

3 November 2020

Clare Petre
Chair
Independent Accountability Panel

By email:
submissions@theenergycharterpanel.com.au

Dear Clare,

As Chair of the End-Users Consultative Group (EUCG), I welcome the Independent Advisory Panel's (IAP) review of the 2020 Energy Charter Signatories' public Disclosures and the important meetings with the CEOs. This process is critical to the accountability and governance of the Energy Charter and I thank the IAP for the opportunity to provide feedback on behalf of energy consumers.

This process represents the second year of the Energy Charter and it demonstrates a continued commitment by Signatories to their customers. Last year, the EUCG identified gaps between the content of the disclosures and the EUCG's expectations of the Signatories. In year two, the EUCG was looking for progress particularly directed at: understanding customers and what is important to them; ambition and intent, above and beyond compliance; transformative practice – how are the initiatives transformative to provide better outcomes for customers and importantly, how will these activities embed into business as usual.

These year two expectations were conveyed to both the Chair of the IAP and Chair of the CEO Council and are attached as Annexure 1. I am pleased to say that many of this year's Disclosures have moved towards closing the gap, particularly during these unprecedented times. The COVID-19 pandemic has had a profound impact on all parts of the community and essential energy services are critical for people's wellbeing and businesses survival and ultimately recovery. The EUCG has looked to the Energy Charter Signatories to show leadership in their individual and collective responses to COVID-19. COVID-19 is also a real-life stress test of the energy sector that can and must inform the IAPs evaluation in 2020.

This submission reflects on the significant amount of material required by the IAP's review process – public Disclosures from each of the 19 Signatories, recordings of meetings between CEOs and the IAP and five stakeholder feedback forums. This submission highlights positive movements and activities by Charter members and identifies areas for further growth. Due to the compressed timing of the review, and the volume of material produced during the process, these comments represent high-level feedback. The EUCG looks forward to the release of the IAP's final report in December 2020.

Impact of COVID-19

Australia experienced unprecedented circumstances this year, facing devastating storms, floods, bushfires and a global health pandemic for which there is not yet a vaccine. Every Australian has been affected whether it be a restriction on social movements, job security, home schooling, working from home, limited access to activities or a transition to isolation.

Members of our community are doing it tough. Even as restrictions are being lifted in many states, the September 2020 run of the Household Impacts Survey of the Australian Bureau of Statistics (ABS) COVID-19 impact tracking project found that 21% of Australians households with children indicated that their financial situations had worsened in the previous four weeks.

Energy affordability and the role of energy providers has never been as important. A recent study showed that electricity bills were viewed by consumers as the primary cost of living issue with 73% of consumers rating electricity as one of their top-3 concerns, before groceries (53%) and housing costs (50%).¹ In response, we have seen a moratorium on disconnections, as requested by the Australian Energy Regulator (AER) and a rule change approved by the Australian Energy Market Commission (AEMC) for the deferral of network costs. While these measures are directed at energy companies, it is expected that this support will translate into relief for their customers. It is critical that energy companies pass through the support measures to their customers, to supplement the direct assistance that has been provided by some state and territory governments.

The Disclosure and IAP review process are opportunities to assess how each Signatory delivers on the Energy Charter principles. The Disclosures give an insight into company approaches to supporting customers in these difficult times. It is encouraging to see Signatories step up and use this opportunity to improve their dealings with customers. COVID-19 has prompted companies to assess if their customer service standards are fit-for-purpose and approach customers with empathy and humanity as part of a larger community, beyond a business-customer relationship. We see examples of Signatories engaging consumer advocates to deeply understand what the customer wants in this time and how best to deliver a commitment to putting their customers at the centre of the business at a critical time.

A number of Signatories have gone beyond the AER's Statement of Expectations and the Energy Networks Australia (ENA) relief package, by analysing bills to identify savings, waiving some transmission network charges, proactive engagement to 'check in' on vulnerable customers and training staff to identify subtle signs of family violence while speaking to customers. While these examples are positive, anecdotally we believe there are inconsistencies to the handling of consumer hardship by retailers, specifically:

- retailers not offering customers a rebate despite the customer providing all required information
- exiting customers from hardship program after one missed payment
- devising payment plans which are impossible for the customer to meet

¹ <https://energyconsumersaustralia.com.au/projects/covid-research>

- retailers not shifting customer on to the cheapest plan available.

In addition, a lack of consistency and transparency exists for the approval process of debt waivers. It is unclear as to how the approvals are processed and to whom the waivers are granted.

The Energy Charter's Signatories span the energy supply chain and in our view the premise of the Energy Charter is that responsibility to help consumers should be assumed by all participants working together. A holistic response to the challenges experienced by consumers during COVID-19 is required. The EUCG is looking to Signatories to work together to adopt a collective response to consumer hardship. Retailer hardship programs and network cost deferrals are critical short-term arrangements, but the question remains about how to address rising energy debts in the medium to longer-term. A strategy needs to be put in place now to help the growing number of Australians who could face crippling levels of debt for their energy use.

Recently, the AER published statistics about the rising levels of consumer debt, seeing the average 90-day debt increasing from \$960 in March to over \$1100 by the end of September 2020². Similarly, rising debt levels are being reported in Victoria while Government COVID-19 support has augmented the debt profile of customers in Western Australia. Due to individual circumstances, some customers will never be able to pay this debt. The Energy Charter Disclosures are generally silent on this issue which is a concern for the EUCG. Initiatives like automatically auditing the existing energy plan for those customers on payment or hardship plans, immediately retrospectively switching to the cheapest plan available to that customer and then adjusting the debt, should be considered. This step would immediately partially ease the debt of those hardest hit by the pandemic and would be consistent with the Energy Charter Principles.

There is a sense among members of the EUCG that consumer's inability to repay debt to retailers is discussed in the narrow context of disconnection, and a wider discussion in the context of the Energy Charter is expected. The EUCG proposes the creation of a taskforce to address the rising levels of debt facing consumers. We encourage the CEO Council to work with the taskforce to find solutions to this critical issue. I welcome the IAP's view as to how best to achieve an industry approach.

Know your customer and communities

We observed commitments by Signatories to put the customer first in Disclosures this year. Examples such as the one below indicates Signatories modifying processes in response to direct customer feedback:



VOICE OF THE CUSTOMER

Feedback
"Customer service is good. Wait time to speak with Customer Service needs to be improved".

DIRECTLY DRIVES THE CHANGES WE MAKE
Implemented a register to assist in 'closing the loop' on feedback received from customers more effectively.
Updated information accessible to staff to provide support to customers. Website and MyActewAGL online account services changes and enhancements prioritised based on customer feedback.

² <https://www.abc.net.au/news/2020-10-16/thousands-of-australians-asking-for-energy-bill-help/12754032>

Examples such as these clearly demonstrate the relationship between customer feedback and concrete steps taken to improve customer service. Further clear examples must be a focus next year.

Year two Disclosures outlined plans to utilise existing customer segmentation data to better understand customer needs, particularly as these change during COVID-19. For those Signatories without detailed consumer research, studies were commissioned to fill the knowledge gap. Gathering data to understand the consumer will lead to better experiences by the consumer, and translate this into action, is welcomed by the EUCG.

Pressure on the household budget or small business balance sheet has led to an increased understanding, or desire for understanding, of energy consumption levels. In response to direct customer feedback, more customer-friendly online applications were developed to provide users greater visibility of their energy use by allowing consumers to understand their hourly energy consumption, and associated costs. By allowing consumers to track their energy consumption in close to real-time, behavioural changes can be made to reduce energy bills, where this can be done without a material loss in the wants and needs that energy supplies.

There is evidence that Signatories are utilising consumer insights and feedback to address energy affordability. This is the kind of innovation that has been lacking in the energy sector and appears to have been part of efforts to ease the pressures of COVID-19. Tailored programs and bespoke solutions were created, often in consultation with consumers, which represent the link between understanding and changes in business practice that is at the heart of the Energy Charter.

Signatories should be developing their ability to identify customers prior to their circumstances leading them into vulnerability as a matter of priority. As the effects of COVID-19 will be lengthy, the number of hardship customers is set to increase. The ability to identify customers before their situations worsen, would be of great value to help these customers being able to manage their bills even in difficult circumstances. Often, companies who have identified vulnerable customers early, have been able to work together to make changes to plans and other creative solutions to help customers avoid debt accumulation. EUCG members have expressed concern to me as Chair that despite Signatory commitments and regulatory requirements, there remains a significant gap in the delivery of assistance to vulnerable customers, whether they be long-term vulnerable customers, individuals severely impacted by COVID-19 or businesses dealing with the current economic fallout.

Communicating with customers was identified consistently by Signatories as an important factor when putting the consumers at the centre of the business. Signatories made important efforts to understand how best to communicate with their customers.

Signatories have learned that the best source of knowledge about modes of communication is the customer. Signatories are moving away from relying on the electricity or gas bill as the primary communication channel and are asking customers about their communication preferences.

Preference for method and frequency of communication is now firmly on the agenda which has raised questions about what level of engagement with their energy retailer do customers want? Responses to these questions are being explored by Signatories which highlights a willingness to embed consumer preferences into practice. Understanding that not all customers wish to conduct their relationship with the retailer purely online, provides challenges for those businesses without significant customer service infrastructures but it has led to smaller companies developing new approaches to engagement with customers.

Customers seriously impacted by COVID-19 are however experiencing frustrations with energy companies during their most challenging time. Call centre interactions often involve extensive time spent on hold with multiple representatives before receiving assistance. Within the Disclosures we see examples of hardship customers being provided a case manager and direct number to call for assistance. Initiatives such as these partially relieve stress in their circumstances.

Above and beyond compliance

The EUCG acknowledges that the year two Disclosures have demonstrated progress from the baseline established in year one. The central theme of the EUCG's feedback from year one was a focus on translation and how activities would translate into positive, significant and sustainable consumer outcomes.

The EUCG, and the consumer voices they represent, are seeking ambition from Signatories, a drive to be bold, a paving of new ground, beyond business as usual. These expectations were set prior to the onset of the pandemic, however during COVID-19 Signatories have been urged to lean into this challenge, rather than look for reasons to only consolidate business as usual.

Signatories have demonstrated ambitious goals around several themes: alternative sources of energy; business model pivots to cleaner energy sources; energy security; sourcing alternative power supplies in bushfire-affected regions and the development of standalone power systems which allow communities to operate off the grid; and helping communities in need; partnerships to scale-up programs to enable renters access to solar infrastructure, and decarbonising remote communities. These ambitious goals are not yet realised and therefore yet to impact the broader community.

Ambition and the willingness to be bold in the face of uncertainty can revolve around the use and development of technology, beyond the ability to personalise a customer's energy data. The development of interesting technology-focused opportunities has arisen, designed to transform businesses by collaborating with startups particularly around the uptake of renewables, energy efficiency technology, electric vehicles and energy storage. Increasing the amount of renewable energy available to consumers beyond solar taps into the community's desire to choose cleaner sources of energy, but to also transition energy to net zero emissions by 2050. Initiatives such as these with ambitious goals are currently under development and are yet to translate into tangible outcomes for consumers. We will certainly look forward to progress reports in the year three disclosures.

The benefits of technology advancements can be enjoyed by a large cross-section of the community yet those who often need it most are left behind without access to the internet or smart phone technology. Barriers to the most vulnerable who are unable to access technology must be a priority, and safety nets provided where needed.

The EUCG strongly urges Signatories to place the consumer firmly rooted at the core of their ambitions. Signatories must plan for the next challenges and opportunities for consumers and devise a role on behalf of their customers. What will be the next issue of importance for the consumer? What is the appetite for consumers to switch to greener-focused energy providers at a time where 'individualised' energy consumption options are available? How will Signatories assist all consumers to benefit from new energy technology? What are the options for viable alternatives to solar? If a consumer invests in solar panels and battery infrastructure, what is their next step in becoming more energy efficient and independent? It is the pursuit of these answers in concert with consumers which will demonstrate a deep, long-term commitment by Signatories to the needs of consumers.

Business as usual

A fundamental principle of managing core business is the ability to manage and improve the customer experience. The IAP's year one review identified complaints handling as an area requiring improvement. The commitment to taking complaint management seriously at all levels, including at Board level, is a positive message to customers, particularly those whose voices are often unheard. The appointment of a Customer Advocate is a tangible commitment, with responsibility for achieving better outcomes for customers. Signatories have identified gaps in their processes and clear maps from actions to results. One key driver of the dissatisfaction with the handling process is the lack of process communication with customers. EUCG members are pleased to see a reduction in complaints to some Ombudsman services, including Victoria.

Key to this review is the embedding of consumer-focused initiatives into a company's business as usual activity. Whether it be identification of vulnerable customers and intervention measures prior to requiring hardship assistance, ability to pay a little extra on the power bills to fund environmental projects, or tailoring communication methods to suit the needs and preference of the consumer, initiatives are transformational only when embedded into core business practice. An ongoing commitment to embed on these ambitious projects will deliver business transformation which will result in ongoing benefit to the consumer.

Ambition and desire to transform practice to achieve long-term sustainable outcomes must be supported by business culture. Responses to events this year by leadership, affords a glimpse into each Signatories' company culture. The Disclosures and CEO meetings this year highlighted varying approaches to customer engagement. Linking performance review standards and leadership remuneration to customer outcomes places the consumer firmly in focus. Ambitious leadership is required for transformation, but change cannot be achieved solely through recruiting a Chief Customer Officer or Chief Product Officer. Transformative practice contributes to and is a product of a company's culture. An executive team listening to customer calls,

providing feedback to prompt team members (and the whole company) to consider ways to improve the customer experience links both leadership and front-line staff to customer experience goals.

The EUCG is disappointed by Origin Energy's decision to leave the Energy Charter at the end of 2020, as its exit undermines the collective response of the Energy Charter. However, as Origin has indicated it will continue to report against the Energy Charter principles, consumer advocates will continue to hold Origin to its commitment to consumers.

The IAP's review of the Energy Charter provides rigour to the Charter, and an important opportunity for the concerns of the consumer to be heard. However, in our view the IAP review's process is inherently flawed as the timeframe allocated for each phase of the review was compressed to the point it limited the contribution by consumer advocates. At a time where multiple energy-related reform and review processes required significant consultation, the IAP's schedule saw the consumer voice struggle to be heard due to the sheer volume of the task. As 20 written Disclosures were submitted and 18 CEO meetings took place, to understand the complete picture of the Charter's year two activities was beyond most organisations and individuals. Energy Consumers Australia dedicated a full-time resource to the project and even then, a comprehensive analysis of the Energy Charter's progress remained a challenge. This means it is falling more and more to the IAP to provide the review on behalf of consumers. Going forward, it would be in the best interests of the IAP, and the Energy Charter Signatories, to meaningfully extend the process timeframe.

This year has provided, in difficult circumstances, the opportunity for Signatories to demonstrate a commitment to consumers at a crucial time. Building on the activities in year one, year two was anticipated as the time where the 'rubber hit the road', and that was certainly the case. Signatories have taken steps to mitigate the COVID-19 crisis burden, yet there is still much more to be done. The Energy Charter must demonstrate a leadership role in planning for the inevitable severe hardship to be experienced in the coming months. Over the past year, society has shifted in many aspects and the needs of the consumer have never been so important. Signatories who seek to understand the consumer will be the companies who remain faithful to the Energy Charter principles and the promises they have made to their customers and to each other.

Yours sincerely



Lynne Gallagher
Chair
End-Users Consultative Group

Annexure 1

EUCG expectations for Energy Charter in Year 2

Year 2 Expectations

1. Expectations for individual Signatory Disclosures in year 2

a. An expectations gap in year 1

- Signatories need to understand the expectations gap. EUCG gave really clear feedback last year to the IWG (and also to the IAP) that in the first year Disclosures EUCG expected Signatories to:
 - be honest that they were not delivering well for customers and to then identify what actions they would do to fix it
 - give evidence that the sector intends to make a cultural shift to deliver outcomes for all customers
 - shift their focus from rules and pass throughs and show how the Energy Charter could become a platform for the big shift needed towards customers and
 - show the whole sector taking collective responsibility.
- EUCG did not see the alignment in the year 1 Disclosures that it had hoped to see. Specifically, in the year 1 Disclosures:
 - there was lack of intent and ambition
 - there were very few examples of transparency about the gap and the size of the gap in areas where there is more to do
 - there were lots of laundry lists of actions including many Signatories claiming credit for regulatory outcomes, which EUCG called out as lacking authenticity and undermining EUCG confidence, especially where Signatories had argued strongly against the specific outcome
 - Signatories did not consistently demonstrate they understand their customer segments and what is important to them and
 - Signatories did not adequately wrestle with the meaning of fairness and vulnerability for their customer segments.
- Year 1 in the end was setting a baseline.

b. The first IAP report was a very important contribution to year 2

- The IAP Report strongly reflected the EUCG's detailed feedback to the IAP of EUCG's views.
- EUCG asked the IAP to set out the pathway for year 2, which the IAP did in its first Report.
- The IAP strongly advised Signatories to seek inspiration from reviewing the collection of leading practices of their partners in the Energy Charter and to consider whether any practices are appropriate to apply in their own business – taking an 'if not, why not' approach.
- There was a leadership vacuum last year after the IAP Report.

c. Focus in year 2 must be on transformative practices

- At end of last year EUCG advised the CEO Council that year 2 is when the 'rubber hits the road'.
- A core expectation in year 2 is for Signatories to show what they learnt from year 1, especially from the IAP Report and its recommendations and show how that reflection has led to transformative practices.
- It is critical that year 2 builds on the investment made by all stakeholders in year 1 and does not become another year 1.
- Most of the Year 1 Disclosures recognised the affordability challenges consumers are facing. The scope of the affordability problem has been magnified very significantly by COVID-19.
- It is important that with the recession, high levels of unemployment and businesses under pressure, and thus many more people navigating the energy companies' websites, that the industry responds beyond signposting and information sharing.
- EUCG members want to see examples of 'transformative' practices.
- At its most basic, the year 2 Disclosures need to show how the Signatories are helping customers with much greater clarity about how the companies are tailoring their services and creating value.
- In Year 2 EUCG is less interested in 'what' Signatories are doing and more interested in 'why' they are doing it. Transformative practices should be expressed in terms of customers' needs and customers' priorities (IAP theme 1 Know your customers and your communities and theme 5 Close the loop on initiatives) and not just lists of activities being done to customers.
- Individual assessment levels against the Maturity Model are of less interest to the EUCG. What is critical is for Signatories to "indicate where they intend to get to, and how they intend to make that progress." (Chair CEO Council)
- EUCG is looking for leaders to emerge during year 2 to show greater ambition and urgency about the disconnect with customers and the increasing levels of vulnerability and hardship caused by accumulating energy debts.

2. Expectations for Collective Energy Charter Disclosure

- This first Energy Charter Disclosure of collective activities should respond to the IAP's recommendation (in theme 3) that the Signatories identify and leverage high impact points to drive meaningful change for customers.
- The EUCG believes this collective Disclosure gives the CEO Council an opportunity to show their collective ambition for the Charter in the priorities they identified for Year 2 and the progress made on the key transformative initiatives.
- The EUCG is looking for how the Charter commitments made a difference to how the Signatories responded to COVID-19 over and above industry association responses e.g. the *We've got you* Campaign.
- The EUCG also expects the collective Disclosure to avoid the pitfalls of the individual Disclosures last year of including lots of lists of activities and initiatives. The Better Together Initiatives are now all helpfully disclosed on the Energy Charter website so discussion of select BTIs should focus on ambition and size of outcomes in the context of COVID-19.