



EnergyAustralia

LIGHT THE WAY

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Dear Mark

Consumer Vulnerability Strategy

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.

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 consultation for the AER's Consumer Vulnerability Strategy (the Strategy). We strongly support initiatives that provide appropriate support for all customers, and we appreciate the extensive work the AER has conducted in this space historically, and in the development of this Strategy; however, we have some reservations in how some of the Actions proposed in the Strategy are acutely targeted at supporting vulnerable customers, and whether they are the more cost effective.

We support the need for ensuring that regulation achieves the outcomes it was originally designed for, and that the regulation is updated to suit the evolving energy market. EnergyAustralia expects that vulnerability will remain a pressing issue in the near-term and likely in the long-term too; the transition to renewable energy is expected to negatively impact wholesale electricity prices¹. It is vital that as an industry we ensure the transition does not adversely affect vulnerable support, and it is paramount we consider the implications now, and not after the effects are realised.

It is also vital to ensure that any regulatory decisions are justified, that they are supported with evidence, and the cost incurred is outweighed by the benefit obtained. In early 2021, the energy retailer industry body, the Australian Energy Council, arranged for a consultant (Synergies) to review energy regulation and the impacts on retailer viability², it identified:

- there has been significant, and almost constant, regulatory change since December 2017;
- over half of the interventions since 2010 have focused on vulnerable customers specifically; and,
- one third of intervention had a high implementation cost.

¹ [Origin Energy share price: Eraring coal-fired power station to close seven years early \(afr.com\)](#)

² https://www.energycouncil.com.au/media/hr3othiwi/1058-2496_aec-ret-viab_170221_final-mr-to-bb.pdf

While this may not be surprising for those participating in the energy industry, it does elicit some questions on the effectiveness of historical regulation:

1. Why have previous reforms failed to consider/address the issues raised in future reforms?
2. Has investment in implementation and compliance of these reforms been the most cost-effective form of addressing/improving vulnerable customer support?
3. Is further regulation the most equitable way of resolving or improving outcomes for vulnerable customers?

We appreciate that there are many reasons that regulation has occurred in this way, the energy market has national and state governance, 'best practise' has evolved over time as the industry has developed and improved their understanding, and expectations of retailers and the electricity market are evolving.

EnergyAustralia does not lament historical attempts at improving the situations for vulnerable customers, and we are not proposing that additional regulation shouldn't be considered. Our view is that regulators should consider and require the most equitable and robust form of support, as, regardless of the scale of the change required, it will be optimal for vulnerable customers and retailers to have certainty that the optimum support is being provided, and, particularly for retailers, that the rate of additional regulatory change will reduce.

In this respect, we believe that the AER should consider what changes could be instigated that will more effectively address the cause of customer vulnerability, or more appropriately assign equitable support for customers experiencing vulnerability. For example, EnergyAustralia believes it is reasonable that the AER consider:

1. a 'social tariff' that provides a low or no cost energy offering for vulnerable customers. This tariff would be provided by distribution networks and retailers to customers that have been identified as experiencing vulnerability, with the tariff either being subsidised by the entire distribution customer base, or preferably, funded by the federal Government; or,
2. establishing a retailer that will provide energy services to vulnerable customers. This would be funded by the federal Government and would allow any identified vulnerable customer to receive low or no cost energy. It could be required that the customer conducts an annual review of their financial capacity with a suitably qualified financial counsellor.

We appreciate that these suggestions are a significant divergence from the existing framework; however, we believe that they will more equitably share the debt impacts of vulnerable customer support and will provide certainty to energy retailers that there is a specific avenue for appropriate support of vulnerable customers; with this providing the capacity and confidence to design the innovation required in the evolving energy market.

EnergyAustralia believe it is important the Strategy considers the complexity and inherent risk of defining vulnerability, as a regulatory definition could limit the protections to customers that are not easily defined within the definition; this could include customers that are not currently experiencing financial hardship, but their personal situation requires additional protections, such as, customers unable to interact with digital communication, or customers experiencing domestic violence.

Vulnerability is based on a customer's circumstance, which can be exacerbated via their interaction with the energy industry. It is only this interaction that we can improve on, as we have little capacity to change a customer's circumstances.

Finally, we believe it is important that the Strategy consider the work that retailers are already doing that exceed any regulatory requirement. It is understandable that regulation is aimed at raising minimum standards, but it should not be discounted that the decision for formal regulation may negatively impact those that are already exceeding this standard; this can result in the retailer reducing their offering in line with the new regulatory requirements, and negative ramifications to a retailer's cost to serve due to implementing the regulatory change.

- EnergyAustralia has worked tirelessly throughout the COVID pandemic to ensure that all our customers were protected through this very difficult time, this included initiating a ban on disconnections prior to any requirements from the AER (or the ESC).
- When we allowed disconnection again, we commenced a trial, and have since adopted, a 'knock before you disconnect' program, that provides an additional method for customer engagement, which has resulted in a significant reduction in disconnections and an improved participation rate in payment plans.
- EnergyAustralia, other retailers, consumer and industry groups have developed a 'Best Practise Guideline'³, that outlines preferable practises throughout the customer life journey, with the aim of reducing or improving outcomes for vulnerable customers.

Feedback on proposed Actions

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

We support the development of guidance that aims to achieve early identification of vulnerability, allowing improved engagement between retailers and the customers that require the support; however, it is important that this is updated based on new information and that it remains 'guidance', as any regulatory definition risks limiting support to those outside the definitions.

Action 2. Promote improved Retailer Report Cards

It is unclear to EnergyAustralia how this Action is directly related to supporting vulnerable customers, or how the benefit to customers would exceed the expected costs. We appreciate that further information on a retailer's customer service and additional offerings provided by a retailer, would be useful to some customers; however, we do not expect that this information provided on Energy Made Easy will elicit a response from customers that will justify the expense in providing it.

We understand that much of this information is currently available to customers via product review services and websites, such as choice.com, or in the annual review of retailer markets, provided by consumer groups and regulators. Furthermore, we believe the metrics outlined in the proposed Action are largely too subjective, and we do not believe that *ease and accessibility of a retailer's website and any online tools or apps, clarity of billing and pricing, and how effective a retailer's online and phone assistance is (including how well they respond to complaints)*, can be provided impartially, without the impact of personal views and biases.

³ <https://www.energycouncil.com.au/best-practice-resources/>

Action 3. Consider the need for a payment difficulty framework for the National Energy Consumer Framework.

EnergyAustralia does not believe the Payment Difficulty Framework (PDF) is the ultimate form for providing support to vulnerable customers, as we are aware of requirements that inhibit good practise and which we believe exacerbate the problems faced by customers. However, we agree there are elements in the PDF that would be an improvement for NECF customers experiencing vulnerability.

Negative elements of the PDF

- 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.

Positive elements of the PDF

- Requirement for retailers to assist customers in completing the government grant applications (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.

Action 4. Encourage improved engagement to promote disconnection truly as last resort, including reviewing the consumer debt threshold for disconnection

EnergyAustralia agrees that disconnection should only be used as a 'last resort' and we believe we are achieving this by complying with existing regulation, and that we prioritise via our additional initiatives; 'knock before you disconnect' and the 'Best Practise Guideline'.

We believe the most important consideration is improving engagement, as a lack of engagement is the key driver of a customer being disconnected for non-payment, and we do not believe there is any evidence to support an increase in the debt threshold for disconnection, as there is a lower threshold required in Victoria and this has not created an identifiable discrepancy between the disconnection of customers in Victoria compared to NECF customers.

We believe it would be suitable for the AER to consider what alternative options are available to retailers for customer debt recovery, and how these options may facilitate an environment in which disconnections occur less frequently. Aside from the options we have suggested earlier (government funded support measure for vulnerable customers), a consideration may be that distribution networks absorb their portion of any bad debts incurred via non-payment, as this could reduce the debt risk on retailers and their corresponding need for action.

Action 5. Introduce vulnerability impact assessments into aspects of our work, e.g. Board papers, and consult on whether vulnerability assessments should be deployed more widely

EnergyAustralia support this action, and while we expect that this was already occurring to some degree, we appreciate that a continued consideration will achieve positive outcomes.

Action 6. Consider benefits to consumers experiencing vulnerability when assessing sandboxing or ring-fencing waivers

EnergyAustralia support this Action, and believe that this should be considered by the AER in the development of their policy e.g. use a regulatory sandbox to establish that proposed policy will achieve the outcomes being sought; for example, the AER could have one or a few retailers trial the Payment Difficulty Framework in NECF states, to establish if there is an identifiable benefit before requiring the reforms through regulation.

However, we would urge caution in the oversight required for industry participants to operate under a similar exemption. We believe that industry participants should be able to have improved access to ring-fencing waiver and sandboxing if there is a benefit to vulnerable customers, but we are aware that supporting vulnerable customers is not a difficulty outcome to achieve, e.g. most actions can be in some way linked to improving a situation for vulnerable customers, without being specifically for this.

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

EnergyAustralia appreciates the AER's consideration for reducing cost to serve and achieving efficiencies through regulatory consistency. We believe a dedicated review of all existing regulation would be a reasonable undertaking, considering the significant change in the energy industry, and that it would be suitable to impose a formal review period on any new regulation; with both reviews aiming to ensure that the regulation remains fit for purpose and that it cannot be achieved in a more suitable format.

If you would like to discuss this submission, please contact me on 03 9060 1361 or Travis.Worsteling@energyaustralia.com.au.

Regards

Travis Worsteling

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