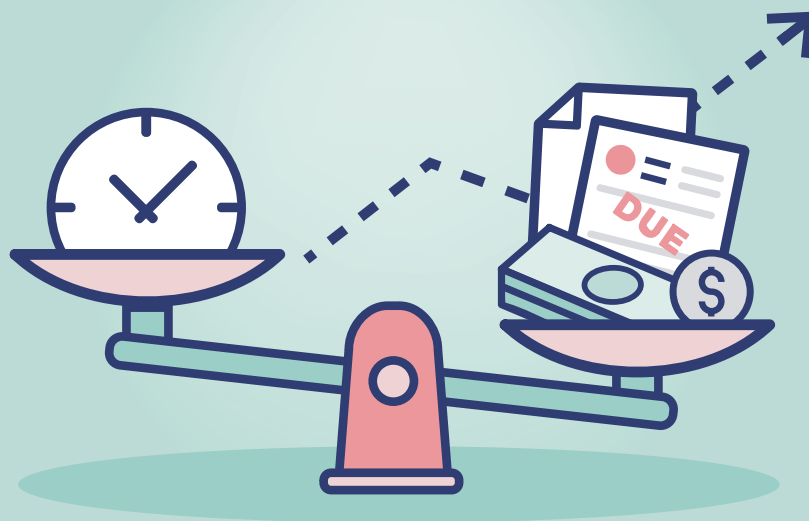


EWOV'S

Affordability Report



July–December 2018
Released March 2019



ENERGY AND WATER
OMBUDSMAN
Victoria Listen Assist Resolve

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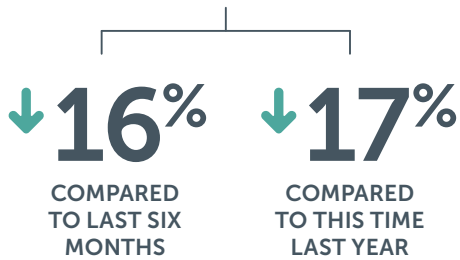
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Affordability

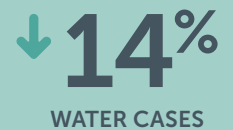
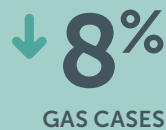
The big picture

JULY–DECEMBER 2018

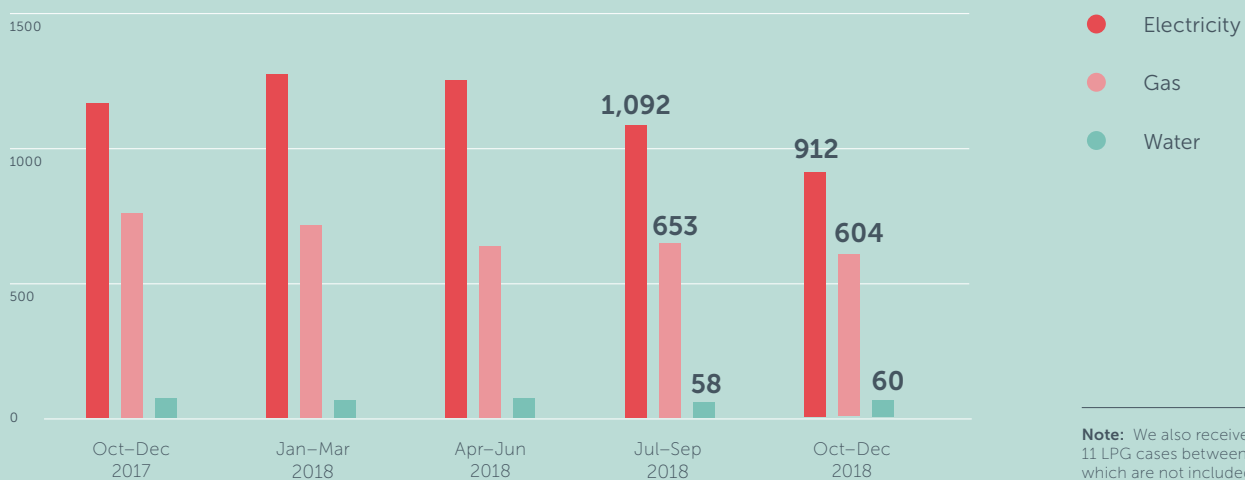
CREDIT CASES OVERALL



CREDIT CASES COMPARED TO LAST SIX MONTHS



ELECTRICITY, GAS AND WATER CREDIT CASES BY QUARTER



CREDIT CASES AS A PERCENTAGE OF TOTAL EWOV CASES

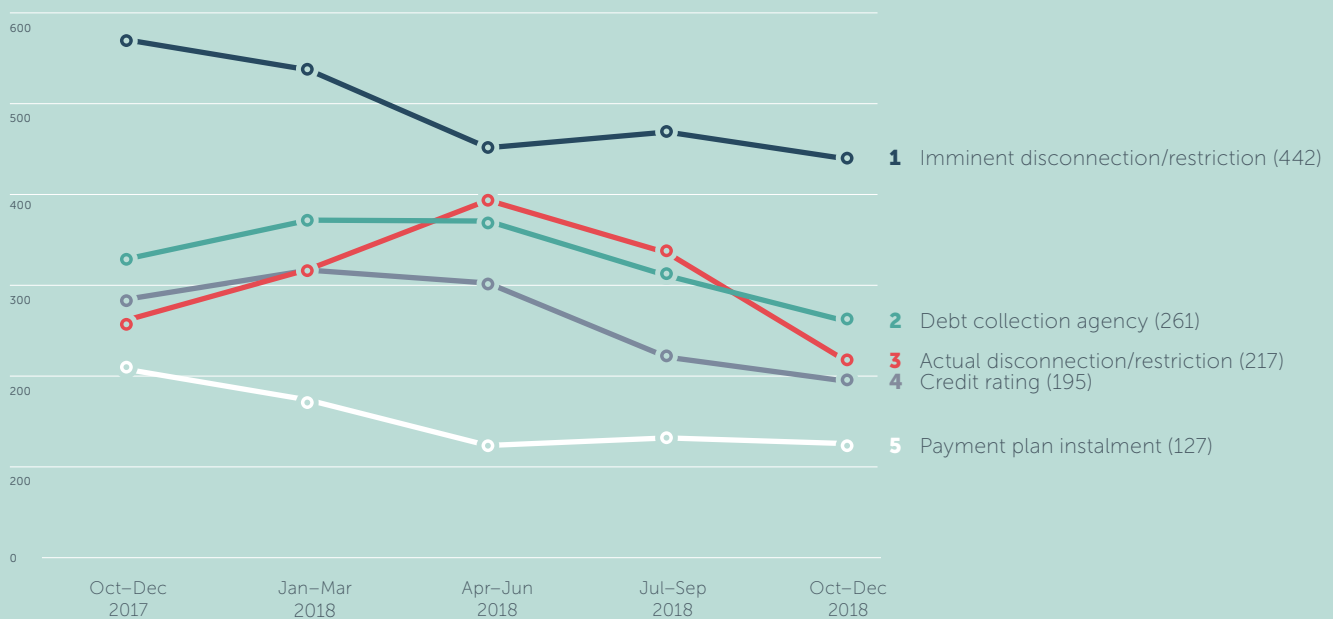


CREDIT CASES BY QUARTER



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 customers who can't afford to pay for energy and water

In this edition of EWOV's Affordability Report, we've looked at those customers whose energy and water consumption is greater than their capacity to pay.

Many factors can cause financial hardship; illness, relationship breakdown, unemployment and family violence are just a few factors in life that can lead to financial vulnerability.

A recent Victorian Council of Social Service (VCOSS) report examined persistent energy hardship, revealing 7.3% of Victorian households (or 180,000 households) have persistent bill payment difficulties and a similar proportion are experiencing persistent energy hardship¹.

EWOV's analysis of our customer complaints is consistent with the report's results. Nearly one quarter (24%) of all our credit Investigations that closed between July and December 2018 involved customers who couldn't afford to pay for their consumption. These customers represent 7% of all our Investigations in the same period.

Undertaken by RMIT University researchers, the VCOSS report highlighted some stand out features among households in persistent energy hardship, including: low incomes, households with children, renters, customers with long-term health conditions or a disability, and poor mental health. The case studies in this *Affordability Report* exemplify some of these issues.

Financially vulnerable customers can only afford to pay less than half their consumption

Between July and December 2018, EWOV closed 730 credit Investigations from residential customers who had complaints about payment difficulties, debt collection and disconnection or restriction. Of the credit cases we closed in this period, 174 were financially vulnerable customers unable to pay their utility bills.

Our data shows some customers consume energy and water at an average of \$100 per fortnight while their average fortnightly capacity to pay is only \$45. While many such customers have negotiated payment plans with their retailer, the plans are often beyond their means and customers quickly accumulate debt.



180,000

**VICTORIAN
HOUSEHOLDS
HAVE PERSISTENT
BILL PAYMENT
DIFFICULTY**

¹ Dekker Karien and Larissa Nicholls (2018) Victorian Council of Social Service *Battling On*

Despite these customers being eligible for appropriate concessions they're still unable to afford their energy and water bills.

Extreme debt amongst the most vulnerable

We found that of the customers experiencing payment difficulty we identified, 134 cases (77%) involved customers with a concession card. Despite these customers being eligible for appropriate concessions they're still unable to afford their energy and water bills.

At the time they contacted EWOV, these customers' average energy and water debt was \$3,286, with arrears ranging from \$197 to \$33,015.

Most financially vulnerable customers (71%) contacted EWOV about an imminent or actual disconnection, while 24% were payment difficulty cases.

Financial vulnerability hotspots

There are particular hotspots across Victoria where customers unable to pay for their consumption are more highly represented. The areas with the highest number of these EWOV cases in this period are: Ballarat, Casey, Greater Bendigo, Melton, Brimbank, Darebin and Hume.

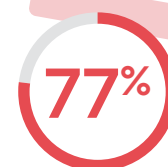
EWOV identified these municipalities as some of the state's affordability case hotspots in our [January to March 2018 Affordability Report](#).

Helping financially vulnerable customers

From 1 January 2019, new protections came into effect to help customers pay their electricity and gas bills. Under the Payment Difficulty Framework (PDF), standard and tailored assistance is now available to all customers, a significant change in the way retailers respond to and manage customers experiencing payment difficulty. If a customer's debt is \$55 or less, they can access standard assistance. The retailer must offer tailored assistance if the debt is more than \$55.

The PDF requires retailers to consider the totality of a customer's circumstances and focuses their obligations on outcomes rather than specific processes. This is a positive development as payment plans must be offered to all customers with payment difficulties. A number of payment options are now available to customers, such as repaying the amount owed over two years, while also paying for usage. Retailers must also tell customers about available government grants and concessions, offer practical advice to reduce energy usage, as well as potential reviews of contracts to reduce ongoing costs.

Although it's too early to tell, EWOV is optimistic the PDF will have a positive impact on the most vulnerable people in our community, and will help manage their energy hardship.



77% OF THE FINANCIALLY VULNERABLE CUSTOMERS WE IDENTIFIED, INVOLVED CUSTOMERS WITH A CONCESSION CARD.



\$3,286 WAS THE AVERAGE ENERGY AND WATER DEBT OF 174 CASES INVOLVING FINANCIALLY VULNERABLE CUSTOMERS

Payment difficulties



772

PAYMENT DIFFICULTIES
CASES JULY-DECEMBER 2018

Overall payment difficulties cases

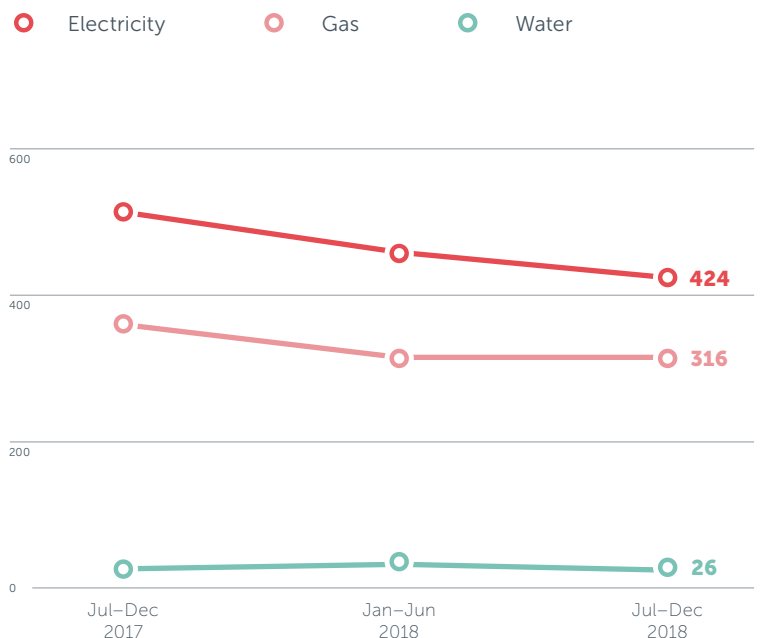
↓ 5%

COMPARED TO LAST SIX MONTHS

↓ 15%

COMPARED TO THIS TIME LAST YEAR

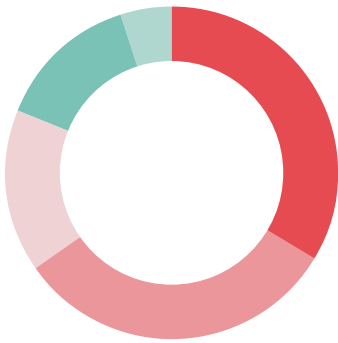
Electricity, gas and water payment difficulties cases by six months



Note: We also received 4 dual fuel and 2 LPG cases between July-December 2018, which are not included in this graph.

What were the cases about? (July-December 2018)

Sub-issues in payment difficulties cases



- Payment plan instalment **34%**
- Account holder arrears **32%**
- Smoothpay **16%**
- Direct debit **14%**
- Payment plan extension **4%**

Sub-issues compared to last six months

↓ **13%**
PAYMENT PLAN
INSTALMENT

↑ **24%**
ACCOUNT
HOLDER ARREARS

↑ **5%**
DIRECT DEBIT

↓ **34%**
SMOOTHPAY

What were the outcomes?



**INVESTIGATIONS
CLOSED JULY-
DECEMBER 2018**

Outcome	No.	%
Payment plan	80	65%
Customer Service Gesture	51	41%
Referral to hardship program	48	39%
Debt waiver (partial)	5	4%
Billing adjustment	9	7%
Debt waiver (full)	3	2%
Payment extension	9	7%
Fee waiver	1	1%

Case study

A customer who requests a direct debit payment plan is refused, causing confusion and further hardship.

The issue

Suffering ongoing ill health since 2014, Ms F has experienced significant financial hardship for many years. She contacted EWOV in July 2018 after her retailer warned of disconnection if she failed to adhere to her payment plan again.

Ms F had previously advised her energy retailer that she has memory problems due to her medical condition, and had concerns she can't remember her payments without a direct debit system. Despite asking her retailer to arrange direct debits from Centrelink, her retailer wouldn't assist her.

Due to her long-term financial hardship, Ms F had arrears of \$3,702 for her gas bill and \$1,843 for her electricity account. Ms F asked EWOV to help arrange a payment plan for \$5 per fortnight for each of her gas and electricity accounts directly debited from Centrelink.

The Investigation

EWOV raised an Investigation requesting a direct debit payment plan, however the retailer only offered a \$5 fortnightly payment plan for each utility for a maximum of two months. The retailer also insisted Ms F see a financial counsellor. Because of her hardship issues, it did offer a \$400 credit towards her accounts as a gesture of goodwill.

Although EWOV had conducted a financial assessment in November 2014, we agreed to assess Ms F again. We confirmed that Ms F's rent is 94% of her income and she doesn't have the capacity to make any more than nominal payments. We recommended she pay \$10 per month per utility account on alternating fortnights, to enable direct debit via Centrepay. We also suggested Ms F apply for a disability pension which may increase her income, although the application process takes several months.



Case ID:
2018/17743 and
2018/17750

We confirmed that Ms F's rent is 94% of her income and she doesn't have the capacity to make any more than nominal payments.

The retailer agreed to have the concession backdated to the date the customer had provided her concession details.

In response, the retailer phoned EWOV on 22 August 2018 and agreed to a \$10 per month per account plan for five months, after which it would be reviewed. It also acknowledged that despite having Ms F's concession card on file, it hadn't been applied. The retailer agreed to have the concession backdated to the date the customer had provided her concession details.

On 28 August 2018, the retailer contacted EWOV and offered a \$600 credit towards Ms F's gas account, which amounted to 20% off the total invoices for the past two years. It also offered to apply a \$500 credit to each account as a payment matching incentive. The retailer insisted the customer call it to establish a payment plan after the Investigation closed, although EWOV required contact to be through it while the Investigation was open.

The outcome

The retailer backdated Ms F's concession discounts for both her electricity and gas accounts, and applied a further credit of \$232 to her gas account for missed concessions between May 2015 and April 2018. It offered a credit of \$600 to her gas account as a gesture of good will in recognition of her missing Pay On Time Discounts. Ms F was also offered an incentive credit of \$500 per account upon closure of the complaint, and her retailer established \$10 per month payment plans for each of her utilities through Centrepay.

Ms F appreciated the credit offered by her retailer and believed her retailer had considered her circumstances and acknowledged she wasn't trying to avoid payment. Satisfied with her outcome, we closed Ms F's case.

Disconnection and restriction

Imminent disconnection/restriction cases



917

IMMINENT DISCONNECTION/
RESTRICTION CASES JULY-DECEMBER
2018

Overall imminent disconnection/restriction cases

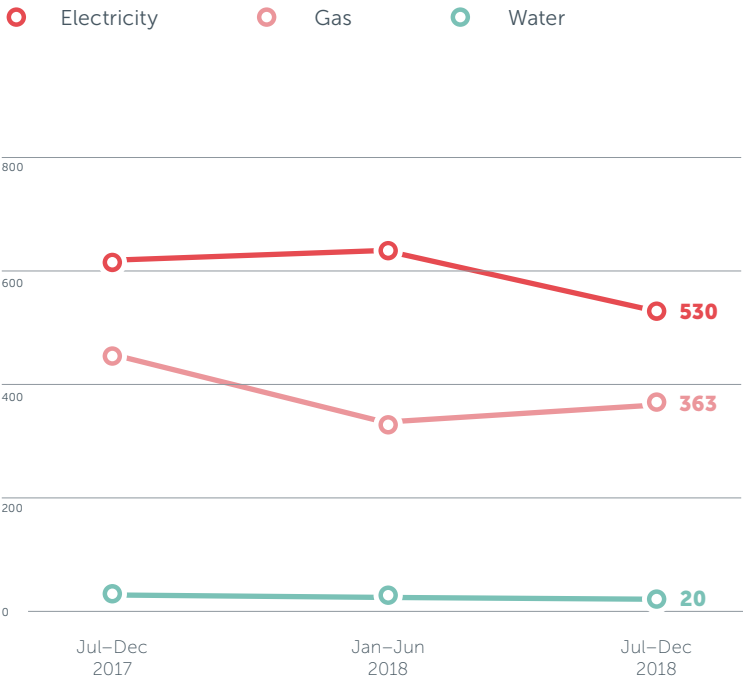
↓ 8%

COMPARED TO LAST SIX MONTHS

↓ 17%

COMPARED TO THIS TIME LAST YEAR

Electricity, gas and water imminent disconnection/restriction cases by six months



Actual disconnection/restriction cases



556

ACTUAL DISCONNECTION/
RESTRICTION CASES JULY-
DECEMBER 2018

Overall actual
disconnection/restriction
cases

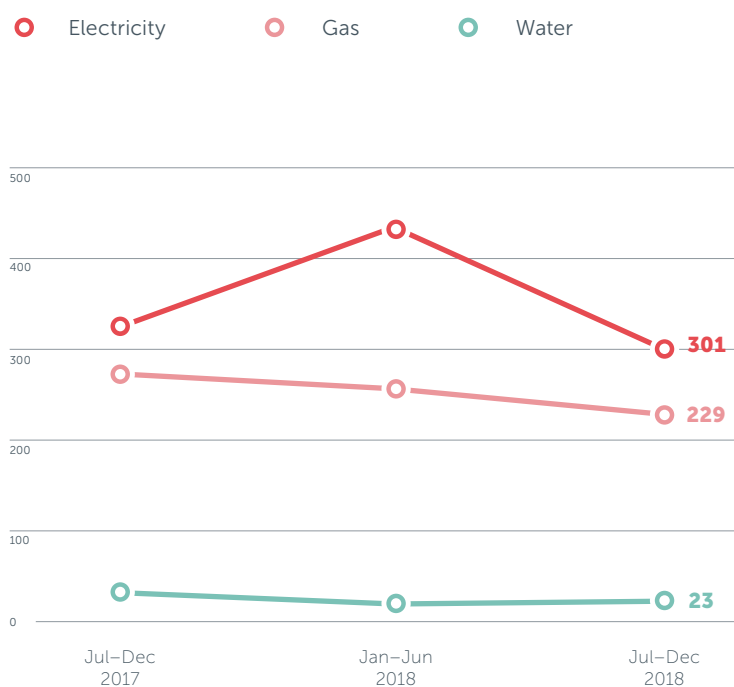
↓ 22%

COMPARED TO LAST
SIX MONTHS

↓ 13%

COMPARED TO THIS
TIME LAST YEAR

Electricity, gas and water actual
disconnection/restriction cases by six months



Note: We also received 1 dual fuel case between July-December 2018, which is not included in this graph.

What were the outcomes?



INVESTIGATIONS* CLOSED JULY- DECEMBER 2018

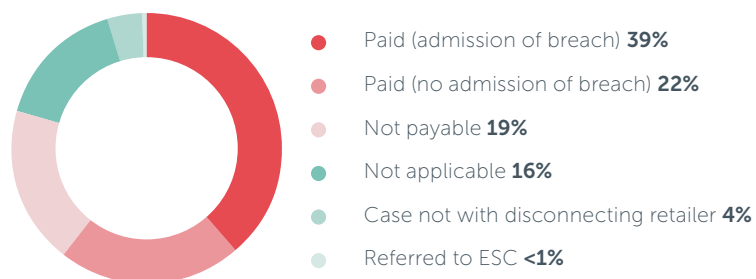
*Includes both imminent and actual disconnection/restriction cases

Outcome	No.	%
Payments and waivers		
Customer Service Gesture	206	46%
Referral to hardship program	132	29%
Billing adjustment	63	14%
Debt waiver (full)	13	3%
Debt waiver (partial)	10	2%
Fee waiver	15	3%
Guaranteed Service Level payment	2	<1%
Payment plans and extensions		
Payment plan for arrears and consumption	101	22%
Payment plan for arrears only	89	20%
Payment plan for consumption only	58	13%
Payment extension	47	10%
Stepped payment plan	33	7%



WDP ASSESSMENTS CLOSED JULY- DECEMBER 2018

Wrongful Disconnection Payment assessment outcomes



Case Study

A customer has a history of financial hardship and no capacity to pay for her energy consumption.

The issue

Ms A contacted EWOV in October 2018 following payment difficulties and the disconnection of her electricity supply. With a history of financial hardship, the single-income mother of four had combined gas and electricity arrears of nearly \$8,000. She had previously arranged a payment plan with her retailer, however, had missed some payments due to delays in Centrelink payments and the imminent birth of her fifth child.

Although Ms A's retailer had reconnected her electricity, it agreed to place her on their hardship program payment plan for only three months at \$70 per fortnight, after which, she would be reassessed and her payments would increase to cover her usage of \$143 per fortnight. The retailer also said if she didn't see a financial counsellor, Ms A wouldn't be eligible for their hardship program. The retailer did confirm Ms A's eligibility for an energy audit to help reduce her usage.

Ms A was concerned about her capacity to meet the increased payment terms after the expiry of the three-month payment plan and it was unlikely she could significantly reduce her energy consumption.

The Investigation

Because of the case's complexity, EWOV raised an Investigation and also arranged a financial assessment to determine Ms A's capacity to pay her ongoing energy accounts.

Our financial assessment determined Ms A could afford to pay \$70 per fortnight, increasing to \$90 per fortnight in February 2019 when her Centrelink payments would increase due to her new born baby. We also suggested Ms A would benefit from a consumption and incentive program to manage her debt from April 2019. These steps would ensure the retailer is compliant with the Payment Difficulty Framework (PDF), coming into effect 1 January 2019.

The outcome

The retailer agreed to place Ms A on their hardship program, accepting an ongoing payment plan of \$70 per fortnight for review in February 2019, as recommended by EWOV's financial assessment and in line with the PDF. Ms A's gas account would also be included on the hardship program. The retailer offered to organise an energy audit for Ms A to help reduce her consumption.

EWOV closed the case as Ms A was satisfied with the resolution.



Case ID:
2018/25672

Collection



COLLECTION CASES
JULY-DECEMBER 2018

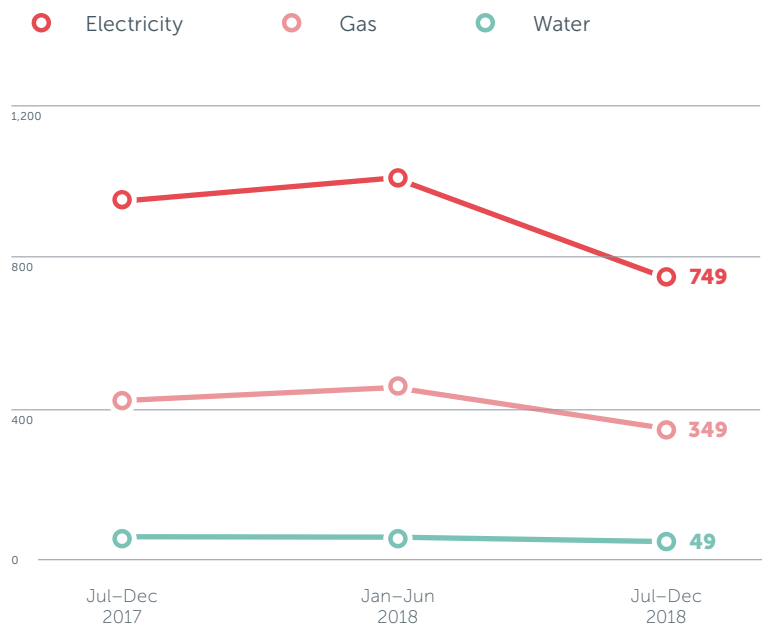


Overall collection cases

↓ 25%
COMPARED TO LAST
SIX MONTHS

↓ 20%
COMPARED TO THIS
TIME LAST YEAR

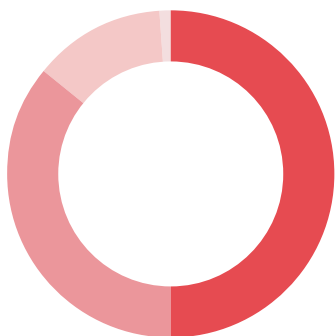
Electricity, gas and water collection cases by six months



Note: We also received 3 dual fuel and 2 LPG cases between July-December 2018, which are not included in this graph.

What were the cases about? (July-December 2018)

Sub-issues in collection cases



- Debt collection agency **50%**
- Credit rating **36%**
- Retailer debt collection **13%**
- Other **1%**

Sub-issues compared to last six months

↓ **23%**
DEBT COLLECTION
AGENCY

↓ **32%**
CREDIT RATING

↑ **4%**
RETAILER DEBT
COLLECTION

What were the outcomes?



**INVESTIGATIONS
CLOSED JULY-
DECEMBER 2018**

Outcomes in collection Investigations

Outcome	No.	%
Customer Service Gesture	86	39%
Removal of default listing	77	35%
Payment plan	49	22%
Payment extension	31	14%
Referral to hardship program	28	13%
Debt waiver (full)	19	9%
Debt waiver (partial)	10	4%

Case Study

A customer discovers he's been default listed, despite maintaining a payment plan.

The issue

Mr G has been in financial hardship since 2010. He suffers chronic ill health and relies on life support medical equipment. Because of his medical condition, he needs to use power to maintain a relatively constant temperature in his home, where Mr G spends most of his time.

Unable to afford the energy he consumes, Mr G has accumulated very high levels of debt. When he contacted EWOV, his outstanding gas bill was \$1,194 while his electricity account totalled \$11,204. Mr G was making regular payments to his retailer as part of an arranged payment plan.

In January 2018, the retailer sold Mr G's debt to a debt collection agency and since that time he has successfully maintained a payment plan with them.

On 17 October 2018, Mr G contacted EWOV after he discovered he'd been default listed by his retailer. He also asked EWOV to investigate the accuracy of his high gas and electricity bills.

The Investigation

After raising an Assisted Referral, EWOV opened an Investigation when Mr G's retailer refused to remove his default listing. Despite meeting the obligations of his payment plan, Mr G only discovered his default listing when he sought the advice of a financial counsellor. He'd been default listed in December 2017.

In our Investigation, we asked the retailer to show evidence it had advised Mr G of his potential default listing in line with the Privacy (Credit Reporting) Code 2014. We also asked if the retailer had properly investigated Mr G's high billing, given his medical condition and financial situation.

At the same time, EWOV audited Mr G's energy usage and confirmed that apart from the winter months when electric heating was used around the clock and often exceeded 50 kWh, his consumption was very modest (10 to 12kWh per day).

The outcome

On 17 December 2018, the retailer confirmed Mr G's bills were accurate, however, it couldn't locate evidence it had given Mr G appropriate advice about his outstanding and high bills, and his potential default listing.

As a resolution, the retailer agreed to remove Mr G's default listing for both his gas and electricity debts. The retailer also agreed to Mr G's request for a reduced payment plan. Mr G was satisfied with the outcome.



Case ID:
2018/26332 and
2018/26782

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 period. 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 period, 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 the 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 period.

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.