Game changer

A package of reforms to improve outcomes for consumers in energy hardship

AUSTRALIAN ENERGY REGULATOR

November 2023

The AER acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures, and to their Elders past, present and future.

We would also like to acknowledge those who have a lived experience of vulnerability, and in particular those who have chosen to share their experiences of navigating the energy sector to support our work.

We acknowledge the determination and courage it takes for people to revisit difficult memories in the hope of shaping a better future for themselves and others.

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November 2023

Dear Energy Ministers,

Energy is essential to all our daily lives, jobs, health and wellbeing. For decades the energy sector has grappled with how best to support energy consumers experiencing vulnerability. The regulatory framework applies a high standard of protection, governments invest heavily in concessions, rebates and energy efficiency programs, and energy businesses offer a range of hardship and support programs. However, levels of consumer debt, hardship and disconnection remain stubbornly high. These challenges are becoming even more significant in the face of recent energy price increases and broader cost-of-living pressures.

Until now, our collective approach to these challenges has assumed that many of these issues will be dealt with through social policy, and the tax and transfer system. We live with an energy sector in which there are misaligned incentives across the supply chain to address consumer vulnerability, information and capability gaps, an overreliance on disconnection (or the threat of it) to manage consumer debt, and significant inefficiencies. In 2022, it was estimated that this was driving $645 million in quantifiable costs for the energy system, including consumers, non-profit organisations, governments, and consumer-facing energy businesses. This excludes the impact on population health and wellbeing, and the costs of government concessions and rebates.

The Australian Energy Regulator (AER) saw an opportunity to work in collaboration with sector stakeholders to consider how we could tackle this problem differently. In March 2022, the AER brought together leaders from industry, government, market bodies, ombudsman schemes and consumer advocates to form a Leadership Group. The Leadership Group was further supported by a dedicated Design Group from November 2022.[1]

We worked with these stakeholders to outline the case for change, define design principles, work through potential solutions, and ultimately to develop a game changing package of proposed reforms to help people experiencing vulnerability. The aim of our work has been to better balance cost and risk within the sector so that consumers experiencing vulnerability are identified early and get the support they need to improve outcomes.

This report proposes a package of reforms to deliver significant improvements in outcomes for consumers experiencing vulnerability. Under the package, consumers would receive any concessions they are entitled to and those in hardship would receive their retailer's best offer. This would lower these customers' bills. Financial counselling would be readily available to assist customers experiencing vulnerability. Debt relief would be available for customers who genuinely are unable to pay and fall behind. Energy efficiency assistance would also be more accessible, making it less likely that those most in need would incur debt in the future. Retailers who can demonstrate that they are providing best-practice support for customers would be able to access co-funding from a shared funding pool to deliver the debt relief and energy efficiency elements of the package. Taken together, these measures provide a comprehensive and novel approach to addressing energy hardship.

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1 Complete lists of organisations that participated in the Game changer Leadership Group and individuals nominated to the Design Group are available at the back of this report.

This package of reforms complements existing government initiatives and retains retailers' relationships with and responsibilities to their customers. We consider that the Game changer package aligns with the National Energy Transformation Partnership established by Ministers in 2022, including through its focus on ensuring the provision of affordable energy.

The majority of Leadership Group members welcome further consideration, consultation and policy development of this suite of ideas, and support the AER progressing this report to ministers. Some also have reservations on elements of the package and have highlighted further design questions that would need to be considered.

For example, we have heard from stakeholders that regional nuances might impact how the proposed reforms would need to be developed for different parts of Australia. As a result, the Game changer reforms might look and operate differently in different jurisdictions, and it may be useful to trial or pilot elements of the package to test how they could work in practice.

We also know that some ideas in the package are more developed than others and some are simpler to implement. Therefore, governments may decide that some ideas within the package can be assessed and, if supported, delivered more quickly than others.

Ideally, financial support for consumers experiencing vulnerability would come from governments rather than energy market participants or via a cross-subsidy to other energy consumers. This is consistent with the role of government to provide safety nets for people experiencing disadvantage. Some members of the Leadership Group from the community sector and network businesses consider that governments should supply the shared funding pool. They consider that a pool supported by a levy on network businesses and generators would likely be passed on to consumers and could have a regressive effect. Some community sector representatives noted that people on low incomes already spend disproportionately more of their income on energy and are concerned that they will contribute disproportionally more to the funding pool.

This issue would require careful evaluation by policymakers. If funding for these measures by governments is not possible, there are still many Leadership Group members, including the AER, that feel that this should not be a barrier to further consideration of the shared pool and the assistance it could provide – particularly as the retail sector currently shoulders this responsibility alone. This report outlines options to assist holistic consideration of the issue.

The Game changer package is still high level. We are asking governments to take this package forward for further analysis, consultation and detailed development so that we can collectively change the game on energy consumer vulnerability.

Chair, Australian Energy Regulator

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1. The case for change

Energy is an essential service and it is crucial that the energy market meets the needs of all consumers, including those who are experiencing vulnerability. However, the energy sector has grappled with how best to support consumers experiencing vulnerability for decades.

When we talk about vulnerability, we are referring to circumstances that mean that a person may be less able to protect or represent their interests, less able to engage effectively or more likely to suffer detriment in the energy market. This includes having insufficient capacity to pay for energy use.

Anyone can find themselves in the position of being vulnerable, financially or otherwise. Most people will experience vulnerability in some form during their lifetime, and vulnerability can be temporary or permanent. Different people also experience vulnerability differently. The experience of vulnerability may stem from:

- individual circumstances, such as low income, lived experience of disability and/or mental ill health, or
- characteristics of the energy sector or products (such as complexity).

Research has highlighted that the drivers of vulnerability may vary, but the emotional toll it takes on consumers is largely consistent.[1]

The AER published *Towards energy equity – a strategy for an inclusive energy market* in October 2022.[2] The strategy is focused on working with sector stakeholders to build lasting and systemic reform that benefits all consumers experiencing vulnerability. We want to see consumers experiencing vulnerability offered timely and effective supports, which work for both consumers and energy businesses. Developing the Game changer initiative is one of the 15 actions identified in the strategy.

Our research to understand consumers' lived experience of vulnerability indicates that recent increases in the cost of living have placed an increasingly heavy burden on consumers, and that those already in financial hardship are becoming increasingly concerned. It also found that those who previously managed their energy bills without issue are needing to consider their energy consumption more actively. Consumers also told us that the energy market is highly complex and hard to navigate, which puts those experiencing vulnerability at risk.

Australian households are experiencing budgetary pressures relating to housing, food, energy, and healthcare[3] and, for many, this is affecting how they use energy:

Financial stress

More than half (53%) of Australians report just making ends meet or worse.

Making ends meet

Half of all Australians, and more than 90% of those financially stressed, have had challenges in paying bills or putting food on the table in the past 3 months.

Energy poverty

1 in 5 Australians can't afford to heat or cool their home to a comfortable level, and this is 4 times higher for those in financial stress.

Making sacrifices

35% of consumers in financial stress are skipping meals or eating less to pay their energy bills.

Cutting essentials

About half of those in financial stress are trying to reduce their energy bills by using less heating, cooling, hot water, and electrical and cooking appliances.

Within the energy sector itself, we are also seeing concerning outcomes. As at 30 June 2023, across Queensland, New South Wales (NSW), South Australia, the Australian Capital Territory (ACT) and Tasmania:

- there were 197,000 consumers repaying energy debt, which reflects growing numbers of consumers repaying energy debt in recent years[4]
- the average level of 90-day debt was around $1,000, across all customers[5]
- there were 17,800 gas and electricity customers who have 90-day debt that is 12 to 24 months old and 12,900 customers with debt over 24 months old[6]
- 114,000 electricity and 28,000 gas customers entered a hardship program in 2022–23, an increase of 6.5% and 3.7% respectively since 2021–22[7]
- the average debt for customers in a hardship program was $1,760 for electricity and $850 for gas[8]
- about 35% of electricity and 34% of gas hardship customers were not meeting their usage costs and were continuing to accrue debt[9]
- about 32,800 gas and electricity customers were disconnected in 2022–23.[10]

Similarly, in Victoria[11]:

- 5% more electricity and 13% more gas residential customers accessed tailored assistance in 2022–23 compared to 2021–22
- there was a 37% increase in the number of Utility Relief Grants applications in July 2022 to June 2023, indicating more customers experiencing payment difficulty
- while there were fewer residential customers disconnected for non-payment in 2022–23 compared with 2021–22, there were 11,651 residential electricity customers who experienced this.

> I am a single mother who lives off a combination of Centrelink payments and part-time income. I have had to enter into payment arrangements with [energy retailer] when finances were tight. Initially, it was up as a fortnightly transfer, but the problem now is that with rising living costs and Covid, I have had to turn this off in order to be able to afford food/rent.
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> **Participant insight from Bastion Insights research for the AER**

1.1 Vulnerability, the energy market and social policy

A core assumption underlying the design of the energy market is that customers will benefit from efficient and affordable outcomes delivered through retail competition, supported by a core set of consumer protections.

Under this model, it has generally been assumed that governments will use social policy tools through the tax and transfer system to redistribute income and support the most vulnerable in society. There continue to be significant ongoing efforts by governments to alleviate pressures for consumers experiencing vulnerability. In 2023–24, governments are spending billions[12] on concession, rebate and energy efficiency programs, up from an estimated $835 million in 2022–23 as a result of extraordinary energy bill relief following price rises in 2022.[13]

As the energy regulator we ensure retailers act in accordance with the national rules and regulations, which aim to mitigate the risk of harm to consumers through requirements for measures such as payment plans, hardship programs and handling of disconnections.

Energy retailers bear the risk of non-payment, while also having obligations to pay networks and generators. Ultimately, retailers do have the ability to disconnect a customer if they cannot fulfill their obligations under a hardship program or meet their energy costs. However the cost of managing any accrued debt remains solely with the retailer.

Many energy retailers have taken positive steps to fulfil their regulatory obligations and put in place programs and strategies to deliver better outcomes for customers experiencing vulnerability.

However, despite these efforts, there remain significant challenges.

Energy retailers expend considerable resources in assisting consumers experiencing vulnerability. However, the needs of these consumers are highly individualised, and the cost to serve them can be significant. Individual retailers may lack the levers and capability to address consumers' broader circumstances. In addition, the capability of businesses to effectively support consumers is highly variable across the sector.

> I was unemployed and couldn't afford the electricity bill. I called my provider to try and organise a payment plan but I wasn't able to make the repayments they wanted and they weren't willing to lower them to accommodate my situation. As a result my power was cut off. For almost a month I was using torches until I was able to organise the money to pay the bill. I felt embarrassed and worthless.

Participant insight from Bastion Insights research for the AER

Retailer incentives are also not fully aligned with the needs of customers experiencing vulnerability. There can be an overreliance on disconnection (or the threat of it) to manage consumer debt which leads to poor outcomes for customers.

Data from 30 June 2023 illustrates this ongoing overreliance on disconnection:

- 3,794 (19%) electricity and 855 (22%) gas customers were disconnected more than once in the previous 24 months[14]
- 33% of electricity and 23% of gas customers disconnected have debt greater than $1,500[15]
- 554 electricity customers who successfully completed a retailer hardship program in the previous 12 months were disconnected, with around 359 reconnected by the same service provider within 7 days.

There are also barriers impacting consumers, which mean they sometimes cannot access information or support. For example, consumers may not be aware that an energy efficiency program exists or may be unable to make use of the program because a financial contribution from them is required. The challenges experienced by consumers may be compounded by market complexity and individual consumer experiences of vulnerability.

In addition, there are information and capability gaps within governments and the sector, which make it harder for consumers to get the assistance they need. For example, many consumers do not receive the concession that they are eligible for because they are unaware of it and the current systems cannot provide the information for concession eligibility to be identified easily. For instance, 38% of consumers who are eligible for concessions in South Australia did not receive their concessions. Across the other states, this gap is 35% in NSW, 31% in the ACT, 29% in Queensland, 19% in Tasmania, and 7% for electricity and 12% for gas customers in Victoria.[16]

> It was just a really dark time. I was relying on boiling water to wash myself and all this kind of stuff was very difficult. … It's quite traumatising, actually.

Participant insight from Uniting, Game Changer Consumer Exploration Workshops

Added together, these challenges mean that consumers experiencing vulnerability and payment difficulty are often not identified as early as possible and may not be accessing the support that they need. This leads to the build-up of customer debt, and the risk of disconnection with the consequence of being forced to live without energy.

Research undertaken for the AER in March 2022 identified $645 million in quantifiable financial costs for the energy system (including consumers, non-profit organisations, governments and consumer-facing energy businesses) driven by vulnerability each year.[17] This excludes the significant funds invested by governments to address vulnerability, including rebates and concessions.

In addition, there are also non-quantifiable costs, like impacts on population health and wellbeing that is not accounted for.

Given these persistent issues and the cost of accepting the status quo, a different approach is needed. We identified a significant opportunity to work in collaboration with sector stakeholders to drive systemic change and advocate for an energy system and market that is inclusive of a broader range of consumers and that provides better outcomes for consumers experiencing vulnerability.

We have used these insights and inputs to design a suite of proposed 'Game changer' solutions.

The aim of the Game changer initiative is to:

Better balance cost and risk within the sector so that consumers experiencing vulnerability are identified early and get the support they need to improve outcomes.

> People are in a lot of hardship at the moment, not to mention what's coming. It's going to get even worse.

Participant insight from Uniting, Game Changer Consumer Exploration Workshops

2. How we developed the package

The AER has worked in collaboration with energy sector stakeholders throughout the process of developing the Game changer package. In March 2022, we established a Leadership Group comprised of senior stakeholders from industry, government, market bodies, ombudsman schemes and consumer advocates, to discuss the case for change and potential solutions.

The Leadership Group identified overarching principles for designing the Game changer reforms, to ensure the solutions proposed would be fit for purpose:

- **Impact** – deliver systemic reform for consumers experiencing vulnerability and support consumers with complex needs
- **Scale** – materially reduce the quantifiable and unquantifiable costs of consumer vulnerability
- **Efficiency** – improve efficiency of the energy system and incentivise businesses to identify customers experiencing vulnerability as early as possible
- **Equity** – deliver more equitable outcomes for energy market participants including better risk allocation
- **Context** – optimise with complementary supports for consumers experiencing vulnerability and avoid unintended consequences
- **Agility** – respond to the evolving energy system durably.

The Leadership Group also agreed on the need for a dedicated Design Group to develop potential reform ideas and options to implement them. In November 2022, we called for nominations and selected nominees from across the sector to form the Design Group.

The Design Group was made up of representatives from energy businesses, consumer groups, researchers, government and market bodies. Each representative brought different skills, expertise and perspectives to develop a suite of solution concepts for Game changer. Further details on membership of the Leadership and Design Groups are provided at the back of this report.

The broad scope of the Design Group was agreed to by the Leadership Group as outlined in the group's terms of reference.[18] The Design Group's aim was to co-develop possible Game changer solutions and options to implement them, assess how well the options meet the design challenge and principles for Game Changer, and provide potential approaches for the Leadership Group's consideration.

The Design Group's terms of reference set out a number of initial potential solutions as a starting point for the group to further consider and refine, namely:

- central service body – centralised body with responsibility for engaging and assisting consumers experiencing vulnerability with specialised, targeted, and individualised support
- financial supports – supports that reduce the cost of energy consumption, energy efficiency, or energy debt for consumers, such as social tariffs, hardship payments, debt waivers, or community energy offers
- retailer re-insurance pool – mechanism to defray some retailer costs (for providing support to consumers experiencing vulnerability) and risks (of customer default)
- other ideas (examples) – disconnection protections (a system whereby no customer who cannot afford to pay is disconnected) or an innovation incentive fund (a scheme to incentivise development of new, more effective products and services for consumers experiencing vulnerability).

In March 2023, the Design Group presented 18 refined ideas to the Leadership Group for consideration and feedback. The outcome of this discussion was that the Leadership Group agreed to prioritise 13 ideas for further development and asked the Design Group for advice on how they could be packaged.

These 13 ideas were analysed further and a Design Report was prepared for Leadership Group's consideration.

Leadership Group members provided feedback on these ideas between July and September 2023 through one-on-one meetings with AER Board members. The AER took this feedback on board, further refined many of the ideas presented in the Design Report and compiled the Game changer package presented here.

The Game changer package incorporates learnings from:

- quantitative data from AER retail performance reports which illustrate trends in customer debt, hardship and disconnection
- research on best practice approaches for addressing consumer vulnerability
- research on the case for change for consumer vulnerability[19]
- consumer exploration workshops from late 2022 to early 2023 led by Uniting with consumers who have experiences of living in vulnerable circumstances[20]
- stakeholder feedback from industry, government, market bodies, ombudsman schemes and consumer advocates, including the Leadership Group and Design Group members.

We have learned through the design process and engagement with Leadership Group that:

- More needs to be done to improve outcomes for consumers experiencing vulnerability, particularly given cost-of-living pressures.
- It is important to preserve the retailer–customer relationship.
- Retailers can and should undertake a range of support measures to assist consumers experiencing vulnerability.
- While there is appetite to share the cost of vulnerability across the supply chain, there is less willingness to see other participants to take on the risk that sits with retailers.
- There is recognition that the cost of funding Game changer will impact consumers' bills and it is critical to ensure any initiative delivers measurable improvements for consumers experiencing vulnerability.
- There are many existing support schemes but barriers limit the uptake and impact of these initiatives, particularly for consumers experiencing vulnerability.
- We need to consider the problem and the solution holistically, including preventative, support and relief measures.

Additionally, through the consumer exploration workshops we learned that:

- **The energy market is complex, difficult to navigate and not inclusive.** Consumers find energy bills, comparison websites, and energy plans confusing. Consumers also face significant social and emotional barriers to seeking support, and noted the important role that financial counsellors can play in helping them navigate the energy market.
- **Service quality is variable.** Consumers emphasised the wide variation in the level of support they received from different retailers during times of hardship. Consumers particularly highlighted the lack of information provided about concessions, with many feeling that information on concessions is 'hidden' rather than being provided in a more proactive way. Consumers also noted the need for consistent quality of service through standardised training on vulnerability.
- **Unaffordable energy bills lead to underconsumption.** Energy is becoming less affordable, particularly alongside increases in other essential costs such as housing. Consumers indicated they were making other sacrifices in order to pay their energy bills, with some consumers sharing with us their experiences of food insecurity leading to underconsumption of energy, 'dumpster diving' or receiving food from charitable organisations.
- **Disconnection has a range of consequences** (such as food wastage and insecurity, and emotional trauma). Consumers believe that energy businesses should not be able to disconnect customers from an essential service, especially hardship customers. Consumers noted that energy is 'almost as essential as clean water' and critical to participating in society.
- **Consumers distrust energy companies.** While some consumers have had positive experiences with their retailers, others express a lack of trust in energy companies generally, particularly when it comes to acting in their customers' best interests.

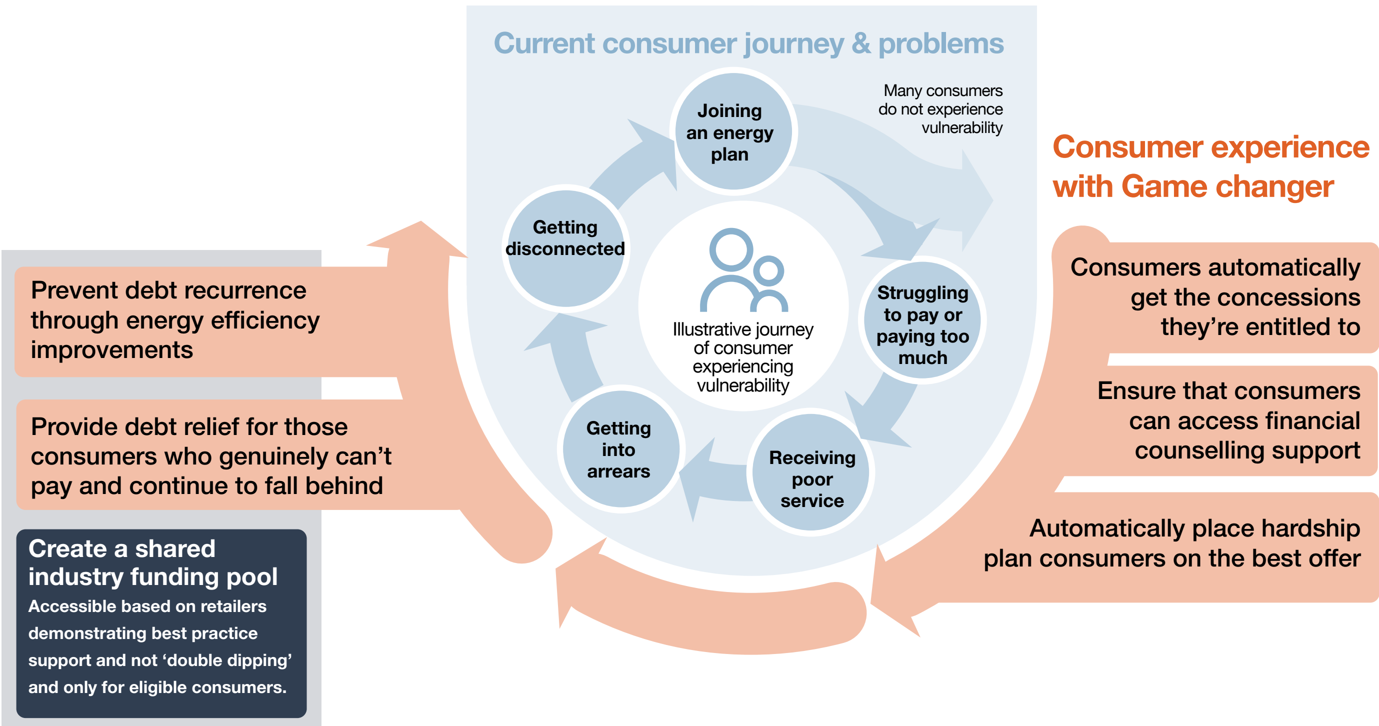
The AER considers that by bringing together and building on these learnings, the proposed Game changer package will provide an effective, holistic and fit-for-purpose reform package, which will improve outcomes for vulnerable consumers.

3. The Game changer package

We recommend that the Australian Government and state and territory governments progress detailed consideration of a package of reforms that will holistically improve outcomes for consumers experiencing vulnerability, particularly acute financial hardship. While the statistics we present in this report are largely drawn from definitions and reporting requirements in Queensland, NSW, the ACT, South Australia and Tasmania, the package is applicable to all National Energy Market jurisdictions, including Victoria.

The package aims to better address vulnerability throughout the energy consumer journey, while recognising the variation in consumers' circumstances and that the experience of vulnerability is dynamic. The package contains elements that incentivise retailers to identify consumers experiencing vulnerability early and provide help as soon as people start to struggle. Other elements provide more intensive support to consumers whose debt burden has become insurmountable. This is a game changing package of measures designed to break the cycle of energy debt. Excising any individual component will jeopardise this objective. Without improving access to concessions and better offers, the risk of experiencing payment difficulties is heightened. Without access to financial counselling, targetted debt relief and improved energy efficiency, consumers find it much harder to navigate and recover from financial hardship and face a greater risk of falling back into debt.

Figure 1: The Game changer package



To help avoid payment difficulty and minimise hardship early in the consumer journey it is important to ensure that people are receiving the concessions or rebates they are entitled to. Concession and rebate system upgrades are needed to allow retailers to automatically apply these discounts and to ensure a consumer can switch retailers without losing their concession or rebate.

To assist people to get help as soon as they start to struggle, we want to ensure consumers can access financial counselling, so that a trained and trusted person can provide assistance with a full undertanding of the consumer's circumstances, and help them to navigate their way through their payment difficulty.

A consumer facing hardship should also be automatically placed on their retailer's best offer for their circumstances, so they are paying as little as possible for their energy.

For some consumers, these support measures will be insufficient. They will still not be able to meet the costs of their ongoing energy use and are likely to continue accruing debt.

For these consumers, the Game changer would mean that debt relief would be made available, with some funds coming from the consumer's retailer and the rest made available via an approved financial counsellor or community organisation drawing on a shared funding pool. This shared funding pool would also be able to co-fund, with energy retailers, energy efficiency upgrades in the consumer's home, removing barriers to leverage existing government energy efficiency initiatives and reducing ongoing energy costs for the household.

The Game changer package of measures work collectively to:

- Lower bills for consumers experiencing vulnerability by ensuring they receive their concession entitlements and are on the best tariff available.
- Ensure financial counselling assistance is available for those who need support, to address their financial problems, manage debt and make informed choices.
- Provide debt relief for consumers who cannot pay off their entrenched debt and help to reduce their bills long term through energy efficiency measures.

They also complement existing government priorities and reforms.

3.1 Lower bills for consumers

This element of the Game changer package would make it easier for consumers to access existing support schemes and options to lower their energy bills.

Many consumers do not take advantage of the schemes available to support them, including concessions and rebates that can lower their bills and competitive energy offers.

Over half of all electricity hardship customers and one-third of gas hardship customers receive energy concessions.[21] However, research by the Consumer Policy Research Centre (CPRC) identified a significant gap between those eligible for energy concessions and those receiving their concession on their energy bill. The research showed that 38% of consumers who are eligible for concessions in South Australia did not receive their concessions. Across the other states, this gap is 35% in NSW, 31% in ACT, 29% in Queensland, 19% in Tasmania, and 7% for electricity and 12% for gas customers in Victoria.[22]

Consumer exploration workshops also highlighted how difficult it can be for consumers experiencing vulnerability to access concessions, with multiple participants referring to the experience as similar to 'stumbling' around in the dark.[23]

Through the Game changer design process we identified specific barriers at each stage of the concession journey, including knowing concession support is available, seeking concession support, receiving concession support and maintaining concession support over time, particularly when switching retailers.

We have also heard from stakeholders that concession systems:

- hold information that is relevant and potentially beneficial for consumer outcomes across multiple sectors, but that cannot be easily accessed by retailers
- are outdated, with information held in multiple places including retailers, and state and federal agencies
- have proven difficult to simplify and improve
- disincentivise switching to better energy offers due to loss of concession for a period and the need to reapply.

The primary issues reported by stakeholders were the complexity of systems and data, and difficulty working with relevant government data owners, particularly noting privacy concerns. For example, in 2022–23, 11% of electricity and 7% of gas hardship customers were assisted by their retailers to access concessions that they were not otherwise receiving, and 27% of electricity and 35% of gas hardship customers were assisted with accessing a rebate they were not otherwise receiving.[24] This highlights what many stakeholders noted, that systemic changes to the coordination of concessions data could deliver improvements for consumers.

Concession and rebate systems should be upgraded to facilitate centralised access to eligibility data for retailers, so they can verify if a consumer is entitled to a concession or rebate and automatically apply it to the consumer's account. System upgrades should also ensure that consumers are able to switch retailers and retain their concessions, without the need to reapply. These system upgrades would increase the proportion of eligible consumers that receive the energy concessions they are entitled to and remove the disincentive to switch via concession portability. Consideration also needs to be given to ensuring concessions and rebates are flowing to those who need them most, and in ways that keep up with changing energy costs.

Government leadership is required to solve this problem because eligibility for energy concessions is generally determined by receipt of certain social security payments or tax benefits. We recognise that system upgrades and centralised access to eligibility data may be technically challenging to implement. However, it is in line with other government initiatives such as digital ID. The energy sector can support it through improvements to retailer systems as needed to facilitate a streamlined concession journey that minimises the onus on, and friction for, the consumer.

We also learnt through the consumer exploration workshops that consumers experiencing vulnerability often do not have the time, energy or mental capacity to determine if there is a better offer that could save them money.

The Better Bills Guideline v2 came into effect on 30 September 2023. It requires retailers to regularly assess whether each customer could be on a better offer and publish this on their bills. The Game changer would build on this by requiring retailers to automatically move hardship customers to a better offer if available. This would require modified arrangements for explicit informed consent so that consumers retain agency over their energy plans, such as ensuring they are fully informed before taking up this option and allowing them to opt-out of automatic placement if an offer does not suit their circumstances. Some design considerations in this regard are discussed in section 4.

In combination, these measures would reduce energy bills and help prevent or reduce hardship.

The cost to consumers of the time spent navigating the energy market was estimated at 15%, or $108 million, of the $643 million in quanitifiable annual cost of vulnerability.[25] Automating access to concessions and rebates for all eligible consumers and to better offers for those experiencing hardship would substantially reduce these costs. It would also reduce the stress and anxiety that consumers, particularly those experiencing vulnerability, often associate with navigating the energy market and comparing plans

3.2 Ensure financial counselling assistance is available

Financial Counselling Australia reports that 125,000 face-to-face clients are helped each year by financial counsellors and 130,000 calls are made to the National Debt Helpline.[26]

Analysis has shown that financial counselling delivers quantifiable financial returns 5 times the investment required.[27] Financial counsellors are uniquely placed to provide benefits for both consumers and retailers, as they:

- are trusted by consumers and valued by industry, as evidenced in our consumer exploration workshops and stakeholder research
- have visibility of a consumer's overall financial situation to get an accurate and holistic picture
- understand the concessions and support schemes that a consumer may be able to access, specific to their location, to help them navigate the energy market more effectively
- can assess a consumer's ability to pay, and the impact on the consumer of being forced to pay
- can be nominated by the consumer to act as their representative in discussions with retailers; for example, to determine a reasonable and sustainable payment plan.

In 2019, a review into the coordination and funding of financial counselling services undertaken by Louise Sylvan AM (the Sylvan Review) identified that there is unmet demand for financial counselling services, with many consumers being turned away.[28] The review found that funding is the largest impediment to more Australians in financial hardship being able to access financial counselling. The Sylvan Review recommended that industry contribute funding to address unmet demand for services, as they contribute to demand for services and benefit from their customers accessing financial counselling services.

The Department of Social Services (DSS) has initiated the Financial Counselling Industry Funding Model to boost support for Australians who are experiencing financial difficulty by collecting and distributing voluntary contributions from industry.

DSS is progressing memoranda of understanding (MOU) across the banking, finance, insurance, energy, telecommunications and online gambling sectors to commit to funding contributions. The Australian Energy Council (AEC) has entered into one such MOU with DSS, with 7 large energy retailers committing to provide funding to financial counsellors over 3 years. DSS is also engaging with energy network businesses and hopes to confirm an MOU for further contributions by the end of 2023.

Demand for financial counsellors, and therefore funding, is anticipated to continue to increase. We consider there is an opportunity to build on the experience of the DSS voluntary funding model to look at moving to mandatory contributions in the future.

Consideration may also be given to providing funding contributions for approved financial counsellors or community service organisations through a shared funding pool at a later stage.

The extension of financial counselling services would give consumers access to help to develop budgets, understand the pros and cons of different options to manage financial issues, access grants or concessions, understand which debts are priorities, negotiate with service providers, access dispute resolution services, and understand their rights and access legal help.

Under the Game changer, approved financial counsellors would also assist consumers in accessing debt relief co-funding and energy efficiency measures through a shared funding pool. Design considerations in this regard are discussed further in section 4.

3.3 Provide debt relief for consumers and help to reduce their bills long term

For those customers facing acute financial hardship, the Game changer package proposes that carefully targeted debt relief would be made available. It is proposed that funds would come from the consumer's retailer and the rest made available via an approved financial counsellor or community organisation drawing on a shared funding pool.

The Game changer package proposes that retailers would only be able to access these arrangements and funds where they have demonstrated that they have provided best practice support to the consumers. By tying access to co-funding to a demonstration of best-practice customer support, retailers will be incentivised to optimise their support practices for all consumers, not just those who may become eligible for debt relief.

In addition, the best practice requirement also mitigates moral hazard risk – namely, the risk that retailers will seek to use access to debt relief funding as a mechanism to avoid supporting consumers experiencing vulnerability and to shift their costs onto other sector participants (namely those contributing to the funding pool).

The types of activities that retailers could undertake to demonstrate that they have provided best practice support for consumers in hardship programs include:

- ensuring early identification of consumers experiencing vulnerability
- ensuring the customer is on the best tariff available for their circumstances, including transferring a customer to a different retail market contract, or from a standard retail contract to a market retail contract
- applying all eligible concessions and rebates
- providing incentive payments or discounts
- payment matching
- reimbursing or crediting late payment fees, or lost pay-on-time discounts
- providing new appliances through appliance replacement programs
- conducting an energy efficiency audit of the consumer's home.

These actions should lift outcomes for all consumers experiencing vulnerability and can be tracked with existing retail performance reporting data collected by the AER.

To demonstrate best practice support for consumers retailers should also illustrate that they are working to identify consumers experiencing vulnerability at an early stage. The benefits of incentivising early identification of vulnerability are demonstrated by the following case studies:

- Yarra Valley Water's WaterCare program focused on early identification of, and intervention provided to, consumers experiencing vulnerability including increasing the organisation's awareness of groups with a higher risk of vulnerability. The program has resulted in around a 50% reduction in the number of supported customers whose debt levels exceed $1,000. In addition, customers transitioning back to mainstream payment plans has increased by 168%.[29]
- After learning that most defaults were due to health, job or marital problems, National Australia Bank revised its debt collection department to shift from penalising people in default to assisting them in developing a work-out plan, enabling more than 90% to meet their payments and get back to good credit standing, while saving the bank more than $80 million in bad debt annually.[30]

However, retailer performance data shows that more can be done to improve identification of vulnerable consumers. There are 197,000 consumers repaying energy debt across Queensland, NSW, South Australia, the ACT and Tasmania in 2022–23, which is an increase of 34% over the past 5 years. The average level of 90-day debt across all customers is around $1,000. There are also 17,800 gas and electricity customers who have 90-day debt that is 12 to 24 months old, and 12,900 customers with debt over 24 months old.

In addition, 114,000 electricity and 28,000 gas customers entered a hardship program in 2022–23, an increase of 6.5% and 3.7% respectively since 2021–22. The average debt for customers in a hardship program is $1,760 for electricity and $850 for gas customers.[31]

These average debt levels are significant and may be difficult to reduce when there is limited to no disposable income available, considering 10% of electricity and 39% of gas non-hardship customers on payment plans pay off less than $50 per fortnight.[32]

In addition, these consumers need to continue to use energy and so keep accruing new debt. For example, on 30 June 2023 almost 30,000 electricity consumers within hardship programs had signed up to payment plans that covered their usage costs.[33] However, a further 34,000 electricity hardship customers were on payment plans that did not cover their usage costs.[34]

Growing energy debt for this cohort of consumers has the potential to entrench a cycle of vulnerability and energy poverty. For these consumers, more must be done to prevent energy debt becoming insurmountable.

The Game changer package proposes that debt relief is made available to this cohort who are experiencing acute hardship.

We have heard how important it is to retain the relationship between retailers and consumers. Crucially the proposed approach does not interfere with the retailer-customer relationship and avoids placing any additional administrative, cognitive or time burden on the consumer.

This model also improves incentives for retailers to ensure that they are providing consumers experiencing vulnerability with all available supports before they apply for an industry debt relief co-contribution. There would not be an onus on retailers to offer debt relief or apply for an industry co-contribution for debt relief, if they feel it is reasonable to recover that debt within the bounds of the law.

In 2022–23, 15% of gas and electricity hardship customers received debt reductions via hardship programs.[35] Many retailers involved in the Game changer design process have noted that they run pay-in-kind debt relief programs (for example, a retailer providing debt relief with a commitment from a consumer to use less energy) with good results. Debt relief initiatives have been shown to deliver value for money, encourage positive long-term consumer-retailer engagement, increase consumer retention, and improve the retailer's reputation among consumers.

For consumers experiencing financial hardship, the impact of debt relief can be substantial and at times life changing. Retailers have shared with us examples of consumer feedback, in which they express their gratitude, delight and sense of relief at receiving debt relief. We have heard similar stories from many community organisations and consumer advocates.

The Game changer would build on these positive experiences by better sharing costs within the sector and increasing the amount of relief available, through access to matched funding in the shared industry pool.

However, we recognise that debt relief is only one half of the equation. To avoid continued debt accrual and help consumers escape a cycle of unmanageable energy bills, it is crucial to help them to reduce their energy consumption through energy efficiency improvements.

In addition to the home energy audits offered by retailers, state and federal jurisdictions already offer many energy efficiency support initiatives. Some examples include the ACT's Home Energy Support rebates, NSW's Rebate swap for solar or energy upgrades program, Queensland's Climate Smart Energy Savers rebate, and the Victorian Energy Upgrades for households' program. Additionally, the recent Federal Budget includes $300 million over 4 years from the Household Energy Upgrades Fund for social housing energy performance upgrades.[36]

We have heard that it is often difficult for consumers experiencing financial vulnerability to take advantage of the advice from home energy audits and energy efficiency schemes for several reasons:

- The scheme offers a rebate but requires the consumer to outlay initial costs, which can prohibit access by consumers with limited finances.
- The scheme only contributes a portion of the total costs and requires the consumer makes a co-contribution, which they cannot afford.
- The program is only available for homeowners and not renters. Renters often pay disproportionately high bills due to the poor energy efficiency of their rented property and their landlords may be unwilling to outlay the capital costs of energy efficiency-based improvements that do not directly benefit them.

The Game changer package aims to improve access and uptake of existing energy efficiency measures for consumers experiencing financial vulnerability, by providing financial co-contributions from retailers and the rest of industry.

It is proposed that industry contributions to energy efficiency measures be provided through the shared funding pool, with access gained through accredited financial counsellors or community organisation. These funds could help to mitigate the current barriers faced by consumers in financial difficulty, and work in combination with existing government schemes or funding.

In 2022–23, only 1.6% of electricity hardship customers and 0.36% of gas hardship customers had onsite energy audits arranged by their retailer. The proposed model incentivises retailers to deliver audits for customers that have been identified early as needing additional support. The Game changer proposal then provides a pathway for retailers to assist consumers with implementing the recommendations from the audit at minimal or no cost to the customer.

The provision of assistance for energy efficiency measures should help to reduce the consumption of the eligible consumer, potentially reducing their energy costs. Working in combination with debt relief assistance, these measures should assist in preventing the customer experiencing recurrent debt problems, helping to lift them out of vulnerability.

Illustrative example of shared funding pool

Central to the Game changer problem statement is the ambition to better share the risk and costs of vulnerability across the energy industry, while most of the cost would still be borne by retailers and governments. To allow co-contributions from the wider industry for measures such as debt relief and energy efficiency improvements, a shared industry fund needs to be established to collect and distribute funds from energy network and generator businesses in all jurisdictions.

Existing mechanisms and approaches could be used to collect funds for the pool, such as a levy via AEMO. Several design considerations could also determine the nature of contributions to the pool and its total size.

However, to illustrate the model, we have set out an example of how the pool could operate and how this could translate into a total cost. The pool could:

- make assistance available to those gas and electricity customers who are on payment plans that don't meet their ongoing usage costs and who can't afford to pay more
- provide an average of $500 of debt relief to each consumer, matching an equivalent amount from retailers so that each consumer receives an average of $1,000 total debt relief
- provide an average of $500 towards accessing energy efficiency schemes, again matching retailers so each consumer receives an average of $1,000 total from industry. This could then be used in addition to funding via the government scheme with advice from either a retailer or an approved financial counsellor or community organisation.

Based on the figure for the June 2023 quarter of around 40,000 hardship payment plan customers in these circumstances, this would require $40 million for the shared funding pool per year, with retailers paying another $40 million.

As at 30 June 2023 there was roughly $194 million accumulated consumer energy debt across Queensland, NSW, South Australia, the ACT and Tasmania.[37] Retailers face direct costs to service this bad debt, which are passed on to consumers. Reducing bad debt costs for retailers should ultimately reduce the cost to consumers.

More work is required to calculate the exact contributions of each network and generation business, but we expect that inputs would be based on the number of gas and electricity customers (for networks), MWh generated (for generators) and the proportions that generators and networks each contribute to the bill. We believe regular reassessment of the calculations may be useful.

The AER has done rudimentary calculations and estimates that if $40 million was contributed to the shared funding pool annually by networks and generators, this would equate to the following cost increases for consumers' each year:

- average residential customer – $1.27 (electricity) and $1.52 (gas)
- average small business customer – $3.68 (electricity) and $3.83 (gas)
- average medium-large customer – $55.08 (electricity) and $32.50 (gas).[38]

These figures assume that 100% of cost is ultimately passed onto consumers and do not consider the possible reduction in retailer costs that may be passed onto consumers associated with reduced energy debt levels.

We know from industry research with consumers that there is a willingness to provide small financial contributions to help consumers experiencing financial difficulty. For example, Australian Gas Networks undertook stakeholder engagement through customer workshops that indicated that 77% of their customers actively supported a vulnerable customer assistance program at a cost of between $1 to $2 per year on their bill. A further 19% of their customers were slightly to moderately supportive of such a program.[39]

There is the potential for the energy sector's contribution to the Financial Counselling Scheme to be incorporated into the shared funding pool once it is established. We have not included this funding in the current model, as DSS already has an MOU in place with retailers for voluntary funding for the next 3 years and is in discussions to agree a similar MOU with energy networks.

Further design considerations for the shared funding pool are set out in section 4.

4. Further design considerations

We are asking governments to take this package forward for further consideration, consultation and detailed development. We recognise that the reforms proposed in the previous section are developed to a high level and will require more work before considering implementation.

In some cases, governments may choose to consider a pilot trial to test how these ideas might work, potentially limited to one jurisdiction or cohort of customers in the first instance, before broadening their application. The package could be delivered in a modular fashion should governments consider that some ideas can be progressed more rapidly than others. These considerations may also be viewed differently by each jurisdiction, depending on their specific context and issues for consideration.

To facilitate further exploration of the package, the following section outlines potential areas for consideration in relation to each element of the Game changer package. These have been identified through consultation and development by all stakeholders involved in the Game changer design process.

4.1 Concession and rebate system upgrades

We believe that concession and rebate systems should be improved to allow automation, portability and proactive support to ensure more consumers receive the concessions and rebates to which they are entitled. The key principle behind these proposals is reducing the onus on the consumer by making it easier for them to access their concessions. In doing so, the following design issues should be considered:

- **Data sharing and privacy:** Due to the separation between concession eligibility bodies (such as Centrelink) and concession delivery bodies (such as energy retailers), information must be shared between organisations to identify eligible consumers, confirm their eligibility, and apply concessions to their energy account. Any changes to data sharing arrangements would likely require a privacy impact assessment. One potential route that could assist with data sharing and we believe should be explored is using the government's Digital ID scheme. We understand that future iterations of the scheme are likely to allow accredited private entities access to MyGov, potentially including energy retailers.
- **Explicit informed consent:** Explicit informed consent is how 'customers give retailers permission to do something on their behalf'.[40] Because of the need for data sharing, consent plays a critical role in any approach to automating concessions. In the current framework, Services Australia is unable to proactively share consumer eligibility information with energy retailers, although it can confirm eligibility for retailers using its Centrelink Confirmation eServices system. Governments would need to consider any necessary adjustments to the current consent framework, contracts, policies and terms of use to streamline sharing of eligibility information, and ensure that consumer protections are not materially diminished by any changes.
- **Information technology systems:** Proactively sharing concession eligibility information would require updates to both government and retailer systems to, for example, enable the provision of more personalised concession information or to better facilitate the sharing of relevant data (such as the consumer's Centrelink Customer Reference Number, or CRN) between retailers when a customer switches.
- **The consumer concession/rebate journey:** To make it easier for consumers to access their concessions and rebates, the journey from awareness to application should be as simple and seamless as possible, including when it comes to accessing concession information and providing consent for necessary data sharing. This is likely to require updates to a range of systems and processes, including customer onboarding, information provision, service delivery, and eligibility confirmation. Different groups of consumers would also need to be considered, such as consumers from culturally and linguistically diverse backgrounds or those with limited digital literacy or access.

In developing this element of the package, we identified several options to upgrades concession and rebate systems, including:

Option	Summary	Key strengths	Key risks
1(a): Centrelink opt-in	Consumers would provide necessary consent and information for their eligibility to be shared with energy retailers when they apply for a Centrelink benefit. Services Australia would 'push' this information to retailers and state governments.	› Best addresses consumer and structural barriers. › Best opportunity to minimise journey steps, if consent for data sharing can be captured at initial application step.	› Relies on change to consent framework, which would need to be explored with Services Australia (may require legislative change). › May affect the delivery of jurisdictional policies or programs. › Significant investment in system builds (may require shared funding). › Likely to increase data transaction volume and costs over time.
1(b): Jurisdictional opt-in	Consumers would provide necessary consent and information to a jurisdictional eligibility body when applying for concession. Jurisdictional body would confirm eligibility and push this information to retailers.	› Aligns with some existing jurisdictional programs. › Addresses trust barrier.	› Requires changes to jurisdictional policies, programs and systems. › Likely to increase variation across jurisdictions, exacerbating some barriers.
1(c): Retailer opt-in	Consumers would provide consent to retailers to check their eligibility on an ongoing basis, including when their benefits change. Retailers would use existing systems to confirm and apply concessions.	› Minimal system builds/updates. › Fosters retailer–customer relationship.	› Likely to require change to consent framework, which would need to be explored with Services Australia (may require legislative change). › Doesn't address market or trust barriers.
2: Portable concessions	Consumers would be able to transfer relevant concession data (including CRN) when switching energy retailers.	› May align with existing updates. › Future-proofing.	› Narrowly targeted. › May be difficult to align timing with current updates. › Privacy still needs to be addressed.
3: Proactive concessions	The energy sector would use funding from a shared funding pool to build and run an eligibility checking tool as a 'first stop shop' to provide clear, consistent, personalised concession information and facilitate a streamlined concession journey.	› Could expand on existing programs to reduce costs. › Addresses a range of key barriers.	› Primary onus remains with consumers. › Doesn't address needs of some consumer sub-groups. › May result in some duplication of existing tools.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Advocate with relevant stakeholders outside the energy sector (including Services Australia and jurisdictions) to explore implementation options for automated concessions and rebates, including undertaking or committing to supporting actions as needed.
- Scope a cross-sectoral and cross-jurisdictional energy concession eligibility tool for implementation, in line with the following parameters: act as a 'first stop shop' providing clear, consistent and personalised energy concession information; be supported by improvements to retailer systems as needed to facilitate a streamlined concession journey that minimises the onus on the consumer; build on existing programs and platforms; and coordinate a consistent approach across jurisdictions as much as possible to simplify implementation and minimise costs.
- Some sector participants also suggested that there is a need to undertake energy concessions and rebate review and reform (relevant to jurisdictions) to improve equity, accessibility, and better meet people's energy needs and changing circumstances. The recommendations of the ACCC's 2018 Retail Electricity Pricing Inquiry may provide a starting point for these considerations.[41]

4.2 Automated better offer

The Game Changer recommends requiring retailers to automatically place consumers in hardship programs on a better offer (as defined in the Better Bills Guideline v2). In doing so, the following design issues should be considered:

- **Explicit informed consent:** The most fundamental change proposed by this idea is to modify or remove explicit informed consent requirements for automatically switching consumers to a better plan. The obligation for retailers to obtain and record explicit informed consent from a consumer before switching or changing their plan is set out in the National Energy Retail Law. Therefore, any proposal to automatically switch consumers to a better offer would require a review of explicit informed consent obligations, and almost certainly legislative change. Game changer consultation outcomes suggest that the benefits are likely to outweigh risks for disengaged consumers. However, similar to the point on concession and rebate system upgrades, governments would need to ensure that consumer protections are not materially diminished by any changes to explicit informed consent obligations.
- **Targeting:** Initial feedback from retailers suggests that it would be most relevant to apply automated better offers to consumers on a hardship program, which were approximately 96,000 customers or 1.4% of all customers across Queensland, NSW, South Australia, the ACT and Tasmania as at 30 June 2023.[42] However, automation of applying better offers could be extended to a wider audience than those on hardship programs. For example, it could be extended to all non-hardship consumers who have an energy debt (197,000 consumers) or only to the subset of non-hardship consumers who have an energy debt and are on payment plans (141,000 consumers).[43]
- **Implementation requirements:** Options for implementation are likely to require changes to retailer billing systems. Any change to retailer systems would require time to implement and come at a cost.

Several options to implement the automatic application of better offers have been identified:

Option	Summary	Key strengths	Key risks
1. Automated switch with post-switch reversal	Retailer notifies customer that automated switch has taken place and the customer can choose to reverse the switch during the existing 10-day cooling-off period.	› Creates the strongest default for maximum impact on the outcome.	› Consumers experiencing vulnerability may not be able to notify retailer of desire to reverse switch within the cooling-off period.
2. Automated switch with pre-switch opt-out and post-switch reversal	Retailer notifies the customer of an upcoming automated switch and the customer can choose to opt out beforehand or reverse the switch during the cooling-off period.	› Balances consumer control with stronger default.	› Consumers experiencing vulnerability may not be able to notify retailer of desire to reverse switch within the cooling-off period.
3. General consent for automated switch in future	Customer provides consent for retailer to automatically switch them to a deemed better offer in the future. Customers can choose to reverse the switch during the cooling-off period.	› Maximises consumer flexibility and control.	› Requires consumers to opt in, thereby retaining onus on consumer and decreasing potential impact.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Undertake further research to understand any potential negative consequences and how they might be mitigated, including consideration of the needs of specific consumer groups who may require additional support to avoid unintended consequences.
- Conduct further user research to understand how consumers experiencing vulnerability respond to potential options.
- Conduct research to determine any relevant findings following implementation of the Better Bills Guideline v2 on 30 September 2023.

4.3 Improving access to financial counselling support

Stakeholders involved in the Game changer process have been supportive of the work underway by DSS to establish voluntary 3-year funding agreements via MOUs with industry organisations from multiple sectors, including energy. We believe there may be opportunities to build on the existing Financial Counselling Industry Funding Model, to provide further support and broaden the scheme's effectiveness, as part of the Game changer reforms. For example, funding to the Financial Counselling Scheme could be increased, made mandatory or dispersed from an industry shared funding pool.

In further developing this idea, the following design issues should be considered:

- An evaluation of the outcomes of the DSS scheme should be undertaken after 1 to 2 years. An expansion could be considered to provide further funding above the requirement for unmet demand for financial counselling in the future, and to provide services to a wider cohort of consumers experiencing vulnerability.
- The Game changer package proposes an additional role for financial counsellors – to administer debt relief and co-contributions for energy efficiency upgrades. These functions would require financial counsellors to become accredited, which could require more funding.
- There are fewer approved financial counsellors in some regions – for example, in Far North Queensland and Tasmania. How support will be distributed across regions will need to be considered, particularly given anecdotal evidence from retailers indicating the importance of providing funding for local organisations that provide on-the-ground services for local customers.
- Some retailers noted consumers do not take up offers for financial counsellor assistance. Consideration will need to be given on how engagement can be improved.

We have identified several options to improve access to financial counselling:

Option	Summary	Key strengths	Key risks
1. Increase funding from the energy sector	The funding contribution for the energy sector, as calculated under the Financial Counselling Industry Funding Model, is: › Year 1 – $2,600,000 › Year 2 – $2,650,000 › Year 3 – $2,750,000. This could be increased.	› Supports establishment of counselling services in areas with limited access. › Ability for more consumers to be seen and to reduce wait times.	› Additional funds required from industry, which are likely to be passed on to consumers. › Energy sector may be funding the scheme disproportionately in comparison to other sectors.
2. Make contributions mandatory	The current funding model is voluntary, but contributions could be made compulsory.	› Compulsory contributions would provide greater funding stability over time and address the 'free rider' problem identified by retailers in their submissions to DSS's consultation process. › May encourage similar commitments from other sectors.	› This would require regulatory change. › There may be less flexibility to reassess and change the sector's contribution if circumstances changes.
3. Collect and disperse contributions via an industry shared funding pool	Provide sector funding contributions for approved financial counsellors through a shared funding pool.	› Minimises adminstrative burden for industry organisations, including network businesses and Energy Networks Australia. › Contributions to a shared funding pool would already be calculated, ensuring a consistent approach.	› Retailers would need to continue to contribute funds directly to the scheme or the shared funding pool would need to be adapted to facitate retailer cointributions for financial counselling only.

These options are not mutually exclusive, so all, some or none of these options could be implemented.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Consider what type of accreditation may be required for financial counsellors to administer debt relief and energy efficiency industry co-contributions.
- Explore regulatory options to make industry contributions mandatory.
- Work closely with DSS to evaluate the impact of the current scheme and potential areas for improvement. For example, whether the funding under the current model adequately meets the demand for financial counselling.

4.4 Providing debt relief to customers experiencing financial hardship

The Game changer package recommends increasing the debt relief available to consumers in financial hardship, through access to industry co-contributions via a shared funding pool. In further developing this idea, the following design issues should be considered:

- Central to this idea is the need to incentivise retailers to deliver best-practice support for all consumers experiencing vulnerability. A retailer's support for a customer, including identification of vulnerability as early as possible, should be assessed prior to accessing any co-funding for debt relief. The nature of this required support requires further consideration, and some options are set out in the best practice customer support table below.
- There are some existing debt relief mechanisms that can be accessed directly from retailers or via government-based schemes. This idea should not discourage or impede existing debt relief measures. Instead, we seek to build on these initiatives by making more funding available and in a more consistent, incentivised manner.
- Retailers should not access an accounting 'write-off' for debts relieved using an industry co-contribution.
- As the cost of the shared funding pool may be passed on (in part or in full) to consumers, the number of customers eligible to receive co-funded debt relief will need to be limited and the nature of these limitations requires further consideration. Some options are set out in the customer eligibility table below.
- Decision-making requires a level of impartiality and objectivity. In the Game changer package, we have suggested that approved financial counsellors or community organisations, that have received appropriate training and accreditation, could be empowered to approve debt relief co-contributions. The process for determining how a financial counsellor or community organisation is accredited and the level of oversight and governance of this needs further consideration.
- Reporting arrangements governing the provision of debt relief need to be established to help inform future reviews on its effectiveness, to ensure it delivers targeted support to the relevant cohort of consumers and that performance of the scheme can be measured to deliver continuous improvement.
- Design of the mechanism needs to avoid complexity where possible. There is a risk of creating another bureaucratic layer that slows down action and causes negative impacts on consumers. This could be mitigated by empowering approved financial counsellors or other community organisations to decide to grant debt relief using industry co-funding, where the stipulated criteria have been met.

Learning from the ACAT Energy and Water Hardship Assistance program

There are several examples in different jurisdictions where debt waivers are provided. For example, the ACT runs a hardship assistance program via the ACT Civil and Administrative Tribunal (ACAT), which supports consumers who have had or are at risk of having their energy disconnected.

Support can include ordering the utility to maintain supply to the customer and waiving some or all of the customer's debt (with the cost of the debt paid by ACAT). The program is aimed at those consumers who have unsuccessfully attempted to reach an arrangement with their utility provider(s) and for whom disconnection or restriction of supply would cause substantial hardship.

This program delivers great benefits for many consumers; however, we also heard that there is room for improvement in the model. The ACAT model places a substantial onus on the consumer, who must apply and manage much of the process, and there are also costs to government to administer this program.

Through Game changer we propose that there should be no administrative burden on consumers (as retailers are responsible for applying for debt relief co-contributions). The cost and complexity of administering the program should also be minimised by using approved financial counsellors and community organisations to administer debt relief.

We have identified several options for the core design elements of the debt relief part of the Game Changer package:

Best practice customer support

Option	Summary	Key strengths	Key risks
1. Retailer must deliver support for the relevant customer in line with their hardship program	Hardship policies vary by retailer but there are minimum requirements set out in National Energy Retail Law (NERL) and AER Guidelines. At a minimum, a retailer would need to demonstrate they have provided support to their customer in accordance with their hardship policy and in line with the assistance for hardship customer measures that are outlined under the NERL (see section 3.3 for more detail).	› Does not introduce additional obligations on retailers over and above what is already required under NERL. › Permits greater flexibility to respond to individual consumer circumstances. › Retailer reporting requirements for NERL hardship assistance measures already exist, so the AER can track retailers' performance against these metrics over time. › Promotes retailer best practice for all customers.	› Assumes a consumer has been placed on a hardship program. › It may take some time for a retailer to establish engagement with customer and secure their agreement to enter a hardship program. › There could be significant variability between consumers in the level of support they have received prior to accessing industry co-funding for debt relief. › There is a risk that retailers could transfer customers with significant debt into hardship programs simply to access co-funding for debt relief.
2. Retailer has identified consumer is experiencing vulnerability early and consumer is receiving support as per retailer's hardship program	Retailer can demonstrate that they acted quickly to engage customer (potentially after a pre-determined number of missed payments e.g., one or two) and customer was offered access to hardship program. Retailer would need to also demonstrate they provided support to their customer in accordance with their hardship policy. Retailers should not access an accounting 'write-off' for the portion of debt relief co-funded by industry.	› Promotes early identification of consumers experiencing vulnerability to ensure effective assistance is provided, prevent debt build up and get customers back on their feet. Requiring retailers to demonstrate this should incentivise retailers to provide earlier assistance to a wider range of customers (and wider than those who may potentially end up requiring co-funded debt relief). › Doesn't introduce additional obligations on retailers over and above what is already required under the Rules and therefore permits greater flexibility to respond to individual consumer circumstances.	› There could be significant variability between consumers in the level of support they have received prior to accessing industry co-funding for debt relief. › It may take some time to establish engagement with customer and secure their agreement to enter a hardship program.

Option	Summary	Key strengths	Key risks
3. Retailer has identified consumer is experiencing vulnerability early and consumer is receiving support as per retailer's hardship program AND retailer meets additional best practice support measures	Extension of previous two options to require a minimum level of support to be demonstrated, which are to be supported by other elements of this package, such as: access to concessions and rebates to which the customer is entitled; transfer to the best plan for the customers' circumstances; referral to financial counselling; tailored payment plan potentially with payment matching; energy efficiency audit.	› All strengths identified under options 1 and 2, but may not provide retailer with as much flexibility to respond to individual consumer circumstances. › By requiring retailers to demonstrate this prior to accessing co-funding for debt relief should ensure earlier and better assistance to a wider range of customers (and wider than those who may potentially end up requiring co-funded debt relief). This should reduce the number of customers who may need additional support such as debt relief.	› Additional and specific requirements on retailers may result in less flexibility for retailers to tailor assistance to the specific needs of customers.
4. Retailer must meet benchmark performance against the hardship customer measures outlined in the NERL for annual reporting	The data that retailers already supply to the AER would be used to assess their performance against a benchmark to determine if they are eligible to apply for debt relief co-funding for their consumers. Reporting would be against their entire customer base in hardship programs and therefore retailers would need to ensure they consistently delivered support measures for all customers on hardship programs.	› The AER's Retail Performance Reporting approach could be adapted to use existing data collected and then assess retailers against performance standards. › This option could be implemented in addition to other options, so retailers are required to maintain an overarching standard for hardship consumers and demonstrate delivery of those support measures for a specific customer.	› Variability in retailers' hardship plans may make it difficult to establish benchmarks or report against all measures. › Potential moral hazard if retailers avoid placing consumers on hardship plans so that they do not contribute to reporting data.

Customer eligibility

Option	Summary	Key strengths	Key risks
1. Consumers on hardship programs	All consumers on retailer hardship programs would potentially be eligible for retailers to apply for an industry debt relief co-contribution (subject to the retailer meeting their obligations).	› Should allow easy identification of customers who may be eligible. › May incentivise retailers to ensure consumers experiencing vulnerability are on a hardship program, so that they are eligible (this also carries a risk/weakness of retailers moving consumers onto hardship programs solely to access co-funded debt relief). › May provide assistance to a larger cohort of consumers and provide assistance to them earlier.	› Not all customers who would benefit from co-funded debt relief may agree to participate in a retailer's hardshp program. › Some jurisdictions do not have the concept of a hardship program so an alternative metric would need to apply. › Potentially high cost to support large numbers of consumers, which could limit funds available for those in acute financial hardship.
2. Consumers on hardship programs whose energy use is greater than their payment plans	Any customer in a retailer hardship program and who is unable to meet their ongoing energy use (and therefore continues to accrue debt) would be eligible for co-funded debt relief.	› Should allow easy identification of customers who may be eligible. › Likely to provide more targeted assistance for consumers in acute financial hardship.	› Not all customers who would benefit from co-funded debt relief may agree to participate in a retailer's hardship program. › Some jurisdictions do not have the concept of a hardship program so an alternative metric would need to apply. › Provides assistance to a smaller pool of consumers and won't reduce the debt burden for those in less acute circumstances.
3. Consumers who meet specific criteria, regardless of whether they are on a retailer hardship program	We have heard from community organisations that there are consumers experiencing financial difficulty who are not on retailer hardship programs. This option would allow for a customised set of criteria to be established and could consider metrics such as: amount of debt accrued, duration of debt, and consumer's efforts to repay debt.	› More flexibility to determine eligibility requirements. › Does not exclude consumers who are not on retailer hardship programs.	› Reduces incentive on retailers to ensure they identify consumers experiencing vulnerability early and to suggest they move onto a hardship program. › Greater complexity to determine and report on consumer eligibility for the scheme.

Administration body

Governance of debt relief funding has been considered within the next section regarding the shared funding pool – see section 4.6.

Option	Summary	Key strengths	Key risks
1. Existing organisations	Existing organisations, such as financial counsellors or community organisations, could administer the scheme. The organisations and individuals may need to undertake additional training and accreditation to fulfill functions under the scheme. All options recognise that another body or bodies would be required to accredit organisations, provide governance and oversee administration of funds.	› Optimises existing support mechanisms, which should also reduce cost to implement. › Financial counsellors and community organisations are well placed to make determinations given they have visibility over consumer's situation and a strong understanding of local context. › Potential to consider co-funding of debt relief and energy efficiency measures simulatneously, via the same organisation.	› May result in variable capabilities among different organisations. › Increased workload for existing organisations.
2. New body or panel	A new body or panel could be established to administer the scheme.	› Provides an additional level of impartiality. › Could be established within an existing organisation (e.g. government or market body).	› Introduces an additional layer of complexity and potentially bureaucracy. › May increase the cost of the scheme.
3. Hybrid approach	A hybrid of options 1 and 2 could be developed, whereby existing organisations (such as approved financial counsellors and community organisations) could administer debt relief contributions up to a certain amount (e.g., $500) and a new body or panel could be established to consider larger requests (e.g., above $500).	› Could deliver greater impartiality for larger debt relief co-funding requests, to reduce risk. › May reduce decision-making pressures on financial counsellors and community organisations.	› Increases time and effort to establish two delivery mechanisms. › Likely to increase the cost to deliver the scheme.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Explore the options outlined above for each of the core design elements of the debt relief initiative: best practice customer support, customer eligibility and administration body.
- Undertake consumer research or trials to help inform the design of the debt relief initiative, noting the program needs to avoid complexity for consumers where possible.
- Consider running a pilot debt relief program in a single jurisdiction to test and learn in a limited setting, before then considering expansion of the program.

4.5 Supporting energy efficiency measures

This idea aims to minimise energy costs and support the health and wellbeing of consumers experiencing vulnerability by improving the energy efficiency of their homes. There are many existing schemes that consumers can access to help with energy efficiency improvements, however we know that there are often barriers for consumers in financial hardship making use of these initiatives. The Game changer package recommends improving access and uptake of existing energy efficiency measures for consumers experiencing financial hardship, by providing co-contributions from retailers and the rest of industry.

In further developing this idea, the following design issues should be considered:

- Game changer proposes that initially this idea is targeted at those experiencing the greatest level of financial hardship but some stakeholders have advocated for wider eligibility to facilitate greater equity of access. Further consideration may need to be given to whether eligibility should be limited to consumers receiving debt relief, or available to other consumers experiencing payment difficulty. It could also be targeted to consumers in particular situations e.g. renters or those in social housing.
- Minimise barriers to entry by allowing diverse referral pathways.
- Ensure the deliverer has capability to identify all opportunities in the home and refer consumers to relevant supports.
- Deliver sustainable behaviour change by ensuring the deliverer can educate, inform and empower occupants to engage now and in the future.
- Enable consumers who have the capacity to do so to make a co-contribution.
- Design programs to align with other relevant policy objectives (such as emissions reduction) where possible.
- Ensure programs leverage, rather than replace, existing government and/or community support schemes. For example, a retailer may consider providing some funding for a customer to purchase a more energy efficient appliance, with funding matched by co-contributions from shared funding pool. This may then allow a customer to take advantage of a rebate provided under a government program, which the customer may not have been able to access due to the barrier of needing to outlay a significant amount of funds to purchase the appliance. Some stakeholders raised concerns about governments reducing funding for existing schemes. We encourage governments to reassure stakeholders that this would not be the case.
- Collaborate with other essential services.
- Monitor and evaluate programs, including through reporting arrangements, to support targeting and program refinement.

We have identified several options to improve energy efficiency:

Option	Summary	Key strengths	Key risks
1. Small-scale retailer schemes funding with industry co-funding	Schemes developed and implemented by retailers (such as direct appliance replacement initiatives) could be supplemented with industry co-funding for eligible consumers. Industry contributions could be determined by the same organisation responsible for debt relief.	› Many existing programs and schemes exist or have been run in the past, which could be used as the basis. › For direct appliance replacement initiatives this assists renters, who typically own appliances (rather than homeowners). › Retailers are incentivised to develop innovative energy efficiency schemes.	› Results will vary depending on what schemes retailers make available. › Limited scope of what can be achieved and the degree to which energy consumption can be reduced. › For direct appliance replacement initiatives, must ensure the old appliance is removed from the property to avoid consumer continuing to use it in addition to the new appliance.
2. Contributions from retailers and industry co-funding are a supplement to jurisdictional schemes	Similar to option 1 but additional funding from existing government schemes would also be leveraged to potentially allow for more substantial energy efficiency improvements for consumers in acute financial hardship.	› Provides retailers with incentives to deliver even more impactful and larger-scale energy efficiency schemes. › Maximises the potential impact of existing schemes by providing a greater potential pool of funds available to make upgrades. › Removes barriers to accessing government schemes.	› Will provide different outcomes for consumers in different states. › Additional complexity of tripartite co-funding model will require additional consideration, but may be mitigated via governance and implementation model.
3. Landlords add additional funding to the contributions of retailers, industry co-funding and jurisdictional schemes	Builds on option 2 with the addition of funding from landlords. Landlords could be motivated to contribute by the implementation of future mandatory energy efficiency standards across all rental properties in all jurisdictions.	› Provides a pathway to broaden the funding available to include contributions from landlords. › Improves the energy efficiency of homes for renters, who cannot make structural changes to their homes.	› Will take time for changes to rental efficiency standards to be implemented. › May increase rental costs.
4. Leverage additional funding e.g., Clean Energy Finance Corporation (CEFC)	Enable credit risk for large-scale upgrade funding from CEFC to be held on electricity bills (backed by balance sheets of energy retailers or networks).	› Shares risk across supply chain and leverages another source of funds.	› Would require additional governance and may lead to increasing energy costs to the extent that credit risk is realised.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Consider how co-funding from industry (via retailers and shared industry fund) could be used in combination with existing government energy efficiency schemes.
- Explore the option to introduce mandatory minimum rental efficiency standards and leverage broader funding sources, potentially in line with work under the National Energy Performance Strategy.

The Game changer package and shared funding pool may be limited in its ability to support large-scale, major energy efficiency improvements depending on the option pursued.

4.6 Enable industry co-contribution by establishing a shared funding pool

Our ability as a sector to implement initiatives aimed at improving outcomes for consumers experiencing vulnerability is significantly improved by better sharing the cost of vulnerability across the supply chain. The Game changer package proposes that a shared industry funding pool is established to collect funds from energy network and generator businesses in all jurisdictions. These funds would be used for co-contributions to measures such as debt relief and energy efficiency improvements. For it to be effective, contributing to the pool would need to be mandatory.

Some stakeholders, from both the network and community sectors, have concerns with the proposed approach. They consider that, ideally, financial support for consumers experiencing vulnerability would come from governments rather than energy market participants or via a cross-subsidy to other energy consumers, otherwise it may be regressive and disproportionately impact low-income households. These stakeholders have suggested that rather than creating an industry funding pool, it would be preferable for governments to provide this funding. These stakeholders consider this is consistent with the role of government to provide safety nets for people experiencing disadvantage.

We have identified two main options for governance and oversight of a new shared industry funding pool:

Option	Summary	Key strengths	Key risks
1. Independent body	A new independent / statutory body is established to manage the shared funding pool.	Can be set up with structure best placed for shared funding pool context, including optimised relationship with government and preferred board composition.	Additional cost. Potential duplication of functionality with existing bodies.
2. Existing body	The remit of an existing body is expanded to include management of the shared funding pool (e.g., an existing consumer organisation).	The potential to minimise costs and functional duplication.	Need to determine if existing body's purpose, capability and structure are aligned and may be implemented for an industry-led funding pool.

In further developing these options, the following design issues should be considered:

- The new shared funding pool would require multiples roles or functions to be filled.
  - Funding collection: Collecting funds from market participants and holding them in trust. An existing mechanism, such as a levy via AEMO, has been raised as one option for this.
  - Governance and administration: Overseeing fund administration with a qualified governance body and a small secretariat.
  - Effective, discretionary funding distribution: Determining funding uses within agreed remit, balancing financial sustainability and driving value for money in supporting outcomes for consumers experiencing vulnerability.
  - Funding outcome evaluation: Ensuring accountability and transparency. Identifying the most effective uses for ongoing funding, based on largest impact on outcomes for consumers experiencing vulnerability.
- Legislative change is likely to ensure contributions are mandatory.
- The governance structure for a shared funding pool should be robust, efficient and cost-effective with low administration costs, while enabling effective and transparent reporting arrangements.

There are also options for determining contributions to the fund:

Option	Summary	Key strengths	Key risks
1. Determining the allocation of costs across relevant parties	Contributions could be determined based on: › customer numbers for gas and electricity (for networks), MWh generated (for generators). › the proportion of average bills contributed by network and generation costs.	› Precise calculations would mean individual businesses bore a cost proportionate to their role in the supply chain for customers in each region. › This would also enable annual, or otherwise regular, adjustments to contributions.	› The process for determining costs could become complex and lengthy.
2. Allow costs of the fund to be passed on to consumers	Network and generation businesses would not be prevented from recovering costs.	› This is realistic (it may be difficult to prevent costs from being passed on in all cases). › A large amount can be achieved for those consumers facing the most extreme hardship with little impact on overall customer bills.	› This may be regressive, particularly if the impact on overall customer bills is not controlled.
3. Contributions from governments	Governments could choose to partially or fully fund the proposed initiatives. This could be determined by each jurisdiction, based on their context and preferences.	› Recovery of funding would be via the tax and transfer system, which is seen by many to be less regressive than an industry levy.	› Likely to encounter difficulties in securing funding. › Removes any requirement on network and generator businesses to share the cost and risk of consumer vulnerability.

Potential approach

The following actions are recommended as part of the next stage of exploration:

- Conduct further assessment of the roles required to establish and operate a shared funding pool and determine which of these could be delivered via existing bodies and if there is a case for establishing a new body.
- Consider the most appropriate legal framework to establish an industry shared funding pool and ensure mandatory, ongoing contributions.
- Governments to consider appetite to partially or fully fund the measures, noting some stakeholder concerns about the potentially regressive nature of an industry funding pool.

Leadership Group membership

We thank the following stakeholder organisations of the Leadership Group who have participated in activities throughout the Game changer process.

Consumer groups and advocates

Australian Council of Social Services
Consumer Action Law Centre
Consumer Policy Research Centre
Energy Consumers Australia
Energy Users Association of Australia
Elissa Freeman, Chair of the AER's Customer Consultative Group
Financial Counselling Australia
Public Interest Advocacy Centre
St Vincent de Paul
Thriving Communities Partnership
Uniting

Industry

ActewAGL
Australian Energy Council
AGL
Alinta Energy
Aurora Energy
Energy Australia
Energy Networks Australia
Endeavour Energy
Energy Charter
Energy Locals
Energy Queensland / Ergon Energy Queensland
Essential Energy
Origin Energy
Red Energy and Lumo Energy
Powerlink
South Australian Power Networks
Shell Energy
Simply Energy
TasNetworks
Telstra

Government agencies

ACT Civil and Administrative Tribunal
ACT Government (Environment, Planning and Sustainable Development Directorate)
Australian Competition and Consumer Commission
Australian Government Department of Climate Change, Energy, the Environment and Water
Essential Services Commission (Victoria)
Independent Competition and Regulatory Commission
Independent Pricing and Regulatory Tribunal
NSW Government (Department of Planning)
SA Government (Department for Energy and Mining)
Tasmanian Government (Department of State Growth)
Victorian Government (Department of Energy, Environment and Climate Action)
WA Government (Department of Mines, Industry Regulation and Safety)

Market bodies

Australian Energy Market Commission
Australian Energy Market Operator
Australian Energy Regulator

Ombudsman schemes

*Australian and New Zealand Energy and Water Ombudsman Network
Energy and Water Ombudsman NSW
Energy and Water Ombudsman Queensland
Energy and Water Ombudsman SA
Energy and Water Ombudsman Victoria

Other

Group of Energy Efficiency Researchers

Design Group membership

We thank Game changer Design Group members, and their proxies, for their significant contributions to the Game changer design process.

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Pauline Smith, Financial Counselling Australia
Rachel Thomas, Australian Energy Market Commission
Shaun Ruddy, Alinta Energy
Stephen White, Red Energy and Lumo Energy
Vanessa Herskope, Uniting

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