

Thursday 18 April 2024

Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000
By email: VDO@esc.vic.gov.au

To the Essential Services Commission (ESC),

I am writing on behalf of Financial Counselling Victoria (FCVic) to provide feedback on the draft decision for the Victorian Default Offer 2024-25 (VDO).

Firstly, I note that we have also worked with our energy consumer advocacy networks, led by the Victorian Council of Social Services, on a separate joint submission. I urge the ESC to consider the recommendations of this joint submission carefully as the collective knowledge of our consumer network of how these regulatory decisions impact people on the ground is an invaluable contribution to the ESC's goal of regulating with consumer vulnerability in mind.

As the peak body and professional association for financial counsellors in Victoria, FCVic is uniquely positioned to understand systemic consumer issues. Our members assist more than 23,000 Victorians every year, and are privy to emerging themes in complex consumer issues, particularly those impacting vulnerable cohorts including those in financial hardship, people impacted by catastrophic natural disasters, newly arrived migrants and refugees, and more than 3,800 family violence victim-survivors.

Our financial counsellor members have told us about the significant impact of the cost-of-living crisis. It has created outsized demand for financial counselling services, with reported wait times of over two months at many services. Financial counsellors are now seeing more and more middle-income earners who, for the first time, simply can't afford to pay their bills.

Financial counsellors have reported the rising cost of utilities as a trigger factor for people accessing financial counselling services. We can see that the quality and consistency of provider hardship practices is variable and often poor, and the demands of high energy bills is causing individuals to turn to alternative, and often predatory, lines of credit which can lead into a debt spiral that puts already-vulnerable Victorians at further risk of lifelong disadvantage.

Further, we can see that providers can often make it difficult for customers to access relief and grant schemes that can help to supplement energy costs. One financial counsellor recently told us - "*[Energy retailer] are refusing to complete the URGS (Utility Relief Grant Scheme) form with clients over the phone, even though they are required to do so by the Energy and Water Ombudsman Victoria and Essential Services Commission. They insist on sending the forms out to the client to complete themselves.*" We urge you to use your regulatory powers and influence with other decision-makers to improve access to and increase the amount of URGS.

The ESC *must* further consider the human impact of regulatory decisions such as the VDO, in the context of the broader cost-of-living crisis. For most customers on the VDO, the draft decision means a saving of approximately \$112 a year – this would hardly make a dent in cost-of-living increases, and certainly

wouldn't make much of an impact for those clients who are already in arrears on their energy bills due to the increases of years past.

The joint submission by energy consumer advocacy networks provides useful recommendations on how energy costs can be reduced for VDO consumers, considering technical pricing calculations and more. I urge you to review this joint submission in detail, and to engage with our network further to create better life outcomes for vulnerable Victorians.

Thank you for your consideration. To discuss this submission further or for any further queries, please contact FCVic's Advocacy Coordinator Amanda Chan on achan@fcvic.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Zyl Hovenga-Wauchope', with a horizontal line underneath.

Zyl Hovenga-Wauchope
Executive Officer
Financial Counselling Victoria