

Assessment of Horizon Power's Financial Hardship Policy

31 May 2013

Economic Regulation Authority

WESTERN AUSTRALIA

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Background

1. Horizon Power holds an electricity integrated regional licence granted by the Economic Regulation Authority (**Authority**). Section 82 of the *Electricity Industry Act 2004* provides that the holder of an electricity integrated regional licence must comply with the requirements of the *Code of Conduct for the Supply of Electricity to Small Use Customers* (**Code**).
2. The Code regulates and controls the conduct of electricity retailers and distributors when supplying electricity to small use customers¹. Amongst other things, the Code requires electricity retailers to develop financial hardship policies for their residential customers.²
3. A financial hardship policy must meet the minimum content requirements as specified in clause 6.10(2) of the Code. The Authority has also published the *Financial Hardship Policy Guidelines* (**Guidelines**) to provide guidance to retailers as to the type of information they could include in their policies to meet the requirements under clause 6.10(2) of the Code. The Guidelines are not a mandatory compliance requirement.
4. A retailer must review its financial hardship policy at least annually and submit the results of the review to the Authority³ by 31 December each year⁴. When undertaking a review of a policy, a retailer must have regard to the Guidelines.⁵
5. Upon receipt of a reviewed financial hardship policy, the Authority examines both the review process and the policy.⁶ The Authority endeavours to issue an assessment every second year, unless there are significant changes to the policy, in which case an assessment is issued annually.⁷
6. It is important to note that the Authority issues an assessment of a retailer's financial hardship policy and not an approval. Retailers are able to operate their policy regardless of the Authority's assessment.
7. If the Authority identifies a possible non-compliance with the Code during the course of the assessment and this is not rectified by the retailer prior to the assessment being concluded, the Authority may determine that it is necessary to further investigate the possible non-compliance.

Horizon Power

8. Horizon Power sells electricity to customers connected to the North West Interconnected System (NWIS) in the Pilbara and the interconnected transmission network between Kununurra and Wyndham, as well as 36 non-interconnected or islanded systems in regional towns and remote communities. During 2011/12, Horizon Power had approximately 34,037 residential customers.

¹ A 'small use customer' is a customer who consumes less than 160MWh of electricity per year.

² Clause 6.10 of the Code.

³ Clause 6.10(5) of the Code.

⁴ Economic Regulation Authority, *Financial Hardship Policy Guidelines*, page 6.

⁵ Clause 6.10(7) of the Code.

⁶ Clause 6.10(8) of the Code.

⁷ Economic Regulation Authority, *Financial Hardship Policy Guidelines*, page 6.

9. Horizon Power submitted their reviewed financial hardship policy before the deadline of 31 December 2012.

Assessment

10. The Authority reviewed Horizon Power's financial hardship policy against the mandatory requirements of clause 6.10 of the Code and the non-mandatory Guidelines.

Assessment of Annual Review

11. Horizon Power has advised that a copy of the financial hardship policy was forwarded to the Western Australian Council for Social Service (WACOSS) and the Financial Counsellors' Association of WA. Both organisations were invited to provide comment on the policy.

Assessment of Financial Hardship Policy

12. After having reviewed the financial hardship policy, feedback was provided to Horizon Power regarding consistency with the requirements of clause 6.10 of the Code and the Guidelines.
13. In response to the feedback received, Horizon Power made a number of changes to the financial hardship policy. For example, the policy now includes a reference to Horizon Power's complaints handling process, the telephone numbers for TTY and multi-lingual services, and clarifies that if a customer is unable to meet their obligations under an agreed payment plan, Horizon Power will give reasonable consideration to a revision of the plan.
14. In the Guidelines, the Authority strongly encourages retailers to produce a short, easily accessible and 'consumer friendly' summary of their financial hardship policy. Horizon Power has advised that it has no immediate intention to produce a summary of their hardship policy.

Conclusion

15. The Authority has found that Horizon Power's annual review and financial hardship policy comply with the requirements of clause 6.10 of the Code and are generally consistent with the Guidelines.
16. The Authority notes that this is an assessment of the written policy document and is not an examination of the application, implementation or adherence to the policy by Horizon Power.
17. A copy of Horizon Power's financial hardship policy is attached (**Appendix 1**).

Appendix 1 – Horizon Power’s Financial Hardship Policy

FINANCIAL HARDSHIP POLICY

- DOCUMENT CONTROL

Document Owner <i>(May also be the Process Owner)</i>	Name: Greg Will Position: Manager Customer Service Date: 20/12/2012
Approved By *	Name: Greg Will Position: Manager Customer Service Date: 20/12/2012
Authorisation ** <i>Process Owner is hereby vested with authority and responsibility to manage the process end to end.</i>	Name: Ziggy Wilk Position: General Manager Operations Date: 20/12/2012
Last Updated	20/12/2012
Review Frequency ***	Annual
Next Review Date ***	31/12/2013

* Must be the Process Owner and the person assigned authority and responsibility for managing the whole process, end-to-end, which may extend across more than one division and/or functions, in order to deliver agreed business results.

** This person will have the power to grant the process owner the authority and responsibility to manage the process from end to end.

STAKEHOLDERS	NOTIFICATION LIST
The following positions must be consulted if an update or review is required:	The following positions must be notified of any authorised change:
Manager Customer Service	Manager Product Sales & Marketing
GM External Affairs	Compliance Liaison Officer
GM Operations	
Governance & Compliance Manager	

TABLE OF CONTENTS

1.	POLICY STATEMENT	4
2.	OVERVIEW.....	5
	2.1. Purpose	5
	2.2. Objectives	5
3.	PRINCIPLES.....	6
	3.1. Communication plan.....	6
	3.2. Customers' eligibility for hardship assistance.....	6
	3.3. Payment arrangement options	7
	3.4. Payment incentives.....	8
	3.5. Debt waiver	8
	3.6. Monitoring hardship arrangements	8
	3.7. Customer obligations and service expectations	9
	3.8. Program exit.....	10
	3.9. Staff training.....	10
4.	KNOWLEDGE SHARING	11
5.	REFERENCES.....	12

1. POLICY STATEMENT

Horizon Power recognises that expenses, although part of everyday life, can be difficult to manage at times. Circumstances change within households, and customers may find themselves in financial hardship. It is important that we actively work towards minimising our customer debt and disconnection rates through careful consideration of financial hardship cases.

The aim of this policy document is to outline Horizon Power's responsibility in the treatment of customers experiencing financial hardship, as required by the Code of Conduct for the Supply of Electricity to Small Use Customers 2012 (The Code), pursuant to the *Electricity Industry Act 2004 (WA)*.

The definition of financial hardship used in this policy comes from the WA Economic Regulatory Authority's Financial Hardship Policy Guidelines:

a state of more than immediate financial disadvantage which results in a residential customer being unable to pay an outstanding amount as required by the retailer without affecting the ability to meet the basic living needs of the residential customer or a dependant of the residential customer¹

Horizon Power:

- respects the privacy of customers' personal information;
- understands that due to financial and other hardships, customers are not always able to pay their accounts by the due date;
- believes all customers should be treated with fairness, dignity and compassion; and
- promises that when a customer makes a complaint, they are treated in a professional, courteous, confidential, and efficient manner.

Horizon Power will review this policy annually in consultation with relevant consumer representative organisations, in particular the West Australian Council of Social Services and the Financial Counsellors' Association of Western Australia.

¹ ERA Financial Hardship Policy Guidelines, p. 4.

2. OVERVIEW

2.1. Purpose

This policy is to provide scope to consider flexible payment options and meaningful assistance to support customers experiencing financial hardship and minimise the possibility of being disconnected.

Activation of this policy will commence during the assessment of a customer who may be experiencing financial hardship.

2.2. Objectives

Horizon Power will:

1. identify customers who may experience financial hardship now and in the future;
2. help customers in financial hardship to obtain government rebates, discounts and any available government programs and grants;
3. offer flexible payment arrangements to customers in financial hardship;
4. ensure customers are offered advice about reducing their electricity consumption;
5. where appropriate, refer customers to a financial counsellor for government and non-government support programs, and ensure open dialogue between Horizon Power and financial counsellors;
6. monitor customers' customised payment arrangements and discuss adjustments needed to help each customer better manage their electricity account in the future;
7. ensure customers' rights and obligations are communicated and understood;
8. work with all stakeholders to ensure safety net and hardship schemes are available to our customers in remote and town-based communities and in our remote towns; and
9. strive to keep customers' electricity supply connected.

3. PRINCIPLES

3.1. Communication plan

Horizon Power will actively promote this policy to all customers, stakeholders and relevant agencies, including through the following channels:

- bi-monthly customer newsletter to reach all residential customers;
- circulation of policy updates to relevant stakeholders and agencies;
- targeted messages on residential customer invoices;
- clear placement of Financial Hardship information and assistance on our website;
- printed material in regional offices;
- annual customer newsletter detailing rebates, concessions and other programs and assistance available to customers.

All customer service staff will be able to help customers with their queries about payment difficulties, financial hardship and this policy. Assistance will be made available over the telephone or at any of Horizon Power's regional offices, including interpreter services where they are available and technology options for customers with hearing or sight impairments.

Horizon Power actively participates in regular meetings on the subject of financial hardship with financial counselling groups, welfare organisations, and other energy utilities.

3.2. Customers' eligibility for hardship assistance

The definition of a customer in financial hardship is someone who is in "a state of more than immediate financial disadvantage which results in a residential customer being unable to pay an outstanding amount as required by the retailer without affecting the ability to meet the basic living needs of the residential customer or a dependant of the residential customer."²

Horizon Power will actively try to identify customers who may be vulnerable to financial hardship and make sure they are offered payment alternatives to help manage their electricity costs.

A customer may be identified as experiencing financial hardship by Horizon Power or an independent accredited financial counsellor, or through self-assessment.

Customers must have an active account with Horizon Power to be eligible for financial hardship arrangements. Once financial hardship has been identified, customers will have available to them the initiatives listed in Sections 3.3 to 3.7.

Customers assessed as experiencing financial hardship have the right to have the details of an assessment regarding their financial hardship communicated to them.

² ERA Financial Hardship Policy Guidelines, p. 4.

Any of the following situations will help identify customers in financial hardship:

- a request is made for alternative payment arrangements;
- Horizon Power or its agent identifies changes in personal circumstances;
- self-identification with support from a financial counsellor;
- a history of broken payment arrangements;
- the customer's total disposable income and current financial commitments are mismatched: this would include, but is not limited to, government-funded concessions (health care card and seniors card holders), rebates, and advice provided to Horizon Power by an independent financial counsellor or relevant consumer organisation;
- number of children and/or dependants;
- previous financial history with Horizon Power;
- medical conditions and/or disabilities; and
- family circumstances and/or domestic violence.

3.3. Payment arrangement options

Horizon Power may offer customers identified as experiencing financial hardship, in addition to a customised payment plan, one or more of the following assistance measures:

1. Confirmation the customer has applied for and is receiving any government rebates to which they are entitled. Customers will be referred to the appropriate agency for any discounts or rebates to which a customer is entitled under any government scheme that Horizon Power does not administer.

To view information about concessions and other financial assistance, please see Horizon Power's website under Residential > Rebates and Subsidies at http://www.horizonpower.com.au/residential_rebates_subsidies.html, and the WA Social Concessions Portal website at <http://www.concessions.wa.gov.au>.

2. A relevant language interpreter, where available, and/or a TTY service at no cost;
3. Assistance for customers applying to Centrelink for the Centrepay facility;
4. Bill smoothing, where this will assist the customer in the future;
5. Referral to a financial counsellor to be assessed for government support programs; and
6. Access to power assist grants via financial counsellors.
7. Energy efficiency information, including the suggestion that customers may wish to consider an "energy efficiency audit" to highlight energy-saving initiatives. (Horizon Power itself does not provide energy efficiency audits.)

In recognition of high air conditioning use in many of our service areas being a significant factor in electricity accounts, Horizon Power will be promoting specific energy efficiency promotional material to educate customers regarding use.

Horizon Power will refer customers in financial hardship to other support agencies and schemes, where appropriate. Horizon Power will not disconnect customers due to non-

payment if they enter into a payment plan, or while they are on a payment plan and have consistently demonstrated a commitment to it as per the requirements in the Code.

Horizon Power encourages customers to consider payments in advance, which can prevent financial hardship and help customers manage their payments. These can be negotiated with the assistance of relevant consumer organisations and/or financial counsellors.

3.4. Payment incentives

Horizon Power is committed to helping customers experiencing financial hardship better manage their electricity account in the future where they have demonstrated:

- they are willing to receive consumption reduction advice and /or
- they can meet their payment obligations for three consecutive weekly/fortnightly payments by the due date on their hardship payment plan and are willing to, or have sought financial counselling as and when required.

In such cases, Horizon Power will consider making one additional payment as an incentive, up to a maximum of one quarter of the current outstanding debt.

3.5. Debt waiver

Horizon Power will consider a request by a customer or a relevant consumer representative organisation for a reduction of the customer's existing debt.

As a measure of goodwill, where a customer has demonstrated good faith and it is considered unlikely that the existing debt will be recovered at any time in the future due to the customer's individual circumstances, a recommendation may be made for a partial or full debt waiver.

In this instance, all fees and charges incurred pursuant to the customer's last account will be waived.

The payment arrangement assistance measures in Section 3.3 will be taken into consideration when a debt waiver request is received.

3.6. Monitoring hardship arrangements

Horizon Power will monitor the participation of customers on any payment plan to ensure arrangements are managed appropriately. Horizon Power's credit management teams and call centre operators will liaise with the customer directly to discuss any necessary adjustments to a payment plan. Horizon Power encourages customers to make contact in the instance of payment difficulties for discussion.

If the customer is unable to meet its obligations under an agreed payment plan Horizon Power will give reasonable consideration to a revision of the plan.

Prior to any disconnection activity taking place, attempts to prevent disconnection, including attempts to contact the customer, will be made by Horizon Power and its key stakeholders and service representatives.

Horizon Power will temporarily suspend credit actions, including disconnection and debt recovery procedures, for a period of not less than 15 business days from notification to Horizon Power of financial hardship.

The 15 business days will commence from notification. It is expected the customer will make an appointment with a financial counselling unit within this period of time.

Horizon Power's Financial Hardship Officer will ensure all reasonable efforts have been exhausted before a customer is disconnected. No disconnection will be initiated without the consent of the Financial Hardship Officer.

The Financial Hardship Officer can be contacted by telephone on (08) 6310 1924.

3.7. Customer obligations and service expectations

All customers in financial hardship are obliged to contact Horizon Power if:

- there has been a change in their circumstances that affect any agreed payment arrangements, to renegotiate or exit from the program; or
- they are not able to meet scheduled payment due dates.

Each customer experiencing financial hardship can expect to receive the following from Horizon Power:

- to be treated sensitively and with respect, and to have personal circumstances kept in strict confidence.
- provision of detailed information about alternative payment arrangements and government and non-government rebate schemes to help reduce their current arrears and long-term electricity costs;
- timely referral to independent financial counselling from an accredited financial counsellor at no cost. Customers seeking financial counselling may telephone 1800 267 926; choosing option 4, followed by option 3, which will then allow direct contact with a trained service representative to discuss payment difficulties and access to incentive programs;
- access to a language interpreter -TIS-Telephone Interpreter Service ph 13 14 50 and TTY service for customers with hearing and speech difficulties ph 9221 8608
- protection from legal action and additional debt recovery costs while the customer continues to make payments according to the agreed schedule of payments;
- offer of a selection of payment arrangements and written confirmation of the agreed payment arrangement. Where possible, payment arrangements will be set up with the support of the financial counsellor and the information available from their assessment of the customer's current situation and capacity to pay;
- education on the efficient use of electricity;
- provision of expected future energy use to assist in budgeting for or setting up payment arrangements, having regard for the seasonal nature of electricity consumption;
- provision of data detailing the amount of any historical debt and the basis of that debt. This includes details such as the premise at which consumption was recorded, date of consumption, and amounts; and
- redirection of bills to a third party or an alternative postal address at no cost.

Disconnection will not take place as long as all parties have agreed to an arrangement and are able to meet their commitments. Horizon Power will reasonably consider requests for extension of time, should the customer be unable to access financial counselling services within the timeframes referred to in Section 3.6.

Horizon Power has a complaints handling process –please refer to our Customer Charter for further information which includes Energy Ombudsman information, if required.

3.8 Program exit

Customers have successfully completed their financial hardship arrangement if:

- no overdue debt exists; and
- normal payment terms are achievable

Horizon Power will advise customers in writing when they have successfully completed their financial hardship arrangement.

Customers will also be removed from hardship arrangements if they close their account with Horizon Power.

Customers who do not successfully maintain their payment plans, or who do not demonstrate an ongoing commitment to making agreed payments as per their payment plan or adjusted payment plan, are in breach of their arrangements and will have their payment plan withdrawn. They will then be liable for disconnection and debt recovery action by Horizon Power. It is therefore imperative that customers contact Horizon Power immediately should they experience payment difficulties, in order to discuss options available to them. Horizon Power's aim is to keep customers connected where possible, and customers' support and commitment are essential.

3.9 Staff training

Horizon Power will ensure all relevant staff are trained appropriately to deal sensitively and respectfully with hardship customers, with a focus on:

- Horizon Power's legal responsibilities under all applicable legislation;
- Horizon Power's Hardship Policy, procedures and work instructions;
- the range of payment options and arrangements that are available;
- key cultural and social issues for the diverse range of customer groups and communication skills to engage effectively with customers in financial hardship; and
- government and community programs and services available including:
 - referral to independent financial counsellors; and
 - government assistance programs.

Horizon Power staff within our call centre, their supervisors and all roles that provide support and leadership to these staff, will receive comprehensive training on a range of social and community issues to improve their understanding of the issues that affect people in financial hardship. Training within the call centre will be performed by the dedicated Learning and Development team to ensure all staff receive consistent training.

Staff throughout the rest of the Horizon Power, including all agents acting on behalf of Horizon Power, will receive training depend targeted to their roles; this training will be developed by the Metering and Billing Services team in conjunction with the Learning and Development team and delivered by the Financial Hardship Officer. In addition, Horizon Power will engage stakeholders in the development and review of training programs.

Initial training is provided to staff as part of their induction or in the early stages of their employment. Refresher training is conducted in small groups as required. All staff may contact the Financial Hardship Officer to discuss their queries and have any additional training needs arranged.

4 KNOWLEDGE SHARING

Horizon Power actively participates in ongoing meetings represented by various financial counselling groups, welfare organizations, and other energy utilities.

5 REFERENCES

LEGAL REFERENCES: [Code of Conduct for the Supply of Electricity to Small Use Customers](#)

STANDARDS & GUIDELINES: [ERA Financial Hardship Policy Guidelines](#)

RELATED POLICIES AND OTHER DOCUMENTS: Credit Management and Debt Collection Policy and Procedures
[DM# 3394756](#)

Billing and Collection Policy and Guidelines
[DM# 3030376](#)

Horizon Power's Customer Charter
[DM# 3542294](#)