

## Save4Good insights into retailer practices

### Background

All Sustainable Futures Inc (ASF) undertook a sustainability initiative called *Save4Good* in the Port Kembla community in NSW, from August 2019 to April 2021. The program engaged 916 local households and 90 small to medium enterprises to help them save money and reduce their greenhouse gas emissions through energy and water saving products and advice. Funding for Save4Good was from the Port Kembla Community Investment Fund and the NSW Department of Planning, Industry and Environment.

As part of the advice or 'health check' provided to participants, ASF:

- often negotiated a better energy plan on behalf of their clients;
- checked eligibility for energy rebates, ensured these were applied to bills and if they weren't, contacted energy retailers to assist the client apply for rebate/s they were eligible for;
- assisted clients interested in and eligible for the NSW Government's Appliance Replacement Offer (ARO)<sup>1</sup> to access the program; and
- undertook solar assessments with indicative costs and potential savings.

In delivering health checks and assistance, ASF encountered concerning behaviours from energy retailers and approached the Public Interest Advocacy Centre (PIAC). Subsequently, PIAC commissioned ASF to write a report documenting these concerns.

This document summarises the findings ASF included in their report and outlines the questions and potential structural issues it highlights for PIAC.

### Community

Port Kembla is a coastal community just south of Wollongong, NSW, on the land of the Wadi Wadi people of the Dharawal nation. The community has a diverse socio-economic mix as well as being ethnically diverse.

### Availability and consistency of energy plans

- ASF checked the Australian Energy Regulator's (AER) energy plan comparison website, Energy Made Easy (EME), to find appropriate plans for their clients. Looking on EME, ASF found an enormous 708 plan options to choose from, from 37 different retailers available for Port Kembla consumers. However, when ASF called the chosen retailer to get their client onto a plan they saw on EME, they often found the retailer would say that the plan they requested was unavailable. Even if ASF had negotiated a plan for a client earlier in

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<sup>1</sup> The [ARO](#) was a NSW Government program that paid 40% to 50% of the cost to replace old TVs and fridges with new, energy efficient ones, for eligible households. The program ended in 2021. ASF helped eligible and interested households apply for the program and paid for the out-of-pocket component of the offer using Save4Good funding.

the day, that plan was often no longer available when they called the same retailer for another client later the same day.

- ASF found low understanding of bills and plans amongst the participants.
- ASF found retailers charged higher rates for fixed charges when the household were low energy users and vice versa so that it looked like the household was getting a good deal when they weren't.
- The team negotiated plans every day and found that retailers rarely offered the same discount twice, with the amount and the name of the discount varying. Discounts ranged from 8% to 16% from the same retailer. One retailer had five different names for their discounts.
- Generous looking pay on time discounts often hid expensive tariffs and many participants were unable to meet the payment conditions to access the discount resulting in high bills.
- Discounts were usually only off the usage component of the bill, but this was not stated.
- Participants who had higher feed-in-tariff for solar had this traded off with higher usage tariffs for peak times.
- Legacy issues were found where households who no longer had electric hot water systems were still paying a load control supply charge (6c/day).

### **Negotiating energy plans with retailers**

- Few participants understood they needed to re-negotiate their energy plan annually. Only 3% of participants had negotiated a plan in the last 12 months. The people on the best plans were the people who re-negotiated plans regularly.
- Many people assumed they received a loyalty discount for staying with the same retailer.
- Many of the participants had barriers to negotiating better plans for themselves including: low English proficiency; mental health issues; hearing or sight loss; poor health; pay as you go mobile plans which meant it was expensive to be on a long call to a retailer; no internet access to research retailers, look at EME or access online only retailers; payment difficulties; having young children in their care (restricting their ability to have long phone calls and/or spend time looking for better plans); and/or being older (which is generally associated with lower computer literacy and access).
- ASF reported power imbalances between participants and retailers when negotiating plans, with very little of the exchange controlled by participants.
- To utilise an interpreter, the call wait time has to be less than 20 minutes, however it usually took ASF at least 45 minutes to negotiate with the retailer before they could get the interpreter on the call, so interpreters could rarely be used.
- When they were able to access interpreters, ASF found that they did not always understand energy retailer jargon or terminology which impeded negotiations.
- The largest bill saving ASF achieved was \$2,987/year from a plan change and accessing the Low Income Household Rebate (LIHR) for a refugee family of seven.

## Rebates

- Participants and ASF contacting retailers on behalf of participants reported that no retailer asked about eligibility for the LIHR or any other rebate<sup>2</sup> except for the Medical Energy Rebate (MER), despite a requirement that retailers inform their consumers of the availability of rebates.<sup>3</sup>
- 21% (84 out of 392) of households eligible for a rebate were not receiving it/them. Reasons eligible people were not receiving rebates included: people did not know they existed; they thought they were receiving it; they did not understand their conversation with the energy retailer; they did not know how to access it; and/or they thought they would automatically get it when they were eligible. No one eligible for the Life Support Rebate or the MER indicated their GP had raised accessing the rebate with them.
- Address mismatch issues were found where the energy supply address did not match the concession card (Services Australia) address:
  - The Coomaditchie Aboriginal community had this address mismatch problem, which meant that members of the community were unable to get rebates they were otherwise eligible for. ASF attempted to resolve this issue but were unable to.
  - Another client had a Veterans Affairs card address mismatch. The client had low English proficiency and it took ASF six hours of phone calls to resolve the issue.
- Despite a requirement that rebate recipients be contacted by their retailer at least every 12 months and offered the best deal for their circumstances,<sup>4</sup> the team found that 90% of rebate recipients were not on their retailer's best offer, with some rebate recipients on very high tariffs.<sup>5</sup> On average, \$232 of the \$285 annual rebate was wasted by being on a higher retail offer than they could have been.

## Debt and managing bills

- ASF found that debt usually accumulated after a single event such as people staying over Christmas or a new heater or cooler.
- Arrears was usually between \$1,800 and \$3,500 and therefore too high for Energy Accounts Payment Assistance (EAPA) vouchers to make much difference.<sup>6</sup>
- Households generally budgeted for energy bills and were fearful of higher than expected bills.

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<sup>2</sup> Retailers may have asked about rebate eligibility, but no participant or ASF could recall being asked, indicating that if they were asked, it was not done effectively.

<sup>3</sup> A4.1.1 of the *NSW Social Programs for Energy Code*.

<sup>4</sup> This requirement is A6.1.1 of the *NSW Social Programs for Energy Code*. A6.1.1(a) of the *NSW Social Programs for Energy Code* also requires retailers to contact rebate recipients regarding their best offer 'at, or within 40 days before, the expiry of each residential customer's contract or benefit.'

<sup>5</sup> ASF were not able to verify whether a rebate householder had been contacted by their retailer and offered to be put on a better plan but regardless of whether they were contacted or not, any communication did not result in the householder being put on the best available offer.

<sup>6</sup> EAPA is a NSW Government program designed to help people experiencing an emergency or short-term financial crisis. A maximum of \$300, twice a year, for electricity and for gas can be applied to energy accounts. Maximum amounts rose to \$400 during COVID-19 lockdowns.

- ASF found a considerable number of households were receiving estimated reads and that the estimates were based on higher usage than at the same time in previous years.<sup>7</sup> These high bills caused stress for many households.
- Despite many household participants on low incomes having poor thermally performing homes, ASF found that their bills were not high because of high usage (many used very little energy and lived with very cold temperatures), it was because they had high fixed charges.
- Households were found to be reluctant to contact their energy retailer if they had payment difficulties because they were fearful their service would be disconnected.

### **Hardship assistance**

Despite all energy retailers being required to provide assistance to people experiencing payment difficulties,<sup>8</sup> ASF found it was difficult to access a hardship program. ASF experienced:

- Three retailers (two of them were ‘big three’ retailers) actively avoided discussing a hardship plan and ASF found they had to insist that their clients needed to be in the program.
- At least one retailer denied they even had a hardship program.

### **Appliance Replacement Offer (ARO)<sup>9</sup>**

Less than 10% of eligible households had heard of the ARO and only 3% had accessed the program.

### **Rented properties and electric hot water systems**

- Some properties had electric hot water systems, but the water was not heated at off peak rates, making them expensive to run. This was more common in rented properties.
- Often in rented properties, hot water systems were too small for the household meaning that they had to reheat often, making them expensive to run.
- Leaking hot water systems were found to be common in rented properties with tenants experiencing delays to have the water heater fixed, resulting in higher energy bills. ASF did not see evidence of any retailers contacting their LIHR recipients to discuss a sharp increase in energy usage that would occur with a faulty water heater.

### **Questions and issues raised by ASF’s report**

The report by ASF raises a number of questions for PIAC and identifies a range of potential system issues which the report demonstrates are resulting in detriment to consumers, particularly those on low incomes:

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<sup>7</sup> Rule 21 2(b) of the *National Energy Retail Rules* requires that estimated reads be based on historical metering data. Rule 21 2(c) of the *National Energy Retail Rules* requires that if there is no historical data to base an estimated read on, then it should be based on the ‘the average usage of energy by a comparable customer over the corresponding period.’

<sup>8</sup> Under sections 43, 44 and 49 of the *National Energy Retail Law*.

<sup>9</sup> See footnote 1 for details of the ARO.

## Availability and consistency of energy plans and negotiating plans

- Can offers appearing on EME be regarded as practically accessible to consumers? Retail monitoring and many regulatory policies (such as the Default Market Offer (DMO)) are based on assessment of offers available on EME. The actual accessibility of offers on EME must be a relevant consideration.
- Is there a need to reform the DMO to provide a more accessible and efficient default price reference for consumers? Considering the persistent difficulties and barriers consumers face to undertake regular switching,<sup>10</sup> and realise the assumed benefits (as outlined above), are stronger default protections needed to alleviate the impacts of the retail market on consumer vulnerability?
- Are the current restrictions on conditional discounting, offer structure and advertising having the intended impact for consumers? Conditional discounting on retail offers is trending down, but as ASF found, they are still confusing and penalise people who can't afford to pay on time, leading to higher bills for people who can least afford them.<sup>11</sup>
- Are special arrangements required for rebate recipients with solar (and households with solar more broadly)? Where feed-in-tariffs are decreasing and, as shown in ASF's report, often accompanied by high consumption and fixed charges, can better outcomes be achieved by facilitating and encouraging self-consumption? Programs to electrify homes that have solar, and tariffs to encourage self-consumption would help ensure the assumed benefits of solar (particularly for rebate recipients) and should be considered.

## Rebates

- Are requirements on retailers to check rebate eligibility and maintain rebates for eligible customers effective? What else can be done to ensure that consumers eligible for rebates receive them?
- Options to 'manually' review address mismatch issues which are impeding the receipt of rebates are required.<sup>12</sup>
- A further review of measures to ensure rebate recipients are on the best available retail offer is required. Should rebate consumers be subject to special retail arrangements, have access to specific retail offers or be supplied through other means to ensure the full benefit of the rebate is having the intended impact?

## Debt, managing bills and hardship assistance

- Are EAPA guidelines and caps on EAPA amounts appropriate? The ASF report highlights a range of circumstances where people are not able to access sufficient support through EAPA, resulting in continuing debt and longer-term affordability issues.
- Further programs to substantially improve energy efficiency and thermal comfort of homes, particularly for households on low incomes, are required to help them keep their bills low

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<sup>10</sup> ASF's experience aligns with research conducted for the Essential Services Commission (ESC) of Victoria into experiences of interacting with the energy, where people found comparing plans complex and felt overwhelmed by the options available, whilst some found that the 'perceived effort outweighed the reward' (ESC, *Victorian Energy Market Report 2020-21* (2021) 13).

<sup>11</sup> The Australian Energy Regulator (AER) found similar problems with conditional discounts: 9% of people on offers with conditional discounts did not meet the conditions and so did not receive the discount. They also found that 14% of people in hardship programs and 12% of people on payment plans did not meet the discount conditions so were penalised with higher bills (AER, *State of the Energy Market 2022* (2022) 210).

<sup>12</sup> The Energy and Water Ombudsman NSW (EWON) informed PIAC that the address mismatch issue is wider spread than just those identified by ASF.

whilst protecting them from extreme temperatures.<sup>13</sup> The ASF report provides evidence that housing quality and poor energy efficiency is a consistent contributor to health and household energy debt issues. How can issues of awareness and uptake experienced in relation to the ARO be overcome in the implementation of programs to address energy efficiency?

- What can retailers do to improve consumer awareness of payment assistance measures and build consumer trust they can contact their retailer to raise payment issues without facing disconnection or other negative treatment?
- Are existing measures to ensure retail compliance with hardship assistance provision sufficient?<sup>14</sup> How could compliance be better monitored and enforced without relying on consumer complaints?

### **Rented properties and electric hot water systems**

- What systemic measures can be implemented to lower the contribution hot water heating makes to energy bills, especially for renters and those in social housing? Replacing gas and resistance electric hot water heaters with heat pumps would provide long term energy bill reduction benefits to households on lower incomes. However, this may not be possible for renters and the Government should consider tariffs and other measures to ensure hot water heaters are run in cheaper periods.

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<sup>13</sup> Improving the thermal comfort of homes can lead to significant health benefits for individuals and savings in the health sector. For example, a program in Victoria which improved the thermal comfort of homes for people on low incomes and with a health or social care need found that 'people in upgraded homes used fewer [medical] services and had lower health costs. Healthcare cost savings over the single 3-month winter period were \$887, dwarfing the \$85 energy cost savings' (Sustainability Victoria, *The Victorian Healthy Homes Program: Research findings (2022)* 52).

<sup>14</sup> ASF's experience helping their clients to access hardship programs aligns with community support workers reporting they have to say 'magic' words for payment difficulty to be recognised by retailers (Nicholls, Larissa and Dahlgren, Kari, *Consumer Experiences Following Energy Market Reforms in Victoria: Qualitative Research with community Support Workers, Final Report (2021)*, 5 and 20-21).