

Summary of *Powerless: Debt and disconnection* for media

The Public Interest Advocacy Centre (PIAC) has released our fifth report into debt and disconnection related to electricity, gas and water services in NSW. It follows reports published in [2005](#), [2009](#), [2013](#) and [2018](#).

Our research

We engaged Action Market Research to conduct four stages of research in 2023:

- **A survey** of 1044 NSW residents who had: experienced a *disconnection*, been *notified* about an impending disconnection but avoided the disconnection, or been seriously *worried* about risk of disconnection, in the last 2 years.
- **Interviews with 15 people** from the survey group.
- **Interviews with 15 financial counsellors and community service providers.**
- **Discussions with key stakeholders**, including distribution businesses, an energy retailer, water providers and the Energy and Water Ombudsman NSW (EWON).

Our dataset compiles the 1044 responses to the online survey and divides respondents into 3 groups based on their experience of 'disconnection', 'notified' or 'worried'.

When comparing survey data with previous reports, note that past surveys only included people with experience of debt and disconnection within shorter timeframes than 2 years.

What we found

Disconnection doesn't work

After hearing from people in households that had been disconnected, threatened with disconnection, or were seriously worried about being disconnected, it was clear that the system doesn't currently give people the help they need to regain financial control.

A staggering 83% of surveyed households were still grappling with ongoing payment difficulties. More than a quarter of households that had been disconnected or received a disconnection notice had already been disconnected or notified at least one other time in the past two years.

Threats and actual disconnection are driving fear, anxiety, risky credit, and people going without what they need. A better response can lead to better outcomes for households and retailers.

Who is facing debt and disconnection

While groups often associated with disadvantage continue to experience higher rates of disconnection and risk of disconnection, people from higher income groups are increasingly represented. More working families and people with middle incomes and mortgages are being impacted.

- The main income for 72% of disconnected households came from a **wage or salary** (full time or part time). This is the highest proportion across our 5 surveys (see Table B).
- **Every income bracket** was represented amongst disconnected households, with 20% of the group having incomes over \$120,000 (see Table C).

- There has been a rise in disconnection of **households with mortgages**: 31% of disconnected households had a mortgage compared with 18% in 2018. This is the highest proportion since our 2009 survey, conducted after the Global Financial Crisis (see Table D). The current depth of mortgage stress in NSW is indicated by 40% of notified households and 37% of worried households having a mortgage (see Table E).
- People living in **rented homes** are disproportionately impacted by disconnection or payment difficulty. 38% of survey participants lived in private rental and 15% in social housing (see Table E). In NSW, 27% of people live in private rentals and 4% live in social housing.
- Disconnected households are likely to have **children living in the home**. 57% of households disconnected had at least one person under 18 years old. This is concerning given the impact lack of access to essential services can have on young people's health, wellbeing, and social and educational opportunity.

Table A: Main source of income for 2023 respondents

	Total	Disconnection	Notified	Worried
Base	1,044	116	487	441
Work full-time	57%	53%	63%	53%
Work part-time	16%	19%	15%	17%
Work in a casual position	8%	7%	8%	8%
Job Seeker	4%	9%	2%	4%
Self-funded Retiree	0%	0%	0%	1%
Retiree receiving the aged pension	3%	3%	2%	5%
Other government support payments	9%	8%	8%	11%
Other source of income	1%	2%	1%	1%
Total	100%	100%	100%	100%

Table B: Disconnected households with main income from a wage or salary (full time or part time)

2023	2018	2013	2009	2004
72%	50%	44%	62%	41%

Table C: Annual household income before tax for 2023 respondents

	Total	Disconnection	Notified	Worried
Base	1,044	116	487	441
Less than \$20,000	4%	8%	4%	3%
\$20,000 to under \$40,000	14%	16%	10%	17%
\$40,001 to under \$60,000	15%	18%	13%	17%
\$60,001 to under \$80,000	14%	15%	15%	14%
\$80,001 to under \$100,000	15%	14%	16%	14%
\$100,001 to under \$120,000	11%	7%	12%	10%
\$120,001 to under \$150,000	10%	11%	10%	9%
\$150,001 to under \$250,000	9%	7%	10%	9%
\$250,001 or more	2%	2%	2%	1%
Don't know	1%	3%	2%	1%
Prefer not to say	5%	1%	6%	6%
Total	100%	100%	100%	100%

Table D: Disconnected households with a mortgage.

2023	2018	2013	2009	2004
31%	18%	25%	42%	19%

Table E: Living situations of 2023 respondents.

	Total	Disconnection	Notified	Worried
Base	1,044	116	487	441
Renting – social housing (e.g. public or community housing)	15%	27%	14%	12%
Private Renting – from a real estate agent/landlord	38%	39%	36%	39%
Paying off a mortgage	37%	31%	40%	37%
In a home I have fully paid off	9%	3%	8%	10%
Other	1%	0%	1%	2%
Total	100%	100%	100%	100%

Financial capacity and affordability always underpin experience of disconnection. Energy bills and housing costs have rapidly increased, and income is increasingly not enough to cover needs, even for people with higher incomes. However, struggles with affordability often comes on top of other health and social issues households are dealing with, making avoiding and recovering from disconnection more difficult:

- 39% of households who were disconnected said someone in the home had a **mental illness**.

"[I was] quite behind. I was trying to catch up, but I couldn't catch up, so I freaked out. I suffer with depression, anxiety and PTSD, so things like checking my mailbox, it's really, really hard for me to do that. It's a trigger."

Angela

The stress of not being able to afford essential bills has an impact on mental health:

"It just has a knock-on effect. It's not just the energy or the water. They need to understand that it has a knock-on effect to your mental health and well-being. The stress - I can't tell you. I have laid awake at night thinking, 'Oh my god, are they going to cut off the electricity and the gas? Because if they do, I don't have enough [money to buy petrol] to drive to Molong to use the equipment that my parents need."

Jodi

- 28% of households who were disconnected had someone in the home living with a **medical condition that requires regular treatment and medication**.

"[I didn't contact my retailer] because my attention was focused on my daughter's health and I had been paying sporadically and I thought that by paying that lump sum that it would be fine, but it wasn't fine.... It didn't satisfy them."

Susannah

- 13% of disconnected households disclosed that there was **family or domestic violence** in the home.

"[Victim-survivors] are so overwhelmed that they haven't even got the capacity to think about that bill... They live day-to-day, so the ability to even comprehend it doesn't come into it. So, it's like if I push it far enough into the future, it won't happen and then when it happens, they just go 'Oh!'... A lot of these women haven't got the capacity to ring up and [make payment arrangements with their provider]."

Community Centre Manager

What is contributing to household debt and disconnection?

Unsurprisingly, income and affordability were key factors. But there are a wide range of factors contributing to households experiencing disconnection, notification or worry about disconnection, and all households reported several contributors.

Table F: Main factors contributing to disconnection for 2023 respondents

	Total	Disconnection	Notified	Worried
Base	1,044	116	487	441
It was generally hard to find money to pay bills when they were due	60%	58%	57%	64%
The electricity, gas or water bill was much higher than I had expected	54%	45%	52%	58%
A lot of expenses came up at the same time and I was managing multiple debts	38%	34%	38%	39%

My income was uneven / unpredictable, which made it harder to stay on top of bills when they were due	23%	27%	23%	22%
A big event had affected household members, such as relationship difficulties, bereavement, illness, injury or job loss	22%	21%	22%	23%
The weather was particularly hot, cold, rainy, or there was smoke haze which meant I needed to use more energy	17%	17%	16%	19%
I was using an unusually high amount of electricity, gas or water	16%	18%	18%	13%
I received an estimated bill/s, which meant the bill/s was not what I was expecting	9%	9%	10%	8%
I had not received a bill for some time	8%	12%	9%	6%
An extra person or people had come to stay with me for a long time	7%	9%	6%	7%
There was family violence in the household (this includes emotional, economic, psychological, sexual and/or physical abuse, and is behaviour which is violent, threatening, controlling or makes someone feel scared or unsafe)	6%	13%	6%	5%
My concession / rebate was not applied to the bill	5%	14%	6%	2%

- The number of disconnected households reporting it was **generally hard to find money to pay bills** jumped from 34% in 2018 to 58% in 2023.
- The number of disconnected households reporting their **electricity, gas or water bill was higher than expected** jumped from 27% in 2018 to 45% in 2023.
- Where households reported that a 'big event' took place at the time of being disconnected, notified or worried, 66% reported **family hardship** (e.g. a death in the family, sickness or impairment, or some other kind of family-related matter) while 30% reported a **sudden loss of income** through job loss or redundancy, or something else.
- 13% of disconnected households disclosed there was **family violence in the household** at the time (compared to 6% of those notified and 5% of those seriously worried). This increased from 2018 when 9% of those disconnected, 5% of those notified and 3% of those seriously worried indicated there was domestic violence in the household.

What are households doing to get by?

64% of respondents (69% of worried households) used money they needed for something else essential to pay energy bills on time.

76% of respondents (82% of worried households) deliberately cut back on usage of things they needed to try and bring the costs of bills down.

62% of respondents (67% of worried households) used as little energy as they could, even though it impacted on their wellbeing.

43% (51% disconnected households) sought assistance from somewhere else (e.g. friends/family or by accessing other lines of credit, such as Afterpay, Zip Pay or paying by credit card when they did not actually have the amount owing available) to help pay the energy bill.

In order to reconnect, avoid disconnection or avoid notification, people resorted to:

- cutting back on buying food or other groceries (38%);
- borrowing money from friends and family (33%);
- delaying or missing other important payments (31%);
- selling personal items (26%);
- delaying medical/dental appointments (24%); and/or
- using a credit card (19%).

Frontline workers also told us some people give up on having an electricity connection because they can't afford it. For these people, their efforts to manage their bills becomes so overwhelming that it feels like a better option is just to go without electricity. This raises the serious question of an 'underclass' of people who have disconnected long-term due to the unaffordability of energy and the situation they are in. The energy system must have in place safeguards to protect people from living without electricity because of the cost.

'I've got a few clients that we look after, they struggle with electricity and so they don't want electricity connected, they just stopped paying. So, we've got, I think, two or three clients that are not on an electricity bill at the moment. They just don't have it. They use candles to light up their house. Candles and a torch... In winter, one client just gets a blanket... And when he showers, he just boils water [using gas] and just uses the warm water to wash himself with a cloth... And washing his clothes, he just washes them with cold water.'

Community worker

Current state of support

Energy retailers are required to proactively identify and assist people experiencing payment difficulty, and only consider disconnection as a last resort.

Concerningly, the majority of respondents (60%) were not receiving any type of support at the time of being disconnected, notified or worried. This indicates widespread failure by retailers to meet their obligations to provide support.

	Total	Disconnection	Notified	Worried
Base	1,044	116	487	441
I was getting help from my energy provider to pay my bill	19%	29%	18%	17%
I was getting help from my water provider to pay my bill	9%	24%	10%	5%
I was getting government rebate support to help with my energy/water bills	12%	12%	12%	12%
None of these	60%	43%	61%	64%
Not sure	6%	6%	5%	7%

What is needed to help avoid debt and disconnection

The research shows retailers and governments can do a lot more to improve support so people have more consistent and effective help, and aren't punished for not being able to pay a bill for an essential service.

Retailers

Retailers can make bills easier to pay and ensure their systems are better aligned with the way people's lives work by:

- **Making monthly billing the default:** Many households struggle with a quarterly bill because it is large, unpredictable and seasonal.
- **Allowing smaller and more flexible payments:** Online apps could allow people to make smaller payments as they can afford them.

Retailers need to make effective assistance more consistently and widely available, and provide it much earlier, to help avoid payment difficulty and debt that is hard to recover from. They can do this by:

- **Providing information about assistance at the point of sign-up,** ensuring people understand assistance is available and must be given if they need it.
- **Giving reminders about assistance** to people who are late paying a bill, or who make a partial payment. Providing assistance early improves outcomes.
- **Ensuring staff training and business processes support more compassionate assistance** and much greater consistency in how they respond to households experiencing payment difficulty.

Retailers must make payment plans more affordable and flexible, to ensure those people getting assistance are properly supported. They should accept any payments made in good faith and take all measures to ensure that once people have a payment plan, they are flexibly supported through that plan for as long as they need.

Government and regulators

Retailers can only do so much, and governments have a responsibility to ensure all households can afford the essential energy and water services they need. Existing supports help, but our research shows substantial improvements are needed. This should include:

- **Improving rebates to make them more flexible and effective,** including by providing the Low-Income Household Rebate (available for energy assistance) as a percentage of households' bills and making them automatically available to people who are eligible. Governments should consider how to assess and provide eligibility to households in need, but who aren't eligible for the Commonwealth Health Care Card.
- **Supporting electrification of all households and improving the energy efficiency of housing.** This includes implementing energy performance standards for rentals, and reforming policies and rebates to support households to get off gas to significantly reduce energy costs and improve ability to benefit from cheap solar generation.
- **Making disconnection harder for retailers, so it is genuinely a last resort.** This should involve making retailers demonstrate they have done everything possible to avoid a disconnection, and ensuring disconnection notices are provided in-person by trained third-party community workers able to offer and provide assistance to avoid disconnection.