

Shock to the System: energy consumers' experience of the Covid-19 crisis

In Their Words



Executive Summary

BUSINESS CONSUMERS REPORT HIGH IMPACT ON INCOME AND REVENUE FROM COVID-19

- Roughly a quarter of businesses report that their revenue has been impacted by the restrictions and a similar proportion have applied for, or are receiving JobKeeper
- For those who have applied for JobKeeper this has helped short-term, but for many it isn't enough to keep their business afloat
- Small business owners also report drawing down their personal super and savings, or state grants in order to pay ongoing bills

HOUSEHOLD CONSUMERS WORKING FROM HOME REPORT SOME LOSS OF INCOME

- Some household consumers working from home have lost income as a result of the Covid-19 restrictions. For many, this has been balanced out by savings in transport, childcare and eating out.
- Participants who were already struggling before the restrictions are now struggling more, regardless of how much income they have lost

HOUSEHOLD CONSUMERS UNDER INCREASED FINANCIAL PRESSURE WITH THE IMPACT OF COVID-19 ARE CONCERNED ABOUT THEIR NEXT ENERGY BILL

- Energy bills are a top of mind issue for households under financial pressure with many expecting bills to be 20-30% higher than usual and feel they have little control over their energy consumption by being forced to stay home.

HOUSEHOLD & BUSINESS CONSUMERS ARE SOMEWHAT OPTIMISTIC THAT LIFE WILL RETURN TO NORMAL POST-COVID

- Business consumers in essential industries are more confident than those in other industries, that the economy will recover
- Households who have lost work are less confident about finding new work – whereas most of those working from home are confident they will keep their job
- Older household consumers are also less confident about finding new work

Executive Summary

HOUSEHOLDS ARE MORE LIKELY TO REPORT THAT THEIR ENERGY COMPANY HAS REACHED OUT TO OFFER SUPPORT THAN BUSINESSES

- Whereas banks and other utility providers have proactively reached out to small businesses, most in this study had not been contacted by their energy company.
- Most household consumers under financial pressure can recall hardship information provided by their energy supplier.
- However, many household consumers who recall organisations reaching out to them said information provided was not useful.
- Energy companies did not compare favorably with other service providers in terms of the provision of useful information about COVID related support.
- Household consumers in the ‘working from home group’ were less likely to recall information sent by their retailer about COVID related support that was available.
- Household consumers of major suppliers found it easier to locate this hardship information than those with smaller retailers.

THERE IS AN EXPECTATION THAT ENERGY COMPANIES WILL TAKE ACTION TO SUPPORT PEOPLE DURING COVID-19

- Both business and household consumers say the energy suppliers should cut their rates, but business consumers tend to focus more on “competitive rates” (i.e. not profiteering in this situation) while households tend to expect flat rate cuts.
- After reading the AER Statement of Expectations and comparing with their own retailer, some consumers are disappointed that retailers aren’t offering more than is expected.
- Both business and household consumers were concerned the AER’s Statement of Expectations doesn’t mention how disconnection fees, interest on outstanding payments and other charges will be managed.
- Most consumers are confident that the energy retailers will comply with the AER’s expectations but fear this will not last and may lead to rate increases in the future to make up for any revenue lost.

Methodology

This research aims to understand the impact of the Covid-19 restrictions on small business and household energy bills, and whether consumers feel they have enough support in this area. Consumers were also asked to review the Australian Energy Regulator's expectations for energy supplier conduct during the pandemic.

PLEASE NOTE: Given the small number of participants involved these findings should be taken as indicative insights into the research topics, not as definitive views of the general population.

Fieldwork Dates:

Three online overtime focus groups:

19-21 May 2020

1.5 hours participation

Criteria:

20x Small business owners

20x Energy main decision makers who are working from home

20x Energy main decision makers who lost work/hours/their job

Prepared by:

Essential.
RESEARCH



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MARKET & SOCIAL RESEARCH SOCIETY

Our researchers are members of the Australian Market and Social Research Society.

Sample profile

Group 1 – Small Business

- Main or joint decision maker when choosing energy products and services
- Have less than 100 employees in their business

 Sole trader n=5  20-49 n=1


 1-19 n=11  50-100 n=2

Group 2 – Working from home


- Either started working from home all the time OR more than before the Covid-19 lockdown

Group 3 – Financial pressure

- No longer employed due to Covid-19 lockdown OR
- Working less hours than before lockdown OR
- Working more hours for the same amount or less pay

 Lost work n=15

 Working less hours n=3

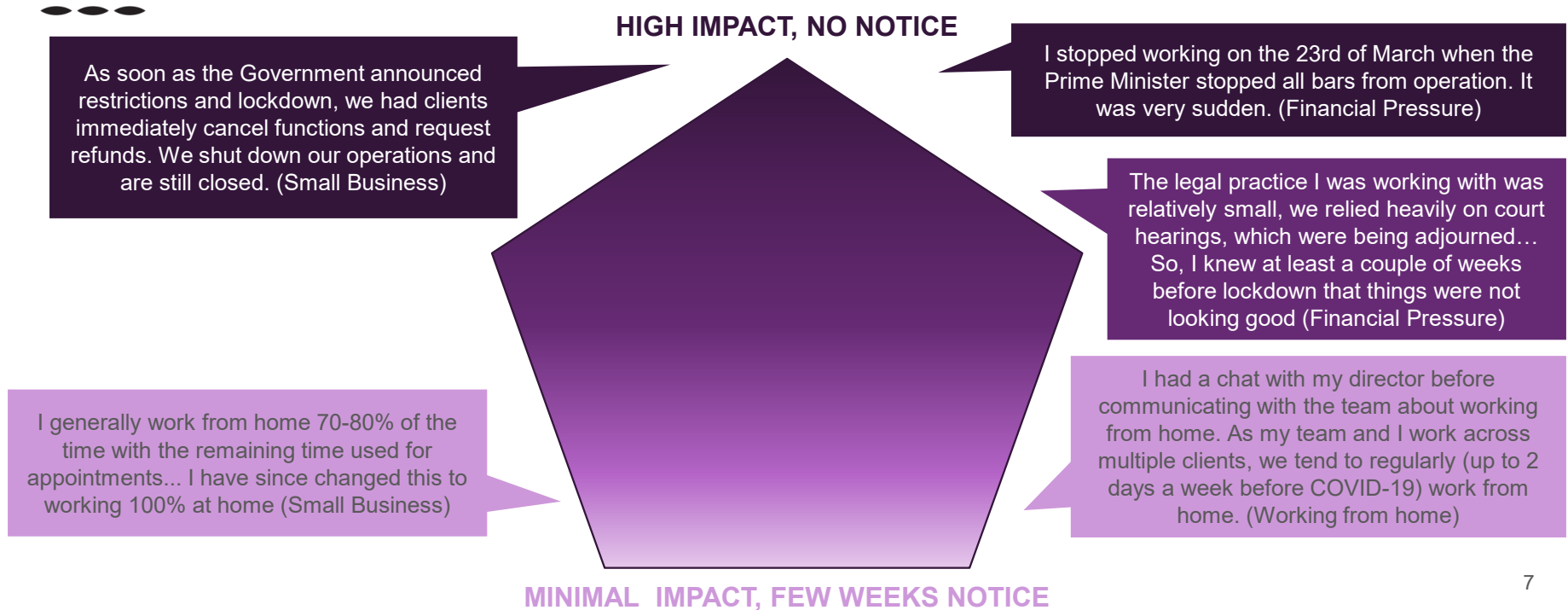
 Earning less n=1

Detailed Findings

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For those who have been working from home, the financial impact has been low. Those who have lost work report that this happened suddenly.



Roughly a quarter of businesses in this research report that their revenue was impacted by the lockdown restrictions – a similar proportion have applied for or receive JobKeeper



Impacted the business greatly as we had to close the business due to government regulations. We have been attempting takeaway, but it is not as viable as dining in and we have lost a lot of business. (Small Business)

Initially my clients were not heavily impacted and was business as usual, 3 weeks into the outbreak clients started cutting costs, social distancing and working from home was introduced and the office was only attended by 1 employee at a time. (Small Business)

We have stopped all of our festivals and events; however our ready meals have increased to a point where they are almost covering the losses from the other side of the business. (Small Business)

I have applied and received the first payment. Although it is somewhat helpful, a small bulk upfront payment would have been helpful to meet expenses from the previous 2-3 months. It's helping in the short term. (Small Business)

Job-keeper has assisted slightly although will not sustain long-term... allowances should be income based rather than "1 payment-fits-all". (Small Business)

We did apply and receive JobKeeper. Its been a good leg-up to keep my staff paid. (Small Business)

Most businesses and household consumers were financially comfortable before the Covid-19 restrictions, but now have had to draw on their savings or superannuation to stay afloat



- In the business group, most claimed that prior to the Covid-19 lockdown, they were doing well and some even had plans to expand in the next year
- Any expansion plans are now on hold until lockdown restrictions are further eased – even for businesses which have maintained most of their revenue
- Aside from JobKeeper business owners have applied for apprentice support, withdrawn from their personal super and applied for government grants

We accessed our super also to tide us over, as the JobKeeper allowance just isn't enough. (Small Business)



- Broadly both groups of household consumers had been in a comfortable position before the crisis with many saving up to travel or make household upgrades
- Many are now relying on these savings (or their superannuation) to tide them over – others think their reduced transport, childcare and eating out costs are balancing out well
- Those who were already struggling beforehand are more conscious of their energy bills

Our usage will increase as a result of everyone spending more time as home. I'm scared to see what the bill will look like. (Financial Pressure)

There is cautious confidence that work will return to “pre-Covid” levels quickly, though the level of optimism depends on the industry consumers work in and their age



Consumers over 60 express particular concern that they won't find a job when restrictions are lifted. Some said they would retire early rather than look for a new job.

As I am 68 yrs old now, the chances of me getting employment in the current climate are nil. Even with the skills and experience I have to offer the job market is crowded to the max with younger chaps than myself.
(Financial Pressure)



Households who are working from home are more confident they will keep their job than those who lost work and want to re-enter the job market.



Small business owners and household consumers employed in industries such as real estate, home renovations, wholesale/retail and marketing believe it will take more time for their industries to recover.

My line of work will take a while to recover. I sell to retail stores who all but shut down until 2 days before Mother's Day... if all goes well, I will be selling to them again starting mid-September.
(Small Business)

Small business consumers are less concerned about their energy bill than household consumers as they generally expect it to be lower than usual or about the same



↑ INCREASED COSTS: Freight/transport, cleaning materials /services, food

— STABLE: Rent

↓ DECREASED COSTS: Stock or materials, utilities including electricity & gas, travel

- Utilities are still one of the major overheads for most businesses in this research
- Around half expect their energy bill will be lower due to reduced operating hours or employees working from home
- A few expected their energy bill would be lower than it actually was

No I haven't had any of these bills lately, though they are due any time now. I expect them to have little to no change on a per unit basis. So unless my usage has reduced the cost will be the same. (Small Business)

Yes, the electricity bill was a shock with most staff WFH and the overhead being un-justified. Measures went in place to minimise the office energy consumption. (Small Business)

Energy bills are a top-of-mind concern for household consumers who are under financial pressure



INCREASED COSTS: Utilities including electricity & gas, groceries, internet



STABLE: Rent



DECREASED COSTS: Petrol, car servicing, eating out, childcare fees, mortgage

OTHER CHANGES: More use of credit cards, making smaller payments on car registration, approaching insurance for better deals, meal planning

- Overall, household consumers estimate their energy bills could be 20%-30% higher than usual
- Those who have lost work due to the lockdown say they have less control over their energy use and are more concerned about how they will manage their bills

I do worry how much more it will be because how do you budget electricity usage when you are more or less forced to stay in your house? (Financial Pressure)

Some participants working from home are actively setting aside more money in anticipation of a higher than average energy bill



INCREASED COSTS: Utilities including electricity & gas, internet, groceries, home office purchases

STABLE: Rent, mortgage



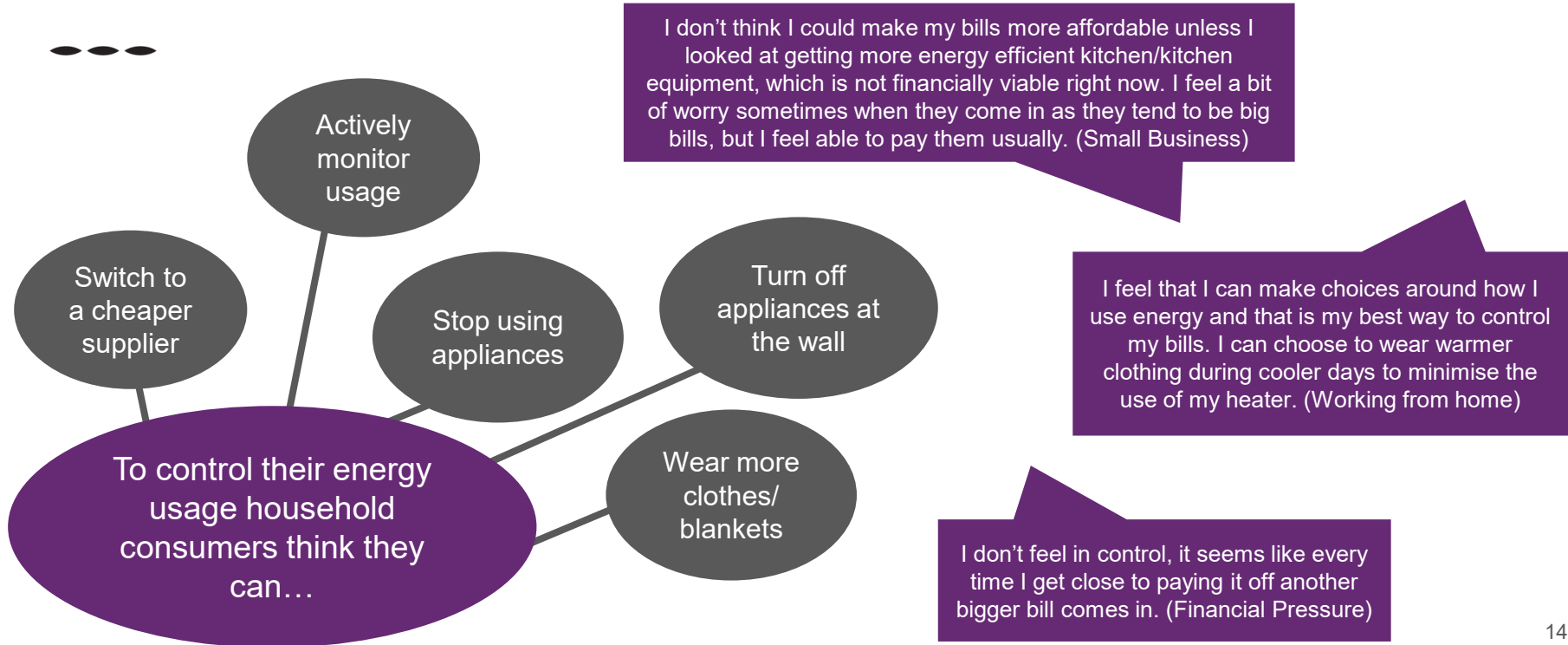
DECREASED COSTS: Petrol, car servicing, eating out, childcare fees

- In this research, households who have lost work are just as aware of their increased energy usage, as those who are working from home
- To many participants, the increased energy usage is offset by their savings in other areas
- Some are even preparing for a higher bill by setting aside more money for their energy bills

I am not overly concerned as living alone means that they are relatively minimal for me. I am also very wary of how I use energy. The offset for travel to and from work for me means that it isn't a huge impact overall. (Working from Home)

We are expecting it to be larger than previous months, however, we are putting more money aside, so it isn't a huge issue when it arrives. (Working from Home)

Household consumers under financial pressure feel they have less control over their energy bills than those in the 'working from home' group. Small business owners see their energy bills as a fixed cost



Small business owners want competitive rates while household consumers want rate reductions



- Though they agree that energy suppliers provide an essential service, business and household consumers differ slightly in their expectations of energy suppliers
- Both business and household consumers say the energy suppliers should cut their rates, but business consumers tend to focus more on “competitive rates” (i.e. not profiteering from this situation) while households tend to mention flat rate cuts

Being competitive with their pricing and trying to reduce profits temporarily. (Small Business)

Globally everyone is struggling, therefore they should reduce rates or provide a credit over that period to help the nation. (Working from Home)

- All consumer types agreed that the utilities suppliers should be empathetic, not disconnecting anyone and proactively offering payment plans where possible
- One bigger concern for household consumers was the impact of late fees and interest charges on late payments

Truthfully the thing that would help with the bills is the stopping of late fees etc being charged as they only put people further behind as they add to the burden. (Financial Pressure)

Households seem to be the focus of hardship communications – few businesses in this research have been engaged by their energy company



- Small business consumers generally feel less acknowledged by their suppliers – only a few companies specifically reached out to them about Covid-19 hardship
- Banks, insurance and other financial services are more likely to have reached out to their consumers than energy companies but there is no stand-out supplier
- Suppliers are seen as being most helpful when they are proactive in contacting their customers and when they minimize the hoops you must jump through to get help.

Bank (CBA) has sent information and lots on the website. Insurance and health insurance have not been prominent but they do offer help on websites. Telstra there has been nothing at all. (Small Business)



- Household consumers were more able to recall organisations reaching out to them than businesses – but they don't find the information very useful

An email says they won't disconnect, you to contact them. It also says it has things in place with no explanation of what they may be. (Financial Pressure)

- Again, banks, insurance and financial institutions were more likely to have proactively contacted their customers to offer support than energy retailers.

YOUI emailed me, I filled out a quick questionnaire and they gave me a discount on my car insurance as I work from home more. They were the only company to do it. (Working from Home)

Most participants in the small business group couldn't recall any information from their energy suppliers about Covid-19 related assistance



- Small business consumers in this research were mostly with major retailers
- Only a few could recall being offered Covid-19 related assistance proactively from their energy supplier

AGL hasn't sent me anything, I even went back and checked! (Small Business)

Nothing that jumped out at me, it was the usual fluff and the bill. (Small Business)

No they haven't provided any guidance or help at this point in time. They have been fairly silent. (Small Business)

- Business owners could more readily recall offers of support from their financial institution and insurance providers but generally didn't receive any proactive offers of support from energy suppliers
- No one organisation stood out as being more helpful across the research
- The most important factor for business owners was the ease in accessing assistance

The bank has been the only business to interface with us...everybody else has been very quiet, just billing and asking for payment. Some businesses have been totally silent and not sharing in the pain. (Small Business)

Household consumers under financial pressure generally recalled receiving information from their utility providers about financial support – but only a few in the ‘working from home’ group could remember communication along these lines



- In both groups of household consumers, participants were mostly customers of the big energy retailers.
- Households working from home were less likely to recall receiving specific information from their energy providers about payment support and said they couldn't recall any offers because they weren't immediately relevant

I've got a few text messages that indicated they are willing to help, but it always only comes when I have a bill to pay. (Financial Pressure)

No such information been provided to us. I can't recall any advertising or hard mail either. (Working from Home)

- Utility responses ranged from “if you need help contact us” to detailed explanations of the type of support available
- Most household consumers received this information via email, but some received text reminders

We had an email and a notice in our last bill offering assistance if we need it. At this time we are ok but it is nice to know that they are there to help if you need it. (Financial Pressure)

Business consumers had a mixed reaction to the AER's Statement of Expectations – those who are less confident about their recovery feel that the expectations don't go far enough to help them



9 April 2020

Statement of Expectations of energy businesses: Protecting consumers and the market during COVID-19

The COVID-19 pandemic is having a significant impact on the Australian community and our stakeholders. Many people are or will be affected by dramatic changes to their lives, businesses, income and working arrangements, and those of their friends, families and communities. Energy use and the ability to pay their bills may in turn be affected.

We expect that those customers who can pay their bills will go on doing so. This is vital to ensuring the ongoing viability of energy businesses. However, we also recognise that the circumstances arising from this pandemic, and the impacts on the economy, mean more customers may find it difficult, or impossible, to pay their bills at the moment. Customers should be encouraged to utilise online assistance on retailer websites or contact call centres as early as possible. Retailers must also be mindful of the different communication needs of their customers, including those from culturally and linguistically diverse backgrounds.

Energy is an essential service. The energy market has an important role to play in protecting and supporting businesses and the community through the pandemic and our recovery. There are important steps we expect energy businesses to action from today to support their customers.

Our expectations

To ensure the continued safe and reliable supply of energy to homes and businesses, and to support both residential and small business customers experiencing financial stress, we expect retailers, distributors and exempt sellers to adhere to the following principles to the maximum extent possible. A business that qualifies for the JobKeeper Payment is defined as being under financial stress under this arrangement.

These principles are intended to ensure the protection of customers and the market through this difficult time.

1. Offer all residential and small business customers who indicate they may be in financial stress, including small businesses eligible for the JobKeeper Payment, a payment plan or hardship arrangement, regardless of whether the customer meets the 'usual' criteria for that assistance.
2. Do not disconnect any residential or small business customers who may be in financial stress (including small businesses eligible for the JobKeeper Payment), without their agreement, before 31 July 2020 and potentially beyond.
3. Do not disconnect any large business customer, including businesses eligible for the JobKeeper Payment, without their agreement, before 31 July 2020, and potentially beyond, if that customer is on-selling energy to residential or small business customers (for example, in residential parks or retirement villages).
4. Defer referrals of customers to debt collection agencies for recovery actions, or credit default listing until at least 31 July 2020.
5. Be prepared to modify existing payment plans if a customer's changed circumstances make this necessary.
6. Waive disconnection, reconnection and/or contract break fees for small businesses that have ceased operation, along with daily supply charges to retailers, during any period of disconnection until at least 31 July 2020.
7. Prioritise the safety of customers who require life support equipment and continue to meet responsibilities to new life support customers.

- Business consumers noticed that their energy providers offered the bare minimum when compared to the expectations laid out by the AER and this is a bigger concern for businesses that are less confident in their recovery

I think it's a step in the right direction. I think most electricity companies are offering this type of assistance and it's nothing new. (Small Business)

Looks fair and reasonable to me, as far as sufficient goes, I don't know if they will be sufficient, these are such unprecedented times. (Small Business)

- Business consumers also mentioned that disconnection fees, interest on late payments and other charges should be addressed in the Statement of Expectations

They don't seem fair, reasonable or sufficient. These are unprecedented times and they seem to offer a basic response. This is not sufficient, and we need a better solution and more relief at least until the economy recovers. (Small Business)

Household consumers think the expectations are fair but think their energy suppliers should be doing more



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- Although most household consumers thought that the expectations are fair and reasonable, they also noticed that their suppliers hadn't offered anymore than the "bare minimum" proposed by the regulator.

I think they are fair. And clearly AGL/Orion have done what they needed to do. But only what they needed to do. (Working from Home)

The expectations seem fair and reasonable and are obviously being noted by AGL and also Origin in our case. I suspect all suppliers would need to follow suit if they have not already done so. (Financial Pressure)

- Household consumers also reiterated the need for a energy rate freeze or cut
- Some consumers want the management of interest on overdue payments, disconnection fees and associated charges included in the Statement of Expectations – there is some worry that this could become a debt cycle

Most participants in this research believe energy suppliers will comply with the AER's Statement of Expectations, more out of fear from public backlash than goodwill or pressure from the regulator



- Generally consumers are confident that their energy suppliers will comply with the AER's Statement of Expectations, but they feel this is more due to likely public backlash and reactions than the power of the regulator

I am confident the companies will comply. There would be a considerable backlash if they do not. (Financial Pressure)

I think they will comply but more out of a realisation that public opinion will turn very quickly if they are seen to be taking advantage or not doing the right thing for vulnerable customers. I don't think the AER themselves are much of a deterrent to company behaviour. (Small Business)

Energy companies never comply. they will breach , get a fine and move on. Regulators are weak and non existent. (Working from Home)

- The length of time suppliers will comply for is a greater concern to consumers and there is an expectation that this period of understanding will come at a future cost

They will stick to it to the letter for now. But I expect plans, rates and charges to play catch up after. Businesses look after shareholders not customers. (Financial Pressure)

I think initially they will be fair but after a period of time, they will go back to their old ways and taking money first and service last. (Working from Home)

Essential.
RESEARCH

If you have any questions about this research, please contact:

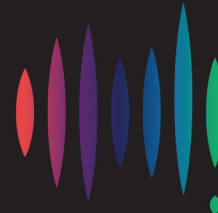


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