



Industry &  
Investment

# **Review of the Energy Accounts Payment Assistance (EAPA) Scheme**

**Consultation Paper**

December 2010

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# Executive Summary

The Energy Accounts Payment Assistance (EAPA) Scheme is a NSW Government concession program to assist householders experiencing difficulty paying their energy bills because of an emergency or crisis to stay connected to essential energy services.

On 16 November 2010, the NSW Premier and Minister for Energy announced a review of the EAPA Scheme to be conducted by Industry and Investment NSW (I&I NSW) in consultation with other NSW Government agencies and external stakeholders. The Energy Branch of I&I NSW is undertaking this Review.

This consultation paper discusses a number of policy options for the EAPA Scheme. I&I NSW is seeking feedback from stakeholders on each of these options or other proposals for improving the allocation and distribution of EAPA vouchers to meet the Scheme's objectives and good administrative practice. This feedback will be used to assess whether any changes should be made to the EAPA Scheme to ensure that the customers who need the most help with paying their energy bills are receiving it and that the Scheme is being delivered consistently with best practice principles for grants administration.

The Review is being conducted on the basis that any changes to the EAPA Scheme arising from the Review will be implemented within the current Budget allocation for energy concession programs.

The consultation paper focuses on a number of specific options for improving the allocation and distribution of EAPA vouchers. These options have been drawn from proposals put to the NSW Government by stakeholders in the past twelve months. These options include:

1. Voluntary scheme for retailer delivery of EAPA (the retailer delivery model) to complement the existing delivery of EAPA by community welfare organisations (CWOs);
2. Examining voucher payment parameters including:
  - the current EAPA voucher "face value" of \$30;
  - maximum customer limits; and
  - the current rule for not placing bills in credit;
3. Extending access to EAPA for households who are connected to liquid petroleum gas (LPG) cylinders for heating or cooking purposes (excluding barbeque and outdoor heating usage);
4. Extending access to EAPA for customers of exempt suppliers (including residential/caravan parks, retirement villages and boarding houses) who are individually metered and receive a separate energy bill;
5. Improving administrative requirements:
  - requiring all retailers to accept EAPA vouchers via Australia Post outlets;
  - revision of the EAPA Guidelines for CWOs; and
  - the introduction of a CWO accreditation and review framework.

The consultation paper has three appendices providing further detail on the retailer delivery model and CWO accreditation process.

In drafting this paper, consideration has been given to submissions made following the release of the NSW Government's Draft Customer Assistance Policy in July 2009 as well as subsequent representations and oral and written feedback on the operation of the Scheme. I&I NSW particularly acknowledges the feedback provided by CWOs working on the day to day delivery of the EAPA Scheme.

# 1 Introduction

## 1.1 Scope of Review

The Energy Accounts Payment Assistance (EAPA) Scheme is designed to assist householders who are financially disadvantaged and experience difficulty paying their home gas and/or electricity bills because of an emergency or crisis. The overall Scheme is aimed at helping people in such situations to stay connected to essential energy services.

The Scheme is intended to target households which are experiencing unusual or unexpected financial stress. It is not intended to offer ongoing income support. There are currently a range of rebate programs in place through the NSW Government to support eligible households on an ongoing basis. However, it is acknowledged that some customers who are experiencing chronic financial stress as a result of increased costs of living, including recent electricity price rises, may be seeking EAPA vouchers on a regular basis.

In this context, the Energy Branch of I&I NSW is reviewing the EAPA Scheme to ensure that it is reaching households who require financial assistance in emergency situations in a manner which is consistent with best practice guidelines for delivery of Government programs.

The Review is designed to ensure that EAPA vouchers are allocated, distributed and administered in a way that is efficient, effective and fair.

The Review will explore a number of options for enhancing and strengthening the EAPA Scheme. This document is designed to seek feedback from all stakeholders and individuals, and particularly those who are at the frontline of EAPA program delivery.

The Review is considering whether the EAPA Scheme is meeting its objectives. In considering this, it is also important that the Scheme meets the requirements set out in the NSW Government's *Good Practice Guide to Grants Administration*<sup>1</sup>. This includes principles such as:

- Value for money: Obtaining the best mix of services to meet the community's needs within available funding and selecting the mix of resources that delivers the best possible outcomes to clients.
- Fairness, Integrity and Transparency: Ensuring that the Government grants system is and is seen to be accessible, appropriate and fair.
- Cooperation: Government agencies and funded organisations will work to promote a funding relationship based on reciprocity.
- Diversity: Embodying the recognition of diversity in the community in grants administration practice.

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<sup>1</sup> [http://www.dpc.nsw.gov.au/publications/grants\\_administration/good\\_practice\\_guide\\_to\\_grants\\_administration](http://www.dpc.nsw.gov.au/publications/grants_administration/good_practice_guide_to_grants_administration)  
[Accessed 21/11/2010).

- Consistency: Grants administration procedures should be consistent within programs, across individual government agencies, across government and as funding programs evolve.
- Coordination: Outcomes for people and communities can be improved through better alignment of planning, program design and service delivery within and across both Government, non government organisations and local government.
- Probity: Grants administration must be conducted in an environment of integrity, honesty and scrutiny.

The *Good Practice Guide to Grants Administration* also sets out principles for Government to manage working relationships with stakeholders assisting with the delivery of Government programs.

The NSW Government is also committed under the NSW State Plan to reduce red tape, including in the administration of grants. The NSW Government's report titled *Non-Government Organisation Red Tape Reduction*<sup>2</sup> contains a range of recommendations covering processes around selecting non Government organisations (NGOs) for funding, contracting with NGOs, monitoring of performance and requirements for acquittal and reporting of funding.

A working group comprising various NSW Government agencies including I&I NSW, the Department of Premier and Cabinet, NSW Treasury, the Department of Human Services and NSW Fair Trading is being established to complete the Review and consider submissions received.

## 1.2 Consultation

I&I NSW is seeking feedback on whether EAPA is meeting its objectives and on the policy options put forward in this paper. In particular, I&I NSW is seeking feedback on the questions below for each of the options identified in this paper:

- Will the options
  - Contribute to the objectives of the EAPA Scheme?
  - Be practical to implement?
  - Meet accountability and best practice guideline requirements?
  - Increase red tape, administrative processes or costs?
- Are there policy options that have not been put forward which would better meet the objectives of the Scheme and be able to be administered in line with best practice grant administration principles?
- Are there other options which could be considered to ensure that EAPA support is going where it is most needed?

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<sup>2</sup> <http://www.dadhc.nsw.gov.au/NR/rdonlyres/1F020528-547C-431F-9B8A-D78B10A5C140/5103/RedTapeReport.pdf> [Accessed 23/11/2010].

- Are there other options the Government could consider to deliver emergency energy payment assistance to individuals experiencing unexpected financial stress?

Submissions should be supported by practical examples and/or quantitative data.

### **1.3 Process for Making Submissions**

Submissions are invited from all interested stakeholders on the proposals raised throughout this paper. Submissions must be made in writing and should be provided to Industry & Investment NSW (I&I NSW) by **5pm on 31 December 2010**. Submissions received after this time may not be accepted. Submissions made on behalf of an organisation must be on letterhead, signed and dated.

Submissions can be provided in hard copy, and addressed to:

EAPA Review  
Industry & Investment NSW  
GPO Box 3889  
Sydney, NSW 2001

Submission can also be made via email to [eapa.reforms@dwe.nsw.gov.au](mailto:eapa.reforms@dwe.nsw.gov.au) . Emailed submissions should include “EAPA Review” in the subject line.

Submissions will be acknowledged by return email or letter within five working days. It is the responsibility of the submitter to ensure that the submission has been successfully delivered if this acknowledgement is not received.

The complete text of all submissions including the name of the submitter will be made publicly available on the I&I NSW website, subject to any claims to confidentiality or privacy. In publishing submissions, I&I NSW will comply with all requirements under applicable privacy laws.

## 2 Assistance for NSW Energy Customers

The NSW Government has implemented a strong financial assistance and regulatory framework to assist customers facing difficulty paying their energy bills. This framework has been designed to assist a range of households such as pensioners and people on life support equipment as well as those facing short term emergency situations, for example due to unexpected expenses or a loss of employment.

Over the past two years, this framework has been strengthened. The NSW Government has:

- increased the Energy Rebate (formerly the Pensioner Energy Rebate) from \$112 per year in 2008-09 to \$145 per year in 2010-11 and expanded the eligibility to include all Health Care Card Holders in addition to Pensioner Concession Card and certain Veterans Affairs concession card holders. The Rebate will further increase to \$161 during 2011;
- introduced a new Medical Energy Rebate for eligible customers with a medically diagnosed inability to self-regulate body temperature. This rebate is currently \$145 per year and will increase to \$161 during 2011;
- increased some payments for customers on the Life Support Rebate, which provides financial assistance for customers that need to operate approved life supporting equipment in their homes and extended the rebate to new machines;
- required energy retailers to publish Customer Hardship Charters and introduced new requirements that households experiencing financial difficulties must now be provided with two offers of assistance under their retailer's payment plan in a year, instead of one, before being disconnected;
- provided \$600,000 in funding over two years to the Financial Counsellors' Association of NSW to assist in the training of financial counsellors;
- expanded the Government's Energy Information Line which is a 1300 service line that consumers can call to obtain information on a range of energy matters;
- introduced a Price Comparison Service to enable customers to compare information about energy contracts and offers;
- developed an Energy Assistance Guide and Fact Sheets targeted at CWOs, Energy Retailers' Customer Hardship Units and Financial Counsellors (expected to be released in late 2010); and
- introduced a Home Power Savings Program which is being managed by the Department of Environment, Climate Change and Water and is designed to help around 220,000 vulnerable households save power and money on their bills through free home energy assessments, kits and action plans.

Overall, the NSW Government, through I&I NSW, is investing more than \$800 million on assistance measures for NSW electricity consumers over five years from 1 July 2009. The energy concessions budget allocation for 2010/11 is over \$170 million. In addition, the Department of Environment, Climate Change and Water offers a range of rebate programs through the Climate Change Fund, including the Home Power Savings Program.

## **3 How does EAPA work?**

### **3.1 Scheme Objectives**

The Energy Accounts Payment Assistance (EAPA) Scheme is designed to assist householders who are financially disadvantaged and experience difficulty paying their home gas and/or electricity bills because of an emergency or crisis. The Scheme is aimed at helping people in such situations to stay connected to essential energy services.

The Scheme is a crisis program and is not intended to offer ongoing income support.

The EAPA Scheme operates under Guidelines approved by the Minister for Energy. The Guidelines were developed by the former Department of Energy, Utilities and Sustainability (a predecessor of I&I NSW) in consultation with the EAPA Working Group and other interested parties, to clarify the intent of the EAPA Scheme and the obligations placed upon Community Welfare Organisations (CWOs) that participate in the Scheme.

The Guideline sets out the minimum requirements for CWOs to ensure the Scheme is fair, equitable and effective in achieving its objective.

### **3.2 Scheme Parameters**

The Scheme operates through a paper based voucher system. Each voucher has a “face value” of \$30 and can be used as payment towards an electricity or natural gas bill issued by a licensed energy retailer. Customers must present vouchers to their retailer (or the retailer’s payment agency such as Australia Post), together with the original bill, within 14 days from the date of issue by a CWO. Neither retailers, nor their agents, will accept vouchers presented after that time.

As a general rule, the maximum number of vouchers granted per application (bill) is 8 vouchers (\$240). The limit on how often a person receives EAPA is generally up to a maximum of two times per financial year, that is 16 vouchers (\$480) per financial year. These limits were increased in mid 2009 from a maximum amount of \$180 per bill and \$360 per year. These general rules reflect the need for CWOs to be selective about who receives repeat vouchers and the need to explore other ways for helping people who have a need for longer-term financial assistance with their gas and electricity bills.

The guidelines for CWOs provide high-level guidance for CWOs assessing customers for EAPA vouchers and allow CWOs to use their discretion in accordance with the guidelines in applying these limits to customers who apply for EAPA. Where a customer presents with “exceptional circumstances” that warrant a customer receiving above the limits, CWOs are able to provide above these limits to customers provided they follow certain procedures.

Where a CWO worker assesses that a customer may receive EAPA vouchers above the limits, a record of the reason should be documented on the customer’s file. Additionally, the CWO worker should contact I&I NSW’s EAPA co-ordinator. This

allows I&I NSW to track and monitor the allocation of vouchers issued in exceptional circumstances.

Under the current Scheme, accounts may not be placed into credit. If the total value of the vouchers that the customer presents to their retailer places an account into credit, then all vouchers above the required amount will be cancelled. The general rule is that the amount of EAPA issued should not be for the entire bill amount.

Retailers report to I&I NSW on EAPA quarterly. If a voucher has been cancelled the retailers are required to send the cancelled voucher back to I&I NSW and state the reason for the cancellation in the quarterly report.

### **3.3 The Role of Community Welfare Organisations (CWOs) and other EAPA Providers**

There are over 300 participating CWOs that represent a wide variety of organisations operating in local communities across the State. These include well known names such as St Vincent de Paul, Salvation Army, Lifeline and Anglicare as well as a wide range of other organisations including those established to represent particular sections of the community such as Aboriginal land councils, migrant resource centres and independent neighbourhood centres.

CWOs are responsible for delivery of the vouchers to customers. This delivery arrangements means that, as far as possible, a person's situation can be assessed locally and at the time the assistance is required, by skilled emergency relief assessors. It also enables CWOs to incorporate EAPA into their broader range of emergency relief.

The EAPA Guideline for Community Welfare Organisations sets out the minimum requirements for CWOs to ensure the EAPA Scheme is fair, equitable and effective in achieving the Scheme's objectives. Each CWO must develop internal policies and procedures for EAPA assessment and distribution and make these available to I&I NSW.

Organisations are allocated vouchers in voucher books (where each book contains ten vouchers) on a quarterly basis. Each allocation is determined on factors such as the size of the organisation and past usage. Organisations are encouraged to contact I&I NSW to request additional voucher books once their stocks start to deplete.

To assist with program monitoring and compliance, CWOs are required to return all voucher book covers to I&I NSW once all vouchers have been issued. Processes have been adopted so that additional books will automatically be dispatched once the CWO has returned to I&I NSW completed voucher book covers totalling 90% of their allocation in an effort to ensure they do not run out.

The auto-dispatch system used for St Vincent de Paul (SVDP) Regional Councils and Local Conferences is slightly different due to the structure under which SVDP operates. Vouchers are supplied to Regional Councils, which then distributed to Local Conferences. These arrangements were put in place at the request of SVDP. Under this arrangement, the Regional Council returns voucher book covers to I&I NSW and request additional books, where required.

I&I NSW provides training for CWOs on EAPA program delivery. A key component of the training program is to remind CWOs that they can request additional voucher books. Each EAPA voucher book cover also has a reminder to contact I&I NSW if a CWO runs out of vouchers and to return the voucher book covers to I&I NSW once completed.

To become accredited to distribute EAPA vouchers, a CWO is assessed against a number of criteria including:

- the socio-economic need of the area where the CWO is located;
- the number of organisations already distributing EAPA in the applicant organisation's area;
- whether the applicant organisation is providing a service to a community group not currently serviced by EAPA;
- whether the applicant organisation is currently providing emergency relief or complementary services;
- the extent of internal policies and procedures in place to effectively manage the distribution of EAPA; and
- the annual budget for EAPA.

Prior to distributing vouchers, I&I NSW provides training to the CWO staff who will be delivering EAPA.

Apart from CWOs, one electricity retailer currently delivers EAPA vouchers. This is Country Energy through its *Country Support* hardship program. This arrangement commenced on a trial basis in early 2005 based on an agreement between a predecessor of I&I NSW and Country Energy (through Country Support). The trial commenced in response to reports from Country Energy of customers in rural and remote areas being unable to access EAPA from CWOs primarily due to reasons of distance or privacy. Country Support has been receiving and issuing between \$50,000 and \$60,000 per annum in EAPA vouchers since the pilot commenced.

### **3.4 The Role of Retailers**

All electricity and gas retailers accept EAPA vouchers as payment towards a customer's bill when it is received by mail. Most retailers also accept vouchers via Australia Post outlets and some retailers also accept EAPA vouchers at their payment centres. Australia Post outlets process EAPA vouchers over the counter as a form of cash, provide a receipt to the customer, then forward the physical vouchers to the respective retailer for their records.

The retailer credits the value of the voucher/s towards payment of the customer's energy bill and then claims this amount back from the NSW Government. Retailers report on EAPA usage on a quarterly basis to I&I NSW.

## 4 Is the EAPA Scheme meeting its objectives?

Anecdotal evidence and feedback from stakeholders suggests that there is strong support in the community for a scheme such as EAPA which acts as a “last resort” option for those experiencing difficulty paying their energy bills because of an emergency or crisis.

It is more difficult to ascertain, however, whether there is a direct causal relationship between the EAPA Scheme and the avoidance of disconnection. There are many other schemes in place aimed at preventing disconnection and income support programs, such as the Energy Rebate. A single customer may access a number of forms of assistance simultaneously and there has been little or no research conducted into the comparative effectiveness of these approaches.

It is also difficult to ascertain whether the Scheme is effectively targeting households experiencing difficulties paying their bills because of a short term crisis or emergency situation and/or whether it is being used, in some cases, as a form of income support for those experiencing longer term difficulties or hardship. In the latter case, other forms of financial assistance may be better targeted than EAPA vouchers.

Customers with ongoing complex needs can be difficult to assess in accordance with the Scheme guidelines as they may be chronically in crisis as a result of ongoing social and economic hardship, rather than facing an unexpected emergency or crisis arising from an isolated or sporadic event.

The response of individual households to the EAPA Scheme is reportedly mixed, with some households regularly seeking EAPA vouchers to assist in the payment of their energy bills and other households reluctant or embarrassed to approach CWOs for assistance, despite facing a serious emergency or crisis.

Many households, particularly those whose main source of income is employment-related, may not be aware that they can seek EAPA vouchers where they are facing disconnection from essential energy supplies due to a crisis or emergency situation, such as unexpected medical bills, sudden loss of employment or mortgage stress. Some survey data suggests that there is less awareness of EAPA among people whose main source of income is employment related<sup>3</sup>.

Many CWO workers have recounted positive stories of being able to help clients successfully reduce energy bills through using EAPA and at the same time put long term measures in place to better manage future bills. This includes providing information to clients about other available rebates or other assistance, educating clients about how to better understand and manage their energy consumption or referring the client onto other services such as financial counselling. One CWO worker informally commented that one valuable side-effect of the EAPA program is that it ‘gets people through the door’ which, in turn, enables the CWO to assess the client’s circumstances and offer a range of both short and long term assistance.

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<sup>3</sup> [http://www.piac.asn.au/sites/default/files/publications/extras/Cut\\_Off\\_II\\_January\\_2009.pdf](http://www.piac.asn.au/sites/default/files/publications/extras/Cut_Off_II_January_2009.pdf) [Accessed 21/11/2010]

While this qualitative information is compelling, it is difficult to draw conclusions without supporting quantitative data and evidence. The databases used in the operation of the EAPA program do not currently provide enough quantitative data necessary to assess whether the EAPA Scheme is meeting its objectives. I&I NSW is undertaking a separate, longer term project to improve the management of data related to the EAPA program. The results of this consultation will be important for assisting with this project.

I&I NSW seeks feedback on whether the EAPA Scheme is meeting its objectives in reaching households who are facing a crisis or emergency situation and require assistance to avoid disconnection from essential energy supplies and is particularly interested in any suggestions for quantifying or assessing the Scheme's effectiveness in meeting this objective.

## 5 Retailer Delivery Model

### 5.1 Background

It is important to consider whether the current model for distributing EAPA vouchers requires change in order to better meet the Scheme's objectives of reaching households facing a crisis or emergency situation which may result in disconnection from essential energy supplies. Consideration also needs to be given to the extent to which the current and any alternative delivery model accords to the principles of good practice grant administration, including those of value for money, fairness, integrity and transparency, reciprocity, diversity, consistency and coordination with other forms of assistance.

The bulk of EAPA delivery is currently undertaken by CWOs. However, one energy retailer, Country Energy has also been engaged in distributing EAPA on a trial basis.

The staff and volunteers of CWOs have a wealth of skills and experience in dealing with households in hardship. CWO networks, staff and volunteers form an integral role in the delivery of the EAPA Scheme as they assess individuals' need for vouchers, as well as deliver the vouchers to these individuals. CWO staff and volunteers ensure that households have access to a personalised assessment for EAPA that takes into account their individual circumstances.

Energy retailers also play an important role in the management of households facing financial difficulty paying their energy bills. Retailers operate hardship programs which focus on identifying customers who may require assistance in paying their bills; providing assistance to customers, as well as accepting the EAPA vouchers towards customers' payment of bills.

In addition, there may be a limited role for retailers to play in delivering EAPA vouchers, particularly to eligible customers who have difficulty in visiting a CWO for an assessment, such as customers in remote or rural locations or with limited mobility.

Strict controls on the delivery of EAPA vouchers by retailers will be required to ensure that EAPA is not used as a substitute for ordinary bill management and debt collection practices.

This section gives consideration in detail as to how a formal framework for voluntary retailer delivery of EAPA might be implemented and should be read in conjunction with the draft Deed (see **Appendix A**) which is also being released with this paper.

It is proposed that voluntary participation by retailers is appropriate given the administrative requirements that will be required by the Government.

Retailers who choose to participate in the retail delivery model would do so on the terms and conditions outlined in the draft Deed (see **Appendix A**).

Under the proposed framework for retailer delivery of EAPA, any eligible retailer can apply to deliver EAPA vouchers but would have to meet strict criteria before

becoming a provider. The allocation of EAPA vouchers to retailers would be limited so that retailer delivery would complement the current delivery of EAPA by CWOs. Retailer delivery of EAPA would improve access to the Scheme for NSW customers by allowing certain customers who would not otherwise approach a CWO for EAPA to apply for EAPA through their retailer. The framework would also complement retailers' customer hardship programs.

In July 2009 the predecessor of I&I NSW released for stakeholder comment a draft Customer Assistance Policy which included high level discussion of proposals for reforming the EAPA Scheme including retailer delivery of EAPA. Stakeholder feedback on the high level principles of the retailer delivery model proposal was generally positive. However some concerns raised with the proposal were that retailers are driven by commercial profits and it is not appropriate for these organisations to deliver social programs such as EAPA and that a collaborate approach between Government and CWOs might be more effective.<sup>4</sup>

## **5.2 Effectiveness of current CWO Delivery Model**

One advantage of the current CWO delivery model is the reach it provides into all parts of the state, and into all parts of a community.

The provision of EAPA can also be considered complementary to many of the other services provided by CWOs. For instance, many of the CWOs accredited to deliver EAPA are also accredited to provide other forms of emergency relief and may also offer services such as financial counsellors, migrant settlement services, legal assistance and so on. Not only does this enable them to take a more holistic approach to assisting an individual client but it also increases the likelihood that an individual will seek out their services in the case of an emergency or crisis situation. This does not however guarantee complete coverage of those in need within the community. As noted earlier in the paper, there are a number of reasons why an individual may not choose to access assistance through a CWO.

Many CWOs offer a variety of services and are staffed largely by volunteers which suggests that CWO delivery of EAPA would perform favourably against the good practice grant administration principles of coordination with other services and value for money as a service delivery model.

CWOs offer households personalised assessment that takes into account their individual circumstances. CWOs have broad discretion to apply the EAPA guidelines. This allows them to balance multiple factors and assess the unique set of circumstances faced by the household. This broad discretion carries with it a high probability of some degree of inconsistency in decision-making.

To address the tension between the desire for consistent outcomes (customers in like situations treated in a like manner) and discretion (CWOs able to take into account the particular circumstances faced by the household), the Minister for Energy has approved EAPA guidelines to provide high-level guidance for CWOs in assessing customers for EAPA vouchers.

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<sup>4</sup> [http://www.industry.nsw.gov.au/energy/files/info\\_protection\\_survey\\_subs\\_hherbert\\_unitingcare\\_submission.pdf](http://www.industry.nsw.gov.au/energy/files/info_protection_survey_subs_hherbert_unitingcare_submission.pdf) [21/11/2010].

I&I NSW welcomes feedback on the effectiveness of the current CWO delivery model and whether it could be improved to better facilitate the fair and equitable distribution of EAPA vouchers in accordance with the Scheme guidelines.

I&I NSW is not proposing that the current delivery model should be replaced. However consideration is being given to how it may be *supplemented* to improve the reach of the EAPA Scheme to those not currently accessing EAPA through the current CWO delivery framework.

### 5.3 Country Energy Retailer Delivery Model

As discussed earlier in this paper, a predecessor of I&I NSW entered into a trial program with Country Energy under which Country Energy, as the retailer, was able to distribute a small amount of EAPA assistance directly to customers. This trial program commenced in early 2005 and is still operating. This trial allocation was in response to reports from Country Energy of customers in rural and remote areas being unable to access EAPA from CWOs primarily due to reasons of distance or privacy. Under the trial, a limited number of EAPA vouchers were provided to Country Energy to distribute to customers enrolled in its hardship program *Country Support*. This was done under stringent conditions, including:

- a customer must have no reasonable access to EAPA because:
  - there is no EAPA available with a CWO;
  - excessive travel by the customer is required to visit a CWO (over 50km);
  - a customer has raised privacy issues about approaching a CWO;
- EAPA is to be issued to customers in conjunction with long term payment plans offered by Country Support;
- EAPA is to be offered as a last resort;
- EAPA should be applied to the current bill or ongoing usage and not to old debt a customer owes to Country Energy;
- given the temporary nature of the arrangement, customers should not be led to perceive Country Energy as a primary source of EAPA; and
- each member of the Country Support team to be trained by I&I NSW in complying with EAPA Guidelines issued to CWOs.

I&I NSW previously undertook a detailed assessment of the trial with the assistance of Country Energy. The size of the trial meant that only a relatively small number of customers were given EAPA by Country Energy. However, the assessment found that the trial was successful in complementing the existing EAPA Scheme delivered by CWOs and delivering assistance to customers who otherwise would not have received it. Importantly, the conditions of the trial ensured that this method of assisting customers was tightly targeted. Data gathered through the trial showed that customers assisted by Country Energy were given amounts of EAPA that were comparable with that given to other customers by CWOs.

## 5.4 Principles for proposed voluntary retailer delivery of EAPA

In considering implementation, it is proposed that retailers will have the choice of whether or not to participate in the retailer delivery model. It would not be implemented via licence conditions or a Ministerial direction. Accompanying this paper is the draft Deed (see **Appendix A**) which a retailer would be required to enter into if it chooses to participate in the retailer delivery model. Feedback on the terms and conditions of the draft Deed is sought.

The proposal to extend retailer delivery to EAPA is intended to complement rather than replace EAPA delivery by CWOs. Retailers would be allocated a limited number of EAPA vouchers for distribution to assist customers who meet specific eligibility criteria for the retailer delivery model.

An eligible customer under the retailer delivery model is a small retail customer who meets the criteria set out in the current EAPA Guideline for CWOs – effective since 1 January 2005 and any updated version (CWO Guidelines) and is **also** unable or unwilling to obtain EAPA vouchers from a CWO that delivers EAPA for any of the following reasons:

- the nearest CWO is more than 50 kilometres from the customer's residence; or
- the customer is unable to travel to the nearest CWO due to disability or lack of public transport; or
- the customer is related or personally known to staff at the CWO and has a reasonable and genuine concern for his or her privacy; or
- there are no EAPA vouchers available at a CWO within 50 kilometres from the customer's residence.

Once a customer is deemed by a participating retailer to be an eligible customer, retailers would be required to comply with the CWO Guidelines in delivering EAPA.

The narrower eligibility criteria for delivery of EAPA by retailers will ensure that retailers continue to refer most customers to CWOs as a first option.

## 5.5 Proposed Framework for Retailer Delivery Model

The establishment and operation of the retailer delivery model is proposed to work as follows:

- Retailers will need to submit an application outlining how they will meet the criteria (set out in the next section of this paper) and signifying their intention to abide by the terms and conditions set out in a Deed of Agreement (based on the draft Deed) for the delivery of EAPA.
- I&I NSW will then assess these applications as to whether the retailer should be permitted to deliver EAPA under the retailer delivery model.

- If approved, I&I NSW will write to the retailer offering them the opportunity to sign the Deed of Agreement.
- The retailer and the Government (Minister/I&I NSW) will enter into a formal Deed of Agreement.
- I&I NSW training will be provided to staff of retailer hardship units before they can deliver EAPA.
- After training retailers will be issued with a limited EAPA allocation, the amount of which will be based on a formula which is detailed below.
- The period of the Deed of Agreement will be for an initial fixed term with one possible extension.
- Retailers may have their allocation stopped at any time if it is considered that they are not meeting the terms and conditions of the Deed of Agreement.

More details on the operation of the proposed retailer delivery model are contained in the draft Deed (see **Appendix A**).

## **5.6 Criteria for assessing retailers against under retailer delivery of EAPA**

Retailers applying to deliver EAPA will be assessed against the following indicative criteria:

- Able to demonstrate that their hardship unit will operate independently of their billing unit to ensure that EAPA is not used as an alternative to normal debt collection/management.
- Able to outline how EAPA will be distributed in accordance with the terms and conditions in the draft Deed and the CWO Guidelines.
- Able to demonstrate effective internal compliance mechanisms to:
  - Ensure staff members deliver EAPA in accordance with terms and conditions in the draft Deed and the CWO Guidelines.
  - Detect instances of non-compliance and take steps to remedy (including notifying I&I NSW immediately).
- Willingness to provide assistance in audits, and to provide reports to I&I NSW in accordance with the terms and conditions in the draft Deed.
- Demonstrate adequate resourcing to carry out all these functions in accordance with the terms and conditions in the draft Deed.

## **5.7 Proposed terms and conditions of retailer delivery**

The proposed terms and conditions of retailer delivery will include:

- each member of the retailer's customer support team who will deliver EAPA is to be trained by I&I NSW in complying with the draft Deed and the CWO Guidelines;
- retailers will be required to meet auditing requirements;
- EAPA not to be used in marketing or offered to customers to entice them to enter a payment plan;
- retailers will be required to co-operate with I&I NSW in undertaking any performance management or service evaluation activities deemed appropriate by I&I NSW; and
- retailers will be required to provide quarterly reports to I&I NSW. These reports will cover, at a minimum:
  - number of customers in receipt of vouchers;
  - amount of EAPA received by each of those customers; and
  - reasons for the customer not obtaining vouchers from a CWO.

For more detail on the terms and conditions, please refer to the draft Deed.

## **5.8 Amounts of EAPA to be allocated to retailers for delivery of EAPA**

It is proposed that no more than \$250,000 per annum in total would be allocated for the retailer delivery model if implemented. An individual retailer (who opted to enter into the retailer model) would receive a proportion of this funding for EAPA delivery.

The proportion an individual retailer would receive would be equivalent to the proportion of the EAPA budget that was provided to its customers in the previous financial year on a pro-rata basis.

For example:

Retailer X's customers were allocated 10% of the EAPA budget for the 2009/2010 year.

In the 2010/2011 year, Retailer X would receive 10% of \$250,000 retailer delivery budget for EAPA delivery = \$25,000.

## 6 Options for Scheme Parameters

### 6.1 Face Value of EAPA Vouchers

EAPA vouchers have a face value of \$30 and must be individually filled in by a CWO worker. Many CWO workers have raised concerns about the amount of time spent writing out large numbers of \$30 vouchers. It is not known whether this concern derives from the manual processes used to distribute EAPA or the voucher face value or both.

Staff and volunteers at CWOs are currently required under the EAPA Scheme to complete each individual voucher and stub in the voucher books when issuing EAPA to a customer. If the face value of the vouchers were to increase, CWOs would be able to issue a customer with a similar amount of EAPA and reduce the manual processes and time involved in issuing EAPA to customers.

Writing out individual vouchers reduces the time CWO workers can provide to directly assisting clients on energy or other matters. This may compromise the effectiveness of the Scheme and may be regarded as an unnecessary administrative burden. However, there are some circumstances under which eligible customers could be disadvantaged by a larger face value.

The low face value may facilitate the provision of small amounts of assistance to be given, where this is sufficient to avoid a customer facing disconnection from essential energy supplies due to a crisis or emergency situation.

The Draft Customer Assistance Policy consultation paper released by I&I NSW's predecessor in mid 2009 raised the options of increasing the face value of the EAPA vouchers or the overall annual customer limit, as ways to increase the amount of assistance available to customers eligible for EAPA.

Stakeholder feedback was mixed with some concern that increasing the voucher amount may disadvantage customers with small bills.

More recently, I&I NSW has received informal feedback from stakeholders, particularly from CWOs delivering EAPA, that the 'face value' of the EAPA vouchers should be increased from the current \$30 to, for example, \$50 or \$60 to reduce the workload and time required to issue EAPA to customers.

Any increase in the voucher values would result in a higher level of minimum financial assistance provided to every customer. However, as EAPA cannot place a customer's account into credit, increasing the value of the vouchers may reduce the flexibility of the EAPA Scheme if it makes it harder for a CWO to provide an amount of EAPA closer to the amount owed by a customer on their energy bill.

This can best be illustrated by considering an example of a customer presenting with a bill of \$175:

- With EAPA vouchers at the current face value of \$30, this customer could be issued EAPA to the value of \$150 (5 x \$30 vouchers);

- With EAPA vouchers at the face value of \$60, this customer could only be issued with EAPA up to the value of \$120 (2 x \$60 vouchers).

Data from retailers on EAPA usage indicates that over the last three financial years, the amount of EAPA provided to a customer after each EAPA assessment is approximately four to five vouchers. There are some limitations to this data, in particular, that the data is not able to show the amount of EAPA the average customer receives over a full financial year.

A change to the face value of the vouchers might also necessitate changes to the limits of EAPA available to each customer as the current limits of \$240 per bill and \$480 per financial year are multiples of \$30. For example, \$50 vouchers would necessitate changes so that the overall customer limits were multiples of \$50.

Options to address these issues include:

**1. Increasing the face value of the vouchers to \$50 or \$60.**

This option would ensure that every voucher issued to a customer provides a higher level of financial assistance available to that customer. However it may make it harder for a CWO to provide an amount of EAPA closer to the amount owed by a customer on their energy bill.

**2. Provide a range of voucher face values so that there is greater flexibility in the amounts that CWO staff and volunteers can provide to customers.**

This option would greatly increase the flexibility for CWO staff and volunteers to provide varying amounts of assistance depending on the customer's individual circumstances. However a range of voucher values would complicate the current quarterly voucher allocation process and impose an increased administrative burden on both CWOs and I&I NSW to monitor not just overall allocations of vouchers and usage but allocations and usage of vouchers with different face values. This may also require retailers to implement changes to back office systems. It may be preferable to minimise administrative costs, except where necessary to comply with best practice principles for grants administration.

**3. Retaining the current \$30 face value of the EAPA vouchers.**

This option would mean that customers would be able to receive EAPA in multiples of \$30 which would maintain the Scheme's current flexibility in varying the amount of EAPA provided to customers. The manual time required by CWO staff to complete vouchers would remain the same. Options for automating processes could be further explored to reduce the administrative workload.

## **6.2 Customer Maximum Amounts**

Consistently over the last three financial years, approximately 10% of the EAPA annual budget has been spent on customers who have received greater than the EAPA limits due to "exceptional circumstances". This budget includes funding a

customer receives under the limits, so it would be expected that the EAPA budget spent on exceptional circumstances is lower than this.

I&I NSW is examining options for reviewing the maximum amount a customer could receive to:

- ensure that those NSW householders experiencing difficulty paying their energy bills because of an emergency or crisis (targeted customers) have reasonable access to assistance and that the amount of assistance provided to these customers is as consistent, fair and transparent as possible;
- ensure that the EAPA Scheme delivers value for money in meeting a needs in the community;
- streamline delivery of EAPA for CWOs and other EAPA Providers (such as retailers); and
- improve compliance with the Scheme's rules.

Options for consideration include:

**1. Removing the current bill limit, twice per year limit and exceptional circumstances provisions and instead setting a fixed financial year limit**

Under this option the only relevant limit for customers eligible for assistance would be a fixed financial year limit per household on the maximum amount of EAPA.

This option could result in:

- improved consistency in the amounts of EAPA provided to customers due to the removal of the exceptional circumstances provisions;
- improved equity of access to the EAPA budget by putting a per financial year customer cap on EAPA and removing the exceptional circumstances provisions;
- improved fairness, transparency, access to EAPA through the removal of the exceptional circumstances provisions;
- some customers receiving less than under the current EAPA rules (due to the removal of the exceptional circumstances provisions);
- eligible customers being able to receive greater amounts on an individual bill (if the fixed financial year limit is set higher than the current rate of \$480);
- eligible customers being able to receive EAPA on various occasions throughout the financial year as emergencies or crisis arise up to the financial year limit set; and

- a reduced compliance burden for CWOs and other EAPA Providers (such as retailers) as they would only be required to monitor the amount provided to an individual customer over a financial year (not the various limits that are currently in place).

## **2. Removing the current per bill limit and twice per year limit and tightening the exceptional circumstances provisions.**

Under this option the relevant limit for customers eligible for assistance would be a fixed financial year limit per household on the amount of EAPA. There would be no limit on the number of times a customer could seek financial assistance from EAPA throughout the year and the current limit on the amount of EAPA that could be applied per bill (\$240) would be removed. The exceptional circumstances provision would remain to enable customers to receive more than the financial year limit where exceptional circumstances exist. The guidelines would be revised to provide further guidance to CWOs on what constitutes “exceptional circumstances” warranting EAPA assistance above the financial year limit. Exceptional circumstances could cover:

- households in which an amount above the EAPA financial year limit is required to:
  - enable the household to be reconnected to their energy supply;
  - avoid disconnection of their energy supply after receiving a disconnection notice.
- households with high energy bills, for example, due to a large number of people residing in the home or as a result of medical conditions which require the use of energy intensive appliances or equipment.

This option could result in:

- eligible customers being able to receive greater amounts on an individual bill (up to the financial year limit set) which will provide emergency relief to customers with larger bills;
- eligible customers being able to receive EAPA on various occasions throughout the financial year as emergencies or crisis arise up to the financial year limit set;
- better guidance for CWOs and other EAPA Providers (such as retailers) in issuing EAPA above the financial year limit to customers with “exceptional circumstances”;
- better targeting of assistance to customers based on more objective criteria for “exceptional circumstances”;
- improved consistency in the amounts of EAPA provided to customers due to tightening of the exceptional circumstances provisions; and

- improved fairness, transparency, access to EAPA through tightening the criteria for issuing EAPA in exceptional circumstances.

### **3. Removal of all current EAPA rules and the setting of a per financial year limit based on the number of members in each household.**

To illustrate if the per person limit under this option was set at \$100, an eligible customer with an eight person household would have access to \$800 in EAPA, whereas a two person household would have access to \$200 in EAPA over a financial year.

This option could result in:

- larger households experiencing a crisis or an emergency situation receiving a greater level of assistance that takes into account their larger energy needs;
- customers experiencing genuine difficulty paying their energy bills due to a crisis or an emergency situation being disadvantaged in the amount of EAPA they receive due to their household size;
- increased transparency on Scheme eligibility;
- reduced fairness and consistency in EAPA delivery; and
- clear guidance to CWOs and other EAPA providers (retailers) on the EAPA criteria, however there may be difficulties for these organisations in verifying household numbers.

## **6.3 Placing a bill in credit**

The current Scheme guidelines stipulate that customers' energy accounts are not able to be placed into credit. This is because the objective of the Scheme is to assist those customers in an emergency or crisis in paying their energy bill rather than providing more than is needed to meet customer's payment obligations. Additionally, EAPA is only able to be applied to energy consumption and related GST charges, not for charges such as late payment fees or a security deposits which may make up some components of customers' bills.

Energy retailers are required to accept all completed and valid vouchers offered in payment of an account except where the customer's account would be placed into credit as a result of applying EAPA vouchers. In the event that an account would be placed into credit by the use of EAPA, vouchers that would place the account into credit must be cancelled by the retailer and returned to I&I NSW. In practice, this means that retailers cancel the last voucher/s that if applied would place an account into credit.

When cancellation of a voucher occurs, retailers must advise the customer of any EAPA voucher(s) that have been cancelled and the effect this has on their account

balance. Additionally retailers are required to note cancelled vouchers and reason for the cancellation in quarterly reports to I&I NSW.

Vouchers may be issued by CWOs to customers that result in the customer's account being placed in credit (and the customer having the value of these vouchers cancelled) for a number of reasons including:

- Incorrect review of the amount owed on a bill; or
- Circumstances changing between the customer's energy bill being presented to the CWO and the EAPA voucher being presented to the energy retailer or Australia Post e.g. the customer may have been enrolled with Centrepay (a payment scheme run by the Commonwealth Government for people who receive Commonwealth benefits) and payments may have automatically been made on the customer's energy bill after they were assessed for EAPA.

When a voucher is cancelled due to it placing a customer's account into credit it may mean that the customer is, as a result of the cancellation, still in debt to their retailer. For instance if an EAPA voucher was presented to a retailer which if applied would place a customer's account into credit by \$10 the retailer would be required to cancel this voucher. This would result in customer being liable for \$20 worth of outstanding debt on their bill to their energy provider which they may be unable to pay for.

Anecdotal evidence suggests that CWOs generally encourage customers who are having difficulty paying their energy bills to join Centrepay, enter into a payment plan with their retailer which allows the customer to provide payments to their retailer in instalments or negotiate an extension for the energy bill due date. For some customers who successfully negotiate an extension of their energy bill due date, the next quarterly bill often may need to be budgeted for in a shorter time frame. As a result these customers may be able to pay the bill for which they had negotiated a later due date and received EAPA for but may still face difficulties paying their next bill.

To avoid circumstances in which a customer is still unable to meet their payment obligations and may be at risk of disconnection a change to the no credit rule could be introduced however, any option would need to be consistent with the objectives of the EAPA Scheme and the NSW Government's principles for grant administration. Options include:

**1. Allow EAPA to place customer accounts into unlimited credit.**

A risk with this approach is that customers may have EAPA applied to their account beyond what is necessary to meet their energy bill payment obligations. This option would need to be balanced with the NSW Government's principles for grant administration of value for money and fairness, integrity and transparency.

**2. Allow EAPA to place customer accounts into credit up to the value of one voucher (currently \$30).**

This option would reduce the risk that customers may have EAPA applied to their accounts beyond what is necessary to meet their energy bill payment obligations.

It is also may assist in reducing the likelihood that customers will face difficulty in paying their next bill. This may lead to better outcomes than Option 1 in meeting the NSW Government's grant administration principles of value for money and fairness, integrity and transparency.

## 7 Options for Liquefied Petroleum Gas customers

The EAPA Scheme does not currently assist households in meeting the costs of purchasing Liquefied Petroleum Gas (LPG).

Some uses of LPG around the home and garage include:

- central heating, space/spot heating, hot water and heated swimming pools/spas;
- cooking (LPG provides immediate heat on ignition, instant response to changes in setting and distributes the heat evenly);
- barbeques and patio heaters;
- fuelling of boats, caravans, motorhomes and hot air balloons; and
- more than 600,000 Australian motorists run their vehicles on LPG<sup>5</sup>.

LPG is generally a more expensive energy option than reticulated natural gas. However, for some people LPG is a cheaper energy option than electricity. Additionally some people use LPG as they do not have access to electricity or natural gas to meet all their needs or some appliances in their household have been installed to rely on LPG as their energy source.

I&I NSW is considering providing access to the EAPA Scheme to households who use LPG cylinders for heating (for hot water and space/spot heating) and cooking purposes. This proposal does not include providing access to EAPA for small LPG bottles generally used for barbeques and outdoor heating. LPG gas may be supplied to customers' premises through cylinders installed outside the home or reticulated through a localised distribution system (a network of underground pipes).

Customers supplied LPG through a distribution system are usually billed quarterly based on metered usage. Customers supplied LPG through cylinders that are replaced or refilled are usually billed based on the volume of LPG that is supplied (whether in advance or after supply), rather than LPG used.

There are three suppliers who supply LPG in NSW via a network of underground pipes. LPG in cylinders and refills is supplied in NSW by four major suppliers and around 20 smaller suppliers. Of the suppliers, some supply the LPG directly to customers while others on-sell the LPG to other agents to sell directly to customers. There is likely to be hundreds of these agents who sell LPG cylinders and refills directly to customers. As these agents are also selling LPG directly to customers they are also referred to as "suppliers" in this paper. Some LPG suppliers may arrange delivery of LPG cylinders to people's homes while some sell LPG cylinders which complement their other businesses in remote and rural communities such as local butchers or grocery stores.

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<sup>5</sup>[http://lpgaaustralia.com.au/site/lpg\\_at\\_home.php](http://lpgaaustralia.com.au/site/lpg_at_home.php) [Accessed 21/11/10].

It is unknown how many households are connected to LPG cylinders for heating (for hot water and space/spot heating) or cooking purposes however, it is estimated that they are in the hundreds of thousands across NSW.

LPG suppliers that reticulate LPG through a distribution system are licensed by IPART and must meet certain regulatory obligations as part of their license conditions. The Minister for Energy may impose conditions on an LPG supplier's licence. Such conditions could include participation in the EAPA Scheme, however, this mechanism would restrict access to EAPA to LPG customers supplied through a distribution system, which would mean that many customers who use LPG for heating (for hot water and space/spot heating) and cooking would remain ineligible for EAPA vouchers.

An alternative mechanism, such as a legal agreement between the NSW Government and LPG suppliers, may be needed if EAPA is to be extended to customers who use LPG for cooking and heating (for hot water and space/spot heating).

It is unknown what the average usage of LPG by customers for essential household usage is. Usage of LPG will depend on a number of factors including what the LPG is used for i.e. only heating or all household purposes, how many people reside in the household, what the consumption patterns of the household are, what appliances are connected to LPG and what size cylinder they use for their supply of LPG (which might depend on the space available at the home).

It is difficult to ascertain how often LPG cylinders are supplied, particularly when other energy sources are relied on in the household such as electricity for lighting.

A challenge with extending access to EAPA is ensuring that assessment for EAPA would be for bills that represent household heating (for hot water and space/spot heating) and cooking usage of LPG (excluding barbeque and outdoor heating usage) and that EAPA is not provided to non-essential energy usage such as:

- Motor vehicles;
- Barbeques;
- Patio heaters;
- Heating swimming pools/spas;
- Boats.

One option to address this challenge is to set a minimum cylinder size, such as 18 kilograms to ensure that LPG is available for household use only. Any suggestions from stakeholders for an appropriate cylinder size or other options for ensuring EAPA is available only to households for heating (hot water and space/spot heating) and cooking purposes such as linking EAPA to any applicable LPG tariff type would be useful for the Review. Another way to address this challenge would be to require LPG suppliers to check on sale or delivery of LPG cylinders or refills what the LPG is being used for.

The size of LPG cylinders that customers use will influence how often they are supplied LPG and how often they receive bills. Some cylinders may only be used for space/spot heating and therefore are used in winter, while others cylinders may be used for hot water, space/spot heating and cooking and therefore will be turned over much more regularly. Those people who receive smaller but more regular bills may find it more difficult to receive a similar level of EAPA to a customer who is billed on a quarterly basis for natural gas or electricity as the amount showing on their bill will be for smaller amounts.

When considering the options outlined below, it should be noted that providing access to customers who use LPG is only being considered on the basis that that the customer's LPG bill would be for specific household energy usage heating (for hot water and space/spot heating) and cooking only (excluding barbeques and outdoor heating usage).

#### **Option 1:**

- Customer takes their bill to the nearest CWO for assessment.
- CWO assesses customer and provides EAPA voucher/s to eligible customer.
- Customer gives EAPA vouchers to LPG supplier who credits their account accordingly.

This option would allow previously ineligible householders who use LPG for heating (for hot water and space/spot heating) and cooking to access the EAPA Scheme. However, it would impose administrative burdens on LPG suppliers who would be required to develop policies and practices to administer the EAPA Scheme and may lead to extra costs for these suppliers. Given that there are likely to be hundreds of suppliers of LPG, there are likely to be a number of very small operations, for which the cost of administering the Scheme could be high.

#### **Option 2:**

I&I NSW to provide assessment of residential LPG customers for EAPA and provide a cheque direct to eligible customers. This could be loosely based on the Victorian Government's administration of the *Non-Mains Winter Energy Concession*<sup>6</sup>. This scheme's eligibility criteria requires the applicant to hold a current Pensioner Concession Card or Health Card, or be registered with their utility company's hardship program and in addition meet one of the criteria below:

- A significant increase in utility usage; or
- A recent decrease in income, such as loss of employment; or
- High, unexpected expenses on essential items; or
- The cost of shelter is more than 30% of the household income; or
- The cost of utility usage is more than 10% of the household income<sup>7</sup>.

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<sup>6</sup> <http://www.dhs.vic.gov.au/concessions/entitlements/energy/non-mains-winter-energy> [Accessed 21/11/2010].

<sup>7</sup> [http://www.dhs.vic.gov.au/data/assets/pdf\\_file/0004/364540/urqs-brochure.pdf](http://www.dhs.vic.gov.au/data/assets/pdf_file/0004/364540/urqs-brochure.pdf) [Accessed 21/11/2010].

All of the above criteria may not be relevant to LPG customers in NSW and their assessment for EAPA, for example, NSW LPG cylinder suppliers are unlikely to offer hardship programs to their customers.

This option would minimise the impact of the EAPA Scheme on CWOs who would not be required to undertake an assessment of customers. It would also minimise the impact on LPG suppliers.

A disadvantage of this option is that it may promote confusion among customers in differentiating this application of the EAPA Scheme for householders with LPG compared with those householders who rely on other energy sources.

This option will also impose increased administrative burden on Government to assess customers for EAPA eligibility. This may require increased resourcing and budget to accommodate and specialist staff to assess individual circumstances. In addition, I&I NSW may not be the most appropriate organisation to assess customers' eligibility compared with CWOs who often can provide more holistic assistance to customers in emergency situations or crisis.

In expanding EAPA to residential LPG customers the following matters need to be taken into consideration:

- Administrative implications – the feasibility, likely implementation timeframes and costs of the above options (particularly from the perspective of LPG suppliers); and
- Compliance and enforcement implications – the maintenance of sufficient controls to ensure eligible customers are receiving EAPA consistent with the objectives of the Scheme.

The coordination of feedback from LPG suppliers and community groups is integral to ensuring the Review of the EAPA Scheme can take into account the community's views on these options.

## 8 Options for Exempt Sellers' customers

I&I NSW has received representations from stakeholders seeking access to EAPA for residents of residential parks.

Operators of residential parks are termed “exempt suppliers” as are some operators of retirement villages and boarding houses. Exempt suppliers of electricity and gas are not required to hold a NSW electricity or gas licence in order to sell the electricity or gas. However, they are required to meet certain regulatory obligations in relation to their energy supply to their customers. For example, the maximum amount that a residential park operator may charge a customer for energy is the regulated tariff for that supply area.

Exempt suppliers are provided energy by licensed energy retailers and generally then “on-sell” this energy onto their residents.

A resident of a residential park can also ask the Energy & Water Ombudsman NSW (EWON) to assist with the resolution of energy matters relating to residential parks. However, it is unclear whether residents of boarding houses or retirement villages can also receive assistance from EWON.

Under the current EAPA Scheme, EAPA vouchers can only be provided to NSW residents who receive a bill direct from any NSW licensed energy retailer. Thus, residents supplied and billed for energy directly by an exempt seller are not able to receive EAPA. I&I NSW is examining the equity of this situation and exploring ways to provide access to the EAPA Scheme for these residents.

### Residential Parks

Australian Bureau of Statistics data indicates that in NSW there are around 26,000 residents of caravan parks<sup>8</sup>. However, it has been suggested by some stakeholders that this figure is more likely to be up to 40,000. It is not known how many NSW residential park residents have direct billing arrangements with a residential park operator.

A Standard applies under the *Residential Parks Act 1998* covering arrangements where a residential park operator supplies electricity to residents. Titled *Customer service standards for the supply of electricity to permanent residents of residential parks*, the standard deals with general consumer rights, account information, availability charges and disconnection issues<sup>9</sup>.

Anecdotal evidence suggests that most permanent residents of residential parks are separately metered, however these residents can have a variety of electricity billing arrangements.

In order for residents of residential parks to be charged for electricity consumption (i.e. cents per kilowatt hour charges), they are required to have a separate electricity meter which can measure their electricity consumption.

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<sup>8</sup> <http://www.censusdata.abs.gov.au/ABSNavigation/prenav/PopularAreas?collection=census/period=2006>  
[Accessed 19/11/2010].

<sup>9</sup> [http://www.fairtrading.nsw.gov.au/pdfs/Tenants\\_and\\_home\\_owners/electricitycustomerservstand06.pdf](http://www.fairtrading.nsw.gov.au/pdfs/Tenants_and_home_owners/electricitycustomerservstand06.pdf)  
[21/11/2010]

Anecdotal evidence suggests that most residents of residential parks fit into category B in the table below in which they have a separate electricity meter and are billed the park operator, making them ineligible for EAPA.

#### **Electricity Supply Arrangements for residents of residential parks**

	<b>Individually Metered</b>	<b>Billed by</b>	<b>Eligible for EAPA</b>
Customer A	Yes	Energy Retailer	Yes
Customer B	Yes	Park Owner	No

#### **Retirement Villages**

There are currently approximately 36,000 residents of retirement villages in NSW<sup>10</sup>. It is not known if or how many NSW retirement village residents have separate electricity metering and direct billing arrangements with retirement village operators.

#### **Boarding Houses**

It is not known how many residents of boarding houses exist in NSW. Information pertaining to billing/ connection arrangements for boarding houses is not confirmed however, anecdotal information suggests that these residents' energy costs are not separately billed, but are included in their rent.

#### **Current challenges**

Customers of exempt sellers experiencing financial hardship may find it difficult to meet everyday household expenses. Failure to meet financial obligations, such as payment of electricity bills, may lead to breaches of customers' tenancy agreements and possible eviction.

All customers of exempt sellers (excluding residential park residents) are currently ineligible for the NSW Government Energy Rebates (the NSW Energy Rebate, Life Support Electricity Rebate and Medical Energy Rebate). In instances of financial hardship, these residents have limited options. The challenge is to ensure that the EAPA Scheme provides equitable access to households in crisis.

In expanding EAPA to residents of exempt suppliers who are separately billed for energy by these suppliers the following matters need to be taken into consideration:

- Administrative factors – how the Scheme would be delivered through the various exempt sellers; and
- Compliance and enforcement factors – maintenance of sufficient controls to ensure eligible customers are receiving EAPA consistent with the objectives of the Scheme.

I&I NSW recognises the importance of ensuring all NSW customers have access to affordable essential energy supplies. Consideration needs to be given as to how customers who are billed by parties other than a licensed energy retailer can be included in the Scheme while maintaining the Scheme integrity and allowing for streamlined delivery as well as minimising the administrative burden on all parties.

<sup>10</sup> [http://www.fairtrading.nsw.gov.au/Tenants\\_and\\_home\\_owners/Retirement\\_villages.html](http://www.fairtrading.nsw.gov.au/Tenants_and_home_owners/Retirement_villages.html) [Accessed 21/11/2010].

This EAPA policy option is the most challenging to implement and the Review would be interested in robust proposals for making this work.

Any data or other information on residents of exempt suppliers (such as their energy needs or usage) as well as on the exempt suppliers themselves would be useful in providing a better picture of these parties' situation.

The aim of the following proposals for consultation is to ensure that the EAPA Scheme is accessible to households experiencing financial crisis and achieving the best possible outcomes for all in the community.

The following options consider extending access to EAPA to only customers of exempt suppliers who are individually metered and therefore receive a bill for electricity consumption. It appears that only this segment of exempt supplier customers could be reasonably assessed for eligibility for EAPA and therefore included in the EAPA Scheme as it would be difficult to verify the energy needs of customers who do not receive a separate energy bill.

Please note, although the options below refer to CWOs providing EAPA assessment, this could be amended to enable energy retailers to provide an assessment under the retailer delivery model discussed in the EAPA Delivery section of this paper.

**Option 1:**

- Customer takes their bill to the nearest CWO for assessment.
- CWO assesses customer and provides EAPA voucher/s to eligible customer.
- Customer gives EAPA vouchers to Residential Park/ Retirement Village/Boarding House operator.
- Operator deducts total EAPA amount from customer's bill, notes EAPA amount applied on customer's bill and forwards the EAPA vouchers to their retailer.
- Retailer credits the Operator's account to the value of the total amount of EAPA provided to the customer.

Under the *Electricity Supply (General) Regulation 2001* additional conditions on exempt suppliers' exemption from licensing may be imposed. This would enable Option 1 to be administered and facilitate a framework for ensuring that exempt sellers comply with the EAPA Scheme and allow previously ineligible customers access to the EAPA Scheme.

However, this option may increase the administrative complexity of the EAPA Scheme due to the number of people involved including licensed energy retailers and exempt sellers, in providing EAPA to customers. This option may also lead to difficulties in monitoring compliance and additional administrative processes for exempt suppliers and licensed energy retailers and potentially increased costs for these parties.

This option's potential for additional costs and administrative burden could discourage exempt suppliers from providing housing to people who may be perceived to encounter difficulty in paying their energy bills. This would need to be balanced against the current potential for customers of exempt suppliers to face eviction due to a breach of their tenancy agreement from an inability to pay their energy bills.

A disadvantage of this option is that exempt seller operators would be liable for meeting the costs of providing EAPA to customers until they receive a credit on their bill from their licensed energy retailer.

**Option 2:**

- Customer takes their bill to the CWO for assessment.
- CWO assesses customer and provides EAPA voucher/s to eligible customer.
- Customer sends EAPA vouchers to I&I NSW and I&I NSW then forwards a cheque for the allocated EAPA amount to the customer directly.

This option could also potentially minimise compliance risks as I&I NSW would directly provide the value of the EAPA to the customer in the form of a cheque. This option would have similar operating arrangements as the Energy Rebate, Medical Energy Rebate and Life Support Rebate for residents of caravan parks. Administration of the Scheme by I&I NSW would also ensure appropriate compliance and integrity of assessment as well as reduce the administrative responsibilities and costs for both exempt suppliers and licensed energy retailers.

This option does however have the potential to impose increased administrative costs on the NSW Government and may not be the best cost-effective option for Government resources.

**Option 3:**

I&I NSW to provide assessment for exempt seller customers and provide cheque direct to customer based on assessment outcome. This could be administered on a similar basis to the Victorian Government's administration of the *Non-Mains Winter Energy Concession*.

This option would allow I&I NSW to ensure the integrity and efficiency of the assessment process and delivery of the EAPA Scheme. It would also (like Option 2) minimise any compliance risks by directly administering the payment to customers.

A risk associated with this option is that there would be no guarantee that customers would use the money to pay their energy bill.

Another risk associated with this option is that the provision of EAPA to customers of exempt sellers could be seen as an 'income supplement' or a Rebate instead of emergency energy bill assistance. There is also a risk that CWOs may refer other customers outside the scope of this proposal (i.e. difficult customers or customers ineligible for assistance) to I&I NSW for assessment.

In addition, I&I NSW may not be the most appropriate organisation to assess customer's eligibility for EAPA compared with CWOs that often can provide more holistic assistance to customers in emergency situations or crisis.

## **9 Options for Scheme Administration**

### **9.1 Australia Post**

An option being considered by I&I NSW is to make it mandatory for all NSW licensed retailers to make the arrangement with Australia Post outlets that all EAPA vouchers can be processed regardless of the retailer. This would reduce the issues faced by customers when vouchers do not reach retailers through the post.

While such a requirement may assist with Scheme accessibility, it may not be consistent with reducing the regulatory burden of the Scheme's administrative requirements. It may also pose significant administrative costs for retailers particularly for smaller retailers.

### **9.2 CWO Accreditation and Review Process**

Currently, the EAPA Scheme does not have a public, formal CWO accreditation and review process. I&I NSW has put a temporary hold on all new EAPA applications from CWOs to enable the development of a revised application process.

Despite the current temporary hold on new accreditations, a number of individual applications have been given priority assessment where the application is from a CWO proposing to service a community that is not serviced by another CWO delivering EAPA. In these cases, accreditation has been given on a temporary basis, pending the release of new accreditation and review processes.

I&I NSW is considering a new accreditation and review process for CWOs participating in the EAPA Scheme to improve compliance with the Scheme's requirements and better support CWOs delivering EAPA.

A CWO accreditation and review process would enable I&I NSW to detect where CWOs need extra support and training in delivering EAPA and enable recognition for CWOs which engage in superior service delivery under the Scheme. It would also enable I&I NSW to incorporate procedures in place at best practice CWOs into EAPA training with other CWOs.

If a CWO accreditation and review process is implemented it would not apply to retailers who choose to deliver EAPA under the retailer delivery model for EAPA (this policy option is also discussed in the "Retailer Delivery Model" section of this paper). This is because it is proposed that retailers under this model would be subject to terms and conditions in a Deed of Agreement with I&I NSW/the Minister for Energy.

A formal CWO accreditation and review process would enable I&I NSW to:

- Assess the consistency of the EAPA Scheme with the NSW Government's principles for grant administration;

- Better assess whether the EAPA Scheme is meeting its objectives of ensuring households in emergencies or crisis are assisted to stay connected to essential energy supplies;
- Enhance the Scheme's performance against the Scheme's objectives;
- Improve the Scheme's value for money and outcomes for the community by ensuring organisations accredited to deliver EAPA are appropriately equipped with the necessary resources, training and support;
- Improve the transparency of the Scheme through appropriate reviews of those participating in the Scheme;
- Improve cooperation between the NSW Government and CWOs;
- Encourage participation in the Scheme by a diverse range of organisations that service diverse community groups thereby improving access to the Scheme;
- Improve the coordination of the Scheme through accreditation standards which is likely to lead to fairer, more accessible and more consistent delivery of EAPA;
- Develop appropriate systems and procedures to ensure proper management and accountability of the Scheme;
- Provide performance measures to facilitate monitoring and evaluation of the Scheme;
- Improved scrutiny of the Scheme;
- Ensure CWOs have internal policies and procedures to fairly assess a household's need for assistance which are consistent with the EAPA Guidelines for CWOs – effective date 1 January 2005 as amended from time to time; and
- Better align with the NSW Government's principles for grant administration.

Possible features of a CWO accreditation and review process could include:

- Application/accreditation process for CWOs delivering EAPA;
- Assessment of application by I&I NSW;
- Notification to CWOs of application decisions;
- Inaugural Training of CWOs;
- Monitoring of CWOs' on-going compliance with the process;
- Process for revoking accreditation from a CWO;

- Re-application prior to expiry of the CWO's existing period of accreditation;
- Review of the EAPA accreditation processes; and
- Transitional measures for currently accredited CWOs.

A CWO accreditation and review process could consist of a public document outlining the process for becoming eligible to distribute EAPA vouchers (see a draft at **Appendix B**) as well as an application form (see a draft at **Appendix C**).

### 9.3 Guidelines

The EAPA Guideline for CWOs (the current Guidelines) have been in place since 1 January 2005. The current Guidelines set out the criteria that CWOs must use to assess whether a customer is eligible to receive EAPA vouchers, and the procedures that must be followed when participating in the EAPA Scheme. It is recognised that the current Guidelines are very focussed on process and are lengthy and difficult to follow in parts. They also contain a mix of requirements and guidance material which may at times make it difficult for those covered by the Guidelines to understand exactly what is required.

I&I NSW is proposing to develop new Guidelines once the outcome of the EAPA Review has been finalised to accommodate any Scheme changes that may be recommended and to also improve the effectiveness of the current Guidelines. The new Guidelines would include a new assessment form for CWOs with an easy to use checklist for assessing customers' eligibility for EAPA.

The objectives of any new Guidelines would be to:

- Provide plain English guidance to CWOs on their rights and obligations in delivering the EAPA Scheme;
- Improve compliance with the Scheme's requirements by providing an emphasis on the need to comply with the Scheme's requirements;
- Improve consistency in delivery of the Scheme through increased compliance with the new Guidelines which would contribute to better outcomes for households seeking assistance;
- Improved overall service delivery of the EAPA Scheme;
- Reduce red tape required of CWOs and Government wherever possible; and
- Ensure appropriate systems and procedures are in place to ensure proper management and accountability of the Scheme.