POWERSHOP
A better power company

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Draft Consumer Vulnerability Strategy

Powershop Australia Pty Ltd (**Powershop**) thanks the Australian Energy Regulator (**AER**) for the opportunity to provide comments in response to the AER's Draft Consumer Vulnerability Strategy consultation paper (the **Paper**).

Background on Powershop

Powershop is an innovative retailer committed to providing lower prices for customers and recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Powershop has introduced numerous new, innovative, and customer-centric initiatives into the market.

Statement

Powershop supports the AER's Paper, particularly breaking down the barriers to essential services for those who are vulnerable. This issue has always remained difficult to resolve, including through various regulatory changes. Powershop supports policies and actions that assist in reducing consumer vulnerability. However, we do caution against over regulation or trying to resolve vulnerability through a set of rules given the highly varied nature of vulnerability. Additional regulation without a review of the efficacy of the current rules around hardship could lead to unintended consequences for consumers and retailers alike.

Powershop believes continued consultation with regulated entities such as retailers will improve understanding and allow a more complete view of the various interactions that vulnerable customers face. Through such consultation the AER could then use these understandings of vulnerable customers to decide on an effective consumer vulnerability definition. Such consultation also assists communication, concerns about any digital divide or gaps as well as information awareness.

Powershop has responded to a number of questions raised by the Paper below.

1. **Recognising that some consumers would not identify with or respond positively to the use of the term 'vulnerability', do stakeholders have insights about consumer preferences for the type of wording or language the AER could use?**

Powershop supports of a review of the terms 'hardship' and 'vulnerable', however we believe this should be driven by the community sector. One reference Powershop have started using internally is "energy well-being", believing that it has a more positive tone.

2. **Do you have research to share with the AER to help inform our understanding of vulnerability amongst your customers, clients or constituencies? We also welcome de-identified case studies and referrals to publicly available data points.**

Powershop would be happy to provide the AER case studies for further discussion with their team post submission. Powershop believes it is important to outline and discuss the important context to each vulnerability case study presented.

3. Should some or all of the proposed actions be implemented? Should some be prioritised over others?

Action 1: Develop a toolkit including a non-exhaustive list of indicators that energy businesses should consider and use to activate early conversations with consumers

Powershop supports this action in theory. However, each vulnerable customer provides a retailer with their own unique scenario and consequently, identifiers. Developing a toolkit will assist retailers, industry and key stakeholders alike with a solid foundation for assisting customers. However, Powershop will not support a toolkit becoming enforceable regulatory requirements. As the question asks correctly, the word 'consider' is the key to ensure the right indicators and toolkit is utilised.

Ideally, retailers and consumer groups work together on an evolving toolkit which highlights positive ways to activate conversations with customers, with specific metrics, covered further under questions 8 and 9, to track the success of these and improve those interactions.

Action 2: Promote improved Retailer Report Cards

Powershop see no benefit in altering or changing Retailer Report Cards. The AER would need to ensure that they can apply subjective judgements on a consistent level across all retailers. The quality assessments proposed in the Paper presume that the quality of service will be set for a prolonged period of time.

The key attribute of this strategy and what it should be encouraging is the continued improvement of toolkits and behaviours from all stakeholders, not just retailers and evolving better practices as we advise under Action 1.

Powershop does not believe changing Retailer Report Cards to accommodate vulnerability is where our collective resources should be prioritised, especially when we already have a regulated hardship program in place that appropriately measures retailers and their ability to assist customers.

Action 3: Consider the need for a payment difficulty framework for the National Energy Consumer Framework

Powershop does not believe that currently there is decisive evidence available that would conclude that the payment difficulty framework (**PDF**) as it applies in Victoria has been successful. Crucially, the AER framework and the Victorian PDF are vastly different in nature, our view is they do not significantly change how customers speak or think about their debts, nor will they reduce consumer vulnerability in isolation.

What should be prioritised is the retail how and where you engage with a customer, something that is unique to each specific retailer, not a set of regulatory rules. Powershop believes Action Point 1 is the best starting point, working in a non-prescriptive way to analyse what works and what does not work. Regulatory change (without evidence of success) is not the appropriate starting point or default for a consumer vulnerability strategy.

Taking this action means the AER with industry can still analyse the AER framework as well as the PDF for example, learn what works and potentially use elements of the PDF. From this point, this becomes an opportunity to work together on a potentially better framework than the PDF (as opposed to just inserting the wrong framework into a different framework, hoping it works).

Action 4: Encourage improved engagement to promote disconnection truly as last resort, including reviewing the consumer debt threshold for disconnection

The first part of this action, disconnection truly as a last resort, can be inserted into the process we describe under Action point 1. Reviewing the consumer debt threshold for disconnection without any evidence that this would be successful, would likely lead to worse outcomes, not better outcomes. Together with our case studies in response to Question 2 above, Powershop can provide the AER with evidence of engagement rates at different points in the disconnection process. The evidence confirms a declining rate of engagement after our initial reminder notice until the last steps of our disconnection

process and specifically, Powershop going beyond the pointy end of the process to assist with our best endeavour obligations.

Powershop would prefer this not to be the result and as per Action item 1, we would like to be able to effectively engage prior to disconnection. However, changing (increasing) the disconnection amount before learning and agreeing on a way to effectively engage, Powershop fear an increase in customer debt prior to "disconnection as a last resort" rather than promote engagement. This is not the ideal outcome and could adversely place more people into a vulnerable position.

Powershop reiterates reviewing positive aspects of the current regulation, before implementing any changes.

Action 5: Introduce vulnerability impact assessments into aspects of our work, e.g. Board papers, and consult on whether vulnerability assessments should be deployed more widely
Powershop would be supportive of impact assessments, under the principle of listening (and changing process 'voluntarily').

Action 6: Consider benefits to consumers experiencing vulnerability when assessing sandboxing or ring-fencing waivers
Powershop would encourage and participate in a trial etc. which spreads the financial burden of customer debt across the supply chain. This would also be another avenue of encouraging trialling new regulation prior to regulatory change.

Action 7: Work with the sector to review regulations and consumer protections to identify opportunities to promote consistency across jurisdictions and reduce cost to serve where possible.
This is covered as above; learn together, then make changes.

4. **Are there barriers to implementing the proposed actions? If so, how could these be overcome?**
Powershop covered these barriers in our above responses to the Actions.

5. **What are the benefits or disadvantages, and risks or opportunities of each of the proposed actions?**
Powershop covered these barriers in our above responses to the Actions.

6. **Are there alternative actions to the proposed actions that you consider the AER should pursue?**
Powershop suggests the AER consult on industry education in a collaborative fashion with retailers and distributors. Powershop sees the challenges vulnerable customers face on a daily basis and have a considerable understanding of vulnerability in practice. A more consistent understanding of vulnerability would benefit vulnerable customers to receive the support they need.

Powershop strongly encourage the AER to consider strategies for improved government and community partnerships. The AER should work with the Federal Government and relevant state governments within the National Energy Customer Framework (NECF) to streamline access to the various concessions available across all states. There are processes that are very cumbersome with multiple parties to deliver lengthy processes using unintuitive forms for consumers who are already vulnerable.

Finally, Powershop encourages the AER to consult further on retailer business innovations and better practices in identifying consumer vulnerability. Powershop encourages this in order to better understand the barriers those stakeholders may also confront to assist consumers in a vulnerable state faster and more effectively.

7. **What are the important steps and outcomes the AER should consider when engaging with stakeholders in implementing this Strategy?**
Powershop reiterates that the AER ensures it listens to all stakeholders. Powershop also encourages the AER not to utilise qualitative or quantitative data in isolation. Different outcomes can be derived from the same data which can lead to poor regulation.

8. **In what ways and for which actions would you like to collaborate with the AER and others? How can the AER support stakeholders to engage with each other?**

Powershop could potentially provide quantitative data, and assist deriving outcomes (e.g. engagement rates after a particular piece of communication). Powershop could also provide qualitative/anecdotal evidence as well as other case study evidence to assist the review. This would then ensure this information is comparable across retailers.

9. **What measures should the AER use to assess the impact of our Strategy?**

Powershop believes some high-level performance reporting metrics could apply:
- customers repaying a debt
- average debt
- disconnections
- hardship indicators

These may be good ways in the interim to measure success, but due to variability (e.g. economic conditions) these would be very difficult to factor in. Powershop consider that there are significant challenges in validating the Strategy and measuring a reduction in the vulnerability of energy consumers.

10. **The AER is interested in understanding whether stakeholders already use a set of indicators to identify customers who may be experiencing vulnerable circumstances. What factors should we consider in developing this toolkit? What else could the AER do to recognise and support industry participants who are providing effective early intervention? If you have insights, an existing list of indicators you would like to share with us, or are interested in being involved in contributing to the development of the toolkit, please reach out to our team.**

Powershop believes if the best action is to devise a list of indicators. These indicators should be devised around listening more than having a laundry list of things a retailer should tick off. The response to this is complicated, but at a starting point there are straight forward indicators (loss of job, change in family circumstance, family violence etc.). However, there are also other items such as complaints (e.g. high bill) and other indicators that may, or may not be vulnerable customer related.

11. **Should the AER's Retailer Report Cards be extended to report on quality-of-service metrics? How would this information best be presented to consumers? What costs and other considerations are relevant?**

Powershop responded to Retailer Report Cards within Action 2 above.

12. **Do stakeholders see merit in implementing a payment difficulty framework for the NECF? What are the risks and opportunities, costs and benefits? What consumer and market outcomes could a NECF payment difficulty framework focus on?**

Powershop has responded to the use of a PDF above.

13. **Do stakeholders support the AER exploring options around improved engagement between energy businesses and consumers at risk of disconnections, such as knocking before disconnection? Are there other alternatives, options or practices that energy businesses are using to provide supports in this area? Do stakeholders support the idea of a further disconnection threshold review at this time?**

Powershop has provided a response per above. However, in isolation of each segment of the question:
- Knock before you disconnect: Powershop participated in the trials and it has not been overly successful. More evidence should be obtained before this is considered a regulatory option.
- Powershop initiatives: Powershop recently implemented a text message the day before disconnection. The message is clear and yields huge engagement. While this may not be the most positive way of engaging customers, we have noticed an increase in engagement that may not have occurred otherwise.
- Review of the disconnection amount: Powershop has responded to this option above.

14. **Are vulnerability impact assessments an approach that other sector participants should incorporate into their decision-making processes? We would like to learn from organisations that currently consider these impacts.**

Powershop has responded to this option above.

16. **Do stakeholders see merit in a broad review to identify regulations and protections that have become redundant or unnecessary over time, as well as opportunities to promote consistency and reduce cost to serve across jurisdictions? Are there regulations that stakeholders consider should be particularly targeted for review due to their cost-to-serve implications? What regulations can be reviewed or removed while still maintaining and improving consumer outcomes?**

Powershop broadly support a review in the identification of regulation and protections that have become redundant or unnecessary over time. While this review could extend to the entire regulatory framework that retailers work within, Powershop would support starting this review with regulation relating to hardship requirements and the disconnection process.

17. **How can the AER and stakeholders best learn from each other, and embed understanding and consideration of vulnerability across our organisations and in our everyday systems?**

Powershop has responded to this question above.

18. **Are there impact-measuring approaches or initiatives already underway that we should draw on? How should the AER share and communicate with our stakeholders about the impact of this Strategy?**

Powershop provided relevant initiatives under the response for Question 6.

Sharing and communicating how impactful the AER's strategy with stakeholders needs to be consistent, transparent and provide the ability for that feedback to receive further advice on the way industry assists customers with vulnerability. As Powershop stated above, this process will always evolve, there will be no right or wrong, just broad messaging that all stakeholders can improve and how they adapt their vulnerability strategy.

Conclusion

Powershop notes the Paper's recognition of external factors impacting a consumer's vulnerability. Powershop agrees those external factors must be considered and understood. Vulnerability is not only an issue for energy as an essential service, but across many sectors.

The attempt to solve vulnerability in the NECF over several years has borne significant costs on all consumers and industry. Any outcomes of this strategy that result in an increase in regulation in the NECF is likely to bear additional costs to retailers and ultimately consumers. Powershop agree that a whole of sector approach to understanding vulnerability and cooperatively developing strategies to encourage customers to engage will likely yield the best results. Powershop are supportive of doing more for vulnerable customers and commends the AER on the Paper to look at the best ways to achieve that across the sector.

If you have any questions in relation to this submission, please do not hesitate to contact me.

Yours sincerely

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