

EWOV'S

Affordability Report



January–June 2019
Released September 2019



**ENERGY AND WATER
OMBUDSMAN**
Victoria **Listen Assist Resolve**

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Affordability

The big picture

JANUARY-JUNE 2019

CREDIT CASES OVERALL



CREDIT CASES COMPARED TO LAST SIX MONTHS



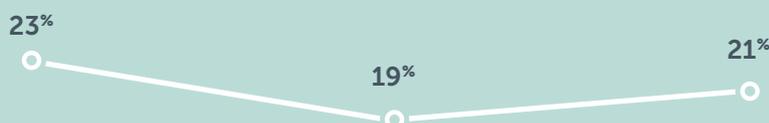
ELECTRICITY, GAS AND WATER CREDIT CASES BY SIX MONTHS



- Electricity
- Gas
- Water

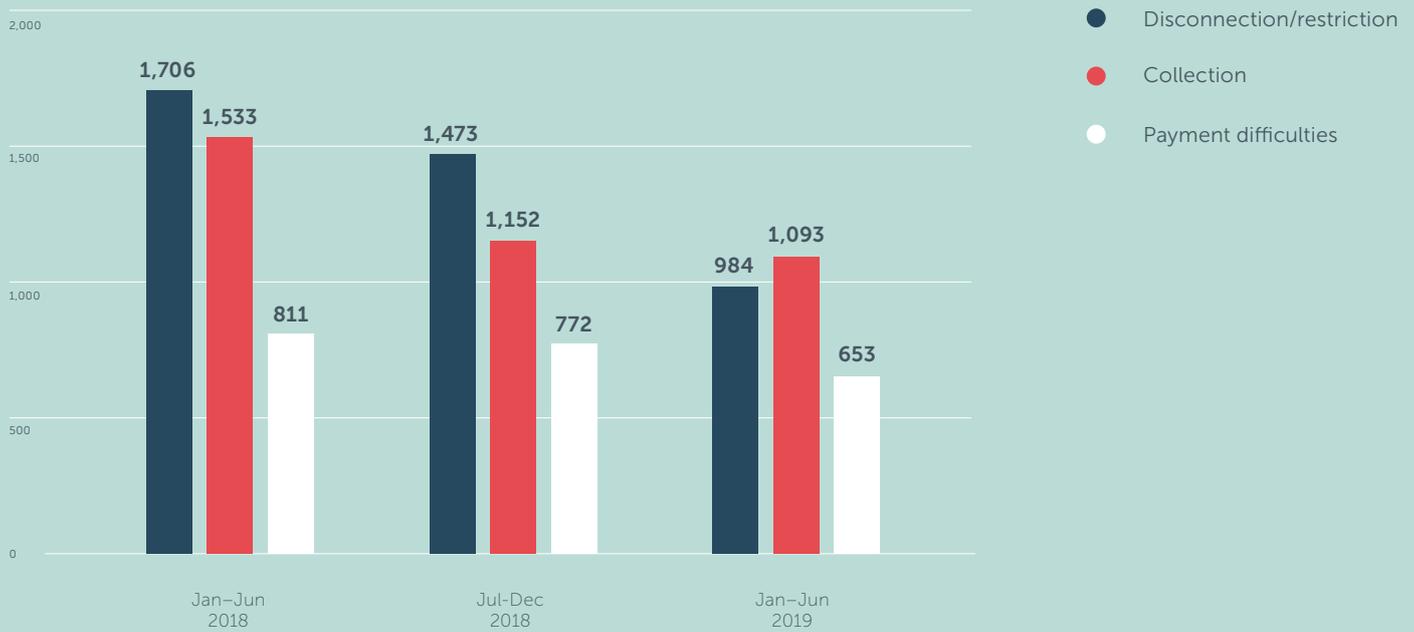
Note: We also received 4 dual fuel and 6 LPG cases between January–June 2019, which are not included in this graph.

CREDIT CASES AS A PERCENTAGE OF TOTAL EWOV CASES



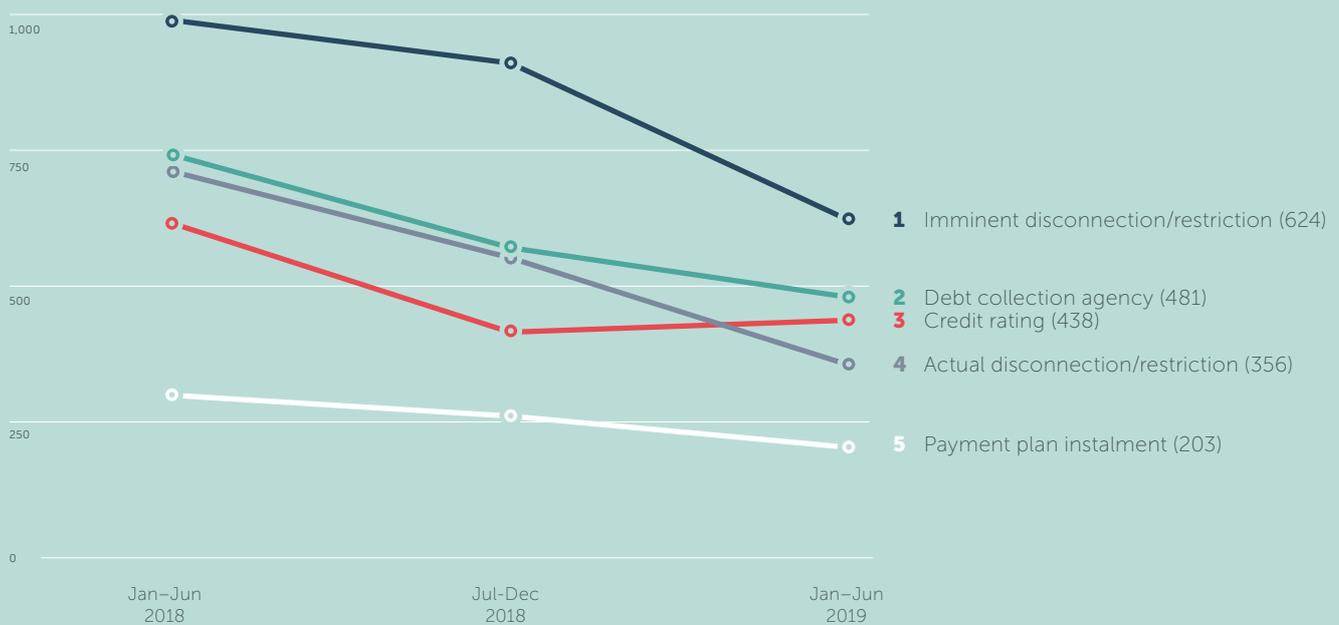
○ % of total EWOV cases

CREDIT CASES BY SIX MONTHS



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 18 of this report.



Spotlight on

The fall and rise of credit default cases

In this edition of EWOV's Affordability Report, we take a look at the number of credit cases received between January and June this year, and the sharp contrast to those received in July 2019.

With the introduction of the *Payment Difficulty Framework* on 1 January 2019, EWOV was pleased to experience a steady decline in overall credit case numbers across the first quarter of 2019, reaching a low in April 2019 (431 cases). This appeared to meet the expected outcomes of the new framework, particularly in relation to the obligation of placing arrears on hold when providing tailored assistance. Complaints about disconnection had the most significant fall between January and June 2019, down 33%. However, by May 2019, complaints began climbing again and by July 2019, credit case numbers (481) had reached the same level as January this year (482).



WE CLOSED

984

cases from customers who had been threatened with disconnection, or actually disconnected.



\$2,695

was the average level of debt on closure of Investigations about disconnections.

Over the first six months of 2019, complaints about credit collection were the top credit related issue, making up 40% of our credit case load, followed by disconnection cases at 36%.

During this period, we closed 984 cases from customers who had been threatened with disconnection or whose supply had been disconnected or restricted. The average level of debt on closure of Investigations about disconnections was \$2,695.

653 cases in first half of 2019 related to payment difficulties (such as payment plan instalments or extensions, direct debt arrangement), 15% lower than the previous six months.

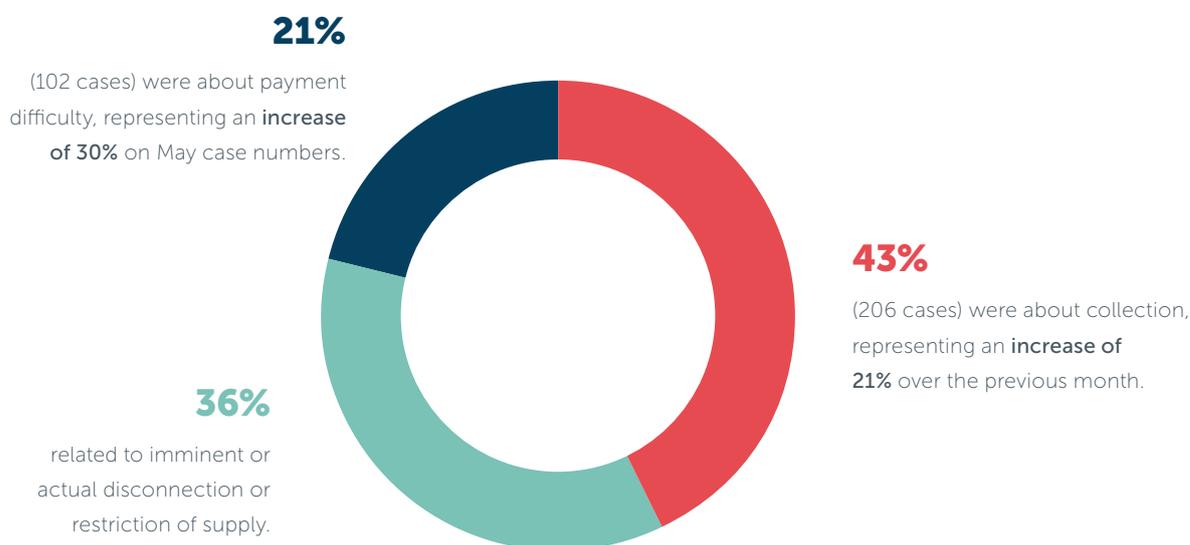
Credit case numbers increase in July 2019*

EWOV was surprised to see a significant increase in credit cases in July 2019. We received a total of 481 credit cases, an 8% increase over May 2019 and a 12% increase compared to April 2019.

While EWOV is cautiously optimistic that the *Payment Difficulty Framework* has led to a decline in energy credit cases for the first half of 2019, with the recent uptick, we anticipate that this falling trend may only be temporary.



Of the 481 credit cases we received in July 2019:



EWOV identified that a number of our credit collection Investigations involve retailers who:

- › did not clearly communicate what their customers needed to do to avoid being default listed; and
- › failed to identify financially vulnerable customers who should not be default listed.

EWOV is concerned that retailers are only complying (as a minimum) with the relevant laws and codes rather than considering their individual customer's circumstances to make decisions that we believe are **fair and reasonable**. EWOV's position statements on credit collection and default listing clearly outline our expectations of retailers before a customer is default listed. In addition, our position statements on payment difficulties and hardship state that debt recovery and default listing activities should not be pursued for financially vulnerable customers.

*July figures are based on live data, and subject to change as cases close.

Payment difficulties



653

PAYMENT DIFFICULTIES
CASES JANUARY-JUNE 2019

Overall payment difficulties cases

↓ 15%

COMPARED TO LAST SIX MONTHS

↓ 19%

COMPARED TO THIS TIME LAST YEAR

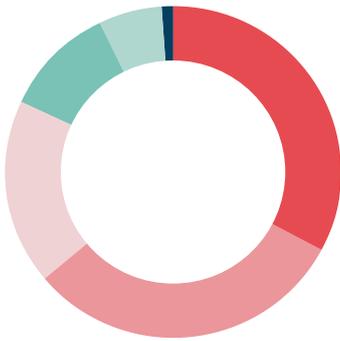
Electricity, gas and water payment difficulties cases by six months



Note: We also received 3 dual fuel and 1 LPG cases between January-June 2019, which are not included in this graph.

What were the cases about? (January-June 2019)

Sub-issues in payment difficulties cases



- Account holder arrears **33%**
- Payment plan instalment **31%**
- Direct debit **18%**
- Smoothpay **11%**
- Payment plan extension **6%**
- Non account holder arrears **1%**

Sub-issues compared to last six months

↓ **22%**
PAYMENT PLAN
INSTALMENT

↓ **14%**
ACCOUNT
HOLDER ARREARS

↑ **13%**
DIRECT DEBIT

↓ **39%**
SMOOTHPAY

What were the outcomes?



**INVESTIGATIONS
CLOSED JANUARY-
JUNE 2019**

Outcome	No.	%
Arrears at closure	83	84%
Payment plans offered	71	72%
Customer Service Gesture	65	66%
Hardship program	46	46%
Billing adjustment	21	21%
Debt waiver (full)	5	5%
Fee waiver	4	4%
Default listing removed	1	1%

Case study

Vulnerable customer in arrears should have received tailored assistance under the *Payment Difficulty Framework*.

The issue

Mr K is an artist who had taken over the lease of a warehouse where he lives and works. He suffers from mental health issues and requires a representative to act on his behalf.

Because the meter for Mr K's electricity was located inside the warehouse, his energy retailer could not access it to read it, and instead issued a number of estimated bills. In July 2018 Mr K's retailer was finally able to read the meter and proceeded to re-bill his account. Mr K now owed an additional \$1,019 as he had been undercharged for his usage in the estimated bills.

After the retailer sent an imminent disconnection notice, Mr K's representative contacted EWOV seeking help. Mr K believed that he had been incorrectly backbilled to April 2016 and was also concerned that he was being billed for the electricity used by his neighbour.

However, in January 2019 EWOV was re-contacted by Mr K's representative who was still concerned about the amount Mr K was being charged – by this time Mr K had an outstanding account balance of \$3,487. We proceeded to raise an Investigation.

The Investigation

To ensure that Mr K was not being cross-metered and charged for his neighbour's electricity use, EWOV sought confirmation from the distributor responsible for the meters. We found that the meter was correctly recording his usage.

EWOV then checked whether Mr K had been appropriately billed according to the rules around backbilling, and found that his retailer had complied with the relevant codes.



Case ID:
2018/30815

Mr K now owed an additional \$1019 as he had been undercharged for his usage in the estimated bills.

EWOV registered an Assisted Referral and facilitated contact with Mr K's representative by a higher level contact within the retailer. Following this, in December 2018 Mr K's basic meter was upgraded to a smart meter to avoid the need for in-person meter reads and to prevent future inaccurate billing.

EWOV notified the retailer of this requirement, who then advised Mr K that he could change tariffs.

However, EWOV found that no attempt had been made to contact Mr K about meter access between July 2017 and July 2018. This denied him the opportunity to arrange a suitable time for a meter read, which may have prevented the issue from occurring in the first place.

Additionally, during the Investigation the *Payment Difficulty Framework* had come into effect. The retailer was therefore required to offer Mr K a suitable payment plan and tailored energy saving advice. EWOV notified the retailer of this requirement, who then advised Mr K that he could change tariffs. We weren't satisfied that this constituted sufficient tailored assistance to Mr K's needs.

The outcome

Considering Mr K's vulnerability, the retailer proposed a number of options to help. They reviewed Mr K's electricity tariff and suggested a different plan to suit his needs based on his past payment history. They advised that Mr K's account could be transferred into his representative's name so that all future bills and notices would be directed to him, and offered a 1.5 year payment extension on the outstanding balance. Alternatively, Mr K could remain the account holder and be placed on a 2 year payment plan.

The retailer also offered a credit of \$600 for failing to contact Mr K about the meter access issue. Satisfied with the outcome, Mr K's case was closed.

Disconnection and restriction

Imminent disconnection/restriction cases



**IMMINENT DISCONNECTION/
RESTRICTION CASES**
JANUARY-JUNE 2019

Overall imminent disconnection/restriction cases

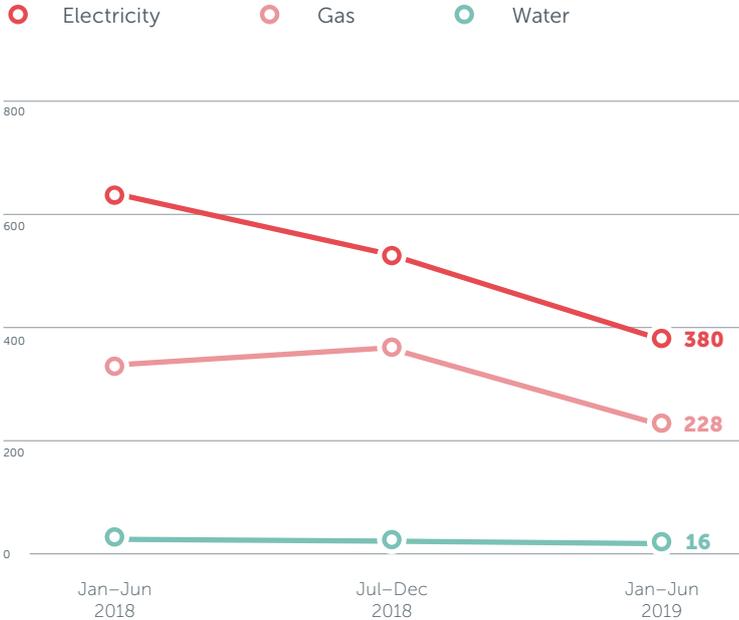
↓ **32%**

COMPARED TO LAST SIX MONTHS

↓ **37%**

COMPARED TO THIS TIME LAST YEAR

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



Note: We also received 2 LPG cases between January-June 2019, which is not included in this graph.

Actual disconnection/restriction cases



358

ACTUAL DISCONNECTION/
RESTRICTION CASES
JANUARY-JUNE 2019

Overall actual
disconnection/restriction
cases

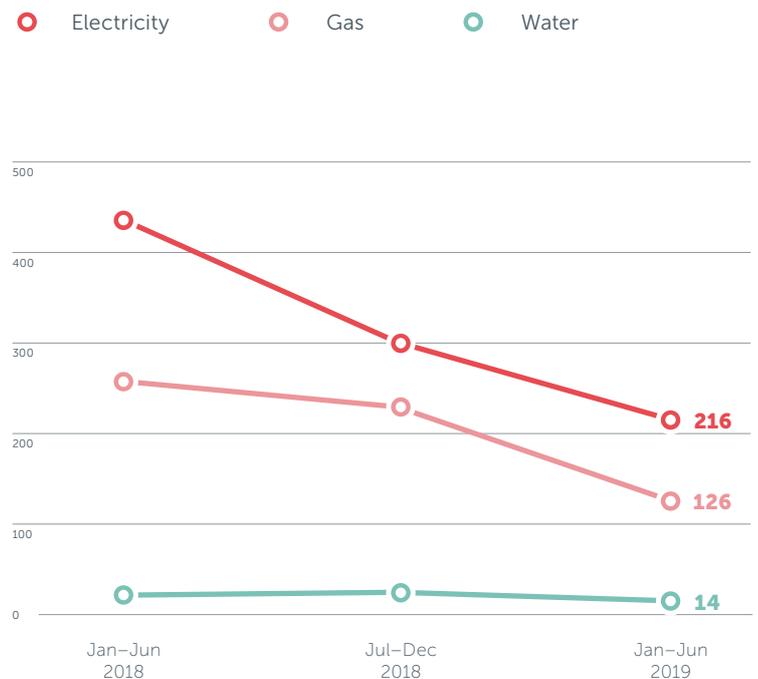
↓ 36%

COMPARED TO LAST
SIX MONTHS

↓ 50%

COMPARED TO THIS
TIME LAST YEAR

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



Note: We also received 2 LPG cases between January-June 2019, which is not included in this graph.

What were the outcomes?



INVESTIGATIONS* CLOSED JANUARY- JUNE 2019

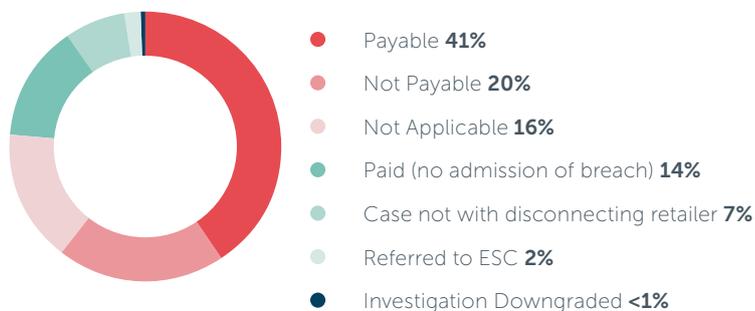
*Includes both imminent and actual disconnection/restriction cases

Outcome	No.	%
Payments and waivers		
Arrears at closure	224	83%
Customer Service Gesture	123	45%
Hardship program	94	35%
Billing adjustment	34	13%
Debt waiver	12	4%
Fee waiver	8	3%
Default listing removed	1	<1%
Guaranteed Service Level payment	1	<1%
Payment plans and extensions		
Not applicable	88	32%
Payment plan with arrears on hold and paying below consumption	77	28%
Payment plan for arrears only	36	13%
Standard payment plan	27	10%
Closed account – arrears only	23	8%
Other payment plan	12	4%
Standard extension of due date for bill	7	3%
Standard payment plan – pay in advance	1	<1%



WDP ASSESSMENTS CLOSED JANUARY- JUNE 2019

Wrongful Disconnection Payment assessment outcomes



Case Study

Customer living in public housing unable to significantly reduce energy consumption.

The issue

Ms M, a single parent living in public housing, had her gas supply disconnected in June 2019, with an outstanding debt over \$3,000. A payment plan of \$100 per fortnight had been arranged via Centrepay to begin earlier this year, yet unknown to Ms M, this had not occurred. In order to be reconnected, her retailer advised that she had to pay 30% of her debt up front. Unable to pay, Ms M contacted EWOV. Ms M's supply was reconnected the day we raised an Investigation and the retailer acknowledged that they had incorrectly refused reconnection when Ms M contacted them.

The Investigation

During the Investigation Ms M received a debt collection notice from an external agency, prompting her to make payment. This is contrary to EWOV's policy that all collection activities be suspended while we investigate.

As resolution, Ms M was offered tailored assistance – Tier 2 under the *Payment Difficulty Framework*. While practical assistance to reduce energy use was provided, the heating in Ms M's public housing residence was not very efficient so her ability to reduce her consumption was limited.

Ms M's supply was reconnected the day we raised an Investigation and the retailer acknowledged that they had incorrectly refused reconnection when Ms M contacted them.



Case ID:
2019/11311

The outcome

She was however, put on the retailer's hardship program that included a payment plan of \$100 per fortnight and her debt was placed on hold for six months. Ms M was offered a customer service gesture of \$250 for the inconvenience caused, and the retailer provided the contact details of community organisations that may be able to help her further. Ms M was satisfied with the resolution and her case was closed.

Collection



1,093

COLLECTION CASES
JANUARY-JUNE 2019



Overall collection cases

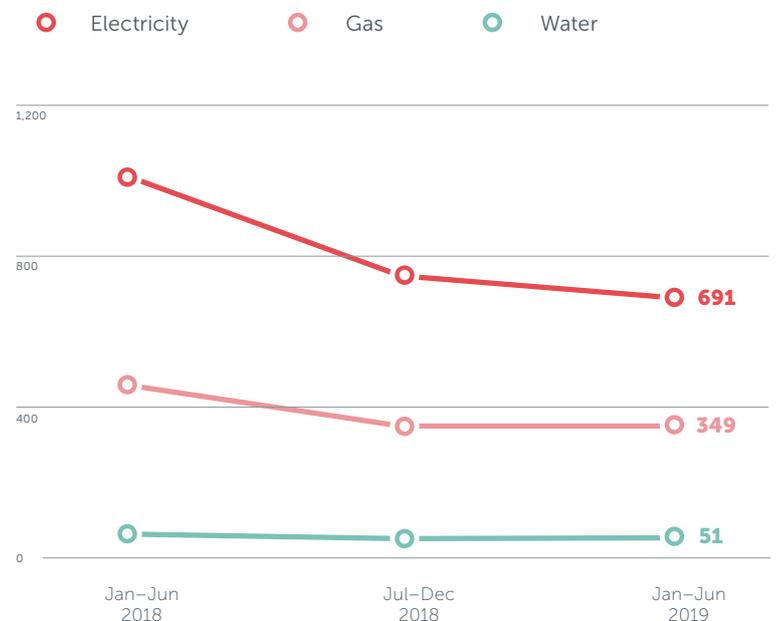
↓ 5%

COMPARED TO LAST
SIX MONTHS

↓ 29%

COMPARED TO THIS
TIME LAST YEAR

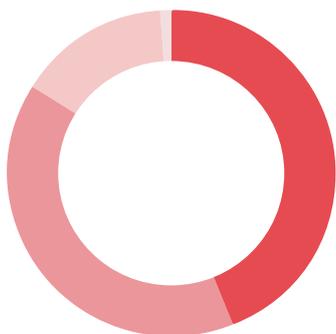
Electricity, gas and water collection cases by six months



Note: We also received 1 dual fuel and 1 LPG cases between January-June 2019, which are not included in this graph.

What were the cases about? (January-June 2019)

Sub-issues in collection cases



- Debt collection agency **44%**
- Credit rating **40%**
- Retailer debt collection **15%**
- Other **1%**

Sub-issues compared to last six months

↓ **16%**
DEBT COLLECTION AGENCY

↑ **5%**
CREDIT RATING

↑ **9%**
RETAILER DEBT COLLECTION

What were the outcomes?



165
INVESTIGATIONS
CLOSED JANUARY-
JUNE 2019

Outcomes in collection Investigations

Outcome	No.	%
Arrears at closure	108	65%
Default listing removed	63	38%
Customer Service Gesture	61	37%
Payment plans offered	49	30%
Debt waiver	28	17%
Billing adjustment	18	11%
Hardship program	11	7%
Fee waiver	4	2%
Guaranteed Service Level payment	1	1%

Case Study

Customer led to believe she'd been default listed.

The issue

Ms B was in extreme financial hardship as a result of family violence. As such, she had accrued a debt of \$1,786 for electricity and gas with her previous retailer that she was unable to pay. In December 2018, Ms B's representative twice emailed the retailer requesting a three-month hold on the debt but she did not receive a response. In April 2019, it appeared that Ms B's debt was bought by an external debt collection agency and she was default listed.

Ms B's representative contacted EWOV hoping to have the debt waived considering her client's family violence history. We registered the complaint as an Assisted Referral and facilitated contact with Ms B by a higher-level contact within the retailer.

Following the Assisted Referral, the retailer contacted EWOV stating that they would not waive the debt or remove the default listing as it would not be fair or reasonable to do so, considering they followed standard procedures.

Ms B's representative contacted EWOV hoping to have the debt waived considering her client's family violence history.

The Investigation

As Ms B was not satisfied with this response, EWOV proceeded to raise a Stage 2 Investigation. During the Investigation the retailer confirmed that they had given incorrect information at the Assisted Referral stage – Ms B had not been default listed. Rather, an external agency was simply collecting Ms B's debt on behalf of the retailer.

The outcome

In the retailer's first response they offered a 12 month payment plan of \$61 per fortnight and a \$100 customer service gesture. Yet as Ms B was unable to pay in light of her financial vulnerability, Ms B's representative did not believe this was suitable.

In recognition of Ms B's circumstance, the retailer offered to waive the full balance owing on both her electricity and gas accounts. Ms B was satisfied with this outcome and her case was closed.



Case ID:
2019/10166 and
10167

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 Investigations, 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 Investigation. 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.