

Decision

Approval of Financial Hardship Policy Guidelines – Electricity & Gas Licences

17 March 2015

Economic Regulation Authority



WESTERN AUSTRALIA

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Decision

1. The Authority has approved the amended *Financial Hardship Policy Guidelines – Electricity & Gas Licences* (**Guidelines**).
2. The Guidelines were amended as a result of changes to the *Code of Conduct for the Supply of Electricity to Small Use Customers* (**Electricity Code**) and the *Compendium of Gas Customer Licence Obligations* (**Gas Compendium**).

Background

3. Under Part 6 of the Electricity Code and the Gas Compendium (collectively referred to as the **Energy Codes**), electricity and gas retailers who supply energy to residential customers are required to develop a financial hardship policy.
4. The Authority has had Guidelines in place since 2008 and has amended them from time to time.
5. On 28 January 2015, the Authority released amended Guidelines for public comment. The period for comment closed on 18 February 2015. One submission was received; a submission from Synergy. A copy of the submission is available on the Authority's website.

Reasons

6. The Authority considered the submission received, and notes the positive comments in relation to the layout of the Guidelines, including the summary Checklist which will assist retailers in preparing hardship policies and hardship procedures.
7. In its submission, Synergy made the following comment regarding the list of matters to be submitted to the Authority following the review of a policy or procedure:

The only matter which Synergy considers should be amended to ensure consistency with the outcome based approach adopted under Code of Conduct as part of the last code review relates to the exhaustive list of matters that need to be submitted to the Authority by a retailer following the conduct of a policy or procedural review to demonstrate compliance. The prescriptive list of requirements undermines the progress made by the ECCC in terms of adopting outcome based regulation of payment difficulty and financial hardship matters. In Synergy's view, the benefits achieved by the ECCC in removing the procedural prescriptiveness under the Code in July 2014 has been lost as the level of prescriptiveness has simply been transferred from the Code to the Guidelines.

8. In relation to these comments, the Authority makes the following observations:
 - The majority of the changes were made to align the Guidelines with the division of financial hardship requirements in the Energy Codes. The Energy Codes now address hardship policies and hardship procedures in separate sub-clauses.

- The decision to deal with financial hardship matters in this way was arrived at following extensive review of the Electricity Code, including consideration of advice of the Electricity Code Consultative Committee.
 - There is only one requirement that is completely new for retailers. This relates to the new Code requirement for a hardship policy to include a statement that the retailer may reduce/waive debt. Other Guideline requirements were either prescribed under the Code or formed part of the information the Authority requested from retailers in order to assess their financial hardship policies. All requirements are now more easily identifiable through the amended Guidelines text and the inclusion of a 'Checklist' for retailers to ensure all requirements have been met.
9. Accordingly, the Authority does not consider that the Guidelines introduce more onerous requirements on retailers with respect to financial hardship matters. The Authority considers that the Guidelines will assist with the application of the financial hardship provisions of the updated Energy Codes.

Approved Guidelines

10. A copy of the approved Guidelines is available on the Authority's website.