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We welcome the opportunity to provide this input.

VCOSS Submission to the Australian Energy Regulator's Review of payment difficulty protections in the NECF

The Victorian Council of Social Service (VCOSS) strongly supports strengthening protections for consumers experiencing payment difficulty in the National Energy Customer Framework (NECF), modelled on the Victorian Payment Difficulty Framework (PDF), and benefiting from insights from the operation of that framework.

This submission lays out the Victorian community sector's experience supporting consumers in energy hardship under the PDF, administered by the Victorian Essential Services Commission (ESC). We note that payment difficulty protections under the NECF will not apply in Victoria, however, we feel that insights on the strengths and weaknesses of the Victorian PDF are relevant to the development of a national framework.

VCOSS member organisation Financial Counsellors Victoria (FCVic), the peak body and professional association for financial counsellors in Victoria, is also making a submission to this review. Victorian financial counsellors have first-hand experience of the PDF in operation, as such, VCOSS would like to express support for the recommendations made by FcVic.

Several factors, including market failure, have pushed energy prices sky-high over several years. Energy is an essential service, one that people cannot live without and cannot safely discontinue using even if they are unable to pay for continued use and will end up accruing significant debt. Inadequate consumer protections allow energy retailers to treat consumers experiencing hardship unfairly, exacerbating their situation. As such, strong regulatory mechanisms to mandate assistance for consumers in hardship are essential.

To date, the Victorian PDF has been successful in significantly lowering the rate of disconnections for non-payment and has worked to improve the quality of assistance that

customers receive when experiencing payment difficulty. VCOSS strongly supports the continued operation and refinement of the Victorian PDF, and the application of similar measures in other jurisdictions.

However, work remains to be done to improve both the PDF and energy retailers' application of it. If additional measures, drawn from the Victorian experience, are included in the AER's new payment difficulty protections in the NECF, energy consumers will see significant positive outcomes.

VCOSS is consistently told by member organisations who provide services to people struggling with their energy bills in Victoria that:

- Retailer support is inconsistent due to the training and culture at energy retailer hardship departments and call centres. Often it depends on a person's retailer, and who they get on the phone when they call, whether they receive good, empathetic support, or are forced into unaffordable payment plans without discussion.
- Energy retailers are not consistently checking that customers who are experiencing payment difficulty are on the most affordable offer available, or if they are receiving concessions they are eligible for. Checking these things first when someone is in hardship should be built into retailers' mandatory obligations.
- Retailers at times display ignorance or indifference of the unique challenges that some customers are facing, including victim-survivors of family violence.
- At times, "tailored assistance" to customers amounts to being urged to take a payment plan, even if that customer would be eligible for a Utility Relief Grant, or other support that would improve their long-term ability to pay their bills.
- Victorian energy retailers have been observed using disconnection warning messages as a negotiating tactic to push customers to accept unaffordable payment plans.
- Often even with support, customers end up accruing unmanageable amounts of debt, either due to the continuing high cost of energy, the inadequacy of the support they receive, or because they fall through the gaps in eligibility for concessions. One frontline support worker articulated this to VCOSS as "debt breeds debt."

Payment difficulty support should be guided by the principle that people in hardship want to pay but are unable to do so due to structural barriers, competing cost pressures, and other factors outside of their control.

As such, support should be based in empathy, come with no judgement, and provide options other than just payment plans. For example, debt waivers, matched payments, and in-home solutions such as retailer-provided energy upgrades to address the structural drivers of high energy use in poor-quality dwellings.

Ultimately, it is in retailers' best interests to support customers' long-term capacity to pay, rather than allow customers to accrue crippling debt that is unlikely to be recovered.

Recommendations:

1. The AER should implement a payment difficulty protections framework in the NECF, modelled on the Victorian Payment Difficulty Framework.
2. Disconnection for non-payment should be a measure of absolute last resort, only available to retailers after it is clearly established that all other potential solutions have been attempted.
3. Retailers engaging in wrongful disconnections should be appropriately penalised.
4. Energy retailers should be required to proactively offer support to customers they identify as likely or at-risk of being in hardship.
5. Checking if a customer is on the most affordable offer and receiving any concessions, grants, or rebates they are eligible for must be mandated as retailers' first action when in contact with a customer in hardship.
6. Payment assistance provided by retailers under the framework should encompass solutions other than just payment plans. For example, payment matching, debt waivers, and household energy upgrades provided by the retailer.
7. Retailers should be required to provide a minimum standard of training for call centre and hardship department staff that fosters a culture of empathy and non-judgemental support for their customers.
8. Retailers should be prohibited from using disconnection notices as a negotiation tactic to pressure customers to accept unaffordable payment plans.