

25<sup>th</sup> November 2016

Essential Services Commission  
By email to [paymentdifficulties@esc.vic.gov.au](mailto:paymentdifficulties@esc.vic.gov.au)

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**Brotherhood of St Laurence response to *Safety net for Victorian energy consumers facing payment difficulties – draft decision October 2016***

The Brotherhood of St Laurence welcomes the Essential Services Commission's efforts to redesign the energy consumer safety net. Keeping customers connected to essential energy services is vital for a decent standard of living. The ultimate goals of assisting customers experiencing payment difficulties should be that none are disconnected from energy supply and that customers regain financial autonomy and move out of hardship.

We are thankful for the opportunity to comment on the draft decision. In addition to the recommendations below, we refer the commission to Appendix 1: Energy management plans and to the recommendations and evidence presented in our previous submissions (May 2015, October 2015).

We welcome the improvements made to the framework, including universal access to flexible payment options, payment plans that will assist people in short-term payment difficulty and improved readability of the customer manual. However, we remain unsure how customers will get the information they need about the support they are entitled to within the complex framework proposed.

We are concerned that there is insufficient evidence presented in the draft decision that the proposed framework will support consumers experiencing ongoing and severe hardship to remain connected to their energy supply.

**Recommendations to the Commission**

1. Extend the timeframe of the consultation and introduction of the framework
2. Address limitations of the proposed framework, including those relating to entitlement to support for customers experiencing severe energy hardship.
3. Trial and evaluate the hardship responses prior to implementation of a final model.

**1. Extend the timeframe of the consultation and introduction of the framework**

We are concerned the timeframe for introduction of the new framework is insufficient for the Essential Services Commission (ESC) to adequately integrate responses from this round of submissions.

We recommend it be extended to allow for development of a safety-net approach, based on research into the impacts of the new framework on customers and adequate consultation with community services supporting customers experiencing financial and energy hardship.

## **2. Address limitations of the proposed framework including those relating to entitlement to support for customers experiencing severe energy hardship**

We remain concerned that the proposed framework is insufficient for people whose ongoing energy needs are unaffordable: people unable to pay their bills and those rationing their energy use to levels that are deleterious to their health and wellbeing.

There is a risk the following aspects of the new framework will not provide the assistance needed to avoid disconnection:

- Payment plans developed without consideration of customers' capacity to afford the plan
- Entitlement to support provided through 'energy management' plans being contingent on a customer paying 66% of their ongoing consumption costs
- Those unable to afford to pay for 66% of their ongoing consumption being required to pre-pay an amount based on their entire energy costs, without receiving 'energy management' support

Responses should be developed in collaboration with customers and in reference to their energy needs and ability to afford payment plans. Support should be offered earlier to those customers unlikely to be able to afford the payments prescribed in automatic payment plans.

## **3. Trial and evaluate hardship responses prior to implementing a final model**

Trialing and evaluation will be required to ensure the new framework is having a positive impact and leading to the intended outcomes of reduced debt and fewer disconnections. Rigorous outcome measures should include debt reduction, energy bill reduction relative to consumption and energy consumption reduction following implementation of energy management plans. Given the potential for significant costs to retailers of modifying their business systems to respond to variations to the framework (costs that will be passed to energy consumers), it is prudent to pilot approaches prior to their introduction.

We are also interested know more about the composition, role and authority of the expert panel that the Minister for Energy and Resources said would monitor and report on the new approach.

We look forward to the opportunity to discuss this submission with you further.

Yours sincerely,

Tony Nicholson  
Executive Director

## Appendix 1: Energy management plans

### *Access*

We are concerned the requirement to pay 66% of one's ongoing fortnightly energy costs will limit the number of people able to access an 'Energy management plan' under 'Connection support'. The need for an energy management plan implies that the customer's energy costs are too high, but these costs will not be reduced until the energy management plan is in place and taking effect. Those people unable to afford to pay 66% of their ongoing energy consumption may be moved from 'Connection support' to 'Pay-as-you-go'. It is difficult to see how a customer will be able to manage a pay-as-you-go arrangement without energy management supports. Those with the least capacity to pay will be excluded from the support available through an 'Energy management plan' and will face disconnection.

Customers experiencing payment difficulties need access to 'Connection support' earlier in the process, to avoid accrual of additional debt and disconnection. As previously recommended, support should include flexible payment arrangements, access to best available tariffs, information on concessions and Utility Relief Grants, energy advice and referral to financial counselling and financial literacy supports. Those in recurrent or persistent energy hardship should also receive incentives programs to address debt and/or debt relief programs.

### *Energy audits*

We are concerned the energy management plan does not appear to be based on an energy audit. The provision of energy saving advice and appliance upgrades may be mis-targeted if not based on the recommendations of an energy audit.

### *Tariffs*

We are concerned about the cost impacts for those customers required, under the framework, to remain with a retailer that does not offer the market tariff 'most likely to minimise ... energy costs'. We recommend a retailer be required to place a customer in 'Connection support' on a tariff that matches the best in the Victorian energy market. Research from the St Vincent de Paul Society<sup>1</sup> demonstrates a household with typical electricity consumption could save up to \$830 per year by moving from the worst, to the best available Victorian market offer. Customers required to remain with their current retailer will be locked out of these savings if the retailer is not required to match the best price in the market.

### *Appliance upgrades*

We are pleased appliance upgrades are included in the response, but have the following concerns:

1. It is limited to the 'Connection support' stage and not available earlier for those needing it.
2. A co-contribution to an appliance upgrade will increase customers' arrears.
3. A co-contribution may be a barrier to uptake for those households least able to afford an appliance replacement.
4. Without additional financial support, higher cost items such as hot water, heating and cooling, which can make a real difference to home energy use, will have limited uptake.
5. Some of the most effective energy efficiency interventions including the installation of solar PV, are not specified in VEET and would therefore be excluded from energy management plans.
6. Many items specified in VEET, such as hot water, heating and cooling, weather sealing and insulation, are 'fixed' and require the property owner's approval to install. Appliance upgrades that could be made by renters, such as washing machine and refrigerator upgrades, are not specified in VEET and would therefore be excluded from energy management plans.

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<sup>1</sup> Johnson, M 2016, *Victorian energy prices January 2016: an update report on the Victorian Tariff-Tracking project*, St Vincent de Paul Society.