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Essential Services Commission

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Submitted by website: <https://engage.vic.gov.au/>

14 July 2020

Supporting energy customers through the coronavirus pandemic 2020

AGL Energy (AGL) welcomes the opportunity to comment on the Essential Services Commission Victoria's (ESC) draft decision on supporting energy customers through the coronavirus pandemic 2020 released on 30 June 2020.

While we support the guiding principle from the ESC that customers should be supported during COVID-19 pandemic, we are concerned the proposed regulatory response has not properly assessed the impacts on existing support programs offered by retailers and therefore the proposed regulations may not be in the long term interests of Victorian energy consumers. Without proper analysis, the proposed changes may unintentionally limit the breadth and flexibility of support currently available to Victorians or potentially impact on the financial viability of the industry therefore either unnecessarily raising energy costs or impacting the level of retail competition in Victoria.

AGL is committed to helping our customers during this time and we implemented the COVID-19 Customer Support Program in April which provides direct relief to AGL residential and small and medium business customers. The program has been successful with around 13,000 residential and small business customers signing up to the program in Victoria and 36,000 nationally. The program:

- provides fast-tracked access to defer payments and suspend disconnections until 31 July
- is unqualified and available to all residential and small and medium enterprise customers
- is simple to access online, through SMS messaging or by talking to someone in our contact centre.

We have worked hard to ensure our customers feel supported during this time and understand they can easily access a range of support including our Covid-19 Payment Support Program, payment options and plans as well as our financial hardship programs.

As well as these programs and services, we also have a range of tools and resources to help customers understand and manage their energy usage:

- My Account – allows customers to securely view and track energy usage and billing.
- AGL Energy App – manage energy on the go, including detailed information about energy usage and easy payment options.



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- Energy Insights – smart meter electricity customers automatically receive an Energy Insights report. The report breaks down electricity usage to estimate how much electricity a customer’s home uses on heating, cooling, lighting, laundry, standby and more. It helps customers to take control of their electricity costs and identify savings.
 - Energy Saving Tips – we have developed a home energy efficiency guide for ways to help make a real difference to people’s energy bills, with an Easy English version also available.

We would encourage the ESC to adopt the Australian Energy Regulator (**AER**) and their Statement of Expectations (**SoE**) approach for the COVID-19 measures, rather than the proposed codification approach, and outline a set of consistent expectations. This will allow retailers, like AGL, to continue to offer existing support measures rather than divert valuable resources into building systems and processes to align with the new Code obligations. The SoE is a more flexible tool that will also allow the ESC to quickly pivot and re-shape expectations as we learn more on the impact of the pandemic and therefore align with broader Federal and Victorian government actions.

In the submission below we provide further detail on our response to the draft decision. If you have any queries or would like to discuss our response further, please contact Kyle Auret at kauret@agl.com.au

Yours sincerely

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Residential support draft Decision

Draft decision 1 – URGS

The Utility Relief Grant Scheme provides help to customers to pay a mains electricity, gas or water bill that is overdue due to a temporary financial crisis. When a customer consents to retailers applying for the URGS on their behalf, the ESC has proposed an amendment to the Energy Retailer Code (Code) to require retailers to complete (or partially complete) URGS application forms over the phone with a customer and lodge the form online where possible.

AGL supports the draft decision and piloted a similar service to Queensland customers for the Home Energy Emergency Scheme (HEEAS). However, AGL has experienced several operational issues with the Victorian Department of Health and Human Services (DHHS) portal that has limited us to date from offering the service to Victorian consumers. As such, AGL believes, there are a range of issues that need to be considered and appropriate time provided to DHHS to ensure the portal functions effectively and wait times that previously built up due to system failures do not eventuate going forward. Importantly, the proposed condensed implementation timeframe in the draft decision is requiring retailers to build off draft decisions which is a costly/inefficient way to implement changes.

Issues with DHHS portal

A key driver of the ESC's proposed requirement for a retailer to further facilitate the URGS application on the customers behalf is to ensure the customer receives eligible government assistance and this occurs as soon as possible. We support this objective and consider the timely provision of these types of grants are a critical component of the support provided to customers.

Whilst the ESC does not administer the URGS, the ESC should consider necessary URGS improvements both in the role of retailers in the scheme, the overall administration of the scheme and the timely assessment of eligibility by the DHHS. This is particularly important during the COVID pandemic. Consistent with the broader government and industry's COVID customer support response, the URGS must be expedited and streamlined to meet community COVID support expectations. We note the current 90-day assessment timeframe is out of step with these expectations and, as set out below, there have been significant shortfalls in the implementation of the URGS portal to-date. We encourage the ESC to take collective responsibility along with retailers and DHHS to ensure the scheme achieves meaningful outcomes for customers.

As noted above, we have experienced issues with the URGS online portal and other processes since July 2019 which resulted in a substantial backlog of customer applications. While the previous backlog of customer applications has now predominantly been cleared (which had seen some customers wait over 6 months for assessment), we are concerned that there may not be adequate support and processes in place for DHHS to facilitate this proposed change.

We expect there to be a substantial increase in application volume due to it occurring in real-time for the customer and that previous customers who had applied and DHHS has recently ended their application, due to being unable to contact the application, to clear the backlog [REDACTED]

[REDACTED] So there needs to be clear processes in place from DHHS to ensure that the same backlog and system errors do not occur going forward. Ideally, the DHHS should also commit to maximum



assessment timeframes, which is a faster response than the current 90-day assessment timeframe, during the COVID pandemic.

We will continue to work with the DHHS on process improvements to the URGs portal and resolving the issues we have encountered. We none-the-less remain concerned the specific issues we have raised while resolved we have not had any feedback from DHHS that they will not occur again. Until the DHHS provides clarity around the system improvements it has had to ensure a robust operational portal, the proposed changes to the Code may not achieve the customer support outcomes the ESC is aiming to achieve. DHHS advised in mid-May that due to COVID-19 impact the URGs uplift project stage 2 has been delayed and DHHS was not planning to deploy system improvements in July as previously planned. They stated their revised plan was to go live no earlier than September. Hence, it is important that any Code changes are mindful of these changes and ensure they are not required to be implemented prematurely to DHHS developing a stable portal that can efficiently manage the obligations of the Code changes.

Guideline drafting

Should the ESC proceed with draft decision 1, we recommend amendments to the guideline to create greater clarity on the process:

- Be explicit that the retailer is not in breach should the customer withdraw from the process or end the call.¹
- Provide a reasonable estimate of the time to complete the form with the customer, for the following two reasons:
 1. To be able to set expectations with the customer about the approximate time to complete the process while on the phone with the retailer, and
 2. To be taken into consideration against performance reporting obligations for customer service, as we expect this will lead to a significant increase in call average handling times (AHT).

Our experience with the Queensland Government's HEAS application process, which we recently ran a pilot of completing and lodging the application form with the customer, we saw an average of [REDACTED] minutes average handling time for calls with customers to complete the form. We believe this would likely be similar for Victorian customers.

We anticipate a large majority of customers will not have their Income Details readily available at the time of application over the phone and/or customers that do not currently receive concession, and a customer will need to send copies of their payslips/bank statements for last 3 months to verify income details. The draft document states and acknowledges the completion of this application may not be possible. However, we wanted to confirm, especially during the pandemic, if there are minimum form requirements that will still enable the application to be successfully submitted and assessed (and pending) and/or if proof of income requirements need to be provided can still be sent to DHHS directly after the application is submitted if all other information is captured.

¹ The current drafting indicates that if the application process has commenced that the retailer must either complete, or partially complete, the form for the customer. There will be a number of reasons in which the customer may end the call or otherwise refuse to continue participating / receive information that must be taken into consideration.



Draft decision 2 – Tariff checks

The current payment difficulty framework sets out the minimum level of retailer support for customers in or anticipating payment difficulty. The ESC proposes to temporarily extend the requirement for retailers to conduct ‘tariff checks’ to all customers receiving tailored assistance, rather than just customers receiving tailored assistance who cannot afford their ongoing energy costs.

Retailers should retain flexibility to tailor further customer pricing information additional to obligations outlined above. Depending on the customer circumstances and requirements this may include a tariff check, however equally a tariff check may not be necessary (as they are on the best-offer) or the customer may already have undertaken this review independently.

The ESC has introduced several obligations on retailers in recent years that ensure consumers are provided with every opportunity to access the best deal and the Victorian Government has also provided a \$50 incentive for Victorian energy consumers to undertake a tariff check through the Victorian Energy Compare website.

The best offer message on bills has been in place for 12 months now, and clear advice obligations act to ensure retailers give customers the right advice about their product options. These reforms have been through extensive consultation and customer experience mapping. Preliminary evidence both in the ESC’s most recent Annual Market Monitoring Report² and external research are showing these reforms are having a positive impact. For example, the Energy Consumers Australia June 2020 Customer Sentiment Survey found that for the first time in all States, consumers believe their electricity is providing value for money, with 9 out of 10 Victorians finding their electricity value for money or neutral. Further, consumers are generally more confident that energy market outcomes will continue to improve compared to previous surveys, particularly for value for money, reliability, and technological advances³.

We therefore do not believe that extending the tariff check obligation on to all tailored assistance customers for six months is warranted, given the significant reforms and the positive impact it is having with respect to information already provided to customers to make informed and value for service decisions.

Draft decision 3 – providing PDF “standard and tailored assistance” for SME

AGL agrees that small businesses impacted by the COVID-19 pandemic should be supported. However, we do not believe the ESC has presented sufficient evidence that suggest energy retailers are not doing enough and therefore a regulatory response is warranted.

We are concerned the proposed regulatory changes may limit what retailers are currently offering, to the detriment of Victorian small businesses. For example, while AGL does not currently offer Tailored Assistance for SME customers as the prescriptive drafting of the proposed changes would require, we do offer our SME customers a range of support measures, including:

- Access to AGL’s Covid Support program

² <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>, the ESC Chairperson noted that energy offers are becoming clearer, more customers getting help and customer confidence and trust is being restored.

³ <https://energyconsumersaustralia.com.au/publications/energy-consumer-sentiment-survey-findings-june-2020-covid-special-reports>



- AGL's Farmer and Business Assist package⁴
- Participation in the ENA Small Business support program
- A range of payment and billing options, including bill smoothing, direct debit, monthly billing
- A range of payment arrangements, including payment plans and deferrals
- Energy efficiency advice through tools like AGL's MyAccount and energy Insights Reports

The prescriptive nature of when to offer and the details of (eg length of payment plan) Standard or Tailored Assistance could result in AGL having to re-design both the type of assistance we currently offer but also the timing of when we offer the assistance.

Our preference would be for the ESC not to adopt the prescriptive Standard and Tailored Assistance payment difficulties framework measures for small business support.

Alternatively, we recommend re-drafting Division 2 and removing Division 3. The revised Section 2 could be titled Small Business Assistance Measures and focus on setting minimum expectations for small business assistance during COVID-19. This would then allow retailers like AGL to continue to offer its small business support measures within a framework of minimum and consistent expectations.

We also suggest the revised objective for Division 2 refer to small business customers who indicate they may be in financial stress (including small businesses eligible for the JobKeeper payment) being entitled to support to help them avoid getting into arrears or debt with their retailer.

As stated above, we would encourage the ESC to allow flexibility in how this is applied. Retailers are already providing a range of supports for customers due to the COVID-19 pandemic and this draft decision is likely to impose unnecessary business costs to receive essentially the same or lower support outcomes.

Draft decision 4 – 2-year payment plan for arrears for small business

We do not support the mandating of payment of arrears for small business customers for up to 2 years as there is insufficient evidence to warrant such a change and appears to go beyond what the Australian and Victorian Governments are providing for through pandemic support arrangements for small businesses or the AEMC network cost deferral rule change (see below for more commentary), which is proposing a 6 months cost deferral period.

Allowing a two-year payment plan for arrears could also potentially lead to retailer financial stress. The ESC is required under the ESC Act to not only consider the long-term interest of consumers but in considering this interest ensure they promote a viable and competitive retail sector. The focus of the proposed regulations should be on retailers working with small businesses to put in place sustainable payment plans that are tailored to the small business circumstance whilst also not causing unnecessary financial stress on the retailer. The ESC draft decision has not proven this is not currently occurring.

Energy Networks Australia relief package

The ESC is seeking feedback on the success or otherwise of the ENA Support package and whether the AEMC Rule proposal to extend network cost deferral for further 6 months should be introduced in Victoria.

⁴ <https://www.agl.com.au/newcampaigns/sponsorship/farmers/campaign-farmers-assist>



It is important to note the ENA package does not provide direct customer support for residential customers but rather short term cashflow benefit to retailers. The large retailer package does provide direct financial relief for eligible small businesses. However, the eligibility criteria mean only a small amount of small businesses impacted by COVID are eligible for network cost financial relief. Further, the criteria also limit the amount of financial relief small businesses obtain. [REDACTED]

The AEMC rule attempts to address one component of what AGL sees as the likely or potential COVID-19 impact on the energy industry. Specifically, the rule change request is focussed on cashflow relief for non-RoLR or government owned retailers with customers on payment plans due to COVID-19 financial distress.

However, AGL notes the rule does not address the likely increase in bad and doubtful debt due to the longer-term economic impacts of COVID-19.

AGL has had around 13,000 Victorian residential and SME customers sign up to our COVID-19 support program in Victoria, with the vast majority taking up the option of deferring payment until 31 July 2020. Many of these customers have historically been classified as good payers and are not the type that would typically be expected to join hardship programs. In addition, some previously good payers have simply ceased paying their current bills, without contacting us. We consider this group of customers more at risk. A key concern is that while previously we were able to reasonably assess what percentage of customers would pay their bill, and in what part of the payment cycle they would make payment, COVID-19 financial distress has changed consumer payment behaviour.

AGL considers that the emerging issue of increased bad and doubtful debt could lead to significant economic and social costs that must be managed. Options for managing these costs include:

- Allowing retailers to manage the financial stress through their pricing and financial arrangements which is likely to either lead to some retailers not being financially viable and/or energy prices increasing to cover the higher costs associated with higher debt levels.
- Socialising the costs through:
 - direct government payments to support retailers to manage the consequences, e.g. Queensland Government one-off bill assistance or NSW Energy Accounts Payment Assistance increases in both dollar amount and flexibility of delivery; or
 - network pricing i.e. introducing a COVID-19 network charge over a period (e.g. 5-10 years) to cover the potentially large step change in the level of indebtedness caused by the COVID-19 pandemic.

We note that socialising the cost through a network COVID charge would be consistent with the existing regulation of electricity networks (e.g. it uses a shared cost mechanism to recover the cost of maintaining and servicing the electricity and gas network systems) and would therefore be a more appropriate and least cost option than accounting for the bad and doubtful debt through an intervention in wholesale markets.