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19 September 2014

Rebuilding NSW
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Submitted online www.nsw.gov.au/rebuilding/submission

Thank you for the opportunity to comment on the *Rebuilding NSW Discussion Paper, August 2014*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON's comments are limited to our experience of consumer issues in relation to essential energy and water services in New South Wales.

If you would like to discuss this submission further, please contact me or Emma Keene, General Manager Policy and Community Engagement, on 8218 5250.

Yours sincerely

A handwritten signature in black ink that reads 'Clare Petre'.

Clare Petre
Energy & Water Ombudsman NSW



Submission to NSW Premier & Cabinet Rebuilding NSW Discussion Paper August 2014

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NSW Premier & Cabinet
Rebuilding NSW Discussion Paper August 2014

Submission by **Energy & Water Ombudsman NSW**

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INTRODUCTION

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the *Rebuilding NSW Discussion Paper*.

Established in 1998, EWON is the approved independent dispute resolution mechanism for customers of electricity and gas providers in NSW, and some water providers. Our aim is to provide fair, equitable and independent investigation and resolution of customer complaints. We work with all the key stakeholders – providers, community, government, regulators – to improve the standard of service delivery for the benefit of NSW consumers.

EWON's comments are limited to our experience of consumer issues in relation to essential energy and water services in New South Wales.

We acknowledge that the focus of Rebuilding NSW is on new productive infrastructure across New South Wales. In brief, our submission is that given the money for infrastructure development will come from the sale of electricity assets, it would be reasonable for some funds to be designated for electricity related projects to benefit NSW households.

ELECTRICITY AS AN ESSENTIAL SERVICE

Electricity has been the subject of a great deal of attention in NSW over recent years, primarily because of the significant increase in prices. Many households have been impacted by the price increases, particularly those on fixed incomes or with little financial flexibility.

As prices have increased there has been a reported decline in electricity consumption. We understand that this has been driven in part by household efforts to reduce their consumption and therefore their bills, and by the expansion of domestic solar installations as households look to other energy saving alternatives. However, electricity remains a non-discretionary product that is essential for all aspects of our lives.

Many NSW households are struggling to pay their electricity bills – in the short, medium or long term. Despite any efforts to reduce consumption, some households are simply using more electricity than they can afford on an ongoing basis. This can be due to factors including health issues, a large family, living in an area of extreme climate, poor infrastructure and appliances. Many households cannot afford a solar installation or they are tenants without access to this option.

ELECTRICITY FUND FOR TARGETTED PROJECTS

The price increases for essential electricity supply have been driven primarily by network costs. Therefore we suggest that some of the funds from the proposed sale of the networks – Ausgrid and Endeavour Energy – could be used for electricity projects to improve the quality of life for many NSW households across the state and to provide some local employment. This submission outlines one possible project, with co-investment and contributions from other stakeholders; as well as some options for regional investment in partnership with stakeholders such as housing providers, government, industry, ombudsmen, community groups.

Water is also an essential service, and we note reference to a Regional Water Fund in the discussion paper. EWON does not have jurisdiction in relation to most local authority water providers in NSW, but contact from customers in regional and rural areas suggests that their issues are similar to other water customers, including disputed billing and service affordability.

A POTENTIAL PROJECT

In November 2013 EWON was contacted by the Legal Aid NSW MoneyCounts Project requesting assistance with resolving energy issues for some of their very vulnerable and disadvantaged Aboriginal clients. The issues include large electricity debts, high bills and disconnection of supply.

The Legal Aid NSW MoneyCounts project is working with five NSW Aboriginal communities¹ providing legal casework and advocacy, as well as information and referrals for other issues. Legal Aid advised EWON that many of their clients were facing disconnection of electricity and high unaffordable bills as well as debts with various providers and debt collectors.

EWON has successfully negotiated outcomes with customers and their energy providers, and referred customers to other appropriate agencies for financial assistance and financial counselling. EWON and the main retailer for regional and rural NSW - Origin Energy - have been able to resolve many of the Aboriginal customer issues with payment plans and referrals into Origin Energy's customer assistance program.

In two areas, EWON has followed up with the Aboriginal housing provider and Land Council about repairs to properties for electrical infrastructure and appliances and to provide customers with information to follow up their concerns.

ISSUES IDENTIFIED

Based on the complaints received by EWON there are significant longer term energy affordability issues and socio-economic challenges that need to be addressed in partnership with a broader group of stakeholders. Apart from payment plans for their electricity bills, it appears that customers from the identified Aboriginal communities would benefit from further assistance with information about electricity consumption; power saving and energy efficiency measures; rebate entitlements; assistance with payment plans; and possibly, also with safety of installations; improvements to housing infrastructure and assistance to purchase more efficient appliances.

Please refer to *Attachment One* for further information about these issues identified by EWON and some case study examples.

POSSIBLE NEXT STEPS – PILOT PROJECT

EWON has raised this with the NSW Minister for Energy and suggested a partnership of Government with industry, the community sector and EWON to address issues of affordable electricity supply for regional and remote Aboriginal communities (and other communities).

We are collating information about the current energy, water, utility programs working with

¹ Legal Aid NSW are working intensively with existing services in Boggabilla and Toomelah, Taree, Nambucca Valley, Mt Druitt, Condobolin, Lake Cargelligo, Dareton and surrounding communities to reach a client base that may not otherwise seek legal assistance for consumer law problems.

Aboriginal communities to identify whether there are opportunities to use already tested models or programs. For example we have discussed these issues with NSW Office of Environment and Heritage, which delivered the Home Power savings Program to NSW households, including Aboriginal households in far west NSW.

One suggestion is a pilot energy project with one Aboriginal community, in partnership with key stakeholders who would make their own contributions. The proposal would involve:

- A small Aboriginal community where the impact of initiatives could be more easily measured.
- A coordinated approach by relevant stakeholders, eg energy retailers, Essential Energy, housing company, Legal Aid, EWON, Fair Trading NSW, Department of Resources and Energy, Office of Environment and Heritage.
- Provision of energy saving information, home energy audits, appliance replacement, infrastructure repair.
- Training for local residents as energy auditors – this would create employment and raise awareness of energy saving issues.
- Solar installation. This would be particularly beneficial where residents are at home during the day because of health issues, age, or unemployment. It would be particularly beneficial in regional NSW in areas impacted by extreme climate and very hot summers.
- Training for local residents in solar system maintenance – this would create employment and ensure the ongoing viability and value of local solar systems.
- Measurement of the impact of coordinated assistance for these households.

We hope to progress this project before the proposed sale of Ausgrid and Endeavour Energy. However, we raise it as a possible model for Rebuilding NSW consideration for Aboriginal and regional communities. A contribution by energy providers could extend funding by Rebuilding NSW.

Electricity supply is changing in NSW, particularly due to the increase in domestic solar installation. When storage of generated supply becomes feasible, eg battery storage, many households in NSW may leave the electricity grid altogether. Households unable to afford solar may be left to bear the costs of the traditional network. Some funded projects such as that suggested above might demonstrate the cost benefit of assistance to regional and remote areas of NSW to ensure that low income and disadvantaged households continue to have an affordable electricity service into the future, and well trained local staff to provide service and advice.

REGIONAL INVESTMENT PROJECTS

The Discussion Paper has a focus on regional investment. In line with the pilot project outlined above, we suggest there could also be consideration of the following:

- Delivering energy efficiency improvements to rural communities in line with the NSW Energy Efficiency Action Plan (and therefore improving energy affordability for regional households)
 - solar for rural public housing communities – this would require significant upfront investment, however it would be more achievable if done in partnership with Essential Energy, Housing NSW and energy retailers
 - with some support Essential Energy could train some of their staff to deliver energy audits, information and advice in regional and rural areas – in partnership with government along the lines of the former Home Power Savings Program

- partnership with Housing NSW to improve the energy efficiency of regional / rural public housing stock (eg ceiling insulation, air conditioners, appliance replacement), with a particular focus on remote or isolated communities
- targeted program for upgrading heating and cooling systems and hot water systems in public and community housing. This would deliver much needed improvements to housing stock and assist the low income tenants reduce their energy consumption and afford their electricity bills.

ATTACHMENT ONE – ENERGY AFFORDABILITY ISSUES IDENTIFIED VIA EWON’S WORK WITH LEGAL AID NSW MONEYCOUNTS PROJECT

EWON has identified the following energy issues based on the Aboriginal customer complaints received (relating to a number of energy retailers), feedback from customer advocates and Legal Aid NSW, as well as feedback from EWON staff who have visited the communities:

1. **Large arrears that the customer cannot pay.** Debts on active electricity accounts where the customers have very limited or no capacity to pay, as they are on low or fixed incomes and are in long term/chronic financial hardship.

Case study

In 2013 the customer began receiving very high bills and it was discovered that her hot water service was faulty. This was fixed and the bills have reduced. The customer’s debt is \$6513.43. The Real Estate agent is not willing to compensate for the high bills and the customer is reluctant to pursue this due to a limited number of rental properties in her area. The customer is on Centrelink benefit, has no assets and has mental health problems. She initially advised she could put \$50 a fortnight towards the arrears. Her provider advised EWON that the customer has defaulted on their hardship program four times in the past and they now require \$140 a fortnight and declined the request for referral to the Hardship Program again.

The customer’s advocate, a Financial Counsellor, advised that because of her health issues it is unlikely the customer will obtain employment in the near future. Her advocate advised that because of the customer’s significant health issues it is likely that she will meet the criteria for a Disability Support Pension and she is in long term financial hardship, and it is unlikely her financial position will improve in the short to medium term.

2. **Disconnection of essential electricity supply.** Some customers have reported living without power or switching retailers for reconnection as they cannot meet the requirements for reconnection with the retailer.

Case study

The customer owes \$8000 to her provider and she does not understand how it is so much. She was paying \$150 and offered to pay \$225. The provider advised she needed to pay more and requested \$3000. She explained she is on the disability support pension and could not afford this. Her power was disconnected and the account was closed and the debt referred to a debt collector. She has an ‘asthma machine’.

3. **Large debts on closed accounts, credit listing and debt collection.** Some customers owe very large debts on closed accounts and have been credit listed. In some instances customers have made payment plans with retailers or debt collectors. In some cases the retailer will not establish payment plans on closed accounts. Some customers have multiple energy debts, with different providers.

4. **Difficulty in payment and challenges for hardship programs and retailers.** It appears that there are some significant challenges for retailers in trying to manage the issues for customers experiencing long term financial hardship. Customers and advocates report to EWON limited capacity to pay where customers can only afford very low payment plans but agree to higher unaffordable payment plans. Customers are then revoked from hardship programs because of failure to make agreed payments and lack of contact or participation. EWON acknowledges that these issues put retailers and customers in a very difficult situation. In some cases EWON has been able to refer the customers to a hardship program and/or negotiate payment plans. We are concerned that some of these customers may not be able to sustain the agreed payments because of their limited capacity to pay for their energy usage.

Case study

The customer has arrears of \$780.74 and is on their retailer's hardship program. Their current payment arrangement is \$85 per fortnight. They are not meeting their electricity consumption of \$104 per fortnight, but cannot afford to pay more. (203050)

5. **High bills, high energy consumption** occurring from factors such as:
- a. Heating and cooling needs for customers living in remote rural climates with extreme temperatures (ie extremely hot in summer months and extremely cold in winter months).
 - b. Inefficient appliances and inappropriate appliances (not fit for purpose, for example small box air conditioners being used to heat or cool the whole house). Customers also have very little capacity to purchase more efficient appliances or to undertake any energy efficiency work on their properties as they are tenants.
 - c. Large households - changing numbers in the property can mean energy usage can fluctuate or be very high.
 - d. Lack of awareness of the costs of running appliances associated with appliances such as air conditioners. Low awareness of energy efficiency and strategies to reduce consumption and save on bills. There appears to be a great need for energy efficiency information, advice and education for customers as well as key community gatekeepers and intermediaries who work with the communities.

Case study

The customer disputes the accuracy of her electricity bills and owes over \$6000 on the account even though she has been making regular payments. There are 5 occupants at the property, and the main appliances include an air conditioning system, and a hot water system on controlled load supply. EWON's review of the billing information indicated that all meter reading were actual and the billing was accurate, with historical usage demonstrating pronounced seasonal usage pattern (very high consumption during the coolest and warmest months). The customer was receiving the Low Income Household Rebate. The customer lives

in a remote part of Northern NSW where there are extremes in temperature. While the retailer was receiving regular payments from the customer, these did not cover the amount of each quarterly bill, so she had gradually accrued very large arrears (over \$6,200 as at June 2014). EWON explained their usage patterns to the customer and the cost of running appliances, such as an air conditioner. The customer was placed on her retailer's hardship program with a payment arrangement of \$150/fortnight and she was referred to an agency for EAPA assistance.

6. **Low awareness of Government rebates and difficulties accessing assistance, for example Energy Accounts Payment Assistance (EAPA) vouchers.** In most of the Aboriginal communities there does not appear to be easy access to EAPA. If there is not a local EAPA provider in or near the community customers are not able to access the vouchers, as the current guidelines require a face to face appointment for assessment. The distance from some Aboriginal communities to the nearest town meant that customers might spend a significant amount on petrol to access limited EAPA assistance.
7. **The geographic location of these Aboriginal communities means many experience issues relating to geographic isolation,** for examples:
 - a. Customers report limited or no transport options that make it difficult to travel to services or other towns for appointments with Centrelink, financial counselling, EAPA agencies.
 - b. Problems with phone network coverage
 - c. Mail is not delivered to some Aboriginal communities, so customers do not regularly receive mail such as bills.
8. **Health issues,** including chronic illness and mental health issues.
9. **Poor literacy.** Some customers have advised that they cannot read bills and letters. One resident (a mother with three very young children) disclosed to EWON that she could not read and we consider that other adult members of the extended family also may have limited literacy skills. The extended family members nominated a teenage member of the family as their contact.
10. **Housing issues – poor quality housing stock.** Customers have reported difficulty getting repairs done on properties. In some cases landlords are no longer the local Land Council providers.

Case study

The customer advised they have had a problem with receiving electric shocks in their home. They reported this to the Land Council but for a long time nothing was done "about the problem with the service line where it connected to the house." They said that the shocks were so bad that they had to wrap a towel thickly around the taps to turn them on for protection. The customer's son-in-law said that even when showering they felt electrical

shocks on the top of their heads until the problem was eventually fixed. Another resident also reported a problem with his installation and he is worried that this was wired up without any safety switches by two apprentices.

Because of the safety concerns, EWON reported this customer feedback to Essential Energy and they have visited the customer's premise and further advice has been provided to the customer about a problem with an internal appliance. The customer advised he has reported this to his landlord.