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Australian Government
Department of Social Services

Submitted Online

Financial Counselling Industry Funding Model – Discussion Paper

Alinta Energy welcomes the opportunity to comment on the Australian Government Department of Social Services (Department) discussion paper on the proposal for a Financial Counselling Industry Funding Model.

As an active investor in energy markets across Australia with an owned and contracted generation portfolio of more than 3,000MW, and whilst servicing over 1 million electricity and gas customers, Alinta Energy has a strong interest in the proposal of an industry funding model to support the activities of financial counsellors in providing services to energy consumers in need.

Alinta Energy understands the important role financial counsellors play in providing advice and assistance to customers who may be struggling to pay their energy bills. Likewise, it is important that when seeking assistance customers are able to access this in a timely manner.

We understand the voluntary financial support is being sought in order to address the issue of "unmet" demand for financial counselling services. This unmet demand, if left unchecked, can have a detrimental effect on a customer's ability to obtain assistance and take control of their financial circumstances.

Whilst we support the concept of a voluntary industry funding model, there are a number of elements of the current proposal that require detailed consultation and consideration. Clear direction on their application will need to be confirmed and understood, so that participants can make an informed decision regarding any funding commitment.

As an example, we have concerns around how the scheme would function in the absence of obtaining adequate levels of support from across all the proposed participating industry sectors.

Likewise, the proposed Governance structure for the venture appears overly administratively burdensome. Reassurance is also required on the consistency in approach of determining potential apportionment of funding requirements across industry sectors and subsectors. We also note that the discussion paper sets out that several key elements of the scheme, that are critical to be understood in order to provide any ongoing commitment, are to be decided by a body (Independent Body) that is yet to be established, and for which there are no agreed terms of reference.

To state that the policies and procedures of the independent body, including funding allocation and prioritisation, will be a decision for the independent body and are out-of-scope for this discussion paper, when the activities of the independent body are critical in understanding how the scheme will function, makes it difficult to fully assess the funding model proposal.

Our more detailed comments are contained in the following document. Should you have any questions or wish to discuss any aspect of our submission I may be contacted on [redacted] or via email: [redacted]

Yours sincerely

[redacted]

Manager National Retail Regulation

Financial Counselling Industry Funding Model

Principles of the Funding Model

As set out in the discussion paper, we understand the funding model is built on two key components;

1. A specified quantum of industry funding is needed to help address the unmet demand for services, and the allocation of the quantum of the funding is to be split amongst industry subsectors,
2. An independent body will be established to collect and distribute industry contributions.

In addition, the model will be based on six principles:

1. Industry funding helps to address unmet demand and improves the predictability and stability of funding for financial counselling services.
2. Industries that contribute to the demand for, and benefit from, financial counselling, contribute to the funding of the services.
3. Quantum and split of suggested industry contributions are determined on a fair and transparent basis.
4. Industry funding provides an additional funding stream to current funding sources.
5. The operation and effectiveness of the model is supported by robust data and evidence collection and analysis.
6. The model contributes to improved coordination, innovation and capability building and enhanced service delivery across the financial counselling sector.

Alinta supports the underlying principles for the establishment of a voluntary funding model. We also agree that when a specified quantum of industry funding has been identified as being needed, that the apportionment for the funding responsibility must be based on a fair and transparent basis, taking into consideration how the relevant industries contribute to the need for consumers to access the services provided by financial counsellors.

This includes the apportionment of funding responsibilities across industry subsectors. Such assessments must be based on evidentiary data that is open to independent assessment. The assessment criteria must also be consistent and predictable, so that industry participants are able to assess any future liabilities.

The proposal that the Energy sector liability is to be based on the number of small customers attributed to each energy retailer, similar to the methodology used by the Australian Energy Market Operator (AEMO) as a general principle, would be acceptable. However, further detail is required on the timing and frequency of when assessments would be conducted, noting that this can impact the "fairness" of the assessment liability apportionment.

Governance, Independent Body & Board

The proposed governance structure as set out in the discussion paper appears overly administrative burdensome, and not necessarily the most (cost) efficient governance structure.

We believe the proposed structure can be streamlined whilst still maintaining an appropriate level of governance.

For example, we question the necessity for the Independent Body, given that the functions of the Body could be fulfilled by the Executive Director and Staff with the appropriate governance of their activities overseen by the Board.

Prior to committing any voluntary funding further detailed consultation is required on the Governance structure to support the industry funding model.

Quantum of Funding Requirements

We understand that the assessment of the quantum of funding required has been determined as a result of consultation under the "Sylvan Review" and across surveys undertaken by financial counselling agencies. Accepting that the quantum of the funding required in the first three years is what is required, the two key elements of importance are,

1. How will the funding be allocated, and
2. What confidence is here that all identified sectors will contribute their share,

In terms of the allocation of the funding, evidentiary measures need to be in place to audit the performance and benefit that is achieved as a result of the industry funding provided. This is important as it is estimated that, at a minimum, 8% of the funding will go towards activities not involved with the frontline delivery of services to consumers.

Where funding is allocated to 'service delivery,' audit processes need to ensure that front line service delivery, and therefore consumers, are the beneficiary of the funds.

The ability of the funding model to achieve positive outcomes is not only based on ensuring the correct level of funding need is identified, but also on the ability to obtain the required voluntary contributions from across representative industry segments.

The level of commitment across industry segments may differ based on the allocation of costs to their segment. Where a segment believes the quantum of costs allocated to their segment are not representative of the demand for services they create, commitment may be less forthcoming.

Therefore continued, detailed and transparent engagement is required across market segments in order to instil confidence with the cost assessment and apportionment allocation methodology.

Apportionment Methodology for the Energy Sector

As previously stated, the proposal that the Energy sector liability is to be based on the number of small customers attributed to each energy retailer, similar to the methodology used by the Australian Energy Market Operator (AEMO), as a general principle is acceptable.

However, detail on the assessment process and timing is required before final agreement to the apportionment methodology for the energy sector.

Energy Sector and Subsector

We note that while the energy sector has been identified as a contributing sector, the only subsector for energy identified in the discussion paper is that of electricity retailers. This would appear to be somewhat of a shortcoming in the design model given the existence of other energy sector participants who introduce costs into the supply chain that are ultimately born by end use customers, and thereby contribute to the demand for financial counselling services.

The obvious additional energy market participant is the energy networks. Network charges account for up to two thirds of a small customers total energy costs and are a key contributor to the demand for financial counselling services.

Energy Networks must be included in the industry funding model as a contributor of voluntary funding to support the demand they drive for access to financial counselling services.

Independent Body

As previously stated, we are of the view that the proposed "corporate" structure to be established in support of the industry funding model is administratively burdensome.

We believe that the functions of the proposed "Independent Body" can be carried out by the Executive Director and staff with Governance oversight from the Board.

A streamlined corporate structure is required to ensure the majority of funding can be delivered to areas where it can achieve the most good, and that is to deliver frontline services, and not covering the costs of overly burdensome cooperate structures.

Board Composition

Of the two proposed Board compositions Alinta Energy supports option 2:

- Independent Chair, fixed term appointments with equal representation between members with specified skills and knowledge of the community sector and industry representatives on the Board.

The Board structure must include representatives that are responsible for providing the funding required for the venture to operate.

Evaluation

An evaluation of the industry funding model must occur prior to the consideration of extending the venture beyond the initial three-year period. The evaluation should occur, at the very latest, at the end of year two.

Any evaluation must be based on evidentiary data, and not supposition and conjecture regarding the performance of both industry participants and the venture itself.

The discussion paper proposes three questions that could be used as part of the evaluation assessment, as to whether

1. Industry funding helps to address unmet demand and improves the predictability and stability of funding for financial counselling services.
2. Industries that contribute to the demand for, and benefit from, financial counselling, contribute to the funding of the services.
3. The model contributes to improved coordination, innovation and enhanced service delivery across the sector.

However, it is not so much the questions themselves, but rather the criteria to be used in assessing the answers to the questions that is of more relevance in determining the benefit and value for the industry funding model.

Again, further clarification is required on key elements of the proposal. In particular, the discussion paper states that:

> *The Department will develop a monitoring and evaluation framework for the industry funding model, informed by feedback received from this discussion paper process.*

In the absence of knowing what the monitoring and evaluation framework will consist of, it is difficult to provide considered views on the framework.

We believe this is another area that requires further detailed discussion and consultation.