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4 June 2010

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Thank you for the opportunity to comment on the AER's Developing National Hardship Indicators Issues Paper, April 2010.

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

EWON believes that the Issues Paper provides the basis for establishing a comprehensive set of national hardship indicators. These indicators will enable the Australian Energy Regulator (AER) to undertake the duties provided for in the proposed National Energy Retail Law and Rules in respect of retailer hardship programs.

EWON believes that over time the data gathered will provide an invaluable guide to the effectiveness of retailer hardship programs.

We have provided our detailed views in the attached submission. EWON has provided specific responses to the questions posed by the AER along with some further comments. In providing our response for ease of reference we have adopted the same numbering as the Issues Paper.

If you would like to discuss this submission further, please contact me or Emma Keene, Manager Policy & Projects on 02 8218 5250.

Yours sincerely

Clare Petre
Energy & Water Ombudsman NSW



Response to

Australian Energy Regulator

**Developing National Hardship Indicators Issues
Paper**

April 2010

Submitted by the

Energy & Water Ombudsman NSW

4 June 2010

Introduction

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the AER's *Developing National Hardship Indicators Issues Paper*, April 2010.

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, government, regulators – to improve the standard of service delivery for the benefit of NSW consumers.

EWON welcomes this Issues Paper as a crucial step in providing a basis for the Australian Energy Regulator (AER) to undertake its role in monitoring and evaluating the performance of retailer hardship programs and contributing to overall continuous industry improvement and the sharing of best practice approaches.

EWON's first comment relates to the title of the Issues Paper, and we would like to suggest that the title for the indicators be changed to *National Hardship Program Indicators*. The AER's aims and proposed indicators are specifically relevant to retailer hardship programs and not to broader issues of hardship and affordability. The indicators will enable the AER to monitor hardship programs and will also contribute to a broader understanding of hardship and energy consumption. However there are important other indicators which will need to be taken into account in providing data about hardship in the wider context beyond the specific case management focused hardship programs.

5 Purpose and objective of the National Hardship Indicators

Q1. What are stakeholders' views on the appropriateness of the purpose and aims of the National Hardship Indicators as set out above? What else, if anything, should the indicators seek to achieve?

EWON endorses the proposed aims of the hardship indicators to monitor, evaluate, inform stakeholders, foster continuous improvement and share best practice in the area of retailer hardship programs.

The potential for the indicators to also signal to the AER where further investigation, performance/compliance audits or potential enforcement action may be required is critical. EWON would argue that this aspect of the regime can be an early warning for other aspects of AER obligations and may assist early regulatory intervention to ensure that circumstances such as Retailer of Last Resort (RoLR) events do not eventuate.

The history of hardship programs in the energy industry is an essential starting point in deciding upon the appropriateness of the purpose and aims of the proposed National Hardship Program Indicators.

Initially such programs were pioneered by a few companies with support from community stakeholders and Ombudsman schemes. Ombudsman schemes such as EWON worked together with retailers and community welfare agencies to assist customers experiencing hardship and develop ways to better assist vulnerable customers. For many years EWON has hosted community information forums in NSW for welfare and community workers, and as part of these forums invited local retailers to present information about their hardship assistance and other customer programs. In 2004 EWON hosted a hardship forum for retailers in NSW and since this first forum retailers have continued to meet as a group to discuss their hardship programs, best practice, customer needs and working relationship with community welfare groups and financial counsellors.

EWON found that some retailers were initially sceptical about the benefits of hardship programs, but over time almost all energy retailers in NSW were convinced of the benefits and established programs well before the NSW Government moved to make hardship policies mandatory in 2010.

Another primary driver in the growth of the hardship programs was the work done by the Committee of Melbourne's Utility Debt Spiral Prevention Project. Utilities, Government, consumer organisations and the Energy and Water Ombudsman

(Victoria) all participated in this project. EWON has included a copy of the Committee's Guideline at Attachment One.

A starting point for the Committee was the recognition that customers in financial hardship are a customer group who can be difficult to identify, assist or manage. The work was motivated by a concern that customers in such circumstances could be driven 'underground' where no further contact occurs and they are then trapped in a debt spiral.

The project developed guiding principles which identified the four key components for an effective and efficient hardship program. These are:

Information provision

Comprehensive staff training

Operating protocols and customer engagement

Energy/water efficiency focus.

These elements remain critical to an effective hardship program and EWON would argue that if the National Hardship Program Indicators do not capture information which provides insight to these key components then it will be difficult to achieve the objectives set out in the Issues Paper.

6 Possible National Hardship Indicators

Entry into hardship programs

1. Total number of customers currently on the hardship program

Q2. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q3. What are stakeholders' views on the definition and timing issues raised in relation to this indicator?

The indicator of: *Total number of customers currently on the hardship program* is essential. It will provide baseline information upon which the AER will be able to begin to meet its obligation of monitoring and evaluating hardship programs.

Participation in a hardship program occurs when the customer is removed from normal credit and collection processes and is managed by a specialist unit. For small retailers without such processes then the AER should expect that such customers are clearly identified and provided with certain protections by the retailer concerned. In all cases there needs to be a clear entry and exit process undertaken by the retailer which would make the provision of the number of customers participating in the program countable and thus accountable.

We suggest that the key information is the number of customers involved in a hardship program rather than the number of accounts held. If an individual customer is part of a hardship program for both their electricity and gas accounts, we suggest they should only be counted once for the purposes of the national hardship program indicators. However it could also be useful to have some indication about which energy source is more difficult for consumers to afford.

The proposed Rule 611 of the National Energy Retail Rules provides that where a customer has a dual fuel contract, their electricity supply can only be de-energised after at least 15 business days following de-energisation of their gas supply. In this context, it may be useful to separately monitor those customers on a hardship program who have both their electricity and gas accounts with that retailer. We query whether it is possible for retailers to report on customers in their hardship programs as:

1. the number of electricity customers
2. the number of gas customers
3. the number of dual fuel customers.

EWON supports retailers providing monthly figures on a quarterly basis to the AER. As well, EWON believes a breakdown of data state by state is more useful than total national figures. States have differing arrangements, climates and customer bases, as well as different state based Government assistance measures and Ombudsman schemes.

On the issue of the timing of the data collection, and whether it is based on the number of customers in a program on a certain date or over a given period, we would support the most cost effective method for the retailers.

2. Number of hardship program participants who receive any appropriate government energy concessions

Q4. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q5. What are the views of stakeholders on any definition and timing issues raised in relation to this indicator?

EWON supports the inclusion of this indicator. Customers who receive such a rebate will have the relevant information readily available and it should not be onerous for retailers to record this information on their account. Most retailers would already be collecting this kind of customer information.

EWON also believes that the number of customers participating in a hardship program who pay using Centrepay should also be identified and reported on. Centrepay is an important free (for the customer) budgetary tool and a retailer's use of this tool will provide important information as to the effectiveness of the program.

EWON believes that the timing of this reporting should be consistent with the other indicators.

3. Number of customers entering the hardship program

Q6. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q7. What are stakeholders' views on any definition and timing issues raised in relation to this indicator?

EWON also supports this indicator. Over the long term it will provide useful information about seasonal trends and can assist retailers and other stakeholders plan appropriate responses to identified patterns.

EWON believes that the timing of this reporting should be consistent with the other indicators.

Third party referrals to hardship programs

Q8. What are stakeholder views on the advantages and disadvantages of monitoring third party referrals to retailers' hardship programs under our compliance regime rather than as part of the national hardship indicators?

EWON notes the AER's preliminary view that reporting third party referrals should not be an indicator. EWON would like to suggest something that could replace a measure of third party referrals: a measure of how many customers enter the program after identification by the retailer and how many through other paths including self identification. Self identification could include either a direct request by the customer or a third party referral. The balance between retailer identification and self identification could be a critical tool for AER monitoring purposes.

EWON believes that the timing of this reporting should be consistent with the other indicators.

4. Number of customers denied access to the hardship program

Q9. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q10. How should "denied access" be defined if this indicator is adopted?

This is a critical indicator for the AER in the context of meeting the obligations of monitoring and evaluating the accessibility of hardship programs. Identifying refusals to programs is a difficult task however there are at least two types of denial of access which are worth measuring.

First is where customers do not meet formal criteria for membership of a program. EWON is aware of at least one retailer that has a minimum level of arrears as a criteria. This has meant the exclusion of customers who despite very low arrears would benefit from specific case management.

The second aspect is to identify where minimum requirements of proposed payment plans exclude customers. EWON is very aware of the issues surrounding the balance between paying off arrears and maintaining payment of current consumption however it is essential, especially in a formal hardship program, to have payment plans linked in some way to a customer's ability to pay.

Collecting data about customers denied access to a program based upon such criteria would be useful for the AER in the context of monitoring and evaluating hardship programs. EWON agrees with the AER that data indicating a high number of customers denied access, and that significantly varied from other industry practice, could provide a trigger for a closer examination of a particular program.

Summary of proposed “Entry into hardship program” indicators

Q11. What are stakeholders' views on the overall effectiveness of the above four indicators in measuring the entry into hardship programs?

EWON notes that the proposed indicators are:

- Total number of customers currently on the hardship program
- Number of hardship program participants who receive any appropriate government energy concessions
- Number of customers entering the hardship program
- Number of customers denied access to the hardship program.

EWON recognises that broad indicators can be problematic as they can be open to interpretation and that sometimes differences in base numbers do not necessarily mean a failure of a program. Despite this there are clear obligations on retailers to operate an effective hardship program and the AER has clear obligations to monitor and evaluate these programs.

The four proposed indicators will provide a strong baseline. When this data is combined with other information such as broader performance reporting, Ombudsman reports of customer complaints and systemic issues, the AER will be able to monitor performance and allow for closer examination, and if necessary enforcement, by the AER.

Q12. What other indicators, if any, should the AER consider adopting that would also be effective at assessing entry into hardship programs and why?

There are two other areas concerning entry into programs that could be considered as indicators.

The first is an indicator about the information provided to customers concerning the existence and eligibility for entry into a hardship program and the accessibility of this information.

The second is comprehensive staff training, for example the level of training provided to call centre staff about the retailer's hardship program. Both of these issues are considered critical aspects of the Committee of Melbourne guideline (see Attachment One and Question 1 response).

Hardship program participation and assistance

5. Average debt upon entry into the hardship program

Q13. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q14. What are stakeholders' views on how 'debt' should be defined and on the timing issues raised in relation to this indicator?

EWON acknowledges that this indicator has the potential for some misinterpretation, however we believe the benefits of tracking average debts on entry into programs will outweigh the disadvantages. While there may be significant differences in customer debt levels between retailers, which reflect different approaches and customer circumstance, what is important is that this indicator will provide the AER with a trigger to examine a program more closely if customers consistently have large debts upon entry to the hardship program. EWON strongly supports the intent of the proposed Retail Law that retailers have in place processes for early response to customers with payment difficulties, before debt levels become large and unmanageable.

EWON suggests that the debt being reported should be the arrears plus current consumption owed upon entry to the hardship program and not just, as the AER suggests, debt amounts older than 90 days. The total amount owed is the 'debt' amount that retailers and customers consider when developing tailored payment plans and is the amount which the customer has to pay the retailer.

EWON believes that the timing of this reporting should be consistent with the other indicators.

6. Average debt upon exit from a hardship program

Q15. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q16. What are stakeholders' views on the alternative approach considered, i.e. where retailers would report, for those customers exiting the hardship program, both the average level of debt when they entered the hardship program and what it was upon exiting the program? Please set out any reasons why you would or would not support the inclusion of this indicator and any practical issues that may arise in collecting and reporting this data.

The aim of this indicator is to see over time the effectiveness of the programs in reducing customer debt. Either of the proposed approaches could pose problems if the data is considered without reference to other information and at a particular point in time. EWON notes that customer behaviour is a critical component in this data set and any single reporting period will not provide useful information. The real value of this data is in identifying patterns over time or where an extreme result could alert the AER to the need for further investigation.

The proposed alternative approach may have benefits for ease of reporting and if so then EWON would support it. The key issue for both this and the previous indicator is that information over time will be available, including data on debt levels and the effect of hardship programs in reducing such debt.

Average length of participation in hardship programs

Q17. What are stakeholder views on whether this indicator should be included as part of the National Hardship Indicators? Please set out any additional benefits that would arise from collecting this data, in particular what this indicator would tell us and why it is an important measure to collect.

EWON believes that there is value in having this indicator. As noted elsewhere, we acknowledge that differently designed and run programs will provide different results, and customers' individual circumstances may effect how long they need to participate in a program. However the indicator allows the opportunity to look at longer term trends over time and monitor any anomalies which will provide value to the AER.

7. Total number of customers exiting the hardship program and the number of customers excluded from the hardship program for noncompliance with program requirements

Q 18. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

EWON considers that this is a very important indicator and we agree with the AER that this will assist to determine the proportion of hardship program participants who are successfully leaving the hardship program at a point when they are managing their account.

Noncompliance can stem from either customer behaviour or program rigidity. It would be useful to attempt to define noncompliance to measure this difference. For example, a customer could be excluded from a program because they do not respond to calls or letters from the retailer. However a customer could also be excluded for noncompliance for failure to meet requirements such as missing or being late with one payment (as opposed to making no payment at all).

8. Number of customers who were disconnected during the reporting period and who have been on a hardship program in the previous 24 months

Q19. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not.

Q20. What are stakeholders' views on the potential limitations of this indicator and the timing issues raised?

EWON queries the value of collecting data over such an extended period following a customer's participation in a hardship program. Unrelated events can occur in the customer's circumstances over such a long period that may have no bearing on their participation in the hardship program. It would also be nearly impossible to track the data on customers who have churned to another retailer during this period.

EWON would support an indicator over a much shorter time frame, such as 4 weeks. Given that many programs would formally remove a customer from a program immediately prior to beginning disconnection this could be defined as 'disconnected while in a program or within 4 weeks of membership of a program'.

It has been EWON's experience that some retailers would move straight to disconnection for hardship customers when they have failed a payment arrangement. Such retailers consider that the necessary disconnection requirements (such as a warning notice) carry on from a customer's experience in the time immediately prior to engaging with the program.

9. Number of customers who, during the reporting period, were reconnected within seven days of being disconnected and who have been on the hardship program in the previous 24 months

Q21. Do stakeholders support the inclusion of this indicator? Please set out your reasons why / why not. The AER is particularly interested in stakeholders' views on the benefits of collecting this data and what the trends in this indicator would tell us about retailer performance.

EWON supports the inclusion of this indicator. A key principle of hardship programs is to assist customers better manage their energy bills on an ongoing basis, and avoid disconnection of their essential services.

Summary of proposed "Hardship program participation and assistance" indicators

Q22. What are stakeholders' views on the effectiveness of the above five indicators in measuring hardship program participation and assistance?

Q23. What other indicators, if any, should the AER consider adopting that would be more effective at assessing hardship program participation and assistance?

Q24. What are stakeholders' views on the overall scope of the proposed set of National Hardship Indicators as a whole and whether they will, as far as possible, assess the impact of retailers' hardship policies?

Overall, EWON supports the AER's proposed indicators of hardship program participation and assistance. Please refer to our previous comments concerning each indicator.

Q25. What other information or indicators from other jurisdictions or industries could the AER draw on or consider when developing the National Hardship Indicators?

EWON strongly endorses the AER's point in the Issues Paper that retailers need some flexibility in developing their hardship programs to ensure that the assistance they offer to customers will best meet the customer's individual needs. The proposed indicators will allow this flexibility, however they will also provide the framework for monitoring the effectiveness of the programs, continuous improvement and potential to highlight best industry practice.

In any consideration of hardship programs and payment plans the central focus of discussion is the vexed question of the balance between affordable payment arrangements and the ongoing cost of consumption. Once a consumer has arrears and payment difficulties there is the potential for their debt to spiral to unmanageable levels.

The issue of addressing consumption and energy efficiency as part of a comprehensive hardship program is described as essential in the Committee of Melbourne Guideline (Attachment one). Perhaps the AER could discuss this issue with retailer hardship programs to see if a relevant indicator can be found.

As well, given the importance of qualitative information in fully understanding the effectiveness of hardship programs, the AER's data collection process should also include a provision for an explanatory narrative provided by retailers to highlight aspects of particular approaches which may or may not shine a light on particular data outcomes. Such a qualitative narrative could provide information on the philosophy and structure of a particular program which places the data of the indicators in a broader context.

7 Reporting requirements

Q26. What are stakeholders' views on the proposed reporting requirements?

Q27. What concerns, if any, do stakeholders have regarding the ability to report data against the proposed indicators, and any costs associated with the reporting requirements?

EWON supports monthly collecting of information and quarterly reporting as well as consistency of reporting across all measures. We also agree that reporting data on a state by state basis is preferable to reporting on a national basis. A breakdown by states will provide more detailed and meaningful data, and allow the AER and stakeholders to track trends and issues over time. As noted earlier, states may have some differing arrangements, climates and customer bases, as well, the state based Government assistance measures can vary and the Ombudsman schemes remain state based.

The consumer experience of retailer's hardship policies

Q28. What are stakeholders' views on the benefits and usefulness (or otherwise) of seeking case studies or examples of good practice from retailers which highlight the consumer experience of participating in retailers' hardship programs?

EWON has hosted and participated in forums in NSW where retailer hardship programs are discussed and best practice approaches are shared. We can see positive benefits in the AER highlighting best practice, customer experience and case studies.

AER's Performance Reporting Procedures and Guidelines

EWON notes the AER's indications that these guidelines will be dealt with in the context of a wider set of performance indicators. For the purposes of reporting on energy affordability and importantly to be able to properly draw conclusions from the hardship program indicators, EWON looks forward to discussing these wider indicators with the AER and other stakeholders. In addition to the hardship program indicators, we support comprehensive reporting of the number of customers receiving energy rebates, the total number of customers on payment arrangements and the number of customers on Centrepay arrangements. These and other indicators will play a role in evaluating a retailer's hardship program.

Supporting Utility Customers
Experiencing Financial Hardship

Guiding Principles

Committee for Melbourne
Debt Spiral Prevention Project

Version 1: June 2006

Introduction

This document is a guideline for energy and water retail businesses on how to better assist customers presenting with a need for support in managing debt and ongoing consumption costs for their use of energy and water. It forms the output of the second stage of the Committee for Melbourne's Utility Debt Spiral Project.

Customers in financial hardship represent a customer group that can often be difficult to assist or manage. Customers generally need to contact retail businesses in the first instance to advise of a difficulty in paying their bills and then they need to be frank about their capacity to manage payment arrangements. Given the deeply personal nature of financial hardship, this is often a challenging proposition, and requires sensitivity on the part of the retail business. If the approach of the retail business is insensitive to customer's circumstances, customers can then be driven 'underground', where no further engagement occurs. This can lead to a 'debt spiral' situation.

While there is no guaranteed way to target and assist all customers in hardship, retail businesses that adhere to the principles within this guideline should improve their chances of engaging with those who require support, and to provide better targeted support. This will increase the opportunity for customers in financial hardship to move back into the customer payment mainstream.

The guideline has been developed by a range of specialists in the energy, water and social welfare sectors, specifically representatives from energy and water retailers, social advocacy organisations, the Essential Services Commission and the Energy and Water Ombudsman (Victoria).¹ As such, it reflects the insight and experience of a wide range of organisations, policymakers and practitioners. Many of the principles are already used by Victorian energy and water businesses.

¹ See **Appendix A** for a full list of representatives. Several of the participants can also be contacted directly to provide further information about the guideline and how their organisations have interpreted the principles within their own sphere of reference.

This guideline does not constitute regulation, but reflects good business practice, where sustainable and appropriate payment solutions have been mutually agreed by customer and retailer. It is one element of the larger energy assistance and regulatory environment, and does not in any way detract from the requirements of legislation or the obligations the Energy Retail Code places upon customers and retailers.

The principles contained here are high level, and thus allow for a range of implementation options. The guideline is a living document, and will be updated and reviewed regularly, with a view to keeping abreast of developments and innovations in the sector.

Establishment of policy

Energy and water retail businesses ('retailers') should develop hardship policies within the organisation that uphold the following principles:

- To assist customers experiencing financial hardship to manage their payments for the supply of energy or water so as to ensure they remain connected to supply.
- To create an informative, respectful and engaging environment where customers requiring support can identify themselves to retailers.
- To utilise relevant industry and community expertise with respect to hardship.

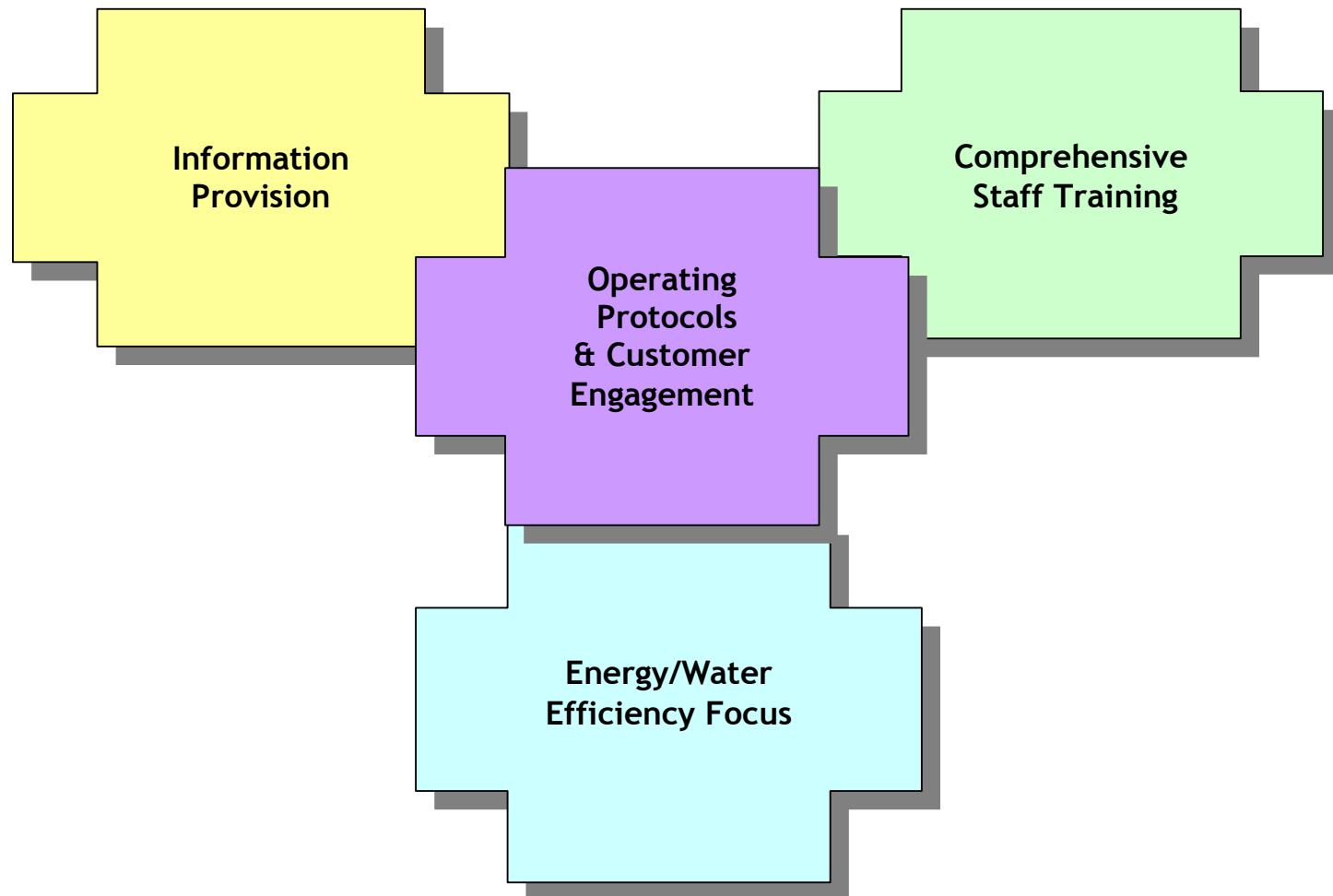
An effective hardship policy requires a commitment from senior management, and a 'whole of business' approach that drives the policy to all relevant parts of the organisation. Further, it is suggested that a Specialist Team should be created to implement the operating protocols.

There are four main components to an optimal hardship policy, as shown in Figure 1 on the following page. These components are:

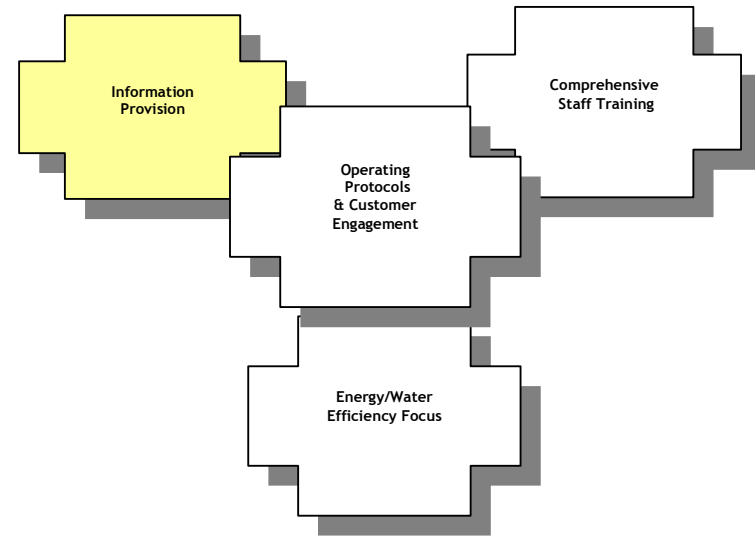
- **Information provision:** where information about the retailer's hardship policy should be transparent and accessible to customers and their representatives.
- **Operating protocols and customer engagement:** which comprise the core element of the policy and reflect how utility staff - in particular the Specialist Team - interact with customers and provide targeted assistance within a respectful environment.
- **Comprehensive staff training:** where all staff in direct customer contact are well versed in the company's policy and are able to sensitively engage with customers according to the operating protocols.
- **An energy/water efficiency focus:** where retailers understand the importance of assisting customers in hardship to manage their consumption (a key contributor to cost), through the provision of energy and water efficiency advice where this is relevant.

Each of these policy components are discussed on the following pages. To reflect the importance of utilising the relevant industry and community expertise in the area, each component is also split into (a) retailers' internal processes, and (b) engagement with external stakeholders.

Figure 1: Hardship assistance operating model

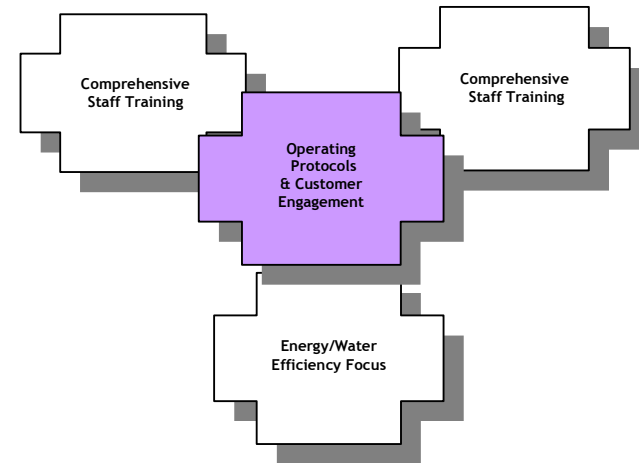


Information Provision: Transparency and Accessibility



Retailer's internal processes	Retailer's engagement with external stakeholders
- Policy should be communicated and understood across all appropriate organisational streams, with ongoing and regular information cascading for policy enhancements/modifications. Special consideration should be given to engagement of third parties, such as contractors who perform disconnection related activities. - Policy principles should be included as key aspect of induction process for all staff. - Policy operations should be an integral aspect of induction and on-going training for all customer 'facing' staff.	Overall willingness to provide appropriate policy information should be readily apparent. - Policy should be readily available to customers on request. - Policy should be accessible via the retailer's website in languages appropriate to product coverage. - Policy should be pro-actively communicated to the appropriate social advocacy organisations and financial counsellors. - Policy should be pro-actively communicated to other appropriate organisations (EWOV, ESC et al). - Availability of assistance through Policy should be communicated via bills and all follow-up notices. - Consideration of an ongoing commitment to communication of policy development and solutions available to customers through: - Information roadshows - Workshops - Stakeholders' meetings

Operating Protocols: Respect and Engagement

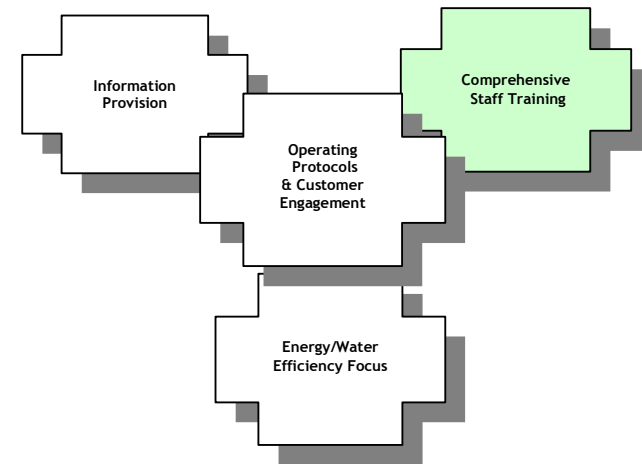


Retailer's internal processes	Retailer's engagement with external stakeholders
- Customer 'facing' staff should be provided guidance with respect to their language and tone. For example, the provision of a list of possible indicators of financial hardship may help staff to better understand the customer's particular circumstances. - Customers requiring payment support often need to be referred between business units and specifically to a Specialist Team. An effective and respectful referral process between business units should exist, with the appropriate resources to deliver this. - Expect to have several contacts to achieve full engagement with some customers, with the appropriate processes and resources to support this expectation. Agreed arrangements with customers should also be regularly reviewed to ensure they remain appropriate through potentially changing and challenging circumstances. - See Appendix B for the full range of options available to provide support. Consideration should also be given to payment options that incentivise customers to engage with retailers in managing their debts and ongoing consumption. - The Specialist Team should have the capability to manage the vast majority of customer circumstances and monitor customers through the term of the Hardship Programme without engagement of third parties. - The Specialist Team requires empowerment to provide adequate support and solutions to customers. This means providing appropriate authorisation to negotiate and agree an outcome with customers. - Consideration should be given to the development of more relevant Key Performance Indicators for the Specialist Team which may result in movement away from traditional measurement sets, such as Call Handling Time.	- Effective contact points within the business should be provided to community groups and financial counselling organisations to minimise customer anxiety and allow for a speedy resolution to be achieved. - Retailers should respect financial counsellors' counsel/advice through capacity to pay assessments. - Retailers should engage with Social Advocacy Organisations to aid the facilitation/development of their own hardship programmes. - Retailers should consider looking to other utilities' experiences with hardship programmes, and engage with other businesses as appropriate. - Provision of information regarding Alternative Dispute Resolution Schemes to be readily available, although internal escalation process should always be explored initially. Information flow between parties should be effective with provision/suggestion of solutions a priority. - Retailers should consider inviting feedback from customer's experiences, to inform and assist with the development of their own hardship programmes.

Principles of Effective Customer Engagement

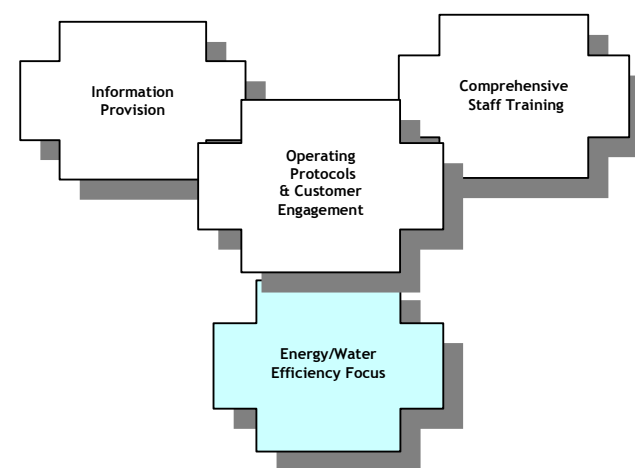
- Proactive and empathetic communication is required when dealing with customers experiencing ongoing or temporary payment difficulties.
- Retailers should encourage the customer to respond frankly and openly by demonstrating a clear desire to listen and come to a mutually agreeable outcome.
- Making subjective judgements about a customer's circumstances is inappropriate. A retailer should endeavour to accept in good faith a customer's word.
- A customer's payment history should be reviewed when agreeing payment amounts and terms of payment. If a customer was unable to fulfil a previous agreement, alternatives should be investigated within the scope of the customer's capacity to pay and energy consumption levels, including the applicability of the support options in **Appendix B**.
- The payment method agreed should conform to a customer's established bill-paying preferences or provide a more appropriate solution.
- A customer who has successfully been supported through the hardship programme and achieved a sustainable position regarding their energy/water usage will subsequently move off the programme and be returned to mainstream collection activity. The customer's achievement should be acknowledged and the movement from the programme, including future payment responsibilities, should be clearly communicated.

Comprehensive Staff Training: Extensive and Ongoing



Retailer's internal processes	Retailer's engagement with external stakeholders
• Commitment to the training programme should be clearly communicated from senior management to reinforce the 'whole of business' approach. • Training should occur on induction and also be provided through regular and scheduled refresher sessions. • Training should be regularly reviewed, evaluated and redesigned to stay relevant and current. • Training should be most comprehensive with key customer areas of the business, such as call centres and credit departments. More general training can be radiated out through all aspects of the business, including technical areas. • For areas of the business where less comprehensive training is required, ensure back up policies and procedures to foster respect and empathy for customers requiring support.	• Training should be developed and undertaken in partnership with key community agencies. • Training should respond to current customer/customer groups' needs. • Training should include broader social aspects, including discussion of the key cultural and social issues for significant customer groups. • Ensure training is cascaded to contractors in relevant customer areas.

Energy and Water Efficiency Focus



Retailer's internal processes	Retailer's engagement with external stakeholders
• Energy and water efficiency advice should be included in policy documents and incorporated into policy procedures and staff training. • Customers should be encouraged to make use of energy and water efficiency advice as a benefit to them. As a rule, the option of taking up advice should not be presented as a retailer forming judgement about inefficient consumption. • Consideration of information packs for those entering the hardship programme with information/ideas provided through such media as Magnets or Brochures. • Consideration of self-funded schemes to assist in management of exceptional customer circumstances, such as No Interest Loan Schemes and Energy Audits.	• External agencies to consider provision of energy/water efficiency advice, such as EWQV fact Sheet. • Consider making use of government/private funded assistance schemes, such as Smarthomes, Utility Relief Grants and No Interest Loan Schemes. See Appendix B for the list of options and schemes available.

Appendix A: List of representatives to Debt Spiral and contact details for relevant parties

Appendix B: List of support options available

Appendix A

The participants involved in developing this document are from the original project steering group overseeing and contributing to the Utility Debt Spiral Report. After the launch of the Report a partnership group was established with the following objectives:

- To continue to improve the energy and water businesses service delivery and design to assist customers identified as financial hardship cases.
- To provide a learning and information sharing opportunity for the participating industry, government and community sector representatives.

The following organisations were involved in the discussions of the guidelines presented in this document:

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Participants of the broader Utility Debt Spiral Project also include the City of Melbourne, Powercor, Citipower, Financial and Consumer Rights Council, Farrier Swier Consulting, The Allen Consulting group, Allens Arthur Robinson and Waterfield consulting.

Appendix B

Current government and community sector programs that are designed to assist low income and vulnerable energy and water customers in Victoria. This is an abridged (and updated) version of the programs discussed in Part D of The Utility Debt Spiral Report.

Department of Human Services: Government concessions*

Winter Energy Concession: provides a discount of 17.5 per cent off two mains electricity bills and three mains gas bills issued between mid-May and mid-November each year.
Non-Mains Winter Energy Concession: provides a rebate of \$79.00 for (1) people who use \$120.00 or more of liquefied petroleum gas, (2) electricity users who are individually metered but pay a caravan park owner or accommodation owner for their electricity and (3) people who use an alternative fuel such as diesel, petrol or heating oil as their main domestic energy source.
Service to Property Charge Electricity Concession: if the cost of the electricity used is less than the service to property charge, the service to property charge is reduced to the same price as the electricity usage cost.
Electricity Transfer Fee Waiver Concession: provides a waiver of the connection fee charge on change in occupancy in existing premises.
Off-peak Electricity Concession: provides a 13 per cent reduction on off-peak tariff rates.
Multiple Sclerosis Electricity Concession: provides a discount of 17.5 per cent on the final quarterly summer electricity bill for households where a household member has Multiple Sclerosis or a condition with similar symptoms.
Life Support Machines: provides a concession on the cost of the electricity or water associated with the operation of certain life support machines.
Carted and Non-Mains Water Rebate: provides a flat annual rebate for those who spend at least \$120 each financial year on buying non-mains water, tank water and cartage costs.
Sewerage Concession: provides 50 per cent off sewerage service and sewage disposal charges or sewage disposal charges, up to a maximum of \$150 each year.

Department of Human Services: Government hardship assistance*

The Utility Relief Grants Scheme (URGS): provides once off assistance to eligible customers who are experiencing a temporary financial crisis and who are at risk of disconnection or restriction of their electricity, gas and/or water supply. Applicants must demonstrate one of the following three criteria: a substantial increase in consumption that has resulted in high utility bills, unexpected expenses on essential items or a decrease in their income. A Non-Mains Utility Relief Grant Scheme is available for customers who use bottled gas and/or catered water for domestic purposes.
The Capital Grants Scheme: provides once-off assistance to people in an emergency situation by repairing or replacing essential water, gas or electrical

appliances (including water pipes) for households who otherwise could not afford to do so, due to financial hardship. In addition to the criteria applied by the URGS, the applicant must show that faulty or defective appliances have caused very high bills, and/or that an emergency situation exists.
Hardship Relief Grants for Sewerage Connection: provides assistance to customers who are experiencing financial hardship with a once-off grant towards the cost of connecting to a compulsory water and sewerage connection scheme.
The Smart Homes Program: provides assistance to concession households in financial hardship with the replacement costs of inefficient or defective fixtures that are causing high water bills.

Victorian Government Rebates**

Gas Heater Rebate: provides assistance to households that have had access to natural gas for some time (prior to 1 April 2004), make the switch to natural gas heating, and assist households without access to natural gas, switch to LPG heating. The Rebate is available to customers who fall within the SP AusNet (previously known as TXU) or Powercor electricity distribution areas , and electricity, wood, oil or LPG are their only sources of heating. The Rebate amount is staggered, with higher rebates available to Concession Card holders.
Gas Hot Water Rebate: assists consumers in rural, regional and outer suburban areas, choose a more sustainable form of hot water heating. The Rebate is available to customers who fall within the SP AusNet or Powercor electricity distribution areas, and receive a Network Tariff Rebate. The rebate amount is \$700 for eligible concession card holders.

Community sector programs

Emergency Relief Emergency Relief is financial assistance provided by community sector organisations to persons in financial hardship. Relief assistance is paid to cover various goods and services of immediate need, including utility bills.
Energy Task Force Offers free home energy audits and retrofits to low income households to improve home comfort and reduce energy bills. Simple energy improvement measures are undertaken, including insulating ceilings, installing window coverings and sealing gaps around windows and doors. Areas containing high proportions of low income households are targeted. These areas are typically, but not exclusively, communities designated as Neighbourhood Renewal areas. Public and private housing tenants and owner occupiers with a health care card can participate.

* Concessions and hardship assistance are available to concession cardholders with a Pensioner Concession Card, a Health Care Card (except Child Disability and Foster Care cards) or a Veterans' Affairs Gold Card (except Dependant). A concession can only be claimed if the energy account is in the name of the concession cardholder. For more information, see www.dhs.vic.gov.au/concessions

** For more information on government rebates, see www.seav.sustainability.vic.gov.au/index_seav.asp