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Australian Energy Regulator Consumer Vulnerability Strategy

Alinta Energy welcomes the opportunity to respond to the Australian Energy Regulator's draft Consumer Vulnerability Strategy.

As an active investor in energy markets across Australia with an owned and contracted generation portfolio of more than 3,000MW and 1 million electricity and gas customers Alinta Energy has a strong interest in the development and application of the Australian Energy Regulators (AER) approach to consumer vulnerability.

Alinta Energy supports the premise that consumers experiencing vulnerability have access to timely and effective support mechanisms that work for both consumers and energy market participants, that improve energy affordability, help consumers stay connected, and reduce overall costs to serve where ultimately all consumers benefit. Retailers in general already have extensive consumer support mechanisms in place to provide assistance and support to consumers experiencing difficulty. This has been no more prevalent than through the Covid-19 pandemic period.

In considering any strategic approach it is important to note that when a consumer experiences vulnerability with their energy supply it is fair to say that they will also be experiencing similar issues across the supply of other services, including telecommunications, housing, medical etc. The success of any strategies employed to manage energy vulnerability will be influenced by the strategies employed in assisting consumers with non-energy related vulnerabilities.

A coordinated approach in providing assistance to consumers experiencing vulnerability across multiple supply services where potential barriers and complexities for consumers in seeking overall assistance are removed, or at a minimum lessened, should be the goal of any consumer vulnerability strategy.

In reviewing the proposed strategy Alinta Energy notes that it includes a number of proposed Actions to be undertaken in order to deliver on a number of objectives and outcomes. An Action that Alinta Energy believes is a particular priority is Action 7;

“Work with the sector to review regulations and consumer protections to identify opportunities to promote consistency across jurisdictions and reduce cost to serve where possible”

This Action above all is key to ensuring the strategic approach is based on a strong consistent regulatory framework platform. The review and consolidation of obligations and compliance expectations, such that the market moves to operating on a national level, will influence the approach and the way other strategic initiatives are delivered.

Our detailed comments on the consultation are provided in the following documents.

Alinta Energy would welcome further engagement with the AER as it considers its approach to finalising its Consumer Vulnerability Strategy.

Should you have any questions or wish to discuss any aspect of our submission, please contact Shaun Ruddy, Manager National Retail Regulation on 0419 262 382 or via email at shaun.ruddy@alintaenergy.com.au

Yours sincerely,



Graeme Hamilton

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Alinta Energy

Australian Energy Regulator Consumer Vulnerability Strategy

Consumer Vulnerability – a Working Definition

Consultation question 1: *Recognising that some consumers would not identify with or respond positively to the use of the term 'vulnerability', do stakeholders have insights about consumer preferences for the type of wording or language the AER could use?*

There has previously been discussion and debate regarding the most appropriate terminology to be used when describing this customer segment. The issue being whether the terminology used encourages or discourages consumer engagement and therefore impacts assistance provided to consumers. The term itself is less important relative to the message that is provided to consumers that assistance and support is available.

As an example, messaging can be provided to consumers that assistance and support is available to consumers who are having difficulty in meeting the financial obligations associated with their energy supply, or that if a consumer is having language or comprehension difficulties that assistance is also available, without the need to group these consumers under the banner of 'vulnerable customers'

A consumer does not need to identify as vulnerable to receive support and assistance from their energy retailer, they simply need to engage.

Consultation question 2: *Do you have research to share with the AER to help inform our understanding of vulnerability amongst your customers, clients, or constituencies? We also welcome de-identified case studies and referrals to publicly available data points.*

Alinta Energy would welcome the opportunity to engage further with the AER on its experiences in providing assistance and support to consumers experiencing vulnerability.

Consultation question 3: *Should some or all of the proposed actions be implemented? Should some be prioritised over others?*

Whilst priority should be given to customer facing actions that will provide a direct benefit to consumers experiencing vulnerability, Action 7,

"Work with the sector to review regulations and consumer protections to identify opportunities to promote consistency across jurisdictions and reduce cost to serve where possible,"

should be prioritised. The outcomes of Action 7 not only have the potential to provide benefits to customers through a reduction in cost to serve, establishing a more jurisdictionally consistent framework will have an influencing factor on how other objectives and outcomes may be delivered. It is therefore important for the work under Action 7 to be completed ahead of others.

In addition, assessments and consultation on the detail of the proposed actions needs to be undertaken to identify any overlapping contingencies.

Consultation question 4: *Are there barriers to implementing the proposed actions? If so, how could these be overcome?*

Barriers to implementing proposed actions will only become fully apparent as detail of the actions is developed and understood. For example, on Action 2,

"Promote Improved Retailer Report Cards,"

understanding detail around potential amendments to data reporting and/or the subject matter of any reporting matrix is required before determining what, if any, barriers exist in delivering the proposed Action.

Overcoming barriers will be a process of engagement and consultation with impacted stakeholders to ensure the most efficient delivery of outcomes linked to Actions.

Consultation question 5: *What are the benefits or disadvantages, and risks or opportunities of each of the proposed actions?*

Quantifying and detailing the benefits, disadvantages, risks, and opportunities of each proposed action can only truly occur through a detailed consultation process on each individual action. This consultation process must be aimed at identifying benefits and opportunities and providing solutions to mitigate risks.

Consultation question 6: *Are there alternative actions to the proposed actions that you consider the AER should pursue?*

Through undertaking the process of further consultation on the proposed actions, outcomes, and objectives more appropriate actions may be identified. This is why an appropriate and detailed consultation process is important to achieving the desired outcomes from the review.

Consultation question 7: *What are the important steps and outcomes the AER should consider when engaging with stakeholders in implementing this Strategy?*

Detailed and transparent engagement and consultation with stakeholders responsible for the delivery of the strategy will be key to achieving positive outcomes. Adequate consultation time, and transitional timeframes to allow for the efficient implementation of initiatives to support vulnerable consumers, will be critical to achieving these positive outcomes

Consultation question 8: *In what ways and for which actions would you like to collaborate with the AER and others? How can the AER support stakeholders to engage with each other?*

Alinta would seek to be involved across all proposed actions. The AER can support cross-stakeholder engagement through facilitating working groups, while ensuring

adequate time is provided for consultation on actions and objectives.

Consultation question 9: *What measures should the AER use to assess the impact of our Strategy?*

Any measures need to be evidentiary based assessments on the delivery of benefits to consumers and should include a cost benefit assessment, of the strategy's implementation. An assessment schedule should also be developed that includes a formal assessment that the strategy remains fit for purpose.

Objective 1: Improve identification of vulnerability

Consultation question 10: *The AER is interested in understanding whether stakeholders already use a set of indicators (toolkit) to identify customers who may be experiencing vulnerable circumstances. What factors should we consider in developing this toolkit? What else could the AER do to recognise and support industry participants who are providing effective early intervention? If you have insights, an existing list of indicators you would like to share with us or are interested in being involved in contributing to the development of the toolkit, please reach out to our team.*

Retailers are conscious of the value early intervention plays in providing assistance to consumers who may be experiencing vulnerability. Retailers are continually assessing the tools available to them in identifying consumers who may be experiencing the impacts of vulnerability. Any approach retailers take in attempting early intervention needs to work in conjunction with the compliance obligations placed on retailers when engaging with consumers. This is where proposed Action 7 of the strategy becomes critical, as any indicator or toolkit used by retailers needs to work in conjunction with the prevailing regulatory framework. Identifying potentially redundant provisions within the existing framework may materially assist in formulating any set of indicators to identify consumers who may be experiencing vulnerability.

In supporting retailers who are providing effective early intervention the AER should focus on the outcomes being delivered to customers over the pathway through which the objectives are achieved. The unique circumstances that often surround and contribute to a customer's vulnerability can require a level of flexibility to deliver the required assistance and support.

This is an area of the proposed strategy that must have detailed stakeholder consultation.

Objective 2: Reduce complexity and enhance accessibility for energy consumers

Consultation question 11: *Should the AER's Retailer Report Cards be extended to report on quality-of-service metrics? How would this information best be presented to consumers? What costs and other considerations are relevant?*

Action 2

Promote improved Retailer Report Cards

The premise for seeking to improve Retailer Report Cards appears to be based on the perception that “competition by comparison” between retailers is somehow lacking. This is far from being the case; information on retailers’ performance is currently available to customers. If there is a view that the information retailers are currently obligated to report is somehow not providing consumers with information relevant to assess which retailer to choose, then detailed consultation on the performance reporting obligations currently placed on retailers needs to be undertaken.

The AER needs to ensure that when considering the addition of “improved” Report Card information that it is not seeking to include indicators that are subjective in nature. For example, assessing the ease and accessibility of a retailer’s website or online tools or apps; website design and app usability is subjective, based on user preferences. In addition, the speed at which changes to the representation of information on digital platforms occurs requires constant monitoring/reporting to ensure retailer comparative information was accurate.

Any change to Retailer Report Cards needs to be based on a cost benefit analysis; additional indicators or reporting matrix information should only be collected where there is a basis for their use in improving customers’ ability to better manage their energy usage and costs, or directly contribute to efficient economic assistance.

Consultation question 12: *Do stakeholders see merit in implementing a payment difficulty framework for the NECF? What are the risks and opportunities, costs and benefits? What consumer and market outcomes could a NECF payment difficulty framework focus on?*

Action 3

Consider the need for a payment difficulty framework for the NECF

There needs to be an evidenced based assessment that the existing consumer protections offered under NECF are not providing the level of support considered necessary in providing assistance to consumers before any consideration can be given to amending existing protections. Such an assessment could establish a cost benefit baseline identifying potential areas of improvement while establishing an assessment mechanism for determining delivered benefits to consumers.

Any assistance or support framework, regardless of whether or not it is modeled on the Victorian Payment difficulty Framework, should seek to achieve to deliver on Outcome 1 of the consultation paper that is;

“Barriers to consumers engaging in the energy market are reduced and consumers can access products and services that meet their needs”.

Part of any assessment should include an assessment as to whether the Victorian Payment Difficulty Framework would meet the objective of Outcome 1 and is fit for purpose for the NECF jurisdictions.

Consultation question 13: *Do stakeholders support the AER exploring options around improved engagement between energy businesses and consumers at risk of disconnections, such as knocking before disconnection? Are there other alternatives, options or practices that energy businesses are using to provide supports in this area? Do stakeholders support the idea of a further disconnection threshold review at this time?*

Action 4

Encourage improved engagement to promote disconnection truly as last resort, including reviewing the consumer debt threshold for disconnection

Alinta does not support the premise of Action 4 as drafted. Retailers currently only undertake disconnections "truly as a last resort." Any additional engagement obligations would need to consider its marginal costs and benefits, beyond the current multiple points of attempted engagement. We would also note that a door-knocker in these circumstances is unlikely to have the (often complex) case background or skills to effectively engage with the customer in respect of their unique circumstances. The high costs of such an approach would also need to be balanced against Objective 5 of minimising the overall cost to serve where possible

The disconnection threshold needs to be set at a level that balances continuity of supply with ensuring that consumers are not exposed to accumulating greater levels of debt. Any change to the existing threshold should only occur where there is an evidentiary basis for doing so, taking into consideration the risk of debt accumulation.

Consultation question 14: *Are vulnerability impact assessments an approach that other sector participants should incorporate into their decision-making processes? We would like to learn from organisations that currently consider these impacts.*

Consumers, and the impact actions have on consumers, are always at the forefront of retailer's decision making, this in particular includes vulnerable consumers. Alinta agrees that the AER should also consider the potential customer vulnerability impacts of its work, including the potential of it creating new customer vulnerabilities.

Consultation question 15: *Are there other decisions that the AER currently makes, or assessments that the AER currently undertakes, in which we should consider benefits to consumers experiencing vulnerability?*

The AER should consider the potential benefits and detriments to consumers experiencing vulnerability across its entire consumer-facing decision making processes.

Objective 5: Balance affordability and consumer protections by minimising the overall cost to serve where possible

Consultation question 16: *Do stakeholders see merit in a broad review to identify regulations and protections that have become redundant or unnecessary over time, as well as opportunities to promote consistency and reduce cost to serve across jurisdictions? Are there regulations that stakeholders consider should be particularly targeted for review due to their cost-to-serve implications? What regulations can be reviewed or removed while still maintaining and improving consumer outcomes?*

Action 7

Work with the sector to review regulations and consumer protections to identify opportunities to promote consistency across jurisdictions and reduce cost to serve where possible

Alinta is supportive of the overall strategic plan to simplify the retail regulatory market framework to reduce cost to serve. In particular, there are potential opportunities from both promoting consistency and removing redundant regulations to reduce cost to serve.

This is not only the case for the regulatory framework but also across other administrative functions imposed on retailers by jurisdictional Governments and agencies. This is especially the case with regard to energy concessions and rebate schemes, which differ significantly across jurisdictions. A recommendation out of this review/consultation should be for the consolidation of concession and rebate schemes.

To achieve an outcome for Action 7, detailed collaborative consultation will be required across a number of stakeholders; retailers would be a key stakeholder and would actively participate in a regulatory framework review.

Action 7 should be a priority action, which we believe should be undertaken prior to other proposed Actions

Enablers of success

Consultation question 17: *How can the AER and stakeholders best learn from each other, and embed understanding and consideration of vulnerability across our organisations and in our everyday systems?*

This will require ongoing collaboration on the issue of vulnerability into the future. Some type of ongoing collaborative forum such as a "vulnerability working-group" could be established for the continued sharing of ideas and experiences.

Consultation question 18: *Are there impact-measuring approaches or initiatives already underway that we should draw on? How should the AER share and communicate with our stakeholders about the impact of this Strategy?*

Measuring the impact of the proposed strategy is not a simple task, however we would suggest that any focus should be directed towards the outcomes achieved in

providing assistance to customers and how they benefit, and not the pathways to achieving them. Retailers must be able to provide assistance to consumers experiencing vulnerability in accordance with each customer's own unique circumstances; flexibility in the method or pathway to providing assistance is required.

Potential Strategy actions

Comments on the action items are as follows:

Action 1

Develop a toolkit including a non-exhaustive list of indicators that energy businesses should consider and use to activate early conversations with consumers

The development of any toolkit, or list of indicators, can only occur through detailed consultation. As recognised in the consultation paper, the AER would need to work with industry bodies, consumer groups and retailers directly in developing any type of toolkit to assist in the identification of, and engagement with, vulnerable customers. The toolkit must be something that is of a supplementary nature that can be called upon in supporting retailers' ability to establishing proactive, empathetic conversations with consumers.

Action 2

Promote improved Retailer Report Cards

The premise for seeking to improve Retailer Report Cards appears to be based on the perception that "competition by comparison" between retailers is somehow lacking. This is far from being the case; information available to consumers on retailers' performance is currently available. If there is a view that the information retailers are currently obligated to report is somehow not providing consumers with information relevant in making their assessment of which retailer to choose, then detailed consultation on the performance reporting obligations currently placed on retailers needs to be undertaken.

The AER needs to ensure that when considering the addition of "improved" Report Card information that it is not seeking to include indicators that are subjective in nature. For example, assessing the ease of use and accessibility of a retailer's website or online tools or apps; website design and app usability is subjective, based on user preferences. In addition, given the speed at which changes to the representation of information on digital platforms occurs, this would require constant monitoring/reporting to ensure retailer comparative information was accurate.

Any change to Retailer Report Cards needs to be based on a cost benefit analysis; additional indicators or reporting matrix information should only be collected where there is a basis for their use in improving customers' ability to better manage their energy usage and costs, or directly contribute to efficient economic assistance.

Action 3

Consider the need for a payment difficulty framework for the NECF

There needs to be an evidenced based assessment that the existing consumer protections offered under NECF are not providing the level of support considered necessary in providing assistance to consumers before any consideration can be given to amending existing protections.

Even if it is determined that the existing protections could be improved, a detailed assessment of the Victorian Payment Difficulty Framework would be required to determine its applicability in NECF jurisdictions.

Action 4

Encourage improved engagement to promote disconnection truly as last resort, including reviewing the consumer debt threshold for disconnection

Alinta does not support the premise of Action 4 as drafted. Retailers currently only undertake disconnections "truly as a last resort. "Any additional engagement obligations would need to consider its marginal costs and benefits, beyond the current multiple points of attempted engagement. We would also note that a door-knocker in these circumstances is unlikely to have the (often complex) case background or skills to effectively engage with the customer in respect of their unique circumstances. The high costs of such an approach would also need to be balanced against Objective 5 of minimising the overall cost to serve where possible

The disconnection threshold needs to be set at a level that balances continuity of supply with ensuring that consumers are not exposed to accumulating greater levels of debt. Any change to the existing threshold should only occur where there is an evidentiary basis for doing so, taking into consideration the risk of debt accumulation.

Action 5

Introduce vulnerability impact assessments into aspects of our (AER) work, e.g., Board papers, and consult on whether vulnerability assessments should be deployed more widely

The introduction of vulnerability impact assessments by the AER in its consultation, board papers and decision-making process may improve consumer benefit, however any vulnerability impact assessment needs to balance its impact on market development and transformation. It would be a retrograde step if the introduction of the impact assessment had the perverse impact of stifling market development and transformation.

Action 6

Consider benefits to consumers experiencing vulnerability when assessing sandboxing or ring-fencing waivers

The current Ring-fencing Guideline for Electricity Distribution has provisions under which the AER will grant a ring-fencing waiver that include an assessment of the benefits, or potential benefits, to electricity consumers as a

result of granting a waiver. It stands to reason that such an assessment should already consider impacts to vulnerable consumers given they are a potential (and particularly important) consumer cohort that may be impacted by any waiver.

Action 7

Work with the sector to review regulations and consumer protections to identify opportunities to promote consistency across jurisdictions and reduce cost to serve where possible

Alinta is supportive of the overall strategic plan to simplify the retail regulatory market framework to reduce cost to serve. In particular, there are potential opportunities from both promoting consistency and removing redundant regulations to reduce cost to serve.

This is not only the case for the regulatory framework but also across other administrative functions imposed on Retailers by jurisdictional Governments and agencies. This is especially the case with regard to energy concessions and rebate schemes, which differ significantly across jurisdictions. A recommendation out of this review/consultation should be for the consolidation of concession and rebate schemes.

To achieve an outcome for Action 7, detailed collaborative consultation would be required across a number of stakeholders; retailers would be a key stakeholder and would actively participate.

Action 7 should be a priority action, which we believe should be undertaken prior to other proposed Actions, noting that the outcome of Action 7 may influence the scope and/or need for other Action items.