

**END USER CONSULTATIVE GROUP (EUCG) SUBMISSION TO THE
ENERGY CHARTER INDEPENDENT ACCOUNTABILITY PANEL
30 OCTOBER 2019**

Executive Summary

The End User Consultative Group (EUCG) has been supporting The Energy Charter as a voluntary industry-led initiative to improve outcomes for energy consumers. The lodgement of the public Disclosures by 18 Signatories is an important milestone in the first year of the Energy Charter, and we appreciate the opportunity to participate in this phase of the accountability work.

The EUCG was closely involved in the development of the Energy Charter principles, and it is pleasing to see the initiative up and running in a very real and practical sense. Public disclosures of the kind that are contemplated by the Energy Charter are challenging but we are confident that it can provide a basis for an open and productive dialogue that will pay dividends for consumers and the companies.

The open and transparent public consultation process around the Disclosures is critical for trust and confidence in the Energy Charter. In this submission the EUCG seeks to provide constructive feedback to the Energy Charter Independent Accountability Panel on the first Disclosures to inform work by the companies to improve outcomes for consumers.

The Disclosures provide a valuable new window into the companies and the energy sector as a whole. Information that may have been in the public domain has been consolidated into a more accessible format, and new insights about the internal organisation of the businesses (in particular remuneration and incentive arrangements) has been published. This provides a basis for a richer dialogue between consumers and the companies about the cultural and other changes that are required to rebuild trust and confidence and improve affordability outcomes.

Clear statements by a number of the CEOs and Boards in some Disclosures acknowledging the extent to which the businesses and the sector have failed consumers and committing to do better is also significant. The EUCG has been clear that authenticity and honesty is critical for the success of the Energy Charter. The leadership by CEOs and leadership teams who met with the Independent Accountability Panel as part of an open and recorded session is particularly significant.

A significant opportunity for progress in future years is about how the companies demonstrate a detailed understanding about the needs, preferences and priorities of different customers in driving business strategy, operations and service delivery. While most Disclosures recognise the affordability challenges consumers are facing, in future years we would like to see much greater clarity about how the companies are tailoring their services and creating value.

There is also significant repetition in the Disclosures, and a tendency to include information that goes to compliance, rather than the spirit of the Energy Charter, which is about going beyond business as usual. In future years, The EUCG would welcome clearer, simpler disclosures, written in a more accessible way. We think more focussed work on how meeting the Charter commitments is having a positive impact on meeting customer needs can provide impetus for change. The EUCG is keen to see evidence about how The Energy Charter is delivering meaningful and timely change that is directly and practically benefiting consumers.

Overall the EUCG sees these first year Disclosures as the start of the conversation. We remain supportive of the Energy Charter. However, the EUCG has set out expressly in this submission our clear expectations for next year and the way forward for the businesses. EUCG is looking for strong leadership from here to build on the baseline set in this first year.

Comments on the Disclosures

The approach that the EUCG has taken to this submission is to make general observations on the Disclosures, rather than to make specific comments about individual Disclosures. We have adopted this approach for two reasons. Firstly, it has not been possible for each EUCG member to read all of the 500+ pages of the 18 Disclosures. And secondly, we represent a broad range of energy consumers large and small. The EUCG Chair has encouraged individual EUCG members to highlight the critical issues for their members either through attending and commenting at the Panel's public forums or by their organisation lodging an individual public submission with the Panel. This submission represents our common, high-level feedback provided to the EUCG Chair.

The EUCG provided guidance to the companies about its expectations for the Disclosures. Namely:

- clear intent in terms of a commitment by the leaders of the businesses to work to the Energy Charter Principles in a very real and authentic way and
- a trajectory, in terms of the 'how' the companies were planning to address the issues they had identified in their Disclosures.

The Disclosures are a valuable consolidation of information about the companies. We acknowledge the amount of work involved to compile each of the reports. In many instances, there is evidence of detailed Board input and in some cases customer Council input. Collectively, the Disclosures contain new useful information such as on corporate KPIs and remuneration.

The openness and intent expressed by CEOs in the meetings with the Panel, which the Chair of the EUCG was invited to observe and which occurred after the Disclosures had been lodged, in many cases added significantly to the content of the disclosures. The EUCG will be taking the time to further reflect on these public statements to inform further engagement with the companies.

There are two issues that we wish to highlight as our overall comments: the customer voice is not systematically addressed and there appears to be a lack of urgency and ambition to respond to the task of rebuilding trust and delivering for customers in the written disclosures.

Disclosures generally

1. Intent and ambition

Overall the Disclosures appear to have been made in good faith and reflect the significant amount of work that has been done to collect information and review how the companies are progressing against The Energy Charter principles.

The public statements by many of the CEOs about how consumers are faring in the current market, and how they are personally leading change within their organisation to deliver better outcomes builds confidence in The Energy Charter.

We are looking to companies to become more ambitious in future years to demonstrate the link between the priorities and needs of their customers and business strategy, operations and services. Further exploration about the causes of the sector's trust problem and how The Energy Charter can make a difference is needed next year. A number of the CEO's discussed core issues around fairness, and in particular their approach to consumers in vulnerable circumstances, in their meetings with the Panel.

Building on this to show how the Energy Charter principles around fairness are embedded in their businesses, including how it informs approaches to contracting, marketing and advertising, should be a focus for next year. Evidence about how the companies are actively meeting the needs of customers – particularly those who have additional challenges

navigating the market and support services to get a good outcome because of age, disability or background – will be an important indicator of how the sector is changing.

We welcome the steps outlined in the Disclosures by many companies to put material levels of incentives for leaders at risk as we believe that this will be critical in driving greater outcomes for consumers.

2. Information relevant to the Energy Charter

There are extensive lists of initiatives and actions in the Disclosures. Some of those activities are compliance activities. The Energy Charter is about catalysing new actions and companies have signed up to the Energy Charter to show leadership underpinned by a commitment to aspire to do more than meet regulatory requirements. We encourage companies to consider how they can go above and beyond their regulatory obligations and beyond industry business as usual norms. A key focus for companies next year is how to organise relevant information about change initiatives so that it fits within a clear overall vision about the future of the organisation and what that means for consumers.

The companies need to consider how they represent outcomes that are a result of regulatory interventions e.g. further information is needed to explain the full context around the Default Market Offer to simplify retail electricity products and gas market reforms.

3. Structure and trajectory

Honest, authentic and clear statements by the CEO or the Boards at the front of Disclosures are positive and should be carried through in the way information is provided about alignment with principles. There was some innovation in structure within the Disclosures including examples where each Principle was presented on one page. Some companies also provided insights into how they are performing against internal KPIs, while others identified missing performance measures.

As a general rule it was challenging to review the detail in the disclosures structured around the Principles in Action. A focus on outcomes in future years can bring greater clarity and will create opportunities to reduce the length of the disclosures. There was also feedback in the public forums about corporate jargon and the need for simpler language which is a general issue in the sector. The reporting for The Energy Charter is an opportunity to model clear and accessible communications.

The EUCG sees dialogue with the companies about how to build on what has been presented in the first year to inform an approach that communicates in concrete terms objectives, how they are to be achieved and over what timescale, as a priority for next year. How the companies review and evaluate progress, and communicate it through The Energy Charter, is also of interest to the EUCG.

The EUCG has emphasised the particular need for strong incentive structures linked to consumer outcomes for leaders to drive change as being central to The Energy Charter driving change.

Principle 1 – Customer centricity

At the core of customer-centricity is meeting people where they are to deliver outcomes they value. This requires a deep understanding of different customers, which informs business strategy and governance. There were examples where the companies explained how they understand the needs of different customer groups and consumers more generally, including at the level of different consumer segments. Some companies included verbatim comments from customers who had bad experiences, which provided important context for the work they were doing to improve outcomes.

However, a much stronger focus by all companies and greater clarity to demonstrate a deeper understanding about what consumers value and need, and how this is embedded in the organisation and shaping strategy, must be a priority for the companies next year. The EUCG sees this as at the heart of considerations about how the companies organise and resource their efforts to live up to this principle.

Consumer expectations

1. Detail of the methodologies the business uses to seek customer feedback; the top priorities and concerns of the business' customers, organised according to households, small businesses, large businesses and vulnerable concerns, revealed in that feedback and how the business plans to address these.
2. Information about incentives and remuneration structures for senior leaders and how they are linked to consumer outcomes.
3. Discussion of any systems in place to track and address customers' concerns and to close the gap.
4. Identification of obstacles in existing structure, processes values or incentives that are preventing the Signatory from fully responding to its customers' concerns. This could include engagement of staff to understand the current view on the importance of customers to the business, identification of gaps in service delivery and suggestions on improvements that could be made to enhance customer's experience.

Principle 2 - Affordability

All of the companies acknowledged at a high level that price and affordability remains a real challenge for customers, which was welcome and positive. Many also talked about important efforts they had taken to cut costs. We do note however that in some cases these reductions were imposed by regulators as a result of revisions to the regulatory framework e.g. the imposition of an opex productivity growth factor, a reduction in the allowed Weighted Average Cost of Capital (WACC) and changes as a result of the Australian Energy Regulator's review of inflation and tax allowances.

Efforts to become more efficient and reduce price is critical. Generally, the EUCG believes that companies should also consider how they are tailoring services, or leveraging their position in the market, to create value for consumers. There was little systematic or trend evidence demonstrating improved affordability outcomes for customers.

Consumer expectations

1. Detailed analysis of the true affordability position of different customers.
2. Identification of the spread (percentage) of customers against the business product offers (including those on the cheapest offer and those on default energy plans) including average consumption (MWh) of customers on different plans.
3. Information about approaches to product design and pricing and that is informed by principles around creating value and delivering fairness.
4. Measures to assist customers (i.e. advice, information and highlighting strategies) in minimising their bills.
5. Identification of the obstacles in the business to all customers being on an energy plan that best meets their needs.
6. Analysis of energy spend as a % of household income as a tangible means to measure improving affordability.

7. Evidence of proactive engagement with, and advocacy on behalf of customers to achieve better affordability outcomes for customers and justification that advocacy positions taken are in the long-term interests of customers.

Principle 3 – Safety, sustainability and reliability

Many Disclosures acknowledged that the energy system is in transition bringing challenges and risks for customers. The EUCG observed there was not a lot of detail in the Disclosures about what 'sustainable' means and what appropriate long-term targets should be. Many pointed to trials, innovations and progress geared towards finding new services which is positive. However more work needs to be done to explain how this important work fits into a longer-term strategy and whether it is effective.

Consumer expectations

1. The extent to which the business is embedding customer input into the development of its future energy system strategy.
2. Discussion of how the business approaches social and environmental sustainability.
3. Discussion of the measures the business is taking to achieve best practice in terms of modernisation and using innovative technologies.

Principle 4 – Customer experience

There was important commentary in the Disclosures, particularly in the CEO meetings, about retailers choosing to shift their retail products away from conditional discounting to reward for loyalty and simpler offers. The EUCG welcomes this shift to simplicity to remove the confusion in the market that was associated with complex product offerings.

We saw evidence of companies seeking to understand and measure customer experience. Several businesses referred to the Net Promoter Score (NPS) tool. The critical purpose in measuring customer experience is to then analyse root causes for any unsatisfactory experience and to take the appropriate steps within the business in a systemic way to address those root causes. The companies could do more to explain how they have changed their business practices to improve the customer experience.

There is evidence that companies are embracing technology to give information and tools to customers to serve some customers. It is unclear how the companies intend to get tools to work with their different customers. COTA consistently raised the need in the public forums for companies to meet older customers where they are and not to leave people who do not have digital access behind. We welcome the honest disclosure by one Signatory that some of its customers found its user experience confusing.

More evidence is needed about the positive impact that these technological innovations are delivering for customers.

Consumer expectations

1. Discussion of the processes in place to determine individual customer preferences.
2. What is the business doing to ensure that its advertising and communications of offers to all customers is clear, including culturally and linguistically diverse and low literacy customers and customers without technology.
3. Discussion of how the companies are ensuring customers are able to identify the offer that best meets their needs.

4. Analysis by the business of the trend and type of customer complaints including repeat complaints to Ombudsman offices and escalated complaints within Ombudsman offices as a result of poor responses or lack of resolutions offered and any strategies to manage those complaints.
5. Discussion of any customer sentiment data collected by the business and how the business uses the results of customer feedback to change its business processes to suit different needs.
6. Identification of training of staff in process improvements.
7. Evidence about KPIs for senior leaders and employees linked to service improved outcomes for customers.
8. Consideration of the main impediments to customers (by different customer groups) accessing their energy data and to the portability of their energy data.

Principle 5 - Vulnerability

All companies acknowledged the challenges customers with vulnerabilities faced in being able to afford electricity, which nearly all acknowledged is an essential service. There were very positive steps outlined in some Disclosures and in some CEO meetings of debt write-downs, collaboration with Voices of Power and Thriving Communities on their outreach programs and in particular of review of debt collection programs.

The EUCG acknowledges that selling of debt is a common commercial practice. However, the comments made in public forums by Voices of Power and other advocates make it clear that companies need to collectively develop a solution for the management of the payment of outstanding debt. The EUCG welcomes that several of the network and transmission companies, who do not engage directly with the end customer, are agreeing to work collectively with other companies in joint initiatives on hardship, concessions, disconnections and debt recovery. The EUCG has seen a genuine acknowledgement of the issue, and a commitment to work on this issue on a whole of sector basis and the EUCG believes that this is a key opportunity for the companies.

The EUCG is concerned that the percentage of consumers who are on hardship or concession programs remains well below what we would expect, based on general poverty data and the high percentage of household income in low-income households that is spent on electricity.

More is needed to demonstrate they fully understand their different customer groups and how they are catering for people with vulnerabilities. In the future we would welcome a more detailed discussion about CALD, indigenous, older, disabled, rural, farming, business and low-income households.

Consumer expectations

1. Identification of the design initiatives in the business' offers that respond to customer vulnerability aimed at reducing the need for customers to self-identify as vulnerable.
2. The percentage of customers currently on hardship programs and the percentage of customers that were on hardship programs but are no longer on them due to missing payments etc.
3. The percentage of customers eligible for hardship who are not receiving hardship assistance.

4. Discussion of whether all customers on hardship programs are accessing the benefits that they are entitled to and details of what efforts have been made to get them onto government rebate programs.
5. Discussion of whether every customer on a hardship program is on the most appropriate offer.
6. Details of the debt levels of customers in payment difficulty. Details of programs to address bill debt – as distinct from hardship in paying current bill.
7. Details of training of credit and hardship teams and call centre staff to identify and assist customers at risk of or experiencing payment difficulty. Details of programs to assist with assessing whether there is a faulty meter, energy intensive appliance, inefficient heating/cooling issue.
8. Discussion of what the business is doing over and above its regulatory obligations to assist customers facing vulnerable circumstances. For example, how is the business attempting to overcome the split incentive problem and deploy solar PV and batteries to allow vulnerable customers to participate.
9. Evidence of proactive and collective engagement with, and advocacy on behalf of vulnerable customers to achieve better affordability outcomes for vulnerable customers. This should include residential and business customers, with the current challenges many consumers are experiencing due to the drought being an example.

Moving forward in the second year of The Energy Charter

The Energy Charter refers to the next steps in the Charter's evolution as the development by industry of standard measures and metrics to analyse and compare how companies are improving and support accountability. The EUCG has a strong preference for common indicators to assist in comparing businesses.

The EUCG is keen to engage with the companies about how these measures and metrics can be developed to drive cultural change and secure better services for consumers. The Panel's Evaluation Report will be an important input into this dialogue. We are interested in how the companies are:

- proactively delivering customer outcomes;
- creating value across the supply chain;
- identifying measures and metrics that may be useful as comparators for the sector in the future; and
- identifying and/or implementing initiatives that are material and relevant to the core issues of affordability and access that need to be urgently addressed by the sector.

Engaging with The Energy Charter

The Panel's public consultation processes, which included stakeholder forums in each of Brisbane, Melbourne and Sydney as well as an online forum with a regional and rural focus is important for openness and transparency of The Energy Charter. The EUCG Chair was invited to present at each of the forums and several EUCG members attended and made submissions in these forums.

Many stakeholders have commented on the very compressed timetable between lodgement of the companies' Disclosures on 30 September and publication of the Panel's report on 29 November 2019.

The EUCG is keen to work with the companies and the Panel to make it easier to engage next year, including on the content, clarity and length of the disclosures and the role of the meetings with CEOs. We are focussed on ensuring that The Energy Charter is supported by

robust and independent governance, at the same time as being focussed on direct and productive dialogue focussed on consumer outcomes.

Contact

If you would like to discuss this submission please do not hesitate to contact Chris Alexander, Chair EUCG, chris.alexander@energyconsumersaustralia.com.au.