

UNDERSTANDING DISCONNECTIONS FORUM – BACKGROUND BRIEFER

- **THE PROBLEM:**

Energy disconnection continues to affect vulnerable Victorians, taking an unacceptable human toll. Health, mental well-being, social participation and general quality of life all suffer in the wake of energy disconnection. In the vast majority of cases disconnection occurs not because the consumer is unwilling to pay but because they are simply *unable* to afford energy, often owing to a range of adverse life circumstances.

Current business practices are not nuanced or nimble enough to identify these life circumstances, resulting in unjust disconnections which cause unnecessary harm and suffering. Current practices have led to a well documented lack of trust in retailers by consumers, which further erodes the relationship and makes effective communication difficult.

The below case study illustrates the multi-layered factors that can lead to disconnection, and the harm that it can cause:

Excerpt from Case Study 4 in *Heat or Eat* Report (2015)

Sarah is a writer in her forties. She lives by herself in an inner Melbourne apartment, which she rents privately. With a tertiary degree and regular work, Sarah had always been able to manage her finances; but things changed after she was held up in an armed robbery, and later assaulted. She developed post-traumatic stress disorder (PTSD), anxiety and depression. Suffering regular panic attacks and agoraphobia, she stopped working and fell behind on bills.

With about \$350 owing to AGL for electricity, Sarah applied for a utility relief grant. The grant reduced her debt to about \$150, and she paid a further \$25 up front. She was left with no money and began receiving calls from AGL, which she did not answer.

‘Essentially I just put my head in the sand. I didn’t know what to do; I didn’t have the means to rectify it. I had received a registered post letter from [AGL] before the energy was disconnected. I didn’t open it because I knew what it would be about.’

...Sarah says AGL’s approach was distressing, and compounded her mental health issues.¹

Eventually Sarah’s electricity was disconnected for two and a half days in March 2015. Sarah stayed at home and did not tell anybody what was happening.

Remote disconnections compound the problem

In recent times, smart meters have compounded this problem. Smart meters enable electricity businesses to remotely disconnect households from their electricity supply, which means there is no mandated opportunity to observe and assess the welfare of the household prior to disconnection. Remote disconnections are quicker and cheaper for power companies than manual disconnections, which were required before smart meters.

Statistics show that disconnection numbers spiked following the 2013 roll-out of smart meters in Victoria.

Residential disconnections for non-payment							
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Electricity disconnections	17,871	23,805	25,254	34,406	34,418	32,360	28,589
per 100 customers	0.77	1.02	1.07	1.47	1.45	1.34	1.16
Gas disconnections	13,741	20,483	16,979	24,007	22,322	24,150	17,494
per 100 customers	0.74	1.13	0.90	1.31	1.20	1.28	0.91

Figure 1 ESC 2017, Victorian Energy market Report Appendix - Performance of energy companies, p.147

St Vincent de Paul's 2016 report, *Households in the Dark*, mapped 200,000 AGL disconnections for non-payment across Australia's eastern states. The report found that smart meters contributed to this increase in disconnections and incidences of households being disconnected multiple times.¹ Unsurprisingly, the report also found that more disconnections raised by retailers were being completed.² Multiple disconnections at a residence for non-payment are particularly concerning as these indicate ongoing hardship with insufficient or unsuccessful interventions. Remote disconnection removes the human element from the process, which leads to adverse outcomes.

It is also worth noting the potential for a safety issue to arise from remote disconnection. As the rollout of smart meters was being considered nationwide, COTA Victoria raised concerns that house visits would no longer occur before disconnection, placing elderly consumers at risk.³

- **THE OPPORTUNITY:**

Victoria's new Payment Difficulty Framework (**PDF**) for energy retailers provides minimum standards which should improve outcomes for most Victorians facing payment difficulty, who would otherwise face disconnection. The PDF will come into effect from 1 January 2019.

However, while the PDF aims to make disconnection a last resort, there is a gap in the design which fails to address very vulnerable Victorians who struggle to communicate with their

¹ St Vincent de Paul Society, ALVISS Consulting, 2016. Households in the dark; Mapping electricity disconnections in South Australia, Victoria, New South Wales and South East Queensland, P.4

² *ibid*, p.15 & p.17

³ Council on the Ageing (2009), Submission to Review of Smart Meter Customer Protection and Safety Draft Policy Paper 1

retailer. In short, the PDF on its own will not solve the problem of unjust and harmful disconnections.

This problem is not unknown, or unacknowledged by the Essential Services Commission (ESC). Throughout the PDF design and consultation period the ESC proposed and withdrew multiple mechanisms for addressing the issue of vulnerable customers facing disconnection who do not engage with their retailer.

Initially it was proposed that a third party be engaged to contact a consumer in this situation (who under that proposed structure would be made to pay for their consumption in advance) and provide information.⁴

Later in the process the ESC instead proposed that retailers be required to provide a default assistance payment plan so that a customer who is *“in arrears but for some reason cannot or does not contact their retailer to arrange for tailored assistance, should be provided with a measure of last resort to avoid disconnection.”*⁵

Customers in such circumstances would be able to remain connected by paying, but not contacting their retailer. Many energy retailers opposed this measure, claiming it was costly. An ACIL ALLEN report based on information volunteered by retailers advised the ESC that this mechanism would be expensive to implement.⁶ Consumer Action and other groups raised concerns about the findings of this report during consultation.

The draft guidance note based on the PDF proposed that best practice would include a home visit to customers within Melbourne metropolitan areas where phone contact was unsuccessful, and before disconnection.⁷ Again this was opposed by retailers and did not appear in the final guidance note. Consumer Action considered this inclusion to be a step in the right direction, but it was clear that Victorians outside of Melbourne should have similar opportunities.

The final guidance note did not include any of the previously proposed mechanisms, requiring only that a retailer send a notice outlining options to stay connected when a disconnection warning notice is issued.

We do not believe this will resolve the issue and prevent highly vulnerable consumers from being disconnected.

The ESC has acknowledged that further work must be done to resolve this gap. The final decision states that:

⁴ ESC, 2016. Safety Net For Victorian Energy Customers Facing Payment Difficulties: Draft Decision, pg.17-18

⁵ ESC, 2017. Payment Difficulty Framework Draft Decision, p.101

⁶ ACIL ALLEN Consulting, 2017. Report to Essential Services Commission, New Framework For Customers Facing Payment Difficulty; Assessment Of The Retailers' Costs

⁷ ESC, 2017. Draft guidance note – Payment difficulty and disconnection Version 1, p.65

“We continue to see value in having a ‘backstop’ for non-engaged customers, even if this is a small percentage of customers overall. Although a small group, these customers may be those with the highest level of need.”⁸

The ESC’s final decision proposed more work to refine the PDF, including:

“...a project to better understand the phenomenon of non-engagement by energy customers, to inform future revisions of the new framework”⁹ and “pilots or trials to reach customers who are not engaging with their retailer.”¹⁰

The final decision also notes that some retailers expressed interest in undertaking trials or pilots and that the ESC anticipates undertaking this work program in 2020.¹¹

It should be noted that the PDF guidance note is a dynamic document, with the capacity for rolling amendment over time, which raises the potential for home visits to be included.

This presents community organisations, (and those aligned with them), with the opportunity to advocate for a more effective process around disconnection, particularly in relation to vulnerable consumers facing adverse life circumstances, who are unable or unwilling to engage with their retailer.

- **THE GOAL:**

The purpose of this forum is to share knowledge and understanding of the human impact of disconnection and begin the work of developing a viable and effective policy solution.

Consumer Action’s early view is that home visits by an independent body would be one way of inserting a necessary human element into the disconnection process. At the same time, we are conscious that others will have a different view. And even with that as a potential solution, a raft of practical considerations would need to be considered. What form would such an organisation take, and how would it interact with other agencies? How would it be structured, governed, and funded? And what powers would it have?

This is the beginning of what will be a long running conversation. We hope to form a working group of interested parties from amongst forum attendees who share a strong desire to address this issue, and work together to find the best way forward.

Additional reading: Consumer Action’s 2015 report, [Heat or Eat: Households should not be forced to decide whether they heat or eat.](#)

⁸ ESC, 2017. Payment difficulty framework; Final decision, p.50

⁹ ESC, 2017. Payment difficulty framework; Final decision, p.51

¹⁰ Ibid.

¹¹ ESC, 2017. Payment difficulty framework; Final decision, p.120