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Australian Energy Regulator - Markets Branch
GPO Box 520
Melbourne VIC 3001

Dear Sir/Madam

RE: Australian Energy Regulator's Developing National Hardship Indicators Issues Paper

TRUenergy welcomes the opportunity to provide the following comments in relation to the Australian Energy Regulator's (AER) Developing National Hardship Indicators Issues Paper.

Energy Hardship

In addressing the questions in the Issues Paper about energy hardship TRUenergy believes it is important for the AER to consider the following points:

- Energy hardship is a shared responsibility between retailers, government and the community;
- In addressing energy hardship retailers must differentiate between customers who will not pay their energy bills and those customers who cannot pay their energy bills;
- As there is no single definition of energy hardship, it is very difficult for retailers to accurately identify customers in hardship, and therefore retailers must largely rely on customer self-identification;
- Successful outcomes in relation to energy hardship depend upon customers actively engaging with retailers;
- Retailers take all reasonable steps to avoid the disconnection of customers, however disconnection is sometimes necessary where the customer chooses not to engage with their retailer;
- Retailers' hardship programs cannot prevent energy hardship only treat the symptoms; and,
- Retailers cannot take a one size fits all approach to energy hardship and instead must assist each customer on a case by case basis.

Purpose and aims of the National Hardship Indicators

TRUenergy does not consider it is possible to develop hardship program indicators which can meaningfully assess a retailer's ability of 'assisting those customers who have the intention but not the capacity to pay their energy bills to remain connected to their electricity and gas supply'.

Energy hardship is affected by numerous factors including, the cost of energy, cost of living, government concessions, rebates and programs, energy efficiency and the broader state of the economy in addition to the support offered by retailers as part of their hardship programs. Therefore, it is difficult to judge the effectiveness of a retailer's hardship program when there are so many issues affecting energy hardship which the retailer does not control.

It is also important to recognise that energy makes up less than 2.7% of overall household expenditure.¹ As such, if a customer is struggling to pay their energy bill then they are most likely going to be experiencing broader affordability issues. Thus the response to the issue of energy hardship is far more broader than what retailers alone are able to provide. TRUenergy is concerned that any changes to government concessions, rebates and programs associated with energy hardship may adversely affect the number of customers in hardship, and therefore most likely increase the responsibility on retailers.

TRUenergy also is of the view that in monitoring retailer hardship programs, the approach defined in the Issues Paper will set unrealistic expectations about what retailers' hardship programs are able to achieve, especially as there are so many factors affecting energy hardship which retailers are unable to control. Again, the assistance retailers provide as part of their hardship scheme must be accompanied by measures and programs provided by the government and community.

AER's Purpose of Retailers' Hardship Policies

TRUenergy does not believe the AER's assessment that the purpose of retailers' hardship policies to assist those customers who have the intention but not the capacity to pay their energy bills to remain connected to their electricity and gas supply is workable. Unfortunately this purpose is overly simplistic due to that fact that keeping a customer connected may result in the customer accruing unmanageable debt levels. More recently, TRUenergy has become concerned that greater focus on statistical indicators relating to disconnections, has resulted in customers reprioritising their debts, so that customers pay other debtors ahead of their energy retailer because they know there is less likelihood of being disconnected.

The focus on 'remaining connected' also fails to acknowledge that retailers are reliant on customers self identifying themselves as being in hardship. Because customer engagement represents the biggest challenge to assisting customers in energy hardship it is important that the purpose of retailer's hardship schemes, acknowledges retailers are dependent on customer self-identification.

¹ Australian Bureau of Statistics, 2003-04 Household Expenditure Survey, Summary of Results, Cat. No. 6530.0

Possible National Hardship Indicators

TRUenergy believes that the proposed hardship indicators are inadequate for the following reasons.

1. They provide no indication as to whether the retailer has an effective program to assist customers in hardship;
2. They have ambiguous objectives, that is, what would a higher number of customers in a retailer's hardship program mean the program is more effective or less effective?;
3. The indicators do not provide any guidance on whether the government or retailer are doing their part to assist customers in energy hardship;
4. The indicators fail to reflect that each customer in a hardship program has to be case managed and therefore successful outcomes vary greatly; and,
5. The proposed indicators fail to take account of the retailer being reliant on the engagement of the customer.

TRUenergy does not consider the hardship indicators which are currently in use in any of the retail energy markets are effective in monitoring energy hardship. TRUenergy is disappointed that in spite of there being no demonstrated evidence that the use of these indicators provide any meaningful benefit they have been proposed by the AER in the Issues Paper.

As such, TRUenergy is of the view that the guidelines proposed by the AER fail to give clear signals to the retailer about what are appropriate outcomes in terms of their hardship programs. TRUenergy would support further work being undertaken to determine the objective of the guidelines and the role they play in tackling energy hardship.

Comments about the Possible National Hardship Indicators

1. Entry into hardship program indicators

Total number of customers currently on the hardship program

TRUenergy is unclear as to how the AER would determine from this indicator whether the retailer's hardship program is effective. More importantly, it would seem difficult for the AER to determine what caused the change in the number of customers on the hardship program. For example, was the change in the amount of customers in the hardship program retailer driven or as a result of external factors such as the effects of a downturn in the economy? TRUenergy is therefore unclear about whether retailers should be aiming for a low number of customers in their hardship scheme or a high number of customers.

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

TRUenergy does not accept that this indicator has any relevance in the monitoring of energy hardship. Customers referred to TRUenergy's hardship

program are assessed according to their own personal circumstances not on the basis of whether they have a concession card. Again, as customers in hardship are managed on a case by case basis it would be improper for a retailer to be informed solely on the basis of whether or not a customer holds a concession card.

Number of customers entering the hardship program

Again, TRUenergy is unclear as to what the AER could derive from the number of customers entering a hardship program given that hardship is affected by a large number of factors, many of which the retailer cannot control. If the number of customers entering a retailer's hardship scheme changed from one year to another, there is no way of being able to accurately assess what caused the change given that each customer's circumstances are different.

TRUenergy does not believe third party referrals provide any indication about the success of a retailer's program. While a high volume of referrals from third parties could indicate that the retailer has marketed its program more widely in the community, a low number of referrals may mean customers are approaching their retailer directly.

Number of customers denied access to the hardship program

TRUenergy considers the number of customers denied access to a hardship program would provide little insight into the effectiveness of a retailer's hardship program to the extent that it would be difficult to determine whether the cause was due to the retailer restricting access, or because the customer failed to adhere to the guidelines of the program.

Average length of participation in hardship programs

The length of time a customer spends in a hardship program is not relevant as it is entirely dependent on their own particular circumstances and their willingness to engage with their retailer. Measuring the length of time a customer spends in a hardship program does not provide any insight as to whether the end result of the customer's participation in the retailers' hardship program was beneficial to the customer.

2. Hardship program participation and assistance

Average debt upon exit from a hardship program

TRUenergy considers that the level of debt customers have when they exit a hardship program is irrelevant. While it is TRUenergy's intention that customers who graduate the hardship program have less debt than when they entered the program this is not always possible. Depending on the customers' circumstances some participants in TRUenergy's hardship program may exit the scheme with a higher amount of debt, for reasons such as transferring to another retailer or leaving the program due to failing to engage with their retailer. As such, any assessment about the level of debt being high or low is likely to be arbitrary and fails to provide any insight into the effectiveness of the program.

Average debt upon entry into the hardship program

TRUenergy does not believe the amount of debt the customer has when entering a hardship program provides any reference to the effectiveness of hardship

program as there is no perfect assessment that retailer can apply to a know whether a customer is in hardship or not. While it could be argued that this indicator provides an indication about the effectiveness of retailers to identify customer in hardship, TRUenergy would reiterate that retailers rely on the customer engaging directly with their retailer in order for the hardship program to be effective. As such, some customers may engage early with the retailer and therefore would have a lower level of debt, while other customer may contact their retailer much later on, and as a result would most likely have a larger debt when entering the hardship program.

Number of customers exiting the hardship program and those excluded for non-compliance with program requirements

TRUenergy does not support the inclusion of a measure about the number of customers exiting a hardship program because it does not give any sense as to the customer outcome. Equally, TRUenergy does not support including the number of customers excluded from a retailer's hardship program as it provides no reference about the effectiveness of the hardship program.

Number of customers who were disconnected and who had been on the hardship program in the previous 24 months

Number of customers who were reconnected within seven days of being disconnected, and who had been on the hardship program in the previous 24 months.

TRUenergy believes the inclusion of any performance reporting on hardship relating to disconnection is meaningless in that retailers only disconnect customers as a last resort, and most because they have failed to engage with their retailer. Unless the AER is to look at the circumstances in which each customer was disconnected it is pointless for it collecting data on disconnections.

TRUenergy is also of the view that retailers should not be judged on the actions of a customer over the 24 months after leaving the retailer's hardship scheme. Given the large number of factors which affect energy hardship, it is difficult to believe that these would not have more of an impact on whether a customer falls back into energy hardship than the support they received from their retailer's hardship program.

TRUenergy's proposed approach to Hardship Performance Monitoring

TRUenergy recognises that it is important to ensure all retailers have customer hardship programs which adequately assist those customers in hardship who are prepared to engage with their retailer. TRUenergy believes the AER has a unique opportunity to implement a compliance program around energy hardship which is light handed but at the same time provides retailers with insight into the way hardship is being managed.

TRUenergy proposes that the AER review the effectiveness of the performance measures which are currently used in the retail markets to determine whether this data has provided any benefit in assessing customer hardship programs. TRUenergy's view is that the current indicators have not demonstrated any significant value to retailers.

As such, TRUenergy considers the proposed indicators are ambiguous, difficult to interpret, and therefore unlikely to make any difference in addressing the issue of energy hardship. Moreover, the indicators fail to acknowledge the shared responsibility of the issue and that unless the AER is going to also assess the government's role in dealing with energy hardship, retailers, regulators and customers are likely to end up shouldering more of the responsibility.

TRUenergy is concerned that the proposed indicators fail to recognise energy hardship is assessed on a case by case basis, and that the conclusions drawn about retailers' hardship programs and why the numbers for a particular indicator may be high or low are most likely to be wrong.

Because of this, TRUenergy believes the most effective approach from the AER would be to focus on assessing whether a retailer's hardship program is compliant or non compliant. The AER would produce a report which assesses the retailer programs to assist customers in hardship through analysing the following attributes:

- The retailer's ability to assess a customer's capacity to pay and where necessary referral for participation in its hardship program;
- How the program is marketed to ensure customers know about the program and the services they offer;
- The program's dedicated team to deal with hardship;
- How retailers reward customers who engage as soon as they believe they are in energy hardship; and,
- The types of assistance available as part of the hardship program

Because of the problems raised in this submission with the proposed approach of the Issues Paper, TRUenergy would support the establishment of additional stakeholder forums to work through an alternative approach which would provide meaningful insight into the issue of energy hardship and meet the requirements under the NECF.

Should you have any questions in relation to this submission please feel free to give me a call on (03) 8628 1185.

Yours sincerely

Alastair Phillips
Regulatory Manager
TRUenergy