



**Submission to the Australian Energy Regulator on  
the**

# **Consumer Vulnerability Strategy Draft for consultation**

**Prepared by  
COTA Australia**

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## COTA Australia

COTA Australia is the national consumer peak body for older Australians. Its members are the State and Territory COTAs (Councils on the Ageing) in each of the eight States and Territories of Australia. The State and Territory COTAs have around 30,000 individual members and more than 1,000 seniors' organisation members, which jointly represent over 500,000 older Australians.

COTA Australia's focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve and protect the circumstances and wellbeing of older people in Australia. Information about, and the views of, our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes.

COTA Australia has a vibrant and knowledgeable Energy Advocates Group. Members of this group are represented on the Australian Energy Regulator's (AER) Consumer Consultative Group and Better Bills Working Group, as well as National Energy Consumer Roundtable.

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## Introduction

COTA Australia, in collaboration with its Energy Advocates, welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on the Consumer Vulnerability Strategy – Draft for Consultation dated December 2021.

COTA Australia, as the national consumer peak body for older Australians, fully supports what it identifies as the paper's main contention. We understand the AER's purpose for the draft strategy is multifaceted:

- create an energy market inclusive of all consumers
- improve energy affordability
- ensure every reasonable effort is undertaken to keep consumers connected
- reduce energy businesses' cost to service

From our viewpoint, the draft strategy is a good starting point for working towards the achievement of these outcomes. Further we applaud the AER's openness to work with all energy stakeholders in progressing the draft strategy's proposed actions aimed at improving consumer and market outcomes. As a matter of high urgency, we want to see a concerted effort directed towards resolving issues experienced by embedded network customers.

Furthermore, COTA Australia supports the AER's intention to continually build on the learnings from the Vulnerability Strategy (anticipated to be published mid-2022) to facilitate discussions about the potential to achieve broader change *beyond this Strategy* (draft strategy, page 7).

Though, like the AER, COTA Australia is aware the Strategy will not 'solve' or eliminate the issue of *vulnerability*. While we have a competitive market there will be tension between universal affordability and profit. Particularly given the interplay of complicated, entrenched socioeconomic characteristics, change of such magnitude would require wider multileveled systemic change, plus the highest commitment of government and the wider community to, at a minimum, wipe out inequity and poverty.

Our concerns around digital exclusion relate to most of the proposed actions. We are concerned that if this issue is not appropriately addressed it will have a significant detrimental impact on the achievement of the Strategy outcomes. We also argue this will impact disproportionately on older people as the digitally excluded customer population tends to increase with age, no matter how digitally able a person may have been. This becomes very relevant as government and other services increasingly move to 'online only'. In respect to energy, an increasing number of older people who live alone will struggle to pay bills and/or access accounts and information. In addition to limiting opportunities for independent engagement, this leads to increased dependence on friends, family and neighbours, with a consequent potential to increase elder abuse as well as indisputably entrench *vulnerability* in the energy market.

Our concerns are not limited to those in our society who are considered digitally excluded due to not having an active online presence. The [Australian Digital Inclusion Index](#) clearly demonstrates *participation in our increasingly digital economy and society requires a combination of technical and financial resources with specific skills and knowledges*. Without

metrics for ascertaining and responding to energy customers' levels of digital inclusion and exclusion, we can only pay lip service to the realisation of concepts such as inclusion and/or the participation of all consumers in the energy market.

## Consumer vulnerability

COTA Australia, understands the argument forwarded in the draft strategy to support a working definition of 'consumer vulnerability'. We also subscribe to the principles that underpin the AER's approach. However, particularly in a public facing document, we do not support the separating out of energy consumers into 'vulnerable' and 'not vulnerable'. More broadly, the reasons for 'entrenched vulnerability' need to be addressed. Hopefully, we do not accept that there will always be people who are not able to pay their bills, including those for energy, water etc. It is critical that government and community systems acknowledge the provision of specific services as essential to peoples' health and wellbeing and, therefore, guarantee their provision. We note complementary views were presented in Attachment 1: Additional stakeholder workshop insights – Concession and rebate amendments.

Although not the intention of the AER, the term 'customer vulnerability' carries strong negative connotations. Older people tell us they hear it as labelling. They say for those so 'branded' it stigmatises and invalidates their strengths and personal circumstances. Rather than throwing light on the systemic barriers or societal or market characteristics that disempower, the term is generally used to differentiate between those who are perceived as independently managing their own lives and those needing to rely on the kindness of others to 'get by'.

We suggest the AER reframe the draft strategy as a Customer Assistance Strategy. Such a change would complement the AER's focus on an inclusive energy market that:

- acknowledges the diversity in its consumer population
- understands that complex markets - such as the energy market - can create, enable and/or exacerbate the stress and hardship experienced by individuals
- recognises that most people are likely to experience challenging circumstances at some point in their lives
- takes account of and responds flexibly and sensitively to individual circumstances

We believe this reframing would encourage greater engagement from across the energy consumer spectrum. With the removal of the perceived disempowering labels, many more customers would experience greater confidence in negotiating an individually tailored outcome with their energy retailer.

## Overarching Strategy questions

### Our research

COTA Australia and the eight COTA state and territory organisations (the COTA Federation) commission the biennial [State of the \(Older\) Nation \(SOTON\)](#) research to informatively evidence the views, life experiences and needs of Australians aged 50 years and older.

A major 2021 SOTON finding was that while most older Australians identified themselves as having a good quality of life, many metrics had declined since 2018 (the first report). For example, while 73% of participants rated their quality of life highly, there was a decrease since 2018 (78%). Plus, over the two-year period, physical health ratings declined from 67% to 57%; mental health from 80% to 72% and the quality of social relationships from 72% to 66%.

In relation to financial security, while in 2021, 55% of respondents felt quite financially secure about being able to meet their needs for the rest of their lives, 45% (more than two in five) didn't. Within this second group, feelings of financial insecurity were most prevalent amongst people who had experienced domestic violence (57%), not in paid employment (46%) and those living with disability (40%).

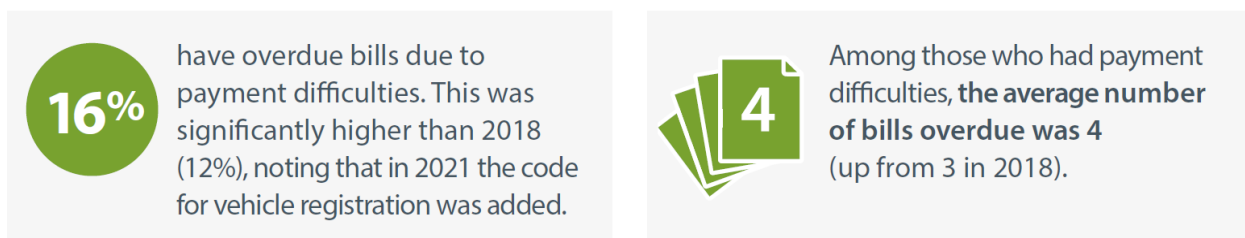
The impact of financial constraints was clearly demonstrated in the percentage of older people who had unpaid bills due to payment difficulties. In 2021, 16% of respondents reported having overdue bills, which was significantly higher than 2018 (12%). There was also an increase in the number of different types of outstanding bills compared to 2018, an indication of increasing levels of financial stress.

In 2021, the most common overdue bills included:

- electricity or gas (9%)
- mobile phones (7%)
- vehicle registration (7%).

In response to Question 41, Does your household currently have any bills ... that are overdue specifically because you are having difficulty paying them, SOTON's finding is presented in the following figure:

Figure 1: *Overdue bills due to financial stress*



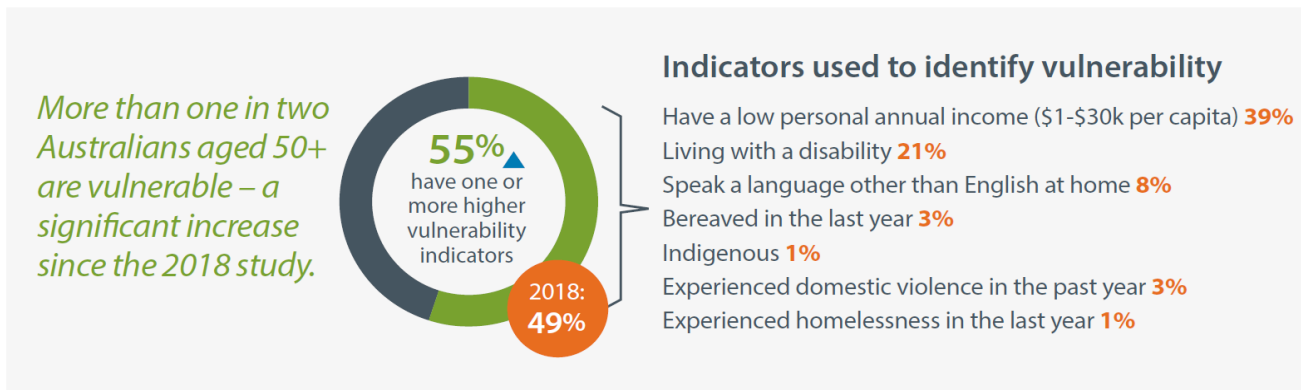
Plus, SOTON 2021 reported that over half of all survey participants (55%), see themselves as being vulnerable on one or more of the indicators used to identify vulnerability (refer, Figure 2); a significant increase since the 2018 study (49%).

As was done in 2018, analysis of the data was conducted by level of vulnerability using indicators, such as:

- low personal annual income
- living with disability
- non-English speaking at home
- recent bereavement
- ATSI
- domestic violence
- homelessness

The higher vulnerability group was more likely to be female (57% vs. 52% of men), be aged 70 or over (62% vs. 54% of those in their 60s and 48% of those in their 50s), live in Queensland (63%) and live outside the capital cities (61%).

Figure 2: Experience of vulnerability



### AER proposed actions – the need to prioritise

In general, COTA Australia supports the draft strategy’s five objectives. However, we suggest that Objective 1 be reworded to read Improve assistance to consumers.

We see the objectives as providing solid guidance to grounding and directing the actions in ways that support the stated outcomes. As a suite, we believe the objectives and potential actions will enable the AER to achieve progress in moving the energy market towards being more inclusive of energy consumers through gaining a deeper understanding of:

- the population’s diversity
- how an individual’s personal circumstances can affect their access, use and interaction with the energy market
- consumer engagement preferences
- how energy consumers can assist other energy stakeholders in designing and implementing more simplified regulatory processes, as well as dismantling many of the barriers that confront consumers in exercising choice and engaging with energy retailers and suppliers

Although, we welcome the implementation of the AER’s potential actions, we contend that priority be given to Actions 2 and 4. We particularly want the AER to address issues impacting the lives of energy consumers in **embedded networks**. Given the housing density increases in many urban and regional areas, issues associated with embedded networks need urgent attention.

From our perspective, embedded network customers are:

- let down by the current energy market regulatory arrangements
- denied the opportunity to access competitive prices or important consumer protections.

Also, given what older people have shared with us about their experience of embedded network arrangements, we believe there to be insufficient monitoring and regulatory enforcement powers. This affords some embedded network operators the opportunity to manipulate their essential service supplier requirements.

In addition, with respect to Objective 4 the wording (*Use the consumer voice and lived experiences to ...*) suggests consultation in response to issues. We support consumers being actively engaged in all stages of the process. Moreover, Action 5: *Introduce vulnerability impact assessments into aspects of our work ...* indicates that there is scope to consult early to avoid vulnerability when considering changes to the power supply. Perhaps this can be encouraged.

In addition, we would appreciate Action 7 being given priority over the remaining identified potential actions. Consistency of consumer protections across the energy market, regardless of the customer's jurisdictional location, is vital to building customer confidence, trust and engagement in the energy market. We believe this will be paralleled by an overall marked, sustainable reduction in cost to service.

### **Barriers and opportunities associated with implementing the proposed actions**

COTA Australia is fully supports with the proposed strategy's central outcome, the *creation of an energy market inclusive of all consumers, does not create or compound harms and barriers to participation, and that energy is fairly priced* (page 9). We would like to see this extended to all other elements of the energy market.

In addition, given the draft strategy's assertion that all people at some point in their life will probably face circumstances that affect their capacity to afford essential services, the lived experience of energy consumers must be at the centre of regulating, designing and delivering the energy system, services and products. We support this proposition. However, we contend that if the diverse **voices of energy consumers** are not attentively listened to as equal and active energy market partners, the desired outcomes will not be achieved.

At present many energy consumers lack the confidence and know-how to engage with energy businesses. Older people tell us this is often the result of a history of previous unsympathetic experiences. COTA Australia believes every person has the right to safety, to live with dignity and exercise choice. However, we know to achieve this people must be empowered with information to access the help and support crucial to addressing the challenges they are confronting.

### **Ways of engaging stakeholders in implementing the Strategy**

In talking to older people about implementing the Strategy, they emphasised the need for an enduring alternative to a digital interface that includes a real person *we can talk*

to. Irrespective of how good the online interface may be in managing 99% of queries and issues, they agreed that *the fall back to a real person will sometimes be what's needed and/or preferred by the individual consumer.*

## Objective 1: Improve identification of vulnerability

COTA Australia believes the most profound experiences of financial and/or other forms of societal stress are unlikely to be transient. Rather they play out as multifaceted ongoing or enduring hardship (with 1 in 5 Australians feeling over-indebted or just managing to keep up with their payments). As the contributors to such hardship are most frequently located external to the individuals directly experiencing their effects, they require a committed and sustainable response/s from government and the community. COTA Australia believes the Strategy's implementation needs to proceed from this recognition.

In developing the toolkit, we would ask the AER to take into consideration the insights provided by [State of the \(Older\) Nation 2021](#) and the most recent [Australian Digital Inclusion Index](#)

COTA Australia notes and supports the focus on family violence, and advises it is critically important the AER and industry bodies ensure the issue of elder abuse is also recognised in these discussions. We would like to draw the AER's attention to [Elder Abuse Action Australia's](#) (EAAA) work in this space. EAAA is a specialist organisation with knowledge of issues that impact older people and their families, communities and broader society. One of EAAA's project is [Compass](#) – a website which aims to create a national focus on elder abuse by raising awareness of this growing social issue, and simplify the process of connecting people to services and information tackling elder abuse.

EAAA and COTA Tasmania co-hosted of the [7th National Elder Abuse Conference](#) in Hobart February 2022.

## Objective 2: Reduce complexity and enhance accessibility for energy consumers

COTA Australia overwhelmingly supports reducing the complexity of the energy market. As the draft strategy highlights, *when markets are complex, or not inclusively or universally designed, this can cause new vulnerabilities or compound existing challenges.* We appreciate the AER is already focused on addressing energy market complexity, but the job is far from complete. Pricing structures remain confusing and better offers generally poorly explained with important detail not immediately evident. Plus, most consumers find it close to impossible to compare the different better offers and select the one that best complements their personal circumstances. From a consumer perspective the energy market is overly complex, and this distances all but the most robustly resilient consumers. Moreover, it severely compromises consumer choice.

COTA Australia supports the AER's claim that significant gains can be made by simply speaking to energy customers in a language they understand. Simplifying the information will have measurable gains on building consumer confidence and their capacity to engage with the



energy market. Also, we support the notion of designing ‘safe defaults’ that place less reliance on consumer-led consumer protections.

We have no objection to the inclusion of quality-of-service metrics in the AER’s Retailer Report Cards, but question how this will benefit consumers who do not use online services.

### Objective 3: Strengthening protections for consumers facing payment difficulty

COTA Australia is firmly of the view that payment difficulty processes need to be clear. They need to be mapped in a way that provides clarity to customers and businesses alike as to the situation and range of flexible options available at the various process points. We advise it is critical that these processes need to be readily conveyed to all segments of the consumer population including those from Culturally and Linguistically Diverse backgrounds, First Nation People, as well as those who are digitally excluded.

COTA Australia supports further exploration of options such as ‘knock before disconnect’, with the objective of minimising or eliminating disconnections for non-payment. Every reasonable effort must be made to keep customers connected. Consumers who have experienced disconnection are likely to remain disaffected energy consumers and estranged from purposeful participation in the energy market.

In addition, we see it is important that *vulnerability* or hardship assessments should be built into the application process for exempt sellers, with a regular review and update. Also, it needs to be an important consideration in the regulatory oversight of new energy products and services.

### Objective 5: Balance affordability and consumer protections by minimising the overall cost to serve where possible

COTA Australia welcomes any initiatives that reduce the cost to service for retailers when the flow on reduction is evident in consumer bills. However, we caution against removing requirements for retaining traditional participation channels for consumers who do not use online services.

Also, we note that there are organisations which operate with very low levels of delinquency. For instance, the member owned banking sector has seen levels as low as 1 to 2%. Learning from businesses with a better track record of the desired balance should be pursued.

### Enablers of success

COTA Australia sees the enablers as integral to a successful implementation of the Strategy. We believe they have the potential to contribute to the energy market’s much-needed cultural transformation. Being committed to inclusive collaboration and the nurturing of an informed culture of continuous learning across the sectors is a surefire way to enabling an industry that *works for both consumers and energy businesses*.

Our consumer engagement experiences advise the most effective way for the AER and stakeholders to gain the necessary insights to address their respective concerns is through open dialogue. We appreciate this is already known by the AER and has been demonstrated by the wealth of pragmatic information delivered through its stakeholder workshops. The outcomes of which show that having areas of concern explored and defined by different stakeholder perspectives, as well as making effective use of pertinent data, provides a highly efficient pathway to finding change that delivers greater complementarity between consumer outcomes and regulatory and business practices.

However, inclusive and purposeful consumer engagement is highly dependent:

- commitment to building trust and working together as valued and equal partners
- being informed – having ready access to reliable and accurate information that builds on the reader’s knowledge and experience
- being listened to and having contributions valued
- having multiple, flexible engagement pathways that accord with individual needs and preferences:
  - online – forums, workshops, focus groups, surveys, Q&As etc.
  - face to face forums, workshops, focus groups, individual meetings etc.
  - being able to talk to another person who is interested and will listen rather than attempt to ‘sell solutions’
  - discussion papers focused on exploring specific issues
  - providing feedback through existing community groups and/or peak bodies
- having empathetic facilitators, staff – people who understand and respect that the consumer population comprises people with differing needs, preferences, capabilities and personal circumstances

COTA Australia suggests the AER set up regular forums, as well as circulate paper-based resources, to keep stakeholders informed of progress made in implementing the Strategy. At the conclusion of the 3-year Strategy, the AER should circulate widely the evaluation report. We anticipate that this will be a co-designed product that is focused on measuring the energy market’s level of success in achieving the Strategy’s outcomes. Moreover, to be useful to stakeholders, the report must identify the major challenges encountered and how they were addressed, plus name those that are unresolved.

## Conclusion

COTA Australia is highly appreciative of the AER’s commitment to inclusive stakeholder consultation to foster and build consumers’ engagement and participation in the energy sector. Like the AER, we understand this as the most effective way to identifying, exploring and addressing issues in ways that maximise the benefits for all stakeholders. With respect to the Strategy, we see it as contributing to better outcomes for all consumers especially those for whom the societal structures/barriers place them in situations where they experience high levels of mental, emotional and/or physical stress which, amongst other things, impacts on their

ability to meet financial commitments. Also, we see the Strategy as having the potential to positively impact on retailers' cost to service. For instance, a reduction in delinquency.

However, like the AER we understand that the creation and sustainability of inclusive essential service marketplaces/sectors is dependent on more than finding ways to assist those experiencing payment difficulty. Although, in themselves positive and welcomed developments, improving and sustaining whole of life outcomes for consumers requires broader system change and leadership. We look forward to participating in AER's discussions about the potential to achieve broader change.