SACOSS
South Australian Council of Social Service

SACOSS' Submission to the

Department for Human Services on the Review of the Emergency Electricity Payment Scheme

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Introduction

The South Australian Council of Social Service is the peak non-government representative body for health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS does not accept poverty, inequity or injustice. Our mission is to be a powerful and representative voice that leads and supports our community to take actions that achieve our vision, and to hold to account governments, business, and communities for actions that disadvantage vulnerable South Australians.

SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low income consumers in South Australia. With a strong history of community advocacy, SACOSS and its members aim to improve the quality of life for people disadvantaged by the inequalities of our society.

SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like water and electricity impacts greatly and disproportionately on vulnerable and disadvantaged people.

SACOSS would like to thank the Department for Human Services (DHS) for the opportunity to comment on the Review of the Emergency Electricity Payment Scheme (EEPS).

Based on our research and feedback received from financial counsellors at Uniting Communities, it is clear EEPS is not achieving its purpose of providing meaningful assistance to households in a financial crisis who are unable to pay their electricity debt.

SACOSS considers the following elements of the Scheme are operating to reduce its effectiveness:

- the eligibility requirement that the customer's debt not exceed $2000
- the eligibility requirement that the customer be disconnected or at risk of disconnection
- the eligibility requirement that the customer be the account holder (thereby excluding embedded network customers from accessing EEPS, as they are not billed directly by a retailer)
- the requirement that the customer only be permitted to access EEPS every three years (this time frame should be reduced)
- the $400 payment amount
- onerous paperwork burden for applicants.

The eligibility criteria exclude customers of embedded networks (e.g. in residential parks and apartment blocks), most customers with long-term energy debt (around 70 per cent of customers in debt for more than 24 months have debt over $2500), and customers on payment plans or hardship programs (who are not, in theory, 'at risk of disconnection'). Feedback from financial counsellors also points to the $400 as being insufficient to make a real impact on customers with large energy debts, and the three-year time-frame results in customers being unable to meaningfully break the debt cycle and avoid disconnection.

Many South Australians are struggling to pay their energy bills

South Australian households are increasingly struggling to pay their electricity bills, as evidenced by the rising numbers of customers in debt, rising levels of debt and increasing rates of disconnection.

In the 2019-20 financial year, South Australia had the highest disconnection rate of all the jurisdictions reporting to the Australian Energy Regulator (AER)[1] (.9% down from 1.3% in 2018-19)[2]. South Australia also had the highest average debt for non-hardship customers of $1,131 (over $200 higher than NSW), and the highest average amount of hardship debt on entry into hardship programs of $1,884 – up $800 since 2015-16.[3] The average debt of hardship customers in 2019-20 was $1,970 - also the highest - up from $1,863 at the same time last year.[4]

The AER's most recent performance data from Quarter 2, 2020-21[5] (October – December 2020), shows:

- The number of non-hardship customers repaying energy debt[6] in SA has increased from 21,996 in Q2 2019-20 to 27,737 in Q2 2020-21 (an increase of 26% in one year).
- The average amount of energy debt for residential customers in SA (who are not part of a hardship program) has increased from $991 in December 2019 to $1,266 in December 2020. This is an **increase in average debt** of $275 or **27% in 12 months**.[7]
- The average energy debt for hardship customers in SA has increased from $1784 in December 2019, to $2,249 in December 2020. This is an increase in average debt levels of $465 or 26% in 12 months. This is by far and away the highest average debt

[1] Energy Retailers in New South Wales, Queensland, South Australia, Tasmania and the ACT all report to the Australian Energy Regulator on indicators contained in the AER, (Retail Law) Performance Reporting Procedures and Guidelines, April 2019

[2] Australian Energy Regulator, Annual Retail Markets Report 2019-20, November 2020, p. 91

[3] Australian Energy Regulator, Annual Retail Markets Report 2019-20, November 2020, p. 83 (see also AER Annual Retail Markets Report 2019-20 – Charts and Tables)

[4] Australian Energy Regulator, Annual Retail Markets Report 2019-20, November 2020, p. 83 (see also AER Annual Retail Markets Report 2019-20 – Charts and Tables)

[5] AER, Retail Energy market performance update for Quarter 2, 2020-21, Schedule 3, 6 April 2021

[6] Noting that energy arrears are only classified as debt after 90 days, see: AER, (Retail Law) Performance Reporting Procedures and Guidelines, April 2019, p. 18

[7] This is the highest average amount of energy debt in jurisdictions reporting to the AER (NSW, ACT, Tas, QLD, SA), with average national debt at $1,008. NSW has the next highest with the average residential energy debt being $1,017 as at December 2020.

for hardship customers nationally, with the next closest being ACT reporting average hardship customer debt of $1,694.

- Despite hardship customer numbers decreasing in the last 12 months in SA, we still had the highest number of hardship customers in mainland Australia in Oct-Dec 2020: **14,253 or 1.8% of customers** –Tasmania has 2.32% of customers on hardship programs, and the National average is 1.04%.
- SA had the highest percentage of residential customers disconnected in NECF jurisdictions (ACT, NSW, QLD, Tas, SA) between October and December 2020. **Nearly three times more customers were disconnected between October and December in 2020, than were disconnected in July to September last year.** 841 (.11%) South Australian residential customers were disconnected in Q2 2020-21, up from 292 (0.04%) in Q1 2020-21. This is despite the ongoing protections against disconnection contained in the AER's Statement of Expectations. NSW was next highest with a percentage of 0.07% of residential customers disconnected (or 2153 customers).
- 59% of residential customers disconnected in SA between October and December 2020 had an energy debt **under** $1500. The average annual electricity bill in South Australia is about $1,444[8], so most customers are being disconnected for being unable to pay one average annual energy bill.

Broadly speaking, SACOSS is firmly of the view that the best way for households to avoid energy debt accumulation and disconnection is through retailers' proactive, early identification of customers with payment difficulties, and consequent offers of supports - including appropriate payment plans, ensuring the customer is on the best deal, referring and linking customers to government concessions, providing energy efficiency advice and access to the retailer's hardship program. Offering and implementing these measures early in the debt cycle will support customers struggling to pay their energy bills, and ensure those customers are protected from the invidious impacts of disconnection.

Unfortunately, despite the increase of 27% in average debt for South Australian customers not on hardship programs in the last 12 months – there has been **no** increase in formal hardship supports offered to customers. Concerningly, In SA there has actually been a **decrease** in hardship customer numbers from the same time last year (down from 17,222 customers (2.2%) in December 2019 to 14,253 (1.8%) in December 2020. There has also been a **decrease** in the number of customers on payment pans in SA during the last year, down from 13,220 to 13,055. This is hard to understand given the impacts of COVID, increasing debt levels and clear burgeoning numbers of customers struggling to pay their bills.

The purpose of EEPS

The purpose of EEPS is to 'provide assistance to households in a financial crisis who are unable to pay their electricity debt'. The assistance currently comprises a $400 payment

[8] https://www.canstarblue.com.au/electricity/average-electricity-bills/

made directly to the customer's energy retailer, once every three years, on application from a financial counsellor. To be eligible, customers must be the energy account holder, must not have an energy debt greater than $2,000, and must be disconnected or at risk of disconnection.

SACOSS understands that EEPS was created in 1988, and was last reviewed in 2013 (noting the *National Energy Customer Framework*[9] was introduced in 2013 in South Australia), when the $2000 debt limit was added.

Only 817 customers accessed EEPS in 2019/20,[10] in circumstances where SA has around 41,990 customers in debt or receiving hardship support from their retailer:[11]

- 27,737 non-hardship customers in debt (with the average debt being $1,266)
- 14,253 hardship customers (with average debt of $2,249 and average debt on entry being $1,909)
- 13,055 payment plan customers

The 817 customers assisted to maintain their connection to an energy supply, represents a fraction of the South Australian customers experiencing difficulty in paying their energy bills.

Abolish the eligibility requirement that the customer's debt not exceed $2000

SACOSS understands the $2000 debt limit was calculated on the basis of the average annual bill in 2013, and it was intended to support customers early in the debt cycle. As outlined above, the AER reports around 70 per cent of customers in debt for more than 24 months have debt over $2500.[12] Given the current Scheme only provides a payment once every three years, it is likely that many customers with older debt accumulated over three years would be ineligible for EEPS on the basis that their debt exceeds $2,000. In addition, as referred to above, the average debt for hardship customers in South Australia exceeds $2,000 (it was $2,249 as at December 2020). On this basis, hardship customers with average or above average debt levels, as well as 70% of customers with debt older than 24 months, would currently be excluded from accessing the Scheme. This raises real concerns about

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[9] The National Energy Customer Framework (NECF) is a suite of legal instruments that regulate the sale and supply of electricity and gas to retail customers. The main NECF documents are the:

- the National Energy Retail Law (Retail Law)
- the National Energy Retail Rules (Retail Rules) and
- the National Energy Retail Regulations (Regulations)

[10] Government of South Australia, Department of Human Services, Annual Report 2019-20, Administered Financial Statements, Emergency Electricity Payments, p.13

[11] See Schedule 3 and Schedule 4 of the AER's Retail energy market performance update for Quarter 2, 2020-21

[12] AER, Annual Retail Markets Performance Report 2019-20, Nov 2020, p.71

whether EEPS, in its current form, can achieve its purpose of helping households in a financial crisis.

Clearly, the $2,000 debt limit is out of date and is operating to exclude those in need of emergency assistance from receiving the payment. The question of whether there should still be an upper debt limit was raised by financial counsellors. Some supported a debt limit of some description, as it was argued a $400 payment would make no difference to a $5,000 debt. Also, financial counsellors pointed to the practice of some retailers to reduce a customer's debt (say from $2,300 to $1,950), so the customer would be eligible for the $400 EEPS payment.

SACOSS acknowledges these views, but still considers an upper debt limit works to arbitrarily exclude households from receiving the emergency payment, without considering the circumstances of that household. SACOSS supports financial counsellors retaining the responsibility for making the EEPS application, and is hopeful this will result in the customer being offered all the supports they are entitled to receive from the retailer, as well as appropriate concessions from government, determined on a case by case basis. SACOSS is also seeking an increase in the payment amount to make the impact of EEPS more meaningful for customers with larger debts; supporting low income households to reduce their debts and avoid disconnection.

In this context, SACOSS is seeking the debt limit be abolished and the eligibility for the emergency payment be considered on a case-by-case basis.

Review the eligibility requirement that the customer be disconnected or at risk of disconnection

There was strong feedback from financial counsellors that this eligibility requirement be removed from the Scheme. Under the NECF, retailers are prohibited from disconnecting customers who are on a payment plan, receiving hardship supports or who have applied for a concession.[13] Therefore, if a customer is on a payment plan, receiving hardship supports or have applied to DHS for a concession, they are not (theoretically) 'at risk of disconnection', and would be ineligible for the EEPS payment.

SACOSS considers the eligibility requirement that the customer be disconnected or at risk of disconnection should be removed. Financial counsellors will be working to ensure the customer retains their energy connection and has access to supports, so the practical application of this eligibility requirement creates some confusion, and operates to exclude households that may otherwise be eligible.

It is worth noting that 6,988 residential customers were disconnected for non-payment in SA in 2019-20 (down from 10,317 residential customers disconnected in SA in 2018-19, due

[13] See National Energy Retail Rules 116(1)(d) and 116(1)(e)

to COVID moratorium on disconnections),[14] and only 817 customers accessed EEPS. The Australian Energy Regulators' fourth (and likely final) Statement of Expectations of energy businesses updated in April this year,[15] prohibits retailers from disconnecting residential customers who are in contact with their retailer. Given the ever-increasing levels of energy debt and rising numbers of disconnections, SACOSS is expecting that debt collection activity and disconnections will both rapidly increase once the AER's Statement of Expectations no longer applies to retailers at the end of June 2021.

Review the eligibility requirement that the customer be the account holder

Embedded network customers (residents of apartments, residential parks and retirement villages) are excluded from accessing EEPS because they are not billed directly – as they are not the account holder. For residents of caravan parks, the energy bill goes to the caravan park owner, who often bundles all charges (rent, energy, water, sewerage) and then bills the customers. This then excludes a very vulnerable cohort of customers from emergency payment support.

SACOSS is seeking eligibility for EEPS be broadened to include customers of embedded networks. The Victorian Utility Relief Grants Scheme (non mains) (URGS) extends the URGS payment to customers with a non-mains energy or water bill. The grant provides help to pay a non-mains energy or water bill that is overdue due to a temporary financial crisis.

This can include bills for:

- liquefied petroleum gas (LPG)
- diesel and petrol (for a generator)
- heating oil
- firewood
- **metered electricity from an embedded network**
- carted water
- cleaning of septic tank (for homeowners).

Applicants must hold an eligible concessions card and meet one of the following criteria:

- experienced family violence
- a recent decrease in income, for example, lost your job.
- high unexpected costs for essential items.
- cost of shelter is more than 30% of the household income.

SACOSS supports DHS looking to the URGS in its review of EEPS. We are also seeking the Residential Parks Concession Scheme explicitly provide for residential parks customers to be

[14] Australian Energy Regulator, Annual Retail Markets Report 2019-20, November 2020, p. 91 and Schedule 3, Q4 2019-20 Retail Performance Data

[15] AER, Statement of Expectations of Energy Businesses, April 2021

eligible to apply for EEPS (as it currently does for the Cost of Living Concession and Medical Heating and Cooling Concession).

Change the requirement that the customer only be permitted to access EEPS every three years and the $400 payment amount

As noted earlier in this submission, some financial counsellors have expressed concern that the $400 payment for many customers with very large debts will not make a meaningful difference to the long-term debt position of that customer. Along with the abolition of the debt cap, SACOSS is seeking the $400 payment be increased and also be available more frequently than every three years. SACOSS is urging DHS to look to Victoria's Utility Relief Grant Scheme (URGS).[16] URGS has much broader eligibility requirements and allows for up to $650 for each utility (water, electricity, gas) every two years, or $1300 if customer only has one form of energy (e.g. electricity) every two years. The amount of the grant is based on the amount the customer owes at the time of application, and the reasons the customer has given when applying for the grant. This provides for a more appropriate payment reflecting the debt amount. We are hopeful DHS will look to this Scheme in its review of EEPS.

Consider the onerous application process for customers.

An applicant for EEPS must complete an application form with details of their income and living arrangements and provide this to a financial counsellor.

Financial counsellors have advised SACOSS that the paperwork required to be completed by the customer is often a barrier to accessing the payment. Customers find the level of information and documentation they need to provide in support of the application to be too onerous, and Financial Counsellors find it challenging to obtain the required paperwork from their clients.

SACOSS is seeking DHS consider making the application process more streamlined, to reduce barriers to access.

Simplifying concessions in SA

There was also feedback from financial counsellors that some would prefer to abolish EEPS and instead have one concession to apply to energy bills, with the budget allocated to EEPS included in that concession. SACOSS considers EEPS has the potential to be an important emergency support, and also has value in connecting customers with financial counsellors and other broader supports. If appropriate amendments are made to EEPS, then it may operate to more effectively assist low-income customers to pay their debt and better manage their ongoing energy costs.

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[16] Victoria State Government, Department of Health and Human Services website, Concessions and benefits, Utility Relief Grant Scheme and Utility Relief Grant Scheme (non mains)

Conclusion

In summary, SACOSS is seeking the EEPS eligibility criteria be changed to remove barriers to access, and that EEPS payment amounts and frequency be increased. Specifically, SACOSS is seeking that:

- the $2000 debt limit is removed
- the requirement that the customer be disconnected or at risk of disconnection is removed
- the payment is increased from $400
- the payment is made more frequently than once every three years
- customers of embedded networks are included in the Scheme.

Thank you for considering our submission, please do not hesitate to contact Georgina Morris at georgina@sacoss.org.au or on 8305 4214, if you require any further information.