Submission in response to:
Economic Regulation Authority (ERA)
Amended Financial Hardship Policy Guidelines – Electricity Licences (January 2023)

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Introduction

Thank you for the opportunity to provide a submission in response to the Economic Regulation Authority's (**ERA**) Amended Financial Hardship Policy Guidelines – Electricity Licences (**Guideline**) dated January 2023. As outlined in the ERA's consultation notice dated 24 January 2023, the purpose of the Guideline is to support retailers in satisfying minimum requirements for hardship policies and procedures set out in the revised Code of Conduct for the Supply of Electricity to Small Use Customers 2022 (**Code**).

We are an interdisciplinary research team from the Australian National University (**ANU**), whose research focuses on energy insecurity and related issues in energy transition. We have previously provided submissions to the ERA's review process as part of consultations informing the revised Code; here our submission focuses on the absence of hardship protections available to pre-payment meter customers in the Guideline.

Pre-payment meter customers

Our core submission is that the Guideline should be amended to include direct reference to retailers' obligations in relation to providing hardship support to pre-payment meter customers in Western Australia.

As currently drafted, pre-payment meter customers are not referred to as a category of customer who may experience hardship anywhere in the Guideline. Those hardship protections in the Code which are intended to support the needs of pre-payment meter customers are similarly overlooked except for the reference to new clause 66(5) of the Code on page 9. The range of Code provisions directed to pre-payment meter customers experiencing hardship includes:

1. Clause 62 – Concessions

   If a pre-payment meter customer demonstrates to a retailer that the customer is entitled to receive a concession, the retailer must ensure that the customer receives the concession.

2. Clause 66 – Assistance for customers experiencing payment problems

   If a pre-payment meter customer informs a retailer that they are experiencing difficulties paying for their consumption or the retailer identifies a pre-payment meter customer has experienced multiple, extended disconnections, the retailer must provide certain information to the customer (including about the concessions that may be available to them and how to access those concessions) and consider a request for reductions to the customer's fees, charges, or debt. These obligations are in addition to the general requirements of clause 46 – Hardship policy and hardship procedures.

3. Clause 67 – Waiver of fee for customers experiencing payment problems or affected by family violence

   The retailer must not charge a fee to replace the pre-payment meter with a standard meter.

Retailers' obligations to provide hardship protections to pre-payment meter customers must be visible in the Guideline alongside retailers' general hardship obligations. One reason is because the general hardship obligations are primarily designed to benefit post-paying customers. 'Financial hardship' as defined in the Code focuses on long-term financial disadvantage that impacts on a residential customer's ability to "pay an outstanding amount" (i.e., an outstanding bill or debt). The circumstances of pre-payment meter customers are not covered in this definition because they pay for the supply of electricity before consumption. They do not have outstanding bills and the maximum debt which can be accumulated on the meter is the emergency credit amount of $20, which must be repaid before the meter will recommence supply of electricity to the household in any case.

The minimum requirements for hardship policies outlined in section 3.1. of the Guideline are also principally directed to the needs of post-pay customers by reference to customers experiencing problems *paying their bill* (italics ours). As acknowledged by the introduction of new protections for pre-payment meter customers in the Code, such as clause 66(5), the specific functionality of pre-payment metering neither eradicates hardship, nor pre-payment customers' very real lived experiences of long-term financial disadvantage and hardship in meeting basic living needs while maintaining sufficient credit on the meter to avoid disconnection.

The changes made to the Code acknowledge that the regulatory framework needs to provide fit-for-purpose protections to pre-payment customers to address their specific circumstances and experience of financial hardship.

Considering these factors, we urge the ERA to update the Guideline to include retailers' requirements to provide hardship protections to pre-payment meter customers. By doing so, the Guideline will best reflect recent changes to the Code and retailers' range of obligations in relation to both post-pay as well as the smaller cohort of remote living pre-pay customers.

Addressing energy insecurity for pre-payment meter customers

We further submit that the ERA should consider making Centrepay deductions available to pre-payment meter customers as a payment method. This option is already available to relevant post-paying customers (clause 34(1)(d) of the Code) and is reiterated as a right available to post-pay customers in the minimum requirements for hardship policies included in the Guideline. However, Centrepay deductions are unavailable to pre-payment meter customers in Western Australia, who are known to experience severe levels of energy insecurity and could benefit from the choice to use this method of payment.

The extent of unaddressed hardship amongst pre-payment meter customer in Western Australia is evident in the total number of pre-payment meter customer disconnections reported annually by the ERA. Energy Report data demonstrates that pre-payment meter customers in Western Australia experience frequent de-energization of the home. A table summarising the numbers of disconnections by customer type is provided below, drawing on publicly available ERA datasets:

Horizon Power:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Pre-pay	Customer numbers: **1,190** Disconnections: **10,865** Percentage: **913%**	Customer numbers: **1,221** Disconnections: **10,865** Percentage: **889.8%**	Customer numbers: **1,332** Disconnections: **34,468** Percentage: **2,587.7%**	Customer numbers: **1,296** Disconnections: **31,969** Percentage: **2,466.7%**	Customer numbers: **1,348** Disconnections: **30,307** Percentage: **2,248.3%**	Customer numbers: **1,423** Disconnections: **66,841** Percentage: **4,697.2%**

Horizon Power (cont.):

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Post-pay	Customer numbers: **39,373** Disconnections: **1,826** Percentage: **4.6%**	Customer numbers: **39,398** Disconnections: **1,943** Percentage: **4.9%**	Customer numbers: **37,925** Disconnections: **3,156** Percentage: **8.3%**	Customer numbers: **36,956** Disconnections: **2,741** Percentage: **7.4%**	Customer numbers: **36,256** Disconnections: **251** Percentage: **0.7%**	Customer numbers: **36,919** Disconnections: **2,590** Percentage: **7.0%**

Synergy Energy:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Pre-pay	Customer numbers: **14** Disconnections: **Not reported** Percentage: **Not available**	Customer numbers: **16** Disconnections: **391** Percentage: **2,443.8%**	Customer numbers: **12** Disconnections: **318** Percentage: **2,650%**	Customer numbers: **11** Disconnections: **290** Percentage: **2,636.4%**	Customer numbers: **11** Disconnections: **249** Percentage: **2,263.6%**	Customer numbers: **11** Disconnections: **560** Percentage: **5,090.9%**

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Post-pay	Customer numbers: **954,898** Disconnections: **14,109** Percentage: **1.5%**	Customer numbers: **996,972** Disconnections: **17,800** Percentage: **1.8%**	Customer numbers: **1,010,826** Disconnections: **18,056** Percentage: **1.8%**	Customer numbers: **1,013,561** Disconnections: **12,273** Percentage: **1.2%**	Customer numbers: **1,023,854** Disconnections: **2,432** Percentage: **0.2%**	Customer numbers: **1,039,188** Disconnections: **7,651** Percentage: **0.7%**

We acknowledge there are functionality differences between post-pay and pre-payment metering that contribute in part to the varying rates of disconnection among different customer types. We recognize the narrow focus in Australian energy markets on price as signal to manage energy demand is complicated within the context of small, remote high-cost networks where differing capacities to pay for energy services experienced by communities and households is rarely acknowledged and has led to a history of policy exceptionalism in available protections. Nonetheless, de-energization of the home remains a measure best avoided by responsible policymakers, and the aim of remedial measures should be to reduce the known incidence of energy insecurity among customer cohorts, irrespective of payment type. In Western Australia, as for other jurisdictions where pre-pay is utilised, the frequency and duration of involuntary self-disconnection events amongst pre-pay households may be driven by structural factors that include poverty, overcrowding, poor housing quality and persistent and multi-dimensional disadvantage as well as environmental factors including climate drivers.[1,2,3]

Only a limited number of the minimum requirements of Hardship Policy are directly relevant to pre-payment meter customers, specifically:

- waiving fees, charges, or debt (i.e., accumulated debt on the meter), and
- availability of concessions.

[1] T. Longden et al., "Energy insecurity during temperature extremes in remote Australia," Nat Energy, vol. 7, no. 1, pp. 43–54, Dec. 2021, doi: 10.1038/s41560-021-00942-2.
[2] V. Napaltjari- Davis et al., "Temperature extremes exacerbate energy insecurity – Australia needs to better support remote Indigenous communities to prepare now," Nature Sustainability Community, Jan. 2022.
[3] L. Grealy, "Enforced commensuration and the bureaucratic invention of household energy insecurity," Australian Geographer, pp. 1–18, Oct. 2022, doi: 10.1080/00049182.2022.2127144.

Minimum requirements that are not available to pre-payment meter customers include the obligation for retailers to offer “residential customers the right to pay their bill by Centrepay” (section 3.1 of the Guidelines). Pre-payment meter customers who prepay for their electricity do not receive a bill but could nevertheless benefit from a choice to use Centrepay deductions towards household energy costs.

We urge the ERA to enable diverse forms of assistance for pre-payment meter customers with financial difficulties or hardship. For example, in a relevant and comparable jurisdiction, the Essential Services Commission of South Australia (ESCOSA) acknowledges that:

> “[t]he majority of prescribed (mandatory prepay) customers are low wage individuals on income support, who are more likely than average to suffer financial hardship”.[4]

Significantly, payment options available to mandatory prepay customers in South Australia include Centrelink direct deductions (CentrePay),[5] enabling regular, agreed deductions to be made from a customer’s Centrelink payments towards their prepaid electricity account. Further, a reduced tariff of 10 cents/kWh operates in recognition of the resource constraints facing households in many of the communities in which (mandatory) prepay operates.

As the South Australian system is relatively new there is currently no qualitative evidence about household experiences upon which to draw, but theoretically these changes may offer benefits to households by reducing the risk of self-disconnection, provided costs of energy consumption are within the credited amount and CentrePay deductions are sustainable for individual circumstances. Policy dialogue between the states on this feature could be informative in this instance.

Equally, we submit that the South Australian policy implementing reduced tariffs for remote pre-pay customers is a useful precedent for policymakers in Western Australia. A layered approach involving reduced tariffs in combination with Centrepay options and the new hardship supports (which take effect from 20 February 2023) could begin to mitigate the high incidence of total de-energization of the home experienced by remote-living pre-payment meter customers. Recent research shows that in Western Australia, “poor quality public housing, maintenance issues and overcrowding due to low housing stock impacts the ability of public housing tenants to effectively control the temperature and energy efficiency of their homes.”[6] Essentially, public housing tenants pay more to maintain basic levels of comfort because they are living in homes which, amongst other things, are not energy efficient. As most of the state’s pre-payment meter customers are also public housing tenants it follows that poor housing conditions factor in their experiences of energy-related financial hardship and regular inability to maintain credit on the meter. Addressing energy insecurity amongst remote-living prepayment meter households requires nuanced solutions; offering lower cost electricity may be a cost-effective way to reduce incidences of de-energization and meet comfort and wellbeing goals in the short term while public housing issues are addressed as part of longer-term solutions.

Other submissions

Consistent with the Code, section 4.2 of the Guideline specifies that each retailer’s hardship policy must “include a statement encouraging customers to contact the retailer if they are experiencing problems paying their bill”. This only addresses post-paying customers and overlooks the circumstances of pre-payment meter customers. We urge the ERA to extend this statement to include reference to pre-payment meter customers who may be experiencing problems maintaining sufficient credit on the pre-payment meter. Such an addition

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[4] ESCOSA, Cowell Electric Supply Pty Ltd licence amendment: Prepayment by default consumer protections. Final decision – June 2022, available at: < https://www.escosa.sa.gov.au/ArticleDocuments/21889/20220620-Electricity-CowellElectricLicenceAmendment-PrepaymentDefault-FinalDecision.pdf.aspx?Embed=Y>.

[5] See DEM, Community Pre-Pay Customer (CPC) Written Disclosure Statement, available at: < https://www.cowellelectric.com.au/wp-content/uploads/2022/07/20220705-Community-Pre-pay-WDS-Final-ESCOSA-Approved.pdf>.

[6] Kimberley Community Legal Services, 2022, Stuck in the Heat: Lived Experiences of Public Housing Tenants in the Kimberley available at: <https://static1.squarespace.com/static/56aae0e04d088e4dfa68396f/t/6385f2f85f679917d0fb7b2e/1669722882386/Stuck+in+the+Heat+2022.pdf>.

is needed to reflect the changes to clause 66 of the Code, including paragraph (5) requirements that "[t]he retailer must give reasonable consideration to a request by the customer, or a relevant consumer representative for the customer, for a reduction of the customer's fees, charges or debt".

Further, we submit that pre-payment customers should be referred to directly in the recommended objective set of criteria to be included in a retailer's hardship policy to assist its staff to identify customers experiencing hardship. This relates to the statement in section 4.2 of the Guideline that "[c]riteria could include one or more of the factors listed in section 2.3 on page 4 of these Guideline". Here we note the reference to page 4 is incorrect (and should be changed to page 3) and the range of factors which may cause 'financial hardship' implicitly excludes pre-payment meter customers because of the way financial hardship is defined (as discussed above). This could be overcome by amending page 3 of the Guideline as follows (amendments in bold):

> "Financial hardship **may be experienced by post-pay and pre-payment meter customers and** may be caused by (but is not limited to) the sustained burden of one or more of the following factors: …"

Reference to pre-payment meter customers should be included in the guidance that assists retailers to identify customers in financial hardship. For example, clause 66(1)(b) of the Code requires retailers to take certain actions where the retailer identifies that a residential pre-payment meter customer has been disconnected 2 or more times in any 1-month period for longer than 120 minutes on each occasion. Including this as an example in the Guideline would make the needs of pre-payment meter customers visible in this guidance on a more equal basis with post-pay customers.

The table on page 9 should also be updated to reflect provisions of the Code that are relevant to identifying pre-payment customers in financial hardship e.g., clause 62 (Concessions) and clause 66 (Assistance for customers experiencing payment problems).

Even though new clause 66(5) is referred to on page 9 of the Guideline, no examples of scenarios where fees, charges or debt may be waived applicable to pre-payment meter customers are provided. We urge the ERA to address this by adding, for example, at the end of the second paragraph under the heading 'Types of fees, charges or debt that may be reduced or waived' the addition of a statement such as "For pre-payment meter customers, a Hardship Policy could provide for debt related to the use of emergency credit to be waived for customers in hardship".

Thank you for the opportunity to make a submission on the content of the new Guidelines. We would be happy to discuss any aspects of the submission with the ERA.