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Dear Danielle

Review of payment difficulty protections in the NECF

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory, of which around 22k customers are supported under our hardship program (*EnergyAssist*). EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia appreciates the opportunity to participate in the AER's review of payment difficulty protections in the NECF (the *review*). We support the AER's objective of strengthening protections for consumers facing payment difficulty, and we agree that prudent regulatory change can improve vulnerable customer outcomes. Our industry leading hardship program – *EnergyAssist* – and vulnerable customer support programs exceed existing regulatory requirements and while we support improvements to minimum standards to improve outcomes for customers of any energy retailer, we have reservations of adopting or harmonising with the Victorian Payment Difficulty Framework (PDF), and at this stage we believe the data presented in the *review* is insufficient to support the significant change proposed to the existing consumer protections framework.

We acknowledge the AER has identified scope for improvement in some areas, such as:

- ensuring consistent and clear definitions of hardship and payment difficulty;
- reducing retailer discretion and complexity in determining eligibility for assistance; and,
- addressing gaps in protections for customers in specific circumstances.

While this has been formed off the AER's research on this important issue, we do not believe the data presented substantiates the need for change. Ultimately, we believe that any changes to the framework should be evidence-based, proportionate, and cost-effective, and should not undermine the existing good practices and initiatives that retailers have implemented to support customers experiencing payment difficulty. The *review* outlined the following data which we refer to with our trepidation on the need for change, with the majority indicating the existing framework has been and is effective (noting the period of data corresponds with significant cost of living concerns):

- *The AER Annual retail markets report for 2022–23 noted that the average debt on entry to a hardship program for electricity decreased by 29% to $1,193, which is the lowest average debt on entry in the past 5 years.*

- *The average age of customers' oldest debt on entry to a hardship program also decreased, indicating that consumers may be accessing hardship assistance sooner than they have in the past.*

- *The proportion of electricity customers entering hardship programs through retailer referrals has increased over the last 4 years from 40% in 2019–20 to 54% in 2022–23, while the proportion of customers entering after self-identifying as experiencing vulnerability has decreased from 59% to 44%.*

- *Furthermore, many consumers continue to accrue debt while on hardship programs, suggesting these programs may not be as effective as they could be.* This suggests the payment plans (based off customer's advice on affordability) are set too low for their ongoing consumption, not an indication on the effectiveness of the program, as the counter factual, of customers being refused payment plans that are below their ongoing consumption, would also be an indication the programs are not as effective as they could be.

Harmonisation with the PDF

The key consideration of the *review* was on the benefits of harmonisation with the PDF, and while we note the AER has identified potential benefits, such as reducing regulatory complexity, improving customer experience, and promoting consistent and equitable outcomes, we are concerned that the benefits would only be short lived, as there is no guarantee that harmonisation will remain (the ESC is currently reviewing their Energy Retail Code of Practise and has tabled a review of their PDF), and without continued harmonisation it is unlikely the purported benefits will be realised.

Ultimately, retailers operating in NECF states have the discretion to implement the PDF in full or partially, EnergyAustralia has extended many of the PDF protections to our NECF state customers. However, as noted in our submission the AER's *Consumer Vulnerability Strategy* there are elements of the PDF which are desirable and undesirable, and we therefore do not support it being completely mirrored in NECF states.

Positive elements of the PDF

- Requirement for retailers to assist customers in completing the government grant applications (Victoria's Utility Relief Grant Scheme). We have seen successful applications increase from 38% to 78% under the new framework.
- Regulated correspondence (reminder notices of information letters) provides a consistent message to customers about the support that is available.
- Requires regular conversations with customers receiving support under the framework (Tailored Assistance).
- Customers are offered time to think about the payment plan before accepting, for some consumers this allows them to assess their affordability rather than simply agreeing to an instalment that may not be affordable.

Negative elements of the PDF

- The option of 6-month payment extensions only results in a bigger burden at the culmination of the debt hold. This should be an option considered by retailers where appropriate, not something routinely offered.
- $55 debt threshold for Tailored Assistance is too low, this amount puts almost all customers into consideration and dilutes the capacity of our support teams to adequately assist those in need.

- Retailers are required to review a customer's payment plan minimum every 6 months; however, if we identify that the plan is not covering their future consumption there is no requirement for the customer to contact their retailer, to discuss their situation and receiving additional support.
- It is complicated to provide monthly billing and comply with the framework.
- There is no obligation to provide non-engaged consumers with any form of payment plan to pay off their debt.

Identifying and engaging with customers experiencing payment difficulty

Identifying and engaging with customers experiencing payment difficulty can be challenging and complex, particularly as customers have different preferences and needs in terms of communication channels, frequency, and tone. We believe that retailers should have some flexibility and discretion in determining the most effective and appropriate methods of contact and engagement for their customers, given they comply with the minimum standards and expectations of the regulatory framework.

We agree that identifying and engaging with customers experiencing payment difficulty is a key aspect of providing effective assistance and support. We recognise that the current framework places a high reliance on customers to self-identify as experiencing payment difficulty or hardship, and that this may not be feasible or desirable for many customers. We therefore support the AER's proposal to develop a toolkit with a non-exhaustive list of indicators that retailers should consider and use to activate early conversations with customers. We believe that this would help retailers to proactively identify and engage with customers who may be experiencing payment difficulty, and to offer them appropriate assistance and support. We suggest that the AER consult with retailers and customers on the best practices and innovations in identification and engagement, and to incorporate these into the toolkit and guidance.

Assistance for customers experiencing payment difficulty

Providing practical and tailored assistance to customers experiencing payment difficulty is a key aspect of preventing and reducing debt and disconnection. We recognise that the current framework provides forms of assistance to customers experiencing payment difficulty, such as payment plans, fee waivers, energy efficiency advice, and referrals to financial counselling. However, we also recognise that there are gaps and limitations in the assistance available to customers, and that some forms of assistance may not be effective or suitable for some customers.

We note that providing assistance to customers experiencing payment difficulty can be costly and complex, and that different forms of assistance may have different impacts and trade-offs for customers, retailers, and other stakeholders. We believe that the AER should carefully consider the costs and benefits of any changes to the assistance available to customers. Furthermore, the AER should consider the role and responsibility of other parties, such as governments, distributors, and community organisations, in providing or funding assistance to customers experiencing payment difficulty; as suggested in the AER's gamechanger recommendation, *shared funding pool*.

Disconnection as a last resort

Retailers should make every effort to engage with and assist customers before proceeding to disconnection. The current framework provides protections from disconnection for customers experiencing payment difficulty, such as the minimum disconnection amount, the best endeavours contact requirement, and the prohibition on disconnection for hardship customers. However, we agree that there may be opportunities to improve the effectiveness and consistency of these protections, for example one improvement EnergyAustralia has proactively implemented is the *knock before you disconnect* initiative, which ensures that a physical site attendance occurs before a disconnection can occur. This process has seen significant decreases in the disconnections that occur and a corresponding increase in re-engagement with customers (and subsequent entry to *EnergyAssist*).

We strongly agree that disconnection should not be used for customers who are unable to pay their energy bills, these customers should be on and supported under retailer hardship programs. Disconnection of supply however plays an important role in driving engagement from customers, and without this option retailers would have little recourse to drive engagement. If disconnection were no longer an option, how could retailers ensure customers accept the financial responsibility for their energy use, specifically for the customers that refuse to engage with their retailer? If the AER can resolve this conundrum, then we would open to the removal of disconnection.

We support the AER's proposal to review the existing provisions and guidance on disconnection, and to consider what changes are suitable to ensure disconnection is truly a last resort. We suggest that the AER consult with retailers and customers on the best practices and innovations in disconnection prevention, and to incorporate these into the toolkit and guidance. We also support the AER's proposal to consider the purpose and merits of the consumer debt threshold for disconnection, and while our initial position is that increasing the debt threshold would ultimately create a perverse outcome of more debt for customers, we are open to change if it is supported by industry, consumer representatives, and evidence-based.

If you would like to discuss this submission, please contact me on [redacted] or [redacted].

Regards

Travis Worsteling

Regulatory Affairs Lead