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To Danielle Chifley

Review of payment difficulty protections in the NECF – Issues paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (AER) in response to its issues paper for the review of payment difficulty protections in the National Energy Customer Framework (NECF).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE considers that the current hardship framework has been effective at supporting consumers experiencing payment difficulties. Energy retailers are incentivised to engage early with their customers to help them remain connected to power and avoid accumulating significant debt. Ongoing engagement between retailers and customers is the critical aspect of a successful hardship framework and we would encourage the AER to focus on reforms that aim to improve engagement.

In this submission, ENGIE has provided feedback on each of the questions in the issues paper.

Question 1 - Do you have any feedback on the proposed approach for the review?

ENGIE considers that it is appropriate for the AER to approach the review by first exploring the case for change and then considering options to improve outcomes based on an assessment of the costs and benefits.

ENGIE urges the AER to also explicitly outline how the outcomes from this review will interact with its 'review of consumer protections for future energy services'. Ideally, any reforms proposed through this review should be coordinated with broader medium-term reforms to the NECF, so that we avoid the introduction of significant changes in the short-term that are overridden by the broader reform agenda.

Question 2 - What can we learn from other approaches to strengthening protections for consumers experiencing payment difficulty?

If the AER were to recommend changes to the hardship framework, our preference would be that the amended framework be aligned with the Victorian payment difficulty framework. Alignment between jurisdictional regulatory obligations would reduce the regulatory burden involved in managing our hardship processes. However, we acknowledge that for retailers that do not operate in Victoria, alignment with the Victorian framework may involve significant and costly process and system changes.

Although we would support the alignment of the NECF framework with the Victorian framework, we note that the hardship rules may again diverge over time as each jurisdiction adjusts their rules based on identified deficiencies specific to each jurisdiction. For example. the Essential Services Commission of Victoria (ESC) is currently reviewing the Energy Retail Code of Practice[1], which may result in changes to their payment difficulty framework. To ensure ongoing alignment between the two frameworks, the AER may consider working with the ESC to jointly consult and uniformly reform the two frameworks in the future.

Question 3 - How adequate, effective and appropriate is the current eligibility framework for payment difficulty protections?

ENGIE takes an inclusive approach to identifying its customers as hardship customers and does not apply a strict eligibility for customers to access support. ENGIE would be comfortable with the NECF setting out minimum eligibility criteria for customer entitlement to payment difficulty protections. As noted above, ENGIE would prefer that eligibility criteria is aligned with the Victorian payment difficulty framework to minimise the process and system changes required to support the reform.

Question 4 - How could the framework better support early identification of consumers experiencing payment difficulty?

ENGIE agrees that consumers should not be required to contact their retailer to be able to access payment assistance. Our agents are trained on our hardship policy and processes, as well as on how to identify that customers may be experiencing vulnerability and payment difficulties. ENGIE has processes to proactively contact customers when we identify they may be experiencing payment difficulties.

ENGIE would be comfortable with the introduction of a simple trigger for identifying customers that may be experiencing payment difficulties (such as a $55 debt trigger, aligned to the Victorian framework). However, we would not support the introduction of more complicated and subjective triggers as compliance requirements in the rules. While these types of triggers may be useful in complementing a simple debt trigger, these types of tools would be more appropriately set out in 'best practice' guidance that retailers could proactively implement. Similarly, the potential use of automation and artificial intelligence to support

[1] Essential Services Commission 2024, Energy Retail Code of Practice review: Issues Paper, 6 June.

more personalised engagement with customers experiencing payment difficulties would be better enabled through guidance rather than prescribed as minimum requirements in the rules.

Question 5 - How could the framework better support effective engagement with consumers experiencing payment difficulty?

Consumer engagement is critical for any payment difficulty protection framework to work effectively. A key objective for any recommended changes to the current framework should be that they encourage engagement between customers and retailers. In our experience, hardship support can work very effectively when customers are engaged in the process and establish payment plans with their retailer that are affordable and sustainable. Hardship support is much less effective when customers are unwilling to engage in the process, either at the initial stages or an ongoing basis. When the ESC established the Victorian payment difficulty framework, they noted that it was designed to encourage retailer-customer engagement and enable conversations between these parties on the most suitable outcomes for the customer.[2]

More generally, support from energy retailers should complement broader government policy action on consumer vulnerability. While ENGIE recognises that the AER has only limited levers to improve outcomes for vulnerable consumers, it should be acknowledged that government has a critical role to play in addressing the underlying sources of consumer vulnerability and minimising the number of consumers that experience payment difficulties. The current cost-of-living crisis and evidence of consumers accruing debt while on hardship programs may be reflective of broader social welfare issues, rather than specific deficiencies with energy retailers' hardship support programs.

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?

ENGIE takes into account our customers' individual circumstances and capacity to pay when establishing payment plans and providing other support. ENGIE also makes payment support available to other customers that have not entered into our hardship program, such as payment extensions and voluntary payment plans.

ENGIE agrees that a tailored support approach is more effective than a one-size-fits-all-approach to payment difficulty. Any recommended changes to the hardship framework should provide retailers with flexibility to deliver support that is tailored to their customers' circumstances and capacity to pay. While some of the forms of practical assistance listed in the issues paper could provide useful guidance on best practice support, we would not support all of these forms of assistance being prescribed as part of the minimum standard of assistance. For example, direct financial support (such as debt waivers and payment

[2] Essential Services Commission of Victoria 2017, Payment difficulty framework: Final decision, 10 October, p. 39.

matching) is a costly approach to addressing payment difficulty and should be used by retailers in a targeted way, rather than being required to be made available to all customers in hardship programs.

In relation to the debt freeze entitlement in the Victorian framework, our experience has been that this is not beneficial if the retailer already takes into account the customers' capacity to pay when establishing the initial payment plan. When a customer is unable to pay an amount that reduces their arrears, they typically are also unable to pay an amount that fully covers their ongoing usage.

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

ENGIE understands the significant impact that disconnection can have on households and supports disconnection being used as a last resort option. While ENGIE proactively attempts to contact all customers that may be experiencing payment difficulties, there are customers that do not engage with us until they receive a disconnection warning notice. If the NECF framework is amended to introduce additional requirements for early engagement with customers experiencing payment difficulties, ENGIE considers there would be limited justification for adjusting the current minimum disconnection amount of $300.

Increasing the $300 minimum disconnection amount would mean that customers would continue to accumulate significant debt before receiving a disconnection warning notice. While the threat of disconnection may be distressing for some customers, the disconnection warning notice has proven to be an effective engagement trigger for a cohort of customers that do not respond to any engagement from their retailer before receiving that notice. ENGIE considers that an increased minimum disconnection amount may delay customer engagement with their retailer and make it more challenging for some customers to manage their energy debt and ultimately avoid disconnection.

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

While there are benefits in harmonising rules across jurisdictions, it would not be costless for retailers to transition their NECF processes to align with Victorian processes. The implementation costs would largely relate to staff training, system changes, ongoing service delivery, compliance management, and internal and external reporting updates. The extent that these costs are incurred would depend on the level of prescription in the amended rules that necessitate updates to our systems and processes. We consider that minor amendments may be sufficient to uplift the minimum standard of support provided to customers and ensure that all retailers are proactively engaging with their customers prior to commencing disconnection processes.

Concluding remarks

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [redacted].

Yours sincerely,

[redacted]

Matthew Giampiccolo
Manager, Regulation and Policy
ENGIE Australia & New Zealand