

Our Reference: 3142521  
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Mr Paul Kelly  
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Economic Regulation Authority  
Level 6, Governor Stirling Tower  
197 St Georges Terrace  
PERTH WA 6000

Dear Paul

## **DRAFT FINANCIAL HARDSHIP POLICY GUIDELINES**

The Economic Regulation Authority (**ERA**) released for public comment on 23 May 2008 *Draft Financial Hardship Policy Guidelines (Guideline)* for the purpose of providing guidance to electricity retailers in the development and implementation of a hardship policy, required under Part 6 of the *Code of Conduct for the Supply of Electricity to Small Use Customers 2008 (Code)*.

Synergy was established on 1 April 2006 following the restructure of Western Power Corporation. Since its creation, Synergy has made significant inroads in developing and implementing effective hardship arrangements.

The Electricity Code Consultative Committee (**ECCC**) considered, in 2006/07, the matter of whether an electricity retailer's hardship policy should be approved by the ERA, in part based on relative comparisons of disconnection rates in other states, specifically Victoria. The ECCC however, could not reach agreement on the matter.

Synergy's position was that retailers should be given a reasonable period of time to self regulate and assess the effectiveness of their hardship policies, prior to mandating the requirement. We have also previously expressed concern over comparisons of disconnection rates in Western Australia relative to Victoria which did not explicitly recognise the existence of the Victorian Utility Relief Grant Scheme<sup>1</sup>.

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<sup>1</sup> The total value of grants to Victorian electricity customers in 2006/07 was in excess of \$1.9M, with an average grant value of \$347 per customer.

Synergy has strongly advocated to the state government, on behalf of our customers, the establishment of Western Australian hardship funding and other assistance measures, through our participation in the government's review of Utility Essential Services Hardship and the Electricity Retail Market Review.

Therefore, we were very pleased with the Premier's announcement on 4 April 2008 that the state government would provide additional support to the most financially disadvantaged households by introducing a \$24.4M package of new measures to tackle electricity hardship, including establishment of a Hardship Utility Grant Scheme (**HUGS**) and Hardship Efficiency Program Scheme (**HEPS**).

In addition to advocating these arrangements, Synergy has implemented a range of initiatives to assist our customers experiencing financial hardship. These include:

- Reducing customer disconnections by 25% within the South West Interconnected System (**SWIS**) in 2006/07.
- Development and implementation of a new financial hardship policy, "Keeping Connected" which we consider to be best practice. The policy was developed through consultation with leading community groups and we were very pleased to receive policy endorsement from WACOSS and the Financial Counsellors Association of Western Australia.
- Creation of specialist case support officers to provide support and assistance to Synergy's customers experiencing hardship. The case support officers work closely with customers referred from financial counsellors to agree manageable payment arrangements and provide information on energy efficiency, available rebates and concessions.
- Financial assistance for energy bills can be allocated by case support officers for customers in immediate hardship.

Synergy has demonstrated a commitment and capability to self regulate on hardship matters. We do not see a need, nor support the requirement for our hardship policy to be approved by the ERA.

Synergy is committed to continually reviewing, assessing and improving our hardship arrangements, above and beyond regulatory requirements.

Synergy welcomes the opportunity by the ERA to provide comment on the draft Guideline. Please find attached our submission in that regard.

If you have any queries regarding the attached submission please do not hesitate to contact me on 6212 1433.

Yours sincerely,

**SIMON THACKRAY**  
**MANAGER REGULATORY RETAIL AND COMPLIANCE**

**DRAFT FINANCIAL HARDSHIP POLICY GUIDELINES  
COMMENTS**

As an overarching comment Synergy considers the ERA's Guideline to be a useful reference in assisting retailers to develop and implement their hardship policy.

**Introduction**

1. The Guideline should recognise there are wider hardship initiatives being implemented in addition to retailer hardship policies. For example, there is no recognition in the Guideline to the creation of HUGS and HEPS, which are combined government / retailer / stakeholder responses to hardship. The ERA should ensure there is no inconsistency between the Guideline and these schemes.
2. The comments in the second paragraph do not recognise our 25% reduction in disconnections in 2006/07, the work undertaken by Synergy in the past year to implement a best practice financial hardship policy (which has been endorsed by key consumer groups), nor our participation in state government reviews resulting in significant new non-regulatory hardship initiatives. We would like to see more balance in the statement, which recognises retailer progress in relation to hardship.

**Background**

3. As stated in the covering letter, Synergy considers it has demonstrated a commitment to effective self regulation on hardship matters. Therefore, we do not support arrangements which require approval of our hardship policy such as those detailed in Appendix 2.

**Staff Training**

4. Principle 1.3. Synergy undertakes cultural awareness training beyond hardship customers. We suggest amending this principle to read "Address key social issues and communications skills for engaging with customers in financial hardship" as the current wording is too limited.
5. Principle 1.6. It is not appropriate to develop and deliver hardship training to all staff. We recognise and agree that relevant staff, which have involvement with hardship customers should receive training. However requiring staff training in areas which have no bearing on their daily work duties, such as wholesale electricity trading or generation procurement, is inappropriate from a resource, financial or operational perspective.

Synergy proposes a more practical and effective arrangement is to keep all staff (including non-customer facing staff) informed of hardship policy developments and issues via regular circulars prepared by Synergy's case support officers.

## Identifying and Engaging with Customers in Financial Hardship

6. Principle 2.1 requires a retailer to design processes to identify a customer in hardship as early as possible. Synergy is concerned that the Guideline is imposing the responsibility to identify hardship solely on the retailer with no onus on the customer. The customer must take responsibility for their actions.

Some customers have the capacity to pay, but do not. Therefore, in designing processes to identify customers experiencing financial hardship, there needs to be recognition of this class of customer.

To address these two issues, Synergy recommends Principle 2.1 be amended as follows:

"Design processes to identify a customer in genuine hardship as early as possible including processes to assist customers to self identify and request hardship assistance;"

7. Principle 2.4. Synergy does not consider it appropriate for staff to discuss with customers payment arrangements with respect to non-electricity bills. In determining payment arrangements for hardship customers, retailers must be mindful of a customer's capacity to pay. However, this should not extend to providing advice to a customer on managing non-electricity debt. This is the role of financial counsellors.
8. Principle 2.6: Synergy does not agree with the requirement to publish internal operational procedures relating to hardship assessment. As our hardship policy has been produced in association with welfare organisations there is assurance that it meets the needs of our hardship customers.

Requiring publication of our detailed assessment criteria removes our ability to assess customers for genuine hardship opposed to those who are not. In addition, publicly available detailed criteria removes a retailer's ability to respond to individual customer circumstances which could result in customers not seeking assistance if they feel they do not meet the published criteria.

Synergy considers it appropriate to provide customers with guidance as to the matters that are taken into account in assessing financial hardship. Therefore we consider it reasonable to publish a set of general assessment requirements, consistent with Principle 2.6.

## Flexible Payment Arrangements

As a general comment, the Guideline should recognise the role of financial counsellors within HUGS and ensure there is no inconsistency.

9. Principle 3.1. To refer any customer who identifies themselves as hardship to a financial counsellor would put an immense amount of pressure on financial counsellors. Instead Synergy has guidelines which offer more lenient repayment timeframes to hardship customers. If the customer is unable to meet these timeframes we would then refer them to a financial counsellor and the requirement outlined in Principle 3.1 would be followed.

### Transparency and Accessibility

10. Principle 5.1. Refer item 8 in this submission. We do not agree to the publication of detailed assessment criteria. We recommend deleting "detailed" and replace with "reasonable" as we do not support the publication of internal operational procedures.
11. Principle 5.3. The requirement to publish the hardship policy on each customer bill as suggested is impractical. Synergy publishes its hardship policy on its website and is available to any customer upon request. We also include statements on our customer accounts (approximately 6 million per year) and other customer communications, such as reminder notices, encouraging customers to contact Synergy if they are having difficulties making payments. We further publish the availability of the hardship policy within our Customer Service Charter.

### Appendix 2

12. We are unclear as to why an extract from the Victorian *Electricity Industry Act 2000* relating to the regulator approving a retailer's hardship policy is relevant to the Western Australian hardship policy guideline.

### Other

13. Under the Code Synergy fulfils its obligation to undertake an annual review of its hardship policy in consultation with relevant consumer organisations. This provides the assurance that we have sought and included input from those best placed to comment on the needs of hardship customers. This offers a pragmatic approach reviewing a hardship policy. Furthermore, we are actively participating, in collaboration with government and other key stakeholders, the establishment of the HUGS and HEPS initiatives.

The Guideline should be periodically reviewed by the ERA to ensure there is no inconsistency between the Guideline and the delivery of hardship assistance by retailers whether regulated or not.