Danielle Chifley
Acting General Manager, Policy
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted via email

28 June 2024

Dear Ms Chifley,

Review of Payment Difficulty Protections in the NECF

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission in response to the Australian Energy Regulator's ('AER') *Review of Payment Difficulty protections in the NECF* Issues Paper ('the Payment Difficulty Issues Paper').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

In a September 2023 EnergyInsider, the AEC reviewed the National Energy Customer Framework ('NECF'), which places certain obligations on retailers to support their customers in times of payment difficulty.[1] Retailers take their role as providers of essential services very seriously and the intensive monitoring and reporting of their obligations illustrates this. But these regulatory obligations merely represent a part of their extensive support programs. The willingness of retailers to invest further in supporting customers in need is a sign of their broader customer commitment. Appendix A takes a closer look at some of the additional support retailers provide to their customers.

The examples provided in Appendix A demonstrate the wide range of support offered by retailers across the industry, making it clear that the regulatory protections customers are entitled to are merely a starting point for how retailers engage with the diverse needs of a customer base doing it tough. It is clear that there is an industry-wide drive to support and provide advice to vulnerable customers. The message for customers is clear: we are here to help, ring your retailer as soon as you can if you think you might get into payment difficulty so that you can be supported.

A comparison of the outcomes of the Victorian Payment Difficulty Framework ('PDF') and those in the NECF indicates similar outcomes. The Payment Difficulty Issues Paper refers to the 2022–2023 NECF retail performance data which suggests that about 4.3% of energy consumers are in debt. The Payment Difficulty Issues Paper cites that in 2022–23, 4% of electricity and gas customers in Victoria owed their retailer more than $300 and were not engaged in a payment plan. The average debt of these customers was $1,264 for

[1] AEC (2024) 'Going Over and Above' at https://www.energycouncil.com.au/analysis/going-over-and-above/

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electricity and $1,109 for gas which is also comparable to that for the NECF jurisdictions.[2] While it is not possible to directly compare metrics across the NECF and the Victorian framework due to differences in retailers' performance reporting requirements, the indications are that the outcomes are not wildly disparate.

The AEC and its members are strong supporters of appropriate protections and support for customers facing payment difficulty. Both the additional support which retailers provide and the comparable outcomes of the different frameworks, suggest that any changes to either framework need to be to be carefully considered for unintended consequences. We welcome the direction of the AER to carefully consider costs and benefits of any potential changes, as customers will ultimately pay for any costs and in a cost-of-living context these need to be very carefully weighed.

The AEC provides specific feedback to the questions from the Issues Paper below.

Question 2: What can we learn from other approaches to strengthening protections for consumers experiencing payment difficulty?
Question 4: How could the framework better support early identification of consumers experiencing payment difficulty
Question 5: How could the framework better support effective engagement with consumers experiencing payment difficulty?
Question 6: How could the framework better ensure that consumers experiencing payment difficulty are supported appropriately with assistance that is tailored to their individual circumstances?

The AEC proposes that the following measures from the Victorian PDF be considered by the AER for their merits in ensuring protections for customers experiencing payment difficulty:

- Customer communications obligations (Part 6, Division 2, clause 129)
- Minimum assistance (Part 6, Division 1, clause 125 and Part 6, Division 2, clause 128, excluding (g) the 6-month debt hold)
- Supporting customers with accessing government grants and concessions (Part 6, Division 2, clause 128 (1) (d) and 128 (1) (e).[3]

Some of these protections are consistent with what is already being offered in the NECF, while others would involve additional costs for retailers and therefore customers. We note that there are pros and cons of adopting these measures and the AEC expects that any proposed adoption of these would be accompanied by lengthy consultation and review, which must include consultation and consideration of how these measures would apply in practice in terms of identification, eligibility and application.

The AEC emphasises that the suggested measures potentially could serve as guidance for retailers, rather than a heavy-handed prescriptive approach. As Appendix A illustrates, retailers are already going over and above their regulatory obligations without being obliged to. Retailers can design support which is tailored to their customers and the NECF approach is more efficient and effective for retailers and customers than a heavily prescriptive approach. The AEC notes that the PDF framework overall has not proven flexible enough to support customers compared with the NECF, including during the COVID pandemic where various short-term regulatory changes had to be made to the Energy Retail Code of Practice to ensure it had the necessary flexibility to suit the altered environment. In contrast, the NECF provides for the flexibility and the ability to both tailor discussion and assistance measures to better help customers.

[2] AER (2024) Review of Payment Difficulty Protections in the NECF Issues Paper at https://www.aer.gov.au/industry/registers/resources/reviews/review-payment-difficulty-protections-national-energy-customer-framework/initiation
[3] Energy Retail Code of Practice (version 2) at https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/energy-retail-code-practice

The clauses from the Victorian PDF which the AEC has suggested could be considered by the AER can be broken down as follows:

Customer communications obligations	• A customer who contacts their retailer is entitled to be given information about the assistance they are entitled to • A customer with arrears of more than $55 should be given information about their entitlements within 21 business days of the pay-by date of that bill
Minimum assistance	Division 1 – Standard Assistance • Intended to help customers avoid arrears Division 2 – Tailored Assistance TA1 – Customer can pay for ongoing usage • Clause 128 (1)(a) to (d) TA2 – Customer cannot pay for ongoing usage • Clause 128(1)(c) to (g)
Supporting customers with accessing government grants and concessions	Two dimensions to this obligation: 1. Provision of information about the existence of government grants and concessions (for all customers) 2. Support completing an application form (for customers who cannot afford ongoing energy usage)

The AEC considers that there are benefits to the three items identified above – some of the advantages include consistency and avoidance of subjectivity. However, an important caveat is that there should be exceptions/limitations around some of those items – for example, some customers find it annoying when a retailer has to explain in detail all of their entitlements on every call.

The pros and cons of each measure are listed below:

Measure	**Pros**	**Cons**
Customer Communications Obligations	• Consistency – repeatable obligation • Predictable – retailers know what they have to do and when • Repetition – reinforces message • Reduced regulatory risk – by incorporating the same messaging into all of your collateral/customer touch points	• Repetition – customer frustration. Customer should be able to opt out • Prescription – lengthy scripting if you have to run through all of the support measures • Setting the most appropriate debt threshold • The communications are linked with the

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	• Less subjectivity – avoids having to assess whether someone is eligible for something (or not)	specific stage of the PDF that the customer is up to – this would need to be decoupled for the NECF
Minimum Assistance	• Standard assistance measures are largely consistent with what retailers would already be offering in NECF – i.e. largely harmonised across the jurisdictions • TA1 – largely consistent with the payment arrangement obligations in NECF • Clear formula of minimum entitlements to be offered, when and for how long	• Requirement to offer all support in a timely manner involves bombarding customers with lots of upfront information – should be phased/staged • TA2 debt freeze leads to accumulation of further debt – the AEC does not support this provision and it should be avoided • There is an implied assumption that for tailored assistance to work effectively, that customers are able to reduce their energy costs through practical assistance – this is not always realistic
Supporting customers with accessing government grants and concessions	• Win/win for customers and retailers • Customer completion of application forms has historically been a significant barrier to accessing support – this reduces that barrier and increases prospects of receiving a support payment	• Opex (although some jurisdictions compensate retailers for performing this function e.g. Victoria). The AEC believes an appropriate administrative compensation scheme would also need to be implemented to support this. • The PDF is specific to URGS and the NECF covers multiple jurisdictions with different schemes

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Question 7: How could the framework better ensure that disconnection is a last resort?

The AEC supports disconnection as a last resort. Retailers do not disconnect customers unless all engagement options have been exhausted. Retailers consider that disconnection as a last resort can prevent customers accumulating mounting debts that become unmanageable.

The AEC notes that one of the key barriers to early intervention and the establishment of sustainable payment solutions is customer disengagement. Indeed, customers who do not contact or engage with a retailer's best efforts to contact them are at risk of accrual of unmanageable debt as well as potential disconnection due to non-payment.

Disconnection as a last resort is an effective means of encouraging engagement, particularly for those customers who are chronically disengaged. Following the end of the ESC's moratorium on disconnections during the pandemic, AGL reported several findings around the role of the disconnection warning in encouraging customer engagement:

1. Customers disengaged when the words 'disconnection warning' were removed from communication notices during the moratorium period.
2. There is a customer engagement benefit from disconnections that are initiated, but which are cancelled by the retailer before completion.
3. There was a sharp increase in customers accessing payment difficulty support once disconnection warning notices resumed.
4. The resumption of disconnection warning notices resulted in a reduction of customer debt levels through more customers engaging and seeking payment plan, hardship, and other support services.[4]

The AEC agrees with the Payment Difficulty Issues Paper that early and effective engagement is a critical way to reduce the risk of disconnection. As noted in the AEC's Best Practice Support Resources[5], avoiding disconnection occurs at the start of a retailer's engagement with a customer as opposed to the end. Even in instances where a customer is unable to afford their energy bills, where there is a positive relationship between the retailer and customer, disconnection is often avoided. This can be seen in some of the case studies listed in appendix A of this document.

Complementary to the additional measures from the PDF noted above, the AEC encourages the AER to support industry in promoting the benefits of positive engagement with retailers.

The Payment Difficulty Issues Paper notes other forms of engagement such as the intention to disconnect notice provisions in the Victorian Payment Difficulty Framework and Energy Charter's Knock to Stay Connected Customer Code. In relation to the former, the AEC notes that these provisions do not apply in all situations where a disconnection is imminent and draws the AER's attention to the limited application of the intention to disconnect notice in Victoria. On the latter, such processes should remain outside of existing engagement requirements as the benefits of universal Knock to Stay Connected as a preferred approach to retailer disconnection processes remain unclear.

In terms of the disconnection threshold, the AEC does not believe that there is presently a case for change. Any changes to the threshold must adequately balance the impact of disconnection against the impact of consumers accruing higher debts. Currently, the AEC does not see that there are material benefits to

[4] AGL (2022), Submission to Consumer Vulnerability Strategy Draft at https://www.aer.gov.au/system/files/AGL%20Energy%20-%20Draft%20Vulnerability%20Strategy%20submission%20-%207%20March%202022%20%28redacted%20version%29.pdf
[5] AEC (2021), Principles in Practice Resource: Guidance for retailers seeking to implement best practice customer support at https://www.energycouncil.com.au/best-practice-resources

shifting the threshold either way. Rather, as already noted, focus should instead be on changes that improve customer engagement at the start of the billing cycle, rather than at its end.

Question 8: What are the costs and benefits of potential changes to the framework?

The AEC appreciates that the AER is proposing to use retailer costs as one of the market indicators for assessing potential changes. As noted previously, we welcome this direction to consider the costs and benefits of any potential changes considering the costs will ultimately be borne by the customer.

While in principle the AEC supports greater harmonisation across jurisdictions as a means of reducing compliance costs, we do not think bringing the NECF into alignment with the Victorian payment difficulty framework would achieve this. The AEC agrees with the limitations set out in the Payment Difficulty Issues Paper, that systems and processes will be costly to re-align and there is an ever-present risk that the frameworks will diverge again in future.

Any questions about this submission should be addressed to Jo De Silva, General Manager Retail Policy by email to [redacted] or by telephone on [redacted].

Yours sincerely,

Jo De Silva
General Manager Retail Policy

APPENDIX A: Going over and above

Extra assistance

It is critical to understand from the outset that customer experiences are not homogenous, and in instances of payment difficulty, no two sets of circumstances are alike. Retailers focus on tailored conversations with customers in hardship so that they can understand their needs and provide an appropriate support plan to help them get back on track. The plan can include making sure the customer is on the best available energy offer, providing payment options and financial counselling referral. For example, EnergyAustralia have a specialised team of trained agents to manage these customers throughout the program, this includes Onboarding / On Program / Graduation / Post Graduation for several billing cycles.

Some retailers will on occasion replace faulty appliances for customers that are experiencing complex vulnerabilities and do not have the funds to replace the appliance themselves. The Origin Energy case study below is a good example of the mix of obligatory support coupled with extra assistance. In all case studies noted, the customer names have been changed to ensure privacy.

Customer case study - Suzy and James

A financial counsellor contacted Origin on behalf of a customer, Suzy, who was experiencing financial difficulty. Suzy is in her 50s and lives with her adult son James, who has an intellectual disability. Suzy has been in hospital for several weeks because of domestic violence.

Suzy could not go home from hospital because she did not have hot water at home and would not be able to bathe her wounds. James was put into a group home while Suzy was in hospital.

Prior to being hospitalised, Suzy, her partner and James did not have hot water for 9 months, as their hot water service broke, and they did not have the funds to fix it.

After learning about Suzy and James's story, Origin covered the costs of replacing their gas hot water system so they could return home. Origin also waived their energy account debt to help them get back on their feet.

Financial support

In a Momentum Energy example, the customer in payment difficulty had been supported for several years which also involved a change of address. In this customer's situation, a payment matching program helped the customer clear their debt.

In April 2021, Mary contacted Momentum Energy to advise that she was having a tough time maintaining and getting on top of her invoices. Mary was placed onto Momentum Energy's hardship program.

Mary continued to engage with her retailer under their Keeping Momentum program to inform of any changes to her situation, discuss ways to reduce usage, have her tariff reviewed and find more cost-effective plans. Government grants were discussed and applied to Mary's account. Mary was placed on to a Centrepay payment arrangement of $70 a fortnight in line with her consumption.

In mid-2022, Mary advised that she was moving to a new address. At the time of the move, Mary had an outstanding debt of $1400 on the old account. In August 2022, the new account was established, and Mary advised that as she was no longer living alone, usage at this new premise had increased to $100 a fortnight.

Momentum offered to transfer the debt from the old account across to the new account and a Centrepay arrangement was also established for $100 fortnight in an attempt to help combat the debt. In May 2023, Mary was offered a payment matching incentive, where the retailer would match Mary's payments.

Mary has been able to repay her debt, can now cover her usage and has now been successfully removed from the Keeping Momentum program.

The Momentum Energy case study is a good example of the financial support retailers offer their customers, with a key focus on delivering sustainable outcomes that can enable a customer to afford their ongoing usage at some point in the future. AGL offers a range of financial support to vulnerable customers. Support varies depending on the individual circumstances of the customer, but ranges from bespoke debt waivers made in conjunction with financial counsellors through to larger scale debt relief packages. The example provided below includes some feedback received from the Financial Counsellors that AGL worked with to support their customer.

In January 2023, a financial counsellor contacted AGL requesting financial support for a customer impacted by Family Domestic Abuse. At the time of contact the customer, Jacinta, had a balance of approximately $900, was unemployed and unable to make any payments towards the total balance. Acknowledging Jacinta's situation, a debt waiver was applied for the full balance. Subsequently, we received the following feedback from the financial counsellor: "Jacinta was in the office with me when your call came through. She had tears of thanks. This means a lot to her."

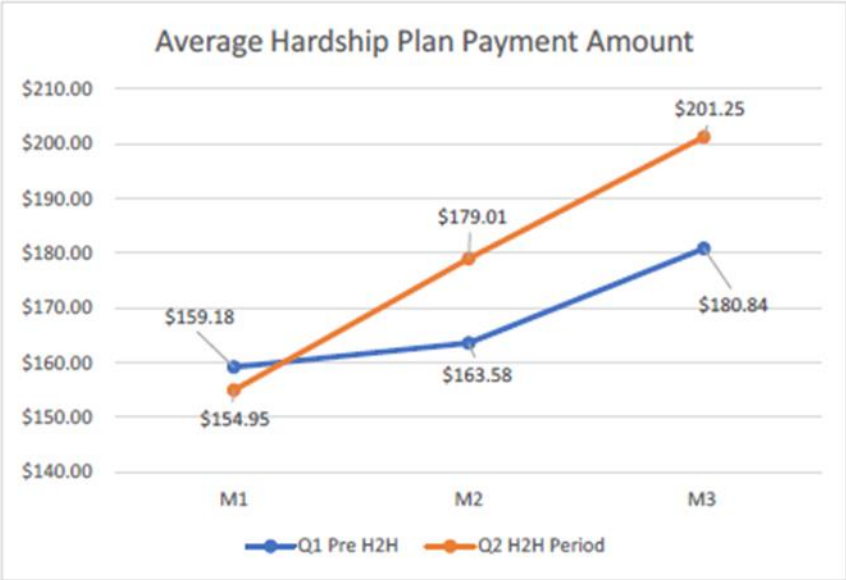
Aurora Energy also provides financial support through a range of measures including their Your Energy Support (YES) program. The YES Program is available to customers who are struggling and not able to get back on top of their bills using Aurora Energy's other payment plan options. The YES program includes the option where a customer has made 3 plan payments, that Aurora may cover the fourth payment. Customers may be eligible for the YES program if they:

- have an amount outstanding on their Aurora Energy account;
- can make payments toward their energy account;
- can actively participate in YES, including energy audits, and seeking help from welfare organisations;
- are in financial difficulty and continue to face challenges in paying their bill and/or outstanding debt.

Addressing cost of living issues

Earlier in 2023, Simply Energy launched a program called 'Here to Help', aimed at helping their customers facing financial pressures by trialing new ways of offering support. Through April and July of this year, over 13,000 customers took up the offer of support, receiving more than $3 million in bill credits. For these customers, the support has helped with the impact of price increases, as well as higher winter bills.

Clearly cost of living remains a challenge, so in late 2023 Simply Energy launched the next iteration of Here to Help with payment matching for their Bill Assist customers, along with energy reduction incentives. The below graph illustrates the success of the Here to Help program in 2023:



Here to Help insight 2023 (Simply Energy)

Simply's bill relief credits were delivered under three key work streams:

1. Hardship plan opening incentive of a $100 bill credit for opening a new hardship plan.

2. Up to $500 in credits, matched against every dollar a bill assist customer pays towards their current payment plan.

3. $20 bill credit applied for usage reduction (paid each week if customer used less energy, than same time last year).

This incentive was on offer for 90 days in Q2 2023 and was delivered to Simply's Hardship customers with debts in arrears greater the 120 days.

Customers took advantage of the credits; this was observed in instalments paid by customers increasing through the H2H project. Average payment per quarter by BA Active plans increased by 5 per cent from $168 (Q1) to $178 (Q2). Payment observed within BA Active Plans in June showed the steepest increase of 11 per cent from $180 in March to $201.

In 2022-23, Aurora Energy implemented a range of support measures to ease cost-of-living pressures, with around 3,400 customers on their YES program receiving account incentive payments to the value of $902,000. Aurora also provided $250,000 to the No Interest Loans Scheme for Tasmania, a program that allows Tasmanians who have current healthcare card, pension card, DVA card, or low-income healthcare card, or have a gross income of $55,000 or less to purchase new items or services with access to a No Interest Loan.

AGL offer a Customer Support Package to help their customers with broader cost of living pressures. It includes:

- Targeted payment matching and debt relief for eligible customers experiencing hardship to assist them with graduating off the Staying Connected program and focus on their on-going consumption.

- Targeted bill credits as part of proactive customer support campaigns and for eligible customers on the Staying Connected program to further assist with cost-of-living pressures.
- Launching a fund to install solar panels for eligible customers experiencing hardship to assist them to electrify their homes and help reduce their energy bills. Customers will be proactively assessed for eligibility.
- Reviewing customer communications to make them easier to understand, including targeted support for culturally and linguistically diverse audiences and specialist support for Aboriginal and Torres Strait Islander customers, which will help customers know where and how to get help to manage their energy use and access available assistance.
- Increasing situational awareness training to enhance AGL's capability to proactively identify customers needing support and appropriately guide them through to assistance.

Supporting community programs

Energy retailers also support a range of community programs including:

The Queens Fund: The Queens Fund provides financial assistance to single, Victorian women and their children who are in crisis, distress or in emergency situations. Independent financial counsellors, social workers, community workers who assist/are advocating on behalf of a woman, make an application to The Queens Fund requesting a debt waiver. Origin Energy supports the Queens Fund by waiving debt from customer accounts rather than the Queens Fund having to take money out of their fund. So far this year, Origin Energy has waived over $40,000 in energy bills for single women in crisis.

Victorian Homeless Fund: The Victorian Homeless Fund (VHF) builds much needed housing for women and children fleeing family violence. In 2022, Origin Energy donated construction energy costs, solar systems, free electricity and gas for 12 months and ongoing Power On hardship support to the incoming tenant. In 2023 Origin Energy have again partnered with the VHF to build a home for a family in need.

Salvation Army Financial Counselling: Aurora Energy contributes $70,000 per annum to the Salvation Army to facilitate financial counselling services to energy consumers in need.

Energy industry members have stepped up to provide funding commitments to support financial counselling services. In 2023, Australian Energy Council members contributed to a $7.75 million donation from various industry bodies to help support Australia's financial counselling services. Voluntary commitments have been made by Origin Energy, AGL Energy, EnergyAustralia, Red Energy, Alinta Energy, Simply Energy, and Shell Energy Australia. Our members are acutely aware of the need to support their customers through measures like these, as well as their own internal support measures, such as hardship programs. In addition to committing to the voluntary industry funding model, many retailers have significantly increased the support they provide through their own programs.

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