

3 November 2020

Clare Petre
Chair
Independent Accountability Panel
By email: submissions@theenergycharterpanel.com.au

ENERGY CHARTER 2020 PUBLIC SUBMISSION

Dear Clare

Thank you for the opportunity to respond to the Independent Accountability Panel's (IAP) call for submissions on the 2020 Disclosures by the Energy Charter Signatories. Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the then Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to the price, quality, reliability, safety and security of supply.

In this submission we comment on the issues most directly relevant to the experience of household and small business energy consumers namely the impact of the COVID-19 pandemic, and the summer bushfires, and how this ongoing health and economic crisis should be informing the responses of the Signatories, who are providers of an essential service.

The context for the second Disclosures has dramatically changed since July 2019.

The summer bushfires, which were of an unprecedented intensity and scale, have, among other things, prompted a national discussion about the resilience of our communities and the systems that support them. And following soon after the fires were extinguished, a pandemic hit which is arguably the biggest global shock in 100 years - and certainly the biggest shock outside of the two world wars - that has disrupted the social and economic life of the country at every level.

Year 2 outcomes and disclosures

Year 2 was an important leadership opportunity for the CEO Council. We have seen most Signatories take steps this year to know and understand their customers. Much of this work, some based on research, is revealed in the Disclosures in response to Principle 1. There have been some important CEO Council Initiatives, including the *We've got you* campaign which is the basis for the Australian Energy Council (AEC) campaign, which responded to and reached out to customers. The Jemena led consumption data, which sought to understand the changes on usage at a household and small business level, was an important proactive step to help understand how the changing social practices was affecting different customers. The Energy Charter also took steps to provide information on hardship to various customer groups including supporting information to Culturally and Linguistically Diverse (CALD) customers.

Energy Consumers Australia continues to look to the CEO Council to show ambition for the Energy Charter. Our expectation is that the Signatories build on this work to date to deliver better outcomes for all energy consumers. We believe that the IAP should reinforce to the Signatories that they need to show leadership to help with a tangible plan to manage the challenges that customers are facing. We can't see that problem being addressed without the CEO Council. There is a critical need for concrete plans for transformative practices and a COVID response and I know this was a strong theme of the IAP in the stakeholder forums.



Energy Consumers Australia has strongly supported the establishment of the Energy Charter and in its first 2 years. We have devoted time and significant resources to this support. Last year we were both the inaugural host of the IAP as well as fulfilling the role of Chair of the End User Consumer Group (EUCG).

This year we continued our support with me personally taking on the role of Chair of the EUCG. The Charter timetable remains an issue for stakeholders. Again this year we devoted a full time resource to support the members of the EUCG, to review the Disclosures, listen to the CEO meetings and consider the Public Submissions and to provide input to the IAP. I know that my other advocate colleagues are not in a position to engage in this way given the pressure we are all under with other significant reform processes, not least those being led by the Energy Security Board, at the same time as we need to support our constituencies during COVID-19.

Supporting households and small businesses impacted by COVID-19

The Australian Bureau of Statistics (ABS) has tracked the impacts in real time through its new high frequency COVID-19 tracking project. This of course includes the usual quantitative measures relating to employment and household finances which have been hit hard. In the September 2020 run of the Household Impacts Survey, it found that 21% of Australians living in family households with children reported that their household finances had worsened in the last four weeks - giving an indication of the ongoing nature of the crisis.

Importantly though for the purposes of thinking about the Signatories commitments to their customers, the ABS surveys also capture in astonishing detail, the way the crisis has disrupted everyday social practices, starting obviously with the move to working from home, through to how caring and other responsibilities have adapted, and what this has meant for health (particularly mental health) and wellbeing outcomes. The data shows how our collective focus is now on basic human needs and survival.

Special research we commissioned to understand the experience of households and small businesses through the fires and now COVID-19 provides a window into how this is playing out in relation to energy services. In *Shock to the System: energy consumers experience of the Covid-19 crisis* undertaken in June 2020, we found:

- around half of people (49%) say they have more concern about their ability to pay household bills since the COVID-19 pandemic started with the number rising to 71% for those who have lost work during the crisis;
- electricity bills were the top cost of living issue for consumers with 73% rating electricity one of their top-3 concerns, ahead of groceries (56%) and housing costs (50%);
- 67% of energy decision-makers expect an increase in their electricity bill this year; and
- 20% of energy decision-makers say they have already requested financial assistance to pay their electricity bill. Of these, half (10%) received help which was useful, and half (10%) did not receive help that was useful.

In a worrying update from the Consumer Policy Research Centre (CPRC) in the *Consumers & COVID-19 snapshot for September*, renters are more concerned about their ability to afford basic household costs than mortgagors. In the case of energy bills 47% of renters said they had concerns about costs as opposed to 29% of mortgagors. More renters sought payment assistance than mortgagors from energy providers in September (8% v 5%) and 9% of renters (v 3%) missed a payment to their energy provider.



Moratoriums on disconnections, the deferral of networks costs and new hardship arrangements have provided a critical buffer for many consumers. However, recent statistics released by the Australian Energy Regulator (AER) reveal numbers indicating that consumer debt levels are rising – with the average 90-day debt increasing from \$960 in March to over \$1,100 by the end of September 2020.¹ Similar trends are evident in Victoria, which is regulated by the Essential Services Commission of Victoria.

Along with many others, we were impressed with the immediate response of the banking sector. We joined other advocates calling for the energy sector to also step up and respond to the extraordinary crisis by making urgent changes to their supply arrangements so that all households and businesses continued to have access to energy without anxiety about being disconnected or building up a debt. We welcomed the AER's intervention with its Statement of Expectations, which is a principled based response and reflected the social contract that the sector has with their customers.

Early in the pandemic, several advocates approached the Energy Charter and Signatories to develop a co-ordinated response, particularly targeted at relief from accumulating debt. It is to the credit of network businesses that they stepped up quickly with their network relief package which was of particular importance to households and small businesses and which was subsequently reflected in the Australian Energy Market Commission (AEMC) deferral of network charges rule change.

Our concern is that the picture may be bleaker than the one painted by the research, and available data. We are aware anecdotally that customers have been using Government income support measures to help pay bills, and accessed their superannuation. We are worried about the people who haven't yet put their hand up for help to pay their bills, but we know this is coming with withdrawal of Government income support.

The important point for the IAP and Signatories, is that these shocks act as a giant stress test on the system, finding and amplifying the weaknesses in the current services.

Those policy makers that we have been engaging with on the COVID-19 response have been surprised that anxieties about paying energy bills are as high or higher than housing and groceries, which are higher cost items for most consumers and would seem to be of a more immediate and direct concern.

Our research suggests that this is because of the lack of control people feel they have over their energy use and bills, when viewed through the recent experience of unexpected and sudden price increases that left people with the sense that the market was not working for them. When the pandemic struck, the poor state of the trust relationship between consumers and energy retailers, meant many people were reluctant to contact their retailer for help, a situation that was compounded by the tentative efforts by retailers to reach out to their customers to let them know additional help was available out of a concern that people would simply stop paying their bills – even if they could afford to.

We look forward to further engaging with the IAP in the important role that you are playing on behalf of energy consumers.

¹ <https://www.abc.net.au/news/2020-10-16/thousands-of-australians-asking-for-energy-bill-help/12754032>



Should you have any questions about our comments in this submission, or require further detail, please contact Jacqueline Crawshaw, Acting Director of Advocacy and Communications by email at jacqueline.crawshaw@energyconsumersaustralia.com.au or on 02 9220 5500.

Yours sincerely,

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Energy Consumers Australia