



28 February 2022

Mr Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation Branch
Australian Energy Regulator
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Dear Mr Feather,

RE: AER Consumer Vulnerability Strategy – draft for consultation

Origin Energy appreciates the opportunity to provide a submission in response to the Australian Energy Regulator (AER) consultation on its draft consumer vulnerability framework.

We share the AER's vision for consumers experiencing vulnerability to be offered timely and effective support.

Origin agrees that vulnerability is a diverse and complex issue. The challenge in developing an effective strategy is that vulnerability is not always obvious. Many people do not think of themselves as vulnerable. In addition, the presence of one or more risk factors does not automatically mean that a person is vulnerable.

It is vital that the AER, industry, and consumer groups work effectively together to deliver a workable strategy embedded across both regulatory and policy settings and retailer operations.

While it is important there is agreement on how best to identify vulnerability risk factors, how these are implemented ought to remain the responsibility of the retailer. We understand that we must act with appropriate levels of care and support and enable our staff to identify the presence of any vulnerability risk factors.

Origin is committed to improving outcomes for consumers in vulnerable situations. We look forward to working closely with the AER to refine and operationalise the AER's strategy.

Our views on the AER's Vulnerability Framework objectives are set out below.



A Working Definition of ‘Consumer Vulnerability’

We agree with the AER’s description of consumer vulnerability as attributes or circumstances that mean a person may be significantly less able to protect or represent their interests, engage effectively, and/or are significantly more likely to suffer detriment.

The AER then describes that consumer vulnerability may stem from:

- characteristics of the energy market or products (such as its complexity)
- personal circumstances, such as low income, disability, or poor mental health.

We agree that vulnerability may stem from these factors, but vulnerability is not limited to these factors. In terms of developing a working definition of vulnerability we do not think it is helpful to link a definition with one or two specific causes. It is important that the definition is sufficiently flexible, adaptive, and encompassing.

The definition ought to capture the broad objective of who it wants to capture. Beneath that definition, the framework should then identify the vulnerability risk factors. These could include for example, how retailers engage, personal characteristics such as age and culture, personal skills, life events, and external events such as natural disasters.

However, the presence of one or more risk factors does not automatically mean that a person is vulnerable.

Once these risk factors are identified, the challenge will be how to use these to identify whether the customer is experiencing an event where their particular vulnerability will be relevant i.e., identifying whether the signs of potential vulnerability might result in an actual harm to the interests of the customer (a **risk event**).

Objective 1: Improve identification of Vulnerability

Origin supports the development of a toolkit that could be used to assist retailers identifying customers who may be experiencing vulnerable circumstances.

As stated above, we believe this toolkit ought to first identify the risk factors that are markers for a customer to potentially experience a risk event. The AER and the CPRC have already identified numerous risk factors and the CPRC have also highlighted the work undertaken across different sectors and countries by regulators and policy makers in this regard.

We think there is a rich body of work for the AER, consumer groups and retailers to work from to agree a set of risk factors to underpin the AER’s strategy.

Retailers must assess their products and conduct through the lens of vulnerability and identify areas which may exacerbate risk factors, and benefit from additional mitigating controls.

Once these risk factors have been determined, the greater challenge will be how retailers can identify the presence of these risk factors and to determine what action if any is required. Just because there may be the presence of one or more of these risk factors it does not automatically mean that a person is vulnerable, and action is required.

It should be the role of retailers to then develop internal processes to help and enable staff to identify the presence of any risk factors. These could include changes in payment patterns, frontline staff



observing certain behaviours or speech that might indicate language or literacy issues, or how a customer responds (or not) to written engagement.

Using these as indicators could inform the early identification of a risk event.

For example, Origin has an established process for identifying customers experiencing hardship. The current framework contains additional protections and support measures for customers experiencing difficulties in paying their bills. For example:

- The customer has a concession or uses Centrepay to make payments
- The customer has had previous instalment plans (these may or may not have completed successfully)
- The customer consistently makes payments after the due date
- The customer has been issued a bill with unusually high usage
- The customer has received emergency or relief scheme payments

The presence of such indicators does not automatically mean that a customer is in hardship, but if these indicators are present, they are a useful tool for our agents in deciding when to begin a hardship conversation with the customer.

Assistance available to customers is currently predicated on the customer having an accrued debt and the provision of hardship or payment difficulties assistance is aimed at avoiding a potential disconnection. Origin would be pleased to share our indicators list with the AER, noting that it is currently geared toward the identification of payment difficulties and not vulnerability more broadly.

Ultimately the identification of vulnerability comes down to the interaction between the retailer and the customer.

Where frontline agents are speaking to customers over the phone, they must be able to assist customers with every process from moving house, obtaining concessions, to installing solar panels and arranging for meter upgrades. The breadth of work they undertake daily means that they need to be supported through those processes in ways that can be pre-determined. Frontline agents are not always going to be able to simultaneously give proper consideration to data-driven indicators of vulnerability nor will it be reasonable to place an overemphasis on 'active listening' and soft-skills training.

How and where best to introduce non-account indicators, and how to determine compliance when relying on soft-skills - which can lead to inconsistency because the 'rules' are not clear cut – must be considered (as well as how to approach purely electronic interactions by SMS, email or chat). This may also mean there is a need for more flexibility and space for making individual judgements by staff: one-size doesn't fit all. This requires a completely different approach to designing processes and support tools for staff.

Objective 2: reduce complexity and increase accessibility for customers.

To help reduce complexity for customers and support their ability to engage with the energy retail market, the AER has suggested updating its retailer report cards so that non-price items can be compared. This would increase the available data for customers who are looking for a better offer or service.

To be effective any expanded report card needs to be accessible to customers. We encourage the AER to consider how an expansion of information can be easily accessed by customers.

The CPRC *Picking peaches: Service Quality in the Victorian Energy Market – a summary report* undertook experiments to measure whether service quality measures affected customers' choices. The



report concluded that consumers make different choices when service quality information is made available. The CPRC presented this information to customers similarly to how information is currently presented on Energy Made Easy.

We agree that an approach of this nature could be effective. Having a service score available would give customers a different way of comparing offers, but that without other supporting changes may not result in greater engagement with switching retailer to obtain that better offering (i.e., increase accessibility).

A supporting change would be the AER's proposed action to review Energy Made Easy platform to ensure that it is easily navigable and allows customers to compare offers.

The CPRC used the following service quality measures: clarity of billing; call centre performance; ease of sign-up; and complaint responses. The way this information was presented was clear and easy to understand. However, the measures were qualitative and subjective. If the AER is to pursue this initiative, we strongly advocate for the use of objective and measurable indicators.

If the AER were to pursue qualitative measures, another risk is that those who volunteer or agree to participate in customer preference studies are by definition engaged, or at least demonstrating some kind of engagement (positive or negative).

Objective 3: strengthen protections for customers experiencing payment difficulty.

The Need for a Payment Difficulty Framework for NECF

Origin supports clear, unambiguous protections for customers who are experiencing payment difficulty which result in better outcomes for those customers.

We agree that there is value in the AER undertaking a review of the current hardship framework and assessing whether it remains fit for purpose.

Harmonisation across the jurisdictions is often preferable, however we would not support the adoption of the Victorian Payment Difficulties Framework (**PDF**) in its entirety. While we consider the structure of the PDF provides greater certainty and to some extent uniformity of assistance to customers, in our experience to date the PDF contains significant drawbacks.

The PDF allows for customers to prolong the repayment of arrears for significant periods (up to two years) or put accrued debt on hold for 6-month intervals during which the customer is not required to address the amount on hold (where a customer cannot afford ongoing use).

These entitlements exacerbate an existing vulnerability (inability to pay) by pushing the repayment or addressing of accrued debt into the future, and do not require the customer to address an underlying mismatch of affordability and energy use. These entitlements almost guarantee that the customers who take up this entitlement will be in a worse debt position when it expires.

However, there are some aspects of the PDF which we think can be helpful. For instance, proactively advising customers that assistance is available and providing the customer with the necessary information to easily access this support. We feel this empowers some customers to contact us and thereby address their accruing debt earlier. While there is some feeling that a retailer 'spams' the customer with attempted contacts under the specific structure of the PDF, conceptually we believe that this proactive contact can be beneficial.

Similarly, the PDF requirement to advise the customer of the assistance available is useful because it removes ambiguity of 'when' to tell the customer. But, in the PDF, there is no way for the customer to opt-out of this information – even if they have been through it with a different agent on the same day. We think that in considering whether to introduce a payment difficulties framework is just as important



as how to implement it. The AER needs to consider whether adopting these measures would result in long-term benefit and better outcomes for vulnerable customers.

Disconnection threshold

If the AER reviews the disconnection threshold, it should ensure that the threshold for offers of assistance remains in balance with the potential risk to the customer of inaction.

The risk to a customer who has a debt below the disconnection threshold is very low. We consider that it is important they are aware they can access assistance before the disconnection threshold is met, but the volume of correspondence to customers below the disconnection threshold should not be the same as for those who are at risk of disconnection (i.e., their debt exceeds the disconnection threshold).

In Victoria the threshold for assistance is very low, and the volume of correspondence required under the PDF is significant. As there is no relationship between the correspondence offering assistance and any potential impact of inaction, we believe that this leads to customers disengaging earlier. Some customers describe our contact attempts as 'spamming' them and so ignore them, which increases their risk of potential disconnection.

For this reason, we think the disconnection threshold and the offer of assistance are relevant to each other within the regulatory framework.

Disconnection as a Last Resort

Origin agrees that disconnection of energy supply should be a last-resort measure.

Retailers have a responsibility to assist their customers and not exacerbate vulnerabilities. There is tension in the retailer responsibility because an inability to pay may make the customer vulnerable to eventual disconnection. However, the continued supply of energy without addressing underlying affordability or usage issues makes the customer vulnerable to debt collection activities, some of which can have long term negative repercussions for customers.

Retailers do not want to irresponsibly oversee customers accrue mounting, unmanageable debt. We also don't want to disconnect customers unless engagement options have been exhausted.

A different but equally relevant group of customers are those who are chronically disengaged. These customers simply do not contact their retailer or engage with retailers attempts to contact them. These customers are exposed to the double risk of accruing debts, and disconnection because of non-payment and non-engagement.

We believe that the effective application of risk factors and flags will go some way to alleviate disconnections. Notwithstanding, we also consider there needs to be consideration of how 'last resort' is defined in the context of this vulnerability strategy, and a recognition that we do not presently have useful solutions that can reasonably and commercially resolve non-payment issues in that context (which can only come through meaningful engagement between retailers, regulators and other stakeholders).

Engagement opportunities

We are interested to explore different ways to engage with customers, such as the 'knock before you disconnect' initiative the AER has mentioned.

In certain circumstances, Origin will arrange a field visit prior to raising a disconnection where we are not certain that the disconnection warnings have been received. These visits are often expensive and are currently undertaken as a special step to ensure our 'best-endeavours' obligations are met. Typically, we do not find this results in greater customer engagement compared to other communication types.



There may also be limitations to 'knock before you disconnect'. The increasing proliferation of smart meters means a physical visit to the site may not be required prior to a disconnection occurring. Introducing such a requirement would undermine many of the cost-reduction benefits of installing a smart meter.

In addition, many vulnerable and disadvantaged customers live in non-metropolitan areas. There are fewer smart meters in non-metropolitan areas (highlighting inequity and access related vulnerability). Based on our experience of undertaking field visits to regional and remote locations, we query how impactful such an initiative is likely to be.

Nonetheless, Origin is currently participating in ongoing 'knock before disconnection' trials in several distribution areas. As the trials are ongoing, we do not yet have enough insight into the efficacy of this approach.

Objective 4: Use the consumer voice and lived experiences to inform regulatory design and change

The AER has identified some 'keystone concepts' that can be applied to ensuring that the AER's market design changes or regulatory initiatives are assessed with a consumer lens.

Origin is supportive of these; we think that inclusive design will lead to greater trust, and engagement with consumers through moments of transition can result in greater consumer confidence. We think that customers who have diverse experiences being enabled to provide input is likely to drive outcomes more consistent with consumer expectations.

However, we are not clear what the AER intends when it includes 'safe defaults' as preferable to disclosure-reliant regulation. Safe defaults as a part of regulation prescribe features of what a product is permitted and not permitted to do. It aims to increase customers feeling of certainty when engaging in the market.

We consider that this sort of regulation already exists within the NECF, particularly when it comes to the way offers are presented to customers, marketing practices, and contract term disclosure. This is because these areas have established, predictable moments of engagement in which the 'safe default' can apply. The DMO is an example of regulation that is intended to function as a 'safe default'.

We do not believe that consumer vulnerability is able to be predicted in the same manner. This is because a customer who may be vulnerable at a particular point in time or for a particular reason is not vulnerable at all times and for all purposes. For example, a customer can be vulnerable at the point of sale, but not once their account is established. Similarly, a customer with a debt is not necessarily vulnerable, even if they are participating in a retailers' hardship program.

Additionally, the AER is not clear on how it intends to utilise a 'safe default', particularly if that were to take the form of a product. If the AER is considering a product specifically for vulnerable customers, Origin would question how a specific product can help a customer whose vulnerability does not stem from payment difficulties, or how such a product could be objectively assessed as 'safe' when compared to other offers in the market.

We think that the best ways to mitigate against vulnerability are not pre-determined. Instead, when businesses are given licence to try different approaches within a supporting framework, best-practice approaches can respond and evolve.



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

Origin supports a broader review of existing regulations. We consider this requires a specific project to ensure the review can be undertaken in a cogent rather than piecemeal manner.

Notwithstanding, in our experience, the majority of differences occur between Victoria and the NECF states, rather than within NECF states.

Enablers of success.

We believe that to determine whether the strategy is working as intended, measures of success ought to measure whether the four proposed outcomes of the strategy have been delivered.

This requires the AER to define these measures prior to the start of the strategy to ensure a relevant baseline. Performance using the same measures can then be contrasted to the baseline. This in turn will enable the AER to identify outcomes that are performing well and those that have not met expectations. If the measures are appropriately linked to objectives, then the AER will also have a greater opportunity to identify why any objective has not been achieved and areas for improvement.

We would be happy to work further with the AER to discuss the availability of data to ensure a meaningful timeline of performance can be produced.

Closing

We consider that the AER's objectives are a suitable framework for the review and development of consumer protections, to improve customer outcomes. We support the review of consumer protections and the development of a suitable vulnerability assistance framework and look forward to continued engagement with the AER as these develop.

If you have any questions regarding this submission, please contact Courtney Markham in the first instance on (03) 9821 8086 and or Courtney.Markham@originenergy.com.au,

Yours sincerely

A handwritten signature in black ink, appearing to read "Sean Greenup".

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