



Presentation to the Australian Competition Tribunal

Community Consultation – SA Power Networks

The South Australian Financial Counsellors Association (SAFCA) represents some 150 financial counsellors in this state. Our members provide information, support and advocacy for people in financial difficulty. They offer their services free of charge to their clients and provide impartial advice. Financial counsellors are at the coal face working with people in financial distress.

Financial counsellors play an integral role in negotiating hardship program applications for clients. Financial counsellors are also the “gatekeepers” for the state’s Energy Electricity Payment Scheme (EEPS), processing around 1000 applications each year¹.

SAFCA made a submission to the Australian Energy Regulator (AER) in January 2015 which was supported by the twenty agencies that employed financial counsellors at that time. Each of those agencies allowed their logo to be attached. Those agencies are all not for profits and included The Salvation Army, Anglicare, Uniting Care Wesley Bowden and Centacare Country SA.

SAFCA and its consortium agencies submit to this Tribunal that thousands of South Australian households are in financial distress and do not have the capacity to pay their energy bills. In our view, the SAPN 2015-20 Regulatory Proposal provided for a level of service that was unaffordable and, in the absence of changes to the South Australian Electricity Concession arrangements, many of these services were correctly rejected by the AER. It is our view that the appeal by SAPN for extra revenue to fund these services should not be upheld.

South Australian households have endured steep electricity price increases during the previous 5-year regulatory period that have not been matched by increases in the community’s capacity to pay. As we showed in our submission to the AER, SA has some of the National Electricity Market’s least affordable electricity and, as a result, has above average levels of debt and disconnections. Financial counsellors

¹ From the DCSI Annual Report 2012-13 “Support is also provided through the **Emergency Electricity Payment Scheme** which provides a one-off payment of up to \$400 to eligible South Australians. During 2012-13, the scheme received 1084 applications, resulting in 849 payments being granted.”

support many thousands of households each year to manage their energy bill debts and are of the view that prices should be falling to reflect the fact that SAPN's costs have reduced.

Many South Australians households are facing financial hardship.

An Economic and Social Impact Survey undertaken by the Salvation Army this year found that:

- Due to financial hardship: 1 in 2 respondents indicated they have cut down on basic necessities, and / or have borrowed money from friends / family, and 41% have gone without meals
- When respondents ran out of money, 32% sold or pawned their belongings, and 19% applied for a loan through payday lenders
- 9% of respondents engage in other actions to manage financial hardship including begging for money, shop-lifting, doing odd jobs for cash or misusing credit cards
- 86% of adults reported severe deprivation and live without five or more essential items. Of those experiencing severe deprivation:
 - 89% do not have \$500 in savings for emergencies
 - 65% are not able to afford dental treatment
 - 49% go without regular social contact with other people

SAFCA also surveyed the collaborating agencies as part of preparing the 2015 submission. The survey responses reflected the provision of case management/financial counselling assistance to over 14,000 clients in 2013-14. A similar number, around 15,000, are also provided with self-help information via the Helpline (1800 007 007). The survey responses indicated that around 60% of clients (approx. 9,000) assisted by a financial counsellor in 2013-14 had a debt with an energy company².

SAFCA Survey results

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| • Number of clients reflected in the survey; | 14,000 |
| • Number with Utility debt: | 10,500 or 75% |
| • Number with electricity debt: | 8,680 or 62% |

Thousands of households each year get caught up in debt and face disconnection from their electricity supply. They are usually advised by financial counsellors that the electricity bill is a priority for payment as disconnection has a huge detrimental impact on life. This may be at the expense of other needs such as food and medical assistance.

² Respondents include Uniting Communities, AnglicareSA and Salvation Army. Approximately 3 in every 4 people had a Utility Debt of some sort and 62% reported an energy debt.

The SAFCA consortium is therefore very well positioned to provide some insights into *capacity to pay* for energy from the household budget that may not align with what SAPN has assessed as the community's *willingness to pay* (WTP) in the 2015-20 Regulatory Proposal, much of which is the basis for the appeal by SAPN.

It is the consortium's view that thousands of South Australian households are in financial distress and do not have the capacity to pay their energy bills. In our view, the SAPN 2015-20 Regulatory Proposal provided a level of service that was unaffordable and was rightly pared back by the AER to a more prudent proposal that could be afforded by the *whole* community.

Case Study: Hardship

Bill has work history but over last 12 months has been unable to secure full-time work – currently in receipt of Newstart Allowance (sickness) and suffering some mental health issues. He has cut back on expenses as far as possible but his electricity bill has continued to escalate. Disconnection was imminent but Ombudsman intervened – now on 'last chance' from electricity supplier. Account is in excess of \$2,000 therefore Emergency Electricity Payment Scheme not available to him. He has found it necessary to seek emergency food assistance.

The financial counsellor contacted the electricity provider and established Bill's power usage. In order to meet ongoing supply cost and pay something towards outstanding debt Bill was asked to pay \$140 per fortnight which is unaffordable. Made temporary hardship arrangement for \$100pf. Longer term, unless Bill is able to find work, he will still be in serious financial difficulties and at risk of having electricity supply cut.

Case Study: Disconnections

Sandra was disconnected 2 months ago. She called the Telephone Financial Counselling for help to get reconnected and to gain assistance to pay fines she had received over the past 2 months from the police for starting fires in the back garden. Sandra lived in suburb of Elizabeth and was making fires in the back garden to do her cooking. She did not know that she was not allowed to make a fire in the back garden initially, but when faced with the option of a fine or cooking to feed her children she choose to feed her kids. The repetitive police attendance to her home was the catalyst for Sandra's contact for help.

Sandra has gone to extraordinary lengths to remove the necessity for electricity. Sandra explains how she puts her washing in a barrel of water with soap and rolls it up and down the road outside her house to wash her clothes. Sandra has implemented many other drastic money saving initiatives to reduce her energy consumption. Her electricity bill was \$385. Sandra received help with an Emergency Electricity Payment to get reconnected to her energy provider and was put on a fortnightly payment plan to reduce the risk of further disconnection.

To assist the many thousands like Sandra and Bill who are facing extreme financial difficulty, SAFCO and its collaborating agencies submit that the appeal by SAPN to fund extra services that it says the community is willing to pay, should not be upheld. At this time, these extra services are simply unaffordable by the whole community and the available concessions and hardship arrangements do not adequately assist those in need.

The role of the tribunal is to achieve the “most preferable” outcome for consumers. To reach that outcome, the tribunal cannot ignore the real life experience of large numbers of low and modest income households for whom paying too much is clearly not in their best interests, in the long term (as well as the short term).

We thank you for the opportunity to appear before this Tribunal and trust that this representation on behalf of the South Australian’s who are struggling with high electricity prices will be considered.