



Danielle Chifley
Acting General Manager, Policy
Australian Energy Regulator
GPO Box 3130 Canberra ACT 2601

By email: ConsumerPolicy@aer.gov.au

Review of Payment Difficulty Protections in the National Energy Customer Framework

Alinta Energy welcomes the opportunity to provide comment on the Australian Energy Regulators Issues Paper on the "Review of Payment Difficulty Protections in the National Energy Customer Framework".

As an active investor in energy markets across Australia, with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers, Alinta Energy has a strong interest in the effectiveness of the Payment Difficulty Protections.

Energy retailers are incentivised to provide assistance to customers experiencing payment difficulty. Early engagement with these customers is crucial for achieving positive outcomes, but it can be challenging. Insights from our human-centered design research show that customers facing hardship often prefer to resolve their situations independently. When they do seek help, they want options that allow them to maintain control over their outcomes.

However, prescribed payment difficulty protections often do not align with customer preferences regarding the type and structure of assistance they seek. Many customers lack the time and capacity to engage with retailers about the details of these protections.

A framework that sets a prescribed level of assistance for retailers can unintentionally impede consumer engagement and hinder the desired customer outcomes. While such a framework ensures a minimum standard of assistance for all customers, regardless of the retailer, it can limit the ability to provide personalised support.

To promote higher levels of engagement and better customer outcomes, retailers need the flexibility to confidently offer tailored solutions that meet individual circumstances. They should be able to engage with customers through various platforms and communication methods with confidence. This approach would foster more meaningful interactions and improve the overall effectiveness of the assistance provided.

Customer insights reveal a preference for quick and efficient engagement with their retailer, such as asking a quick question or requesting a form. However, regulated call scripts and mandatory assistance offerings result in lengthy phone calls, negatively impacting the customer experience and reducing the likelihood of future engagement. While it's important for customers to be aware of available payment assistance, they should also have the option to opt in or out of receiving detailed information.

An outcomes-focused framework offers greater opportunities for delivering beneficial results to customers in need of assistance. This approach would allow for more flexible and responsive interactions, ultimately improving the customer experience and engagement.

Our detailed comments are provided below. Should you have any questions or wish to discuss any aspect of our submission please contact Shaun Ruddy, Manager National Retail Regulation on [REDACTED], or via email : [REDACTED]

Yours Sincerely



Graeme Hamilton
General Manager
Regulatory & Government Affairs

Review of Payment Difficulty Protections in the National Energy Customer Framework

Alinta Energy understands that the Australian Energy Regulator (AER) is conducting its review of the Payment Difficulty Protections in the National Energy Customer Framework (NECF) as part of the outcomes from the "Towards Energy Equity Strategy".

As a result of the Towards Energy Equity Strategy, a commitment was made to explore potential improvements to the NECF to ensure customers experiencing payment difficulties are proactively identified, engaged early, and supported with assistance tailored to their individual circumstances.

Early engagement with customers facing payment difficulties is essential for capitalising on opportunities to achieve positive outcomes. However, the current framework, built on a punitive compliance model, makes it challenging to provide personalised support. This rigid framework limits the ability to offer customer-preferred support mechanisms, potentially discouraging customer engagement.

While ensuring that minimum support mechanisms are available is necessary, there is an opportunity to adopt a more outcomes-based approach to delivering support to customers experiencing payment difficulties. This approach would allow retailers to tailor assistance to the unique circumstances of each customer, promoting higher levels of engagement and enabling interactions that customers can understand and act upon.

The Issues Paper also emphasises achieving better outcomes, listing several indicators to measure these outcomes (Table 1 Summary of Review Approach, page 11). However, it does not include debt or debt levels as indicators. Monitoring debt levels, especially tracking debt at the time of off-boarding customers from assistance programs, should be an indicator of achieving the objective of reducing the financial exposure of customers in need of assistance. This metric would provide a clearer picture of the success of the assistance programs in mitigating financial hardship.

The issues paper poses several questions to which we provide the following responses.

Question 1. Do you have any feedback on the proposed approach for the review?

The intended approach and outcomes of the review - where customers experiencing payment difficulties are proactively identified, engaged early, and supported with assistance tailored to their individual circumstances - are all reasonable and important objectives. To assess the success of these outcomes, any measures used must be simple and transparent, with little scope for subjectivity and interpretation.

New assessment measures (reporting) should not introduce higher levels of regulatory complexity. Reporting measures should align with retailers' normal business activities. If new measures are introduced, they should replace existing obligations rather than

adding to them, unless there is compelling and significant evidence to retain the existing obligations.

Any potential changes to the framework must be preceded by a detailed and transparent cost-benefit analysis demonstrating overwhelming benefit from the proposed changes. This would ensure that any adjustments to the framework are justified and likely to result in improved overall outcomes for customers.

Question 2. What can we learn from other approaches to strengthening protections for consumers experiencing payment difficulty?

When assessing other frameworks for their benefits and approaches to assisting customers experiencing payment difficulties, it is essential to consider the market environment in which they operate.

The Victorian Payment Difficulty Framework is one such framework identified for consideration. However, a review of the Victorian Energy Retail Code of Practice has recently commenced, including the Payment Difficulty Framework obligations contained in Part 6 of the Code. This review should be completed, and findings understood before the AER considers incorporating approaches from the Victorian arrangements into its own review.

In New Zealand, the Electricity Authority publishes a "Consumer Care Guideline" to ensure a consistent and supportive standard of care. However, the regulatory and compliance framework in New Zealand differs significantly from the NECF, making a direct comparison challenging. Arguably, some protections provided under the NECF are ahead of those in New Zealand, noting that, following the most recent review of the New Zealand framework, two recommendations to increase consumer protections have been in place in the NECF for some time:

- Developing mandatory rules for retailers to follow before disconnecting for non-payment so disconnection is the last resort, &
- Requiring retailers to annually notify customers of the most affordable plan available to them.

While there is value in reviewing the arrangements in other markets, they must be reviewed in the context of how the individual markets operate and are governed (Regulatory & Compliance frameworks). To do otherwise would not adequately assess any potential for their introduction or inclusion as part of a framework that must operate under the NECF.

Within the Australian East Coast energy market, where retailers generally operate under an east coast footprint, there is significant benefit in having a consistent approach to obligations within a regulatory framework. This includes the obligations governing a retailer's approach to providing support and assistance to customers experiencing payment difficulty. Therefore, in addition to reviewing other approaches, consideration must be given to how we can better harmonise support frameworks across the east coast energy market.

Question 3. How adequate, effective and appropriate is the current eligibility framework for payment difficulty protections?

The current framework adequately sets out eligibility criteria for payment difficulty protections. However, this criteria assumes that customers both engage and have some ability to make financial contributions towards their energy debt.

Capacity-to-pay issues can significantly hamper a retailer's ability to provide support, particularly when it is determined that a customer cannot meet their energy debt, even after accessing all available government support mechanisms.

There needs to be an additional step: when a customer is identified as having no capacity to pay, further government support should become available to ensure financial assistance for those who cannot afford basic services like energy.

Sustainability is a key term used across support frameworks when discussing capacity to pay. However, sustainability is primarily driven by the customer. If a customer's financial ability consistently falls short of meeting their ongoing usage, the outcome will be continued debt growth unless additional financial support is provided.

Additionally, the complexity of information communication required, as direct result of the level of regulatory oversight, can negatively impact customer engagement. The extensive information that retailers must communicate can be overwhelming for customers, hindering their comprehension of the support measures available to them.

Simplifying communication and information requirements will enhance opportunities for engagement and improve customer understanding of the available support measures.

Question 4. How could the framework better support early identification of consumers experiencing payment difficulty?

There is no exact prescribed way to "early identify" all customers who may be experiencing payment difficulty, as key indicators can vary across customer classes. Therefore, prescribing early identification obligations should not be contemplated.

Using standardised indicators for identification risks creating a narrow approach. A customer's ability to pay for their energy usage can be impacted by a wide and varied range of scenarios, often unique to the individual. These unique scenarios make it challenging to accurately identify (all) customers experiencing payment difficulty.

This is why customer engagement is crucial in identification. Retailers can assess high-level indicators such as payment patterns, requests for extensions, broken payment plans, receiving disconnection warning notices, or being disconnected. These are all triggers to engage with the customer. Alinta Energy, as do other retailers, monitors these indicators to identify customers potentially identifying with payment difficulty issues. However, it is not until the retailer is able to engage directly with the customer that assessments can be made in determining the customers unique position and circumstances and determine the best form of support available.

The Issues Paper raises the idea of statistical modelling and the potential use of AI. These tools do not predict the future but can provide a reasonable assessment or likelihood of an outcome based on historical data within a margin of error. However, the benefit of using these tools is untested, and adopting them would likely involve significant additional costs (increased cost to serve, system development, etc.).

Therefore, a detailed cost-benefit analysis must be conducted before further considering the potential use of these tools in identifying customers in need of assistance.

Question 5. How could the framework better support effective engagement with consumers experiencing payment difficulty?

Simplifying communication and information obligations, in our view, will enhance opportunities for effective engagement. Current requirements often overwhelm customers, leading to disengagement from the process.

Customers want simple information delivered through their preferred communication channels. However, traditional methods like outbound phone calls are becoming less effective due to increased scam and marketing activities, reducing successful contact rates.

Once contact is established, retailers should have some discretion in how they engage with customers and disclose information. This flexibility doesn't compromise required disclosures but allows tailoring of tone, content, and context to better suit the customer's needs.

Currently, retailers may focus heavily on meeting regulatory obligations, but introducing flexibility would ensure compliance while enabling messaging that enhances customer comprehension and engagement. This approach aims to maintain regulatory standards while improving the overall customer experience.

Question 6. How could the framework better ensure that consumers experiencing payment difficulty are supported appropriately with assistance that is tailored to their individual circumstances?

Alinta Energy's lived experience in engaging with customers needing assistance shows that they want ownership over how they resolve their payment difficulties. When they engage with their retailer, they want a partnership that offers options they can choose from, maintaining a sense of control and agency. However, the current payment difficulty framework obligations, which dictate the approach and support mechanisms provided by retailers, often do not align with these customer preferences. The lack of optionality can force customers down a path which is not their preferred option, increasing the likelihood of disengagement during the support process.

The framework needs to recognise that some customers simply lack the capacity to meet their financial responsibilities. It needs to recognise the challenges this poses for both customers and retailers providing support and assistance. Imbedding rigid timeframes and debt thresholds as measures of hardship does not allow for flexibility in managing each customer's unique circumstances. It forces

retailers to choose between strictly adhering to compliance obligations under the framework or tailoring support to meet the customer's specific needs, potentially risking non-compliance.

Neither retailers nor customers should face such a dilemma. An outcomes-focused framework that allows greater flexibility in delivering support has the potential to achieve more positive results. Such a framework would enable retailers to provide tailored support that meets individual customer needs while still ensuring regulatory compliance and fostering better customer engagement and outcomes.

Question 7. How could the framework better ensure that disconnection is a last resort?

At Alinta Energy initiating a customer disconnection is a last resort. As stated in our Customer Hardship Policy:

We also understand that energy is an essential service for every household, and that the disconnection of an essential service should be a last resort.

However, it should be recognised that disconnection as a last resort can have unintended consequences for customers who fail to engage with their retailer, as this permits greater levels of debt to accumulate, until such time as disconnection occurs.

It is in this context that the premise that increasing the debt threshold for disconnection would provide additional customer protection is flawed. Instead, it would have the flow on impact of delaying communication notices (disconnection warning), and other activities which can impact engagement, allowing greater debt accumulation.

Due to the significant implications of any changes, disconnection regulations require further targeted consideration and consultation.

Question 8. What are the costs and benefits of potential changes to the framework?

At this stage of the consultation, assessing the costs and benefits of potential changes to the framework is difficult due to the lack of detail on proposed changes. Detailed proposals are necessary to accurately understand associated costs and benefits.

However, all changes are likely to impose additional operational, training, and system enhancement costs, with many significant changes (both in the past and under consideration) costing in the millions of dollars. Therefore, any proposed changes should undergo a rigorous and transparent cost-benefit analysis to evaluate their feasibility and impact.

Having a framework whereby customers receive consistent support and assistance, regardless of their retailer, has a benefit, but there must be a balance between regulatory oversight and flexibility to foster innovation and tailor solutions to meet the unique circumstances of customers experiencing payment difficulty. An outcomes-based framework, rather than one that is overly prescriptive, would better support the delivery of personalised assistance and avoid repetitive, mechanistic support measures.

In summary, while recognising the benefits of a consistent framework, careful consideration of costs and benefits is essential for any proposed changes. Striking a balance between regulation and flexibility will support effective support delivery and better outcomes for customers.