

# Case studies and research for OECC's EAPA Review

20 May 2022

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## About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

## Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program works for better regulatory and policy outcomes so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate. PIAC receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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Public Interest Advocacy Centre



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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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# 1. Introduction

We welcome the opportunity to provide Energy Accounts Payment Assistance (EAPA) case studies to the Office of Energy and Climate Change (OECC). We appreciate the good engagement practice of OECC in providing adequate time for PIAC to seek case studies from financial counsellors and other community workers and to include preliminary responses from our research into payment harms.

## 1.1 Case studies

The first section of this submission collates case studies from different community organisations.

They illustrate the variety of reasons people need payment assistance with their energy bills. Case studies are not isolated instances but representative of situations seen by community organisations assisting people experiencing payment difficulty. These case studies and the issues they detail, illustrate systemic issues which are relevant considerations for reform of EAPA. The case studies provided do not capture the issues experienced by people who have not accessed assistance or are not aware that it is available.

The case studies presented illustrate the following themes and issues:

- Where there is a short-term crisis and EAPA works well to avoid disconnection/debt collection and help to get a person back on their feet financially.
- Where debt is still unmanageable after EAPA is applied. In these situations:
  - A fuel neutral EAPA (ie \$600 towards energy expenses, not \$300 for electricity and \$300 towards gas) would have helped; and
  - Retailer matching of EAPA, or other co-ordinated measures would have helped.
- Where the debt accumulated is so high and the person's circumstances limit their ability to ever repay it there needs to be:
  - A process to wipe debt;
  - Investigation into how a retailer allowed a debt to get so high;
  - On-going personalised support; and
  - Consideration of opportunities for people to remain on 'usage only' offers.
- Energy efficiency programs and other co-ordinated measures to reduce the energy used by the household are needed to help manage on-going usage.
- Where a person lives in social housing and will never be able to manage their energy (or other) bills, include affordable energy as part of their payments to the housing provider rather than through a private retailer. This could potentially enable energy payments to be capped at a proportion a person's fixed income.
- The value of being able to get EAPA through Service NSW, but also the need for more options to apply for EAPA in person and the value of the wrap around services that community organisations can provide people seeking EAPA. The value of the original program intent of EAPA as an addition to other assistance provided through community providers should be considered.

- Making the EAPA application process as simple as possible without it creating additional stress or shame. Comparing the relative burden of accessing EAPA against unregulated credit and payment advances should be also be considered.
- Communication around wait times to alleviate stress. (We are pleased to hear from OECC that wait times for EAPA have now reduced. Several case studies outline issues with the long wait times. However, even when the wait time is only two to four weeks, we have heard that this is an issue for people with anxiety disorders and/or have other concerns which means they end up forgetting about their application. As part of the EAPA review process we suggest consideration of how to reduce people’s anxiety regarding application and processing of EAPA, such as regular correspondence assuring people that their claim is still on a wait list or being processed and whether they need to take any action).
- Lack of identification and consideration that the NSW Photo Card be used for on-line applications for EAPA. (Lack of identification is also common in family violence situations, where identification documents are often kept by perpetrators as a way to control victim-survivors and their access to services, or victim-survivors flee their home without their documents. It is also difficult for people who are bed ridden to supply documents (and have long phone conversations). For people in family violence situations or who are bedridden, lack of identity documents is likely to be better dealt with in person or over the phone, which means it has been difficult during the COVID-19 lockdowns when many services have been moved online).
- Issues with paying bills by Centrepay (and bill smoothing) that mean people get into too much credit or do not pay enough to avoid high bills and it is difficult to determine the debt amount EAPA can be applied to.
- Providing EAPA in \$50 increments means people might miss out on significant amount of assistance. In this case, as well as issues with bill smoothing, the value of flexibility in the provision of EAPA and a focus on better outcomes for recipients should be considered.

## 1.2 Preliminary research findings – payment harms

In the second part of this submission, we have drawn together quotes from the interviews conducted to date from our joint research project with Australian Communications Consumer Action Network (ACCAN) exploring payment harms. The interviews with community workers and consumers highlight the types of issues people are experiencing when paying their energy bills and provides context for how debt is accumulated and becomes unaffordable.

The interviews with community workers included the following themes:

- Lack of income, often combined with other difficulties, lead to affordability issues. The impacts of COVID-19, such as job loss, have also caused difficulties for households.
- The top issues identified for people paying their energy bills were:
  - Understanding bills and usage;
  - Large households with bills in one person’s name;
  - Income isn’t enough to cover the cost of energy;

- There are also issues of high usage due to energy inefficient housing and appliances. Social issues such as domestic violence are often making it even harder to pay.
- Direct debit can work for some people, but can often be harmful and its use needs to be assessed carefully.
- Community workers are seeing an increased use of unregulated and lightly regulated credit products such as Buy Now Pay Later (BNPL) products and Payday Loans. These products help people make ends meet in the short term, but end up costing people more and can multiply financial stresses without a recourse to regulated assistance and support. Their use in energy should be seen as hidden or shifted energy debt.
- Centrepay and bill smoothing help some people but the payment amount needs to be carefully considered and able to be reassessed and changed flexibly over time. The uneven nature of energy bills means some people have problems paying too much and going into credit and being unable to access that money they need. At other times people experience the converse where the regular payment amount is not enough and the consumer experiences bill shock. People should not be pressured into agreeing to unaffordable payment amounts which cause them harm and should have the ability to easily alter arrangements according to what is sustainable.
- Quarterly billing is difficult for most people to budget for and increases the risk of slipping into payment difficulty.
- A 'disadvantage surcharge' where additional fees are added to people's bills, making them even more unaffordable. The confusing nature of bills could lead to people just paying the bill rather than disputing the charges, because they don't understand it. EAPA should be able to be applied to these (and all fees) as they contribute to the unaffordable cost of energy for many households.
- The hidden hardship people experience in order to afford to pay their energy bills. This includes going without proper food and other basics needed for their wellbeing. Some people turn to credit products to make ends meet, exacerbating their situation. These hidden harms shift costs away from energy retailers but have a negative impact on the individuals as well as our broader community, such as in our health system. EAPA – or other government supports - should be able to be easily applied to people in these circumstances, recognising that the energy component of people's financial difficulty may be understated.
- The hurdles faced by people in crisis seeking help, with expectations that people should advocate for themselves when they are least able to do it. Improvements to accessing EAPA could help alleviate this problem, such as reducing the application steps (including having short cuts for the re-application process), lower literacy expectations, and making it an empowering process to get help, rather than a shameful one. Options to include proactive offers of EAPA assistance to people at imminent risk of disconnection (via in-person disconnection pre-visits which are already occurring in Essential Energy's and Endeavour Energy's network areas and being trialed in Ausgrid's network area) should be considered as an example of more proactive means of offering EAPA and other energy supports.

- That EAPA is often not enough to make debts manageable. This raises the issue of whether EAPA caps are sufficient or whether there is a need for EAPA to be available on a more ongoing basis for households whose need and circumstances require it.

The interviews with consumers included the following themes:

- Different payment types suit different people at different times. Some people like paying by BPAY so they can control the amount and when they pay. Others like direct debit because it is set and forget. Others still would like to reduce their life admin by utilising direct debit, but their circumstances mean they cannot manage it.
- People report getting late fees due to lack of certainty of the due date. There are others who paid on the due date but were charged fees due to the delay in processing payments. Late fees disproportionately penalise people who live pay to pay and cannot afford to easily pay bills outside their own pay cycle. This further highlights that late fees exacerbate affordability issues and should be considered part of the bill, with EAPA able to be applied to them.
- Energy is the most commonly cited bill causing stress and concern, due to the large and fluctuating amounts.
- Many people explained complicated budgeting strategies to manage their bills. Many people juggle their bills and go without other things they need to afford them, disguising or shifting substantial payment difficulties. These people are unlikely to consider themselves 'in hardship' at any particular point in time, as financial difficulty is their usual experience.
- Many people see credit products as appealing and there seems to be little awareness of the pitfalls. For example, \$6/week fees are often considered reasonable. The popularity of these products is evidence that people need extra money to help cover expenses at certain times and people are attracted to the small payments they can make to pay them off. There could be a role for governments to provide small, interest free loans, in a positive, easy to access way to help people cover expenses without going into debt.
- Centrepay can be both helpful and an administrative burden and stress that is hard to manage and can contribute to financial difficulty when mistakes are made.

### **1.3 Save4Good insights into energy affordability barriers**

All Sustainable Futures (ASF) undertook a community led sustainability initiative in Port Kembla called Save4Good. The program included home visits to help households and small businesses reduce greenhouse gas emissions and their energy bills. Many of the households they assisted were on low incomes and ASF negotiated a better retail deal for them. They have provided PIAC with feedback about some of the poor outcomes they witnessed households experience. We include these in this submission to further highlight the payment difficulties people on low income experience and the barriers they face in having more affordable energy bills. These issues are relevant to the EAPA review in indicating how arrears can accumulate and escalate through no fault of the household, often without a clear 'emergency' cause. These issues include:

- Long call wait times with retailers that discourage people from resolving issues, and which are too long for interpreter service. Wait times are often impossible for the many households with low incomes who have pre-paid mobile phones.
- There is little awareness that hardship programs exist (even from some retailers) and it is hard to get into them, and often dependent upon the service staff contacted.
- People are unaware they need to regularly re-negotiate their energy deal to receive a reasonable offer, and have barriers to re-negotiating including language, communications equipment, health and disability issues.
- Arrears were usually between \$1,800 and \$3,500, much higher than available EAPA amounts.
- Poor thermal qualities of homes mean people suffer from temperature extremes to keep their bills down, yet high fixed charges mean their bills are high anyway.

## 2. Case studies

These case studies have been provided to PIAC by Financial Rights Legal Centre, Wesley Mission, St Vincent de Paul Society and from energy advocate Iain Maitland who assisted a person experiencing payment difficulty in his personal capacity. They are examples of the common issues people face when accessing EAPA.

For each case study, we have included comment (in italics) about where EAPA worked well in the circumstance and where and how it could be changed to improve outcomes for people in similar situations. These comments are from PIAC, not from the organisation who provided the case study.

All names in the case studies have been changed. Please contact PIAC if you would like further information about any of the case studies.

### 2.1 EAPA working well

#### **Marie<sup>1</sup>**

Marie is a single women, age 61 and living in public housing. She receives the Disability Support Pension. Marie had high medical bills which made it difficult for her to meet her electricity expenses. Marie sought help from Wesley Mission where a financial counsellor helped her get EAPA. EAPA covered most of her electricity arrears which meant that she could afford to attend a specialist for her medical needs.

#### ***PIAC comment***

*Marie fits well into the purpose of EAPA with a short term crisis creating a temporary electricity payment difficulty. Accessing EAPA meant she could re-direct her money to ensure she could meet her medical needs.*

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<sup>1</sup> Case study provided by Wesley Mission

## **Sylvie<sup>2</sup>**

Sylvie was named the executor of her aunt's will when she passed away. Unfortunately, because Sylvie was on the Disability Support Pension, she couldn't afford the \$14,000 probate fees (she was saving up) to get the estate handled by the government for distribution.

In the meantime, she was responsible for paying all the household bills that were still in her aunt's name. They could not be changed to her own name due to legal reasons with the probate.

St Vincent de Paul contacted her energy retailer to explain the situation and request assistance with an extension with payment on the bill. \$250 of EAPA was used assist with reducing some of the bill. Sylvie was also put on an affordable payment plan for future bills. St Vincent de Paul also referred her to Legal Aid to help her with the estate issues and advised her to keep receipts of the bills she was paying to claim against the estate once it got to probate.

As of last year, the probate has been finalised and the client is now able to afford her own expenses.

### **PIAC's comment**

*EAPA was successfully used to assist Sylvie overcome a short term payment difficulty and helped her manage her aunt's estate until probate.*

*St Vincent de Paul were able to assist with EAPA and also refer to other services to help her get in control of her finances and situation.*

## **2.2 Current EAPA support not enough**

### **Sunitha<sup>3</sup>**

Sunitha is a single mum, aged 43. She lives in private rental accommodation and receives the Parenting Payment. She has a child with special needs.

Sunitha lost work due to COVID-19 and for taking time out from work to address her child's behavioural needs. Sunitha's daily energy use is about double the usual amount for a household of the same size.

Wesley Mission helped Sunitha get EAPA which reduced her energy bill from \$730 to \$330. However, after a financial counsellor completed the family budget with Sunitha, there was still a budget deficit of over \$400 per fortnight, before other debt repayments.

The financial counsellor assisted in getting some smaller debts waived (tolls and phone), and payment holds placed on larger debts. Credits were given by Sunitha's telecommunication provider. Food vouchers and Kmart vouchers were also provided to Sunitha to help meet her cost of living expenses and to redirect money that would have been spent on food to make payment towards her energy bill.

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<sup>2</sup> Case study provided by St Vincent de Paul Society

<sup>3</sup> Case study provided by Wesley Mission

## **PIAC's comments**

### **EAPA not enough to get back on feet**

*Sunitha's financial problems were somewhat alleviated by EAPA, but with no other way to repay her energy debt, it took support and assistance from a financial counsellor at a community organisation to provide her with wrap-around support to help her get back on her feet. This assistance helped but involved a range of one-off measures.*

*Despite clearing immediate debts, it will be hard for Sunitha to sustain her circumstances because she is so reliant on income support. It is likely Sunitha will accrue energy debt again. This is an example where \$300 is not adequate to restore energy cost sustainability and help people get back on their feet, particularly in the context of the other debts people often face.*

### **EAPA for electricity and gas**

*We are not aware whether Sunitha also has gas, but this appears to be an example of where the \$300 that could have gone to a gas debt could be redirected to her electricity so that \$600 could have done towards her \$730 debt, leaving \$130 to repay. That is, instead of \$300 being available to be put towards electricity bills, \$600 be available flexibly for energy bills, with the EAPA provider working with the client to work out the best use of EAPA for that clients' circumstances. Consideration could also be given to scope the use of EAPA funds to address long term energy related issues, such as efficiency of fixtures and appliances.*

### **Future assistance**

*Sunitha received assistance from Wesley Mission beyond her energy bills which meant she was better able to pay down her energy debt. However, given her circumstances and her limitations to seek paid employment due to her caring duties, Sunitha's situation would have been better addressed if she was given wrap around support to manage her energy needs by:*

- *Eliminating her debt (by EAPA or a combination of EAPA and retailer payment matching);*
- *Payment plans and/or smoothing from her retailer on their best possible offer for her; and*
- *Energy efficiency advice and financial assistance towards upgrades (such as a combination of the Energy Saving Scheme and appliance replacement, including potential solar installation), to help improve her financial sustainability long term.*

*This would help Sunitha keep her energy bills manageable, whilst ensuring she and her child can stay healthy.*

## **2.3 Delays in processing EAPA and the amount of EAPA**

The following case studies show the impact of delays in processing EAPA. Please also see 'Ryan' below, whose detailed case study covers many issues with EAPA.

### **Frank<sup>4</sup>**

Frank contracted COVID-19 early in the pandemic and was in hospital for a few weeks. During that time he did not get paid so he fell behind with his bills.

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<sup>4</sup> Case study provided by Financial Rights Legal Centre. Case study code: C204898

Frank is only concerned about his electricity bill. He entered into a payment arrangement with his retailer and they sent him a link to get EAPA vouchers to reduce his debt of \$800. Frank used the link to apply for vouchers and provided a copy of his bills and his personal details, but has not heard back and he has not been notified if he qualified for the vouchers.

Frank has now recovered and is working again, but he no longer has the link on his phone and he is unsure how to find out if he received the vouchers or if they were credited to his account. If the vouchers were not credited to his account he will have to apply for them again, but he may not qualify now that he is working again.

### **PIAC's comment**

#### **Communication about wait times, assessment, processing and outcome of EAPA**

*Delays in processing Frank's EAPA placed unnecessary stress on him during a stressful time recovering from illness. We understand that this issue has now been remedied by OECC. However, regardless of the amount of time, it should have been a straight forward process for Frank to know whether EAPA has been processed and applied to his bill. Regular communication (such as via text and email) about the status of his application and reassurance that he does not need to do anything further or notifying him if does need to do something. Providing this communication in at least two formats would help in crisis situations where communications can get lost, mobile phones can get cut off etc. This communication would have helped relieve some of Frank's stress.*

#### **High debt amount**

*Frank's debt was significant. Given the timing, he may have been eligible for the increased EAPA maximum of \$400. If he had a gas account, Frank did not indicate a problem with paying it. This would be a situation where the amount that would have gone to a gas account could have gone to his electricity debt (ie \$800 could have gone to an energy debt, not evenly split between electricity and gas), which, if it was at the increased rate, would have cleared Frank's debt and helped him get back on his feet again as he managed his recovery.*

### **Nick<sup>5</sup>**

Nick was very upset when he called the National Debt Helpline in late 2021. He has worked all his life but is currently unable to work because he is waiting to have an operation. Nick's operation has been cancelled twice because of COVID-19. Nick has no family support and he is struggling financially. His only source of income is JobSeeker.

Nick has an outstanding energy debt of \$400 which he cannot afford to pay. Nick applied for EAPA vouchers via Services NSW and they advised that the application will take 6-8 weeks to process. Nick's retailer has agreed to place the account on hold pending the EAPA application, but he was told he will need to see a financial counsellor.

Nick believes that no one will help him and he does not know where to go since he cannot afford to pay this bill. He is distraught about the six to eight week wait period to get energy vouchers.

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<sup>5</sup> Case study provided by Financial Rights Legal Centre. Case study code: C222091

### **PIAC's comment**

#### **Communication about wait times, assessment, processing and outcome of EAPA**

*Similar to Frank, EAPA should be designed to alleviate people's stress in times of crisis, not add to the uncertainty and anxiety. Even without the very long wait times that occurred during the COVID-19 lockdowns, regular communications regarding his EAPA application (as outlined in comments to Frank's situation) could have helped Nick know that help was coming.*

### **Allison<sup>6</sup>**

Allison is on a bridging visa and is struggling to find any community organisations in her area which issue EAPA vouchers. The St Vincent de Paul Society in her local area no longer issue them and Services NSW is taking 8 weeks to process applications. Allison's income is less than JobSeeker and she is struggling. Allison will try the Salvation Army in the next town over, which is about 170km away and a 2 hour drive.

### **PIAC's comment**

#### **Accessing EAPA and wait times**

*EAPA should be easy to access for people in times of crisis. We are pleased to hear that wait times for processing EAPA have decreased. However, many people need face to face services and we have heard other concerns about the lack of these options in many communities, including in metropolitan areas (for example, see Ryan's case study). Even when there are services, they may be hard to get to due to lack of transport (or lack of funds to access it), disability or caring responsibilities. We have also heard that where services do exist, their hours are often limited. Combined with the retailer call waiting times and the time taken to address complex issues with retailers, the number of clients who can be assisted during these opening times is limited. The online Service NSW model works well for some people with relatively simple needs (such as those who fit easily within the current criteria), but others with more complex needs or circumstances often prefer to speak to someone in person who may be able to help them with other supports and services that they will need to address their substantial issues.*

## **2.4 Long term issues and complicated needs**

### **Patricia<sup>7</sup>**

Ellen called the National Debt Helpline from an Aboriginal medical facility attached to a local land council. Ellen called for assistance with a patient, Patricia, who had a \$12,000 energy bill and wanted to understand what steps could be taken to assist her. Patricia has a child with a terminal disability, has seizures and requires air conditioning to regulate her condition.

Financial Rights Legal Centre told Ellen that Patricia could apply for EAPA vouchers every six months, but Patricia told Ellen that this would be hard for her since she needs to have her daughter with her because she is in a wheelchair and has 24/7 care needs. Ellen explained that Patricia will likely be overwhelmed and exhausted and need understanding and support from whatever service she goes to for EAPA vouchers.

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<sup>6</sup> Case study provided by Financial Rights Legal Centre. Case study code: S254822

<sup>7</sup> Case study provided by Financial Rights Legal Centre (case study code: S274644)

Ellen should also support Patricia to enter into a hardship plan with her energy provider which prevents disconnection and try to get them to agree to a payment matching plan. Ellen should make sure Patricia has all the rebates and discounts available applied to her bill.

However, even with all of that in place, it will be challenging to reduce a \$12,000 bill especially while caring for a disabled child.

### **PIAC's comment**

#### **Very high debt and long term crisis**

*EAPA is currently not enough to help someone like Patricia who is in a complicated situation with a debt of this magnitude. Patricia is in a crisis but it is a long term crisis. Her retailer should not have allowed her debt to grow to the size it did. It is unlikely that Patricia will never be able to pay back her debt, and, given her daughter's needs, it is arguable that it is unfair to add such a debt to her worries. Given her daughter's medical need for air conditioning and Patricia's limitations in having paid work (and probably very poor energy efficiency of her home), it is likely that Patricia's ongoing energy costs will also outstrip her ability to pay for it, causing her debt to mount.*

*OECC should consider the scope for the EAPA platform to identify and assist people in extreme debt and/or with entrenched and ongoing payment difficulty and affordability issues. All instances of extreme debt such as this should involve investigation (either directly or through co-ordination with the AER) into the circumstances of the debt and potential retailer responsibility. Long term assistance could be on-going EAPA, without the need for regular application (potentially with periodic review), requirements for retailers to match EAPA payments to help wipe the debt, and assistance with managing future energy needs. Patricia should be provided with energy efficient ways to maintain the temperature of her home to help her daughter's health. This could combine an efficient air conditioner (perhaps via the Energy Saving Scheme with assistance to pay the gap fees) and combined with a program to improve the thermal issues of her dwelling.*

### **Noel<sup>8</sup>**

Noel is a 62 year old single man who lives in social housing and receives the Disability Support Pension. Noel has been assessed as living with significant psychiatric issues. This leaves him with impulse control issues and difficulty understanding the consequences of his actions; unhelpful thoughts and behaviours; and unhelpful beliefs and assumptions.

Noel does not seem to have family or friends to support him and has experienced incarceration.

Noel's condition means he has difficulty problem solving, determining consequences and making appropriate financial decisions. For example, on two separate occasions, his financial counsellor suggested he utilise a Work and Development Order (WDO) to reduce his fines with Revenue NSW (approximately \$3,000 owing). Through this program, if a person is unable to pay off their fines, they can enter WDO and do volunteer work/counselling/rehabilitation/medical treatment etc. in lieu of paying their fine. The program is free. Some activities such as seeing a psychologist, will take \$1,000 per month off a person's fines. When the financial counsellor suggested this program to Noel he refused, seemed offended that it would be suggested, got frustrated and angry, and also refused to let the financial counsellor speak to his psychologist

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<sup>8</sup> Case study provided by Wesley Mission

about it. Instead, he pays about \$20 per fortnight (which he cannot afford) towards the fines to avoid legal action commencing.

Noel has not been experiencing a sudden crisis, but his ongoing mental health issues means that he has difficulty managing many aspects of every day life, including managing bills. This leads him to feeling stressed when bills arrive and the stress exacerbates his mental illness. This results in challenging behaviours which makes it difficult for service providers to assist him.

Wesley Mission applied for EAPA for Noel under the Exceptional Circumstances provision, but it was declined because he does not fit the criteria of having 'a sudden emergency or financial crisis.'

Noel has an electricity debt of \$523 and his usage is gradually increasing. This might be explained by COVID-19 and stay at home orders, but it is difficult to talk about energy usage with Noel, so it is hard to determine why his usage is going up.

Noel has received EAPA in the past and each time he paid the balance after EAPA was applied. He may have been expecting that he would get EAPA again.

His financial counsellor is not aware of his energy retailer putting in place any payment plans or offering any other assistance.

Attempts to discuss his budget, help him reduce his expenses etc is met with silence, anger or threats.

Noel has been left with his \$523 energy debt which will be exacerbated when he receives his next energy bill which is likely to lead to further stress and anxiety for Noel.

Noel has a constant fortnightly budget deficit of over \$1000.

### **PIAC's comment**

#### ***On-going payment difficulty and little or no capacity to address the issue***

*Noel has not experienced a crisis but has an on-going mental illness which means he cannot manage his energy bills (and likely not his energy usage either). Noel's condition means it is difficult for community agencies to continuously provide him assistance and they are unlikely to have the resources to do so. Noel's situation is not unique and EAPA is not designed to help people like him who experience on-going payment difficulty. He is undoubtedly experiencing circumstances that assistance programs should recognise as needing support, yet he is left to cope with mounting debt, the stress of which exacerbates his condition.*

#### ***Energy bills treated like rent and water bills in social housing***

*Noel lives in housing owned by NSW Land and Housing Corporation where his rent and water is paid directly from Centrelink and based on his capacity to pay. One solution for people in situations similar to Noel's would be for his energy bill to also come straight from Centrelink, via NLHC, just like his water bill is, and based on his capacity to pay. As the owner of the property, NLHC is in the best position to keep energy costs down by installing energy efficiency appliances and fixtures.*

## **2.5 Timing issues; access to an EAPA provider; comprehension of the EAPA application process; difficulty having an advocate act on someone's behalf; EAPA amounts in \$50 increments**

### **Ryan**

Ryan is on Jobseeker and has applied for the Disability Support Pension (he has been waiting over a year for this to be assessed). Ryan had cancer and is in remission. He developed epilepsy and has an ongoing eating disorder. He has a thermal control condition as a result of his radiation and chemotherapy treatment.

### **Problems getting Centrepay payment amounts right**

Ryan was in his retailer's hardship program and had an arrangement to pay \$40/ fortnight on his electricity bill via Centrepay. However, this led to over \$700 credit which was not able to be put towards his gas bill, which he has with the same retailer. Ryan then reduced his Centrepay amount on electricity to \$25/fortnight so the credit amount went down to zero. Confusingly, his retailer then sent threatening letters indicating he had to pay more to stay in the hardship plan to cover his usage. Ryan exited the hardship program because it was too difficult and stressful, but continued to pre-pay his electricity (\$35/fortnight) and gas (\$15/fortnight) using Centrepay.

In October 2021, Ryan received an electricity bill of \$350, which he could not pay. He was feeling too stressed to deal with this bill and asked an energy advocate he knew to do so on his behalf. The advocate organised for an extension of payment to give Ryan time to apply for EAPA. Despite this, soon after, his retailer wrote to him demanding he pay the outstanding amount or face collection activities/disconnection.

### **Initial attempts to get EAPA**

Ryan then attempted to get EAPA. He approached three community providers (the Greek Welfare Centre in Newtown and two Salvation Army locations), but due to COVID-19, none of the centres had anyone available to help him. They suggested he apply online. So, Ryan contacted Service NSW, but they required a current photo identity document which he didn't have. Ryan's drivers licence and passport had both expired and he did not have the money to renew them and his medical condition meant he could not drive anyway.

Ryan's advocate notes that the online EAPA application form would have been almost impossible for Ryan to complete himself because it was very long and very complicated. He explained that the form required high level reading and comprehension skills in reading bills as well as a reliable internet connection. Service NSW indicated there would be a four to eight week approval process, but this was far too long for the current bill extension.

### **Back to the retailer**

Ryan's advocate then called the retailer again, to see whether Ryan could go back into the hardship program. The call took 90 minutes. His advocate found out that Ryan's Centrepay payments had reduced the electricity debt to \$256. The ongoing Centrepay payments would mean Ryan would need to wait for his January bill to find out what the debt amount was to know how much EAPA he would apply for. The retailer had no record of the letter of payment demand being sent after the payment extension had been organised.

The retailer offered to put Ryan on better offers for both electricity and gas and to go on a three month payment plan. The retailer wanted the payment plan to be \$49/fortnight but his advocate helped lower this to \$35/fortnight because \$49/fortnight would have covered more than current usage. The retailer also put a hold on the debt so Ryan could apply for EAPA. The \$256 debt would not be payable until March 2022, when the 3 month payment plan would end. Ryan received details of the program and the new plan in the mail, but he had difficulty understanding it.

### **Back to the retailer, again**

The January bill they needed to receive to find out the debt amount was not received. Ryan's advocate contacted the retailer and after the retailer initially could not even find the account, Ryan's advocate was told that Ryan's bill had been sent with an outstanding amount owing of \$217.

Confusingly, the amount now owing was less than the amount they were previously told was owing (\$256), which they were told at that time would be the amount payable at the end of the three month plan. The retailer confirmed that the amount owing had reduced to \$217 from \$256 via the Centrepay arrangement.

After discussion, the retailer said they would request the Centrepay amounts be re-directed to the gas account and Ryan taken off the payment plan for electricity because of the complications with not being able to determine what the debt is when it is being reduced by fortnightly payments to Centrepay.

### **Back to the EAPA application**

Now that they knew the debt amount, Ryan's advocate sought to apply for EAPA on Ryan's behalf. After initial inquiries implied that his advocate could not apply on Ryan's behalf, a phone call with Service NSW indicated it was possible. A three-way call was set up between Ryan, his advocate and Service NSW so that Service NSW could verify Ryan's identity using his birth certificate and Medicare card and to verify that his advocate could act for him. Ryan's advocate explained the many problems they had with the retailer (not all of which is captured in this case study). The Service NSW officer provided good customer service and finally the EAPA application was lodged in February.

An email was received to set up a time to go through eligibility for EAPA. There was no mention about Ryan's advocate having to gain permission to act on his behalf again so the meeting was set up, but then Ryan's advocate was informed that permission would again be required. Ryan's advocate arranged for the EAPA officer to call Ryan to get his permission. Ryan's advocate then detailed Ryan's medical issues and financial constraints. The EAPA officer then contacted the retailer to confirm the amount owing.

Eventually, the retailer confirmed the current outstanding amount was now \$147.89 after the time lag in accessing EAPA, so only two \$50 EAPA vouchers were applied to the bill.

### **Next bill**

Ryan's advocate asked the EAPA officer what would need to be done when the next bill came as it would not have been pre-paid using the Centrepay payments. He was told that all the previous

work would need to be done again. They explained that confidential data was kept but would need to be recaptured for the next application. They explained that Ryan could complete a form to give permission prior to the application, but a full eligibility assessment would be required each time EAPA is applied for.

Ryan remains very worried about his electricity bills and has been cutting back on his usage as much as he can. He is particularly worried about his next winter bill.

PIAC's comment

### **Ease of access**

*Unlike the other case studies, this case study was submitted by a person who is used to advocating on energy policy issues, but does not generally work one on one with clients experiencing problems affording their bill. There are numerous instances in this case where an applicant would likely have given up, assuming that it was impossible to progress or simply not worth the time, effort and difficulty. While this is a particularly complex case, it is indicative of the many ways the current EAPA system can fail those who should be able to be assisted. It highlights the particular difficulty of accessing EAPA when a person experiencing payment difficulty is not familiar with the system and even how complicated and confusing it is when someone acts of their behalf who understands the language of energy and government systems. In order to be successful, self service systems need to be easy to access, understand and a manageable length.*

### **Identification**

*Hopefully access to in-person EAPA applications will increase as safe systems are set up to deliver EAPA services despite high levels of COVID-19. This will assist people like Ryan who do not have the identification documents to prove his identity on-line and need assistance to make the application.*

*Lack of identification is an issue raised by a number of financial counsellors and community workers. They explain that whilst a NSW Photo Card is not able to be used as identification, it is often the only photo identification people have. Given that the forms and number of proof of identification documents required to get a NSW Photo Card are the same to get a drivers license, accepting this as a form of identification would help smooth the process for many people.*

### **Centrepay and timing issues**

*This case study particularly shows the issues people have when they are pre-paying their bills via Centrepay (or indeed, other methods such as bill smoothing or making regular payments via BPAY). This creates timing issues and anxiety for people who do not know how much their debt is and an inability to sort the debt out. Ryan might have been able to get \$300 in EAPA vouchers if he had been able to apply – and receive – EAPA when the first bill he could not pay was received. Despite Ryan's genuine efforts to stay on top of his electricity bill using Centrepay, he ended up only getting \$100 in EAPA. \$200 for someone in Ryan's situation is a significant amount of money. In addition, given his health issues, cutting back on his energy use to manage his electricity bills should not be required. Greater flexibility in the EAPA system could help avoid these unintended barriers and burdens.*

### ***An already stressful situation made more stressful***

*Ryan experienced significant stress through this process. Dealing with his retailer (as above, not all of the problems he and his advocate had were included in this case study) and with the EAPA system was confusing and overly complicated. Staying in a hardship program and using Centrepay should help smooth the process to access EAPA (and other supports), not make it more difficult and costly.*

### ***\$50 increments***

*This case study also highlights the problem of issuing EAPA in \$50 increments. Ryan's final debt was \$147.89 and instead of receiving that amount, it dropped down to \$100. It is not necessary to require EAPA in \$50 increments when the system is digital.*

## **2.6 Closed Accounts**

### **Adriana<sup>9</sup>**

Adriana is a single woman, living in private rental. Her age is unknown. Adriana lost her job and moved house because she could no longer afford the rent. She is receiving JobSeeker and it is not enough for her to meet her living expenses, including her energy bill.

Unfortunately, Adriana did not qualify for EAPA as she had just moved out of the property where the bill was addressed to, and the account was closed.

Adriana was provided with contact information for services in her area who provide food vouchers but had to manage her energy debt herself.

### ***PIAC comment***

#### ***Help for people with closed accounts***

*Closed accounts are still valid, energy related costs. People often close their energy account because they move for forced reasons, such as leaving a family violence situation or being evicted (including due to rent increases and no-grounds evictions); move for sensible reasons, such as moving somewhere cheaper, moving for a job opportunity or moving in with a parent when a job is lost; or to switch retailers to get a better deal. Unfortunately, this means that their previous retailer does not have to provide them with assistance and their debt will be sold for recovery. These are legitimate reasons for closing an account and should not mean that people are unable to access EAPA for their energy related costs to help them through their financial crisis.*

## **2.7 Not getting the help they need from the retailer**

### **Shona<sup>10</sup>**

Shona is a single women, living in private rental. She is 56 years old and works part-time. Shona had a reduction in working hours which resulted in her being unable to afford her living expenses and she went into rental arrears.

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<sup>9</sup> Case study provided by Wesley Mission

<sup>10</sup> Case study provided by Wesley Mission

Shona contacted her energy provider to get help with her energy debt. Shona was earning \$600 per week after tax and the arrangement presented by the energy provider to pay back her arrears and manage her on-going usage was \$200 per fortnight. Shona was concerned about being disconnected so agreed to the arrangement, even though it was not manageable.

A Wesley Mission financial counsellor arranged EAPA assistance for Shona and renegotiated a repayment arrangement to pay the balance back at \$30 per fortnight.

#### **PIAC Comment**

*EAPA and a financial counsellor were required to help Shona have a more manageable debt and repayment plan. The energy retailer did not provide her with a sustainable repayment plan or other assistance, despite her circumstances. This should have been done before she sought EAPA. In circumstances like this the lack of appropriate retailer assistance contributed to the problem faced by the client, additional EAPA assistance (beyond the standard amount) should be available to help clear debts. Consideration should be given to requiring retailer contributions to debt clearance, such as through recalculating debt on the 'best possible offer' or writing off all or part of the remainder of the debt.*

## **2.8 Embedded Networks**

### **Rob<sup>11</sup>**

Rob has an electricity debt but was unable to obtain EAPA vouchers because where he lives has an embedded network where his electricity account is shared amongst other dwellings.

#### **PIAC Comment**

*Many people in embedded networks are unlikely to have the option to access their energy from a market retailer and many cannot alter their tariffs or access supports or raise issues with their provider. Many people in embedded networks, particularly residential parks, nursing and retirement homes and social housing developments, are likely to have lower incomes and be in extremely vulnerable situations. The potential for harmful impacts are significantly higher for residents in embedded networks, both because of their personal circumstances and their limited access to supports and protections. Like people living outside embedded networks, people living in embedded networks should have access to EAPA to help them afford their energy bills to avoid mounting debt or going without essential energy or other essentials such as food and medicine in order to afford their energy bill.*

## **3. Payment harms research**

PIAC has been undertaking research with ACCAN to understand what payment harms people experience to pay their energy and telco bills. This research is relevant to the EAPA Review because it provides background and context into how people pay their energy bills and their other expenses, what they do to afford their bills and how bills accumulate. Particularly concerning are the hidden payment difficulties where people cut back on healthy food and other health and wellbeing needs, including heating and other energy needs. It also demonstrates the growing popularity of credit products and how these are filling a short-term affordability need for people, even though in most, if not all cases, they create a bigger longer-term problem. They indicate that

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<sup>11</sup> Case study provided by Financial Rights Legal Centre (case study code: S277692)

energy debt is much larger than what we see as debt with retailers and that the costs of not being able to afford energy shift elsewhere – to the individual and to the broader community, such as in the health system. The research demonstrates why the current rigid EAPA system needs to be more flexible to carefully consider people’s broader circumstances and behaviour.

Questions asked as part of an omnibus survey helped determine who to target for the interviews with consumers. 30 interviews have been conducted, split between the following groups:

- First Nations people;
- seniors on low incomes (mostly pensioners);
- people from CALD communities;
- people living with disability; and
- 18-29 year olds in precarious employment.

The research is being undertaken by Action Market Research (AMR) and is aiming to determine whether people are experiencing harms when paying their energy (and telco) bills. Initially this is exploring:

- The extent of late fees when people pay their bills late.
- How people use credit products to help afford their bills. This includes using unregulated and lightly regulated credit products and how these might be disguising payment difficulty.
- Whether there are any harms when people bundling their services, eg energy, telco and insurance.
- What do people do to afford their bills, such as rationing energy, going without other products or services etc.

Below are preliminary results from in depth interviews with community workers and consumers. These quotes are taken from participants. We also include summary analysis based on AMR’s commentary on the interviews with PIAC’s interpretation and suggestions for policy solutions. People were interviewed from across Australia. We have mostly included quotes from community workers and consumers in NSW, but where relevant have include quotes from people outside NSW. The jurisdictional location of the community worker and consumer is included after each quote.

Once further research has been done, PIAC will provide further insights to OECC, which may be useful for the EAPA Review.

### **3.1 Interviews with community workers**

#### **3.1.1 Key factors facing people when it comes to managing their finances**

A combination of lack of income, often combined with other difficulties leads to affordability issues. The impacts of COVID-19, such as job loss, has also caused difficulties for households.

“There’s always issues of lack of income to meet the utilities that are required to live in a comfortable, reasonable manner. Particularly if they’re on any sort of Centrelink benefits, from aged pension to out of work.” – Financial Counsellor, NSW

“Almost always it's financially disadvantaged people, but there's always an underlying reason for it... some sort of health issue or domestic violence or even just they're new to the country; there's always something that goes on.” – Financial Counsellor, NSW

### **3.1.2 Top three issues for paying energy bills**

The top issues identified for people paying their energy bills were:

- Understanding bills and usage;
- Large households with bills in one person's name;
- Income isn't enough to cover the cost of energy;

There are also issues of high usage due to energy inefficient housing and appliances and social issues such as domestic violence making it even harder to pay.

“For large households, in the CALD area or identify as ATSI, a lot of people can be sharing a household and the bill is under one name, the expense can be quite high.” – Financial Counsellor, NSW

“I think one issue is that a lot of people that are getting in trouble are in social or community housing, which is under insulated and not made for the environment they live in. So, therefore their bills actually end up being more expensive, yet they're on the lowest income. And they're destined to fail.” – Financial Counsellor, NSW

“For the energy side, electricity prices, and to an extent gas prices, are way too high.” – Financial Counsellor, NSW

“People don't have a good idea of what their usage is, especially around things like air-conditioner and how expensive that might be.” – Financial Counsellor, NSW

“... They don't understand the energy bill. The bills are complicated and it's not always clear to them that it might be the fridge down the back or maybe their meter's not working...” – Financial Counsellor, NSW

### **3.1.3 Issues with payment types**

#### **Direct debit**

Direct debit can work for some people, but can be harmful for some people and their situation. Its use needs to be assessed carefully.

“Direct debit... is a big problem, especially when people aren't really realising how big their bill is going to be.” – Financial Counsellor, NSW

“I don't see an issue with a direct debit from a bank account if appropriate affordability assessment has been gone through, explained and check in at say 1-3 months later to make sure that it's working. But I see a problem with the difficulty of getting out of it when it hasn't been done.” – Financial Counsellor, NSW

## **Credit products**

Community workers are seeing an increased use of unregulated and lightly regulated credit products such as Buy Now Pay Later (BNPL) products and Payday Loans. These products help people make ends meet but end up costing people more.

“We’re starting to see a bit of the BNPL [Buy Now Pay Later] being used, which is a further problem and starts to mix it around other places. And that’s going to be a problem – they haven’t seen that quite yet, but I think that’s going to be a problem.” – Financial Counsellor, NSW

“Yes [I see people experiencing problems with payday loans]. People are accessing these things because they don’t have the money. It makes things seem cheaper than what they actually are...BNPL... Two issues [with BNPL]. One, they’re expanding into food, Woolworths and all that sort of thing, which they’re now using BNPL for essential living expense. Beforehand, you could pretty much say that BNPL was for wants and so it was an incentive for people to buy something they couldn’t afford. If the amounts are small and they’re kept small and they’re getting larger and larger now with their limits, at least there’s a forced repayment for a small amount over every 2 weeks.” – Financial Counsellor, NSW

“Probably not so much in mob [do we see problems with credit cards], probably because they don’t qualify. I see them turning to BNPL to cope. Or getting payday loans or wage advance to get through to the next month because of the unaffordable energy bill. I see they have an accumulative effect that happens. they know they have to pay the energy bill but they can’t afford the energy bill so they’ll get some BNPL food or BNPL something else or they’ll go get a wage advance, just to get through the month because maybe next month it’ll be better. Or they’ll get a payday loan... it’s unregulated credit products to get around – and that means the credit is so unregulated people are using them to survive by it... rather than reflecting on the core problem which is the cost of living for basic essentials.” – Financial Counsellor, NSW

“At least [BNPL] gets rid of the debt instead of credit cards building up over time.” – Financial Counsellor, NSW

“So, now they want to get off Defer-It, and to get off Defer-It they’ve got to go get a payday loan to pay the bill off for the whatever... and they end up paying the energy bill. Let’s say it costs \$500, now on top of the Defer-It fee, now on top of the payday lender fee, the bill is now twice the cost. So, if there was a much clearer path of “this is what it costs” or “this is what you’re affording or paying fortnightly”.” – Financial Counsellor, NSW

## **Centrepay (and bill smoothing)**

Centrepay helps some people but the payment amount needs to be carefully considered and reassessed over time. The uneven nature of energy bills means some people have problems paying too much and going into credit and being unable to access that money they need.

Similar to Centrepay, bill smoothing can be very helpful, but in the example included below we see the converse where the regular payment amount is not enough and the consumer experiences bill shock.

For Centrepay and other bill smoothing arrangements, capacity to pay need to be carefully accessed and regularly reassessed. People should not be pressured into agreeing to unaffordable payment amounts which cause them harm.

“I think it needs to be restricted to essential expenses rather than all types of expenses. I don’t mind Centrepay but it has to be affordable... I think they’re expanding it so they can put on pretty much all of it.” – Financial Counsellor, NSW

“I’ve found a lot of energy retailers, they love the Centrepay; straight from their [client’s] Centrelink incomes so they get their money [even over rent]. And to me, it is an issue because sometimes when they’ve got a direct debit in place for their power bill, I’ve come across clients who have got \$300-\$400 in credit and yet they’re still risking to be evicted from their house and they’re not even aware of it. And of course, the utilities don’t turn around and say ‘oh you’ve got 300 dollars in credit here, would you like it returned?’ because they usually set them up with the higher rate because they got into hardship and that doesn’t get changed again depending on the consumption, it just sits in Synergy’s [pockets] or any other energy providers’. I’ve had some with 6 or 700 dollars which would have meant the difference...” – Financial Counsellor, WA

“Centrepay is fine, provided research has been done in capacity for the person to have that taken out of their Centrelink income initially, because a lot of time they might struggle to pay their rent so they’ve got to be understanding of priorities.” – Financial Counsellor, WA

“What we’ve found is that while that [bill smoothing] might be quite useful in helping people manage their money, often there is a breakdown in communication and the person who’s received that offer believes that those direct debits are paying their bills. So, when there is a bill that later arrives because their energy usage exceeds the amount that were taken from the direct debit, there’s a lot of confusion and a lot of anger.” – Financial and Legal Aid Counsellor, VIC

### **3.1.4 Billing issues**

Quarterly billing is often difficult for people to budget for.

“The quarterly bill is not a good idea. Getting that huge whack every 3 months, it always comes as some sort of shock to people and they can’t afford it. Telecommunications tend to be on the monthly side, so less about that.” – Financial Counsellor, NSW

Community workers also see a ‘disadvantage surcharge’ where people on lower incomes and/or experiencing other disadvantage have additional fees added to their bills, making them even more unaffordable. Community workers also express how confusing bills can be, even for them to understand. This could lead to people just paying the bill rather than disputing the charges, because they don’t understand it. These fees punish people for their disadvantage. As well as working with energy retailers and rules to reduce their occurrence, EAPA should be able to be applied to these fees as they contribute to the unaffordable cost of energy for many households.

“We see fees for late fees. We see fees for the paper bill... If you’re remote, it costs a lot of money to get on the internet. Now, we’re going to charge you to get access to this bill because it’s going to cost you through internet to get it... The late fees and the missed direct debit and then the fees in the bank account because they’ve missed the payment, all those things mean the

cost... you can sit here and say, “the electricity only cost \$X”. Fact is, plus for Defer-It, plus the missed direct debit, plus the late fee, plus the paper statement fee. What’s the real cost? The real cost is if you are of lower income, if you are lower financial literacy and lower literacy, you will have the disadvantage surcharge.” – Financial Counsellor, NSW

“Yes [have seen late fees and extra payments for people who are not managing their bills]. They don’t usually tend to charge interest, until it gets to a certain point because it’s not necessarily consumer line. It’s usually late fees and then if it goes to debt collection, then all the debt collection fees get involved.” – Financial Counsellor, NSW

“We see it [unexpected fees or combinations of fees], we see bills especially which contain adjustments where it is not clear which aspect of the bill is an adjustment or back billing, this is in relation to energy and water, which aspect of this bill is an adjustment for the back bill and which one is for the current usage... And it’s very confusing. I’ve struggled to explain my clients bills to them sometimes.... Very, very hard to follow. And I think, in particular, in relation to energy and water or telco which has exceeded its cap, to actually understand what the charges are for and what each aspect of the bill is costing.” – Financial and Legal Aid Counsellor, VIC

Whilst the following quote is from a financial counsellor in WA, where the retailer does not operate in NSW, the interviewee highlights the issue with late fees in circumstances where people just can’t afford to pay. Adding a late fee, and additional late fees, does not act as a motivation to pay. It just makes an unaffordable bill more unaffordable.

“[Lots of fees on bills] I had in particular with Synergy, there were charges on there, I think by the time, they were threatening to disconnect this lady with children and by the time I went through all the fees and charges I could write off, because a lot of them are overdue charges. When a client comes to see a financial counsellor... a lot of the time they’ll write those fees off, and for this lady, it meant the difference of the power being on or being off because the number of fees that had been allocated to this account. In some ways, to me, I think the fee for overdue should only apply when you can clearly see the clients just not paying it and doesn’t want to pay it because for people in financial difficulty, doesn’t matter what fee you want to apply, you’re still putting the gate post further and further down the race. For someone to pay \$200, it becomes \$240. and then you can get a repayment rate and it’s just going to go up higher again.” – Financial Counsellor, WA

### **3.1.5 Bill prioritisation/Forgoing essentials**

Community workers reveal the hidden hardship people experience in order to afford to pay their energy bills. This includes going without proper food and other basics needed for their wellbeing. Some people turn to credit products to make ends meet, but this just exacerbates their situation.

People should not have to choose between eating and meeting their needs and paying their energy bill. EAPA – or other government supports - should be able to be easily applied to people in these circumstances.

“So, they’re going without. Usually, in the [First Nations] community, it means the mother is going without. The parent is going without. Because they’ll want the kids to survive, so they’ll go without food, they’ll go without basic shoes, they’ll put ... in the community, the parent will put their needs

last because the kids... they'll go around to food banks, they go around to get whatever assistance they can because that's how they afford it..."- Financial Counsellor, NSW

"Some clients cut down on their food, going hungry to pay for their bills. A lot of them, especially CALD clients, they might not know that there are hardship options and they might try to pay them at detriment to their other expenses." – Financial Counsellor, WA

"Well, a lot of the time they're not eating, so we do have options to do food hampers and food cards and that. If we can't always help with the bill, we will then give them food vouchers to then say, 'Use that money onto your bill and use these vouchers for food'."- Financial Counsellor, WA

"BNPL creeping into the energy market is allowing this hardship issue to be masked... and it means that the client, by the time they get to me, they've lost those protections of the ombudsman, they're now in trouble with BNPL, the energy providers not necessarily aware of the problems, so none of those potentially safeguards put there have been done and the energy situation needs to be a barrier on BNPL being used for these things." – Financial Counsellor, NSW

"The way you've got people like Defer-It out there, and I think Zip's gone down that path now too, which provide BNPL products that are marketed towards energy. So, what's happening is, 'oh bugger, I can't pay my energy bill. Oh, look there's Defer-It, I'll pay my energy bill'. All they're doing, that's we call it, deferring the problem. So, they're using it to pay a bill they can't manage to pay on fortnightly payment. But that means they're accruing the next bill and now they're in this endless cycling that they'll never get off the Defer-It. The energy provider can't see they're in a problem."- Financial Counsellor, NSW

"They're expanding into food, Woolworths and all that sort of thing, which they're now using BNPL for essential living expense. Beforehand, you could pretty much say that BNPL was for wants and so it was an incentive for people to buy something that couldn't afford."- Financial Counsellor, NSW

"So, now they want to get off Defer-It, and to get off Defer-It they've got to go get a payday loan to pay the bill off for the whatever... and they end up paying the energy bill. Let's say it costs \$500, now on top of the Defer-It fee, now on top of the payday lender fee, the bill is now twice the cost. So, if there was a much clearer path of "this is what it costs" or "this is what you're affording or paying fortnightly"." – Financial Counsellor, NSW

### **3.1.6 Accessing assistance**

Community workers highlighted the many barriers and hurdles people in crisis face, short-term and long-term. The system is set up expecting people to be able to advocate for themselves across many services at a time that their capacity to do so is much lower than usual. Improvements to accessing EAPA could help alleviate this problem, such as reducing the application steps (including having short cuts for the re-application process), literacy expectations and making it feel like an empowering process to get help, rather than a shameful one.

"There's also the inability, particularly because I've working with mobs, is knowing how to navigate the issues of hardship and the issues of getting help without taking extra barriers, extra

obstacles in their way... That'll be the third thing, people will call me because they're already in some sort of stress or issue and we're asking them to separate that emotion and navigate life. And it's just too much."- Financial Counsellor, NSW

"Once they've reached that crescendo and they're finally recaching out, they're [the providers] setting them up to fail again... rather than getting them an immediate referral to something... We're going to break them by making them ring an energy provider, ring a financial counsellor, now you've got to ring EAPA provider, now you've got to ring Centrelink. So, if you weren't already so close to an emotional breaking point already, we're going to give you five jobs to do so that you can really feel really depressed once we've finished with you... In NSW, it's every 6 months, \$300 and it's supposed to be because of an unexpected crisis"- Financial Counsellor, NSW

"Energy providers are communicating above the average person's comprehension. They're not making it clear what it costs and they're not making it clear when you ask for help. They're not making it easy to ask for help. They're making it shameful and they're making it burdensome. Energy is a basic essential, it's not a luxury." – Financial Counsellor, NSW

### **3.1.7 Deficiencies of EAPA**

Community workers highlight where EAPA is only partially addressing the problem. Energy is unaffordable for many people (the rates as well as the appliances people run and the homes they need to heat and cool) and incomes are too low to cover the costs. People get stressed because of their financial situation as well as other issues. For many people EAPA is used to reduce debts – perhaps debts that retailers have allowed to accumulate – but it is not enough for many people to get rid of the debt entirely. If EAPA is kept in its current format, another mechanism needs to be developed to help people with persistent, often large debt.

"It [the EAPA] kind of begs the question is, why would the government be sending it to help people pay an electricity bill. The only reason for that is that electricity is too high. For me, it seems to be more like a government subsidy that you apply for under certain situations/circumstances more than anything else. It's a bit weird. Like, an EAPA voucher does not extinguish most people's debts so you usually get the EAPA voucher and a repayment plan. So, if it's not extinguishing an issue and it's meant to be short term, and obviously it's not short term and it's not extinguishing an issue so therefore you're in government subsidy for it."- Financial Counsellor, NSW

"Because we have these EAPA bills, which is now back to \$300 twice a year, it's \$600 and if you're bill of \$12,000, those things are a drop in the water. There's no energy waiver program for chronically, terminal issues. Look at why. Look at the causation. There should be some nationally run energy waiver program if you qualify for the extreme circumstances and there should be consideration given. And move forward on a more affordable situation. So, I have a problem with the fact that there was not a national attitude to making energy affordable. And no national attitude to understanding why it is not affordable." – Financial Counsellor, NSW

## 3.2 Interviews with consumers

### 3.2.1 Preference for payment types

Across different people, and at different times in their lives, people prefer different payment options. There were also some general trends in preferences across cohorts, for example, the First Nations people interviewed did not prefer direct debit, but do like bill smoothing. Some people like to pay their energy bills in installments they can control, by paying by BPAY. This helps people with uneven income and/or expenses. Others prefer direct debit so they can 'set and forget' and ensure they pay on time and get a discount or do not get a late fee. Some people indicated they would like to pay by direct debit, but they cannot manage it, the payments go through late or the uneven nature of energy makes it hard.

"Yes, [BPAY is preferred payment method] because in the past I was always behind. I had to set up direct debit, and like I've said, direct debit, they can change the amount when they want and just take money out.

It's better than direct debit. Direct debit is the worst. You have no freedom, especially if you're on Centrelink. Anything can happen that fortnight that you need money for and they've just taken it out and you can't get it back." – Female, 40-44 years, NSW

"This [BPAY] is my preferred method because I can keep track of what I am doing. They come as an SMS/email to say what the bill is, and I also get a paper bill for Origin (no charge). If I got a paper bill for Telstra they would charge. Origin would normally charge but because I have been there so long, they have waived the fee. With Telstra I can see what I need on the phone / statement and that's okay for me. It is usually the same amount each month which is good.

If I had to do direct debit, I can't manage my payments because I have to work around other payments like the car and other bills that do come out as direct debit. I pull my hair out trying to manage each pension payment. even before I worry about food, I worry about bills. I have a list written out exactly what date the car payments, insurance etc will come out so, I need to work out when the pension is and work out the date they are due. Have I got to pay that this pay or can I wait until next pay and pay the other ones? I have a list of half a dozen things that are prioritise." – Male, 70-74 years, NSW

"I think this [direct debit and BPAY] is how I want to pay at the moment but I also go through stages where I like to change. I've been on a payment plan before for energy but I didn't have it set up as direct debit so I kept forgetting to pay it each week, so it's better to be automated. I wish you could like, choose when it comes out. I wish I could get them to take it out earlier. I asked them and they said 'yes we can do that', but we count it as an additional payment and will still take the other payment. It's the same time every day but I don't get paid until midnight; they take it out before then." –Female, 18-24 years, QLD

"I reckon would be great if could work out short term payments for everything - such as rego, putting away money each week. It would be good if everywhere could accept I, because it really is convenient for us. If one of my scheduled payments doesn't go out, I don't get a dishonour fee. It's pretty good. To get stuck with an extra \$30 because of something [unforeseen]. [There's a reference number] so that if there were any disputes, they could see [the payment] was from me.

I did this myself. I don't know why, I did it the last place I lived and I was stoked to [get] money back from them." – Female, 35-39 years, NSW

"I prefer direct debit for all bills. [I don't use it for energy] because it is unpredictable. [Would only use if] I know how much it is, but it comes in different amounts each time. If the bill is high, might mean not enough money on my card. If it's a set bill, such as \$65 for internet, then it's easier to manage." – Female, 35-39 years, QLD

"I make odd payments; I work casual so I just pay whatever and it is the easiest way to make the payment. To be honest, I have always done BPAY. It's the easiest to log onto internet banking and do it all from there." – Female, 35-39 years, VIC

"Direct debit is my preferred method. I don't have a credit card. It just sometimes it takes a while for the payment to go through; it can take 2 days to process for the EFT payment. It sort of depends. Sometimes would be good if there was a payment plan." – Female, 18-24 years, NSW

It takes about 3 days for the payment to go through, which makes things hard. Sometimes they receive the payments late." – Female, 18-24 years, VIC

"Direct debit would be preferred, if I had the money. I like that I don't have to think about it." – Female, 35-39 years, SA

### **3.2.2 Late fees making affordability more difficult**

People report getting late fees for different reasons such as they are not sure when their bill was due, they paid it on time but the payment went through late and they can't match their pay and their bill due dates (as in the example below). Late fees punish people who live pay to pay and cannot afford to pay bills before they get paid. This further highlights that late fees exacerbate affordability issues and should be considered part of the bill, with EAPA able to be applied to it.

"[I've had fees] hundreds of times. Sometimes my pay date when I get paid from work doesn't match with when the bills are due. Bills are due 4 days after I get paid. They charge a \$15 late fee unless I request an extension which is a pain. In the past 2 years, I have been charged this about 10 times. I can't change the pay I get paid, I can't change the bill date being set, but I can request extensions. There are always connection errors and the app is fidgety. I had to pay the late fees each time. Origin is really good with their extensions. They ask when you want to pay it by. We are still getting settled in and we completely forgot we had an electricity bill coming in and we requested it for a month later and by the time the month is over it was paid." – Female, 18-24 years, NSW

### **3.2.3 Bills that cause the most stress and concern**

Energy is the most commonly listed bill as causing the most stress and concern, due to the large and fluctuating amounts. Rent and car registration are also listed.

"Electricity [causes more stress], especially in winter time. I dread it. I've put solar panels in my building. That's been fantastic. That's really given me freedom... [with housing trust] my place was so cold. We don't have insulation." – Female, 40-44 years, NSW

“Electricity because there isn't much of a warning.” – Female, 18-24 years, NSW

“Definitely the energy bill. It is a lot more expensive and comes every 3 months. I find it harder to work out, whereas I know that my Telstra bill is \$40 a fortnight and I know that's how much it is going to be every time and because it's not the same I find it harder.” – Female, 18-24 years, QLD

### **3.2.4 Strategies to track/manage and afford bills**

Many people indicated complicated budgeting strategies to account for each dollar they have and to pay for their expenses on limited incomes. Many people juggle their bills and go without other things they need. It is important to consider what people classify as ‘essential’. Whilst most people consider food is essential, some people consider healthy food and going out to be luxuries. This payment difficulty is often hidden. People should not have to choose between their wellbeing and paying their bills.

“I do try when I can to have the bill paid off before and to pay incrementally, but with my income, I am on a carer's pension, and yeah I sometimes I have to juggle bills between that and medical costs and food.” – Female, 45-49 years, QLD

“I can't manage my usage because I don't know what it means.” - Female, 18-24 years, NSW

“Most of the time I save up to ensure I have enough funds for certain bills. I cut down on using certain things, switch off everything. I manage with what we have. I put money aside. I have an account to pay bills. I take off the amounts I know (internet and phone), and estimate for energy and gas. I choose not to spend on takeaway food, going to movies, cook at home, watch TV at home. With essentials, cut down on food, and things like luxury food, and eat more simply.” – Female, 35-39 years, QLD

“I cut down on the luxuries, for example, I won't have roast dinner, or fancy thing that I want to cook. Anything sort of special, I put aside some money to pay for them. Bills now are manageable. Gas is good in summer. I don't have hot water with electricity. We have gas hot water.” – Female, 65-69 years, NSW

“This is not my financial behaviour. We manage our bills first and then entertainment comes at the end.” – Male, 45-49 years, VIC

“Food, or medication.” – Female, 45-49 years, QLD

“I have in the past. I've been in way over my head, but now I just buy my phone outright. Electricity is really bad. Sometimes I go without medicine. I'm diagnosed with major depression... When you're in the public system, sometimes, if I need to see a dentist, I would have to go to a public clinic and wait. I feel a bit of shame, with some of the crap I do buy, it is impulsive and I think [this could go towards rent]. I feel ashamed I don't have my priorities in order. My family always complain to me how cold my place is. And one time my mum offered to pay to use the heater because I won't use the heater during winter [to save money]. I think those credit companies, there was one time, I was in a horrible situation with this guy that I met and he convinced me to get a cash stop loans, I know it's really silly... I had no money to live off. I think

that these credit companies really need to be held accountable. They don't follow lending laws." – Female, 40-44 years, NSW

"Always make sure all my telco bills are paid first, and go without health and beauty. Same for energy." – Female, 18-24 years, SA

"Yeah, anything really to make sure bills are paid, I don't like getting behind on the bills. I skimp on the shopping. When I was first put on disability pension, I became really unhealthy. My daughter was fed but I wasn't eating. I was only eating 2 or 3 nights a week." – Female, 40-44 years, NSW

"Yeah, I do, I go without food. I won't do a big grocery shop, or I'll get a gift card on AfterPay so I can afford food. I'll go without if I can't afford a bill. [This is usually] once every three months." – Female, 75-79 years, SA

"I go for cheaper groceries than I probably should or would like to for the sake of having my mobile bills paid. Similar for energy bills." – Female, 18-24 years, NSW

"I go without food. I've got things coming up, so we'll buy a 10 packet of 2-minute noodles for the week. Similar for energy bills." – Female, 18-24 years, VIC

### **3.2.5 Credit products**

Whilst some people express concern over credit products and cite previous bad experiences they or a friend has had with them, others like the idea of them to help them manage expenses, but recognise they are not suitable for their circumstances.

Despite people's hard work to manage their bills as outlined above, many people see credit products as appealing and there seems to be little awareness of the pitfalls, for example, they consider \$6/week fee reasonable. Because these products are becoming more common in all aspects of people's lives, the ability to identify problematic circumstances or moments of 'crisis' is diminished.

The popularity of these products highlights people need extra money to help cover expenses at certain times and they make things seem more affordable because they split the payment up. They are also given very easily. Retailers have a role to play to make it easier to pay bills in smaller, more manageable increments. There could also be a role for governments to provide small, interest free loans, in a positive, easy to access way, to help people cover expenses without going into debt.

"I've used BNPL once, but don't want to use them again. I don't want to spend. It would be good for telco/energy bills, rather than shopping. Those bills are the more expensive things I'm paying for, it would be great to have it all spread out." – Female, 18-24 years, NSW

"I would use AfterPay on bills if it was a particularly large bill. I haven't had to pay a full summer's worth of cooling/heating so then I would consider a similar service. I mainly use it for online shopping. I don't usually buy something that I wouldn't be able to afford; I just prefer to have it

spaced out over a number of weeks rather than have it taken out in one chunk. it helps with pay cheques and Centrelink payments.” – Female, 25-29 years, VIC

“BNPL is a staple. First [bill priority] is rent, and second is pay [credit product] Klarna.” – Female, 18-24 years, NSW

“I’m not sure if I can do that, depending. I probably would with Telstra and Dodo. It’s cut into 4 smaller payments instead of one bulk payment; I like that. It makes it a lot less stressful when I am trying to budget everything. I have been using it for a while and have never had any issue. I’ve never missed a payment. You can change a payment if you need an extension. You can also manually pay which is what I do.” – Female, 18-24 years, NSW

“Introducing BNPL for energy would be helpful to manage my budgets. I’ve never missed a payment on these schemes.” – Female, 35-39 years, QLD

### **3.2.6 EAPA and Centrepay**

Centrepay can be useful for bills and many people like it. However, for some people, with energy, where the bill amount changes and is not always easy to predict, it causes problems between staying on top of the bill and having enough money to manage other expenses. This person felt forced into Centrelink because she got EAPA, and it caused her problems (similar to the case study, ‘Ryan’). She indicates her ongoing affordability issues and efforts to keep it under control. This quote indicates sometimes forcing people to pay a certain way is not in their best interests.

“[With BPAY] I have control and it helps with the anxiety, because each fortnight I’m putting money towards the bill so I know that the bill is going to be about \$60/month. Out of my Centrelink payments I know that if I put \$30 and sometimes when I can afford it, I can put more. I’m thinking ahead. At the end of the month, I’m going to get an email saying [I’m in credit]... It’s a lot harder than paying it off. When they emailed me the bill, they email the details on the bottom of the page.

It would probably be a lot easier if I had them direct debit it, but I have a very big distrust with direct debit. [With current payment method of BPAY] if I pay on time, there’s an incentive where I can get my discount. That’s really important to me. I can’t remember how much. I think it’s something like 21%. The good thing about it is, there’s nothing worse than having to get e-vouchers because when I’ve had e-voucher, they forced me into Centrepay. It’s distressing because like I said, they will adjust the payments. It’s really wrong, the amount of money we have to pay for electricity to begin with.

No [don’t like using Centrepay] because they can just adjust the amount. I’ve had it before with Energy Australia and what that meant was, every month or every couple of months... I would have to get on the phone and negotiate them to take the amount down from \$100 to \$80. If you’re a single mum, there’s nothing worse than having to do that. I had to go Vinnies [to get the e-vouchers] and it’s terrible, you have to take evidence and receipts for what your money is being spent on. And you take your bills. Like I’ve said, a lot of them won’t get assistance without being on Centrepay. They always say ‘this is just a crisis payment; you’re not meant to be relying on this.’” – Female, 40-44 years, NSW

### 3.2.7 Do you have any other concerns/comments?

When asked what would help make it easier to afford and pay bills, people listed a variety of things. Getting reminders to pay; making energy more affordable; and smaller, more regular payment amounts were listed, but many people still indicate their interest for credit products. There needs to be more regulation of these products, but these products are filling a need people have and that need must be met in sustainable ways that do not make people's situations worse.

"I reckon the SMS reminder saying "hey look your payment is due in a few days". That would be great. It's just a warning. There's less excuses when the time comes and it hasn't been paid." – Female, 35-39 years, NSW

"I think the power bill in smaller and more manageable payments" – Female, 45-49 years, QLD

"I just want someone to help me do it." – Female, 18-24 years, QLD

"Discount for seniors would be good. AGL does and we accepted the offer. It really helps. A bigger discount would be better but as it is, I'm happy. They should do the same for telco; it is crazy that my telco bill is more expensive than my electricity!" – Female, 65-69 years, NSW

"I would tell anyone who is on Centrelink to get onto CentrePay. Everyone has an idea of what bills are coming and there are so many different ways of paying; it's not like it used to be." – Female, 65-69 years, QLD

"No, not off the top of my head, but would consider BNPL." – Female, 25-29 years, VIC

"I think people on Centrelink, especially in winter, need more money for electricity. It's not enough, if you've been with a provider for a while, they should be encouraged to give bigger discount..."

If you look at ZipPay, how easy is it to lie to them? To say you've got a job when you haven't? [They need to] follow the responsible lending laws. They need to understand, it's against law to make someone pay back their debts from their Centrelink. If you're on Centrelink and you owe money, you don't have to pay with your Centrelink. So, when they force people to use direct debit, it can be the beginning of the end for some people.... These companies are million-dollar companies." – Female, 40-44 years, NSW

"One app to be able to look at energy bill, and see how much has been charged onto the account, tracking the expenditure, and see how much they're going to charge." – Female, 18-24 years, VIC

"Definitely the AfterPay sort of deals to pay these bills would be great." – Female, 18-24 years, NSW

“This has to be pushed by the government; the kind of information for people to make it easier to engage in the options. Otherwise you have to become a researcher and I don't have time.” – Male, 60-64 years, NSW

## 4. Save4Good

All Sustainable Futures undertook a community led sustainability initiative in Port Kembla called Save4Good. The aim of the program was to help households and small businesses reduce greenhouse gas emissions and their energy bills. As part of this program, 916 homes were given an energy bill ‘health check’. Many of the households were on low incomes and the Save4Good team found that of the 392 of the households who were eligible for the Low Income Household Rebate, 84 of them were not receiving it.

The Save4Good team often assisted households to negotiate a better retail offer and provided PIAC with feedback about some of the barriers they witnessed these households experience in achieving affordable energy bills. This information is part of a report that is being finalised.

We include this list provided by All Sustainable Futures in this submission to provide OECC with further insights into the payment difficulties people on low income experience and the barriers they face in having more affordable energy bills.

*Our experience in assisting low-income households with negotiating a better plan is:*

- 1. The phone call takes a minimum 45 minutes - 2 hours with some disconnections requiring the whole story to be told again; the longest time was 6 hours over three days;*
- 2. No customers knew that energy providers have to have hardship programs, (sometimes neither did the energy provider customer care operator) that they may be able to access if they requested it or indicated that they needed it;*
- 3. It is often very hard to access the hardship program when discussing options with the energy provider. You have to insist that consumer needs to be in their hardship program;*
- 4. There is NO correlation between low-income house and cheapest plans, in fact many low-socio economic customers were on VERY high tariffs;*
- 5. In our experience, low-income households either don't know that they have to negotiate or are not confident negotiating or do not have the skills needed to negotiate (including due to having low English language proficiency);*
- 6. Many vulnerable people have additional barriers that PREVENT them from negotiating. These barriers include: poor sight, poor health, poor hearing, language barriers, mental health problems;*
- 7. To receive interpreter services the phone wait time has to be less than 20 minutes. This means that many people who need interpreter services can NEVER access them because the retail negotiations last at least 45 minutes before we can get the interpreter involved;*
- 8. Accessing the NSW Government's LIHR is dependent on the energy provider and Centrelink having the same address. The Aboriginal community at Coomaditchie had a postcode change (despite having the same street address) that has prevented them all receiving the LIHR and despite many calls and letters to various government departments*

*they still do not receive the rebate due to this postcode anomaly that Centrelink refuse to correct.*

9. *Once a low-income household gets into arrears with an energy provider, they could not switch providers for a better plan and many were on very high charges.*
10. *Accumulating arrears tended to happen due to one event: for example, when an extended family stayed for Christmas after which the resident couldn't afford the bill; or the householder bought a new heater or cooler and then couldn't afford the next bill or they had a higher than expected estimate reading;*
11. *Arrears were usually between \$1,800 to \$3,500 – therefore EAPA could not negate the arrears.*
12. *Most low-income households budgeted for their energy bills and a shock bill that is higher than they have budgeted for was a real fear.*
13. *Many low-income households live in poor thermally performing homes (hot in summer and cold in winter). However, the largest “additional” costs of low-income householder bills was NOT high use (as most had learnt to minimize their use, even if it meant being extremely cold) but high charges. This is contrary to NSW Government programs for low income households which are targeted at consumption only.*
14. *Many had complained that they could not understand the conversations with energy providers – when the operators were from another country.*
15. *Many vulnerable people face procedural, and systemic barriers to bill relief that seem relatively simple to solve, but the various government agencies put the burden onto those least able to fix the issues to address them.*
16. *All calls to energy providers take a minimum of 45 minutes. Many residents had cheap mobile phones with pay as you go plans that had expired so there was no way they could contact the provider.*
17. *Many of the cheaper plans by energy providers involve paperless invoices, which is technologically beyond many low socio-economic households.*
18. *None of the energy providers offered contract correspondence in another language.*
19. *Elder abuse was an issue we found in some households: adult children had put the electricity bill in their name which meant the rebate was lost, but the parent was still required to pay for the bill.*

## **5. Continued engagement**

PIAC will continue to share results of our payment harms research with OECC as it becomes available. We look forward to engaging further with OECC as the EAPA Review continues.