

Our Ref: D12/70753  
Your Ref:  
Contact Officer: Angela Bourke  
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1 June 2012

Ms Mance, General Manager  
Retail Investor Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Ms Mance

**Re: Strategies for reducing reliance on high-cost, short-term, small amount lending**

Thank you for the opportunity to comment on the discussion paper ‘Strategies for reducing reliance on high-cost, short-term, small amount lending.’ The Australian Energy Regulator (AER) will assume responsibility for the non-economic regulation of retail energy markets under the National Energy Retail Law (Retail Law) on 1 July 2012. Under the Retail Law, the AER will be responsible for—among other things—approving energy retailers’ customer hardship policies<sup>1</sup> and monitoring and reporting on energy retailers’ performance against the hardship program indicators.<sup>2</sup> Our comments below are informed by our work in this area to date, including consideration of retailer hardship policies and developing the retailer performance framework.

The Retail Law requires energy retailers to develop, implement and maintain a customer hardship policy and that the policy is approved by the AER. The purpose of these customer hardship policies is to identify customers experiencing financial difficulties due to hardship and assist customers better manage their energy bills on an ongoing basis.

The AER notes the research cited in the discussion paper that around 21% of people using high-cost short term loans do so to pay utility bills<sup>3</sup> and that almost half of small amount loan customers are in receipt of government benefits.<sup>4</sup>

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<sup>1</sup> In May 2011, the AER published Guidance for retailers on the information they could include in their customer hardship policies to ensure the requirements in the Retail Law and Rules are fully satisfied. <http://www.aer.gov.au/content/index.phtml/itemId/748157>

<sup>2</sup> The AER has developed hardship program indicators which are set out in the AER Performance Reporting Procedures and Guidelines. <http://www.aer.gov.au/content/index.phtml/itemId/748188>

<sup>3</sup> Gillam and Consumer Action Law Centre, Payday Loans: Helping hand or quicksand?, 2010, pg 6.

The AER agrees it is likely that some of these customers would be in a better position by accessing the assistance provided under their retailer's hardship policy than using the credit provided by high cost, small amount loans to pay their energy bills.

The AER supports any further opportunities to promote greater awareness of, and access to, energy retailers' customer hardship policies and programs and is already developing an outreach and information campaign to facilitate this. Informing customers about the available assistance, including customer hardship programs, bill smoothing arrangements and payment plans may reduce demand for pay day lending to pay utility bills.

In approving energy retailers' customer hardship policies, the AER has sought to encourage retailers to produce 'customer friendly' versions of their policies and to further promote their hardship programs to community and welfare organisations and customers who may typically be harder to reach (such as those from culturally and linguistically diverse backgrounds). We also note that many energy retailers are taking these steps in addition to their efforts inform customers about their hardship policies through energy bills and other correspondence (such as on reminder and disconnection warning notices).

Finally, we note that the AER has also commenced discussions with the Department of Families, Housing, Community Services and Indigenous Affairs regarding the provision of information as part of the Home Energy Saver Scheme about the assistance available to customers experiencing financial hardship, including energy retailers' customer hardship programs.

If you have any questions, please feel free to contact Angela Bourke on (03) 9290 1910 or [angela.bourke@aer.gov.au](mailto:angela.bourke@aer.gov.au).

Yours sincerely



Andrew Reeves  
Chair

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<sup>4</sup> The Treasury, Strategies for reducing reliance on high-cost, short-term, small amount lending: Discussion Paper, 2012, pg 3.