

Comment on the Electricity Code  
Consultative Committee (ECCC) Draft  
Review Report 2009

SUBMISSION by the St Vincent de Paul Society (WA) Inc  
20 March 2009

## **Background:**

The St Vincent de Paul Society (SVDP) brings hope, comfort and dignity to those in need by responding directly to calls from the community. During the 2007 – 2008 financial year, the Society provided services to over 85,000 people throughout regional and metropolitan Western Australia.

Most of the people we assist come to us for support with meeting their basic living needs. We assist people who are in both short and long term crisis through home visitations. During home visitation, our members provide assistance by providing food, support with utility bills and the provision of clothing and furniture. In addition our members advocate on behalf of our clients and provide them with referrals to other support services.

Given the current economic climate, coupled by the tariff increases associated with the supply of electricity, we expect that the number of people we assist will substantially increase over the coming years. Already we are witnessing a substantial increase in the number of people unable to meet their basic living costs.

The comments made by the Society in this submission relate directly to those aspects of the Code of Conduct for the Supply of Electricity to Small Use Customers 2008 which affect our client base. The comments have been made in consultation with our member base, which includes over 900 members.

## Comment in response to aspects of the ECCC Draft Review Report

### 8.4 Division 2 – Contents of a bill - Historical Debt (p38)

SVDP supports the original recommendation put forward by the ECCC in the Final Review Report (May 2007):

Recommendation 34

*Amend clause 4.4 (3) (now clause 4.5(3)) by adding the following words to the end of the clause:*

*And in relation to a bill which includes a historical debt (or part thereof) in the amount billed, the bill must separately identify the basis of the current and historic debts, including the addressor addresses at which the electricity was consumed and date/s of consumption.*

SVDP proposes that this clause also include a definition of historical debt (ie an outstanding debt from the supply of electricity at a previous address)

#### 8.4.1 Recommendation (p39)

The Society strongly disagrees with the recommendation made by the ECCC with regard to not making the above mentioned amendment to clause 4.5(3) at this time.

Many of the Society's clients who have historical debts receive extremely large bills and it is often impossible for them to make payments on these debts along with their current consumption charges.

It is necessary to distinguish between historical and current debt, so that the existence of an historical debt does not affect the on-going provision of current electricity supply.

By differentiating between historical debt and current consumption, our clients are able to clearly see these separate charges.

### 9.5 Clause 5.6 – Late payment fee (p45)

Late payment fees add considerably to the consolidation of debt by our clients.

When people are in financial or emotional stress, the requirement to pay a late fee for non-payment of a bill does not act as an incentive to pay the bill. Often when people are in such stress they simply don't have the money or capacity to pay the bill. Penalising such people for their situation only adds to their problems.

Making provisions for people in such situations has been established in other sections of the Code (Part 6: Payment Difficulties & Financial Hardship) and should also be included under this clause.

Moreover, the clause should also include provision for people who are Centrelink recipients. These people are also living in poverty and are often unable to pay their bills on time. The current provision for people who receive a concession (5.6.1.a – ie some Centrelink recipients) monetarily penalises people who have received two or more reminder notices within the previous twelve months. Given the inability of many in this customer group to pay bills on time (this inability will be coupled by the tariff increases) this provision should be removed.

Currently late fees are levied before a customer:

- (a) Organises a payment extension
- (b) Agrees to an instalment plan
- (c) Makes a complaint to the retailer or Ombudsman
- (d) Receives a concession

These fees should be waived if a,b,c or d occurs as otherwise it unfairly penalises and adds to the debt of those customers who are experiencing payment difficulties or financial hardship.

Due to the substantial increases to electricity tariffs, many additional people within the community will experience difficulties meeting their on-going consumption charges. Given this, the Society suggests the minimalisation of late fee charges for those customers that the retailer can, under the code, charge these fees to.

### **9.5.2 Recommendation** (p46)

SVDP proposes that clause 5.6 should read as follows:

#### **5.6 Late Payments**

- (1) A retailer must not charge a residential customer a late payment if-*
  - (a) the residential customer receives a Centrelink payment*
  - (b) the residential customer and the retailer have agreed to-*
    - (i) a payment extension under Part 6, and the residential customer pays the bills by the agreed (new) due date; or*
    - (ii) an instalment plan under Part 6, and the residential customer is making payment in accordance with the instalment plan; or*
  - (c) the residential customer has made a complaint directly related to the non-payment of the bill to the retailer or to the electricity ombudsman and the complaint remains unresolved or is upheld. If the complaint is resolved in favour of the retailers, any late payment shall only be calculated from the date of the electricity ombudsman's decision; or*
  - (d) if the customer is experiencing payment difficulties or is in financial hardship*
- (2) If a residential customer is charged a late fee before (1a), (1b), (1c) or (1d) occur, the retailer must waive the fees already charged*
- (3) If a retailer has charged a residential customer a late payment fee, the retailer must not charge an additional lay payment fee in relation to the same bill*

*(4) A retailer must not charge a residential customer more than 1 late payment fee per quarter.*

## **10 Part 6 – Payment Difficulties and Financial Hardship** (p48)

While part 6 of the code distinguishes between people experiencing payment difficulties and those in financial hardship, it does not provide a definition of these two different consumer groups.

SVDP proposes that the following definitions be included in the code:

- (1) "Payment difficulties" refers to a situation where a residential customer temporarily cannot afford to pay their electricity account. "Temporarily" is deemed to be a period of no more than 3 months. If a residential customer experiences payment difficulties for more than three months then they should be considered to be in financial hardship.*
- (2) "Financial Hardship" refers to a situation where a residential customer is unable to pay their electricity bill without affecting the customer's ability to meet basic living needs. Residential customers in financial hardship experience payment difficulties for 3 months or more and generally their difficulties are of an ongoing nature.*

### **10.2 Division 1 – Assessment of financial situation** (p48)

#### **6.1 Assessment**

##### **6.1(1)**

In clause 6.1(1) of the code, the onus is on the residential customer to inform the retailer if they are experiencing payment problems. The retailer then assesses, within 3 business days, whether the residential customer is experiencing payment difficulties or financial hardship.

SVDP clients experience both payment difficulties and financial hardship. From both of these client groups, the majority have not contacted the retailer and informed them that they are experiencing problems paying their bill prior to being assisted by our Service.

While it is important to empower people to make their own arrangements for the payment of such debt, many people who fall into these client groups are in crisis and don't have the resources to deal with their bills on their own and by the time they seek assistance from an organisation such as SVDP their debt burden is substantial.

Electricity retailers are aware of the payment history of their customers and should be able to determine those customers who could be experiencing payment problems.

As many customers do not inform the retailer that they are experiencing payment problems, SVDP proposes that the electricity retailers should be obliged, as a duty of care, to contact those that have been determined as possibly experiencing payment problems and inform them of the prescribed assistance available to them.

Given this proposal, SVDP suggests that clause 6.1(1) should read as follows:

*If a residential customer informs a retailer that the residential customer is experiencing payment problems, or after the electricity retailer determines that the residential customer could be experiencing payment problems, the retailer must (subject to clause 6.2) within 3 business days, assess whether the residential customer is experiencing payment difficulties or financial hardship and inform the residential customer of the prescribed assistance available to them under the Electricity Code.*

## **6.1 (5)**

While under clause 6.1(3) "a retailer must advise a residential customer on request of the details of an assessment carried out under subclause (1)", there is currently no review mechanism under the code in the instance that the residential customer or consumer representative organisation does not agree with the assessment carried out by the retailer. Given this, it is proposed that an additional clause be added to the code.

*If the residential customer or consumer representative organisation contacts the retailer and specifies that they do not agree with the assessment carried out by the retailer under subclause (1), then the retailer must review the assessment and make the outcome of this review available to the residential customer. If the residential customer is still not satisfied with the assessment, then they can pursue the matter through the Ombudsman.*

## **6.4**

While there is reference in the code to the option of Bill Smoothing under Part 4-Billing, Division 1-Billing Cycles, Clause 4.3, it is not an option that retailers are obliged to suggest as a part of their Payment Difficulties & Financial Hardship responsibilities.

Bill Smoothing is an option that should be offered to clients as it helps consumers budget their finances, particularly if they are on fixed incomes. The code could be amended to:

*(1) A retailer must offer a residential customer who is experiencing payment difficulties or financial hardship at least the following payment arrangements-*

- (a) additional time to pay a bill; and*
- (b) an interest-free and fee-free instalment plan or other arrangement under which the residential customer is given additional time to pay a bill or to pay arrears (including any disconnection and reconnection charges) and is permitted to continue consumption and*
- (c) bill smoothing*

## **6.8**

It is proposed that the following amendment be made to the code, to include consumer representative organizations such as Emergency Relief Agencies.

A retailer must advise a customer of the -

## **6.8 (f)**

*independent financial and other relevant consumer representative organizations available to the customer.*

## 10.5 Division 3, Subdivision 2 – Hardship Policy (p53)

### 6.10 (1)

While a retailer must develop a hardship policy there are currently no review mechanisms in the code regarding these policies. Given this, SVDP proposes the following amendment:

*a retailer must develop a hardship policy to assist customers in meeting their financial obligations and responsibilities to the retailer. This policy must follow the guidelines set by the Economic Regulatory Authority. The policy must be reviewed on an annual basis to the satisfaction of the Economic Regulatory Authority.*

### 6.10 (3)

Under this clause, “a retailer must give a customer, financial counsellor or relevant consumer representative organisation on request details of the hardship policy at no charge”.

Given that most people in the community are not aware of such policies, the onus should be on the retailer to make their hardship policy available to residential customers, particularly those experiencing payment problems and financial hardship. These policies provide important information, including:

- Assessment of payment difficulties or financial hardship
- Temporary suspension of actions
- Assistance to be offered
- Alternative payment arrangements
- Reduction of fees, charges and debt
- Provision of information: including concessions, financial counselling services and the option of an energy efficiency audit.

Providing residential customers with such information would assist them being able to pay their bills to the retailer.

SVDP proposes the following change to clause **6.10 (3)**:

*a retailer must give residential customers, financial counsellors and relevant consumer representative organisations details of the hardship policy at no charge. The retailer must send all residential customers, that have been identified by the retailer as experiencing payment problems, details of the hardship policy.*

## 11 Part 7 – Disconnection (p56)

### Part 7-Disconnection, Division 1 -Conduct in relation to disconnection, Subdivision 1-Disconnection for failure to pay

In NSW and the ACT, the reminder notice and disconnection warning inform consumers the grounds that authorise it. This addition to the notices is crucial for consumers to understand why they are being disconnected and the best method for them to rectify the situation. They should also be included in Synergy and Horizon Power reminder notices and disconnection warnings.

The existing code also provides no examples of what 'best endeavours' to connect the customer could entail. Being disconnected should be used as a last resort and all other options, including seeing the customer face-to-face, should be tried if making contact with the customer is difficult.

SVDP recommends that this section of the code be altered as follows:

### **7.1 General Requirements**

*(1) Prior to arranging for disconnection of the customer's supply address for failure to pay a bill, a retailer must-*

*(a) give the customer a reminder notice, not less than 13 business days from the date of dispatch of the bill, including-*

- (i) the grounds authorising the disconnection*
- (ii) the retailer's telephone number for billing and payment enquiries; and*
- (iii) advice on how the retailer may assist in the event the customer is experiencing payment difficulties or financial hardship*

*(b) use its best endeavours to contact the customer, including telephone, email, post and face-to face.*

*(c) give the customer a disconnection warning, not less than 18 business days from the date of dispatch of the bill, advising the customer-*

- (i) the grounds authorising the disconnection*
- (ii) that the retailer may disconnect the customer on a day no sooner than 5 business days after the date of receipt of the disconnection warning; and*
- (iii) of the existence and operation of complaint handling processes including the existence and operation of the electricity ombudsman and the Freecall telephone number of the electricity ombudsman.*