EWON to advocate on behalf of a customer with arrears who has been disconnected or is at risk of disconnection

- EWON contacts an energy retailer in relation to a customer who has been disconnected or is at risk of disconnection and the retailer indicates that they are waiting on a financial counsellor report to assist with an affordable payment plan
- as part of our ongoing community outreach program

In 2008/2009 financial counsellors were involved in a number of complaints to EWON involving customers who were disconnected, at risk of disconnection and having difficulty paying their energy account.

In EWON's experience financial counsellors perform a very valuable role in assisting all customers in financial need, but particularly those who are on low incomes or otherwise disadvantaged.

Capacity to Pay

A client in financial distress often responds to the most aggressive creditor's demands for payments leaving previously promised repayments unpaid.

EWON has found that customers are often not able to arrive at a realistic and affordable repayment amount without independent assistance, particularly when agreeing to a payment arrangement is a prerequisite to having their electricity or gas supply reconnected. Many consumers are not sufficiently financially literate to manage this process, and in times of stress are more likely to overstate their capabilities, resulting in a breakdown in repayments and further legal action.

The financial counsellor's comprehensive plan incorporates negotiated payments with all creditors on a fair and equitable "pro-rata" basis (where the largest debt receives the largest portion of the funds available for repayment).

EWON relies on a financial counsellors' comprehensive financial assessment to ensure the customer has the capacity to meet payments offered to retailers.

Customers are better able to manage their financial affairs when they feel in control with a realistic plan in place.

Financial counsellors are keenly aware of government and community support available and will refer clients to other services such as Centrelink and welfare support to address issues raised such as the need for food, clothing, personal counselling, as well as Telstra phone vouchers and EAPA vouchers.

Training

EWON's community development officer provides a workshop for all new trainee financial counsellors on the important aspects of the energy industry including:

- ◇ EWON's role in complaint handling for energy and water issues.
- ◇ Details of hardship programs and other forms of assistance available through energy and water retailers
- ◇ Explanation of basic regulations relating to disconnection
- ◇ Rebates available
- ◇ Other issues – energy and water saving tips to assist their customer base

This training has been incorporated into the accredited training program as an essential component for all new financial counsellors.

Retailers' Relationship with Financial counsellors

Energy retailers, particularly the hardship programs, rely heavily on financial counselling reports to provide the necessary information to assist in negotiating an affordable payment plan. This reliance has progressively increased over the last few years and is likely to continue to increase.

Financial counsellors are adept at negotiating with credit providers and retailers alike. They are aware of hardship programs and services available to assist with energy bills.

The retailers understand that the financial counsellor's assessment is thorough and that the retailers are not in a position to acquire such detailed and precise information from the customer themselves. The retailers do not have the expertise to carry out a full independent financial assessment. It would not be appropriate for retailers to perform this role due to time constraints, the level of expertise required and a conflict between balancing debts owed to the energy company and debts owed to other parties.

The retailers also understand that the customer is willing to deal with their finances by the action of seeking help.

Retailers often comment that there are not sufficient financial counsellors providing direct casework and that a significant amount of time is lost in waiting for a customer to attend an appointment.

Increased funding is necessary to meet the demand for financial counselling to improve waiting lists and to provide earlier intervention.

Case Study 1

Freda and her husband both work but they have a large mortgage and found it difficult to keep up with the bills. They support four children under the age of 14.

Freda could not afford to pay her \$134 gas bill all at once so she arranged an extension with her provider. She called to ask for another extension but it was denied because her next bill was due soon. She was told if she didn't pay she would be disconnected.

Freda didn't have the money to pay and her gas was disconnected. She approached a community agency for help and they referred her to a financial counsellor and to EWON.

While EWON was helping Freda to have her gas supply reconnected, it was found she had similar problems with her electricity and water accounts. The family were falling behind in all their bills, their arrears were accumulating and they were facing disconnection of all their utilities.

Freda visited a financial counsellor who helped her family reorganise their finances to manage payment of their bills. She received \$120 in EAPA (Energy Accounts Payment Assistance) from the community agency and paid this towards her gas account.

The gas provider organised reconnection and suggested that Freda would be eligible for their customer assistance program. The electricity and water providers agreed to realistic payments for Freda based on the financial counsellor's report.

EWON's negotiation with the providers, help from the financial counsellor, EAPA assistance from the community agency and referral to the providers' customer assistance programs were crucial elements in keeping Freda's family connected to the essential services.

Case Study 2

John was retrenched with a small amount of money to support himself and his wife and three children until he sought employment. Their youngest child suffered with chronic asthma and needed constant care and medical treatment

The small retrenchment payment was not enough for the regular bills and the mortgage repayments.

John did not give up hope of finding work. His two credit cards were used to the maximum to meet bills until the car registration and insurance came in. John tried to juggle payments to no avail – the threatening letters commenced with final notices and phone calls.

The family was stressed and John became increasingly depressed and avoided collecting the mail and answering the phone until he was referred to a financial counsellor by his doctor.

The financial counsellor immediately requested a hold on all action while his finances were assessed. The couple developed a money plan that met their basic living requirements.

The financial counsellor sought a variation on their mortgage payments and car loan and applied for Mortgage Assistance.

Initially EAPA vouchers were sought from the local community agency along with Telstra and food vouchers. The financial counsellor spoke to the energy retailer about their case and the electricity and gas accounts were taken into the retailer's hardship program with small repayments negotiated until John had full time employment.

Other creditor's were contacted and offered small repayments for a set period.

John sold his small boat, treadmill and other household items that enabled some personal debts to be cleared.

Once John and his wife had a plan their life became more manageable and with a referral to career counselling and job networks John secured employment.

Gradually he was able to meet his contractual repayments and commitments when due.