

## Office of the CEO

28 February 2022

Draft Consumer Vulnerability Strategy  
Australian Energy Regulator  
ConsumerPolicy@aer.gov.au

Dear Sir/Madam

### **AER Draft Consumer Vulnerability Strategy: Submission by SA Power Networks (SAPN)**

As South Australia's regulated energy distributor, serving 1.7 million South Australians, SAPN plays a critical role in the well-being of our community and is acutely aware of the need to support its vulnerable members. In partnership with our Community Reference Group (CRG), SAPN has developed and is implementing its *Vulnerable Customer Strategy (VCS)*.

The CRG consists of representatives from a range of community organisations and is a forum for discussion on issues facing groups within the community, particularly vulnerable customers. The Chair of the CRG has membership on SAPN's Customer Advisory Board, to ensure that diversity and the voices of our vulnerable communities are considered and where appropriate, acted on.

In line with SAPN's strategic outcome of "*delivering a safe, affordable and reliable service for all*", the organisation is formally adopting a corporate strategic performance measure of "energy affordability". By adopting this established AER and Ofgem measure, we are demonstrating our commitment to engendering trust with our customers and the community as a key aspect of our long-term strategy.

SAPN welcomed the opportunity to engage in the 2021 workshops which informed the preparation of the draft AER strategy. This submission responds to the proposed AER actions in the context of SAPN's VCS and is endorsed by our Community Reference Group.

#### **1. Development of a toolkit**

The ability for energy businesses to identify and engage with consumers experiencing vulnerability is critically important and is the foundation of any effective vulnerable customer strategy. Under our VCS, SAPN does not consider vulnerability as a label, but as a *situation* in which customers find themselves at a point in time. Factors which result in vulnerability include:

- Cost of bills relative to others (and to income)
- Ability to reduce bills
- Ability to access support
- Impact of unexpected events

To define an actionable strategy, we considered customers facing six diverse circumstances:

1. People experiencing isolation
2. People experiencing financial difficulties
3. Culturally and linguistically diverse people
4. People with health conditions, disabilities and the ageing
5. People relying on life-support systems
6. Small and medium businesses doing it tough

SAPN is currently reviewing this strategy, with particular focus on broadening our understanding of, and ability to engage effectively with, consumers experiencing vulnerability. We acknowledge in particular that circumstances of domestic violence are a critical consideration and commend the AER's focus on this area. We will continue to work to understand and identify vulnerability based on an evolving energy market and societal expectations. In this context, we believe that the AER's "working definition" of consumer vulnerability needs to be continuously assessed.

## **2. Improved Retailer Report Cards**

As a distributor, our VCS is underpinned by strong partnerships with retailers who have a more direct ongoing interaction with our customers. We support any reasonable initiative that empowers our customers through more accessible, understandable and relevant information on which to base decisions about energy consumption.

SAPN has established a community grants funding trial which helps clients of the ConnectEd program – a state-wide utilities literacy program, to improve energy affordability for vulnerable clients. Essentially, the program empowers energy consumers to make informed decisions about their energy consumption.

Again, highlighting the importance of information and education, SAPN's recently established Energy Advisory service works with members of our Community Reference Group to facilitate home visits, through which customers can identify simple solutions to reducing their energy bills.

Improved retailer report cards could be another valuable tool to achieve the outcome of empowering customers through information. It is important for all consumers, and particularly vulnerable consumers, to be able to identify and choose services based on service quality levels. Therefore, SAPN supports the AER working closely with retailers to amend Retailer Report Cards in ways which ultimately benefit vulnerable customers.

Other areas of reporting should potentially be considered, such as whether retailers pass through reductions in network charges to customers. SAPN and other distributors continue to invest in opportunities to increase efficiency and lower costs for customers and the AER could play a stronger role in ensuring retailers pass on those benefits.

As noted in the consultation paper, it is important that the Retailer Report Card initiative is delivered as cost-effectively as possible for retailers and the AER should work closely with retailers to identify costs and other considerations which could ultimately impact the consumer.

## **3. Payment Difficulty Framework**

SAPN strongly supports the AER's objective of strengthening protections for consumers facing payment difficulty. This was the basis of our support for the 2021 review and expansion of South Australia's *Emergency Electricity Payment Scheme*, which included frequency and debt eligibility criteria, to ensure more customers in need were able to access assistance.

SAPN acknowledges that an NECF Payment Difficulty Framework could be an effective way to enhance protections for vulnerable customers and would encourage the AER to work closely with retailers on the opportunities, costs and benefits associated with this potential action.

Although beyond the scope of such a framework, SAPN further suggests that the AER considers how it might support a more *long-term* approach, such that consumers are able to break a cycle of vulnerability.

Affordability is clearly a key issue and opportunity to remove people from recurring vulnerability. SAPN's strategy includes investigation of the merits of a social tariff or other measures for those people in a prolonged vulnerable position and we encourage the AER to consider its position on network social tariffs. However, we acknowledge the concept of a social tariff is not widely supported by all vulnerable customer advocates and representatives and the potential introduction of such a tariff would require further analysis and deep engagement across the industry to ensure unintended consequences are avoided.

A broad regulatory review could potentially consider how energy distributors can legitimately support vulnerable consumers within their pricing structure. However, there is also scope for other initiatives, including improvements to jurisdictional concession schemes. SAPN believes that the critical role of the AER is to review electricity rules and regulations in the context of other policy/regulatory areas of government, rather than in isolation. By looking at areas of government which are addressing vulnerability and inequity, we could potentially improve those systems, rather than adding layers of cost and complexity, and also avoid some unintended consequences.

Broader application of smart meters could allow retailers to provide regular communication about the value of an upcoming bill, giving consumers the opportunity to budget accordingly and/or pre-pay into their account prior to a bill. However, there are also associated risks for vulnerable consumers. While this technology allows access to tariffs which might assist in lowering bills by shifting energy usage, TOU tariffs need to be thought through carefully to avoid negatively impacting affordability for many energy users. Policy and regulatory decisions should carefully consider the data on how tariff changes have impacted customer bills, to ensure equitable outcomes are being achieved.

It is important that the AER actively participates in the regulatory processes governing smart meters and the potential benefits (and risks – discussed below) they can bring in the vulnerable customer landscape.

It should be noted that SAPN is actively exploring opportunities to lower energy costs for consumers within the existing regulatory environment. This includes partnerships with organisations such as Uniting Communities.

We continue to work closely with our Community Reference Group on appropriate mechanisms to achieve electricity affordability.

#### **4. Disconnection as a last resort**

As noted, our ability to directly assist people is greatly enhanced when we partner with other organisations such as retailers, who are the ones who initiate disconnections and who have more direct and frequent contact with people in vulnerable situations.

As noted in the AER's consultation paper, in 2018/2019 SAPN led a trial with three major energy retailers. The trial provided Pre-Disconnection Welfare Field Visits to customers who were considered to be on the pathway towards disconnection. This effort to increase engagement with the customer, usually a week prior to disconnection, resulted in more than 50% of disconnection for non-payment service orders being cancelled, because the customer made contact with the retailer. Following further engagement with retailers about the pre-disconnection service, earlier this month SAPN commenced a similar trial with AGL, which aims to engage the customer even earlier in the disconnection process, and will launch a trial with Origin Energy in late February.

Additionally, SAPN is a #bettertogether collaborator in The Energy Charter - an industry-led, national initiative aimed at addressing customer expectations and experience, with a key principle of supporting vulnerable customers. The Charter is currently facilitating discussions and sharing learnings with distributors across Australia about disconnection processes and trials, and would support a standardised approach for retailers with the inclusion of agreed 'best practice' outcomes for customers.

SAPN strongly supports the AER exploring options for improved engagement between energy businesses and consumers at risk of disconnection. More specifically, we believe that these types of initiatives should be *driven* by retailers, with distributors playing a *support* role, potentially as a remunerated service to retailers. It is understood that some jurisdictions are now including this service as part of their regulatory reset proposal.

SAPN would be pleased to support this proposed action by sharing information associated with our trials, as well as participating in any associated consultations, and we will continue to engage with stakeholders on this potential service offering as we develop our 2025-30 Regulatory Proposal.

With smart meters specifically discussed above, it is also important that the AER notes the associated increased risk for vulnerable consumers with regard to remote disconnection. As this technology continues to be deployed at scale, it becomes increasingly important for retailers to comply with non-payment obligations and take a far more active role in such pre-disconnection initiatives as those noted above.

## 5. Vulnerability impact assessments embedded in the AER

Building a vulnerability-aware culture drives SAPN's own *Vulnerable Customer Strategy*. This culture underpins our customer interactions. The key principles are:

- We do not assume to know a customer's needs based on limited information. Each person is unique
- We will listen and try to understand the lived experience and how SAPN can assist
- We will be tuned in to recognising vulnerability in our dealings with customers
- We will normalise conversations about vulnerability

SAPN's upcoming regulatory reset engagement will be delivered in a way which aims to be understandable for all customers. One of these themes is "affordable and equitable energy", which includes "equity and vulnerable customers". In this way, vulnerability impact will be a key consideration of our reset submission for the 2025-30 period.

Given the AER's influence on the operation of Australia's energy market, and therefore the way in which that market can impact a consumer, it is reasonable that a formal system for considering vulnerability impact should be part of the AER's operation.

## 6. Sandboxing and Ringfencing Waivers

SAPN supports changes which deliver better outcomes for its customers. As the energy sector quickly evolves, there will be a range of market opportunities which could present positive and negative outcomes for vulnerable consumers. The AER should certainly consider the benefits to more vulnerable consumers when assessing sandboxing or ring-fencing waivers.

In considering these specific benefits, it is integral that technical and safety considerations are not compromised. We strongly encourage the AER to maintain close consultation with SAPN in assessing waivers which will have an impact on our network and our services.

## 7. Promoting consistency and reducing cost to serve

SAPN generally supports the AER's Strategic Plan objective of simplifying the retail market regulatory framework to reduce cost to serve. This should consider the promotion of regulatory and consumer protection consistency across jurisdictions.

Regarding consumer protections, SAPN is specifically concerned that changes to consumer protections with regards to life support customers have been introduced in a way which could compromise the safety and wellbeing of consumers with genuine need.

SAPN's commitment to its Life Support Customers is very important to our organisation. Changes in regulation has seen this customer base grow from 2,725 in 2016 to over 18,000 at the end of 2021. The major challenge for energy distributors is ensuring that they can support those who present genuine need. SAPN, whilst also being a signatory, is currently working with the Energy Charter in engaging with other industry participants to review the current Life Support Customer rules existing in the NERR.

Through this process, we hope to arrive at a more meaningful and practical nation-wide approach for the support of Life Support customers. In its efforts to promote consistency across jurisdictions, this is a particular area where the AER could potentially provide support.

Thorough consultation will be the key to identifying and realising opportunities to regulate and protect consumers effectively and efficiently. Ultimately, we work for our customers and where appropriate can amplify their voice. It is therefore critical that the AER continues to genuinely consult with distributors regarding policies, regulation and rule changes.

As the electricity distributor to South Australian homes and businesses, SAPN is committed to delivering safe, reliable and affordable distribution services to our customers. Through this work, we aim to contribute to positive social, environmental and economic outcomes for the South Australian community.

We value the opportunity to make a submission to the *AER's Draft Consumer Vulnerability Strategy* and are encouraged by the AER's strong focus on social policy to underpin its regulatory work. Should you wish to discuss this submission, please contact SAPN's Policy and Advocacy Manager, Cecilia Schutz at [cecilia.schutz@sapowernetworks.com.au](mailto:cecilia.schutz@sapowernetworks.com.au) or on 0433 606 473.

Yours sincerely



Rob Stobbe  
**Chief Executive Officer**