



# Better Practice Guideline for Energy Retailers

A collaborative approach to preventing  
hardship amongst energy consumers

November 2014



**SACOSS**

*South Australian Council  
of Social Service*

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**A collaborative approach to preventing hardship amongst energy consumers**  
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by the South Australian Council of Social Service

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# Table of Contents

Introduction	5
Overview	6
<b>Better Practice Principles</b>	<b>7</b>
1. Early intervention	8
2. Customer focused capacity to pay	9
3. Collaborative partnerships	10
4. Measuring outcomes	11
5. Hardship policies	12
<b>Mechanisms for Better Practice Implementation</b>	<b>13</b>
Integration	14
Results	14
Evaluation and review	15

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- AGL
- Alinta Energy
- Anglicare SA
- Energy Australia
- Origin
- South Australian Council of Social Service
- South Australian Financial Counsellors Association
- St Kitts Associates
- The Salvation Army
- Uniting Communities
- UnitingCare Wesley Bowden
- UnitingCare Wesley Country SA
- UnitingCare Wesley Port Adelaide

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## Endorsement

The Energy Retailers Association of Australia (ERAA) has provided its support to the five better practice principles listed in this Guideline. SACOSS notes that the ERAA convened a national affordability forum in August 2014. The forum generated several priority focus areas, with working groups established to develop these further. The mechanisms outlined in this Guideline offer suggestions for the ERAA working groups to consider as part of their process.

# Introduction

Recent reports by the Australian Energy Market Commission (AEMC)<sup>1</sup> and the Victorian Essential Services Commission (ESCV)<sup>2</sup> highlight that South Australia continues to have both the nation's highest electricity prices and highest rates of electricity disconnections for failing to pay bills on time. These trends provide an insight into a problem of growing concern in the South Australian community - the chronic financial hardship and stress<sup>3</sup> experienced by vulnerable energy consumers.

Customer financial hardship is legally recognised within the National Energy Retail Law [NERL] (South Australia) Act 2011 (Division 6). All authorised energy retailers operating in South Australia are governed by this Act and as such must comply with the minimum requirements prescribed for customers in financial hardship<sup>4</sup>. However, it is the experience of community sector personnel who work closely with vulnerable energy consumers in South Australia that these protections can be inadequate.

It is these issues that prompted the South Australian Council of Social Service (SACOSS) to facilitate its annual Hardship and Affordability Conference with a specific focus on vulnerable energy consumers. SACOSS' vision was to bring together representatives from the major energy retailers in South Australia, and experienced financial services providers and policy managers from some of the community sector's leading organisations.

The conference delivered an ideal context for a diversity of views and proposals to be expressed. Discussions throughout the day focused on the prevention of financial hardship, the facilitation of consumer well-being and financial health, and support for businesses in dealing with their customers and communities. SACOSS believes the conference delivered several positive outcomes including unique opportunities for relationship building and knowledge sharing, and the development of this better practice guideline.

The ideas and vision expressed in this guideline are the result of the respectful dialogue, creative thinking and participatory approach from the stakeholder groups.

Whilst SACOSS acknowledges that some of the elements presented in this guideline are current retailer business practices, we strongly encourage all energy retailers to consider complementing their current business practices by implementing where reasonably practicable some of the better practice principles and measures identified in this report. Not only will this improve further assistance to vulnerable energy consumers to effectively manage their energy bills, it will also help facilitate the long term social outcome of building confidence and trust between consumers and energy retailers.

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1 AEMC 2013, Residential Electricity Price Trends [www.aemc.gov.au/market-reviews/completed/retail-electricity-price-trends-2013.html](http://www.aemc.gov.au/market-reviews/completed/retail-electricity-price-trends-2013.html)

2 ESCV Energy retailer's comparative performance report - Customer service 2012-13 Table 3.2, p. 35, [www.esc.vic.gov.au/Energy/Energy-retail-performance-reports](http://www.esc.vic.gov.au/Energy/Energy-retail-performance-reports)

3 Financial stress as defined by Brackertz (2012, p. 5) can refer to people who are 'unable to afford essential items such as food and heating or may not be able to pay their bills. It is also a source of stress and anxiety which negatively affects people's health and ability to cope', [www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf](http://www.salvationarmy.org.au/Global/News%20and%20Media/Reports/2012/00099-I-wish-I-had-known-sooner-Oct-2012.pdf)

4 AEMC 2014, Guide to the application of the NECF, <http://www.aemc.gov.au/Energy-Rules/Retail-energy-rules/Guide-to-application-of-the-NECF>

# Overview

This guideline is presented in three sections:

1. An overarching guideline objective;
2. Five better practice principles that facilitate achieving the guideline objective and,
3. Mechanisms for implementation that aim to assist energy retailers in delivering better practice principles to their customers.

## Guideline Objective

The objective of the Better Practice Guideline is to work towards minimising the financial stress experienced by vulnerable energy consumers.

## Better Practice Principles

There are five better practice principles that highlight the priority issues experienced by vulnerable energy consumers. Each principle includes measures identified by energy retailers and community representatives for improving and managing the issues identified.

1. **Early intervention**
2. **Customer focused capacity to pay**
3. **Collaborative partnerships**
4. **Measurable outcomes**
5. **Hardship policies**

## Mechanisms for Better Practice Implementation

The following mechanisms are provided to assist energy retailers in implementing and maintaining the better practice principles and measures.

### Integration

### Results

### Evaluation and Review

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Better Practice  
Principles

## 1. Early intervention

Early intervention is viewed by key stakeholders as a critical tool in the prevention of energy debt accumulation and reducing disconnections for vulnerable and disadvantaged households. This principle acknowledges the chronic financial stress experienced by many South Australian households. In adopting this better practice principle energy retailers (retailers) have a unique opportunity to actively assist vulnerable consumers and to minimise the number of customer defaults. Retailers can and currently do adopt various initiatives within their business processes to assist with early intervention. The following measures are good examples of better practice that could be adopted by stakeholders to enhance existing early intervention processes:

### Accessible customer/retailer communication

- Customer free call 1800 number
- Call centre staff able to identify if a customer is calling from a mobile phone and offer a call back service
- Minimal on-hold times (maximum of 2 minutes)
- Using SMS to make initial contact with customers to avoid the blocked caller ID issue (i.e. customers don't know who is calling) and to connect with disengaged customers
- Using online web chat technology and email as additional methods to communicate with customers

### Improved access to hardship teams

- A direct phone number for financial counsellors and consumer advocates to access retailer hardship teams
- Retailer call centre staff trained in assessing customer hardship to reduce the need to transfer calls
- Using email as an additional contact method between customers, retailers and financial counsellors
- Integrating billing, credit and hardship departments to enhance coordination of customer assessment

### Concessions and non-financial consumer assistance

- Concessions eligibility established at the point of contract sale and regular monitoring of eligibility for customers on hardship plans
- Provision of customer in-home energy audits and assisting customers on how to reduce consumption



## 2. Customer focused capacity to pay

The cornerstone of energy affordability is the capacity for customers to pay their energy bills. This is becoming increasingly difficult for vulnerable energy consumers who are living in financial stress. Successful assessment of capacity to pay hinges upon respectful and meaningful conversations between retailers and their customers that result in fair, reasonable, sustainable, and flexible arrangements for consumers. Whilst retailers deploy various business processes that place the customer at the centre of this dialogue, following are some examples that could potentially be used to enhance these processes. These include:

- The development of retailer databases that identify customer credit problems with ongoing system alerts
- Regular monitoring of hardship program customers to ensure assessment remains current
- Key Performance Indicators for call centre staff that focus on the long term success and viability of payment plans
- Hardship sensitivity training for dedicated call centre and hardship staff to improve appropriate customer assessment. This includes working with customers to identify affordable and realistic payments based on their income and expenditure. The debt amount should only be used where this presents a realistic basis for consumer repayments.
- Ability for call centre and/or hardship staff to transfer customers onto more appropriate tariffs (where these are available) at the point of conversation i.e. no lag time

### 3. Collaborative partnerships

Developing collaborative partnerships within the community is an important step in tackling issues that affect vulnerable energy consumers. This principle is underpinned by the premise that energy affordability is a shared responsibility for all stakeholders - industry, consumers, governments and community organisations. Partnerships between retailers and community organisations provide the ideal context for information exchange and innovation on resolving customer hardship issues. Whilst there are existing frameworks that ensure active collaboration between retailers and community organisations the following collaborative approaches are good examples of better practice:

- A review of the Emergency Electricity Payment Scheme (EEPS) documentation process by retailers, financial counsellors and the South Australian government. This is strongly recommended as the current process is administratively burdensome and results in long application wait times.
- Evolving industry partnerships with financial counsellors to enhance customer referral opportunities including the active promotion of the Financial Counsellors Helpline **1800 007 007** to vulnerable customers  
*“there are better outcomes for consumers when financial counsellors are involved”*  
**- stakeholder conference participant**
- Retailers establishing links with community organisations to keep abreast of social trends in South Australian communities that are likely to affect capacity to pay
- Retailers seeking input from community organisations in the development of hardship staff training materials; including the development of a list of meaningful triggers / verbal cues for identifying customers in hardship and a list of questions to ask  
*“customers do not always identify themselves as being in hardship”*  
**- stakeholder conference participant**
- Collaboration between retailers, community organisations and governments to improve harmonisation of concession schemes across jurisdictions  
*“today it is as complex for retailers as it is for customers”*  
**- stakeholder conference participant**

## 4. Measuring outcomes

Measuring the outcomes of retailer hardship policies and the subsequent business processes provides retailers with the opportunity to understand what works well and what can be improved. The following measures are good examples of better practice:

- Developing a set of Key Performance Indicators (KPI's) to measure the effectiveness of hardship policies, procedures and practices
- Developing adequate systems that facilitate regular measurement of KPI's
- Actively engaging with the community services sector on continuous improvement strategies

In assessing customer hardship measures retailers are encouraged to consider what constitutes a successful hardship program. The following measures are good examples of better practice:

- Stable and flexible arrangements
- Bills that match a consumers capacity to pay
- Incentives for customers to successfully graduate from hardship programs
- Regular monitoring of customers on hardship programs
- End-to-end case management with a nominated case manager

## 5. Hardship policies

Retailer hardship policies are an essential tool for supporting vulnerable energy consumers experiencing financial hardship. This is endorsed by the inclusion of hardship policies in the National Energy Retail Law [NERL] (South Australia) Act 2011. The NERL stipulates that authorised retailers<sup>5</sup> must develop, maintain and implement hardship policies for the purposes of:

*'identifying residential customers experiencing payment difficulties due to hardship and to assist those customers to better manage their energy bills on an ongoing basis'<sup>6</sup>.*

The following hardship policy measures that seek to assist customers in managing their energy bills are good examples of better practice:

- Tariff freezes for hardship customers
- Payment matching and subsidised plans to incentivise hardship customers, and to ensure sustainability of payment plans
- Pay-on-time discounts offered to customers on hardship programs
- Flexible payment arrangements including shorter billing cycles (e.g. monthly)
- Diverse payment options such as Centrepay
- Waiving extra fees and charges (e.g. late fees) for hardship customers

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<sup>5</sup> The NERL only covers jurisdictions that are participating in the National Energy Customer Framework (currently SA, NSW, ACT and Tasmania), AEMC 2014, <http://www.aemc.gov.au/Energy-Rules/Retail-energy-rules/Guide-to-application-of-the-NECF>

<sup>6</sup> National Energy Retail Law (South Australia) Act 2011, s.43, ss. 1&2.



# Mechanisms for Better Practice Implementation

The following mechanisms should be considered as tools that can be used by retailers when adopting better practice.

## Integration

Integrating better practice into an existing business model requires retailers to view hardship policies as an integral part of doing business. Retailers that are committed to better practice demonstrate a commitment to integration by:

- Understanding the key issues that vulnerable energy consumers experience
- Working with community organisations to develop policy measures that are respectful, realistic and effective
- Maintaining dialogue with all stakeholders on contentious issues

## Results

A sound approach in implementing better practice is a clear focus of the results that are to be achieved. Results that fulfil the better practice objective include:

- A decrease in the number of customers disconnected for an incapacity to pay
- Early identification of customers who are struggling to pay their energy bills
- Significantly lower energy debts for vulnerable energy customers
- An increase in the numbers of customers successfully graduating from hardship programs
- Strong partnerships developed and maintained between retailers and financial counsellors

## Evaluation and review

This better practice guideline provides a foundation for retailers who are committed to supporting vulnerable energy customers. Refinement and continuous improvement of the better practice elements presented herein is strongly encouraged. Business processes that are good examples of better practice are:

- Regular evaluation and review of hardship policies, procedures and business practices
- Implementation of a robust evaluation strategy and methodology to facilitate the above process
- A willingness to communicate and discuss the results with key stakeholders (including relevant community organisations and government departments)
- Creating opportunities for stakeholders to collaborate on issues identified during the evaluation and review processes

As the peak non-government representative body for the health and community services sector in South Australia, the South Australian Council of Social Service (SACOSS) believes in justice, opportunity and shared wealth for all South Australians.

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