

QUARTERLY EWOV

Affordability Report



January–March 2018
Released June 2018



ENERGY AND WATER
OMBUDSMAN
Victoria Listen Assist Resolve

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Affordability

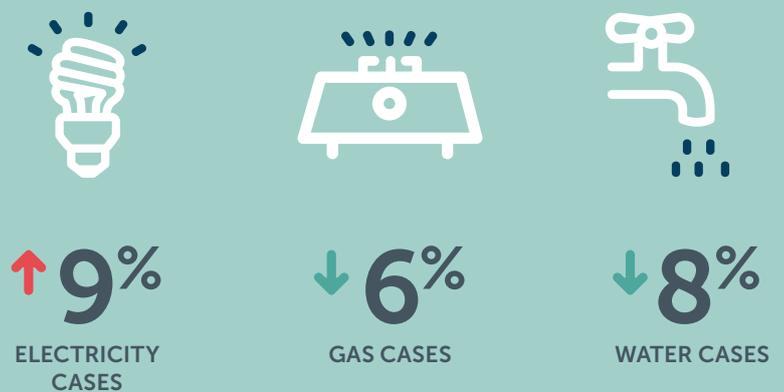
The big picture

JANUARY–MARCH 2018

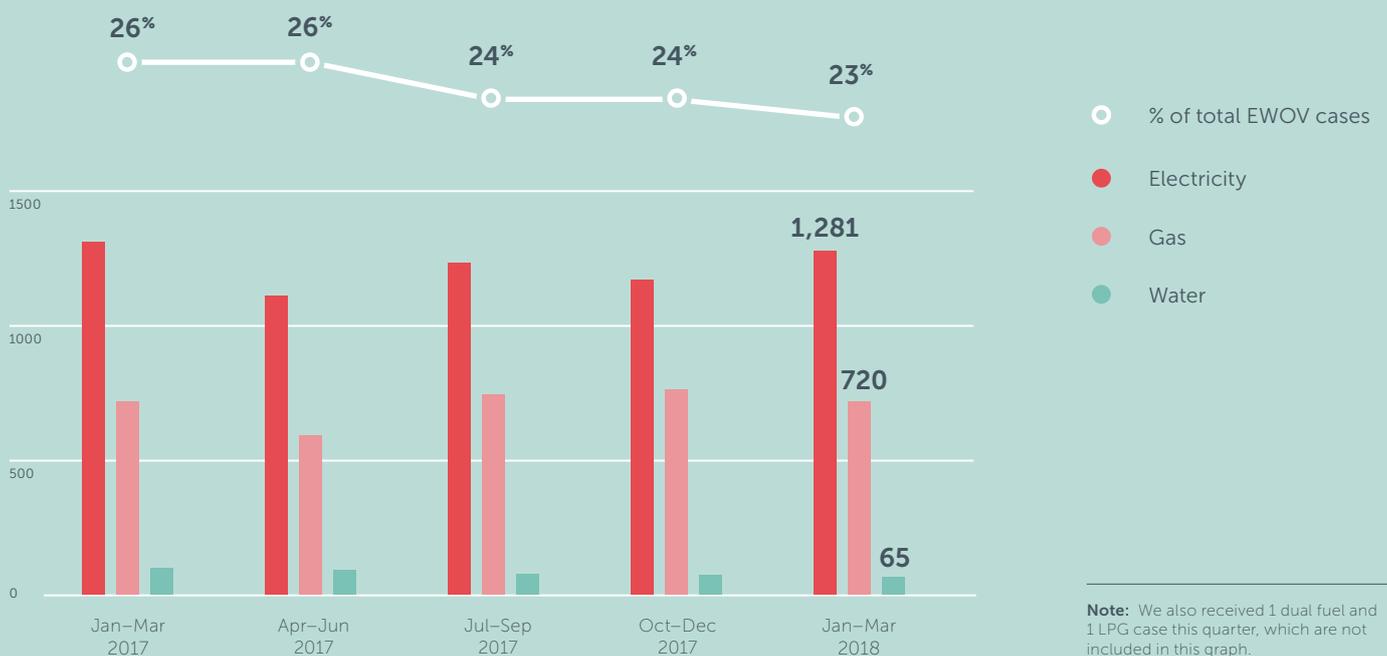
CREDIT CASES **OVERALL**



CREDIT CASES COMPARED TO LAST QUARTER



ELECTRICITY, GAS AND WATER CREDIT CASES **BY QUARTER**

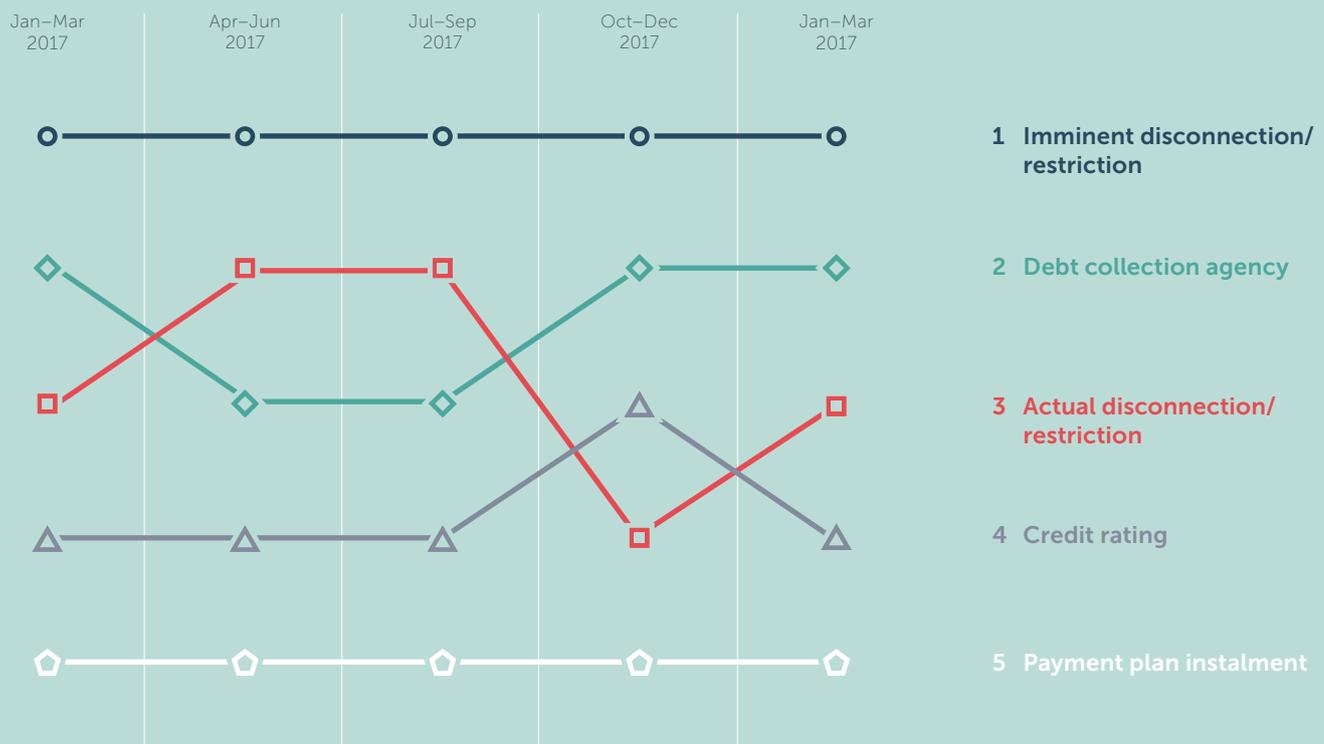


CREDIT CASES BY QUARTER



CREDIT SUB-ISSUES RANKED

The credit case categories of Disconnection/Restriction, Collection and Payment Difficulties all have sub-issues. The below illustrates the movement of the top five. For a full list of credit sub-issues, see page 19 of this report.



Spotlight on Victoria's affordability case hotspots

We've analysed the rate of EWOV credit cases in different municipalities to find the state's affordability case hotspots.

Affordability case hotspots are in relatively disadvantaged areas

For each of Victoria's 79 municipalities, we calculated the number of EWOV residential credit cases in 2017 per 1,000 residents.¹ With this analysis, we can identify affordability case hotspots: areas where customers come to EWOV about affordability issues at higher rates.

Unsurprisingly, the state's affordability case hotspots are in areas of relative disadvantage, where more people lack the resources and opportunities that underpin social and economic wellbeing.

Drawing on a range of indicators, the Australian Bureau of Statistics has developed an index for ranking different areas in terms of their relative socioeconomic advantage and disadvantage. In 2017, Latrobe, Greater Shepparton, Wodonga, Pyrenees and Melton had the highest rates of residential credit cases. With the exception of Melton, each of these is ranked by the ABS as among the 40% most disadvantaged municipalities in Victoria.²

2017 AFFORDABILITY CASE HOTSPOTS: THE TOP 5

CREDIT OVERALL

- 1 Latrobe
- 2 Greater Shepparton
- 3 Wodonga
- 4 Pyrenees
- 5 Melton

DISCONNECTION/ RESTRICTION

- 1 Wodonga
- 2 Latrobe
- 3 Wangaratta
- 4 Greater Shepparton
- 5 Benalla

PAYMENT DIFFICULTIES

- 1 Hindmarsh
- 2 Latrobe
- 3 Ballarat
- 4 Greater Shepparton
- 5 Pyrenees

COLLECTION

- 1 Loddon
- 2 Greater Shepparton
- 3 Melton
- 4 Cardinia
- 5 Pyrenees

1 Using cases received during the 2017 calendar year and population figures from the Australian Bureau of Statistics 2016 Census.

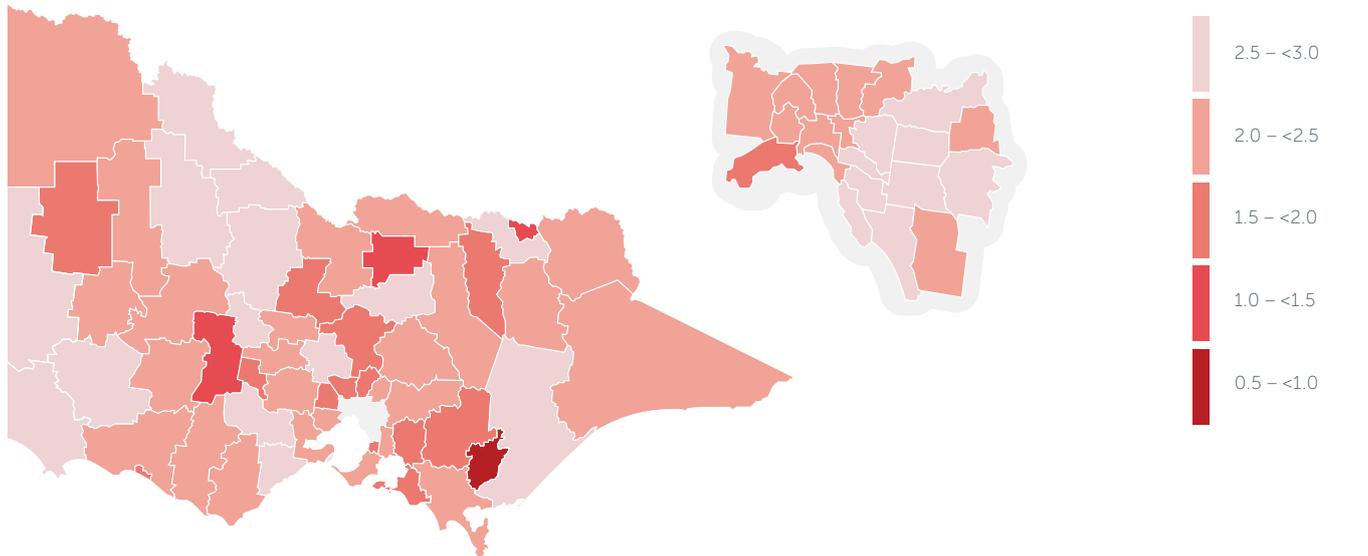
2 According to their decile ranking in the Australian Bureau of Statistics' 2016 Socio-economic Index for Areas (SEIFA) Index of Relative Socio-economic Advantage and Disadvantage. See: Australian Bureau of Statistics, 'SEIFA by Local Government Area (LGA)'. Available at: http://stat.data.abs.gov.au/Index.aspx?DataSetCode=ABS_SEIFA_LGA

RESIDENTIAL CREDIT CASE RATES BY MUNICIPALITY, 2017

REGIONAL/RURAL

METROPOLITAN MELBOURNE

CASES PER 1,000
POPULATION



Most affordability case hotspots are in rural and regional Victoria

Regional and rural Victorians are more likely than customers in Melbourne to come to EWOV for help with an affordability issue. Whether we look at credit cases as a whole or at the breakdown for payment difficulties, disconnection and credit collection, almost all of the case hotspots are in regional and rural Victoria.

Melton and Cardinia are the only Melbourne municipalities to appear in the top five for any credit issue. Both are part of the 'interface' – ten municipalities that form a ring about metropolitan Melbourne. The interface municipalities have above-average unemployment and Victoria's highest rates of mortgage stress. They are also areas of rapid population growth where services and infrastructure are under pressure.³

The interface municipalities have above-average unemployment and Victoria's highest rates of mortgage stress.

³ Interface Councils (2017) *Interface Councils Liveability Snapshot*, p. 18.

Latrobe is Victoria's top affordability case hotspot

In 2017, customers in the Latrobe municipality were more likely than customers anywhere else in Victoria to come to EWOV for help with an affordability issue. Over the year, we received 2.5 credit cases per 1,000 Latrobe residents. Latrobe also had the second-highest rate of disconnection/restriction and payment difficulties cases, although it didn't appear in the top five for credit collection cases, which seem to have a weaker link to disadvantage.

Located in Gippsland around 150 kilometres east of Melbourne, Latrobe is made up of four main towns: Traralgon, Morwell, Moe and Churchill. The area faces a range of challenges including high unemployment, low incomes, an ageing population, and lower rates of participation in education and training.⁴ The Australian Bureau of Statistics ranks Latrobe as the third most disadvantaged municipality in Victoria.⁵

On top of this disadvantage, Latrobe residents face particularly high electricity and water costs. Latrobe sits within the network area with Victoria's highest fixed electricity costs,⁶ and customers also pay some of the state's highest water charges. In 2017–18, the average homeowner's yearly household water bill was \$1,253, including around \$990 in fixed charges.⁷ This combination of deep disadvantage and higher costs probably accounts for Latrobe's disproportionately high rate of payment difficulties and disconnection cases.

It seems that customers who are most likely to come to EWOV about an affordability issue are those in communities that are somewhat – but not severely – disadvantaged.

Awareness of EWOV also plays a part

Although most of the municipalities with high credit case rates are disadvantaged, there are also many disadvantaged municipalities where credit case rates are low. In fact, it seems that customers who are most likely to come to EWOV about an affordability issue are those in communities that are somewhat – but not severely – disadvantaged.

We can't say for sure why this is – but it's probably **not** because there are no energy and water affordability issues where disadvantage is more entrenched. It's more likely that people in these areas are less aware of EWOV and less likely to approach us for assistance.

Over the past several years EWOV has had a strong presence in some of the affordability case hotspots. We visited with community agencies in Wodonga and Wangaratta as part of our 2012 community roadshow, and in 2016 and 2017 we ran Bill Power events in Wangaratta and Shepparton. We've also had plenty of coverage on local radio and in local papers. We take the high level of credit cases in these areas as a sign that efforts to get the word out in these regional areas has had an affect – motivation to continue this valuable outreach work and visit more of Victoria's most disadvantaged areas.

4 Victorian Government Department of Planning and Community Development (2011) *Change and disadvantage in the Gippsland Region, Victoria*, p. 35.

5 Australian Bureau of Statistics, 'SEIFA by Local Government Area (LGA)'. Available at: http://stat.data.abs.gov.au/Index.aspx?DataSetCode=ABS_SEIFA_LGA

6 Incorporating fixed retail, network and metering charges. See: State of Victoria (2017) *Independent review into the electricity and gas retail markets in Victoria*, p. 19

7 Essential Services Commission, '2017–18 Typical Household Bill Estimator'. Available at: <https://public.tableau.com/profile/esc.water.team2779#!/vizhome/2016-17TypicalHouseholdBillEstimator/2017-18IndicativeHouseholdBills>

Payment difficulties



437

PAYMENT DIFFICULTIES
CASES JANUARY-MARCH 2018

Overall payment difficulties cases

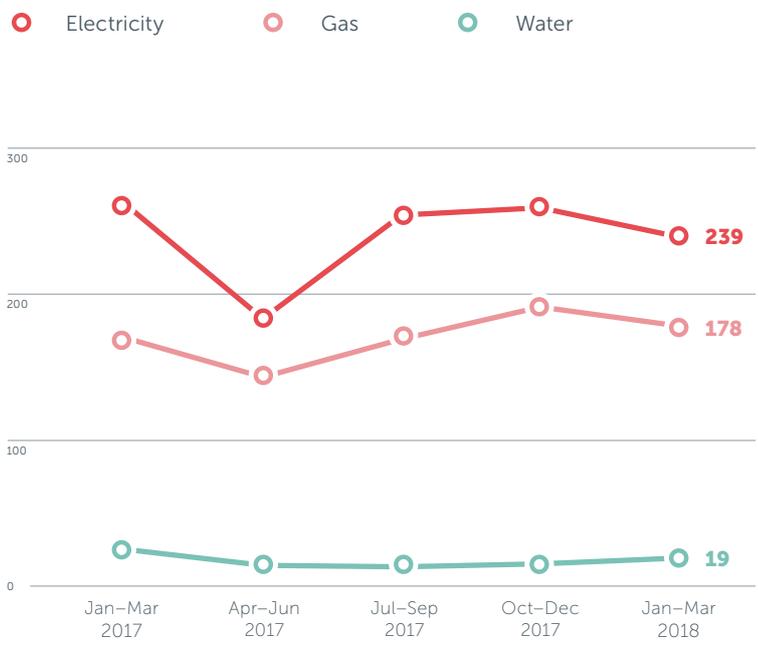
↓ 6%

COMPARED TO
LAST QUARTER

↓ 5%

COMPARED TO THIS
TIME LAST YEAR

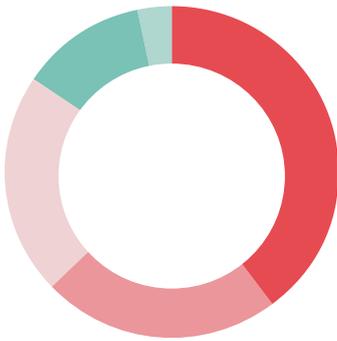
Electricity, gas and water payment difficulties cases by quarter



Note: We also received 1 LPG case this quarter, which is not included in this graph.

What were the cases about?

Sub-issues in payment difficulties cases



- Payment plan instalment **40%**
- Smoothpay **23%**
- Account holder arrears **22%**
- Direct debit **12%**
- Payment plan extension **3%**

Sub-issues compared to last quarter

↓ **16%**
PAYMENT PLAN
INSTALMENT

↓ **11%**
ACCOUNT
HOLDER ARREARS

↑ **8%**
DIRECT DEBIT

↑ **9%**
SMOOTHPAY

What were the outcomes?



**INVESTIGATIONS
CLOSED JANUARY-
MARCH 2018**

Outcome	No.	%
Payment plan	68	79%
Referral to hardship program	46	53%
Customer Service Gesture	21	24%
Billing adjustment	14	16%
Debt waiver (partial)	5	6%
Debt waiver (full)	4	5%
Payment extension	3	3%
Fee waiver	1	1%

Case study

A customer's bill smoothing payment plans are repeatedly cancelled and reinstated, causing confusion and concern.

The issue

Mr B, who was on a disability pension and living in public housing in a regional town, had been paying \$27 per fortnight on his electricity account for three years on a bill smoothing plan. However, in December 2017 he received a letter from his electricity company saying that his payments would be increasing to \$53 per fortnight.

When Mr B contacted his company, it said that this had been a mistake and that his payment plan would stay the same. However, in January 2018, Mr B received another letter, this time stating that his electricity payment plan was being increased to \$50 per fortnight unless he made an upfront payment of \$598 – even though the bill attached to the letter said that only \$184 was owing on the account. When Mr B called EWOV for assistance, he said that he had never missed a payment. He wanted his company to honour the existing payment plan and stop sending him letters about increases.

We raised an Assisted Referral. A representative from the company contacted Mr B and said that it would keep the current payment plan in place. However, it said it couldn't guarantee that Mr B wouldn't continue to receive letters, which it advised him to ignore.

Soon afterwards, Mr B received yet another letter stating that his electricity payment plan had been cancelled.

Mr B then received another letter, this time about an increase to his gas payment plan. When he contacted the company, he was told that this was another error, and that his original gas payment plan would be reinstated.

Mr B, who needed electricity for a medical issue, was concerned about the ongoing confusion and the possibility of disconnection, so he recontacted EWOV. We opened a new gas case and began an Investigation on the electricity matter. Soon afterwards, Mr B received yet another letter stating that his electricity payment plan had been cancelled.



Case ID:
2018/2101 and
2018/3786

The company agreed to freeze Mr B's payment plan amounts for six months, and promised that Mr B wouldn't receive any more letters until a review at the end of this period.

The investigation

We spoke with the company, which confirmed that Mr B could disregard the most recent letter about his electricity account. It explained that although Mr B's usage had remained steady, price increases meant that his costs had crept up, from \$27 to \$33 per fortnight for electricity, and from \$13 to \$17 per fortnight for gas. Accordingly, his payment plans would need to be increased soon. In the meantime, however, the company agreed to freeze Mr B's payment plan amounts for six months, and promised that Mr B wouldn't receive any more letters until a review at the end of this period.



Case ID:
2018/2101 and
2018/3786

The outcome

Mr B was happy with this resolution, and said that he would keep up with the payment plan and make extra payments as necessary so that he didn't fall into arrears.

Disconnection and restriction

Imminent disconnection/restriction cases



538

IMMINENT DISCONNECTION/
RESTRICTION CASES JANUARY-
MARCH 2018

Overall imminent disconnection/restriction cases

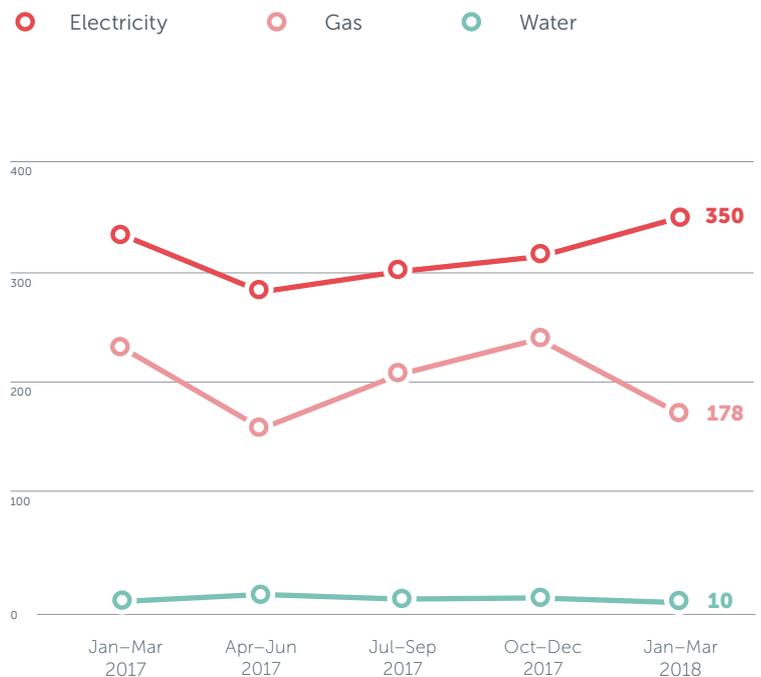
↓ 6%

COMPARED TO
LAST QUARTER

↓ 7%

COMPARED TO THIS
TIME LAST YEAR

Electricity, gas and water imminent disconnection/restriction cases by quarter



Actual disconnection/restriction cases



318

ACTUAL DISCONNECTION/
RESTRICTION CASES JANUARY-
MARCH 2018

Overall actual
disconnection/restriction
cases

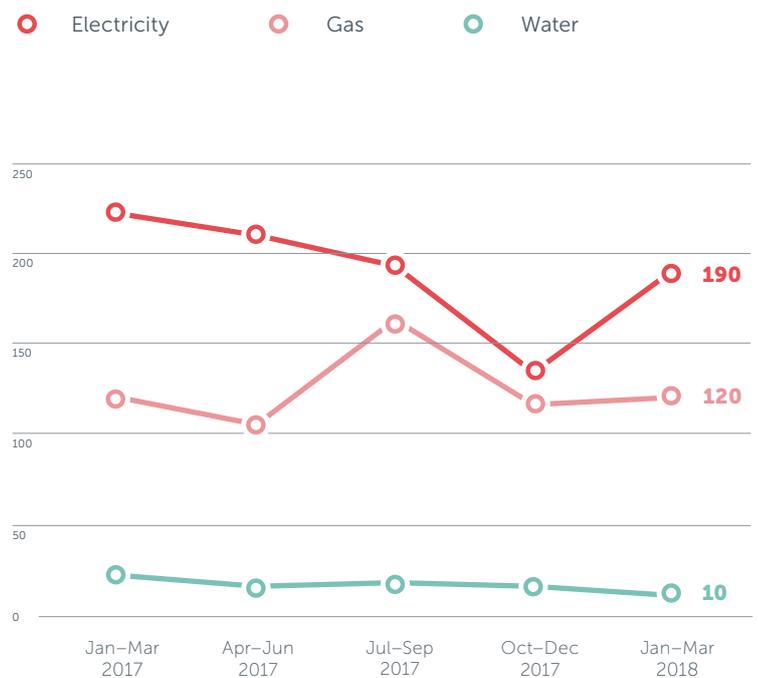
↑ 20%

COMPARED TO
LAST QUARTER

↓ 12%

COMPARED TO THIS
TIME LAST YEAR

Electricity, gas and water actual
disconnection/restriction cases by quarter



What were the outcomes?



INVESTIGATIONS* CLOSED JANUARY- MARCH 2018

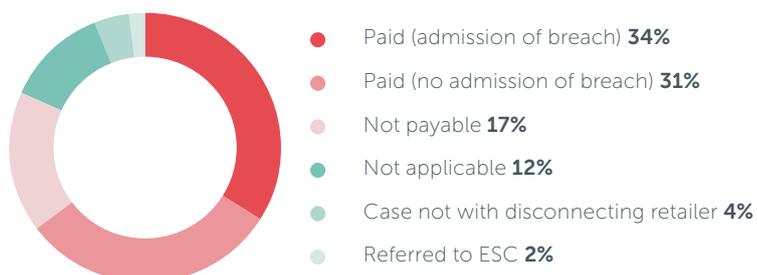
*Includes both imminent and actual disconnection/restriction cases

Outcome	No.	%
Payments and waivers		
Referral to hardship program	133	47%
Customer Service Gesture	50	18%
Billing adjustment	30	11%
Fee waiver	11	4%
Debt waiver (full)	10	4%
Debt waiver (partial)	8	3%
Guaranteed Service Level payment	1	<1%
Payment plans and extensions		
Payment plan for arrears and consumption	63	22%
Payment plan for consumption only	49	17%
Payment plan for arrears only	45	16%
Stepped payment plan	25	9%
Payment extension	22	8%



WDP ASSESSMENTS CLOSED OCTOBER- DECEMBER 2017

Wrongful Disconnection Payment assessment outcomes



Disconnection compliance breaches



AFFORDABILITY
18 (32%)



RETAILER ERROR
16 (29%)



DEEMED CONTRACT
7 (13%)



NOTICES
5 (9%)



BEST ENDEAVOURS
4 (7%)



COMPLAINT OPEN WITH RETAILER
2 (4%)



REASONABLE ACTION
2 (4%)



MORE THAN ONE BREACH
2 (4%)

Case Study

A customer is threatened with disconnection after irregular payments and debt build-up.

The issue

Ms P was living in the Latrobe area in rental housing with her partner and young son. Her son had recently been diagnosed with a medical condition, and this had meant Ms P had to reduce her hours at her casual job. Ms P had combined electricity and gas arrears of around \$7,000, and although she had been on an \$80 per fortnight payment plan, she had been able to make inconsistent payments. As a result, her energy company cancelled her payment plan and send her an imminent disconnection warning for her electricity.

She then found that the payment plan was cancelled and she received a letter warning her of potential disconnection or debt collection.

When Ms P contacted her company to set up a new payment plan, it refused, saying she must first make an appointment with a financial counsellor. Ms P had contacted a financial counsellor and was waiting for an appointment when she called EWOV, asking that her supply not be disconnected and that her company arrange a new \$100 per fortnight payment plan.

We raised an Assisted Referral and the company spoke with Ms P's financial counsellor. They confirmed that no disconnection was pending and offered

payment plans of \$60 per fortnight on each account. The company said it would assess Ms P for its hardship program after four payments.

However, a few months later Ms P recontacted EWOV. She said that she had told her company that she would miss a payment and it had said this wouldn't affect her payment plan. However, she then found that the payment plan was cancelled and she received a letter warning her of potential disconnection or debt collection.

The Investigation

EWOV opened an Investigation. In its response to our initial enquiries, the company explained that arrears had accumulated on both accounts because Ms P's inconsistent payments were not covering her usage. To determine an affordable payment plan amount, the company asked EWOV to conduct a financial assessment.

The outcome

Our assessment found that payments of \$70 per fortnight on each fuel should be affordable for Ms P and her partner. Furthermore, when Ms P's car loan was paid off in five weeks' time, and with additional income from the Carer Allowance that Ms P was applying for, her payments could be increased to \$100 for gas and \$120 for electricity per fortnight. Ms P and the company both agreed to the proposed payment plan arrangements, so EWOV closed the case.



Case ID:
2017/16038 and
2017/16047

Collection



COLLECTION CASES JANUARY-MARCH 2018



Overall collection cases

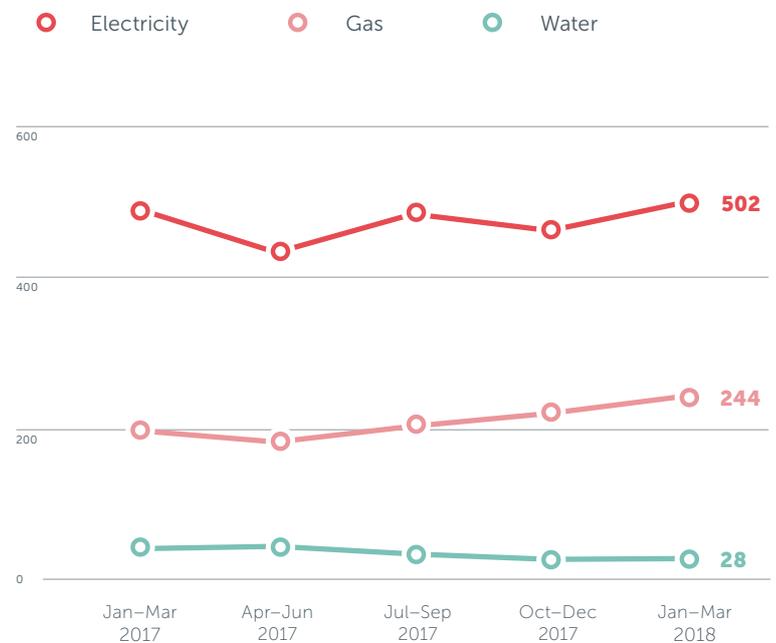
↑ 9%

COMPARED TO
LAST QUARTER

↑ 6%

COMPARED TO THIS
TIME LAST YEAR

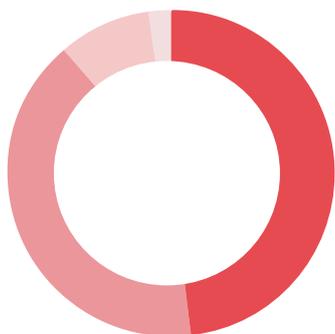
Electricity, gas and water collection cases by quarter



Note: We also received 1 Dual fuel case this quarter, which is not included in this graph.

What were the cases about?

Sub-issues in collection cases



- Debt collection agency **48%**
- Credit rating **41%**
- Retailer debt collection **9%**
- Other **2%**

Sub-issues compared to last quarter

↑ **13%**
DEBT COLLECTION AGENCY

↑ **11%**
CREDIT RATING

↓ **18%**
RETAILER DEBT COLLECTION

What were the outcomes?



139
INVESTIGATIONS
CLOSED JANUARY-
MARCH 2018

Outcomes in collection Investigations

Outcome	No.	%
Removal of default listing	57	41%
Debt waiver (full)	25	18%
Customer Service Gesture	31	22%
Payment extension	10	7%
Payment plan	22	16%
Debt waiver (partial)	4	3%
Referral to hardship program	13	9%

Case Study

A customer disputes a default listing that she believes to be incorrect.

The issue

A financial counsellor contacted EWOV on behalf of a concession cardholder living in Melbourne's outer West, Ms A. When Ms A had applied for a personal loan, she became aware that her electricity company had listed her for a credit default of \$374.00.



Case ID:
2018/1294

The company conceded that it did not have the records to show that the default had been listed correctly.

Ms A said that she had never been advised of the outstanding amount. Moreover, although she wasn't sure what period the default related to, she was certain that she had paid everything she owed through a monthly payment arrangement that had been in place. However, when Ms A had contacted her energy company to discuss removal of the default, it had declined.

We raised an Assisted Referral, but when Ms A didn't receive a response within the required timeframe, she recontacted EWOV.

The Investigation

We opened an Investigation and advised the company that we would be investigating whether the default was listed correctly. In response, the company conceded that it did not have the records to show that the default had been listed correctly.

The outcome

The company agreed to remove the default listing and, in recognition of its error, waive the \$374 debt. Ms A was satisfied with this resolution and the case was closed.

Interpreting the data in this report

Credit

Each case that EWOV receives is allocated a primary issue that falls in one of nine categories. Affordability issues, such as payment difficulties, debt collection and disconnection/restriction, mostly fall within EWOV's credit category of cases. The category is further broken down into the following issues and sub-issues:

CREDIT

Payment difficulties

- › Payment plan instalment
- › Account holder arrears
- › Direct debit
- › Smoothpay
- › Payment plan extension
- › Non-account holder arrears
- › Lump sum

Disconnection/restriction

- › Imminent disconnection/restriction
- › Actual disconnection/restriction

Collection

- › Credit rating
- › Debt collection agency
- › Retailer debt collection
- › Refundable advance
- › Other

All of the data in this report relates to cases with **credit** as the **primary issue**. When a case involves multiple issues – for example, imminent disconnection and a billing error – we also record a secondary (and sometimes tertiary) issue. This means that the total number of EWOV cases with an affordability dimension is higher than the number given in this report. In particular, cases primarily about billing often have a secondary affordability dimension.

Imminent and actual disconnection and restriction cases are the exception to this pattern. Because of the gravity of this action, it is always identified as the primary issue, meaning that all disconnection and restriction cases are captured in this report.

Cases

'Cases' in this report refers to both **enquiries** and **complaints** that were received during the reporting quarter. An **enquiry** is a customer's request for general information. EWOV may provide this information itself or refer the customer to another agency. A **complaint** is an expression of dissatisfaction regarding a policy, practice or customer service performance of an energy or water company that is part of the EWOV scheme, where a response or resolution is explicitly or implicitly expected.

Complaints are further categorised as either **Unassisted Referrals**, **Assisted Referrals** or **Investigations**. We record an Unassisted Referral where a customer has not yet spoken with their company about their complaint and we refer them back to the company's contact centre. We lodge an **Assisted Referral** where a customer has spoken with someone at their company's contact centre about their complaint, but it remains unresolved and we refer the matter to a higher level complaint resolution officer at the company. And we begin an **Investigation** where:

- › an Assisted Referral has failed as the matter remains unresolved, and the customer recontacts EWOV
- › the matter is complex and unlikely to be resolved as an Assisted Referral
- › or the company asks for the matter to be escalated to an Investigation.

Outcomes

We do not investigate Unassisted or Assisted Referrals, although we do remind customers that they can return to us if they remain dissatisfied. Usually, the customer is satisfied and doesn't return to us, so we do not learn of the outcomes of Unassisted and Assisted Referrals. Therefore, all outcome data in this report refers only to Investigations. Outcome data also refers to cases closed during the reporting quarter, a proportion of which were received in previous quarters.

Most closed Investigations have multiple outcomes. Thus, percentages in outcome tables do not add to 100. Only the most common and relevant outcomes for each case type are reported.

Wrongful Disconnection Payment (WDP) assessments

In actual disconnection cases, EWOV has a role assessing if there has been a compliance breach because the disconnection did not comply with the terms and conditions of customer's contract. A payment to the customer may be required if such a breach is found.

EWOV conducts this assessment for each actual disconnection case. However, the Investigation and assessment are separate and may conclude at different times. WDP figures in this report are for assessments closed during the reporting quarter.

Where we assess the WDP as being payable, we also identify the specific associated compliance breach. Compliance breach figures relate to those WDP assessments with the outcome **paid (admission of breach)**.

Dual fuel

Because we receive very few dual fuel cases, they have been excluded from charts showing electricity, gas and water cases separately. Dual fuel cases are, however, included in overall case numbers.

LPG

This report includes in gas disconnection figures a small number of cases of LPG deliveries stopped.