

QUARTERLY EWOV

Affordability Report



October–December 2017
Released March 2018



ENERGY AND WATER
OMBUDSMAN
Victoria Listen Assist Resolve

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Affordability

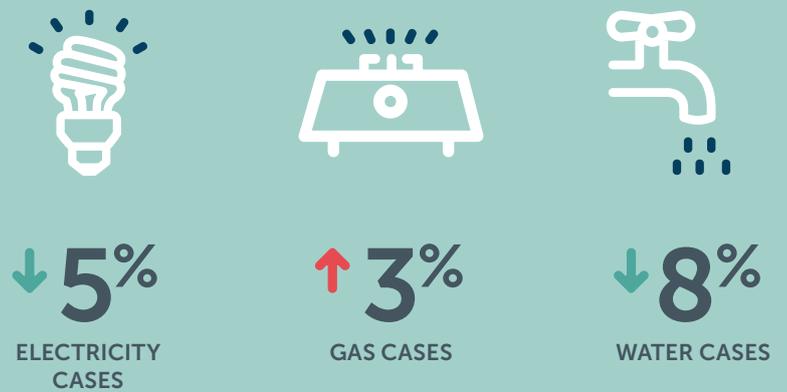
The big picture

OCTOBER–DECEMBER 2017

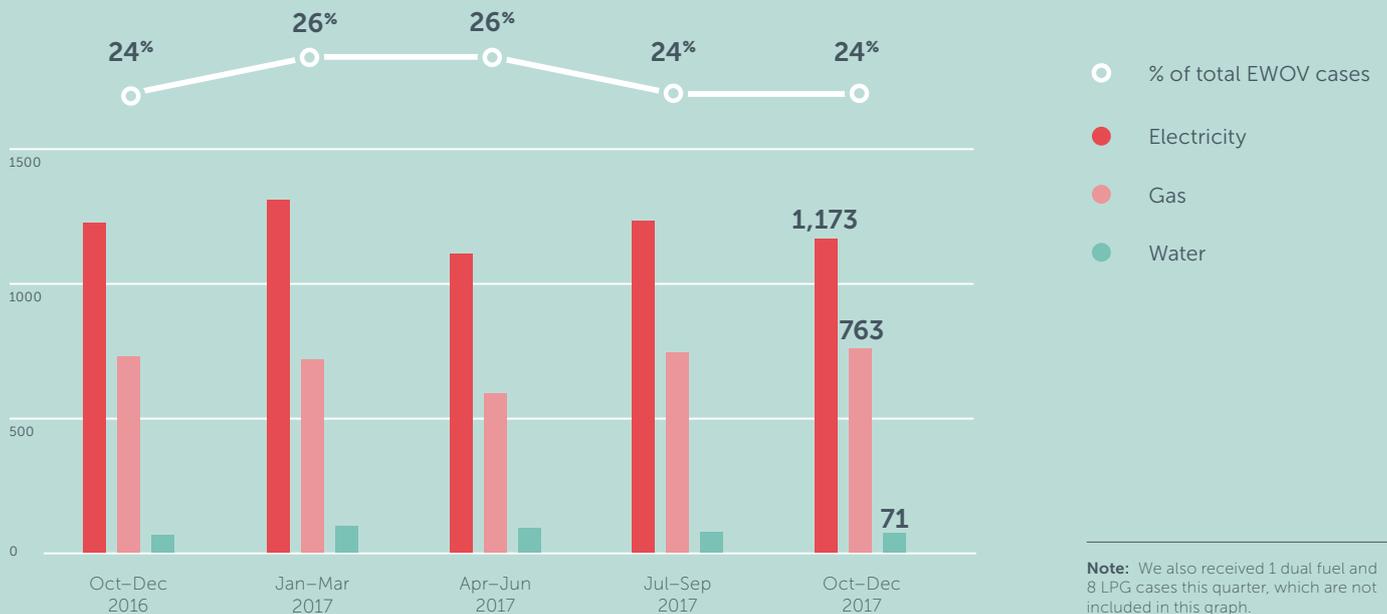
CREDIT CASES OVERALL



CREDIT CASES COMPARED TO LAST QUARTER



ELECTRICITY, GAS AND WATER CREDIT CASES BY QUARTER

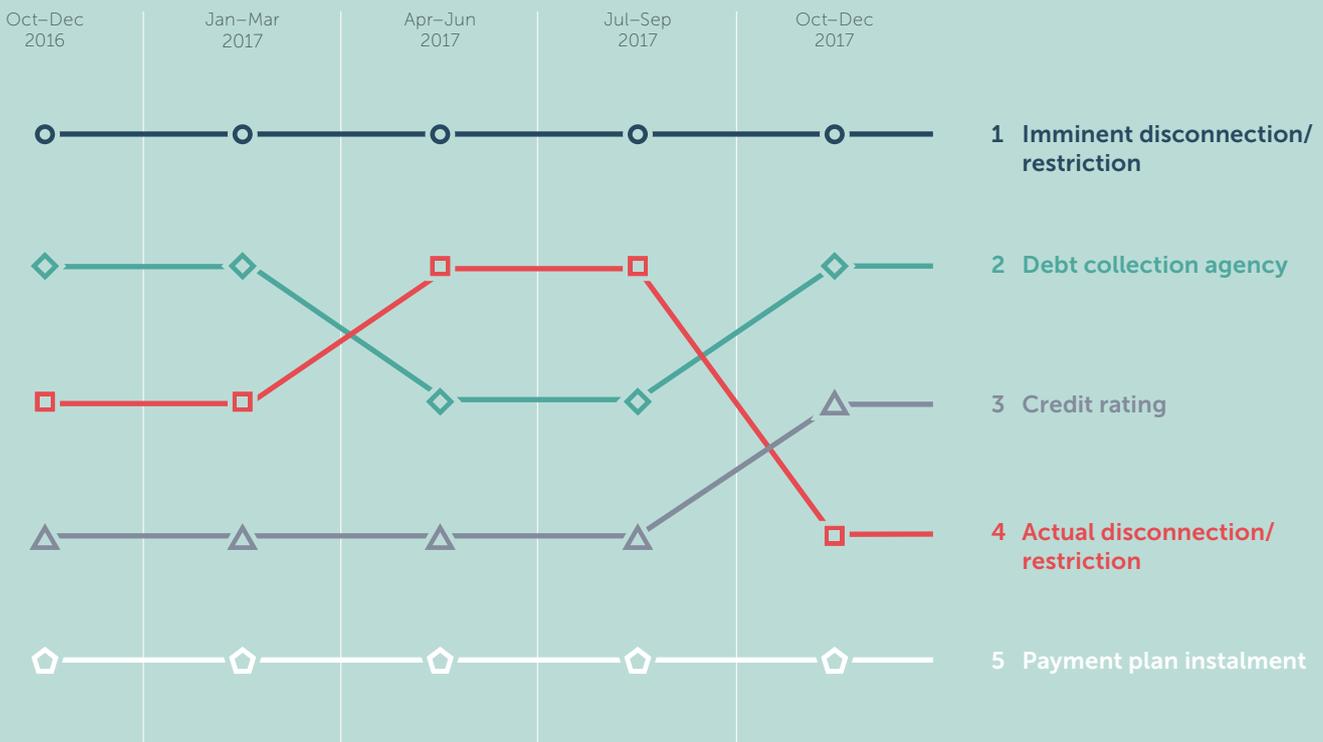


CREDIT CASES BY QUARTER



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

Residential customers with large debts

Our challenging work resolving high arrears cases shows why it's important to take action before debt climbs to extreme levels.

EWOV flags high arrears cases for closer management

Some customers who come to EWOV about affordability issues have high energy or water debts. When EWOV receives a complaint from a residential customer who owes more than \$3,000, we flag the case as 'high arrears' so that it can be reviewed and, if necessary, managed more closely. In 2017, we closed 512 credit cases flagged for high arrears – almost all of them electricity (63%) or gas (32%) cases.

When these cases are investigated and resolved through conciliation, we're often able to help customers and companies negotiate good outcomes. But as debts increase, achieving fair and reasonable resolutions becomes increasingly challenging.

A fraction of customers have extremely large debts

Occasionally, customers approach EWOV only when their energy or water debt has reached extreme levels. During 2017, we investigated 18 flagged credit cases involving customers in financial hardship who owed \$10,000 or more. The largest such debt was just over \$18,000.

CONCILIATION OUTCOMES IN HIGH ARREARS CASES (\$3,000+), 2017¹



Payment plan



Hardship program participation



Concessions applied



Utility Relief Grant offered

Some customers referred to particular events that had plunged them into financial difficulty.

¹ Refers to 133 residential customer cases with credit as the primary issue and flagged for high arrears, investigated, successfully conciliated and closed in 2017.

Rarely was this the customer's only substantial debt. In half of these extreme debt cases, the customer had also opened a second EWOV case (and in one instance, a third) relating to high arrears on another account – with total arrears across the accounts often approaching or exceeding \$20,000. Through the course of our Investigations, we sometimes learned of other large debts, such as outstanding rates, fines or tax bills.

The customers in these cases were in financial hardship, usually long-term, and often described difficult life circumstances. Most were unemployed and relied on government income support payments. Some customers referred to particular events that had plunged them into financial difficulty, such as legal disputes, the loss of their home in a fire, or domestic abuse. Some customers or members of their households were affected by disability or issues with physical or mental health. And several lived in larger households that included teenaged or adult children, or, in two cases, grandchildren who the customer had taken primary responsibility for.

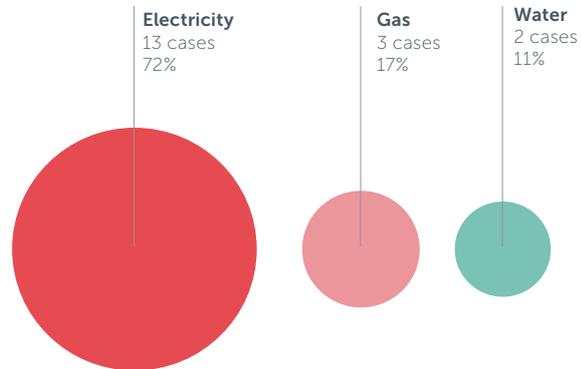
Resolving high debt cases is difficult

The extreme nature of these cases – most of which involved an imminent or actual disconnection – meant that we opened Investigations immediately, bypassing our usual Assisted Referral process.

In such difficult circumstances, however, helping customers and companies to negotiate fair and sustainable resolutions is very difficult. With such high sums owing, a history of non-payment or failed payment plans and often high ongoing consumption, companies typically seek large fortnightly instalments. Meanwhile, the customer may say that they can only afford to pay very small amounts – or nothing at all.

18 VERY HIGH DEBT CASES (\$10,000+), 2017²

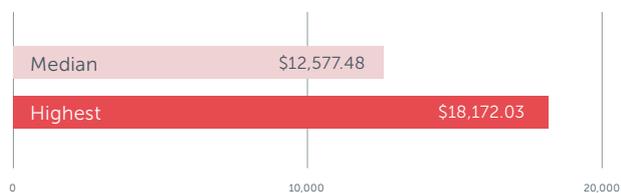
CASE TYPE



HOUSING STATUS



DEBT AT CASE CLOSURE



² Refers to 18 residential customer cases closed in 2017 with credit as the primary issue, arrears of more than \$10,000 at closure, and financial hardship present. Four additional cases did not involve financial hardship.

Some companies account for a disproportionate number of high arrears cases, which suggests that they could do more to prevent debt build-up.

To help progress these cases, we ask the customer to participate in a financial assessment to find out what they can reasonably afford to pay. Sometimes EWOV's financial assessor will also identify changes that the customer could make to decrease household spending or increase income, like applying for income support benefits or asking adult children living at home to contribute to household expenses. When successful, the results of a financial assessment inform an affordable payment plan arrangement that forms part of the case resolution. Despite our best efforts, however, it can be challenging to engage customers in the financial assessment process.

If high consumption is a factor in the customer's arrears, we also try to arrange an energy audit with our in-house technical expert. Often, these audits reveal that both behavior and the housing (including its fuel and appliance mix) have contributed to high bills and debt build-up. For example, in one case, a public housing customer's home was in poor condition, with cracks, draughts and a lack of insulation. Combined with the customer's near-constant use of expensive electric heaters throughout winter, this was causing extremely high seasonal consumption.

An energy audit can identify behaviour changes or appliance substitutions that could bring the customer's usage down. As with financial assessments, however, encouraging customers to participate in the energy audit process is often difficult. And unfortunately, sometimes the causes of high consumption are outside of the customer's control.

Taking action before debt becomes unmanageable

The higher arrears climb, the less likely it is that we will achieve a conciliated outcome, underscoring just how important it is to take action before debt accumulates to unmanageable levels. Our case figures show that some companies account for a disproportionate number of high arrears cases, which suggests that they could do more to prevent debt build-up. We're also hopeful that Victoria's new payment difficulty framework, due to come into effect next year, may achieve its aims of limiting both disconnections and the growth of unmanageable arrears.

Payment difficulties



466

PAYMENT DIFFICULTIES
CASES OCTOBER-DECEMBER 2017

Overall payment difficulties cases

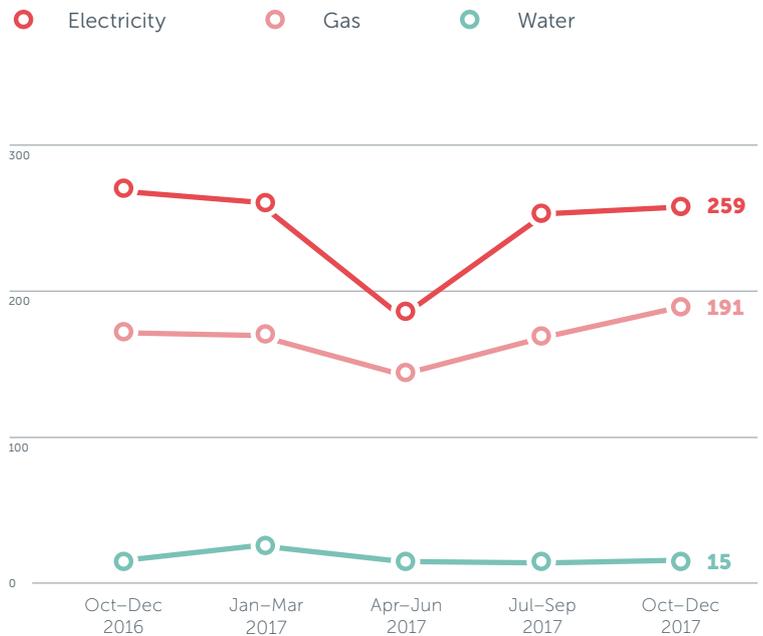
↑ 6%

COMPARED TO
LAST QUARTER

↑ 2%

COMPARED TO THIS
TIME LAST YEAR

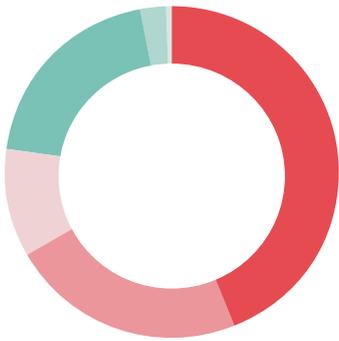
Electricity, gas and water payment difficulties cases by quarter



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 payment difficulties cases



- Payment plan instalment **44%**
- Account holder arrears **23%**
- Direct debit **11%**
- Smoothpay **20%**
- Payment plan extension **2%**
- Non-account holder arrears **<1%**

Sub-issues compared to last quarter

↑ **13%**
PAYMENT PLAN
INSTALMENT

↑ **12%**
ACCOUNT
HOLDER ARREARS

↑ **9%**
DIRECT DEBIT

↓ **9%**
SMOOTHPAY

What were the outcomes?



**INVESTIGATIONS
CLOSED OCTOBER-
DECEMBER 2017**

Outcome	No.	%
Payment plan	44	67%
Referral to hardship program	34	52%
Customer Service Gesture	21	32%
Payment extension	6	9%
Debt waiver (full)	5	8%
Billing adjustment	3	5%
Debt waiver (partial)	2	3%
Fee waiver	0	0%

Case study

A customer in serious financial hardship contacts EWOV for help with a higher than expected bill and growing electricity debt.

The issue

Ms A was unhappy with her electricity company when she received a bill for around \$1,800 – much higher than her bill for the same period in the previous year. Ms A contacted EWOV for assistance. She said that she had six children and was in financial hardship, often going without food in order to pay bills.

EWOV lodged an Assisted Referral. The company said that a \$500 Utility Relief Grant had been applied to Ms A's account. However, it could not explain the reason for the higher than expected bill.

Unhappy with this advice, Ms A contacted EWOV again and we began an Investigation. EWOV asked Ms A make regular, affordable repayments to the account to show good faith and to ensure the debt did not continue to build during our Investigation. Meanwhile, the company put Ms A's account on hold.

She said that she had six children and was in financial hardship, often going without food in order to pay bills.



Case ID:
2017/19409

The Investigation

Reviewing Ms A's billing and account history, we found that Ms A had been billed on actual meter reads, not estimates. A meter test that we arranged showed that Ms A's meter was working correctly. We concluded that Ms A's billing was accurate.

However, reviewing Ms A's billing, we also noted that she had stopped receiving concessions when her concession card expired in February 2017. Further, she was on a standard plan without any discounts. We asked the company to offer Ms A the most suitable plan for her circumstances. We also suggested to Ms A that she update her concession card details so that concessions could be applied and backdated.

While Ms A's average fortnightly usage was \$126, she said that she could only afford to pay \$60 per fortnight towards the account. With the aim of bridging some of this gap, we organised for our independent technical expert to conduct an energy audit at Ms A's home to find out more about her energy use and how she might reduce her consumption.

We organised for our independent technical expert to conduct an energy audit at Ms A's home to find out more about her energy use and how she might reduce her consumption.

The audit found that electric heating was responsible for high consumption during winter. Further, a vacant bungalow at the rear of the property was still drawing a power load at a cost of around \$4 per day. Ms A agreed to switch off electricity supply to the bungalow. EWOV also observed that poor insulation of the home contributed to electricity costs.

We arranged a telephone meeting with our financial assessor to discuss Ms A's income and expenditure and what she could afford to pay. The assessment found that Ms A could potentially reduce her expenditure by requesting hardship assistance or better offers on insurance, loan repayments and school fees. Ms A's capacity to pay her electricity account was \$60 per fortnight.

The outcome

Based on EWOV's financial assessment, the company agreed to an initial payment plan of \$60 per fortnight for three months. It placed Ms A on its hardship program and agreed to discuss alternative energy plans with her. It also agreed to discuss incentive payment plans (where it would contribute account credits to reward regular payments) once the initial three-month payment plan expired. Ms A was satisfied with this outcome and EWOV closed the case.



Case ID:
2017/19409

Disconnection and restriction

Imminent disconnection/restriction cases



573

IMMINENT DISCONNECTION/
RESTRICTION CASES OCTOBER-
DECEMBER 2017

Overall imminent disconnection/restriction cases

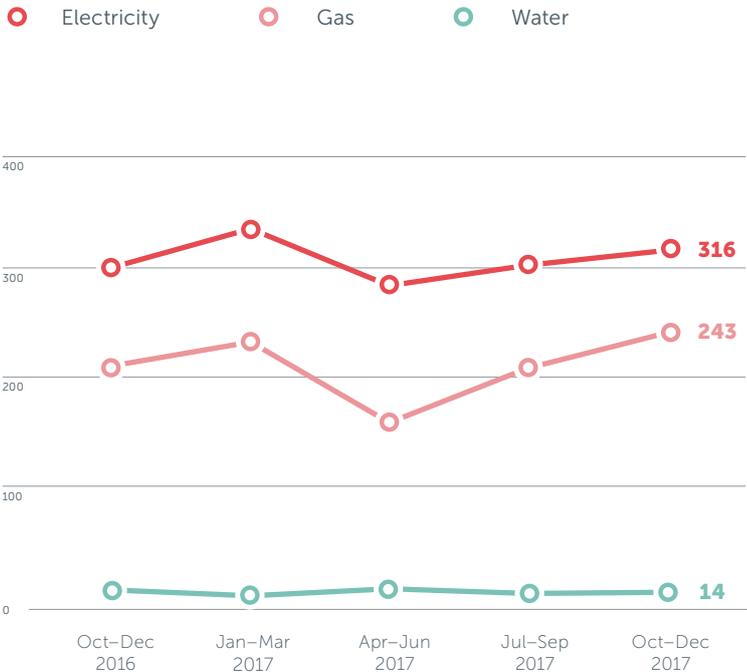
↑ 9%

COMPARED TO
LAST QUARTER

↑ 8%

COMPARED TO THIS
TIME LAST YEAR

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



Actual disconnection/restriction cases



265

ACTUAL DISCONNECTION/
RESTRICTION CASES OCTOBER-
DECEMBER 2017

Overall actual
disconnection/restriction
cases

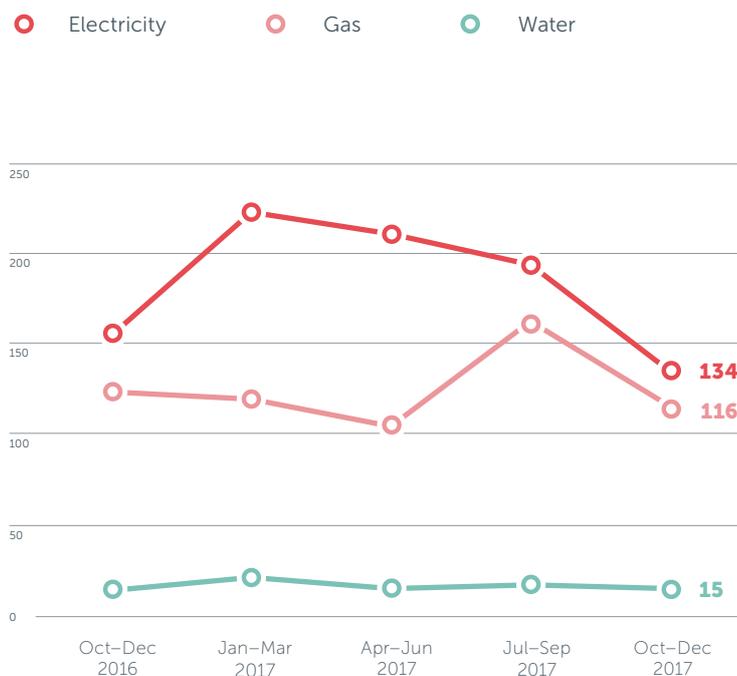
↓ 29%

COMPARED TO
LAST QUARTER

↓ 9%

COMPARED TO THIS
TIME LAST YEAR

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



What were the outcomes?



INVESTIGATIONS* CLOSED OCTOBER- DECEMBER 2017

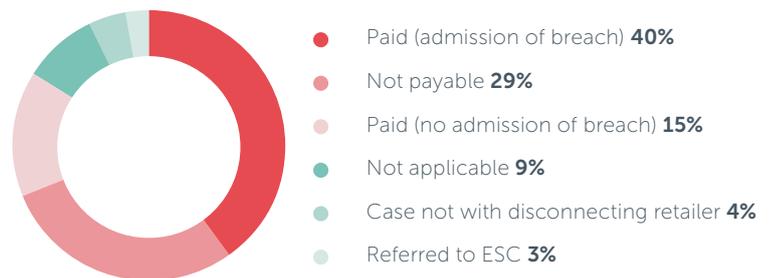
*Includes both imminent and actual disconnection/restriction cases

Outcome	No.	%
Payments and waivers		
Referral to hardship program	99	44%
Customer Service Gesture	50	22%
Billing adjustment	20	9%
Fee waiver	7	3%
Debt waiver (partial)	5	2%
Debt waiver (full)	4	2%
Guaranteed Service Level payment	3	1%
Payment plans and extensions		
Payment plan for arrears and consumption	31	14%
Payment plan for consumption only	53	23%
Payment plan for arrears only	37	16%
Payment extension	29	13%
Stepped payment plan	12	5%



WDP ASSESSMENTS CLOSED OCTOBER- DECEMBER 2017

Wrongful Disconnection Payment assessment outcomes



Disconnection compliance breaches



AFFORDABILITY
31 (34%)



RETAILER ERROR
26 (29%)



**DEEMED
CONTRACT**
9 (10%)



**REASONABLE
ACTION**
7 (8%)



**MORE THAN ONE
BREACH**
6 (7%)



NOTICES
5 (5%)



**COMPLAINT OPEN
WITH RETAILER**
4 (4%)



**BEST
ENDEAVOURS**
3 (3%)

Case Study

A customer caring for his seriously ill son has his electricity disconnected.

The issue

Mr Z was dissatisfied with his electricity company because his electricity supply was disconnected on 16 November 2017. Mr Z was especially concerned because he needed to refrigerate medicine for his son, who had cystic fibrosis. Mr Z said that he had previously had a direct debit payment plan of \$50 per fortnight, but this had been cancelled by the company without notice or explanation. As a result, arrears of around \$1,200 had accumulated over the past twelve months. Reliant on income support payments, Mr Z said that he couldn't afford to pay more than \$50 per fortnight.

As Mr Z had been disconnected, we bypassed the Assisted Referral process and started an Investigation. We also arranged for Mr Z's electricity to be reconnected that same day. Mr Z agreed to pay \$50 per fortnight during the Investigation.

We found that although concessions were being applied to Mr Z's account, he was not on the company's hardship program and had never received a Utility Relief Grant.

The Investigation

Reviewing Mr Z's bills, account and customer contact history, we found that although concessions were being applied to Mr Z's account, he was not on the company's hardship program and had never received a Utility Relief Grant. Mr Z's account balance was \$2,222.47 and his average consumption was about \$68 per fortnight.

The outcome

The company agreed to place Mr Z on its hardship program, providing him with a Utility Relief Grant application, energy efficiency advice and an affordable payment plan. It confirmed Mr Z would not be disconnected or face debt collection activity while on the hardship program. Mr Z was happy with this outcome and EWOV closed the case.

EWOV separately investigated the disconnection of Mr Z's electricity supply to determine whether the company followed the rules relating to disconnections and whether a Wrongful Disconnection Payment (WDP) was applicable. The company did not acknowledge that the disconnection was wrongful, however, it did agree to apply an equivalent credit of \$243.75 to Mr Z's account.



Case ID:
2017/25817 and
WDP/2017/1090

Collection

712

COLLECTION CASES
OCTOBER-DECEMBER 2017



Overall collection cases

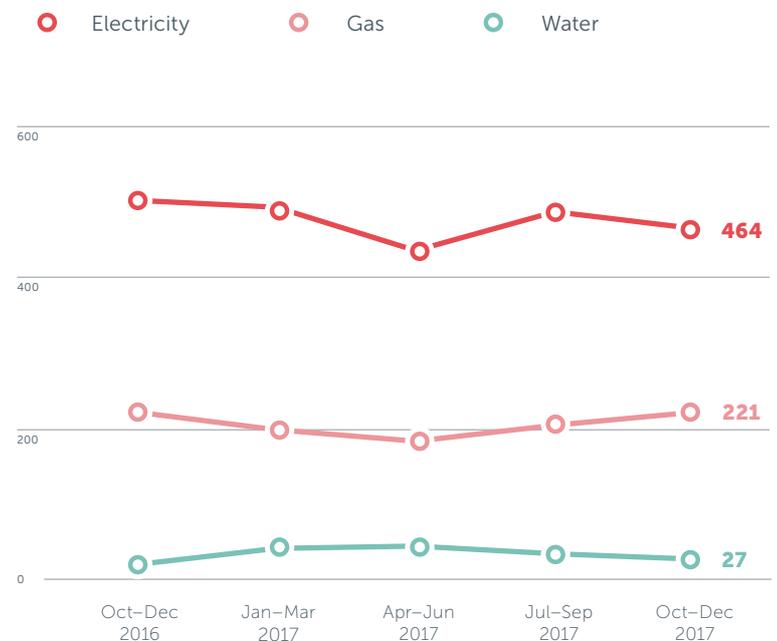
↓ 2%

COMPARED TO
LAST QUARTER

↓ 5%

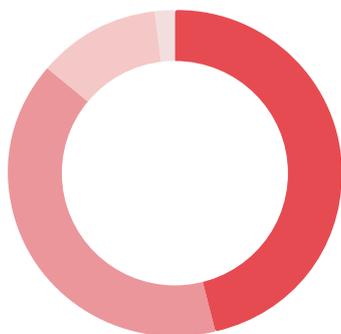
COMPARED TO THIS
TIME LAST YEAR

Electricity, gas and water collection cases by quarter



What were the cases about?

Sub-issues in collection cases



- Debt collection agency **46%**
- Credit rating **40%**
- Retailer debt collection **12%**
- Other **2%**

Sub-issues compared to last quarter

↓ **10%**
DEBT COLLECTION AGENCY

↑ **1%**
CREDIT RATING

↑ **23%**
RETAILER DEBT COLLECTION

What were the outcomes?



119
INVESTIGATIONS
CLOSED OCTOBER-
DECEMBER 2017

Outcomes in collection Investigations

Outcome	No.	%
Removal of default listing		0%
Debt waiver (full)	15	13%
Customer Service Gesture	23	19%
Payment extension	13	11%
Payment plan	15	13%
Debt waiver (partial)	10	8%
Referral to hardship program	3	3%

Case Study

A customer is incorrectly default listed for a property that she owns but does not reside at.

The issue

Ms Y was unhappy with her electricity company because she was default listed for an unpaid bill at a service address she owned, but didn't live at. Ms Y said that although she had provided a mailing address, the company had sent bills to the service address, so she hadn't received them. When Ms Y contacted the company to explain why the bill hadn't been paid, it refused to remove the default.

Ms Y contacted EWOV and we lodged an Assisted Referral. When the company did not contact Ms Y within the required timeframe, she called EWOV again, and we opened an Investigation.

The Investigation

EWOV asked the company for a copy of the bill, reminder notices, call recordings and Ms Y's customer contact history. The company advised that it had default listed Ms Y for a debt of \$241 on 17 November 2017. The debt was subsequently paid and the account closed on 28 November 2017. When we discussed the case with the company, it confirmed it had located a call recording in which Ms Y had provided a different mailing address. However, this address had not been added to its internal records or billing system, so the bill and reminder notices were sent to the service address instead.



Case ID:
2017/19409

This address had not been added to its internal records or billing system, so the bill and reminder notices were sent to the service address instead.

The outcome

The company agreed that the default was listed incorrectly and arranged for it to be removed by 25 December 2017. It apologised to Ms Y for the error. Ms Y was satisfied with this outcome and EWOV closed the case.

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.