

# Customer Assistance Policy

---

Consultation Draft

July 2009



NSW Government  
Department of Water & Energy

---

# Contents

Introduction.....	1
Consumer Protection Package .....	1
IPART recommendations.....	2
Consultation process .....	3
Process for making submissions .....	4
The Customer Assistance Policy.....	5
1. Financial Counselling .....	8
2. Targeted Financial Assistance .....	11
Energy Grants Scheme.....	11
Medical Cooling Rebate Pilot Program.....	13
Service Availability Charge Rebate.....	14
3. Reform of the EAPA Scheme.....	15
Broadening the application of EAPA.....	15
Increase in the amount of EAPA assistance.....	16
Expansion of the retailer delivery program .....	16
Revising and Strengthening the EAPA Guidelines .....	17
Delivery of EAPA by community welfare organisations (CWOs).....	17
4. Better Information and Communication for Customers and the Community .....	18
5. A Strengthened Framework for Customer Hardship Charters .....	21

## Introduction

Access to a safe and reliable supply of energy is essential to maintaining modern standards of living. Disconnection should always be an option of last resort in cases where a customer cannot pay an energy bill due to financial difficulties.

This is even more relevant in the current economic climate as there is mounting evidence more NSW households are struggling to deal with greater financial pressures. Many households are now making difficult choices about how best to use their income. In these circumstances, maintaining a supply of essential energy services becomes even more critical, especially for families with children and those more vulnerable in our community.

Energy bills, a small but essential component of household budgets, are expected to rise over the near term, reflecting increases in prices as a result of rising wholesale energy costs and the need for ongoing investment in electricity network infrastructure to maintain and improve reliability of supply. The proposed expanded National Renewable Energy Target, and the introduction of the Commonwealth's proposed Carbon Pollution Reduction Scheme (CPRS) in 2011 is also expected to put upward pressure on energy prices.

At the same time, the types of customers who are facing difficulty paying their energy bills are changing. Recent research by the Energy and Water Consumers' Advocacy Program (EWCAP)<sup>1</sup> shows that a rising number of disconnections are customers in paid employment and paying off a mortgage. The research also indicated that embarrassment and lack of awareness are the most common reasons preventing people seeking assistance before they are disconnected, followed by not having a phone or not having any credit on their mobile phone. Over half of all respondents to the research were not aware that the NSW Government's Energy Accounts Payment Assistance (EAPA) Scheme existed, and there is less awareness among people whose main source of income is employment related compared to, for example, recipients of Centrelink benefits or other Government concessions.

Other key findings from the research include:

- Family households are the most common type of household reporting disconnection;
- Almost one third of those disconnected report having a mental illness;
- Almost half of all respondents reported at least one characteristic typically correlating with socioeconomic disadvantage, particularly being a sole parent or being unemployed; and
- One in four respondents reported that someone in the household had a medical condition requiring regular treatment and medication at the time of disconnection. Further, one in ten respondents had a medical condition requiring connection to electricity to operate the machinery used for their treatment.

The NSW Government is closely monitoring disconnection rates and is pleased that overall, rates have not increased in 2007-2008. However, recent price increases, coupled with the economic downturn, will place greater financial pressure on households and there is a real risk that an increasing number of customers may experience difficulty paying their energy bills and face potential disconnection.

It is within this changing context that the NSW Government is developing, in consultation with stakeholders, a Customer Assistance Policy to assist customers facing financial difficulties to pay their energy bills and stay connected to essential energy supplies.

### Consumer Protection Package

The NSW Government recently announced a \$272.5 million package of initiatives in response to electricity price increases to take effect from 1 July 2009. This package will enhance and expand the NSW consumer protection framework and comprises:

- \$65 million over five years to increase the Pensioner Energy Rebate from \$112 to \$130 per annum, indexed to the CPI thereafter;
- \$27.5 million over five years to extend energy rebates to health care card holders who are also recipients of Carers Allowances (child under 16), Sickness Allowances and Special Benefits;
- Up to \$125 million over five years to support the introduction of a "Customer Assistance Policy" for small domestic customers; and
- \$55 million over five years to increase the annual level of funding under the current Energy Accounts Payment Assistance (EAPA) Scheme to \$100 million.

---

<sup>1</sup> *Cut Off II: The Experience of Disconnections*, Public Interest Advocacy Centre, 2009

The Government has also made a commitment to maintain regulation of retail electricity prices for small customers until at least 2013 and until the Government is satisfied there is sufficient competition in the NSW retail energy market.

The increases in the Pensioner Energy Rebate and extension of the Rebate to a select group of health care card holders are being implemented via Ministerial Direction to energy retailers. These changes will be in place from 1 July 2009.

This paper sets out the proposed measures to support the \$125 million five year Customer Assistance Policy (CAP) and the \$100 million EAPA Scheme. The CAP comprises a package of program (financial counselling and rebates) and policy (mandatory hardship charters) elements to assist customers facing difficulties paying their energy bills with the aim of reducing disconnection rates. The timing of the package recognises that adjustment to prevailing economic conditions warrants a structured and sustained response from Government.

Ensuring that vulnerable customers stay connected to essential energy services, while primarily the responsibility of electricity retailers, requires a coordinated and cooperative approach from Government, retailers and community organisations.

Stakeholders are invited to provide written responses to the policy proposals contained in this paper. Stakeholder views on aspects of the CAP will be an important element in the Government's policy development process.

The CAP proposal has been developed as a direct response to the current economic environment in Australia and around the globe, and in recognition that recent increases in prices approved by the Independent Pricing and Regulatory Tribunal (IPART) and the Australian Energy Regulator (AER) are likely to have a significant impact on energy affordability for the more vulnerable sections of the community. The Government believes that this five year package of policy initiatives, regulatory changes and financial assistance, which will be implemented in close consultation with retailers and the community sector, will reduce the impact of price increases on households and support the capacity of vulnerable customers to adjust to changes in energy prices.

## **IPART recommendations**

In its Final Report and Determination - *Market-based electricity cost allowance – 2009 Review*, IPART made a number of recommendations regarding ways to alleviate the impact of price increases on customers. These recommendations were made in response to a request from the Minister for Energy that it consider the impact of price increases on household budgets. The recommendations were developed following consultation with key stakeholders.

After considering issues raised in submissions and consulting with key stakeholder groups, IPART recommended that the Government consider commencing the following additional customer assistance measures on 1 July 2009:

- increasing pensioner rebates from \$112 to \$130 per annum, indexed thereafter;
- extending energy rebates to include recipients of Carer Allowances (child under 16), Sickness Allowances and Special Benefits;
- introducing a "Customer Assistance Policy" for small domestic customers; and
- increasing the level of funding under the current EAPA Scheme to \$100 million.

IPART also considered that the Government should examine and consider a number of additional measures: indexing the Pensioner Energy Rebate to movements in energy prices rather than the consumer price index; moving from a fixed rebate amount to a rebate equivalent to a percentage of a customer's bill; and extending the Pensioner Energy Rebate to all Health Care Card holders.

The Government has welcomed IPART's support for the proposed \$272.5 million Consumer Protection Package and, as discussed above, has brought forward the implementation of these new measures in light of the increase in regulated prices, as recommended in the IPART report.

The CAP and increased EAPA funding provide a comprehensive package of measures, which will provide long term assistance as well as addressing the needs of customers in emergency or crisis situations. Health care card holders will be eligible for many of the assistance measures proposed in the CAP as well pensioners. It is considered that the measures proposed in the CAP will better meet

the Government's objective of assisting vulnerable customers to remain connected to essential energy supplies as it ensures that direct financial assistance and longer term capacity building measures are available to customers in a range of personal and financial circumstances. The CAP measures will also allow the Government to better respond to changes in the characteristics of people facing financial difficulty and potential disconnection.

The CAP has also been developed in the context of other State and Commonwealth Government concessions programs. The Commonwealth Utilities Allowance provides \$518 per year<sup>2</sup> to assist eligible customers meet the costs of regular bills such as gas, electricity and water. The Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the NSW Office of Fair Trading also provides funding for financial counselling and the Department of Environment and Climate Change (DECC) has an energy audit program for eligible low income households. The Commonwealth Government announced an additional \$80 million for emergency relief and financial counselling from 1 March 2009 until 20 June 2011 as part of the 2009-2010 Federal Budget.

## **Consultation process**

This document outlines a proposal for implementing the five year \$125 million CAP and increased funding for the EAPA Scheme announced by the NSW Government to help families and pensioners meet IPART's and the AER's electricity price increases.

### **Questions for consultation**

In preparing responses, stakeholders are invited to provide feedback on the proposed initiatives as well as the implementation framework and eligibility criteria. Stakeholder views will be taken into consideration by the NSW Government in developing a final package of measures. While stakeholders are welcome to provide comments on any aspect of the CAP proposal, stakeholders are particularly asked to address the following questions in submissions:

1. Does the proposed package of policy and program measures achieve the Government's objective of using the \$125m CAP and \$55m EAPA funding to assist households facing financial difficulty to pay their energy bills and stay connected to essential energy services?
2. Is the scope and content of each policy and program measure appropriate, in light of the Government's overarching objective and the focus or target of each individual measure?
3. Are the proposed processes for implementing the policy and program measures in the CAP suitable?
4. Where timeframes have been proposed for implementation of the various policy and program measures in the CAP, are these timeframes appropriate?

In recognition that electricity prices will rise from 1 July, the NSW Government proposes to finalise the framework for the CAP in a timely manner and commence implementing the majority of the measures by the end of 2009.

The package is for a period of five years and it is expected that over this time period economic circumstances will change, as will the policy context in which the measures are implemented. Therefore, the NSW Government is proposing to review these measures after two years to ensure that they best meet the needs of vulnerable customers.

---

<sup>2</sup> The Commonwealth Utilities Allowance is indexed to the Consumer Price Index

## Process for making submissions

Submissions addressing the specific questions raised in this consultation paper, as well as any other relevant issues, are invited from all interested stakeholders. Submissions must be made in writing and should be provided to the Department of Water and Energy by 5 pm on Friday, 31 July, 2009, unless otherwise indicated on the Department's website. Submissions received after this time may not be accepted. Submissions made on behalf of an organisation must be on letterhead and signed and dated.

Submissions can be provided in hard copy, and addressed to:

Customer Assistance Policy  
Department of Water and Energy  
GPO Box 3889  
Sydney, NSW 2001

Submission can also be made via email to [cap.consultation@dwe.nsw.gov.au](mailto:cap.consultation@dwe.nsw.gov.au). Emailed submissions should include "Consultation on Customer Assistance Policy" in the subject line.

Submissions will be acknowledged by return email or letter within three working days. It is the responsibility of the submitter to ensure that the submission has been successfully delivered if this acknowledgement is not received.

All submissions will be made publicly available on the Department's website, subject to any claims to confidentiality or privacy. In publishing submissions, the Department of Water and Energy will comply with all requirements under applicable privacy laws.

# The Customer Assistance Policy

This section provides an overview of the CAP objectives and the measures to achieve those objectives. Details on each of these initiatives are provided in the following sections.

The NSW Government's overarching objective in implementing the CAP is to assist households facing financial difficulty to pay their energy bills and stay connected to essential energy services.

The CAP will introduce a mix of program and policy initiatives to meet this objective and provide support to a cross section of the community who meet the eligibility criteria, including the long term unemployed and low income large households, as well as those in the community facing mortgage stress. The importance of improving the ability of energy customers with complex needs to access financial and other assistance is also recognised.

The proposed CAP will comprise the following complementary elements:

1. Support for financial counselling;
2. Targeted financial assistance measures;
3. Extension of the EAPA Scheme to more customers;
4. Better information for customers and the community about the energy market and available financial assistance; and
5. A strengthened framework for retailers' customer hardship charters and payment plans.

The CAP elements recognise that a variety of initiatives are required to assist customers facing difficulties paying their electricity bills, underpinned by a coordinated approach between retailers, the Government and the community sector. The proposed measures are designed to:

- Provide direct financial assistance to low income households facing financial difficulty paying their energy bills;
- Support customers' long term capacity to respond to changing energy prices;
- Improve customer access to information about programs which can assist with payment of energy bills over the long term;
- Strengthen retailers' customer support/hardship programs; and
- Harmonise regulatory measures in NSW with the proposed national approach to the regulation of hardship/disconnections.

The CAP has been designed as a comprehensive package of related measures, which can complement existing policies and programs.

The CAP is being proposed in the context of the development of a national regulatory framework for supplying electricity to small customers - the National Energy Customer Framework (NECF). The proposed NECF has put forward a harmonised approach to consumer protection and retailer hardship obligations which covers payment plans, the contents of customer hardship policies, regulation of retailer marketing practices, dispute resolution and a compliance and reporting regime to be promulgated by the AER.

The first exposure draft of the proposed NECF was released for public consultation on 30 April 2009. Development of the CAP proposal has taken into consideration the contents of the first draft of the NECF to the greatest extent possible. This is the first round of consultation on the proposed NECF package, and the Government will continue to refine the CAP in response to national developments.

## 1. Support for financial counselling

Difficulty paying energy bills, utility stress<sup>3</sup> or accumulating unsustainable levels of utility related debt, are often indicators that a customer is experiencing broader or systemic financial hardship. The CAP will provide additional support for financial counselling services in order to improve access by customers experiencing hardship. Financial counselling services supported under the CAP will focus on helping customers identify and address issues related to energy use and avoid disconnection.

The Government proposes to invite tenders for the provision of financial counselling services. This will allow new Government funding to be directed towards extending existing financial counselling

<sup>3</sup> Utility stress is used in the context of this paper to describe customers whose utility bills account for a significant proportion of household income.

services, taking advantage of accumulated knowledge and experience in the field. Improving customer access to financial counselling is discussed in Section 1.

## **2. Targeted financial assistance**

The Government is considering options for the provision of additional financial support to customers experiencing financial hardship, including:

- Energy Grants Scheme
- Medical Cooling Rebate
- Service Availability Charge Rebate.

The proposed financial assistance initiatives are discussed in Section 2.

## **3. Enhancing the EAPA scheme**

The increase in EAPA funding provides an opportunity to enhance the operation of the EAPA Scheme. As an immediate measure to increase the assistance available to customers under the EAPA scheme, the Government will increase the cap on EAPA amounts available to customers from \$180 per bill and \$360 per year to \$240 per bill and \$480 per year from July 2009.

In addition, the CAP puts forwards for stakeholder consideration a number of options for improving the longer term effectiveness of the EAPA scheme, within the scope of the increased EAPA budget, including:

- A further increase in the cap on EAPA amounts available to customers, on top of the immediate increase in the ceiling mentioned above; and
- revising the existing EAPA guidelines in order to improve the Scheme's ability to assist a wider range of customers facing difficulty paying their energy bills.

Following the success of the trial distribution of EAPA vouchers by Country Energy, the NSW Government is also considering the option of establishing a formal framework so that any eligible retailer can apply to deliver EAPA vouchers. Under this proposal, a limited amount of EAPA vouchers could be delivered by retailers to complement the current delivery of EAPA by Community Welfare Organisations (CWOs), as well as complement retailer hardship programs. Retailers would have to meet strict criteria before becoming eligible to deliver EAPA vouchers in this way.

The extension of the EAPA Scheme is discussed in Section 3.

## **4. Better information for customers and the community**

Lack of awareness and difficulties in accessing information on NSW Government utilities programs has been identified as an obstacle to customers' ability to respond to difficulties in paying their energy bills. The CAP proposes a number of new initiatives to improve the quality and coordination of information available to customers experiencing hardship, as well as provide better educational resources and support to the community sector and retailers who have direct contact with households.

The CAP will utilise a combination of online information and education programs so that the NSW Government can build better working relationships with community organisations in order to address deficiencies and potential bottlenecks identified in the flow of information about energy issues between Government, retailers, the community sector and customers. Consideration will also be given to ways communication channels can be better utilised to reach those consumers who are unlikely to access information from a community organisation or retailer or who have difficulties accessing information in English.

In addition, the CAP proposes funding for a number of Energy Liaison Officers (ELO) to improve communication between Government, the community and retailers, particularly in regional and rural areas and for customers with complex needs. These ELOs will be a key part of a planned community outreach program and will also provide assistance to smaller CWOs engaged in delivering the EAPA Scheme.

These information and education initiatives are discussed in Section 4.

## **5. A strengthened framework for Customer Hardship Charters and payment plans**

Retailers will be required to put in place Mandatory Customer Hardship Policies which must meet minimum criteria and will outline each retailer's policies and practices for assisting customers experiencing financial or other hardship. Retailers will be required to publish these charters online and make copies available to customers. The minimum requirements for retailer policies will be stipulated in Regulations, and will implement the minimum requirements proposed under the Ministerial Council on Energy's proposed NECF.

The existing requirement that retailers maintain a payment plan for customers experiencing financial hardship will remain in place. This will be strengthened by the introduction of an additional requirement that retailers must offer customers experiencing financial hardship a second payment plan.

These measures will be supported by new Regulations, which will reflect the proposed NECF. The Government's proposed framework for Mandatory Customer Hardship Charters is discussed further in Section 5.

## 1. Financial Counselling

Inability, or difficulty, paying utility bills can often be indicative of broader financial stress or debt, and is often the result of the interaction of a range of complex factors. Research undertaken by Anglicare has shown that people seeking EAPA assistance are often experiencing a significant degree of hardship, and are in need of other forms of assistance in addition to EAPA.<sup>4</sup> Financial counselling has previously been identified by stakeholders as a useful tool for customers, particularly in addressing long term or systemic financial hardship. This element of the CAP is about building capacity and strengthening financial literacy skills in the community.

There are a range of obstacles to energy customers gaining access to financial counselling support, including:

- waiting lists can be long, reducing the ability of retailers or community organisations to provide assistance to customers when it is first needed, while ensuring effective customer follow-up can be difficult due to limitations on the resources available to financial counsellors; and
- ensuring that financial counsellors possess adequate knowledge of energy issues (eg how energy use affects cost of living, how energy use can be improved).<sup>5</sup>

There is growing evidence that existing demand for financial counselling services exceeds available resources and that the need for financial counselling is growing at a significant rate. Research done in late 2007 for the Victorian Government by Allen Consulting Group estimated that demand for generalist and specialist financial counselling would increase by 34 per cent between 2008 and 2012 in Victoria alone.<sup>6</sup> These figures do not, however, factor in the impact of the current global economic situation, particularly on employment and financial stress, nor the impact of 2008 energy price increases in that jurisdiction. More recent research on the impact of the global financial crisis undertaken by Access Economics on behalf of four peak church welfare agencies supports this view, pointing to a much greater demand for financial counselling services as a result of increasing financial stress.<sup>7</sup>

Wesley Mission's 2009 survey on the impact of financial stress reported stark increases in the level of financial stress experienced by households in the last two years. Wesley Mission also reported a consistent two week wait for access to its Creditline financial counselling services, despite only 3 per cent of people in financial stress seeking professional help from a financial counsellor.<sup>8</sup> Similarly, Anglicare Victoria has reported an increase in demand for its services, particularly from the working poor or "mid-stream wage earners".<sup>9</sup>

There are established Government sponsored financial counselling initiatives in NSW as well as other jurisdictions. The NSW Financial Counselling Services Program is a triennial state-wide program operated by the NSW Office of Fair Trading which allocates funding to non-profit organisations for the provision of financial counselling services. The Victorian Department of Justice provides financial counselling through Financial Counselling (Victoria), while South Australia facilitates access to financial counselling through Families SA. The Commonwealth Government also funds free financial counselling by not for profit organisations through the Commonwealth Financial Counselling initiative and has announced increased funding of \$80 million for emergency relief and financial counselling from 1 March 2009 until 20 June 2011 as part of the 2009-2010 Federal Budget.

In Victoria, the Committee of Inquiry into Financial Hardship of Energy Consumers in 2005 recommended that as the role of financial counsellors is highly important, and in view of shortages of financial counselling services, Government and utilities should provide additional funds for accredited financial counsellors. The Victorian Government responded to this recommendation by announcing specific funding for energy specialist financial counselling. These specialist counsellors would "assist consumers on specific energy issues, guide consumers through the hardship frameworks and

<sup>4</sup> *Helping with the Cost of Energy*, Anglicare, September 2008

<sup>5</sup> See also the findings of 2005 Committee of Inquiry into Financial Hardship of Energy Consumers, Victoria.

<sup>6</sup> Report commissioned by the Victorian Department of Justice and referenced in *Review of Government Funded Financial Counselling Services, Final Report*, Victorian State Services Authority, 2008

<sup>7</sup> *The impact of the global financial crisis on social services in Australia*, report prepared by Access Economics for Anglicare Australia, Catholic Social Services Australia, the Salvation Army and UnitingCare Australia, November 2008.

<sup>8</sup> *Financial Stress – The Human Cost*, Wesley Mission 2008

<sup>9</sup> Reported in *State of the Family: Australia's Social Inclusion Agenda 2008*; Anglicare 2008

associated targeted assistance measures, and advise the retailers on the most effective form(s) of hardship assistance.”

The NSW Government is proposing to extend financial counselling services to energy customers, in order to improve customer access to financial counselling, and integrate energy specific advice into financial counselling. The Government’s objective in funding and supporting energy specific financial counselling services is that energy consumers across NSW will gain the ability, skills and knowledge to successfully manage their energy bills. While financial counselling may be of limited general assistance to people on low, fixed incomes who are already carefully managing limited resources, appropriately trained financial counsellors may be able to assist customers in dealing with energy issues, including negotiating with retailers on energy hardship issues and identifying and addressing energy efficiency issues.

Under the Government’s proposal, funding will be provided to community based, non-profit organisations that operate in NSW to support the delivery of a free-of-charge accredited financial counselling service, with an energy specific focus. Financial counselling services could be linked in with retailers’ Customer Hardship Charters (see Section 5) and the EAPA Scheme (see Section 3), where appropriate, to complement Government, retailer and the community sector programs.

### **Proposed model and scope for delivering Financial Counselling**

The Government is proposing to allocate funding for the direct support of financial counselling services and training, and will call for tenders for the provision of energy focused financial counselling services by not-for-profit organisations.

In considering the most effective way to improve customer access to financial counselling, the Government will take into account a number of overarching principles. It is important that financial counselling services are easily accessible for customers in regional areas, who are elderly, have a disability, or are from a non-English speaking background. Furthermore, there is a preference to work with existing networks and organisations to strengthen and build on existing services which have proven effective. The Government also sees this as an opportunity for financial counselling services to become better equipped to assist customers with energy specific problems.

Financial counselling can cover a broad range of services. Given the NSW Government’s objective of capacity building, services funded or supported under the CAP should focus on assistance with skills development, including budget planning; liaising with energy utilities to develop payment plans; and access to education, workshops and training programs.

The Government envisages that this funding could be used to support a combination of:

- training, accreditation and employment of additional financial counsellors;
- extending existing counselling services or financial counselling networks in order to improve access by customers experiencing difficulties paying their energy bills;
- providing or facilitating additional energy specific training for existing financial counsellors;
- improving customer awareness of financial counselling services, particularly in conjunction with other information initiatives under the CAP;
- improving customer access to financial counselling through collaboration with retailers and community organisations; and
- better integration of financial counselling services with existing energy-relevant programs run by the NSW and Commonwealth Governments.

The Government believes that taking this approach would have a number of advantages, including:

- It would allow Government to take advantage of an existing knowledge base, networks and links into community.
- This approach would be supportive of the role of financial counsellors and the work already done by financial counselling services, rather than attempting to supplant existing financial counsellors.
- This approach may allow for a more holistic approach to financial hardship, as opposed to energy-specific financial counsellors employed directly by the Government.

In some cases financial counselling services are provided on behalf of retailers by third party organisations and charities, such as Uniting Care Kildonan. The proposed CAP will provide an opportunity to make the most of existing expertise and experience and extend the reach and focus of already successful services. In some instances, financial counselling is of less benefit to people on

low, fixed incomes and in these circumstances there is scope for financial counsellors to act as an advocate for the customer and assist in building relationships between customer and the retailer. This is particularly the case where financial counsellors can be trained in issues specific to the energy market, such as identifying and addressing the underlying causes of high energy bills.

The Government intends to finalise the details of the tendering process and the proposed framework for CAP funding for financial counselling services, including selection criteria, following the conclusion of consultation on this proposal paper. This will allow stakeholder views on approaches to financial counselling to be incorporated into the tender framework.

---

## 2. Targeted Financial Assistance

Three potential targeted financial assistance initiatives are being explored by the Government as part of the development of the CAP:

- Energy Grants Scheme
- Medical Cooling Rebate
- Service Availability Charge Rebate

These initiatives are discussed in detail below.

Customers that may not necessarily qualify for existing energy rebates provided by the Government are experiencing difficulty paying for their energy usage. The proposed initiatives outlined below, subject to eligibility, would also be available to households who may not be eligible for other NSW Government energy concessions. Proposed measures are also aimed at assisting those customers least able to adapt to rising energy prices, such as those on low, fixed incomes, or with limited capacity to reduce their energy use.

The Government's preference is to implement financial assistance that can be directed towards improving the energy efficiency of households, as this will have a direct impact on the ability of customers to permanently reduce their energy bills.

### Energy Grants Scheme

Low income households face a number of challenges in replacing old and energy inefficient appliances, such as fridges and hot water systems, due to the large upfront costs. By replacing these appliances, households can substantially reduce their energy bills. Fridges and freezers can account for as much as 20 per cent of a household bill, while hot water can make up 30 per cent of average household energy usage. Installing modern, energy efficient appliances can result in substantial savings for households – for example, a 5-star rated fridge can save more than \$50 each year compared with a 3-star model, while a 1 star top loading washing machine can be twice as expensive to operate as a similarly sized front loading, 5 star rated model.

Some retailers and community organisations offer No Interest Loan Schemes (NILS). These provide households with a loan for the purchase of an appliance, where they are only required to pay back the capital and make no interest payments. However, while NILS programs are undoubtedly of value to certain customers, and have been successful providing assistance to those customers, particularly where retailers support NILS programs, some households on low and fixed incomes may not be able to participate in a NILS program due to a restricted ability to pay back the loan. It is envisaged that providing a program such as the Energy Grants Scheme would complement existing NILS programs, particularly those operated by energy retailers.

The Energy Grants Scheme would provide a financial contribution to households facing difficulty paying for their energy bills towards the replacement of a high energy use essential appliance, such as a fridge or a heater. These grants would provide assistance where households may not have the capacity or opportunity to purchase appliances through a NILS program.

The Scheme would allow households to permanently reduce their energy bills through the energy savings on the new appliances. This would assist households manage energy bills over the long term. Where a household is on a payment plan and undertaking financial counselling, it would also assist them to reduce their energy debt and thereby reduce the energy component of their household budget.

This Scheme would complement the other measures in the CAP by linking in with financial counseling, information and hardship programs.

## Eligibility and Delivery

The Energy Grants Scheme would be open to customers who hold a Pensioner Concession Card, Health Care Card or Veterans' Affairs Gold Card, and do not possess the necessary savings to purchase the appliance themselves. Customers can be referred to the program by a financial counsellor, community welfare organisation or a retailer, on the basis that the customer is participating in the retailer's customer hardship program. The ELOs proposed in Section 4 as part of the CAP will also be able to assist customers participate in the Energy Grants Scheme by working with retailers and community organisations.

Customers who do not possess a Pensioner Concession Card, Health Care Card or Veterans' Affairs Gold Card would also be eligible, as long as they are participating in their retailer's hardship program, and an assessment of their capacity to pay has determined that they face serious financial circumstances which would compromise their ability to pay for their energy usage. This recognises that a growing number of households, particularly larger households or those facing mortgage or other debt related stress, are in need of assistance to pay for their energy use, but are not necessarily eligible for existing Government rebates or concessions. Applicants for this grant would also need to demonstrate that they do not have the savings to purchase the appliance themselves.

The Scheme would be open to home owners and people in rental accommodation. Low income homeowners would be able to apply for assistance in funding capital improvements that would improve the energy efficiency of their home, such as insulation, or for a financial contribution towards the replacement of items such as hot water services, stoves or fixed heating.

Grants to tenants would focus on replacement of non-fixed appliances such as heating and cooling or energy efficient refrigerators. Appliances replaced under the Energy Grants Scheme would be required to meet minimum standards for energy efficiency under the Commonwealth Government's Energy Rating program, and the size of the grant and/or the number of appliances that can be purchased, would be assessed according to a number of factors, including the number of the occupants in the household. As part of the implementation of the Scheme, the Government would provide guidance as to the kind, size and energy rating of appliances available under the Scheme.

Grant applications made under the Energy Grants Scheme would be assessed and administered by the Government. The Scheme would be designed to complement existing appliance rebate and energy efficiency audit schemes, such as that operated by the NSW Department of Environment and Climate Change (DECC).

## Medical Cooling Rebate Pilot Program

A Life Support Electricity Rebate is available to those customers who are required to use approved medical equipment at home. This equipment includes oxygen concentrators, respirators, feeding pumps and home dialysis equipment. The program does not currently include air conditioners, reflecting the targeting of the program at medical equipment essential for sustaining life.

A significant number of people in NSW have a condition known as thermoregulatory dysfunction, which compromises their ability to cope with extremes of temperature. Consequently, this group of customers can experience debilitating health impacts during hot or cold weather, requiring the use of air conditioning for medical reasons. This group includes the majority of people with multiple sclerosis as well as people with Parkinsons Disease, motor neurone disease, cerebral palsy and quadriplegia. For example, for people with multiple sclerosis, hot summer weather can cause extreme fatigue, muscle weakness, pain, tremors, loss of balance, bladder and bowel problems, decreased cognitive function and even paralysis. These severe health impacts are also likely to effect family members and require increased reliance on carers.

Thermoregulatory dysfunction is generally permanent or chronic and generally progressive (ie. symptoms will get worse for individuals over time), and people affected are more likely to be on low or fixed incomes. The reliance on air-conditioning results in these customers incurring much higher electricity costs. This group of customers face significant hurdles in responding to rising energy prices. The Government proposes to introduce a medical cooling rebate to assist this group to manage their medical condition in light of expected energy price rises over the coming five years.

The proposed Medical Cooling rebate would provide financial assistance in the form of a rebate on electricity bills to eligible customers with an identified medical need to use air conditioning.

Similar rebates are in place in Victoria and Western Australia. A rebate of 17.5 per cent of summer electricity bills is available to customers in Victoria (roughly equivalent to \$110 for an average EnergyAustralia customer), while eligible customers in Western Australia can access an annual rebate of \$423. In both cases the rebate is means-tested and a medical certificate is also required.

### Eligibility and Delivery

The proposed new rebate would be means tested. To be eligible, a customer would need to hold one of either a:

- Commonwealth Pensioner Concession Card;
- Department of Veterans' Affairs Gold Card; or
- Commonwealth Health Care Card (HCC) in the *low income* category.

Holders of Commonwealth Seniors Health Cards, Child Disability and Foster Care Health Care Cards and Medicare Cards would not be eligible.

The Rebate would be available for conditions that impair the body's ability to regulate its own temperature, such as Multiple Sclerosis. Examples of other qualifying conditions include:

- Motor Neurone Disease;
- Muscular Dystrophy;
- Quadriplegia;
- Scleroderma; and
- Systemic Lupus Erythematosus (SLE).

To be eligible for the proposed new rebate customers would first need to show that they, or a dependent who permanently resides with the account holder, have medically recognised thermoregulatory dysfunction. It is proposed that a simple form will be introduced so that either a GP or a medical specialist could verify that a customer has thermoregulatory dysfunction. This would replicate the approach for the Life Support Rebate that already requires a simple confirmation by a medical practitioner using a standard form.

The new rebate would be set at \$130 per annum, equivalent to the level of the revised Energy Rebate, and would be indexed to CPI in a similar manner to the Energy Rebate. This amount also takes into account the annual costs of additional air conditioning required by people with thermoregulatory

dysfunction. This reflects the approach of the Life Support Rebate where the actual amounts paid are based on the amount of electricity used by the specific machine used by a customer and approved for the Rebate.

The rebate would be administered and delivered by retailers on behalf of the Government, in a similar fashion to the current Energy Rebate. The new rebate would be calculated and paid in instalments on customers' quarterly electricity bills.

### **Service Availability Charge Rebate**

The Government is considering the implementation of a Service Availability Charge Rebate (SACR), which would refund the cost of fixed service availability charges levied on low income households in specific circumstances. Low income customers who have experienced a sudden change in circumstances would be able to apply for assistance which would provide up to a 100 per cent rebate on the fixed service availability charge over a period of no more than 12 months. The rebate would only be applicable to an account holder's primary place of residence.

It is envisaged that the SACR would offer the greatest benefits to low income customers, particularly those on fixed incomes, who in general have much lower levels of energy consumption. Pensioners, particularly single households, make up a large proportion of low income, low usage customers. The SACR would not be intended to provide long term income support, but would instead be aimed at offering emergency relief, particularly during periods of low or no usage.

### **Eligibility and Delivery**

The SACR would be administered by retailers on behalf of the Government. Customers who hold a Pensioner Concession Card, Health Care Card or Veterans' Affairs Gold Card and are able to demonstrate a genuine need for assistance as a result of a sudden or severe change in circumstances would be eligible to apply for the rebate. A sudden change in employment or health circumstances or a long term hospital stay are examples of the kinds of situations where a SACR may be available. The Government would develop eligibility criteria, including guidance as to what constitutes an emergency situation, for the rebate in consultation with stakeholders.

### 3. Reform of the EAPA Scheme

The Government has decided to make an interim change to the Energy Accounts Payment Assistance (EAPA) scheme while it consults with stakeholders about broader reform of the scheme in light of the increase in the EAPA budget to \$100 million over 5 years under the Consumer Protection Package.

As an interim step, customers will be able to receive greater amounts of assistance through the EAPA scheme from July 2009. CWOs will be able to provide assistance to individual customers of up to \$240 for each bill (up from \$180) and a maximum in any 12 month period of \$480 (up from \$360). The EAPA Guidelines issued to CWOs will be amended to reflect these interim changes. While these interim amounts are in place CWOs will continue to have the discretion to provide additional assistance to customers in exceptional circumstances. This interim measure recognises the important role of EAPA in assisting many customers to stay connected and the effects of changing economic circumstances that are already being felt by many in the community.

These limits may be further raised once the Government has determined the final package of measures to be introduced through the CAP, taking into account the views of stakeholders. However, in making a final decision on the limits for EAPA assistance, the Government will need to balance a number of other reforms to the scheme to ensure the best overall outcome for customers, within the scope of the enhanced budget allocation. For example, higher limits for the assistance available to individual customers may limit the opportunity for the Government to expand access to EAPA for customers that currently may under-utilise the scheme.

These other options for reform of the EAPA scheme are discussed below and comments are sought from stakeholders. Changes to the EAPA scheme may also be linked with other initiatives, such as hardship charters and payment plans, to more effectively assist customers facing difficulties paying their energy bills.

#### **Broadening the application of EAPA**

The EAPA scheme has been running in substantially its current form since 1988. It provides payments in the form of vouchers to customers with financial difficulties and who are at risk of disconnection. Payments are delivered to customers primarily by CWOs and, in the case of rural and remote consumers, the energy retailer Country Energy also provides some EAPA assistance. CWOs and retailers participate in the scheme under the terms of Ministerial Guidelines that ensure the scheme is effective and accountable.

Until now, the EAPA Scheme has focussed on providing assistance to customers in the most critical circumstances, generally limited to short term or emergency assistance. It is recognised, however, that the circumstances giving rise to customers' difficulty in paying their energy bills can continue to exist beyond an emergency or crisis situation. For example, job losses can be longer term in nature, households could be dealing with a longer term illness or injury and large families may require additional support until they are able to make the large scale investments in energy efficient appliances which will provide permanent reductions in energy bills.

The assistance provided by the EAPA scheme could be expanded to assist households requiring regular support over longer periods of time (eg 12 months), rather than in a one-off or short term situation.

There is a trade off between broadening the reach of EAPA so that more customers are eligible to receive EAPA payments and increasing the amount of EAPA assistance made available to eligible customers each year. In other words, the more the application of EAPA is broadened, the less scope there will be to increase the amount of EAPA assistance provided to each eligible customer.

## Increase in the amount of EAPA assistance

The current limit on the amount of EAPA payable to an individual customer is \$180 per bill and a maximum of \$360 per year. Under the Guidelines, assistance above this amount may be granted when a CWO assesses a customer as being in exceptional circumstances. In practice, this only occurs in a small number of cases. It is anticipated that CWOs will report around 3,000 grants above these limits in 2008-09. CWOs can also grant more than the annual limit to customers who have agreed an instalment payment plan with their energy retailer.

As discussed above, as an interim measure, the Government will increase the ceiling amounts to \$240 per customer per bill and \$480 per year from July 2009. Lifting the caps will ensure greater assistance is available to customers by the time the first impacts of the recent price increases start to be felt by customers. Lifting the caps may mean that an appropriate level of assistance can be given to a customer, without the need to establish exceptional circumstances, that is, the higher caps could operate as a ceiling on the amount of EAPA issued to a customer annually.

In the longer term, higher limits on the amount of EAPA assistance will ensure higher levels of financial assistance can be provided to customers with financial difficulties.

Consideration is being given to increasing the ‘face value’ of each EAPA voucher – from the current \$30 to, for example, \$50 or \$60. This change could be linked to increases in the limits of EAPA available to each customer. For example, \$50 vouchers would necessitate changes to the current limits that are calculated as multiples of \$30. Increasing the face value of each EAPA voucher will ensure that each voucher issued to a customer provides a higher level of financial assistance to that customer. However, there is a concern that a higher face value may reduce the flexibility of the scheme if this makes it harder for a CWO to provide an amount of EAPA closer to the amount owed by a customer on their energy bill. In these circumstances, it may be possible to achieve the objective of providing increased EAPA assistance to eligible customers simply through an increase in the overall annual limit, without a corresponding change to the face value of EAPA vouchers.

## Expansion of the retailer delivery program

Consideration is being given to expanding the delivery of EAPA vouchers to approved retailers. This would be implemented in accordance with strict, enforceable criteria and alongside the continued delivery of EAPA by CWOs.

Delivery of EAPA vouchers by retailers is expected to enhance customer access to the EAPA scheme, particularly for rural or remote customers who are a long way from a CWO. However, there are other important reasons why a customer may not be able to obtain EAPA from a CWO. Research by the Public Interest Advocacy Centre (PIAC) has shown that many customers do not have the knowledge or the networks to find an appropriate CWO or may even lack awareness that CWOs are the prime outlet for EAPA assistance. Other customers may be reluctant to approach a CWO due to concern about privacy, especially in rural communities. Finally, some customers are unable to visit CWOs for assistance for reasons of poor health, including mental health.

Some of these factors were behind the decision by the Department of Water and Energy (DWE) to undertake a trial program with Country Energy to distribute a small amount of EAPA assistance directly to customers. Under the trial, a limited number of EAPA vouchers have been provided to Country Energy for it to distribute to customers enrolled in its hardship program, *Country Support*. This has been done using stringent criteria, including:

- a customer must have no reasonable access to EAPA because;
  - there is no EAPA available with a CWO;
  - excessive travel by the customer is required to visit a CWO (over 50km);
  - a customer has raised privacy issues about approaching a CWO;
- EAPA is to be issued to customers in conjunction with long term payment plans offered by *Country Support*;
- EAPA assistance is to be offered as a last resort;
- EAPA should be applied to the current bill or ongoing usage and not to old debt a customer owes to Country Energy;

- given the temporary nature of the arrangement, customers should not be led to perceive Country Energy as a primary source of EAPA;
- each member of the *Country Support* team is to be trained by DWE in complying with EAPA Guidelines issued to CWOs; and
- Country Energy can only give EAPA assistance up to the limits in the Ministerial Guidelines.

The Government recognises the important role CWOs have in delivering the EAPA program, particularly where EAPA is part of a broader emergency relief function. However, the Government considers that retailers could offer an additional means to provide EAPA assistance to customers in exceptional circumstances, and where a customer is not able to access EAPA through the traditional CWO delivery mechanism. For this reason the Government is proposing to expand the trial undertaken with Country Energy to become a larger program open to participation by all retailers.

This expanded delivery mechanism would be based on strict requirements placed on retailers that would be readily enforceable by the Government. As a starting point, this new delivery mechanism would be built on the requirements of the Country Energy Trial and extended to include:

- Government putting in place eligibility and compliance criteria and binding contractual arrangements that would apply to any retailer participating in the Scheme;
- retailers first developing an EAPA Delivery Plan to demonstrate adequate systems to comply with any conditions imposed by the Government;
- strict conditions on the relationship between the delivery of EAPA by a retailer and its hardship program and its customer billing or debt recovery areas;
- retailers maintaining acceptable outcomes in relation to customer hardship and disconnection of customers for non-payment;
- regular and independent audits of each retailer's performance against its Delivery Plan and the Government's minimum requirements for participation in the scheme, which would determine that retailer's eligibility for ongoing delivery of EAPA; and
- limited allocation of EAPA vouchers to retailers so as to not displace CWOs from the EAPA scheme.

### **Revising and Strengthening the EAPA Guidelines**

These changes will necessitate significant changes to the Ministerial Guidelines for EAPA distribution by CWOs (CWO Guidelines). Consultation will take place on substantial revisions to the CWO Guidelines. The EAPA guidelines for retailers will be reviewed separately.

The increase in funding also raises the need to ensure that there is strengthened transparency, consistency and accountability in the delivery of EAPA vouchers. Stakeholders have previously raised a number of potential changes that could strengthen the Guidelines and it is appropriate to consider these now as part of a wider review of the Guidelines. These measures include providing greater guidance on eligibility for EAPA and reviewing CWO reporting requirements.

Along with the expanded EAPA Scheme the Government will consider introducing new compliance arrangements to improve accountability in the delivery of the EAPA scheme by retailers and CWOs.

The introduction of these new compliance arrangements would be completed soon after the expansion of the EAPA Scheme.

### **Delivery of EAPA by community welfare organisations (CWOs)**

It is recognised that many of those delivering EAPA are volunteers, and that CWOs exist to provide a range of assistance and support to persons experiencing hardship in the community and are often running on very tight budgets.

It is expected that part of the role of the Energy Liaison Officers (ELOs) proposed under the CAP (see Section 4) will be to provide additional support to CWOs and their staff engaged in delivering EAPA, as well as improve interaction with retailers.

## 4. Better Information and Communication for Customers and the Community

The effectiveness of assistance provided by retailers, the Government and the community sector to customers experiencing financial hardship is determined in large part by the level of customer awareness about where they can go for help and what help is available. The most comprehensive policy can be completely undermined by a lack of awareness amongst customers that the policy exists or how to access assistance under the policy.

Research undertaken by the community sector<sup>10</sup> has shown a progressive shift in the profile of individuals and households experiencing energy related hardship and disconnection from essential services. A greater number of what would be considered “working poor” households are in danger of disconnection or finding themselves in utility stress. These households are often uncertain of where to obtain help, unsure of what assistance is available or unwilling for a variety of reasons to seek help from community groups or their retailer.

While it is difficult for Government to put in place measures to effectively address the last of these issues, there is a clear role for the Government in making information easier to obtain from a wider variety of sources and simpler to understand, including by customers with literacy difficulties or whose primary language is not English. It is not only consumers who may experience difficulty with obtaining and comprehending information but also those working within the community sector, who are often employed as volunteers or heavily stretched in terms of responsibilities and demands on their time.

It is generally recognised that the energy market can be confusing or even overwhelming for customers. While consumer interest in energy and the energy market has historically been low because of the nature of energy as a service, there is evidence that this is changing as energy prices increase and have a direct impact on energy bills, environmental concerns continue to gain traction and ongoing energy market reform results in greater competition.

In order to address potential issues regarding access and information and improve the ability of customers to negotiate the retail energy market, the Government is proposing a number of initiatives aimed at customer information, accessibility and community education. These initiatives will also support the capacity building objectives of the CAP and include:

- a single, Government hosted online source for consumer information about the energy market, including how to obtain financial or other assistance and how to negotiate the competitive market. This service will be complemented by measures aimed at customers who may not have ready access to the Internet or experience other difficulties with receiving or processing information;
- education resources and delivery programs designed to provide the community sector with better information and training that will in turn enable more effective support for vulnerable customers;
- strengthened requirements around the obligation for retailers to publish their hardship charters, including accessibility and clarity;
- a more comprehensive Government monitoring and reporting framework to ensure that hardship measures put in place by retailers and the Government are affectively addressing the needs of vulnerable customers; and
- a community outreach program, including the establishment of Energy Liaison Officers, who will perform a community outreach and education role, particularly in regional and rural areas.

### A single source for Information

Consumer engagement with the energy market, in terms of participating in the competitive retail market and understanding how energy consumption works as well as knowing how and where to obtain assistance when it is needed, can be hindered by a number of factors:

- fundamental aspects of the supply of energy are often complicated and burdened by jargon, which can be daunting for customers, and particularly for customers who may have literacy or comprehension difficulties; and
- information can be difficult to obtain from a single or reliable source, or it can be unclear where to go for easily understood information, particularly in relation to Government programs designed to assist customers facing financial difficulty or reduce their consumption.

<sup>10</sup> See, for example, *Cut Off II*, Public Interest Advocacy Centre (2009); *Helping with the Cost of Energy*, Anglicare 2008; and *State of the Family 2008*; Anglicare 2008.

At the same time, it is possible for customers to be overwhelmed by an excess of information, particularly if that information is poorly organised or confusing. This is likely to become more significant with increasing consumer concern over environmental issues and their impact on domestic energy usage and affordability.

As a direct response to these potential obstacles, under the CAP the Government will establish an online information resource which will:

- compile information about Government programs and rebates in one place, including an explanation of how the program or rebate works, what it is available to customers, who is eligible and where to go for more information;
- compile information about retailer hardship policies, including how to go about contacting the retailer for assistance; and
- explain how the energy market works and how to make sense of an energy bill.

While a website will be of value to the majority of customers seeking information about their energy supply, the Government is aware that a one size fits all approach will not be an adequate response to the needs of a cross section of the community, particularly for low income or otherwise vulnerable customers. It is intended that this resource would be complemented by measures designed to provide access to similar information for customers without ready access to the Internet or with a disability, for whom an online information source is not sufficient.

Existing websites such [www.thenaturalchoice.com.au](http://www.thenaturalchoice.com.au), which is operated by the gas industry, and the Victorian Government's [www.yourchoice.vic.gov.au](http://www.yourchoice.vic.gov.au), are examples of the ways that information about the energy sector can be presented to customers online. The Government is conscious that there is a burgeoning market in online information providers, and does not wish to compromise or hinder the growth of this market.

The Government is conscious of the need to ensure that better and clearer information and a greater degree of transparency is achieved without compromising the retailer's right to retain a certain degree of confidentiality. The success of an information service will depend to a certain degree on better collaboration and cooperation between the Government and retailers in order to improve information flows. The Government intends to consult extensively with retailers on ways to achieve this, and with the community sector on the kind of information that it particularly needs, and the issues that may be faced by organisations working, for example, in Indigenous, migrant or refugee communities, or in rural and regional areas.

As part of the implementation of an energy information website discussed above, the Government will also develop information and education resources designed to address the specific needs of the community sector. This is a direct response to feedback from the community sector regarding difficulties obtaining access to compiled and comparable information about hardship programs. Resources will be developed in consultation with the community sector and other stakeholders, and will address concerns specific to particular sections of the community, including regional and rural customers. This will also complement the work of the proposed Electricity Liaison Officers initiative.

### **Energy Liaison Officers**

As part of initiatives under the CAP to improve the ability of customers to obtain assistance and to understand the energy market, the Government is proposing to fund and train a number of Energy Liaison Officers (ELOs).

ELOs will work with consumer and community groups, particularly as a conduit between the energy sector, government and customers, as well as providing educational resources ("demystifying" aspects of the energy market has been identified as one area where Government could play a role). ELOs will also liaise with other NSW Government departments, including DECC, the Department of Community Services and Commonwealth agencies such as Centrelink, to ensure that information about assistance and how it could apply to energy customers is communicated effectively to the community. The NSW Government believes there is a role for ELOs to work with retailers and the community sector to improve customer access to financial and other assistance, as well as foster better links between the community and the retail sector.

Discussions with stakeholders have identified specific problems faced by community groups and customers, particularly in regional and rural areas in accessing information. ELOs would take

advantage of the Department's network of regional offices to access regional communities, and would complement the training of CWOs undertaken by the Energy Concessions area of the Department's as part of the EAPA Scheme. It is recognised that there is an opportunity for ELOs to work with retailers and the community sector to address the specific issues faced by customers with complex needs.

ELOs will be able to facilitate customer access to Government supported financial counselling, as well as other Government assistance and energy efficiency programs, including those proposed under the CAP.

## 5. A Strengthened Framework for Customer Hardship Charters

The requirement for retailers to establish their own hardship policies is intended to address the needs of customers suffering chronic, temporary or cyclical financial hardship and complement consumer protection measures put in place by the Government. Ensuring that all customers can rely on a minimum standard of protection under a retailer hardship policy, regardless of which supplier they choose, is an important element of a robust consumer protection framework which places the long term interests of all consumers at its core.

As part of the strengthened framework for consumer protection to be implemented under the CAP, the Government will amend the *Electricity Supply (General) Regulation 2001* to require retailers supplying small residential customers to maintain a Customer Hardship Charter. This mandatory framework will implement the Customer Hardship element of the National Energy Customer Framework (NECF) first exposure draft released in April 2009, including the minimum content requirements.

The following minimum requirements are proposed under the NECF.

- processes to identify customers experiencing payment difficulties due to hardship, including identification by the retailer and self-identification by a residential customer;
- processes for the early response by the retailer in the case of residential customers identified as experiencing payment difficulties due to hardship;
- flexible payment options (including a payment plan) for the payment of energy bills by hardship customers;
- processes to identify appropriate government concession programs and appropriate financial counselling services and to notify hardship customers of those programs and services; and
- an outline of a range of programs that the retailer may use to assist hardship customers.

Regulatory amendments will also be made to the existing requirement that retailers maintain a payment plan for customers experiencing financial hardship. This obligation will be strengthened by the introducing an additional requirement that retailers must offer customers experiencing financial hardship a second, or renegotiated, payment plan within a 12 month period. This change will directly reflect provisions contained in the proposed NECF<sup>11</sup>, and it is understood that this is a common practice amongst retailers when working with customers experiencing financial hardship.

This approach to hardship policies strengthens the current arrangements in NSW, as these initiatives will be a component of retailer's licence conditions with compliance monitored by IPART. This implements the approach proposed under the NECF that extends the AER's compliance and monitoring responsibilities to encompass retail regulation.

The Government will introduce a revised reporting and monitoring regime in conjunction with the new Mandatory Customer Hardship Charter requirements, based on the existing IPART regime. The purpose of this expanded reporting framework will be to ensure that the new framework for consumer protection introduced from 1 July 2009 is actually meeting the needs of vulnerable customers, and to monitor retailer compliance with policy requirements. The Government believes that strengthening IPART's compliance monitoring and reporting role will ensure that retailer policies meet minimum standards without putting in place additional Ministerial approval processes.

The compliance framework put in place under the CAP will extend the existing IPART compliance regime, and reflects the proposal under NECF for the AER to develop and report on hardship indicators. Development of reporting indicators will be undertaken in consultation with stakeholders.

Consistent with the NECF, retailers will be expected to publish their Customer Hardship Charters in an easily accessible section of their website, and to make copies available to customers upon request. Policies will also be expected to be published, or made available, in community languages.

The NSW Government recognises that a number of consumer groups have raised concerns that NECF does not provide sufficient guidance to retailers as to the content and application of hardship charters. The NSW Government will monitor stakeholder submissions on the NECF first exposure

---

<sup>11</sup> 1<sup>st</sup> exposure draft

draft and consider developing guidelines for the contents of Customer Hardship Policies. Guidelines have the potential to provide greater consistency between all retailers in terms of content and application of customer hardship policy, providing more certainty for customers and responding to concerns raised by the community sector on the efficacy of existing customer hardship policies.

If guidelines are developed, this process will be undertaken in consultation with stakeholders as part of a separate process, once the regulatory framework for mandatory policies has been put in place.

Notwithstanding this principle of greater consistency, the Government is mindful of the importance of striking an appropriate balance between providing greater certainty for customers and allowing retailers flexibility to innovate and operate policies which best fit their particular business model and the particular needs of customers. The Government is also aware of the need to carefully consider how to achieve transparency without compromising the retailer's right to retain a certain degree of confidentiality in the way it operates its business.

Early adoption of the minimum standards for Mandatory Customer Hardship Policies contained in the proposed NECF will allow the Government to strengthen the protection offered to customers under retailer policies, whilst minimising the possibility of retailers having to make multiple sets of changes to their business processes before and after implementation of the NECF.

As part of their Mandatory Customer Hardship Charters, retailers will be obligated to facilitate access, or refer customers, to services provided under other Government programs. This would include appropriate programs at all levels of Government (eg local government energy efficiency programs). Retailers will also be expected to review Mandatory Customer Hardship Charters on a regular basis to ensure they remain current and continue to provide relevant assistance to customers experiencing financial hardship.

Published by NSW Department of Water and Energy, July 2009

© State of New South Wales through the Department of Water and Energy, 2009

Disclaimer: While every reasonable effort has been made to ensure that this document is correct at the time of printing, the State of New South Wales, its agents and employees, disclaim any and all liability to any person in respect of anything or the consequences of anything done or omitted to be done in reliance upon the whole or any part of this document.

DWE 09\_140