

# Helping with the Cost of Energy

ANGLICARE Sydney Research Brief October 2008

## A typical ANGLICARE EAPA client

A single mother, dependent on government benefits, struggling with the payment of an overdue electricity bill of over \$300. This is just one of a number of other bills she has to pay. It has not been the first time she has fronted a charity asking for help with her energy bills, and in the past two years she has received around \$150 worth of assistance. No other payment arrangements are in place. The assistance she receives from ANGLICARE in this visit includes \$120 worth of EAPA vouchers as well as food or food vouchers.

## More on ANGLICARE Sydney:

As part of the Sydney Anglican Diocese, it is ANGLICARE's mission to care by doing good works that grow communities and address emotional, social and physical needs, and which are the fruit of the gospel of the Lord Jesus Christ. One of ANGLICARE's Strategic Goals in 2007-2009 is to work with communities to grow their strengths and increase their capacity and social inclusion.

## References

1. IPART (2008) *Electricity Retail Businesses' Performance Against Customer Service Indicators: For the Period 1 July 2002 to 30 June 2007*, NSW electricity information paper no 1/2008, IPART, p.3.
2. IPART (2008) *Gas Retail Businesses' Performance Against Customer Service Indicators: For the Period 1 July 2005 to 30 June 2007*, NSW gas information paper no 1/2008, IPART, p.3.
3. *Left Out and Missing Out: Voices from the Margins*, 2007 Snapshot of research carried out by SPRC, Mission Australia, ANGLICARE (Sydney), ACOSS, and the BSL.
4. Financial and Consumer Rights Council Victoria (2005) *Committee of Inquiry into Financial Hardship of Energy Consumers Submission*, FCRCV, p4. The authors cite a number of studies.
5. There are a number of reasons why a client may not be assisted, such as the bill not being overdue, it not actually being in their name or they had already received the maximum EAPA allocation allowed and are not deemed to be in exceptional circumstances.
6. EAPA can only be granted for energy usage component, not connection fees.
7. Issues related to carbon trading and privatisation of NSW's electricity retailers are discussed in detail in the main report; implications are drawn out in this paper.
8. Stanley, J (2007) 'Equity in response to climate change: an issue of critical importance', *Brotherhood Comment*, November, BSL, Melbourne, p8.
9. Commonwealth of Australia (2008) *Carbon Pollution Reduction Scheme Green Paper*, Department of Climate Change.

## Report of ANGLICARE Sydney's 2006 EAPA Data Collection

ANGLICARE Sydney's Emergency Relief (ER) programs are committed to helping people who are struggling with the everyday costs of living, including the cost of energy bills. One of the major ways ANGLICARE Sydney's ER centres assist people is to provide gas and electricity vouchers via the Energy Accounts Payment Assistance (EAPA) scheme. In the seven month period from July 2007 to January 2008, ANGLICARE Sydney ER centres provided 2,046 clients with \$328,900 worth of EAPA vouchers.

### Vulnerable energy users

The importance of the EAPA program is underscored by a body of research concerning vulnerable energy users in Australia. For example, in 2006/07 18,339 NSW households were disconnected from their electricity supply because they could not pay their bill<sup>1</sup>, and 22,707 households were disconnected from their gas supply for the same reason<sup>2</sup>. Furthermore a UNSW social exclusion study identified a quarter of 670 participating welfare clients in NSW and Victoria who did not have heating in at least one room of the house.<sup>3</sup>

Vulnerable energy users are people who struggle to pay their energy bills – and may even be disconnected because they cannot pay their bills; who forgo other basic necessities to pay their energy bills; spend proportionally more of their income on these basic necessities than higher-income households; or reduce their energy consumption to detrimental levels.<sup>4</sup>

### The ANGLICARE study

ANGLICARE's contact with some of the most disadvantaged households led to a study which enables a closer look at the energy bills of vulnerable energy users. The study also provides an insight into the needs behind the unpaid bills as well as an inside view into how people rely on EAPA to pay for the energy they need. The results of this study are instructive for public policy makers in cabinet and treasury and in the areas of utilities and climate change.

The study was conducted during October and November 2006 in six of ANGLICARE Sydney's ER centres - Campbelltown, Wollongong, Rooty Hill, Bondi, Moss Vale and Sadleir.

While ER workers conducted the assessment interviews of clients seeking EAPA vouchers they completed record forms which captured the details of that interview. This was done with the client's consent after being informed of the study, invited to participate and assured that it was anonymous and voluntary.

### Profiling ANGLICARE Sydney's EAPA clients

The key characteristics of the participating clients seeking assistance with their energy bills included the following:

- ◆ **Age and sex.** Just under half (46%) of EAPA clients were aged under 40 years. The requests for EAPA assistance were predominantly from female clients (71%).
- ◆ **Household type.** The largest household type among clients was single parents with children (44%), followed by persons living alone (28%). Children resided in 60% of all households included in the ANGLICARE study.
- ◆ **Employment status.** The main activity of 92% of clients did not include paid work. This included 25% of clients not working due to illness, injury or disability. A further 21% cared for children as their main activity and 20% were unemployed and looking for work.
- ◆ **Government benefit dependency.** Of EAPA clients included in the study, 83% came from government benefit-dependent households. Overall, 92% of respondents to the 2005 ANGLICARE study received government benefits.
- ◆ **Housing.** Among clients the most common tenure type was public/community housing (56%), followed by private rental (34%).

## Charter of Principles for Energy Supply

The Charter of Principles for Energy Supply, developed by the national Consumers Roundtable on Energy, states that:

Electricity is an essential domestic service. Electricity supports fundamental human needs including safe food (storage, preparation) and safe shelter (hygiene, lighting, temperature control). Electricity supports equipment that is critical to wellbeing and independence (health, communication). Beyond these fundamentals, electricity supports community engagement and family life (social interactions, employment, education). Except in rare and exceptional circumstances, a regular connection to electricity supply is not discretionary or optional. In most cases there is no alternative to electricity. A reliable, safe, affordable supply of electricity is a right rather than a privilege and access must be guaranteed as far as reasonable possible.

Source: Consumer Utilities Advocacy Centre

## Energy Accounts Payment Assistance (EAPA)

The EAPA scheme is funded by the NSW Department of Energy, Utilities and Sustainability (DEUS) to assist people having difficulty paying their gas and electricity bills.

During 2005-06 EAPA vouchers totalling \$8.1 million were distributed across 250 agencies throughout NSW. Vouchers are currently available from over 1000 local outlets belonging to a range of community organisations and churches, which provide them to clients after an assessment interview. They are accepted by any energy company. EAPA vouchers cannot be used to pay for non-energy usage such as late fees, connection, and security deposits.

Source: Department of Energy, Utilities and Sustainability (DEUS).

**Clients' energy bills**

Most EAPA clients surveyed were seeking assistance with electricity payments (88%), with 20% seeking help with their gas bill. Included in these numbers were 8% of clients who presented with both gas and electricity bills.

Electricity is cheaper to install although more expensive to consume. It is reasonable to assume that because clients may live in low cost accommodation they are spending more on energy bills than they need to because gas is not fitted. For gas bills, the median amount owing was \$194 whilst for electricity bills the median was higher at \$324.

When combining the amounts owing for either gas, electricity, or both bills, just under half of clients owed up to \$250. There were 14% of clients whose bills were over \$500.

Three quarters of clients (74%) had overdue bills, and a further 15% had been served with a disconnection notice. Half of clients had bills in arrears (50%) and for 36% this comprised over half of their current bill.

**Reasons for seeking assistance**

Clients were asked, 'What has happened to make it hard for you to pay your bill?' Reasons were categorised as:

- ◆ High and unavoidable expenses, either the energy bill, another bill or multiple bills (87% gave one or more reasons in this category)
- ◆ Reduction or loss of income (42% gave one or more reasons)
- ◆ Life circumstances and other reasons, such as illness, mental health issues, relationship breakdown, etc. (31% gave one or more reasons)

The three most common reasons that clients gave for seeking assistance with paying their energy bills were many bills came at once (41% of all clients), higher energy bill than usual (36%), and medical expenses (17%). The fourth most common reason was due to illness (14%), possibly the extra costs or loss of income that this brought. This was followed by various other reasons related to a lack of income (13%).

**History of seeking EAPA assistance**

EAPA guidelines limit the number of times a person can receive vouchers to twice a year, up to the value of \$180 each time. However agencies can increase the level and frequency of support in exceptional circumstances and particularly if alternate payment arrangements are in place. The reverse side of energy bills provides details of the person's receipt of EAPA vouchers from any service up to two years prior to that bill.

The majority of clients (57%) had received EAPA assistance before, including 16% within the previous 6 months and 14% in the preceding 6 to 12 months. This suggests a heavy reliance upon emergency services to make ends meet.

The median amount of EAPA assistance received over the last two years was \$150, ranging from \$30 to \$960.

**Clients' payment arrangements**

There were 67% of clients who did not have payment arrangements in place to help them pay off their bill. Where arrangements were in place, they included:

- ◆ Centre-pay, where a small amount is deducted from the client's Centrelink benefit before being deposited into the client's account. This amount is paid to the energy provider on the client's behalf. (12% of clients used this payment method.)
- ◆ Regular direct debit through the client's financial institution, where the client pays a small amount each month towards the quarterly bill. (Only 6 clients used this method.)
- ◆ Agreement with the energy provider's customer assistance scheme (10%)
- ◆ Other payment arrangements with the energy provider (e.g. revised due date, etc) (8%)

Generally speaking, clients who had a payment arrangement in place (29%) were less likely to have sought an EAPA payment in the past 9 months than those with no payment arrangements in place (41%).

**Assistance provided**

There were 453 clients whose survey forms recorded information about their energy bill. Of these, ANGLICARE assisted 81% to pay these bills.<sup>5</sup> The median energy assistance clients received was worth half their bills.

Forms of assistance included EAPA vouchers as well as cheques which the ER centres issued for energy usage and for connection fees.<sup>6</sup> Combining EAPA vouchers and cheques for connection and usage components, the total amount provided by ANGLICARE's Emergency Relief centres during the study period was \$50,336. The median amount provided for all types of energy assistance was \$120.

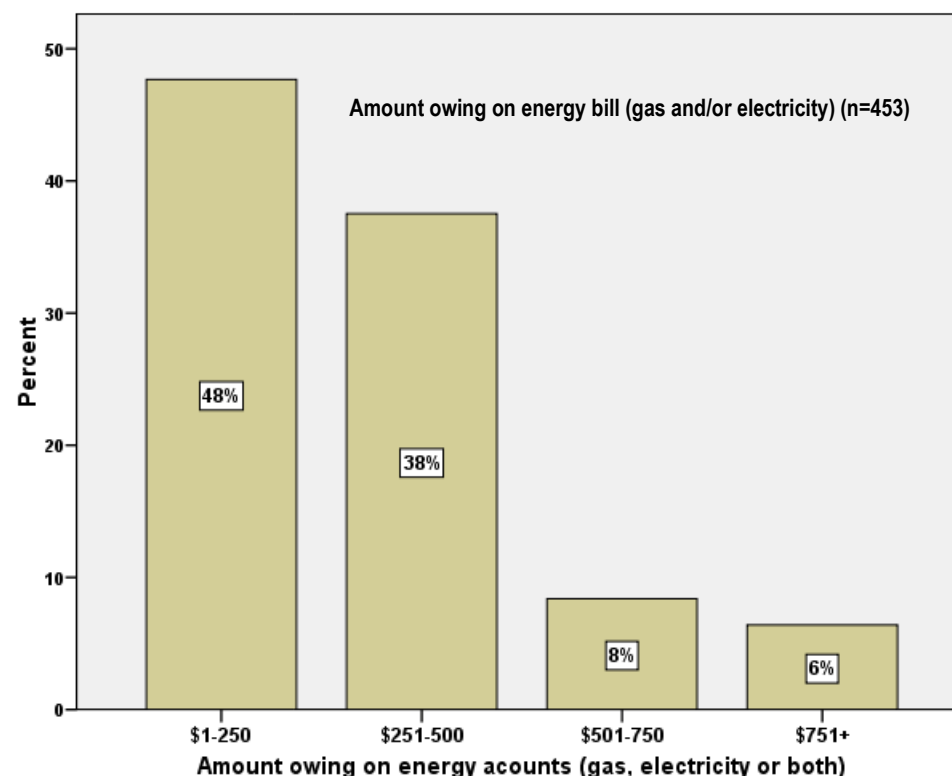
The median amount on the 352 EAPA vouchers provided was also \$120. Together, \$46,620 was provided in EAPA vouchers.

When comparing what clients received in EAPA vouchers to the energy usage component of their bills, the median proportion received was 50%. Similarly, clients received a median of 50% of their total energy bill in EAPA vouchers and both types of cheques combined.

The proportion of payment assistance which clients received was further analysed against different bill sizes. Generally speaking, the larger the energy bill, the smaller proportion was provided in payment assistance. For example, the median proportion received for bills up to \$250 was 65% whilst for energy bills over \$750 it was only 17%.

Whilst assisting clients to move out of debt is the preferable way to administer the EAPA scheme, agencies' ability to do this is limited by the need to ration vouchers so that they last throughout each EAPA allocation time period.

Of the clients who received assistance paying their gas or electricity bills, 55% also received another form of material aid. The main assistance provided was food or food vouchers



(49%) – indicating the level of hardship that clients faced.

**Conclusions**

It is apparent from ANGLICARE Sydney's study that for the clients who were interviewed for EAPA assistance, a significant degree of hardship is being experienced. This is suggested by the 36% of clients for whom over half of their bill comprised payments in arrears; by the 57% of clients who had sought EAPA assistance before (including 30% who had sought assistance in the previous 12 months); and by the 48% of EAPA clients who also received a food voucher or hamper. This, together with the range of reasons clients came to the centre, shows the complexity of clients' needs.

These results have a number of implications for government and energy providers.<sup>7</sup>

◆ **Early assistance by energy providers to prevent disconnections**

ANGLICARE has found that clients who have a payment arrangement in place with an energy provider are much less likely to seek further EAPA assistance. The practice of responding early to assist clients with unpaid bills needs to become more widespread amongst energy retailers. Such alert systems trigger provision of information about various payment arrangements, the company's customer assistance program, the EAPA scheme and the customer's closest EAPA distributor.

Furthermore, the development of a no disconnections policy in NSW will support the move towards energy providers proactively informing clients about the forms of assistance they can access in order to pay their bill.

◆ **Increased funding for EAPA**

Better funding would prevent the need to ration EAPA vouchers and dip into limited agency budgets in order to prop up assistance with a client's energy bill.

Whilst assisting clients to move out of debt is the preferable way to administer the EAPA scheme, agencies' ability to do this is limited by the need to spread out vouchers across the EAPA allocation time period.

Furthermore, 17% of the total amount provided to assist clients pay their energy bills was in the form of cheques for energy usage. Cheques were used to replace or supplement EAPA vouchers and the money comes from the ER service's own limited budget, not the EAPA scheme.

◆ **Increased flexibility in EAPA funding**

The EAPA scheme could also support clients better by allowing EAPA vouchers to assist with the payment of connection fees.

The ineligibility of caravan park residents to access EAPA vouchers should also be reviewed, to enable this group of largely low income households to access assistance.

The NSW Government has previously announced an additional \$55 million over five years for EAPA, should privatisation go ahead. Much of this needs to go directly towards boosting agencies' capacity to assist clients with their energy bills, as well as towards financial counselling and establishing a no disconnections policy.

Any increase in EAPA funding should not be tied to the proposed sale of electricity retailers.