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Submitted via email: ConsumerPolicy@aer.gov.au

Dear Danielle

Review of Payment Difficulty Protections in the National Energy Customer Framework – Issues Paper

Thank-you for the opportunity to provide a submission in response to the Australian Energy Regulator's (AER) Review of Payment Difficulty Protections in the National Energy Customer Framework – Issues Paper (The Paper) released in May 2024.

Momentum Energy Pty Ltd (**Momentum**, **our** or **we**) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest generator of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers.

1. Overview

Momentum is very aware of the rising costs of living including energy and the affordability impact it is having on consumers, particularly the vulnerable. We highlight the constant changes to energy regulation being introduced in an effort to resolve energy affordability during the transition to renewable generation. Only recently the Australian Government announced in the 2024-25 budget an allocation of $1.8 million to implement a range of consumer- focused energy retail reform measures hoping to improve customer outcomes and energy affordability. Some of these reforms include:

- Removing legacy conditional discounts;
- Stopping 'evergreen' market offers;
- Limiting the frequency of price changes under negotiated contracts;
- Reducing or eliminating fees and charges including early termination fees for small customers;
- Improving the ability to switch to a better offer (referred to also as a 'one click' switch;
- Making the transfer of concession information automatic; and
- Automatic best tariff for hardship customers.

Moreover, the Australian Government has now committed to a second year of the energy bill relief fund (EBRF) program that will see all residential customers and small businesses receive rebates to their electricity accounts from 31 July 2024. Whilst we fully support this direct funding approach to assist electricity affordability, it is unfortunate that again the final rules for this version of the EBRF are to be provided to retailers with minimal notice before implementation. Retailers are expected to implement payments to eligible customers from 31 July 2024 for most states.

This ongoing reform places enormous responsibility on retailers, with limited resources, to implement these changes in a compliant manner. It is also not conducive to good regulatory practice as there is minimal time for cause-and-effect analysis to be undertaken before another layer of new regulation is introduced that often obscures the success or otherwise of the former regulatory change. This continuous stream of new energy regulation appears to be largely based on the assumption that more is better. If new regulation is introduced, it should be given time to assess its effect independently without being blurred by an additional layer of regulation.

This continuous reform to energy regulations results in additional system and process changes for retailers', at significant cost, which are subsequently passed onto consumers. However, it is pleasing to note that the AER has articulated a cost benefit assessment in the Paper for any proposed changes as result of this review.

2. Victorian Payment Difficulty Framework

There is a general sentiment in the Paper that assumes retailer cost reductions and consumer benefits could be achieved by embracing many aspects of the Victorian Payment Difficulty Framework (PDF) nationally. Momentum does not support this assumption as some aspects of the Victorian PDF are cumbersome and not necessarily consumer focused. We urge the AER to make a fulsome assessment of any changes to ensure they each deliver efficient outcomes and benefits. We do not believe that seeking a nationally consistent consumer protection framework will necessarily achieve the outcomes sought by the AER in this review. Based on past experience, it is highly probable that a nationally consistent customer protection framework is unlikely to prevail while jurisdictional and commonwealth governments continue to regulate the energy sector.

As mentioned above, we find the following aspects of the Victorian PDF problematic:

- The requirement to inform customers of the full suite of mandated assistance available to them results in extended call times as failure to not advise any entitlement can result in a compliance breach. Many customers become intimidated by the extent of the information delivered and often disengage during the call. These requirements are designed to build trust between retailers and consumers, however instead they have a tendency to make calls less customer centric and more scripted out of fear of breaching compliance obligations. Moreover, the extended call time for these activities, can often impact call response times for other customer calls.

- The requirement to provide assistance to every customer that presents with an overdue account of greater than $55 or following periods of non-engagement can be resource intensive. Comprehensive assistance by the retailer is mandated regardless of whether a customer was previously provided a PDF brochure outlining the assistance available. Furthermore, any contact following the initial contact by a customer will supersede any previous assistance that would have been provided. Momentum believes an improved customer experience would be achieved if retailers could work with the customers over a longer period of time via various contact methods (email, phone, post) and to assume that the customer has received this information. Rather than to explain all levels of assistance available upon every contact with a relevant customer.
- There is uncertainty around accountability for the customer to engage with their retailer and pay their energy account. The responsibility for the account debt appears to rest entirely with the retailer who is also required to educate and manage the customer through the entire debt recovery process.
- The entitlement for customers to place arrears on hold for up to a two year period whilst under payment plan arrangements does not solve any aspect of this debt for the retailer or the customer. It removes the obligation or accountability for the customer to manage this debt and does not provide them with an incentive to better manage their energy bills.

3. Early identification of customers experiencing energy debt issues

Momentum agrees with the discussion in the Paper that there is an additional cohort of customers that are struggling to pay their energy bills that could benefit from early identification and support. These customers are not hardship customers and have not self-identified as hardship customers but could possibly benefit from payment assistance of some manner. They are not always readily identifiable and are often reluctant to admit their energy affordability constraints and extreme care must be taken to ensure they are not embarrassed by any proactive approach by their retailer. Nevertheless, some customers in this cohort would appreciate assistance but it is difficult for a retailer to introduce broad ranging identifiers that will successfully identify this cohort without creating an enormous new customer contact work program that is costly to establish and administer. If this cohort is not targeted accurately it will result in negative responses by customers. For example, retailers could identity a customer that normally pays their energy bills well before their due date and then in subsequent billing periods pays their bills on or slightly after the due date. This could be deemed as a customer facing some sort of payment difficulties, but it could also be caused by a customer choosing to pay their bills closer to the due date using an automated bill payment process they had recently established. Much more investigation, analysis and customer testing should be undertaken before this idea could be considered for implementation, but it is worth consideration.

4. Best practice principles and guideline approach

Momentum believes that a best practice principles approach to the payment difficulty framework provides more flexibility for retailers to innovate with improvements for customer support. We currently operate under a very stringent prescribed regulatory model that can be extremely onerous backed by the threat of civil penalties for retailers. This often establishes a retailer's first objective of compliance with no regulatory breaches. This can often dissuade the retail business from trialing new approaches for customer support and identification. Regulators often request an indication of additional activities that retailers undertake to support customers however, these can often result in new regulatory obligations that means retailers must provide these activities at all times.

5. Disconnection threshold

Momentum acknowledges that energy is an essential service and disconnection must be a last resort. The Paper discusses the consideration to increase the disconnection threshold above the existing $300. While energy bills have increased over the past few years Momentum supports maintaining the existing disconnection threshold as it provides a lower benchmark from which the importance of energy debt can be raised with non-engaging customers and ensure debt arrears are less than they may otherwise be with a higher disconnection threshold. We acknowledge that some customers are vulnerable and require debt management support unfortunately there is still a small cohort of customers that will not engage or identify themselves and will refuse to pay their energy bill regardless of their financial situation. The threat of disconnection is usually required to prompt energy bill payment for this cohort of customers and it remains the most effective means to drive engagement from a normally evasive customer.

6. Conclusion

Momentum looks forward to continuing our participation in this important review and we hope that the issues and concerns raised will assist in assessing the current PDF. We are also keen to ensure that any changes to the PDF do not impose energy cost increases to all consumers particularly during the market transition to renewable energy generation that will undoubtedly result in volatility to energy prices in the short and medium terms.

Should you require any further information regarding this submission, please don't hesitate to contact me on [redacted] or email [redacted]

Yours sincerely

[Signed]
Randall Brown
Head of Regulatory Affairs