15 December 2022

Department of Social Services
GPO Box 9820
Canberra ACT 2601

By email: engage.dss.gov.au

Dear Sir/Madam,

Financial Counselling Industry Funding Model – Discussion Paper

Origin Energy (Origin) appreciates the opportunity to provide input into the design of a Financial Counselling Industry Funding Model Discussion Paper.

Origin strongly supports consumers having equitable access to financial advice and support. Energy is an essential service and we have dedicated teams of people who talk to our customers every day to identify hardship triggers and provide on-the-spot support and financial solutions. While we proactively seek to assist consumers in managing their energy debt, we recognise the value that an independent financial counsellor can provide to consumers in prioritising payments, developing budgets and money plans that best meet the needs of the consumer.

We support the key principle of the scheme being related to meeting 'unmet demand' or timeliness in which individuals are able to access the services of a financial counsellor. Timeliness of advice can greatly assist an individual in putting into place measures to manage debts and minimise the further accumulation of debt. We believe that response time should become a key reporting metric of the Independent Body to measure the promptness in which an individual is able to meet face to face or speak with a counsellor to discuss their financial situation.

A key concern for Origin is the voluntary nature of the funding model and ensuring that the identified sectors and subsectors provide their allocated contributions each year. Inequity and free riding will emerge if there is not full commitment from all sectors. Further, the contributing energy retailers should not be made to wear the shortfall for the sector of a market participant not providing their allocated share to the fund. It will be an ongoing challenge for the Government to ensure that they can develop a framework where all market participants contribute to the fund.

The Discussion Paper raises a number of questions in relation to the design and function of the model. Origin's response in relation to the questions raised are set out below.

Discussion Question: Guiding Principles
What are your views on the proposed principles for developing the industry funding model?

The Discussion Paper sets out six proposed principles to guide the development of the industry funding model[1]. Key principles range from being able to meet unmet demand for the services, equitable industry funding arrangements, robust reporting and the overall model improves the delivery of services across the financial counselling sector.

These principles are reasonable and we believe that the ability of the financial counselling model to meet demand for services in a more timely matter is key to the effective of this model. We further support a key principle of simplicity and transparency being added to the list. Simplicity to ensure that funds are appropriately allocated to financial counsellors in a streamlined manner and there are not significant

[1] Department of Social Services, Financial Counselling Industry Funding Model – Discussion Paper, November 2022, p6.

administrative overhead costs of operating the independent body. Transparency as to how the funding requirements have been determined and how they have been distributed to the various financial counselling services.

Discussion Question: Quantum of Funding Required

What are your views on the proposed quantum for each year of the first three years of the model?

The Discussion Paper notes that the latest modelling predicts that, to meet unmet demand for services, the financial counselling sector requires an additional $18.1 million for 2023-24, $18.7 million for 2024-25, and $19.4 million for 2025-26[2]. These costs are inclusive of operating costs and funding for innovation and capability building.

These costs appear reasonable and it is encouraging to see the modelling predicts only a small percentage of the total industry funding will go towards operating costs and the building of innovation and capability of the independent body. Low overhead costs are imperative to ensuring that the majority of the funding contributions are directed to service delivery of financial counsellors.

We support the proposal that the quantum and methodology for the funding be reviewed prior to the end of the first three years of operation. The assumptions used to determine the funding requirements have not been tested. Specifically, the budget has been developed on the assumption that 'unmet' demand is when an individual cannot access face to face services within a two week period of making contact.[3] This assumption seems reasonable, but in reality there may be a shortage of skilled and trained counsellors to provide the services. Therefore, there may be an under or over budget adjustments to ensure that assumptions can be met.

Discussion Questions: Suggested contributions from sectors and subsectors

Are there any evidence-based adjustments that could be made to the suggested contributions methodology? What are they and how could they be incorporated into the methodology?

The total funding amount would be split between sectors, using an agreed methodology. The methodology is based on the results of a 2021 survey of financial counsellors' time spent on a specific sector or subsector. While this methodology is satisfactory at this time, the methodology appears arbitrary and relies on: 1) a consumer's decision to prioritise which debts they will pay; and 2) the financial counsellor correctly identifying the main reason the consumer is seeking advice. For example, a consumer may prioritise the payment of their mobile phone bill over their energy bill as they rely on their mobile as a form of communication. Thus, the time noted by the financial counsellor is against the energy sector and not other sectors such as the telecommunication sector. In reality, it is likely that sectors such as the telecommunication sector contributes to a higher percentage of time in which a financial counsellor works with the consumer to prioritise debts.

Origin recognises that no methodology is perfect and it will be difficult to capture all the relevant sectors and subsectors that utilise the services of financial counsellors. However, during the review process, we feel that there may be merit in reviewing funding requirements based on household expenditure. Household expenditure measures the average amount of money that a household spends on given goods and services such as food, clothing, energy, transport, health care, leisure and other services. This may provide a more equitable basis to determine the split between industries, but it would need to be extended to include water and gambling sectors (which are not identified categories of the metric).

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[2] Department of Social Services, Financial Counselling Industry Funding Model – Discussion Paper, November 2022, p10.

[3] Department of Social Services, Financial Counselling Industry Funding Model – Discussion Paper, November 2022, p11.

Discussion Questions: Calculating Suggested Contributions within Sectors

- Should any businesses within a subsector be excluded (e.g. small businesses)?
- What are your views on options 1 and 2 for determining the split within subsectors for voluntary contributions?
- What is your view on the different methods for within subsector splits, for your subsector?

For the energy sector, it is proposed that the voluntary contribution be apportioned based on the energy retailer's share of small electricity customers (residential and small business). The contribution apportionment could be based on data from the Australian Energy Regulator and other jurisdictional Regulators.

Origin believes this would be a reasonable basis to apportion contribution amounts. However, it may be appropriate to remove small business customers from the apportionment because it is largely residential customers that drive the need for financial counsellor services.

It is noted in the Energy Sector section of the Discussion Paper that it references small gas customers for gas retailers. It is understood that the collection of funds would be from electricity retailers only and we seek confirmation on this issue.

Discussion Questions: Commitments from Sectors and Subsectors

- What is your view on the proposed initial three-year commitment? Is this an appropriate length to ensure flexibility and stability of funding?
- When would an appropriate time be to review the functioning of the model?
- Are peak organisations an appropriate mechanism to obtain a formal commitment from subsectors as part of the initial set up of the model? Are there alternative methods to secure commitments that could be undertaken in a timely manner?

An initial three-year commitment appears reasonable. This will provide some certainty for sectors in terms of funding requirements and allow data to be gathered on the effectiveness of the methodology for allocation and allow for the collection of reporting data.

As raised earlier in this submission, we have concerns over the voluntary nature of the proposed funding model as it will rely on individual businesses committing to provide allocated funding to the Independent Body each year. While the energy peak body can assist in seeking formal commitment from energy retailers to initially participate in the scheme, there are a number of shortfalls with this approach. Firstly, not all energy retailers are members of the peak body and secondly, the peak body will have no powers to enforce nor take action if a retailer decides they will not be part of the funding model.

We believe individual entities need to become members of the Independent Body. Membership requirements could be based on the Governments assessment of the individual energy retailers who will be liable to make a contribution each year. This information could be obtained from the AER and other Regulators reporting data.

We feel that some level of membership is required in order to ensure contributions are made on a yearly basis. Without a mandatory membership or commitment from businesses, it is likely that some smaller businesses or sectors may choose not to make the voluntary contributions. This has the potential to lead to cross-subsidy issues where sectors are benefiting from the services of the financial counsellors, but they are not contributing.

Discussion Questions: Design of the Independent Body

-What are your views on the proposed characteristics of the independent body as set out in Table 4? Are there other characteristics that should be considered?
-Which board composition option do you prefer and why? Are there other options?

The Sylvan Review recommended the establishment of a centralised Independent Body to collect and distribute additional funding to ensure financial counselling services continued to provide services. They did not recommend that existing financial counselling bodies take on this function as they were concerned that the administrative elements of the model would distract them from focussing on the delivery of services.

Origin supports this position if it can be shown that the operating costs can remain a small percentage of the overall funds collected and distributed. High operating costs take away from the benefits of having a separate body to be involved in the funding arrangements. We agree with the Government that the main functions of the independent body should be to assess the demand and supply of financial counsellors, coordination and distribution of funds and analysis the trends in needs.

In terms of governance arrangements, we support a governance framework where it is established based on a company limited by guarantee rather than the framework being linked to legislation. Origin supports the framework being governed by a Boards of Directors, as recommended, and operate in accordance with and observe the roles, functions, powers and obligations as set out in policy and procedures (we assume this is similar to Constitution and Charters for Energy Ombudsman Scheme). Amendments to the policy and procedures do not need to go through a legislative consultation process – rather amendments are agreed by members. This is a more efficient set up in comparison to a governance framework set out in legislation.

An important element of the policy and procedures should be that the inclusion of elements of the governance structure including that the Chair is independent of the businesses that will be receiving the funds (ie financial counselling sector). Further, it will be important to ensure that the Board is appointed based on skills and experience as the role will be imperative to have the skills to navigate the financial aspects of both collecting and distributing funds.

We feel that there would be benefits in establishing an advisory committee at the commencement of funding arrangements. An Advisory Committee, attended by representatives of the financial counselling sector, can provide real time feedback on issues and funding shortfalls in the sector.

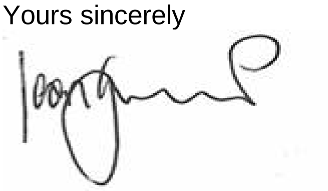
From experience in the energy sector, we believe a company structure governed by policy and procedures would provide greater flexibility to adapt to the ever-changing scope of the financial assistance requirements and is likely to be a lower longer cost solution for consumers.

Discussion Question: Evaluation
-What are your views on the proposed questions the evaluation could test?

Evaluation of the performance and effectiveness of the Independent Body should also be linked back to the underlying assumptions for the development of the funding arrangements. That is, are individuals that contact a financial counsellor service able to attend a face to face appointment or their calls are answered by a financial counsellor service. A further measure of success is that consumers are satisfied with the services they receive and feel that they are better equipped to manage their finances – this could be collated through consumer surveys.

If you have any questions regarding this submission, please contact Caroline Brumby in the first instance on (07) 3867 0863 or caroline.brumby@originenergy.com.au.

Yours sincerely



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