

13 December 2022

The Hon. Amanda Rishworth, MP
Minister for Social Services
Department of Social Services
71 Athllon Drive
Greenway ACT 2900

By online portal: engage.dss.gov.au

Dear Minister

Financial Counselling Industry Funding Model Discussion Paper

Thank you for the opportunity to comment on this discussion paper.

The comments contained in this submission reflect the feedback of the Energy and Water Ombudsman Queensland (EWOQ), Energy & Water Ombudsman New South Wales (EWON), Energy & Water Ombudsman South Australia (EWOSA) and Energy and Water Ombudsman Victoria (EWOV). We are the industry-based external dispute resolution schemes for the energy and water industries in our respective states.

We have collectively reviewed the discussion paper and we have only commented on aspects of the discussion paper that align with issues customers raise, or with each respective organisation's operations as they relate to the discussion paper.

Industry funding model and principles

We strongly support the introduction of the industry funding model and the six principles guiding its development. The principles are sound and reflect the reasons why an industry funding model will benefit industry service providers and their customers.

The need for fully funded financial counselling services in Australia has become even more pressing since the publication of *The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia* (the Sylvan report) in 2019. Over the past three years, Australia has felt the social and economic impact of the COVID-19 pandemic, extreme weather events, global and national energy market volatility, and rising inflation and interest rates with significant cost of living implications.

The introduction of an industry funding model to support financial counselling services is in step with developments in the energy and water sectors to better manage the risk that customers will experience vulnerability by removing stigma and providing support/assistance to people who need it but may have difficulty asking for it and/or accessing it. This initiative is also closely aligned with the Australian Energy Regulator's (AER) recently published *Toward energy equality – A strategy for an inclusive energy market* in October 2022. The strategy includes a commitment to advocate for energy sector-wide 'game-changer' reforms to deliver more equitable and efficient sharing of costs and risks across the energy sector to support all customers who are experiencing, or are at risk of experiencing, vulnerability.

Focus subsectors methodology

Issues we have identified with the methodology for determining focus subsectors are similar to those acknowledged by the Department, including that:

- it does not capture nuances such as the level of harm or distress generated by a subsector, the essentiality of a subsector's services or the complexity or maturity of a subsector's market
- it does not clearly reflect that customers can present to financial counsellors with multifaceted, interrelated financial challenges across multiple service providers.

However, we understand that the methodology is an empirical and relatively simple method suitable for the introductory stage of the industry funding model. The approach should be refined in the future as financial counselling data collection/analysis becomes more sophisticated and the efficacy of the model is evaluated.

Determining subsector contribution splits

Option 1 would see peak body representatives working with their subsector to determine a methodology to apportion within subsector contributions and advise the Department of the approach. Option 2 would involve subsectors and their peak body representatives working with the Department to determine a methodology. We acknowledge that either option will allow subsectors to take part in the design of the approach for fairly apportioning funding obligations within subsectors.

Size (measured by customer numbers or some other metric) does not necessarily correlate with key factors that may drive customer contact with a financial counsellor such as comprehensibility of billing or customer service approach to affordability difficulties. However, apportioning funding by size is likely the most equitable approach for the introductory stage of the model based on currently available information and data. An assessment of contributions pro rata of market share or pro rata of complaints levels would support fair and reasonable outcomes. In our view, it would be fairest to include all retailer sizes, and not exclude small retailers, in the introductory stage for the same reasons.

Subsectors should have the opportunity to refine the approach to apportioning funding obligations in the future, as financial counselling data collection/analysis becomes more sophisticated and the efficacy of the model is evaluated. In the energy subsector, this may include an assessment of whether it will be suitable for energy networks to join energy retailers as contributors. While we understand they have not been included based on the current methodology and the principle that energy retailers have direct contact with end consumers, we note that energy network costs generally make up roughly a third of bill costs.

Independent body

The suggested characteristics of the independent body are sound, and we strongly support the inclusion of collection and analysis of data and reports. We also acknowledge the other work that the Department has on foot around data including scoping and designing a new data strategy. One of the many benefits of improved data collection/analysis will be the capacity to refine and improve the industry funding model in the evaluation phase and beyond.

We support the proposal that the independent body be governed by a board which is responsible for making key decisions, guided by a strategic plan. Both options include an independent chair, fixed term appointments and board members selected on the basis of specific skills and knowledge, however Option 2 specifies equal representation between community and industry representatives. An advantage of Option 2 is that equal representation between community/consumer

representatives and industry representatives ensures that any competing interests are effectively and fairly managed. The Department notes that the Option 2 structure is similar to that of external dispute resolution schemes like the Board of the Australian Financial Complaints Authority (AFCA). We confirm that the Option 2 structure is most similar to the equal representation structure of the Boards of EWON, EWOSA and EWOV, and the Advisory Council of EWOQ.

Evaluation

The voluntary nature of the funding model has the potential to result in insufficient and/or inequitable funding across subsectors and within subsectors. The Department's commitment to evaluating the model is therefore crucial, particularly its recognition that a key element will be assessing whether the voluntary model appropriately contributes to the long-term viability of the financial counselling sector or if other mechanisms including a compulsory model should be considered.

We recommend giving thought to:

- how to mitigate the potential impact on financial counsellor services and their customers for the interim two year period between implementation and evaluation if voluntary funding levels are not meeting the calculated funding gaps
- how to move from a voluntary to compulsory model in the most frictionless and timely manner possible if the evaluation identifies that this is necessary.


As noted above, we recommend that a specific consideration for the energy sector in the evaluation phase be an assessment of whether it would be suitable for energy networks to join energy retailers as contributors.

If you require any further information regarding our submission, please contact Mr Jeremy Inglis, Principal Policy Officer (EWOQ) on 07 3087 9423, Ms Jo De Silva, Policy and Communications Manager (EWOSA) on 08 8216 1851, Ms Bronwen Jennings, Head of Policy and Communications (EWOV) on 03 8672 4289 or Dr Rory Campbell, Manager Policy and Systemic Issues (EWON) on 02 8218 5266.

Yours sincerely



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