Review of payment difficulty protections in the National Energy Customer Framework

Consultation Report

May 2025

AUSTRALIAN ENERGY REGULATOR

Australian Government

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1 Executive summary

Our Review of payment difficulty protections in the National Energy Customer Framework (NECF) has considered whether there is a case for change to strengthen protections for customers experiencing payment difficulty to ensure that they are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances. In exploring the case for change, we have considered:

- the effectiveness of current protections
- the gaps, failures and unintended consequences of the current framework
- the effectiveness of other potential approaches, drawing on learnings from other frameworks (such as the Victorian payment difficulty framework).

Consultation for the review included stakeholder meetings, an issues paper, a stakeholder forum, and regular discussions with the AER Customer Consultative Group. We ran online workshops focused on improving engagement to reduce the risk of debt and disconnection, with representatives and frontline staff from both consumer groups and energy businesses. We also sought lived experience insights through consumer focus groups, a survey, a community listening session and retailer call centre visits.

Through this process, we have concluded that the current protections for customers experiencing payment difficulty are not fit for purpose because:

- there is a persistent assistance gap that means some customers are missing out on help
- the quality of information about assistance is inconsistent and can often fail to meet customer needs
- assistance provided under the framework is often ineffective, places inappropriate expectations on customers and is provided in an inconsistent way across retailers
- disconnection is relied on as an engagement tool, rather than a last resort.

We have identified 13 opportunities (see Figure 1 on page 2) to improve the framework by:

- making it easier to know who should be receiving assistance
- making it easier for customers to know what assistance is available
- making it easier for customers to access assistance
- making assistance more effective
- making sure disconnection is only used as a last resort
- reducing the harm caused by disconnection.

The above problems and opportunities are set out in our findings report. This consultation report supplements these findings with more detailed analysis of the stakeholder feedback that informed our conclusions and recommendations.

Figure 1 Opportunities to improve the regulatory framework for payment difficulty protections in the NECF

Make it easier to know who should be receiving assistance

1. Introduce a single, consistent definition for customers experiencing payment difficulty.

Make it easier for customers to know what assistance is available

2. Require retailers to provide generally available information about assistance that is easy for all customers to access, understand and act on.
3. Introduce a proactive engagement obligation for retailers to provide information to customers in response to an objective trigger.
4. Require retailers to take steps to engage with customers in ways that meet their needs.

Make it easier for customers to access assistance

5. Introduce minimum assistance standards for all customers.
6. Ban retailers from requiring proof of circumstances to access payment difficulty assistance.

Make assistance more effective

7. Introduce minimum assistance standards for customers experiencing payment difficulty.
8. Strengthen protections to make payment plans more affordable.

Make sure disconnection is only used as a last resort

9. Strengthen minimum disconnection protections, including increasing the minimum disconnection amount.
10. Strengthen requirements for communication in the disconnection process.
11. Strengthen the principle that disconnection is a last resort option, including introducing financial penalties for retailers who fail to uphold the principle.

Reduce the harm caused by disconnection

12. Ban reconnection fees for customers experiencing payment difficulty.
13. Consider alternatives to disconnection to manage risk in the energy market.

2 Background

2.1 Purpose and scope of the review

This review aims to identify whether change is needed to ensure that consumers experiencing payment difficulty are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances. It fulfills action 8 of the AER's Towards energy equity strategy, in which we committed to consult with stakeholders to consider whether improvements can be made to the NECF to ensure that consumers experiencing payment difficulty receive effective, tailored assistance.[1]

In action 9 of the strategy, we also committed to undertake activities intended to encourage improved engagement to promote disconnection as truly a last resort. We have explored this issue extensively in this review, including through dedicated stakeholder workshops on 19 June 2024 and through consultation on a range of relevant questions as set out in the issues paper.[2] Both this report and the findings report outline the opportunities we have identified to improve engagement so that disconnection is truly a last resort.

The scope of the review focuses on residential consumers in the jurisdictions governed by the NECF (Australian Capital Territory, New South Wales, Queensland, South Australia and Tasmania). Although some NECF protections apply to embedded network customers of authorised retailers, customers of exempt sellers (including consumers in embedded networks operated by exempt sellers) are outside the scope of this review. Small business customers are also outside the scope of this review.

This review considers protections for customers on prepayment meters and prepaid arrangements within the NECF. Protections for prepayment customers connected to off-grid energy sources outside the national energy market do not fall under this framework. Protections for these customers are governed by separate jurisdictional arrangements and are not within scope for this review.

2.2 Process undertaken for the review

We have explored the case for change by considering the effectiveness of current protections, the gaps, failures and unintended consequences of the current framework, and the effectiveness of other potential approaches (drawing on learnings from other frameworks, including the Victorian payment difficulty framework).

To inform this analysis, we have consulted extensively to seek insights from a range of voices, including those with lived experience as both consumers experiencing payment difficulty and as frontline staff engaging with consumers every day.

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1 AER, Towards energy equity: A strategy for an inclusive energy market, October 2022.

2 AER, Review of payment difficulty protections in the NECF: Consultation summary – Workshop 1 (Energy businesses), June 2024; AER, Review of payment difficulty protections in the NECF: Consultation summary – Workshop 2 (Consumer organisations), June 2024.

The first phase of consultation informed the discussion in our issues paper and included:

- early discussions with our Customer Consultative Group in November 2023
- early engagement meetings in late 2023 and early 2024 with over 40 stakeholders, including
  - 10 retailers
  - 24 consumer advocacy and support organisations
  - 6 ombudsmen schemes
  - 4 other stakeholders from market body, government and research organisations
- lived experience research with 15 consumers in March and June 2024.

Following publication of the issues paper on 14 May 2024, we continued to receive feedback from stakeholders in the second phase of consultation, including through:

- 25 formal submissions to the issues paper,[3] including submissions from
  - 9 retailers
  - 17 consumer advocacy and support organisations
  - 3 ombudsmen schemes
  - 6 other stakeholders from market body, government and research organisations
- stakeholder workshops in June 2024, which were attended by 39 representatives from industry and consumer organisations and focused specifically on how to improve engagement to reduce the risk of debt and disconnection[4]
- a listening session with migrant community leaders in July 2024 (run in collaboration with Sydney Community Forum and Voices for Power and hosted by the Afghan Fajar Association in Western Sydney), which was attended by 36 consumer representatives from a range of culturally and linguistically diverse communities[5]
- site visits to 2 retailer call centres in September and October 2024
- further discussions with our Customer Consultative Group in June 2024, August 2024 and November 2024
- targeted consumer research exploring how Australian households are paying their energy bills and their experiences of payment difficulty and assistance.

The consultation process is visualised in Figure 2 on page 5. The findings in this report draw on the feedback and insights we received throughout this process, as well as our own research and analysis.

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3 AER, Review of payment difficulty protections in the National Energy Customer Framework: Submissions, June 2024.

4 AER, Consultation summary – Workshop 1 (Energy businesses), June 2024; AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024.

5 AER, Review of payment difficulty protections in the NECF: Consultation summary – Voices for Power listening session, July 2024.

Figure 2 Summary of consultation undertaken for the review

November 2023
Discussion with AER Customer Consultative Group

January – March 2024
Early engagement and lived experience research

14 May 2024
Commencement of formal consultation on key issues identified in issues paper

28 June 2024
End of formal consultation period

June 2024
Discussion with AER Customer Consultative Group

19 June 2024
Stakeholder workshops to explore improving engagement

30 July 2024
Stakeholder forum to discuss feedback received during consultation on the issues paper

August 2024
Discussion with AER Customer Consultative Group

September – October 2024
Site visits to retailer call centres

November 2024
Consumer research including sruvey questions on experiences of payment difficulty and assistance

November 2024
Discussion with AER Customer Consultative Group

May 2025
Findings report on the case for change and opportunities for improvement

2.3 Approach to the review

What we consulted on

In our issues paper, we sought feedback on a proposed framework for the review, including:

- the objective to strengthen protections for consumers facing payment difficulty (in line with objective 3 of the Towards energy equity strategy)
- the intended outcome that consumers experiencing payment difficulty are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances
- the indicators to measure the intended outcome, comprising 6 metrics drawn from our retail performance reporting data
- the criteria for assessing potential changes, comprising 8 criteria related to consumer and market impacts, now and in the future.

The review framework was broadly supported by stakeholders. Generally, stakeholders were supportive of the proposed intended outcome and objective. Some stakeholders requested the scope be expanded (for example, to include small business customers, embedded network customers of exempt sellers and off-grid prepayment meter customers who are supplied under jurisdictional derogations).[6] However, we decided to retain the proposed scope to allow a cohesive approach to identifying opportunities for reform in the NECF, with due consideration of interactions and implementation pathways. We note that many of our learnings could be applied when considering reforms to other aspects of the energy market.

Following stakeholder feedback from AGL, Financial Counselling Australia and Energy Consumers Australia,[7] we made changes to the indicators for measuring success. We added new indicators and identified a streamlined set of key indicators for ongoing reporting. Key indicators were selected based on how well they reflect the intended outcome, how well they can be compared over time or across jurisdictions, and how well they align with existing reporting requirements. The key indicators we will use are:

- a **decrease** in the proportion of customers in energy debt who are not receiving assistance (through hardship programs, payment plans or alternative debt

6 ECA, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 6 & 8; EWON, EWOQ and EWOSA, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 4–8; JEC et al., Joint submission to Review of payment difficulty protections in the NECF, July 2024, pp. 12–13; L White and B Riley, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 1–2; SACOSS, Submission to Review of payment difficulty protections in the NECF, July 2024, pp. 14–17.

7 AGL, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 2; ECA, Submission, June 2024, pp. 7–8; FCA, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 1.

arrangements), which is an indicator that customers who should be receiving assistance are receiving assistance[8]

- a **decrease** in the average level of debt on entry to a hardship program, which is an indicator that customers are receiving assistance earlier in the payment difficulty journey
- a **decrease** in the proportion of payment plans cancelled for non-payment, which is an indicator that assistance is appropriately tailored to a customer's circumstances
- a **decrease** in the proportion of customers excluded from a hardship program because the customer did not agree to the suggested payment plan, the retailer was unable to contact the customer, or the customer did not make the requested payments, which is an indicator that assistance is appropriately tailored to a customer's circumstances and that retailer engagement is meeting the customer's needs
- a **decrease** in the proportion of customers disconnected, which is an indicator that customers are proactively identified, assistance is appropriately tailored to a customer's circumstances and retailer engagement is meeting the customer's needs.

We acknowledge these indicators will be influenced by a range of factors (some of which are beyond the control of energy retailers and even outside the energy sector) and need to be interpreted with reference to the broader context. However, monitoring trends and changes in these indicators over time can still provide us with useful insight into how well payment difficulty protections are working.

Table 1 Performance on the key indicators, 2019–20 to 2023–24

Indicator	2019–20	2021–22	2022–23	2022–23	2023–24
Proportion of customers in energy debt who are not receiving assistance from their retailer	1.4%	1.2%	1.0%	1.2%	1.1%
Average level of debt on entry to a hardship program	$990	$1,190	$1,240	$870	$1,110
Proportion of payment plans cancelled for non-payment	56.0%	61.2%	60.7%	61.0%	63.9%
Proportion of customers excluded from a hardship program because they did not agree to the suggested payment plan, the retailer was unable to contact them, or they did not make the requested payments	94.0%	90.0%	88.5%	88.9%	88.2%
Proportion of customers disconnected for non-payment	0.36%	0.16%	0.23%	0.21%	0.14%

Source: AER, Annual Retail Market Report 2023–24 – Charts and Data, November 2024, Sheets: 'Fig 3.1', 'Fig 3.7', 'Fig 3.21', 'Fig 3.22', 'Fig 3.10', 'Fig 3.11', 'Fig 3.37', 'Fig 3.42', 'Fig 3.29' and 'Fig 3.31'.

[8] This is a proxy metric calculated by combining the proportion of customers with non-hardship energy debt and the proportion of electricity customers on hardship programs, then comparing this to the proportion of electricity customers on hardship programs and the proportion of electricity customers on non-hardship payment plans. This calculation assumes that most hardship customers have energy debt and most gas customers experiencing payment difficulty are also experiencing difficulty with their electricity.

Stakeholders were also generally supportive of the proposed criteria for assessing options for change, with some suggestions to improve their usefulness by refining the language used and applying a quantitative weighting system.[9] We made some adjustments to specific criteria in response to this feedback. We also tested applying quantitative weightings to each criterion as suggested but found a 'traffic light' rating system worked best to facilitate comparisons at this stage of policy development. More systematic comparisons should be possible when specific implementation options are considered in more detail in subsequent rule change and legislative reform processes. However, for this review, our goal is to identify and prioritise the most promising and practical opportunities to strengthen protections for consumers experiencing payment difficulty. The final criteria for how we prioritised the opportunities are:

- **impact on intended outcome**, for which we compared options based on how likely they are to ensure that consumers experiencing payment difficulty are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances
- **equity of impact on intended outcome across consumers**, for which we compared options based on how likely they are to ensure that every consumer who should be protected receives the benefit of protections
- **impact on consumer trust and engagement**, for which we compared options based on how likely they are to improve trust and engagement between retailers and consumers
- **impact on costs for consumers**, for which we compared options based on how likely they are to ensure that the costs for consumers (including costs passed through by retailers) are minimal and proportionate to the benefits
- **impact on costs for retailers**, for which we compared options based on how likely they are to ensure that the costs for retailers (including implementation costs and costs to serve) are minimal and proportionate to the benefits
- **impact on regulatory complexity**, for which we compared options based on how likely they are to reduce regulatory complexity (or avoid increasing regulatory complexity)
- **difficulty of implementation (including accountability, enforceability and feasibility)**, for which we compared options based on how clear it is:
  - who needs to take action to make the proposed changes (accountability)
  - that the proposed change are enforceable and do not conflict with any existing legal obligations (enforceability)
  - that the proposed changes are legally, technically and politically possible (feasibility)
- **risk of unintended consequences (including impact on frontline staff)**, for which we compared options based on the likelihood of unintended consequences and perverse outcomes.

[9] AGL, Submission, June 2024, p. 2; ECA, Submission, June 2024, pp. 8 & 20; JEC et al., Joint submission, July 2024; Origin Energy, Submission to Review of payment difficulty protections in the NECF, July 2024, p. 2; Powershop, Submission to Review of payment difficulty protections in the NECF, July 2024, pp. 3–4; SACOSS, Submission, July 2024, pp. 5 & 15.

In assessing opportunities against these criteria, we considered impacts in both the short-to-medium and longer term. Our consideration of the long-term impacts was informed by the scenarios for future living developed by the Monash University Digital Energy Futures project,[10] including potential changes to:

- how much the benefits of consumer energy resources are concentrated among specific groups of consumers
- how much control consumers have over their consumer energy resources
- how predictable energy pricing is for consumers
- social structures and patterns caused by a changing climate and energy system.

The opportunities we have prioritised based on these criteria are the most promising and practical options to strengthen protections for consumers experiencing payment difficulty in this context.

10 Y Strengers, F Kaviani, K Dahlgren, H Korsmeyer, S Pink, L Nicholls and R Martin, Digital Energy Futures: Scenarios for Future Living (2030/2050), Monash University, February 2023.

3 Analysis of feedback

This review has consulted on the effectiveness of protections across the customer journey for customers experiencing payment difficulty in the NECF, including:

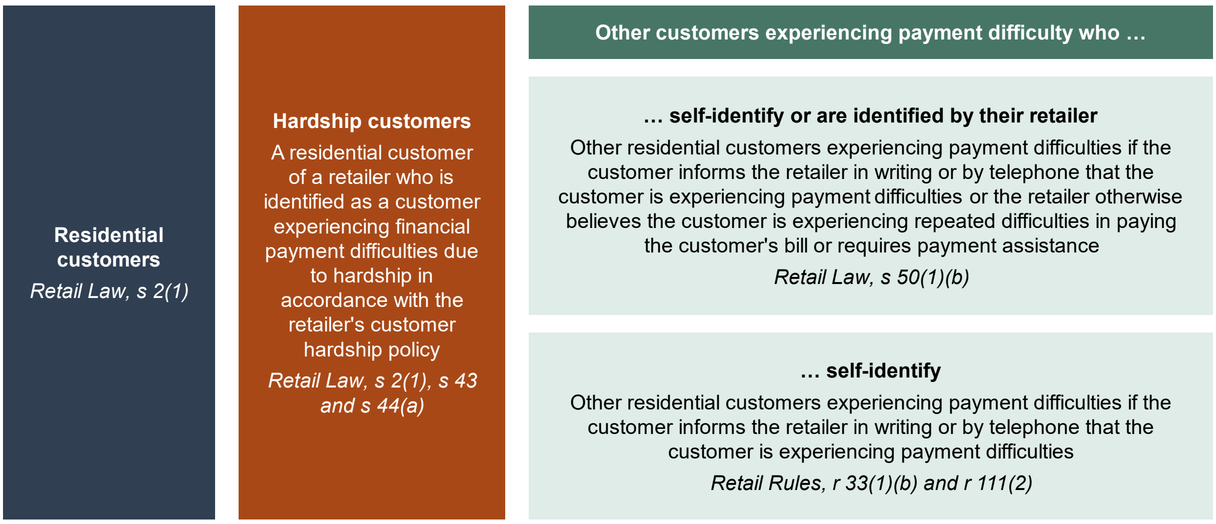
- who is **eligible** for payment difficulty protections
- what retailers must do to **identify** customers experiencing payment difficulty
- how retailers are required to **engage** with customers experiencing payment difficulty
- what retailers must do to provide practical **assistance** to customers experiencing payment difficulty
- how the framework promotes **disconnection** as a last resort.

The analysis in this report is structured within this illustrative customer journey framework in line with our consultation approach.

3.1 Eligibility for protections

Our review has found that there is a persistent assistance gap for customers experiencing payment difficulty. This gap is driven by a complex eligibility framework that is also ineffective at addressing hidden payment difficulty due to an overreliance on identification. Currently, the NECF has four levels of payment difficulty protections that depend on whether a customer is identified as a hardship customer or an 'other' customer experiencing payment difficulty and, if the latter, whether they self-identified or are identified by their retailer (see Figure 3).

Figure 3 Summary of the current eligibility framework for payment difficulty protections in the NECF



This framework is heavily reliant on identifying individual customers experiencing payment difficulty. Its complexity and ambiguity also contribute to inconsistency in protections. There is significant opportunity to simplify the eligibility framework, ensure more consistent protections and improve outcomes for customers experiencing payment difficulty.

What we consulted on

In our issues paper, we considered the differing levels of protection under existing definitions of hardship and payment difficulty, retailer discretion in determining eligibility for assistance and eligibility gaps for customers in specific circumstances. We consulted on how effective, adequate and appropriate the current eligibility framework is. In addressing this question, we asked stakeholders to consider:

- the effectiveness of existing definitions of hardship and payment difficulty in the NECF
- how the framework differentiates between consumers in different circumstances or who are experiencing different kinds of payment difficulty
- the appropriate balance between coverage and scope of payment difficulty protections, including implications for retailer costs and consumer outcomes
- potential benefits, limitations and risks of establishing minimum standards of assistance for all consumers, with additional rights for consumers who meet specific criteria.

We heard from stakeholders that the current eligibility framework is failing to achieve its objective of supporting all customers experiencing payment difficulty to access appropriate assistance and avoid debt and disconnection.[11] Both consumer and industry stakeholders emphasised that protections should be accessible for those who need them.[12]

> ‘The overall aim for both retailers and customers should be to ensure that the eligibility criteria does [sic] not restrict a customer from accessing the assistance that would allow them to best manage their energy costs.’[13]

However, the differing levels of protection that exist in the current framework are complex and make it more difficult for customers, community support workers and retailer staff to understand what protections a customer is entitled to. In addition to the unnecessary complexity of the current eligibility framework, the distinction it draws between ‘hardship’ and ‘payment difficulties’ is confusing and unhelpful. This distinction relies in part on the processes for identifying hardship customers that are set out in a retailer’s hardship policy. As a result, retailers can have significant discretion in determining which level of protections a customer can access. While some degree of flexibility is important to allow retailers to tailor assistance to customers’ individual needs, we heard from some stakeholders that the framework doesn’t provide scope to be flexible in the customer’s best interest but simply drives inconsistency and incentivises retailers to gatekeep assistance as a means of reducing cost.[14]

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11 ECA, Submission, June 2024, p. 10; EWON, EWOQ and EWOSA, Submission, June 2024, p. 4; JEC et al., Joint submission, July 2024, p. 11; SACOSS, Submission, July 2024, pp. 21–23.

12 SACOSS, Submission, July 2024, p. 26; Origin Energy, Submission, July 2024, p. 3.

13 Origin Energy, Submission, July 2024, p. 3.

14 JEC et al., Joint submission, July 2024.

> 'Different levels of support should not be dependent on retailer discretion. We do not consider the current legislative Framework is providing the necessary supports for energy customers, or consistency in the application of those supports.'[15]

There appears to be significant variation in the approaches taken by retailers, with some being more inclusive in applying hardship protections and others being more selective. The more selective approach can include restricting access to hardship assistance to specific circumstances, such as those set out in the AER Customer Hardship Policy Guideline's standardised statements.[16] These statements must be included in every retailer's hardship policy and are intended to support customer understanding of protections through plain language. They provide examples of circumstances where a customer might be entitled to hardship assistance, such as experiencing a death in the family, a household illness, family violence, unemployment or reduced income. However, we heard that some retailers treat this list as exhaustive and extend hardship assistance strictly to those customers who are experiencing these circumstances. As a result, other customers who do not fit these specific circumstances but are in need of hardship assistance may not receive it. Consumer stakeholders also raised concerns that customers may be asked by their retailer to provide proof of their circumstances before being offered assistance. These stakeholders emphasised that retailers should be prohibited from asking customers for proof of payment difficulty[17] and should assist customers automatically.[18]

> 'Where consumers or their representatives self-identify as at risk of or experiencing payment difficulty, there should be a low burden of proof for consumers, and retailers should provide assistance automatically.'[19]

We also heard from stakeholders that many customers are not accessing assistance due to stigma associated with the term 'hardship', which is a discriminatory label that can create shame and embarrassment for customers experiencing payment difficulty.[20] Other customers might not identify with it because they do not see their circumstances as unusual.[21] As a result, some customers cut back on other spending (including spending on other essential or

15 SACOSS, Submission, July 2024, p. 23.

16 AER Customer Hardship Policy Guideline 2019, cl 89.

17 AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024, p. 3; ECA, Submission, June 2024, p. 4; JEC et al., Joint submission, July 2024, p. 13.

18 AER, Consultation summary – Voices for Power listening session, July 2024, p. 6; ECA, Submission, June 2024, p. 4.

19 Uniting, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 9.

20 Compliance Quarter, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 7–8; ECA, Submission, June 2024, p. 10; EWON, EWOQ and EWOSA, Submission, June 2024, p. 4; Momentum Energy, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 3; Powershop, Submission, July 2024, p. 8; SACOSS, Submission, July 2024, p. 15.

21 JEC et al., Joint submission, July 2024, pp. 23–24.

important costs) before engaging with their retailer.[22] In these circumstances, even the most effective retailer identification processes can fail to ensure that customers experiencing payment difficulty access assistance.

> 'Some people do not feel that they are in hardship because they are using other avenues. … [They think] "I'm not in hardship because I'm spending money there, let's stop doing that."'[23]

Many stakeholders supported a minimum level of assistance for all customers, with additional assistance for those experiencing payment difficulty. Consumer organisations were particularly supportive of minimum assistance standards, while emphasising that they must be treated as the 'floor' (or minimum) for assistance provided and not the 'ceiling' (or maximum).[24] Some retailers agreed with the potential benefits of minimum standards. For example, the AEC suggested that the review could consider the minimum assistance protections in the Victorian Energy Retail Code of Practice (including standard assistance available to all customers) for adoption in the NECF.[25] AGL was also 'largely supportive of the use of appropriate, reasonable and measured minimum standards of support to underpin payment difficulty protections', but emphasised that they should not constrain or limit retailers from going 'above and beyond' and exceeding the minimum standards.[26]

> '… customer support should be layered like a pyramid, with a bottom layer of broad minimum support available to all consumers with minimal barriers to access. Each subsequent layer of support would respond to more severe levels of payment difficulty, having regard to the effort, resource and cost required to support the customer.'[27]

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22 ECA, Submission, June 2024, p. 12; JEC et al., Joint submission, July 2024, pp. 12; SACOSS, Submission, July 2024, p. 16.

23 ECA, Submission, June 2024, p. 10.

24 EWON, EWOQ and EWOSA, Submission, June 2024, p. 14; JEC et al., Joint submission, July 2024, pp. 30 & 47.

25 AEC, Submission, June 2024, p. 3.

26 AGL, Submission, June 2024, p. 4.

27 AGL, Submission, June 2024, p. 7.

3.2 Identifying and engaging with customers experiencing payment difficulty

We have found that outcomes for customers experiencing payment difficulty are significantly impacted by whether they are identified early. The quality of engagement and information from their retailer can also be a decisive factor in whether a customer receives the right assistance at the right time, or even how well they are protected from disconnection. However, the quality of information about assistance is inconsistent and can often fail to meet customer needs. There are a range of opportunities to improve the quality and consistency of engagement and information across the framework.

What we consulted on

In our issues paper, we considered key issues around identifying customers experiencing payment difficulty, including the reliance on customers to self-identify and the role of identification triggers, automation and predictive identification. We consulted on how the framework could better support early identification of customers experiencing payment difficulty. In addressing this question, we asked stakeholders to consider:

- the effectiveness of indicators currently used to identify consumers
- whether there were any other specific circumstances or indicators that could be useful triggers for identifying these customers
- how customers of prepayment meter systems or prepaid billing arrangements could be better identified
- the potential benefits, limitations and risks of automation, predictive analytics and artificial intelligence.

We also considered key issues around engaging with customers experiencing payment difficulty, including the role of retailer hardship policies in communicating assistance, the availability and accessibility of information, and the role of proactive and automated engagement, including engagement using artificial intelligence. We consulted on how the framework could better support effective engagement with customers experiencing payment difficulty and asked stakeholders to consider:

- the approaches currently used to engage with customers experiencing or at risk of payment difficulty, in energy or other sectors
- the appropriate purpose and role of a retailer’s customer hardship policy
- the most effective and appropriate ways to communicate with customers about the assistance available and how it can be accessed
- how the framework could support engagement practices that better meet consumer needs, including the needs of diverse customers experiencing payment difficulty
- how the framework could ensure a more consistent standard of service for customers
- potential benefits, limitations and risks of proactive and automated engagement processes.

We also held online workshops with energy businesses and consumer organisations. The purpose of these workshops was to gain insights into engagement practices that reduce the risk of debt and disconnection for energy customers, from the perspective of people with experience engaging with customers experiencing payment difficulty. We discussed better practice case studies,[28] what works well when engaging with customers experiencing payment difficulty, what does not work well when engaging with customers experiencing payment difficulty, and ideas for action to drive change.

We heard that engagement barriers are stopping customers from accessing assistance when they need it. There is significant variation in the effectiveness of retailers' processes to proactively identify customers who may be experiencing payment difficulty. Some retailers, such as AGL, use insights from customer data to proactively identify customers who may be experiencing payment difficulty.[29] However, some stakeholders consider this could be done more proactively and widely by all retailers.[30] Consumer stakeholders strongly supported the use of data by retailers to proactively identify customers who may be experiencing payment difficulty.[31] For example, migrant community leaders recommended that retailers use their customer data to identify when a customer might be struggling and reach out to the customer or automatically provide assistance.[32] Other consumer advocates agreed that more could be done to ensure consistent proactive engagement in the framework.[33]

> 'There are many reasons that people do not actively seek assistance, such as being unaware it is available, not knowing the "magic words" that prompt retailers to offer assistance, being busy, fear, shame, and so on. Retailers should do more to overcome these barriers.[34]

However, stakeholder feedback has also reiterated that the effectiveness of proactive identification depends on how effectively retailers engage with identified customers.[35] We heard feedback from consumer stakeholders that there is a general lack of understanding among frontline retail staff about retailers' obligations to identify customers experiencing payment difficulty and engage with them appropriately, which may be due to inadequate and

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28 The case studies discussed were Thriving Communities Australia's One Stop One Story Hub and the Energy Charter's Knock to Stay Connected Customer Code.

29 AGL, Submission, June 2024, p. 8; Origin Energy, Submission, July 2024 p. 4.

30 Brotherhood of St Laurence, Submission to Review of payment difficulty protections in the NECF, July 2024, p. 2; CALC, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 14.

31 Brotherhood of St Laurence, Submission, July 2024, p. 2; CALC, Submission, June 2024, p. 14; p. FCA, Submission, July 2024, p. 3.

32 AER, Consultation summary – Voices for Power listening session, July 2024.

33 ECA, Submission, June 2024, p. 16; FCVic, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 2–4; JEC et al., Joint submission, July 2024; Uniting, Submission, June 2024, p. 8; VCOSS, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 3.

34 Brotherhood of St Laurence, Submission, July 2024, p. 2.

35 EWON, EWOQ and EWOSA, Submission, June 2024, p. 10.

inconsistent staff training.[36] Retailers noted that frontline staff must manage a significant amount of complexity, including the regulatory complexity created by varying requirements across jurisdictions.[37] They also noted that frontline staff are required to relay a lot of information to Victorian customers who call seeking assistance, which can increase call length times.[38] This appears to be driven by prescriptive requirements that require frontline staff to provide information about all forms of assistance at once, whereas retailers proposed that triaging or phasing the information instead may be more effective.[39]

Behavioural science does suggest that there could be benefits to phasing information in order to minimise risk of cognitive overload, which can lead customers to forget things and delay decisions.[40] Retailers also provided feedback that longer call times directly impact retailer costs such as staffing, as well as indirectly impacting retailer costs through customer dissatisfaction and attrition (for example, due to increased call wait times).[41] In addition, retailers have emphasised that longer call and call wait times can reduce customer engagement and delay customers from accessing assistance.[42] Some consumer stakeholders noted that call wait times can indeed be a barrier to accessing assistance.[43]

Retailers also noted that customers can be reluctant to answer calls due to concerns about scams, while staff may be reluctant to leave a voicemail due to the interaction of other regulatory regimes (such as contact restrictions in the debt collection process). This can make it difficult to proactively reach those customers who do not answer the phone.[44] This increases the importance of reaching out to customers in different ways, to address the needs of different customers. The importance of a flexible and multi-channel approach to engaging with customers was strongly emphasised by both consumer and industry stakeholders.[45] However, there appears to be significant inconsistency among retailers when it comes to the options that customers have to access information or engage with their retailer and the extent to which information and engagement is tailored to customers with specific communication needs (for example, culturally and linguistically diverse customers, First Nations customers, customers with disability and customers who are digitally excluded).

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36 JEC et al., Joint submission, July 2024; AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024.

37 AER, Consultation summary – Workshop 1 (Energy businesses), June 2024, p. 4.

38 AEC, Submission, June 2024, p. 3; Momentum Energy, Submission, June 2024, p. 2; Origin Energy, Submission, July 2024, p. 4.

39 AER, Consultation summary – Workshop 1 (Energy businesses), June 2024, p. 6.

40 BETA, Energy bill contents and bill requirements: Literature review, Department of the Prime Minister and Cabinet, October 2021, p. 8.

41 Origin Energy, Submission, July 2024, p. 4; AEC, Submission, June 2024, p. 3.

42 Alinta Energy, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 2; Essential Services Commission, Payment difficulty framework implementation review 2022, May 2022, pp. 49–50.

43 AER, Consultation summary – Voices for Power listening session, July 2024, p. 4.

44 AER, Consultation summary – Workshop 1 (Energy businesses), June 2024, pp. 4–6.

45 AER, Consultation summary – Workshop 1 (Energy businesses), June 2024, p. 3; AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024, p. 2; AGL, Submission, June 2024, p. 8; Alinta Energy, Submission, June 2024, p. 6; Energy Australia, Submission to Review of payment difficulty protections in the NECF, June 2024, p. 3; FCA, Submission, June 2024, p. ii; Origin Energy, Submission July 2024, p. 4; Uniting, Submission, June 2024, p. 9.

For example, retailers are required to inform a customer about their hardship policy if they believe that the customer is experiencing payment difficulties due to hardship.[46] However, there is significant variation among retailers when it comes to communicating this information in other ways. We heard from stakeholders that some customers are particularly impacted by poor quality engagement and communication, including First Nations customers and culturally and linguistically diverse customers.[47] An analysis of retailer websites that we conducted in November 2024 found that available assistance information was often poor in meeting the needs of diverse customers, although it performed better on complexity of language and general accessibility and navigation.[48] We also found that numerous retailer websites did not appear to have a page for information about the assistance available to customers experiencing payment difficulty. This can make it very difficult for customers to know what support could be available to them.

Our consumer research indicates that about one third of customers who have never been on a hardship program (including customers under financial stress) are not aware of retailer assistance programs.[49] If these customers seek information about whether assistance is available, they may struggle to find this information on their retailer's website. This increases the importance of regulated communications (including hardship policies, reminder notices and disconnection warning notices) as key sources of information in the current framework. However, hardship policies are not the most effective way to communicate assistance information. As well as sometimes being difficult to find, customers may not engage with their retailer's policy because they do not identify as being in 'hardship'.[50] In addition, the language used in hardship policies is often not customer friendly, in part due to the range of information that policies must include (including information about retailer processes that may not be relevant to customers).[51] Compliance Quarter noted that they analysed 10 retailer hardship policies and found that they were all classified as 'fairly difficult to read' (US grade level 10–12) to 'difficult to read' (US college level) on the Flesch Reading Ease scale.[52] We heard similar sentiment from other stakeholders, who agreed that hardship policies are not a customer-friendly way to communicate with customers about the assistance available.

> '… we question the extent to which consumers (especially those experiencing vulnerability) are willing or able to engage with such documents to understand their entitlements.'[53]

46 Retail Law, s 46.

47 JEC et al., Joint submission, July 2024, p. 46; AER, Consultation summary – Voices for Power listening session, July 2024, pp. 5 & 8.

48 AER, Review of payment difficulty protections in the NECF: Findings report, April 2025, p. 8.

49 Fonto, AER methods of payment research, November 2024.

50 AER, Consultation summary – Voices for Power listening session, July 2024, p. 4; Compliance Quarter, Submission, June 2024, p. 8; ECA, Submission, June 2024, p. 10; JEC et al., Joint submission, July 2024, pp. 23–24; Uniting Vic.Tas, Submission, June 2024, p. 11.

51 Retail Law, s 44; AER Customer Hardship Policy Guideline.

52 Compliance Quarter, Submission, June 2024, p. 6.

53 AGL, Submission, June 2024.

3.3 Assisting customers experiencing payment difficulty

It is important that customers experiencing payment difficulty are supported appropriately with assistance that is tailored to their individual circumstances. A one-size-fits-all approach to providing assistance can be ineffective and contribute to customer harm. However, we have found that assistance provided under the framework is often ineffective, places inappropriate expectations on consumers and is provided in an inconsistent way across retailers. There is significant opportunity to improve the effectiveness of assistance.

What we consulted on

In our issues paper, we considered the gaps in assistance available to hardship customers, the lack of assistance for 'other' customers experiencing payment difficulty, opportunities to improve the effectiveness of non-hardship payment plans and other forms of assistance that should be considered. We consulted on how the framework could better ensure that customers experiencing payment difficulty are supported appropriately with assistance that is tailored to their individual circumstances. We asked stakeholders to consider:

- forms of practical assistance that are available to customers experiencing payment difficulty, including when they are provided, how they are accessed, and how effective they are
- forms of assistance that are effective for customers in different circumstances, including customers who are on prepayment meter systems or prepaid billing arrangements
- how the framework could ensure that payment plans are established with regard to a customer's capacity to pay, including opportunities to strengthen or improve protections around capacity to pay conversations
- other opportunities to improve the benefits of payment plans for customers experiencing payment difficulty, including those who may not have access to other forms of assistance.

Our retail performance reporting data indicates that the assistance provided to customers under the current framework is generally limited to certain kinds of assistance, such as payment plans and incentive payments.[54] We heard feedback that these forms of assistance can be effective at keeping customers experiencing payment difficulty engaged and on track.[55] However, some other effective forms of assistance, such as debt waivers and energy efficiency assistance (including audits and appliance upgrades), are rarely offered to customers experiencing payment difficulty under the current framework.[56] Many consumer stakeholders emphasised the importance of retailers providing assistance to actually lower customers' energy costs, rather than just helping them manage these costs.[57] For example,

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54 AER, Annual retail markets report 2023–24, November 2024, pp. 91–92.

55 AGL, Submission, June 2024, p. 10; verbal feedback.

56 AER, Annual retail markets report 2023–24, November 2024, pp. 91–92; AER, Review of payment difficulty protections in the NECF: Findings report, April 2025, pp. 9–10.

57 Brotherhood of St Laurence, Submission, July 2024; CALC, Submission, June 2024; ECA, Submission, June 2024; JEC et al., Joint submission, July 2024; Uniting, Submission, June 2024; VCOSS, Submission, June 2024.

we heard that debt waivers are effective at lowering energy costs for customers whose debt is insurmountable and who struggle with energy affordability on an ongoing basis, with some arguing that debt waivers should be proactively and publicly communicated as part of an arrangement offered by retailers for people who cannot meet ongoing usage costs.[58] Consumer stakeholders also emphasised the need to provide assistance to lower energy costs as early as possible in the payment difficulty journey and in a way that responds to the customer's individual circumstances, rather than (for example) requiring the customer to establish a payment plan before offering other forms of assistance.[59]

> 'One of the most useful forms of assistance for households struggling with bills is lowering the cost of energy, yet retailers often fail to provide this. The national framework should require retailers to lower costs as much as possible for households experiencing payment difficulty.'[60]

In addition to energy efficiency assistance and cheaper plans, consumer stakeholders emphasised the importance of helping customers access concessions.[61] Prior work has highlighted the many barriers that customers can face in accessing concessions they are entitled to.[62] Automated concessions (as proposed by the Game changer initiative)[63] were recommended by some stakeholders as a key opportunity to minimise these barriers for customers.[64] However, stakeholders also highlighted the role that retailers can play in helping customers access concessions,[65] with some noting that this is a 'win–win' for retailers and customers.[66] In Victoria, retailers are required to support customers receiving tailored assistance with information about and, in some circumstances, practical assistance to apply for government rebates and concessions.[67] Research indicates that Victoria has the highest number of customers applying for energy concessions,[68] suggesting that this requirement is effective in helping customers overcome barriers to accessing concessions.

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58 CALC, Submission, June 2024, pp. 22–23.

59 AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024; CALC, Submission, June 2024; VCOSS, Submission, June 2024.

60 Brotherhood of St Laurence, Submission, July 2024, p. 1.

61 Brotherhood of St Laurence, Submission, July 2024, p. 2. CALC, Submission, June 2024, p. 18; ECA, Submission, June 2024, p. 17; EWON, EWOQ and EWOSA, Submission, June 2024, p. 15; JEC et al., Joint submission, July 2024, pp. 36, 43; FCVic, Submission, June 2024, p. 6; Uniting, Submission, June 2024, p. 10; VCOSS, Submission, June 2024, p. 3.

62 AER, Game changer design report, July 2023; Melbourne Institute, Insights into energy concession awareness and energy-related behaviours among concession card holders in Australia: Report to the Energy Charter, June 2024.

63 AER, Game changer report, November 2023.

64 JEC et al., Joint submission, July 2024; Red Energy and Lumo Energy, Submission to Review of payment difficulty protections in the NECF, July 2024, p. 2.

65 Brotherhood of St Laurence, Submission, July 2024, p. 2; CALC, Submission, June 2024, p. 18; ECA, Submission, June 2024, p. 18; JEC et al., Joint submission, July 2024, p. 19; FCVic, Submission, June 2024, p. 6; Uniting, Submission, June 2024, p. 6; VCOSS, Submission, June 2024, p. 3.

66 AEC, Submission, June 2024, p. 4; Brotherhood of St Laurence, Submission, July 2024, p. 2.

67 Victorian Energy Retail Code of Practice, cl 128(1)(d)–(1)(e).

68 Energy Charter, Who is missing out on energy concessions?, 2023.

While assistance to lower energy costs is provided inconsistently, customers frequently receive assistance to manage how they pay for these costs. However, the effectiveness of this assistance is less consistent. For example, customers are frequently provided with assistance in the form of payment plans. Payment plans are a valuable tool for supporting customers experiencing payment difficulty, provided that a customer's individual circumstances and capacity to pay is taken into account. However, consumer stakeholders noted that payment plans are often unaffordable for customers experiencing payment difficulty.[69] We also heard feedback that customers on prepaid bill smoothing arrangements can find these to be unaffordable.[70] Unaffordable payment plans harm customers by pushing them to underconsume energy, forcing them to make sacrifices in other areas of their lives, and even excluding them from receiving assistance.[71]

> '...people feel pressured into agreeing to payment plans (especially in response to disconnection threats), even if they know it is unaffordable for them and will drive more severe payment difficulty in energy and elsewhere.'[72]

Some retailers emphasised that they consider capacity to pay in establishing payment plans.[73] However, consumer stakeholders raised concerns about customers agreeing to unaffordable payment plans due to poor retailer engagement or the threat of disconnection, which can make customers feel pressured to accept payment plan terms proposed by their retailer.[74] For example, research shared by consumer stakeholders indicates that 42% of customers who were disconnected were on a payment plan that they could not really afford.[75] Data from Energy Consumers Australia's Energy Consumer Sentiment Survey also indicates that 56% of customers who were on a special arrangement with their electricity retailer as a result of financial hardship were still disconnected because of unpaid bills.[76]

Consumer stakeholders suggested that such outcomes are due to unaffordable payment plans, which directly impact the effectiveness of other protections. This includes the requirement for a retailer to offer a customer 2 payment plans before disconnecting a customer, which is intended to ensure that retailers provide customers with appropriate assistance before disconnecting a customer. Some stakeholders said that it is not effectively protecting customers or preventing disconnections because payment plans are not genuinely

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69 ECA, Submission, June 2024, p. 17; EWON, EWOQ and EWOSA, Submission, June 2024, p. 23; FCVic, Submission, June 2024, p. 7; JEC et al., Joint submission, July 2024, p. 90; Uniting, Submission, June 2024, pp. 8 & 10.

70 AER, Consultation summary – Voices for Power listening session, July 2024; there no requirements in the current framework regarding capacity to pay for bill smoothing arrangements.

71 ECA, Submission, June 2024, p. 12; JEC et al., Joint submission, July 2024, pp. 12 & 26; SACOSS, Submission, July 2024, p. 16.

72 JEC et al., Joint submission, July 2024, p. 26.

73 ENGIE, Submission, June 2024, p. 3; Red Energy and Lumo Energy, Submission, July 2024, p. 4.

74 ECA, Submission, June 2024, p. 17; Energy and Water Ombudsman NSW, QLD and SA, Submission, June 2024, p. 23; Financial Counselling Victoria, Submission, June 2024, p. 10; JEC et al., Joint submission, July 2024, p. 27.

75 JEC, Powerless: Debt and disconnection, 2024, p. 31.

76 AER analysis of Energy Consumers Australia Energy Consumer Sentiment Survey data, June 2024.

affordable for customers.[77] Ombudsman schemes also raised concerns that retailer discretion in defining 'non-payment' reduces the effectiveness of this protection.[78] Our review has found that there is variation among retailers in the processes and criteria used to determine 'non-payment' of a payment plan. As a result of these issues, some stakeholders refer to the obligation to offer a customer 2 payment plans before disconnection as the 'two-strike rule' and advocated that it should be abolished.[79]

Given the negative consequences of unaffordable payment plans, consumer stakeholders also recommended that protections should be strengthened to ensure that all payment plans are genuinely affordable. This includes requiring retailers to take the customer at their word regarding capacity to pay, without seeking evidence.[80] Some consumer stakeholders also advocated for making the Sustainable Payment Plans Framework (a voluntary AER framework that sets out guidance for retailers for engaging in capacity to pay conversations with customers experiencing payment difficulty) mandatory for all retailers and payment plans, to better ensure that retailers give appropriate consideration to capacity to pay when setting up a payment plan.[81] In addition, we heard that a customer's circumstances can change, so flexibility is critical to ensure that payment plans remain affordable over time.[82]

Stakeholders noted that customers would benefit from the ability to easily adjust payment plans, and that this may ensure customers access assistance from their retailer before turning to options that may be less helpful (such as Buy Now Pay Later and other forms of short-term and high-cost credit).[83] Self-service options are particularly beneficial for customers who face greater barriers to engaging with their retailer. For example, some stakeholders noted that easily accessible digital self-service options can be particularly valuable for customers who find phone calls anxiety-provoking.[84] However, our review has found that the availability of these options varies significantly by retailer.

> 'Retail systems should be designed to make 'passive' or simple engagement more common (such as through apps, responding yes or no to text messages, and other innovative service designs).'[85]

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77 EWON, EWOQ and EWOSA, Submission, June 2024, pp. 15–16; JEC et al., Joint submission, July 2024, pp. 26–27; feedback from AER Customer Consultative Group.

78 EWON, EWOQ and EWOSA, Submission, June 2024, pp. 15–16.

79 EWON, EWOQ and EWOSA, Submission to Review of payment difficulty protections in the NECF, June 2024, pp. 15–16; feedback from AER Customer Consultative Group.

80 ECA, Submission, June 2024

81 JEC et al., Joint submission, July 2024.

82 CALC, Submission to Review of payment difficulty protections in the NECF, June 2024; JEC et al., Joint submission, July 2024, p. 44; EWON, EWOQ and EWOSA, Submission, June 2024, p. 12.

83 ECA, Submission, June 2024, p. 18; EWON, EWOQ and EWOSA, Submission, June 2024, p. 14; JEC et al., Joint submission, July 2024, pp. 22, 47.

84 AGL, Submission, June 2024, p. 8; AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024, p. 4.

85 JEC et al., Joint submission, July 2024, p. 44.

3.4 Disconnection as a last resort

We have found that disconnection, or the threat of disconnection, is being used as an engagement tool despite the framework's principle that it should be a last resort option for customers who are experiencing payment difficulty. The market also relies on disconnection to manage the retailer risks of customer debt, leading to poor outcomes for some customers. This does not align with community expectations for essential services that are critical to health and wellbeing. There is significant opportunity to strengthen protections by increasing the incentive for retailers to ensure that disconnection is truly a last resort. There may also be opportunity to change the role of disconnection in the energy market.

What we consulted on

In our issues paper, we considered the effectiveness of the minimum disconnection amount, the opportunities to improve engagement in the disconnection process, the provision of assistance prior to disconnection and the gaps in disconnection protections for customers. We consulted on how the framework could better ensure that disconnection is a last resort. We asked stakeholders to consider:

- the effectiveness of the minimum disconnection amount in protecting customers experiencing payment difficulty from disconnection, including how it operates in practice, the appropriateness of the current amount, and any unintended consequences
- the effectiveness of current protections related to debt recovery and disconnection, including the existing requirements for retailers to engage with and assist a customer before pursuing debt recovery or disconnection
- opportunities to support more effective engagement before disconnection, including by incentivising earlier engagement and better meeting customer needs
- the effectiveness of current protections for customers experiencing payment difficulty when it comes to connection and reconnection, including existing rules and practices relating to security deposits and connection fees.

Consumer stakeholders emphasised the importance of ensuring that disconnection is truly a last resort, due to the negative customer impact of both disconnection itself and the disconnection process (including receiving disconnection notices or 'threats'). Research has found that disconnection events can compound existing mental health issues and have a serious impact on customers' wellbeing.[86] Similarly, research provided by the Justice and Equity Centre showed that even where a customer avoids disconnection after receiving a warning notice, they still experience negative impacts such as anxiety and distress (54%), underconsumption of essential services (48%) and social isolation (17%).[87] Research submitted by Uniting also found that when faced with the threat of disconnection, some

86 A Strempel, L Nicholls and Y Strengers, Disconnections case studies: Understanding the householder experience, RMIT University, April 2015, p. 6.

87 JEC, Powerless: Debt and disconnection, p. 70.

customers resort to borrowing money from family or using high-cost credit sources such as Buy Now Pay Later.[88]

> ‘The fear and threat of disconnection drives people to unhealthy responses which endanger their health and wellbeing, and often cause them to agree to financial arrangements which are unsustainable and cause further financial difficulty.’[89]

However, it is apparent that retailers rely on the disconnection process to engage some customers. For example, the Australian Energy Council noted that disconnection can sometimes be an effective means of encouraging engagement, particularly for those customers who are chronically disengaged.[90] Numerous retailers provided feedback that some customers do not respond to communications from their retailer until they receive a disconnection warning notice.[91] AGL advised that it observed a 25% reduction in customers making payment or seeking payment support in response to a notice that did not refer to disconnection but otherwise contained the same information.[92] As a result, retailers advocated against any increase in the minimum disconnection amount, warning it may delay customers from engaging and result in worse outcomes (especially where customers receive monthly bills).[93] Retailers emphasised that they do not disconnect customers for being unable to pay bills but rather for ‘not engaging’,[94] and consider that the current disconnection protections are adequate in ensuring disconnection occurs as a measure of last resort.[95]

> ‘Disconnection of supply however plays an important role in driving engagement from customers, and without this option retailers would have little recourse to drive engagement.’[96]

In contrast, consumer stakeholders highlighted that this is based on a narrow, retailer-focused interpretation of engagement and that a broader, customer-focused perspective is needed. For example, a customer-focused perspective on engagement would acknowledge the limitations that customers experience in engaging with retailers in specific ways and

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88 Uniting, Consumer experience report – assessing payment support from energy retailers, Essential Services Commission, June 2024, p. 32.

89 JEC et al., Joint submission, July 2024, p. 27.

90 AEC, Submission, June 2024, p. 5.

91 AEC, Submission, June 2024, p. 5; Energy Australia, Submission, June 2024, p. 14; ENGIE, Submission to Review of payment difficulty protections in the NECF, July 2024, p. 5; Origin Energy, Submission, July 2024, pp. 1 & 5; Powershop, Submission, July 2024, p. 10; Red Energy and Lumo Energy, Submission, July 2024, p. 5.

92 AGL, Submission, June 2024, p. 14.

93 AEC, Submission, June 2024; AGL, Submission, June 2024; Alinta, Submission, June 2024; ENGIE, Submission, July 2024; Momentum Energy, Submission, June 2024; Origin Energy, Submission, July 2024; Powershop, Submission, July 2024; Red Energy and Lumo Energy, Submission, July 2024.

94 Red Energy and Lumo Energy, Submission, July 2024, p. 2; verbal feedback.

95 AGL, Submission, June 2024, p. 13; Compliance Quarter, Submission, June 2024; Powershop, Submission, July 2024, p. 10.

96 Energy Australia, Submission, June 2024, p. 4.

recognise other actions as engagement (such as any effort to make a 'good faith' payment or to reach out or respond to their retailer, including by answering a call).[97] Consumer stakeholders emphasised the importance of such an approach for customers in vulnerable circumstances, such as people experiencing family violence, physical and mental ill health, bereavement and other economic or personal stresses.[98]

We heard feedback that engagement in the disconnection process could be improved through a flexible, tailored approach that does not rely on a single touchpoint (such as disconnection warning notices) or channel (such as email).[99] Some retailers provided feedback that their disconnection processes generally exceed the minimum touchpoints required by the Retail Rules.[100] However, we heard stories directly from customers about their experiences of being disconnected without receiving a notification, because the notification did not reach them through the channel being used.[101] We also heard feedback from both consumer and industry stakeholders that there is opportunity to increase the role of human interaction in the disconnection process, noting it can be very effective in helping customers experiencing vulnerability avoid disconnection.[102]

> 'We were shocked at how this happened. My brother dug and dug into his email and, unfortunately, the payment reminder email ended up in my spam folder, which led to us missing the due date. Together, we contacted the electricity company and quickly paid the overdue bill. However, the experience left me with lingering questions and frustration. Why hadn't we been notified before the disconnection? Why didn't the worker give us a chance to resolve the issue on the spot?'[103]

Reminder and disconnection warning notices could also be more customer-friendly. Consumer stakeholders noted that they can damage trust, which is critical for effective engagement between retailers and customers experiencing payment difficulty,[104] and provided evidence of the negative impact that disconnection warning notices have on many customers. However, research provided by consumer stakeholders also found that 14% of customers who avoided disconnection after receiving a disconnection notice said the most important thing that helped them avoid disconnection was being notified by their retailer.[105] It

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[97] JEC et al., Joint submission, July 2024, p. 44.

[98] JEC et al., Joint submission, July 2024, p. 44.

[99] AER, Consultation summary – Voices for Power listening session, July 2024; AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024; EWON, EWOQ and EWOSA, Submission, June 2024.

[100] AGL, Submission, June 2024, pp. 13–14; Energy Australia, Submission, June 2024, p. 4.

[101] AER, Consultation summary – Voices for Power listening session, July 2024.

[102] AER, Consultation summary – Voices for Power listening session, July 2024; Energy Australia, Submission, June 2024, p. 4; JEC et al., Joint submission, July 2024; SACOSS, Submission, July 2024; SAPN, Submission, June 2024, p. 25.

[103] AER, Consultation summary – Voices for Power listening session, July 2024, p. 8.

[104] AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024; EWON, EWOQ and EWOSA, Submission, June 2024, p. 19; JEC et al., Joint submission, July 2024, p. 32.

[105] JEC, Powerless: Debt and disconnection, p. 71.

is therefore important to ensure that these critical communications are as helpful as possible for these customers while minimising the harm they cause. Our review has identified that there is significant inconsistency in the quality of information provided in these notices, likely because there are no explicit obligations relating to the inclusion of assistance information. Consistency of regulated correspondence was highlighted as a benefit of the Victorian framework,[106] which has more specific requirements for what must be included in these notices. Consumer stakeholders have suggested these notices should include information about payment plans and government rebates and concessions.[107]

Consumer stakeholders also suggested that retailers could often avoid disconnection by engaging and supporting customers earlier in the customer journey.[108] Retailer stakeholders agreed with the value of early and effective engagement, noting that it is in the best interests of both retailers and customers.[109] However, we also heard feedback suggesting that some retailers do not prioritise engaging with a customer before their debt reaches the minimum disconnection amount.[110] The minimum disconnection amount is currently $300, although some retailers report using a higher figure for their internal processes.[111] We heard from consumer advocates and support organisations that $300 was too low and did not provide sufficient retailer incentive to engage earlier in the customer journey.[112] Some consumer stakeholders recommended increasing the amount substantially (for example, to $1,200), emphasising the role of stronger early intervention obligations to mitigate the risk that an increased threshold might delay engagement for some customers.[113]

In addition to strengthening existing disconnection protections, consumer stakeholders advocated for introducing new disconnection protections for customers who can't afford to pay for energy. For example, a joint submission from the Justice and Energy Centre, Ethnic Communities' Council of NSW, Northern Territory, Queensland and South Australian Councils of Social Service and the Council on the Ageing Australia, ACT and NSW recommended that no one should be disconnected because they cannot afford to pay for the energy they need.[114] Energy Consumers Australia and the Consumer Action Law Centre also advocated for restrictions on disconnection for some customers.[115] Currently, the framework allows for disconnection as a last resort, even where customers may be experiencing significant payment difficulty. This is how the market currently addresses the risk of customer

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106 Energy Australia, Submission, June 2024, p. 2.

107 AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024; AER, Consultation summary – Voices for Power, July 2024; AGL, Submission, June 2024, p. 14; EWON, EWOQ and EWOSA, Submission, June 2024, p. 19.

108 JEC et al., Joint submission, July 2024, p. 44.

109 AEC, Submission, June 2024, p. 5; AER, Consultation summary – Workshop 1 (Energy businesses), June 2024, AGL, Submission, June 2024, p. 9; Alinta Energy, Submission, June 2024, p. 1; Energy Australia, Submission, June 2024, p. 3; Origin Energy, Submission, July 2024, p. 1; Red Energy and Lumo Energy, Submission, July 2024, pp. 1–2.

110 Verbal feedback.

111 AGL, Submission, June 2024, p. 13; verbal feedback.

112 Feedback from AER Customer Consultative Group; FCA, Submission, June 2024; JEC et al., Joint submission, July 2024.

113 FCA, Submission, June 2024, p. 5.

114 JEC et al., Joint submission, July 2024, p. 9.

115 CALC, Submission, June 2024 p. 27; ECA, Submission, June 2024, p. 19.

non-payment and the cost of customer debt for retailers, who manage this risk on behalf of the entire supply chain.

> 'If disconnection were no longer an option, how could retailers ensure customers accept the financial responsibility for their energy use, specifically for the customers that refuse to engage with their retailer?'[116]

Customers who experience disconnection under the current framework also face barriers to being reconnected. For example, we heard from consumer groups that security deposits can be a significant barrier for people already experiencing financial distress.[117] Ombudsman schemes also reported that customers are being asked by retailers to pay large upfront payments to reconnect.[118] Research from the Justice and Equity Centre found that customers who were disconnected from utilities paid an average of $316 in reconnection fees, as well as $241 in bond fees, $149 in late payment fees and $310 in other fees (noting these are self-reported figures).[119] Consumer stakeholders recommended making changes to reduce the barriers to reconnection in the framework, including by reducing or removing reconnection fees and security deposits, putting a cap on debt repayments that must be paid to be reconnected and reducing the time it takes to get reconnected.[120]

116 Energy Australia, Submission, June 2024, p. 4.

117 FCA, Submission, June 2024, p. 6.

118 EWON, EWOQ and EWOSA, Submission, June 2024, p. 20.

119 JEC, Powerless: Debt and disconnection, 2024, p. 65.

120 AER, Consultation summary – Workshop 2 (Consumer organisations), June 2024; AER, Consultation summary – Voices for Power listening session, July 2024.

Appendix A: Opportunities considered

We considered a wide range of opportunities in our review, including opportunities proposed directly by stakeholders and potential opportunities that arose through our analysis of available evidence (including stakeholder feedback). As described in section 2.3, all opportunities were considered against the review's criteria for assessing potential changes.

The opportunities that were most likely to meet the review's criteria were prioritised and refined for inclusion in our findings report. Other opportunities were not included, as they were not sufficiently likely to meet the review's criteria for assessing potential changes in comparison to other opportunities considered (for example, they were less likely to have a sufficiently high impact on the intended outcome, they were more likely to involve higher or disproportionate costs, or they involved a higher risk of unintended consequences).

For transparency, all opportunities considered for prioritisation are summarised below, with a brief comment on whether and how they have been progressed in our findings.

Eligibility for payment difficulty protections

Proposed opportunity	Comment
Replace the definition of hardship customer and description of 'other' customers experiencing payment difficulty in the Retail Law with a single, inclusive definition.	**Opportunity 1** recommends introducing a single, consistent definition for customers experiencing payment difficulty in the Retail Law.
Remove references in rules 33(1)(b) and 111(2) that restrict protections for 'other' customers experiencing payment difficulty to those who have informed their retailer in writing or by telephone and align these protections with the broader description in the Retail Law.	**Opportunity 1** recommends an interim measure to extend protections in the Retail Rules while progressing legislative reform to introduce a single, consistent definition for customers experiencing payment difficulty in the Retail Law.
Clarify the interpretation of hardship (for example, to reduce expectations of meeting specific circumstances as currently set out in the Customer Hardship Policy Guideline's standardised statements).	We have not prioritised this proposed opportunity. However, we will consider the feedback received through this review when we next review the Customer Hardship Policy Guideline.
Specify minimum entitlements for all customers.	**Opportunity 5** recommends introducing minimum assistance standards for all customers.

Identifying customers experiencing payment difficulty

Proposed opportunity	Comment
Increase coverage of protections embedded in retailer hardship policies (including retaining assistance for customers who move house or switch retailers and prohibiting retailers from requiring proof to access assistance).	**Opportunity 1** recommends introducing a single, consistent definition for customers experiencing payment difficulty (including clarifying that protections continue to apply, without interruption, to former customers and customers who move house while remaining with the same retailer).

Proposed opportunity	Comment
	Opportunity 6 recommends banning retailers from requiring proof of circumstances to access payment difficulty assistance.
Amend the Retail Rules so that customers are protected by the minimum disconnection amount, regardless of whether they have agreed to repay the amount.	**Opportunity 9** recommends strengthening minimum disconnection protections (including removing the caveat in the Retail Rules that means it only applies where the customer has agreed to repay the amount).
Introduce an objective engagement trigger that requires retailers to provide information and assistance to customers who meet specific criteria, regardless of whether they have identified or can be identified as experiencing payment difficulty.	**Opportunity 3** recommends introducing a proactive engagement obligation for retailers to provide information to customers in response to an objective trigger.
Make monthly billing the default for customers, with the potential for a fortnightly billing option for Centrepay customers.	We have not prioritised this proposed opportunity.
Implement a priority services register by creating a voluntary or mandatory mechanism for retailers to collect and share information about customers who have been identified as experiencing vulnerability or payment difficulty.	We have not prioritised this proposed opportunity.
Create opportunities for retailers to communicate and collaborate to support the development and adoption of new technologies, systems and procedures for identifying and engaging with consumers experiencing payment difficulty (including dealing with scams).	We have not prioritised this proposed opportunity.
Lead a public awareness campaign targeted at increasing consumer awareness of available assistance.	We have not prioritised this proposed opportunity.

Engaging with customers experiencing payment difficulty

Proposed opportunity	Comment
Require retailers to provide readily available information about assistance outside their hardship policies, in a way that is easy for diverse consumers (including First Nations customers, culturally and linguistically diverse customers, and customers with disability) to access, understand and act on.	**Opportunity 2** recommends requiring retailers to provide generally available information about assistance that is easy for all customers to access, understand and act on.
Require reminder and disconnection warning notices to include information about assistance.	**Opportunity 10** recommends strengthening requirements for communication in the disconnection process (including requiring retailers to provide appropriate information about

Proposed opportunity	Comment
	assistance in reminder and disconnection warning notices).
Make retailers' customer hardship policies more customer friendly.	We have not prioritised this proposed opportunity. However, we will consider the feedback received through this review when we next review the Customer Hardship Policy Guideline.
Increase retailer obligations to engage with customers in ways that meet their needs.	**Opportunity 4** recommends requiring retailers to take steps to engage with customers in ways that meet their needs.
Require hardship policies to include clearer guidance about when specific forms of assistance (such as debt waivers) will be considered.	We have not prioritised this proposed opportunity. However, we will consider the feedback received through this review when we next review the Customer Hardship Policy Guideline.
Require retailers to regularly review their methods of proactive contact to ensure they meet consumers' needs, especially where contact hasn't been successful in the lead-up to disconnection.	**Opportunity 4** recommends requiring retailers to take steps to engage with customers in ways that meet their needs.
Require bills to include information about concession eligibility or availability.	We have not prioritised this proposed opportunity.
Clarify training requirements in the Customer Hardship Policy Guideline.	We have not prioritised this proposed opportunity. However, we will consider the feedback received through this review when we next review the Customer Hardship Policy Guideline.
Establish minimum training / capability requirements, including for First Nations engagement.	**Opportunity 4** recommends requiring retailers to take steps to engage with customers in ways that meet their needs.
Remove the language of 'hardship' from the framework.	**Opportunity 1** recommends introducing a single, consistent definition for customers experiencing payment difficulty (including replacing the terminology of hardship).
Require retailers to offer a dedicated First Nations support service, which could be implemented collaboratively.	**Opportunity 4** recommends requiring retailers to take steps to engage with customers in ways that meet their needs.

Assisting customers experiencing payment difficulty

Proposed opportunity	Comment
Specify minimum entitlements for customers experiencing payment difficulty.	**Opportunity 7** recommends introducing minimum assistance standards for customers experiencing payment difficulty.
Extend the prohibition on requiring customers to pay a security deposit to get connected or reconnected to customers experiencing payment difficulty.	**Opportunity 1** recommends introducing a single, consistent definition for customers experiencing payment difficulty, which would extend the application of existing protections.

Proposed opportunity	Comment
Require retailers to consider capacity to pay for all payment plans.	**Opportunity 1** recommends introducing a single, consistent definition for customers experiencing payment difficulty (and removing the distinction between customers who have identified or been identified as experiencing payment difficulty), which would extend the application of existing protections. **Opportunity 8** recommends strengthening protections to make payment plans more affordable.
Require all payment plans (and potentially bill smoothing arrangements) to be flexible, so that customers can adjust payment amounts and dates as needed.	**Opportunity 8** recommends strengthening protections to make payment plans more affordable (including making them more flexible).
Update the Sustainable Payment Plans Framework.	We have not prioritised this proposed opportunity. However, we will consider the feedback received through this review when we next review the Sustainable Payment Plans Framework.
Mandate the Sustainable Payment Plans Framework.	**Opportunity 8** recommends strengthening protections to make payment plans more affordable.
Increase the time between a bill issue date and a pay-by date for customers on quarterly billing.	We have not prioritised this proposed opportunity.
Require retailers to assist customers with accessing or applying for concessions.	**Opportunity 7** recommends introducing minimum assistance standards for customers experiencing payment difficulty (including helping the customer apply for government concessions and rebates they are eligible for).
Clarify expectations regarding the provision of assistance to lower energy costs.	**Opportunity 7** recommends introducing minimum assistance standards for customers experiencing payment difficulty (including assistance to help customers lower their energy costs).
Require retailers to provide assistance to lower energy costs earlier, no later than at the same time as establishing a retailer-initiated payment Plan.	**Opportunity 7** recommends introducing minimum assistance standards for customers experiencing payment difficulty (including assistance to help customers lower their energy costs).
Require retailers to allow all customers to defer payments or establish a payment plan, potentially restricted by frequency, length or amount.	**Opportunity 5** recommends introducing minimum assistance standards for all customers (including flexible payment options and the ability to defer payments).
Require retailers to create more opportunities for in-person contact such as physical offices or in-person engagement events.	We have not prioritised this proposed opportunity.

Proposed opportunity	Comment
Require retailers to allocate a portion of their profits to customers experiencing payment difficulty, which could include waiving debt and provide energy efficiency upgrades for consumers at risk of disconnection.	We have not prioritised this proposed opportunity. However, we continue to advocate for a shared funding pool to support debt waivers and energy efficiency assistance for customers experiencing vulnerability, as proposed by the Game changer.

Disconnection as a last resort

Proposed opportunity	Comment
Increase the minimum disconnection amount.	**Opportunity 9** recommends strengthening minimum disconnection protections (including increasing the minimum disconnection amount).
Remove the minimum disconnection amount.	We have not prioritised this proposed opportunity.
Make s 47 of the NERL (which requires retailers to give effect to the principle that disconnection of a hardship customer due to inability to pay energy bills should be a last resort option) a civil penalty provision.	**Opportunity 11** recommends strengthening the principle that disconnection is a last resort option (including introducing financial penalties for retailers who fail to uphold the principle).
Amend rules 111(e) and 111(3)(c) to remove references to facsimile and amend the words ‘one of’ in reference to the channels that retailers must use in using their best endeavours to contact the customer before disconnection.	**Opportunity 10** recommends strengthening requirements for communication in the disconnection process (including to clarify that retailers should use multiple communication channels to engage with customers at risk of disconnection).
Prohibit retailers (and/or network businesses) from requiring a reconnection fee.	**Opportunity 12** recommends banning reconnection fees for customers experiencing payment difficulty.
Extend the existing protection in rule 111(2A) that requires retailers to take into account the potential impact of disconnection on customers affected by family violence to customers experiencing payment difficulty.	**Opportunity 11** recommends strengthening the principle that disconnection is a last resort (including a potential obligation for retailers to take the harms of disconnection into account when considering disconnecting a customer).
Replace the reference to failing 2 payment plans in the 12 months prior to disconnection from rule 111 with an alternative requirement (i.e., ‘abolish the 2-strike rule’).	We have not prioritised this proposed opportunity. However, **Opportunity 8** recommends strengthening protections to make payment plans more affordable, and **opportunities 9–11** recommend changes to better ensure disconnection is only used as a last resort.
Define a protected class of customers who cannot be disconnected (for example, those who cannot afford ongoing usage or are at significant risk of harm from disconnection).	**Opportunity 13** recommends considering alternatives to disconnection to manage the risk in the energy market.
Clarify that good faith payments from customers are ‘reasonable action towards settling the debt’ as part of guidance on disconnection.	We have not prioritised this proposed opportunity. However, **opportunities 9–11** recommend

Proposed opportunity	Comment
	changes that would better ensure disconnection is only used as a last resort.
Update and clarify the requirement for retailers to use their 'best endeavours to contact the customer'.	**Opportunity 10** recommends strengthening requirements for communication in the disconnection process (including to clarify that retailers should use multiple channels).
Increase the reminder notice and/or disconnection warning period.	We have not prioritised this proposed opportunity.
Require retailers to confirm the disconnection notice has been received before disconnecting a customer.	We have not prioritised this proposed opportunity.
Reduce the time retailers can take to reconnect a customer who has been disconnected.	We have not prioritised this proposed opportunity.

Glossary

Term	Definition
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
DCCEEW	Commonwealth Department of Climate Change, Energy, the Environment and Water
DEECA	Department of Energy, Environment and Climate Action
ERCOP	Victorian Energy Retail Code of Practice
ESC	Essential Services Commission Victoria
NECF	National Energy Customer Framework
Retail Law	National Energy Retail Law
Retail Rules	National Energy Retail Rules
SPPF	Sustainable Payment Plans Framework
Victorian framework	Victorian Payment Difficulty Framework