Utility Hardship
Office of Energy
Level 9
197 St Georges Tce.
Perth WA 6000

Re: Utilities Essential Services Hardship Public Issues Discussion Paper

Introduction
Thank you for the opportunity to comment on Utilities Essential Services Hardship issues.

Utility hardship cannot be considered in isolation from broader issues of poverty and hardship which are matters of grave concern to Council on the Ageing WA given the inadequacy of the Age Pension. While this has been recognised to some extent by the Federal Government and utilities allowances to pensioners and some self funded retirees have been increased, the overall picture remains that many Age Pensioners, particularly single Age Pensioners, are living below the poverty line.

We have concerns regarding the emphasis on disconnection in the issues paper which ignores the fact that consumers may choose to substitute payment of utilities bills for other essentials. Most seniors are proudly independent and would do everything in their power to avoid disconnection of a utility service, not only because of the difficulty and inconvenience that disconnection causes, but because of the stigma attached to disconnection. For this reason, there is a very strong motivation to give priority to payment of utilities accounts over purchase of other essentials, including food, medication and clothing. We are aware that some seniors are going without necessities of life in order to pay their utility accounts.

We are also concerned that utility hardship (defined not by disconnection but by inappropriate substitution of other essentials for payment of utility bills) may well increase over the coming years.
Energy prices are forecast to continue to rise in the coming years. Seniors, most of whom live on relatively low, fixed incomes, may find it difficult to adjust their budgets to respond to this phenomenon.

Climate change is predicted to increase weather variability and more extreme temperatures are likely. As a consequence, seniors (who spend a greater proportion of their lives at home than other sections of the community and who are more vulnerable to heat stress and hypothermia) may be expected to use more heating and cooling at home, increasing their energy consumption at a time when prices are rising.

Extreme summer heat resulted in the death of several thousand seniors in France some years ago, and we can anticipate that those who can afford to do so will install and use air conditioning to avoid discomfort and heat stress. The current senior’s air conditioning subsidy may have to be expanded as the proportion of the state falling within the relevant level of the relative strain index increases and Treasury may be expected to view this with some concern.

Policies to alleviate utility hardship should be consistent with other policy objectives, including those of achieving sustainability and greenhouse gas reduction. Increasing concessions to vulnerable and disadvantaged groups to allow them to maintain their existing pattern of energy consumption may be counterproductive in terms of sustainability and greenhouse gas reduction and may also be financially unsustainable. For these reasons, we support energy efficiency measures. Assistance to lower income seniors which would enable them to purchase energy efficient whitegoods, install insulation in their homes, and reduce their energy and water consumption are preferable to subsidising existing or growing levels of energy and water usage. However, research is required to determine the greenhouse gas footprint of seniors so that appropriate efficiency measures can be implemented.

Response to issues raised for comment

Questions 1 and 2 on Page 12

Appropriate principles for dealing with essential services hardship and Government policy, goals and models with respect to utility hardship.

We endorse the Working Group’s suggested principles, but add that:

Early intervention strategies should be pursued to avoid disconnection or service restriction.
Essential services should not be limited or disconnected unless alternative avenues have been actively pursued.

Alternatives to disconnection must be tailored to meet the needs of the families/individuals concerned.

Essential service hardship should be viewed in the context of overall poverty and hardship. Disconnection should not be the sole measure of utility hardship in view of the fact that most consumers value utilities highly and will tend to sacrifice other essential goods and services first.

Consumer education should be increased to avoid utility disconnection. This should include not only education of how bills may be paid (budgeting, etc), but also on how consumption can be reduced.

Incentives are an important component of changing consumer behaviour. Rewards for prompt or early payment should be implemented as well as, or an alternative to, late payment penalties.

Policies for utility hardship should be consistent with other policies including sustainability and greenhouse reduction policies.

**Questions 3, 4 and 5 – Best Practice Utility Hardship Policy**

We endorse the Victorian model.

**Questions 6-10**

6. Service restriction should be allowable as a last option – ultimately the customer must bear responsibility for his/her actions.

7. Processes prior to service restriction – early intervention and consumer education should occur prior to the situation approaching the point where disconnection is considered. An appropriate plan should be worked out with the customer and supports provided to encourage compliance. Realistic timeframes and milestones for achievement of the shared objective of ensuring bills are paid should be negotiated.

8. Utilities should provide an improved process that considers customer financial hardship prior to restriction of supply and should establish policies and benchmarks which demonstrate compliance with the established policies and procedures.

9. The frequency and level of restriction should be no more than that achieved by the best performing comparable utility (eg in Victoria).
10. Government may provide additional support and assistance above and beyond what the utilities offer in terms of hardship policy, but where possible, government and utility providers should work together to avoid arrival at the point of service restriction or disconnection.

**Questions 11 and 12 – Debt management**
Statute barred debts should be written off by utilities.
Historical debts (ie those less than six years old) are recoverable and customers should be required to make repayments according to an agreed plan and within their means.

**Question 13 – independent financial counselling services**
Financial counselling should be available as part of early intervention and development of plans for avoidance of utility supply restriction. Utilities, government and the non-government sector should work together to deliver the best possible service.

**Question 14 (no such question in our copy of the Issues paper)**
**Questions 15 and 16 – Energy efficiency measures**
The full range of efficiency measures should be adopted providing that they are cost effective and consistent with greenhouse gas policy. Targeting subsidies and funding towards those least able to pay, and most vulnerable to utility hardship, is preferred. DHW is currently researching a home maintenance scheme for seniors and retrofitting energy and water efficient devices may fit with such a program.

**Question 17 Pre-payment meters**
Prepayment meters are an acceptable option, as long as they are efficient, reliable and do not place an unfair or unacceptable burden on the consumer. These meters may enable consumers to monitor their own consumption patterns and expenditure and so modify their behaviour. However, pre-payment, in whatever form, should attract a discount rather than a penalty. Customers who elect fortnightly direct deduction of utility payments from their Centrelink payments should be rewarded for doing so.

Smart meters which allow for remote monitoring may be useful in assisting utilities, financial counsellors and others to support customers experiencing difficulty with utility consumption and financial problems.
Questions 18 and 19 – Loans and grants to purchase essential items

The WA No Interest Loan Scheme (WANILS) is virtually unknown to seniors, many of whom are using energy and water inefficient household equipment. Action is required to make the scheme more widely known as it can provide a valuable service in allowing consumers to purchase up to date and efficient equipment in the home.

We agree with the working group that people in severe financial hardship cannot be expected to take on loans to purchase essential items. Assessment of eligibility for a grant may be as difficult to administer as a loan scheme.

A grant scheme can work affectively alongside WANILS to provide a range of options according to need and ability to pay. Financial counselling and ongoing support and education may be required to assist low income individuals and families to work out the best package of loans and grants to meet their needs.

WANILS is well positioned to deliver a program which would assist low income individuals and families to purchase efficient household goods. This would require an information and education program alongside the existing loan scheme to ensure that clients purchase approved products and understand why their choice is limited.

Questions 20-22 – funding utility hardship relief

Utility hardship should be viewed in the context of poverty and social disadvantage, but Emergency Relief agencies are currently unable to meet demand and utility payments erode their ability to assist clients with other requirements such as food, clothing and travel. A utility hardship relief fund is required as a separate component of Emergency Relief funding. The size and scope of this fund is unknown, but may be limited if appropriate early intervention, education and support measures are implemented. Eligibility requirements for accessing utility relief payments should include eligibility for a Pensioner Health Care Card.

Questions 23 to 25 Privacy issues

Privacy laws are sometimes inconvenient and they may limit the opportunity for early intervention and support that we have advocated in this submission. However, privacy
should not be compromised for the sake of expediency. Best practice models in place and operating successfully elsewhere should be adopted here.

Should you have any enquiries regarding this submission, please contact our Executive Director, Ken Marston, on 9321 2133.

Yours sincerely,

Bettine Heathcote
President

February 26th 2008