



The Energy Charter

Assessment of achievement of better outcomes for Australian energy consumers in 2019-20

The purpose of the Energy Charter Independent Accountability Panel is to constructively assess outcomes delivered by:

1. Individual energy businesses that sign up to the Energy Charter (the Signatories); and
2. The whole energy sector over time,

as against the Energy Charter Principles.

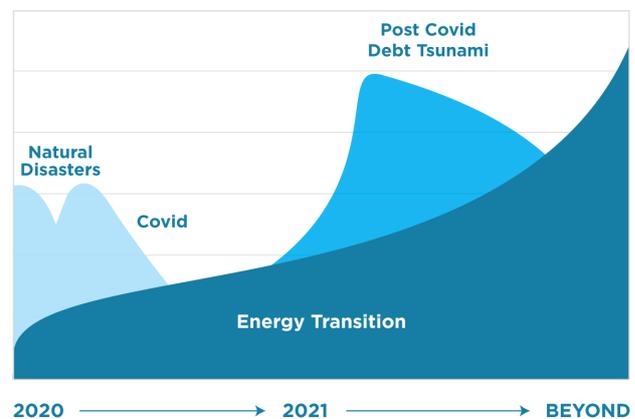
A TOUGH YEAR CAN SET YOU UP FOR THE FUTURE IF YOU LEARN THE RIGHT LESSONS

Financial year 2019-20 was tough. Tough for households. And tough for businesses, including the companies that generate, deliver and sell the electricity and gas that is so integral to our lives.

We are all energy consumers. It's our need for light, warmth, comfort, security, productivity and connection that defines energy supply as an essential service. Meaningful, unavoidable obligations attach to being in the business of delivering a life-sustaining product that people must have.

The way affected Signatories supported their customers through catastrophic bushfires and other natural disasters was a credit to the commitment of those companies and their people. Similarly, some dimensions of the industry's crisis response to COVID-19 reflected very well on the industry's commitment to the Principles, vision and values of the Energy Charter. However, in other respects, Signatory performance fell short of the standard expected by the Energy Charter.

The Panel's assessment is that the performance of Energy Charter Signatories and the broader industry in dealing with the challenges over this period has revealed that the industry will fail to adequately meet the looming larger challenges unless they continue to lift their game.



TWO TOUGHER TESTS ARE BEARING DOWN ON ENERGY CHARTER SIGNATORIES

Whether Australia's energy companies are sufficiently committed to their customers will be revealed by how they respond to two tests:

Firstly, how well Signatories are preparing for the potential post-pandemic debt tsunami - in particular, whether they are proactive and collaborative.

Secondly, the contributions Signatories make in the near term to ensuring that the inevitable transition to net zero emissions is as stable, least cost and as fair as possible.

Signatories passing these two tests is necessary for good consumer outcomes. But others need to work with the current Energy Charter Signatories to meet these challenges. This includes non-signatory retailers and network businesses, and new standalone generation companies. The major players in these groups should step up to contribute and collaborate through the Energy Charter. Governments also need to ensure they are playing a positive role by working closely with the energy industry and their customers to deliver a more stable and predictable policy environment including in relation to emissions reduction and financial conditions for consumers.

SIGNATORIES' 2019-20 PERFORMANCE

Summary of Signatories' Self-Assessed Maturity

Overall, Signatories see themselves as performing best against Principle 3: *We will provide energy safely, sustainably and reliably*. Signatories with a monopoly business rated themselves much higher on Principle 3 than on other measures.

100% private companies tended to give themselves higher ratings than 100% government-owned companies. On average, companies with joint government-private ownership sat in the middle. Average private and government self-ratings were about equal for Principle 2: *We will improve energy affordability for customers*.

Government owned companies rated themselves lowest (ie. acknowledged the greatest room for improvement) on Principle 1: *We will put customers at the centre of our business and the energy system*. Private owned companies rated themselves lowest on Principles 2 and 5: *We will support customers facing vulnerable circumstances*.

Collectively, Signatories without a monopoly business rated themselves higher on all Principles than Signatories with a monopoly business. The gap was material for all Principles except Principle 3.

Summary of Stakeholder Views

Stakeholders generally agreed that energy providers deserved recognition for their positive response to the widespread natural disasters and the subsequent pandemic. That said, they suggested that:

- The number of energy customers in vulnerable circumstances will increase, particularly when government support is reduced or removed, and other support mechanisms are removed such as mortgage and rent relief.
- Many customers are still not receiving the concessions to which they are entitled, and many are not on the best retail deal for their situation.
- The move to online connectivity is inevitable, but energy companies need to ensure customers who are digitally disadvantaged are not left behind.
- Customers need and should receive more support to reduce their consumption.

Stakeholders were keen to see the positive responses to natural disasters and COVID-19 carried over to Business as Usual for the energy providers.

Independent Accountability Panel Assessment of Signatories' 2019-20 Performance

Signatories have stepped up. Customer outcomes in the face of bushfires and other natural disasters were generally a credit to Signatories and their people. Signatories' COVID-19 responses and the resulting customer outcomes were more mixed.

The key lesson from how energy consumers have fared in the past year is that Signatories will fail to adequately meet the looming larger challenges, at great cost to all energy consumers and vulnerable people in particular, unless they continue to lift their game.

Independent Accountability Panel Assessment of Signatories' 2019-20 Disclosures

The Disclosures were substantially better second time around. Signatories have generally:

- taken a serious approach to asking themselves how well they are delivering outcomes against the five Principles
- focused on Energy Charter actions rather than Business as Usual
- ensured their Disclosures were more concise and accessible.

Most companies embraced the opportunity to use the Maturity Self-Assessment Model as a genuine tool for continuous improvement. The model will deliver more value for consumers if more Signatories provide independent validation and quantifiable evidence to support their self-assessment.

PRINCIPLE 1:

We will put customers at the centre of our business and the energy system

PRINCIPLE 2:

We will improve energy affordability for customers

PRINCIPLE 3:

We will provide energy safely, sustainably and reliably

PRINCIPLE 4:

We will improve the customer experience

PRINCIPLE 5:

We will support customers facing vulnerable circumstances

RECOMMENDATIONS

The Panel recommends that Energy Charter Signatories:

1. Immediately and collectively, find ways to utilise payment and usage data to proactively identify and assist customers in vulnerable circumstances, so that the industry and policy makers are taking all steps within their power to support customers in financial difficulty and to reduce payment difficulties in 2021. The process should include engagement with experts and consumer groups.
2. Audit all customers on payment or hardship plans, and immediately and retrospectively switch them to the cheapest plan available and adjust the debt accordingly. We strongly recommend this becomes BAU for all energy retailers.
3. Work with governments to establish a practically failsafe system to ensure each and every customer who is entitled to a concession receives it.
4. Adopt and each publicly articulate a clear, collective approach that builds on recent energy industry acknowledgements of the inevitability of change, effectively communicates how the “north star” of net zero emissions feeds into better consumer outcomes, and drives a whole of sector focus on making energy transition work for consumers.
5. Under the #BetterTogether initiative, consider establishing a ‘Whole of Industry Energy Transition Working Group’ to coordinate a long-term response for the industry and a ‘just transition’ for customers. This working group should include customer representatives and be approached as something of a ‘blank canvas’. This has the potential to elevate the industry above the politics of the day and provide a more stable platform for future investments and joint industry-customer advocacy.
6. Expand their management of the growing risk that more customers cannot pay their energy bills to include becoming more active on policy questions that feed into energy affordability (eg. low-income households’ access to energy efficiency and income adequacy).
7. Ensure the highest standards of customer care are implemented in responding to the growing debt tsunami, using the Victorian Payment Difficulty Framework as the benchmark.
8. Elevate the Energy Charter to the highest possible extent within the organisation, including involving their Board in development of Energy Charter Disclosures and linking performance review standards and leadership remuneration to customer outcomes.
9. If not already in place, Signatories should establish a customer reference group or customer/community council. Signatories should then commit to go beyond simply informing this group of what they are doing, but seek to involve them in key decisions and empower them to play an active role in shaping key aspects of business practices and investment decisions where appropriate.
10. Continue to simplify energy bills so that energy usage and costs are easy to comprehend and provide specially trained customer contact staff who can help customers to understand energy usage in the home or small business. This could extend to developing a specialist energy advisor role within the customer service centre.
11. Work more closely with consumer groups to expand and develop community collaborations with customer groups that are less likely to actively engage through mainstream channels.
12. Pursue active personal engagement with all customers faced with potential disconnections and aspire to no disconnections, working with consumer groups to deliver on that outcome.
13. Work with policy makers and market bodies to implement a way for consumer advocacy to be better resourced.

In relation to Energy Charter Signatories’ 2020-21 Disclosures, the Panel recommends that Signatories:

14. Ensure their self-assessments under the Maturity Model incorporate opportunities to back up the ratings with data and stakeholder input, including by involving their Customer/Community Council in development of Energy Charter Disclosures.
15. Focus on outcomes not activity, ensure that Disclosures make clear whether previous year commitments have been delivered, and continue to increase the consistency of presentation of their Disclosures, including via implementation of the recommendations in this Report.