

ACCC inquiry into retail electricity supply and pricing Issues Paper

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AMES AUSTRALIA

AMES Australia is a statutory body and is a significant provider of settlement, education and employment services to newly arrived migrants and refugees in Australia. AMES Australia works with approximately 40,000 people from migrant and refugee backgrounds each year. The overarching purpose of AMES Australia's work is to support migrants and refugees as they move from early settlement to independence and greater social and economic participation in Australia.

AMES Australia works closely with newly arrived communities from refugee backgrounds in the delivery of the Humanitarian Settlement Services (HSS). AMES directly assists approximately 4,000 refugees settle through state-wide delivery of HSS and has worked with the additional Syrian and Iraqi arrivals as part of the government's commitment to increase the Humanitarian intake for these groups. AMES Australia has also been an Approved Proposing Organisation (APO) under the Community Proposal Pilot (CPP) since the Pilot commenced in September 2013.

This paper responds to *Issue 3 – Customers and their interaction with the market* as this is the area that has most impact for AMES clients – in particular those from refugee backgrounds:

8. Impediments that customers face in choosing a retail electricity service and any differences between customer types and NEM areas

9. How customers' ability to make informed choices about electricity can be improved.

ISSUE 3 – CUSTOMERS AND THEIR INTERACTION WITH THE MARKET

8. Impediments that customers face in choosing a retail electricity service and any differences between customer types and NEM areas

Essential services: electricity supply is an essential service with only a tiny minority of people in Australia living 'off the grid'. The ability of customers to make informed choices about the contracts that they are entering into and the options available to them is essential to accessing affordable services that best suit needs and to maintaining a functioning and competitive retail electricity market.

Yet the energy market is extremely complex and products and services are difficult to understand. Electricity (and gas) products often require detailed knowledge of consumption, tariff types, distributors versus retailers, as well as an understanding of the costs that are represented on a bill before a comparison, and an informed choice, can be made.

Factors that contribute to making it a difficult task to identify the best option and choose or switch provider – for anyone, but especially for the newly arrived refugee and migrant customer cohort include:

- *Volume of options:* the wide array of energy options available and the inconsistency in the manner in which offers are presented
- *Complexity of products and services on offer:* particularly tariff types and the lack of transparency and clarity around product differentiation such as savings, discounts, value-add etc.
- *Manner in which discount offers are presented:* usage only discount offers are often presented in a way that suggests a discount on the entire bill - supply charges, usage and GST, rather than on usage only (eg: 30% OFF YOUR ELECTRICITY); time-limited discount information (eg: for 12 months from signing...) is most often in small print at the bottom of the page. Neither of these offers would be easy for people from CALD backgrounds to interpret correctly.

Vulnerable customers: AMES Australia's work focuses on the successful settlement of newly arrived migrants and refugees. AMES also provides *jobactive* employment services in Victoria and some areas of Sydney. A large percentage of AMES *jobactive* clients are from Culturally and Linguistically Diverse (CALD) backgrounds.

These are vulnerable customer types – amongst the most unable to afford making wrong and costly purchase decisions. Impediments in choosing a retail electricity service for the CALD customer cohort include:

- *Low energy literacy:* in particular refugees from rural backgrounds who have not had electricity supply in their country of origin and/or refugees who have spent long periods in refugee camps and have had no or little experience of using/paying for electricity. This includes lack of understanding of the need to connect, and more critically, to disconnect supply when moving in or out of a property (many newly arrived refugees and migrants are in rental properties, often, initially, on shorter term leases).
- *Little or no experience of choice of energy provider:* refugees/migrants from countries where the state provides or subsidises energy/resources and refugees/migrants with no previous experience of choosing from multiple providers
- *Low language literacy:* people from non-English speaking backgrounds who are unable to interpret/understand retailers' marketing, offers, limits/conditions on offers, range of and relative benefits of different product packages when these are made in English only (ie no translations into other languages available)
- *Low financial literacy:* some electricity retailers offer discounts for direct debit, pre-paid or BPAY methods of payment. These concepts can be challenging for refugees/migrants with no prior experience of 'non-cash' payments. For example: agreeing to direct debit without fully understanding how this works can lead to financial penalties if there are not adequate funds in an account to cover the bill.
- *Low levels of numeracy:* refugees/migrants with low levels of education are unable to access/understand usage data, compare rates and prices, etc without assistance

9. How customers' ability to make informed choices about electricity can be improved.

Improvements to the pricing and marketing of energy products to reduce complexity and improve transparency – especially for customers from refugee and migrant backgrounds include:

- *A benchmark product:* an easy to understand benchmark product could act as a default product for all customers, especially newly arrived refugees and migrants.
- *Transparent offers and discounts:* clearly explained conditions and limitation should accompany any offers and/or discounts (eg: 30% OFF YOUR ELECTRICITY USAGE. DOES NOT APPLY TO SUPPLY OR OTHER CHARGES)
- *Improved energy literacy:* training, education resources for vulnerable consumers (or the people/organisations who help them) to increase understanding of the energy market. Could be made available through organisations providing settlement programs (eg AMES, MRCs)
- *Multilingual resources:* bills, marketing offers and education resources available in community languages. Could include increased government support for Victorian Energy Compare to provide resources/information in different languages and increase access for refugees and migrants to a user-friendly and understandable comparison tool.

- *Engage retailers:* provide incentives for retailers to respond to the needs of CALD customers in any of the ways described above (or through other tailored initiatives). Spin-off benefits could be that participating retailers attract more CALD customers.

CASE SCENARIOS

The follow provide some examples of the types of issues CALD customers face when attempting to make (informed) choices about the contracts that they are entering into and the options available to them. In particular all of these instances illustrate how essential it is for CALD customers with low level English language and literacy to be able to access reliable interpreting/translation services.

- Clients in AMES Humanitarian Settlement Services were eligible for a concession on their gas and electricity bills with E*** Australia. Their Case Manager encouraged them to call the company with the Telephone Interpreting Service (TIS). They did this but were informed that the energy company required them to call the company first and they would call the interpreter. After dialling the company's number, they were unable to understand and follow the options – ie "*press 1 for.... press 2 for...*". So, even though these clients were capable of using TIS, they needed to go to their Case Manager for support.
- A number of cases have required that clients be linked with community legal services to deal with disputes over bills and contracts. For example: a client received bill from A*** Energy when he was not aware of signing a contract with the company.
- Some energy companies have cancelled their interpreter services making it difficult for CALD clients to manage energy connection and/or deal with any issues.
- Another recent case involved a client who signed up with a door-to-door salesman for an energy provider (when he already had a contract with a different provider) because he didn't understand what the salesman was offering. It required assistance from a Case Manager to cancel the new contract.