Tuesday, 19 June 2018

To Whom It May Concern,

We are writing on behalf of the members of the Financial Counsellors’ Association of Queensland Inc. (FCAQ) regarding your request for written submissions from all interested parties and members of the community on the Review of Queensland Energy Legislation – Issue Paper May 2018.

The Financial Counsellors’ Association of Queensland (FCAQ) is the representative body for financial counsellors in Queensland. It is an unfunded body which is managed by volunteers drawn from the Association. FCAQ totally relies on volunteers and seeks access to volunteers for specialised areas of delivery and governance of the state body. FCAQ works extensively and collaboratively with all Financial Counselling and Resilience State and Commonwealth funded organisations to ensure best practice, providing continuous professional development, training opportunities to financial counsellors and resilience workers across Queensland.

The Association currently has approximately 100 members, who work across Queensland delivering services to urban and rural and remote communities. A financial counsellor will assist a person with understanding their rights and responsibilities for their debts in accordance with:

- legislation that regulates creditors under Commonwealth jurisdiction including but not limited to the National Consumer Credit Protection Act 2009 (NCCPA), Competition and Consumer Act 2010 and Bankruptcy Act 1966 and subsequent amendments;
- has knowledge of debt recovery processes;
- acts as a consumer advocate with creditors;
- provides assistance with budgeting and community based financial literacy programs and;
- provides information and options regarding insolvency matters and alternatives.

FCAQ welcomes the opportunity to make a submission regarding the Electricity Act 1994; Gas Supply Act 2003 and the Energy and Water Ombudsman Act 2006. Our comments to the Issue Papers key considerations are made in the interests of low income earners; culturally and linguistically diverse energy consumers; rural energy consumers; and Aboriginal and Torres Strait Islander energy consumers. FCAQ hopes that any changes in state legislation appropriately address a social, economic or environmental need or risk whilst effectively delivering lower energy costs to these vulnerable energy consumers. There are multiple factors that influence an energy consumer’s ability to sustain payments for their energy usage, they include: stagnant wage growth; higher unemployment rate (particularly in rural and remote communities); increases in energy supply charges; lack of competition; lack of financial literacy and literacy; lack of affordable housing; increases in cost of living and the effects of natural disasters.
Impact on number or range of suppliers. Does the regulation:

Grant exclusive rights for a supplier to provide goods or services.

Since the 1 July 2016, retail electricity prices were deregulated in South East Queensland, this has led to greater competition for energy consumers living in this part of Queensland. FCAQ notes that Queensland’s rural and remote communities have not had similar reductions in retail electricity prices. Further, the number of retail energy suppliers is very limited with one energy retailer effectively monopolising Queensland’s rural and remote energy market. Energy consumers have only one choice for their energy supply and do not benefit from lower energy prices that a deregulated market provides. If they are in financial hardship they are limited to this energy retailer’s hardship program. Lower income earners, particularly those people that have income below the poverty line are at a greater risk of not being able to sustain payment arrangements with their energy retailer.

Impact on choice and information available to consumers. Does the regulation:
Limit the ability of consumers to decide from whom they can purchase goods and services:

As stated above, the regulated retail energy market in rural and remote communities of Queensland have effectively only one choice in the energy retail market. The advantage of a deregulated market and lower prices that competition brings is not available to these energy consumers. This places these consumers at a significant financial disadvantage and increases their cost of living pressures.

For those consumers already in financial hardship and behind in their energy repayments, the option of finding a more competitive energy supply rate, provides limited value to them as consumers. These consumers are still liable for their energy usage arrears and switching energy suppliers would be an ineffective long term money management strategy. Moreover, if these consumers switch energy retailers whilst they may lower their future energy usage costs, they are less likely to be able to afford a repayment arrangement for an old utility bill. FCAQ would welcome more community education about when is the best time to switch providers; a deregulated energy market for all Queenslanders and collaborative government, industry and NGO program to engage with vulnerable communities and lower their energy usage costs.

Reduce mobility of customers to move between suppliers of goods or services by increasing the explicit or implicit costs of changing suppliers:

Since deregulation of the energy sector in south east Queensland the complexity of an energy contract is increasing and it is harder for consumers to understand. An energy contract is comparable to a mobile phone contract. Vulnerable community members are facing difficulty in understanding what their energy contracts mean. It is FCAQ view that vulnerable community members and those on incomes below the poverty line would benefit from a standard low cost energy plan which offers the lowest market rate for energy; no direct debit fees; no annual fees; pay on time discount; no lock in contracts; identification of any applicable energy rebates or concessions. This type of service could be offered across all energy retailers across the entire Queensland retail energy market. The Australian Banking Association (ABA) has a comparable product for transaction accounts.
available to their customers. This idea is an extension of the ABA’s affordable bank account.  
(http://www.affordablebanking.info/ArticleDocuments/161/Basic_Bank_Accounts%20July%202016.pdf)

Limit the information required by consumers to shop effectively

While reductions in cost of living pressures through energy rebates and concessions are helpful, only one quarter of eligible people are accessing the financial relief they are eligible for. Queensland Council of Social Services (QCOSS) has stated that community services need to be supported to assist Queenslanders particularly those in crisis to access this relief. There is a website Energy Made Easy which is a comparison site of all available market energy offers and assist people to switch providers for the better deal. However, if a consumer is in financial trouble there is no information about when is a good time to switch and when you engage with the energy provider’s financial hardship team. As a result, financial counsellors are now beginning to see more clients switching providers when their energy debt becomes unsustainable. This increases a person’s unsecured debt, debt collection activities increase, which leads to further indebtedness stress reported by energy consumers. These consumers typically have no additional capacity to pay this new debt - which perpetuates an indebtedness cycle.

Thank you for your consideration of FCAQ’s written submission.

Warm Regards, Jill McKinlay.
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