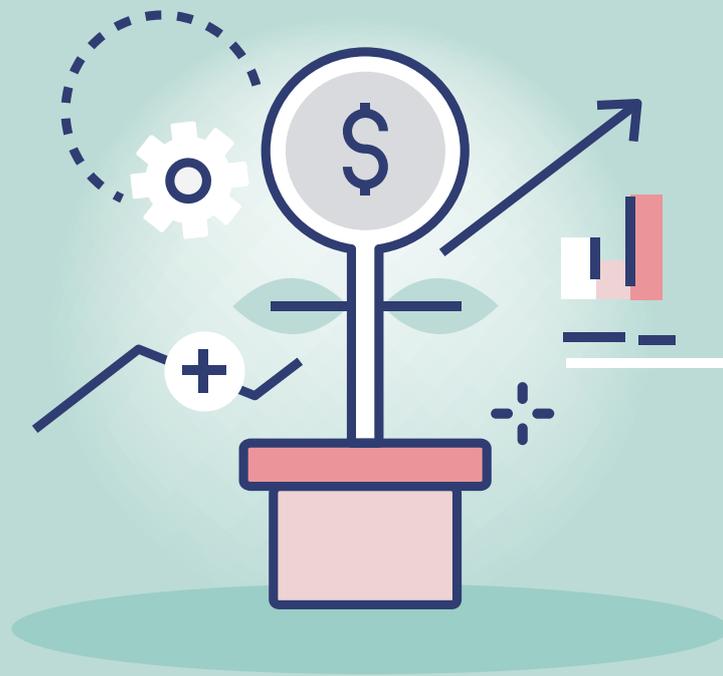


QUARTERLY EWOV

Affordability Report



April–June 2018
Released September 2018



ENERGY AND WATER
OMBUDSMAN
Victoria Listen Assist Resolve

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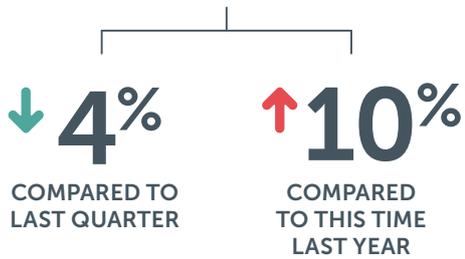
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Affordability

The big picture

APRIL–JUNE 2018

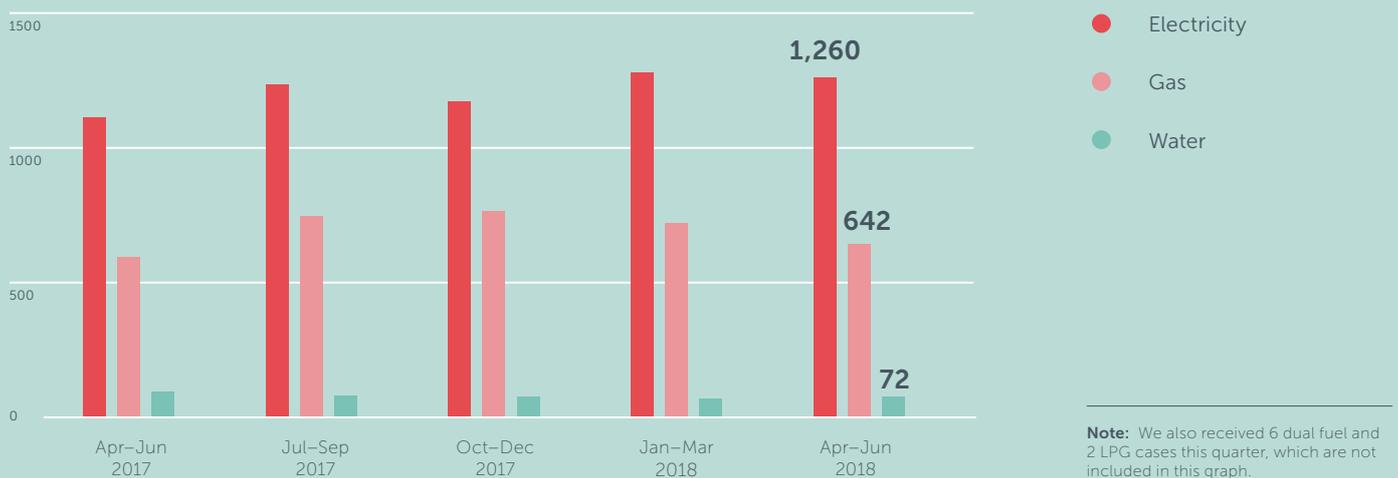
CREDIT CASES OVERALL



CREDIT CASES COMPARED TO LAST QUARTER



ELECTRICITY, GAS AND WATER CREDIT CASES BY QUARTER



CREDIT CASES AS A PERCENTAGE OF TOTAL EWOV CASES

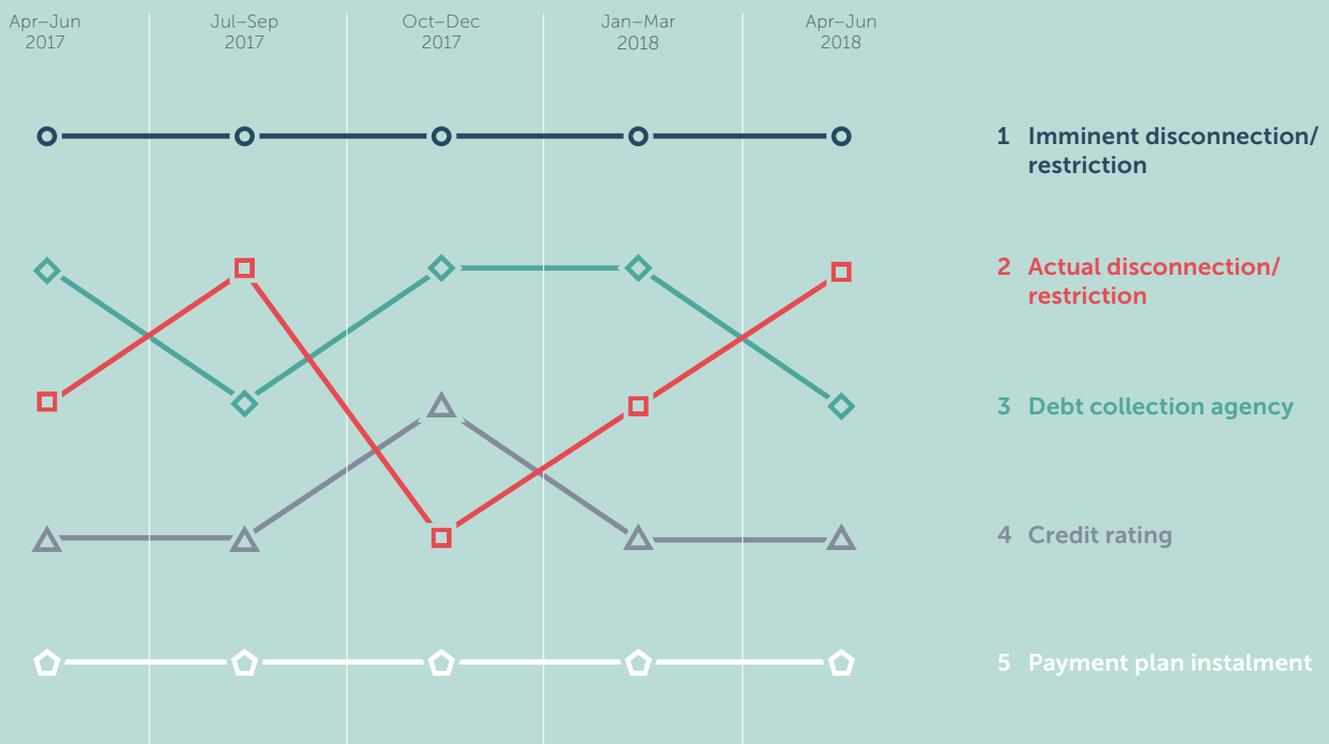


CREDIT CASES BY QUARTER



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 Affordability for large households

Research into energy poverty in Australia has shown that large, low-income households are most at risk. We looked at how these households feature in EWOV credit cases.

Studies of energy use and affordability have shown that large households use more energy,¹ and that among low-income consumers, large households are more likely to have trouble paying bills.² A recent KPMG analysis of Household Expenditure Survey and census data found that while all low-income households struggle with energy costs, it is large families on low incomes who are most affected.³

Recently, EWOV began collecting more information about customers, including information about the number of people in the household. We looked at this new data to learn about the circumstances and experiences of customers in large households – that is, households with six or more people. Our analysis focused on residential customers who lodged a credit case with EWOV in the April to June 2018 quarter.⁴

Larger households were overrepresented in EWOV credit cases

We found that customers approaching EWOV for help with a credit issue were disproportionately from large households. Across Victoria, only 3% of households have six or more people. But among EWOV customers with a credit issue, large households were more than twice as common, accounting for 8% of credit cases. Two-person households, on the other hand, were underrepresented, making up one-third (33%) of Victorian households but only around one-quarter (26%) of EWOV credit case customers.



**LARGE HOUSEHOLDS ACCOUNT FOR
8% OF CREDIT CASES**

1 Cao, Kay, Rosalynn Mathews and Summer Wang (2014) *Modelling Household Energy Consumption Using ABS Survey Data*.

2 Burke, Terry and Liss Ralston (2015) *Household energy use consumption and expenditure patterns 1993–2012*, RP3001, Low Carbon Living CRC.

3 KPMG (2017) *The rise of energy poverty in Australia*, Census Insights Series.

4 Of 1,654 residential customer cases lodged with credit as the primary issue during the quarter, 1,111 (71%) had household occupancy data. Of these, 33 cases concerned unoccupied properties. The analysis is based on the remaining 1,078 cases.

How many people in the home?

EWOV CREDIT CASE CUSTOMERS COMPARED TO ALL VICTORIAN HOUSEHOLDS

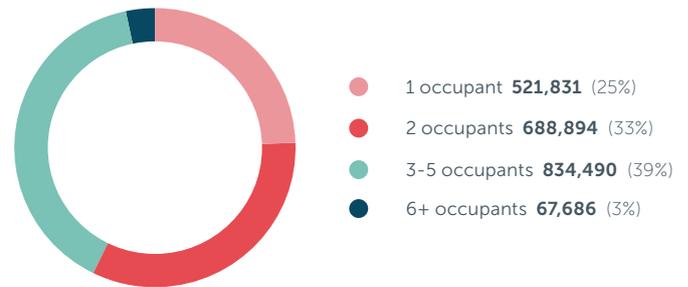
CREDIT CASE CUSTOMERS

1,078 CASES

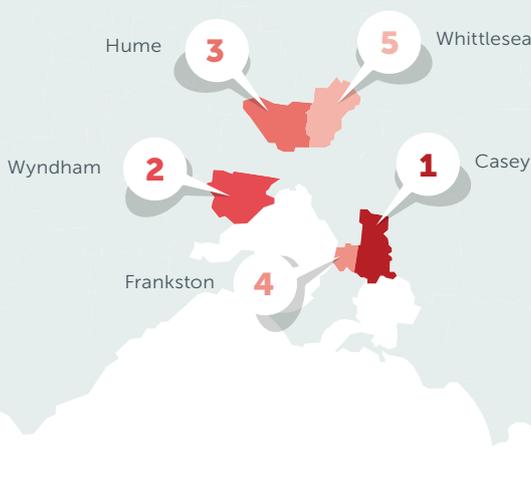


VICTORIAN HOUSEHOLDS⁵

2,112,701 HOUSEHOLDS



LARGE HOUSEHOLD CREDIT CASES: THE HOTSPOTS



Many cases were from large families on Melbourne's outskirts

Most often, these large households were families with three or more dependent children headed by a couple or a single parent. However, some customers described other arrangements. For example, one customer receiving the age pension said that he was living with and helping to support his wife, two adult children, his daughter-in-law and two grandchildren.

KPMG's research suggested that many large, low-income families live in public housing in Australia's big cities. In Melbourne, the researchers pinpointed Hume and Dandenong as areas where many of these families live. Similarly, we found that EWOV credit case customers from large households were often living in outer Melbourne, with 42% of cases from five hotspots in Melbourne's outer south, north and west. Nearly one in five (18%) was living in public housing.

⁵ Mid community, *Victoria: Household size*, derived from the 2016 Australian Bureau of Statistics' Census of Population and Housing.

⁶ KPMG (2017) *The rise of energy poverty in Australia*, Census Insights Series.

On average, large household credit customers had built up around \$3,650 in arrears, compared to around \$1,910 in arrears in other households.

Customers from large households tended to be in more financial difficulty

Because the per person cost of energy is mostly fixed, in large households, energy costs take up more of the household budget. As a result, they may have their energy disconnected or be forced to make choices like not using heating or going without food, clothing or medical treatment in order to pay bills.⁶

We found that among EWOV credit case customers, those in large households showed signs of greater financial difficulty. Almost 7 in 10 (69%) credit case customers from large households had a concession card, compared to 62% of those in smaller households. The situations that large household customers approached EWOV about also tended to be more serious. On average, large household credit customers had built up around \$3,650 in arrears, compared to around \$1,910 in arrears in other households. Related to this high level of debt, most (63%) large household credit cases were about an imminent or actual disconnection, whereas only 49% of smaller household credit cases concerned disconnection.

Often, customers living in these large households were facing additional challenges. Some customers said that family violence had contributed to their financial difficulty. Others referred to physical and mental health issues that affected their

capacity to work and sometimes their energy usage. Energy-inefficient housing could also cause high consumption and debt build-up. In one case, a customer living in public housing with seven other people had arrears of around \$8,000 on his electricity account. Our technical analysis revealed that the property's heat bank had contributed most of the historical consumption. For a few customers, billing and account issues such as delayed bills or the loss of concession discounts also exacerbated their payment difficulties.

How EWOV helps

In credit cases from customers in large households, there can be a substantial gap between what customers can afford to pay and the costs of their ongoing consumption. As a result, we often need to conduct a financial assessment to inform a payment plan arrangement. At the same time, other assistance such as a Utility Relief Grant or an energy audit can reduce arrears and identify ways of lowering consumption. Typically, the earlier customers and companies take action to address the issues, the better the outcome we are able to achieve.

Payment difficulties



374

PAYMENT DIFFICULTIES
CASES APRIL-JUNE 2018

Overall payment difficulties cases

↓ 14%

COMPARED TO
LAST QUARTER

↑ 9%

COMPARED TO THIS
TIME LAST YEAR

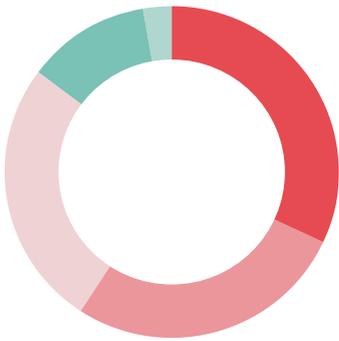
Electricity, gas and water payment difficulties cases by quarter



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 **33%**
- Account holder arrears **28%**
- Smoothpay **22%**
- Direct debit **13%**
- Payment plan extension **3%**

Sub-issues compared to last quarter

↓ **28%**
PAYMENT PLAN
INSTALMENT

↑ **13%**
ACCOUNT
HOLDER ARREARS

↓ **19%**
DIRECT DEBIT

↓ **11%**
SMOOTHPAY

What were the outcomes?



**INVESTIGATIONS
CLOSED APRIL-
JUNE 2018**

Outcome	No.	%
Payment plan	33	61%
Customer Service Gesture	28	52%
Referral to hardship program	19	35%
Debt waiver (partial)	5	9%
Billing adjustment	3	6%
Debt waiver (full)	1	2%
Payment extension	1	2%
Fee waiver	1	2%

Case study

Repeated payment plan errors create budgeting difficulties for an energy customer in a hardship program.

The issue

Ms P had a weekly direct debit arrangement with her energy company as part of her participation in its hardship program.

Every week, she paid \$15 each towards her electricity and gas accounts. Ms P asked her company to change the direct debit day from Thursdays to Fridays, to coincide with when her wages were paid, ensuring that funds were available. The company agreed and said that it would make the first withdrawals, totalling \$30, on 9 February. Instead, however, it direct debited Ms P's account for \$60 two days earlier, and direct debited a further \$30 the following day.

Unable to resolve the issue with her company, Ms P contacted EWOV, and we raised an Assisted Referral. The company told Ms P that it would start the correct direct debits, but two weeks later, this hadn't happened. She then received a letter advising her the two \$15 direct debit payments would begin on 16 March, but this did not happen either. Ms P recontacted EWOV and we began an Investigation.

The investigation

The company explained that when Ms P had called on January 21 to change her payment plan, it had applied a payment lock, which mistakenly prevented direct debits being made on 25 January. As a result, on 7 February the company had attempted to direct debit a double payment, which was dishonoured due to insufficient funds.

The company explained that when Ms P had called on January 21 to change her payment plan, it had applied a payment lock, which mistakenly prevented direct debits being made

The company apologised, offered to apply \$50 credits to each account in recognition of its error, and agreed to begin the weekly direct debits on 6 April. Ms P was satisfied with this resolution, and the case was closed. However, on 17 April, Ms P contacted EWOV on 17 April saying the debits still had not been made.

The outcome

The company apologised again for its errors, applying two additional \$50 credits to Ms P's accounts and confirming that the direct debit arrangement would begin on 4 May. Ms P accepted this offer and the case was closed.



Case ID:
2018/3435 and
2018/3438

Disconnection and restriction

Imminent disconnection/restriction cases



454

IMMINENT DISCONNECTION/
RESTRICTION CASES APRIL-JUNE 2018

Overall imminent disconnection/restriction cases

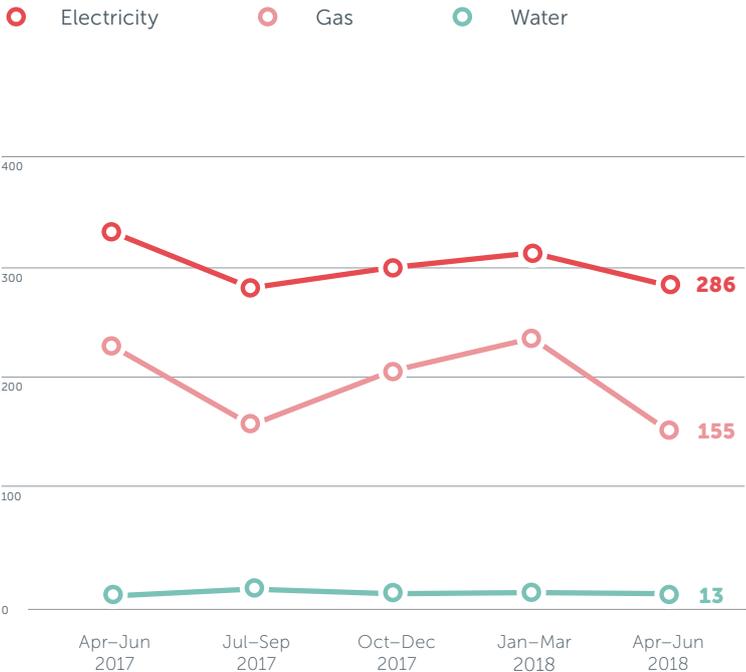
↓ 21%

COMPARED TO
LAST QUARTER

↓ 22%

COMPARED TO THIS
TIME LAST YEAR

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



Actual disconnection/restriction cases



396

ACTUAL DISCONNECTION/
RESTRICTION CASES APRIL-
JUNE 2018

Overall actual
disconnection/restriction
cases

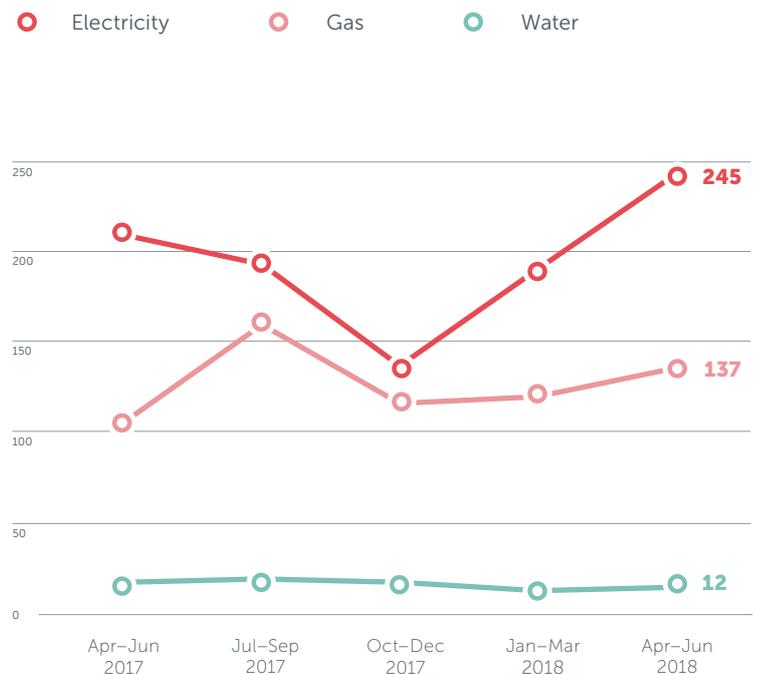
↑ 25%

COMPARED TO
LAST QUARTER

↑ 20%

COMPARED TO THIS
TIME LAST YEAR

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



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

What were the outcomes?



INVESTIGATIONS* CLOSED APRIL- JUNE 2018

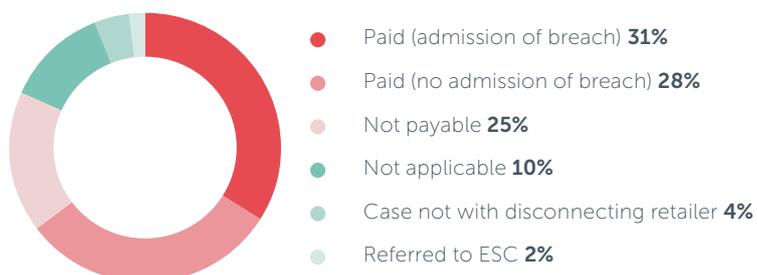
*Includes both imminent and actual disconnection/restriction cases

Outcome	No.	%
Payments and waivers		
Referral to hardship program	160	56%
Customer Service Gesture	93	32%
Billing adjustment	42	15%
Fee waiver	10	3%
Debt waiver (partial)	10	3%
Debt waiver (full)	9	3%
Guaranteed Service Level payment	1	<1%
Payment plans and extensions		
Payment plan for arrears only	57	20%
Payment plan for arrears and consumption	54	19%
Payment plan for consumption only	45	16%
Payment extension	27	9%
Stepped payment plan	23	8%



WDP ASSESSMENTS CLOSED APRIL- JUNE 2018

Wrongful Disconnection Payment assessment outcomes



Disconnection compliance breaches



DEEMED CONTRACT
24 (34%)



AFFORDABILITY
23 (33%)



RETAILER ERROR
13 (19%)



COMPLAINT OPEN WITH RETAILER
3 (4%)



MORE THAN 1
3 (4%)



NOTICES
2 (3%)



BEST ENDEAVOURS
1 (1%)



COMPLAINT OPEN WITH EWOV
1 (1%)

Case Study

A customer in hardship is threatened with disconnection after making a payment plan arrangement.

The issue

Due to personal difficulties and illness in the family, Ms W was in financial hardship and relied on the Newstart allowance. After falling into arrears, Ms W had negotiated a payment plan with her electricity and gas retailer, via its hardship program. However, it then sent her imminent disconnection warnings. Ms W was also dissatisfied that her retailer had not applied the agreed discounts.

Ms W contacted EWOV and we raised an Assisted Referral. Although Ms W was able to confirm that her supply would not be disconnected, she received no other contact from her retailer. She returned to EWOV and we opened an Investigation.

Ms W had negotiated a payment plan with her electricity and gas retailer. However, it then sent her imminent disconnection warnings.

The Investigation

EWOV asked the retailer to provide billing history and account details for Ms W's electricity and gas accounts. The retailer confirmed that Ms W had been billed on actual meter reads and that her concessions had been applied. It explained that she was receiving guaranteed discounts of 25% on her electricity account and 17% on

her gas account. While she could move to a plan with higher discounts for on-time payment, it said, if her payments continued to be sporadic Ms W risked missing out on discounts altogether. It also said that it would only accept a payment plan that at least covered Ms W's ongoing consumption.

Ms W was not satisfied with this response, and provided documents showing that she had agreed to a plan with higher discounts of 27% and 19%. She also said that as she was in severe financial difficulty, she could only afford to pay \$10 per fortnight towards her electricity and \$5 per fortnight on gas. She said she was willing to do a financial assessment to determine an appropriate payment plan, but wanted to wait until her financial counsellor, who she trusted, returned from annual leave.

The outcome

The retailer acknowledged that it had made an error by not applying the discounts it had initially offered. It backdated the correct discounts and rebilled the accounts accordingly. The retailer also confirmed that Ms W's Utility Relief Grant application had been approved, and said that it would waive any remaining account balance in recognition of the inconvenience caused. Ms W agreed to complete a financial assessment when her financial counsellor returned from leave, and to contact the retailer's hardship team to discuss an appropriate payment plan for the future.



Case ID:
2018/6562 and
2018/6563

Collection

758

COLLECTION CASES
APRIL-JUNE 2018



Overall collection cases

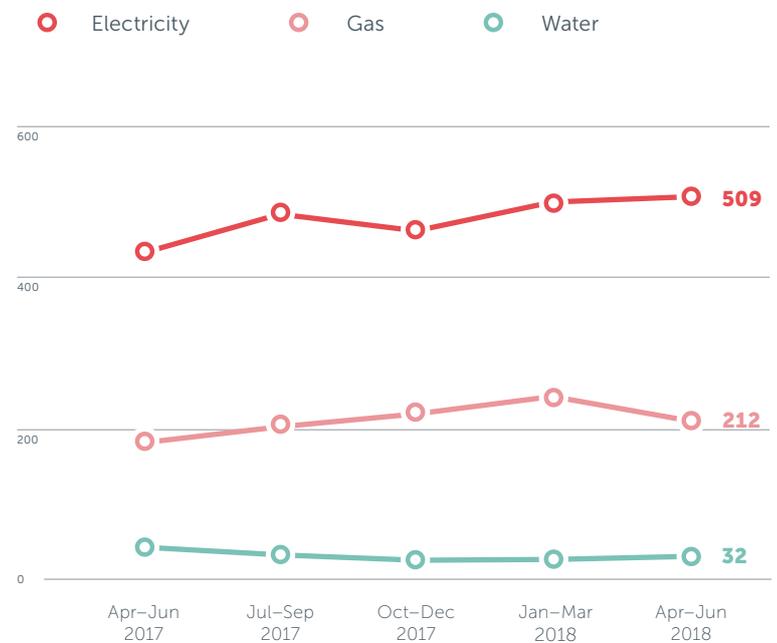
↓ 2%

COMPARED TO
LAST QUARTER

↓ 14%

COMPARED TO THIS
TIME LAST YEAR

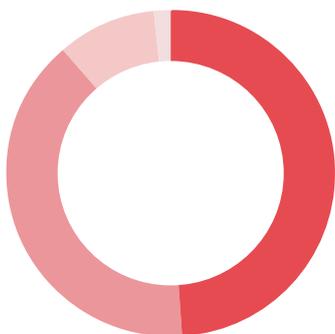
Electricity, gas and water collection cases by quarter



Note: We also received 5 dual fuel cases this quarter, which are not included in this graph.

What were the cases about?

Sub-issues in collection cases



- Debt collection agency **49%**
- Credit rating **40%**
- Retailer debt collection **10%**
- Other **2%**

Sub-issues compared to last quarter

NO
CHANGE

DEBT COLLECTION
AGENCY

↓ 4%

CREDIT RATING

↑ 6%

RETAILER DEBT
COLLECTION

What were the outcomes?



157
**INVESTIGATIONS
CLOSED APRIL-JUNE
2018**

Outcomes in collection Investigations

Outcome	No.	%
Removal of default listing	48	31%
Customer Service Gesture	42	27%
Debt waiver (full)	29	18%
Payment plan	22	14%
Payment extension	15	10%
Referral to hardship program	12	8%
Debt waiver (partial)	6	4%

Case Study

A customer believes his debt is settled until he is contacted by a second debt collection company.

The issue

Mr B, an age pensioner living alone, contacted EWOV dissatisfied about debt collection activity. Following a billing dispute with his electricity retailer, Mr B had closed his account and transferred to a new retailer. With the billing still disputed and unpaid, the retailer had referred Mr B's \$545.12 debt to a debt collection agency.

Mr B said that he had negotiated with the debt collector to pay \$107.87 – the amount he did not dispute – as full and final payment of the account. Mr B had then mailed a cheque, together with notification of this final payment, to the electricity retailer. When the cheque was banked, Mr B assumed that the matter was closed. However, a second debt collection agency then contacted him about the same debt.

When EWOV raised an Assisted Referral, the retailer contacted Mr B, saying that it had never agreed to accept \$107.87 as full and final payment. Mr B remained dissatisfied, so EWOV opened an Investigation.

EWOV's internal legal review suggested that merely banking the cheque and applying it to the account as part payment did not amount to an agreement to settle the debt.

The Investigation

The retailer said that it had received Mr B's letter and cheque, which it had banked as payment towards the account. However, it said, neither it nor the debt collection agency acting on its behalf had agreed that this payment would settle the debt. Therefore, following the first agency's unsuccessful collection attempts, the retailer had recalled the remaining debt and referred it to a second debt collection agency.

Mr B argued that by banking his cheque, the retailer had agreed to finalise the matter. However, EWOV's internal legal review suggested that merely banking the cheque and applying it to the account as part payment did not amount to an agreement to settle the debt.



Case ID:
2018/8669

For more information, the conciliator reviewed a recording of Mr B's daughter's call to the debt collection agency on Mr B's behalf.

The EWOV conciliator then looked for any record of an explicit agreement, reviewing the debt collection agency's contact notes. These notes did show that Mr B had said he would pay \$107.87, but did not refer to any agreement that this would settle the debt. For more information, the conciliator reviewed a recording of Mr B's daughter's call to the debt collection agency on Mr B's behalf.

During the call, Mr B's daughter had stated that Mr B would be posting a letter and a cheque for \$107.87 as full and final payment. In responding, the agent had said 'that sounds very good'. The conciliator concluded that although the agent had not agreed that the payment would settle the debt, her response could have been construed that way – and indeed, appeared to have been interpreted that way by Mr B's daughter.

The outcome

The retailer did not believe that its agent had agreed to accept Mr B's offer of \$107.87 as final payment. However, in the interest of resolving the matter, it agreed to waive the remaining debt. It confirmed that it would stop debt collection activity and that Mr B's credit rating hadn't been affected. Mr B was satisfied with this outcome 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.