

# Assessment of the Regional Power Corporation (t/a Horizon Power) Financial Hardship Policy

16 September 2011

**Economic Regulation Authority**

WESTERN AUSTRALIA

A full copy of this document is available from the Economic Regulation Authority website at [www.erawa.com.au](http://www.erawa.com.au).

For further information, contact:

Economic Regulation Authority  
Perth, Western Australia  
Phone: (08) 9213 1900

© Economic Regulation Authority 2011

The copying of this document in whole or part for non-commercial purposes is permitted provided that appropriate acknowledgment is made of the Economic Regulation Authority and the State of Western Australia. Any other copying of this document is not permitted without the express written consent of the Authority.

## BACKGROUND

The *Code of Conduct for the Supply of Electricity to Small Use Customers (Code)* first came into operation on 1 January 2005.

Compliance with the Code is mandatory and is a condition of every electricity retail, distribution and integrated regional licence. The Authority is responsible for amending, monitoring and enforcing the Code.

Part 6 of the Code addresses payment difficulties and financial hardship. Amongst other things, Part 6 requires retailers to develop a financial hardship policy (**policy**) for residential customers. Clause 6.10(2) specifies the minimum contents of a policy.

The Authority first published the *Financial Hardship Policy Guidelines (Guidelines)* in 2008. The Guidelines provide retailers with guidance regarding good practice in the establishment and operation of these policies. The Guidelines are not a mandatory compliance requirement. There are 27 guidelines which cover good practice in policy areas such as:

- staff training;
- identification and engagement with customers in financial hardship;
- flexible payment arrangements;
- engagement with financial counsellors and consumer representative organisations; and
- transparency and accessibility.

The Code requires energy retailers to review their policies annually, have regard to the Guidelines when undertaking the review, and submit the reviewed policy to the Authority to enable the Authority to publish an assessment of the policy.

In 2010 the Authority undertook public consultation on the Guidelines to ensure that industry and consumer representative organisations had an opportunity to review the Guidelines prior to the Guidelines being used for the purpose of assessment. A number of minor changes were made as a result of this review. A copy of the Guidelines is available on the Authority's website.

The Guidelines require energy retailers to submit their reviewed policy to the Authority by 31 December each year. The Guidelines state that the Authority will endeavour to issue an assessment every second year, unless there are significant changes to the policy, in which case an assessment will be issued annually.

Regional Power Corporation (t/a Horizon Power) (**Horizon Power**) holds an Electricity Integrated Regional Licence issued by the Authority. Horizon Power retails electricity in locations outside the South West Interconnected System, including the North West Integrated System (NWIS), Kimberley, Pilbara, Gascoyne, Mid West, and southern goldfields (Esperance). Horizon Power has around 30,000 residential customers.

Horizon Power submitted their policy before the deadline of 31 December 2010.

## ASSESSMENT

It is important to note that the Authority issues an assessment of a retailer's policy and not an approval. Retailers are able to operate their policy regardless of the assessment by the Authority.

If the Authority identified possible Code non-compliance during the course of the assessment and this was not rectified by the retailer prior to the assessment being concluded, the Authority may determine that it is necessary to further investigate this possible non-compliance.

## Code Compliance

The Authority reviewed the policy against the mandatory requirements of Part 6 of the Code.

Feedback was provided to Horizon Power regarding the need to:

- Clarify that the financial hardship policy provisions will apply to a customer as soon as an assessment under clause 6.1 of the Code finds a customer is in financial hardship and will not be contingent upon debt collection processes being completed. The original version of the policy submitted stated: 'Activation of this policy will commence once all avenues contained in Horizon Power's Credit Control and Debt Collection policy and procedures have been exhausted'.
- Include a statement confirming that Horizon will advise a residential customer, on request, of the details of the assessment carried out (clause 6.1(3)).
- Clarify that Horizon will give reasonable consideration to further requests for additional time to assess capacity to pay (clause 6.2(3)).
- Include a statement confirming that Horizon will temporarily suspend disconnection or recovery action even though alternative payment arrangements have yet to be entered into (clause 6.2(4)).
- Clarify the levels of assistance that may be available for those experiencing payment difficulties and those in financial hardship (clause 6.3).
- Include a statement that, when offering a payment plan, due to seasonal fluctuations in usage, paying in instalments may result in being in credit or debit during the period of the plan (clause 6.4(2)(f)).
- Include information on the different meter types available to the customer (clause 6.8(d)).
- Include information on the option to arrange an energy efficiency audit (clause 6.8(e)).
- Clarify arrangements and circumstances where payment in advance applies (clause 6.9(1) and (2)).
- Clarify that customers who have been disconnected for non-payment are able to be classified as in financial hardship. The original version of the policy stated: 'customers must have an active account with HP to be eligible for financial hardship arrangements' could have been interpreted as applying only to customers prior to disconnection.

These issues have now been addressed within the policy.

Following receipt of the Authority's feedback, Horizon Power submitted a final draft of the policy.

It is the Authority's assessment that the Horizon Power policy is now compliant with the Code requirements.

## Guidelines

The Authority reviewed the policy against the Guidelines. The Guidelines represent good practice but are not mandatory.

After reviewing the first draft of the policy, feedback was provided to Horizon Power regarding consistency with the following guidelines:

- Commitment of senior management to the staff training program (guideline 4.1.1).
- Empowerment of a specialist team to negotiate and agree on solutions for customers (guideline 4.2.3).
- Involvement of financial counsellors in setting payment plans or the consideration of the financial counsellor's assessments (guideline 4.3.1 and guideline 4.3.4).
- Processes for early identification and referral of customers in financial hardship (guideline 4.4.2).
- Consultation with relevant consumer representative organisations regarding the process for periodic review of the policy (guideline 4.4.4).
- The use of memorandums of understanding or inter-agency protocols between retailers and relevant consumer representative organisations and financial counselling providers to ensure a common understanding of agreed processes and protocols (guideline 4.4.5).
- Detailed information about how a customer's eligibility and payment options will be assessed (guideline 4.5.1).
- Pro-active promotion of the policy and its availability in a range of formats (guideline 4.5.2 and guideline 4.5.3).

As a result of the feedback provided a number of improvements have been made. Those guidelines that have not yet been addressed include:

- Consultation with relevant consumer representative organisations regarding the process for periodic review of the policy (guideline 4.4.4).
- The use of memorandums of understanding or inter-agency protocols between retailers and relevant consumer representative organisations and financial counselling providers to ensure a common understanding of agreed processes and protocols (guideline 4.4.5).
- Detailed information about how a customer's eligibility and payment options will be assessed (guideline 4.5.1).

With regard to the above guidelines Horizon Power has stated that they:

- Actively involve relevant consumer representatives in the review of their policy and do not believe that it is appropriate to involve these groups in process development for the review (guideline 4.4.4).

- Believe they engage appropriately with service delivery agencies in the delivery of hardship services to customers, and do not believe service would be improved by the development of memorandums of understanding (guideline 4.4.5).
- Review each case individually and develop repayment plans on that basis. Horizon Power believes that inclusion of any further information on customer eligibility could unintentionally limit customers from recognising eligibility and providing sufficient information (guideline 4.5.1).

## Conclusion

Horizon Power submitted their policy in a timely manner.

Feedback was provided regarding compliance with a number of Compendium requirements and consistency with the Guidelines. As a result a number of improvements were made to the policy.

The Authority has found that the Horizon Power policy complies with the Compendium and, with the exceptions outlined above, is consistent with the Guidelines.

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.

A copy of the Horizon Power policy is attached (**Attachment 1**).

LYNDON ROWE  
**CHAIRMAN**

# APPENDICES

## **Appendix 1: Horizon Power Financial Hardship Policy**



# FINANCIAL HARDSHIP POLICY

**Issued by Operations**

**30 August 2011**

• DOCUMENT CONTROL

<b>Document Owner</b> <i>(May also be the Process Owner)</i>	<b>Name:</b> Greg Will <b>Position:</b> Manager Customer Services <b>Operations</b> <b>Date:</b> 30/08/2011
<b>Approved By *</b>	<b>Name:</b> Greg Will <b>Position:</b> Manager Customer Services <b>Operations</b> <b>Date:</b> 30/08/2011
<b>Authorisation **</b> <i>Process Owner is hereby vested with authority and responsibility to manage the process end to end.</i>	<b>Name:</b> Ziggy Wilk <b>Position:</b> General Manager <b>Operations</b> <b>Date:</b> 30/08/2011
<b>Date Created/Last Updated</b>	30/08/2011
<b>Review Frequency ***</b>	Annual
<b>Next Review Date ***</b>	30/08/2012

\* Must be the Process Owner and is 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.

\*\*\* Frequency period is dependent upon circumstances– maximum is 5 years from last issue, review, or revision whichever is the latest. If left blank, the default will be 1 year unless otherwise specified.

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:
<b>Manager Customer Services</b>	<b>Product Sales &amp; Marketing</b>
<b>Manager Public Affairs</b>	<b>People &amp; Corporate Services</b>
<b>GM Operations</b>	<b>Governance Coordinator</b>
<b>Regulation Compliance Coordinator</b>	<b>Regulation Compliance Coordinator</b>

## TABLE OF CONTENTS

<b>1.</b>	<b>POLICY STATEMENT .....</b>	<b>4</b>
<b>2.</b>	<b>OVERVIEW .....</b>	<b>5</b>
	2.1. Purpose .....	5
	2.2. Objectives.....	5
<b>3.</b>	<b>PRINCIPLES.....</b>	<b>6</b>
	3.1. Communication Plan .....	6
	3.2. Customers' eligibility for 'hardship' assistance.....	6
	3.3. Payment Arrangement Options.....	8
	3.4. Payment incentives .....	8
	3.5. Debt waiver.....	9
	3.6. Monitoring of hardship arrangements .....	9
	3.7. Customer obligations and service expectations.....	10
	3.8. Program exit.....	11
	3.9. Staff Training.....	11
<b>4.</b>	<b>REFERENCES.....</b>	<b>12</b>

## 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 we actively work towards minimising our customer debt and disconnection rates through careful consideration on a case by case basis.*

*Horizon Power respects:*

- *the privacy of customers' personal information;*
- *due to financial and other hardships, customers are not always able to pay their accounts by the due date;*
- *all customers should be treated with fairness, dignity and compassion; and*
- *when complaints are made they are treated in a professional, courteous, confidential, and efficient manner.*

*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 2008 (The Code).*

*Horizon Power will review this policy annually in consultation with relevant consumer representative organisations including, but not limited to, The Energy Ombudsman and WACOSS.*

## 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 that may be experiencing financial hardship.

### 2.2. Objectives

Horizon Power will:

1. identify customers that may experience financial hardship now and in the future;
2. assist customers experiencing financial hardship to obtain government rebates, discounts and any available government programs and grants;
3. establish flexible payment arrangements to assist customers experiencing financial hardship manage their account;
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 for customers to peruse and;
- Annual customer newsletter detailing rebates, concessions and other programs and assistance available to customers.

All Customer Service staff will be able to assist customers with their queries relating to payment difficulties, financial hardship and this policy over the telephone or at any of Horizon Powers Regional Offices, including transferring or calling Interpreter services where suitable services are available and accessing communications technology options for customers with hearing or sight impairments.

#### 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.

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

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

Customers may advise Horizon Power that they are experiencing payment issues and these customers have the right to have the details of an assessment regarding their financial hardship communicated to them.

Any of the following situations will assist in identifying customers experiencing 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 e.g. health care card & 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.

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 following initiatives listed from Section 3.2 to 3.7 as detailed.

### 3.3. Payment Arrangement Options

Customers identified as experiencing financial hardship will be offered one or more of the following assistance measures:

1. ensure 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 that a customer is entitled to under any government scheme that Horizon Power does not administer on their behalf;
2. customised payment plans that accommodate particular customer circumstances;
3. a relevant language interpreter where available and/or a TTY service at no cost;
4. assistance for customers applying to Centrelink for the Centrepay facility;
5. Bill Smoothing option where this will assist the customer in the future;
6. referral to a financial counsellor to be assessed for government support programs; and
7. access to power assist grants via financial counsellors.
8. A free Energy Efficiency audit can be conducted under the HEP programme

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 are entering 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.

Payments in Advance options, to prevent customers falling into Financial Hardship and to help customers manage their payments are encouraged by Horizon Power and 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 a customer has demonstrated:

- they are willing to accept consumption reduction advice and have taken reasonable steps to reduce consumption; and
- 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 discount up to a maximum of one quarter of the current outstanding debt.



### **3.5. Debt waiver**

Horizon Power will give consideration to a request by a customer or a relevant consumer representative organisation for a reduction of a customer's fees and charges. 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. The Payment Arrangement assistance measures in Section 3.2 will be taken into consideration when a debt waiver request is received.

### **3.6. Monitoring of 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.

Prior to any disconnection activity taking place, attempts to prevent disconnection 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".

An appointed Horizon Power Financial Hardship Officer will ensure all reasonable efforts have been exhausted. 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

Every Horizon Power customer will be treated sensitively and with respect, on a case by case basis, and will have their circumstances kept in strict confidence.

Each customer experiencing financial hardship is obliged to contact Horizon Power if:

- there has been a change in their circumstances that impact 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:

- provision of detailed information about alternative payment arrangements, government rebate schemes including government and non government incentive programs, to help assist in reducing their current arrears and long term costs;
- timely referral for independent financial counselling from an accredited financial counsellor at no cost; telephone 1800 267 926 choose option 4. The subsequent menu option 3 will then allow direct contact with a trained service representative to discuss any payment difficulties and access to government and non government incentive programs;
- access to a language interpreter and TTY service at no cost;
- protection from legal action and additional debt recovery costs while the customer continues to make payment according to the current 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 customers current situation and capacity to pay;
- education on the efficient use of energy;
- provision of expected future energy use to assist in budgeting for or setting up payment arrangements, having regard for the seasonal nature of energy 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.

Neither disconnection, nor connection of supply will be refused as long as all parties have agreed to an arrangement and are able to meet their commitment to the agreement.

Horizon Power will reasonably consider requests for extension of time, should the customer be unable to access financial counselling services within set timeframes.

### 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 a customer 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 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 the customer contacts Horizon Power immediately should they experience difficulties to discuss options available. Horizon Power's aim is to keep customers connected where possible, and the customer's 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 key 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 business will receive targeted training dependant on their role; 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, this will ensure consistent delivery of material and understanding. In addition, Horizon Power will engage with 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.

#### 4.0 Knowledge Sharing.

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

## 4. REFERENCES

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

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

Horizon Power Financial Hardship - Staff Guidelines  
[DM# 2400765](#)

**RELATED POLICIES AND OTHER DOCUMENTS:** Credit Management and Debt Collection Policy and Procedures  
[DM# 3108530](#)

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

Horizon Power's Customer Charter  
[DM# 3208988](#)