

Review of payment difficulty protections in the National Energy Customer Framework

Findings Report

May 2025

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1 Executive summary

Energy affordability is a consistent concern for many households. Governments, regulators and retailers have all made significant efforts to improve outcomes for energy customers since the National Energy Customer Framework (NECF) was first introduced in 2012. This includes introducing the AER Customer Hardship Policy Guideline in 2019 to strengthen protections in the National Energy Retail Rules (Retail Rules) and better ensure that protections in the National Energy Retail Law (Retail Law) are applied consistently to all customers experiencing payment difficulty. However, many households still struggle to afford their energy bills and some of these households aren't receiving any assistance under the current protection framework. There is a persistent assistance gap, which too often results in poor outcomes for customers – including being disconnected from energy.

The energy market's failure to prevent these outcomes impacts every customer. Most customers will experience vulnerability at some point in their life due to factors such as illness, job loss, financial shocks, the death of a loved one, caring responsibility and even aging.¹ Customer debt also imposes costs on the market, which are ultimately borne by energy customers as a whole. In 2022, EY Port Jackson Partners estimated that energy customer debt costs retailers \$188 million every year (including \$152 million in bad debt and \$36 million in debt recovery costs), accounting for 26% of the total cost of consumer vulnerability in the energy system.² We know that when customers receive the right assistance at the right time, they are much less likely to accrue large amounts of energy debt. It is in everyone's interest to ensure that our energy market is financially sustainable and that its systems do not perpetuate payment difficulty or contribute to energy debt.

In this review, we have 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. After extensive consultation, we have identified 13 opportunities 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.

¹ Consumer Policy Research Centre (CPRC), [Exploring regulatory approaches to vulnerability: A report for the Australian Energy Regulator](#), Australian Energy Regulator, February 2020, p. 7.

² AER and EY Port Jackson Partners (EY PJP), [Consumer vulnerability: A case for change](#), Australian Energy Regulator, 24 March 2022, p. 59.

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.

Together, these changes will:

- improve protections and outcomes for customers experiencing payment difficulty
- make customer experiences more consistent, supporting greater awareness and trust
- simplify regulatory compliance for retailers due to a simpler eligibility framework, clearer minimum standards and greater consistency across jurisdictions (including greater alignment between the NECF and the Victorian payment difficulty framework)
- reduce the burden of debt in the energy system by better ensuring retailers engage with customers experiencing payment difficulty proactively and effectively.

Implementing opportunities 1 and 11 will require legislative reform:

- **Opportunity 1:** Simplify the eligibility framework for payment difficulty protections by introducing a single, consistent definition for customers experiencing payment difficulty. This will require changes to the definitions used in the Retail Law and Retail Rules (as well as amendments to align other relevant provisions in the Retail Law, Retail Rules and AER instruments with the new definition).
- **Opportunity 11:** Introduce financial penalties for retailers who fail to uphold the principle that disconnection should be a last resort option for customers experiencing payment difficulty by making section 47 of the Retail Law a Tier 1 civil penalty in the National Energy Retail Regulations.

We also identified opportunities to improve the framework by changing the Retail Rules:

- **Rule changes to make it easier for customers to know what assistance is available** by requiring retailers to proactively engage with customers in response to an objective trigger, take steps to engage with customers in ways that meet their needs and provide generally available information about assistance that is easy to access and understand.
- **Rule changes to make it easier for customers to access assistance** by banning retailers from requiring proof of circumstances to access payment difficulty assistance and introducing minimum assistance for all customers.
- **Rule changes to make assistance more effective** by strengthening protections to make payment plans more affordable and introducing minimum assistance (including assistance to lower energy costs) for customers experiencing payment difficulty.
- **Rule changes to strengthen disconnection protections** by banning reconnection fees, strengthening requirements for communication in the disconnection process and strengthening minimum disconnection protections.

To deliver benefits to energy customers as quickly as possible, there may be a case to make some of these rule changes while legislative reform progresses.

Existing initiatives offer a clear path to progress these rule changes and reforms. On 14 March 2025, Energy Ministers agreed on an approach to assess options for modernising Australia's consumer protection regimes to ensure they remain appropriate in the evolving

energy market.³ A consultation paper has since been published seeking stakeholder feedback on the critical matters this process should address.⁴ The Better Energy Customer Experiences initiative provides a timely path to progress the opportunities identified through this review to update and strengthen our regime's payment difficulty protections. Considering the proposed legislative reforms and rule changes together through this process will best ensure the protections are fit for the future energy market.

The AER's ability to introduce or amend substantive obligations outside these processes is very limited. The Retail Law and Retail Rules set out who is eligible for hardship and payment difficulty protections and how they are protected. In addition, while the AER makes the Customer Hardship Policy Guideline, the purpose and scope of the guideline, the minimum requirements for customer hardship policies and the circumstances under which the AER must approve these policies are specified under the Retail Law and Retail Rules.

Our review has also highlighted how ambiguous or inconsistent regulatory requirements can contribute to worse outcomes for customers. Embedding clear definitions and protections in the Retail Law and Retail Rules, as proposed by the opportunities identified in this report, is necessary to provide stronger and more consistent protections while reducing the ongoing regulatory and compliance burden for retailers.

One opportunity the AER can act on directly is increasing the minimum disconnection amount. This will strengthen protections for all customers and better support the principle that disconnection is a last resort for customers experiencing payment difficulty. We are consulting on a new amount and expect to make a final decision in mid-2025.

Our most ambitious recommendation is for policymakers to consider alternatives to disconnection as a way to manage risk in the energy market. We have previously highlighted the challenges that result from relying on retailers to manage all the costs and risks of consumer vulnerability in the energy sector.⁵ Our latest review has found that this reliance contributes to disconnection being used as an engagement tool, not a last resort.

Ultimately, disconnection is how the market addresses the costs of customer debt for retailers, who manage this risk on behalf of the entire energy supply chain. However, this design fails to address the realities faced by customers who simply cannot afford the energy they need, regardless of their willingness to engage with their retailer or participate in the market. No customer incentive can overcome the barriers that some people face to paying their energy bills. As a result, we cannot avoid disconnection without directly addressing payment difficulty, changing the way the market works, or both. Given that the community expects all Australians should have access to energy, it may be time to rethink how we can keep customers connected to this essential service.

³ Energy and Climate Change Ministerial Council, [Meeting Communiqué – Friday 14 March 2025](#), Department of Climate Change, Energy, the Environment and Water, March 2025.

⁴ Energy and Climate Change Ministerial Council, [Consultation paper – Better Energy Customer Experiences](#), Department of Climate Change, Energy, the Environment and Water, March 2025.

⁵ AER and EY PJP, [Consumer vulnerability: A case for change](#), Australian Energy Regulator, 24 March 2022.

We encourage those pursuing or exploring energy consumer reforms to build on the learnings of our review and consider the opportunities we have identified as a starting point. While some involve significant change, they represent the most promising and practical opportunities to strengthen protections for customers experiencing payment difficulty in the national energy market.

They are opportunities to deliver better energy customer experiences into the future.

About the review

This review has progressed actions 8, 9 and 10 of our Towards energy equity strategy:⁶

- Action 8: Consider the need for a payment difficulty framework in the NECF
- Action 9: Encourage improved engagement to promote disconnection as truly a last resort
- Action 10: Review the consumer energy debt threshold for disconnection

The scope of the review focused on residential customers in the jurisdictions governed by the NECF, which includes the 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 customers in embedded networks operated by exempt sellers) are outside the scope of this review. The AER is separately reviewing the [exemptions framework for embedded networks](#), including the Retail Exempt Selling Guideline. Prepayment meter customers supplied outside the NECF and small business customers are also outside the scope of this review.

The consultation process for the review is summarised below. A list of all stakeholders we consulted in this process is provided in Appendix A. The [consultation report](#) provides our detailed analysis of stakeholder feedback that informed our findings.

- October 2023 – April 2024: Early consultation, analysis and consumer focus groups
- May 2024: Publication of issues paper
- June 2024: Stakeholder workshops on improving engagement
- July 2024: Stakeholder forum and community listening session
- November 2024: Consumer survey

⁶ AER, [Towards energy equity: A strategy for an inclusive energy market](#), Australian Energy Regulator, October 2022.

2 The case for change

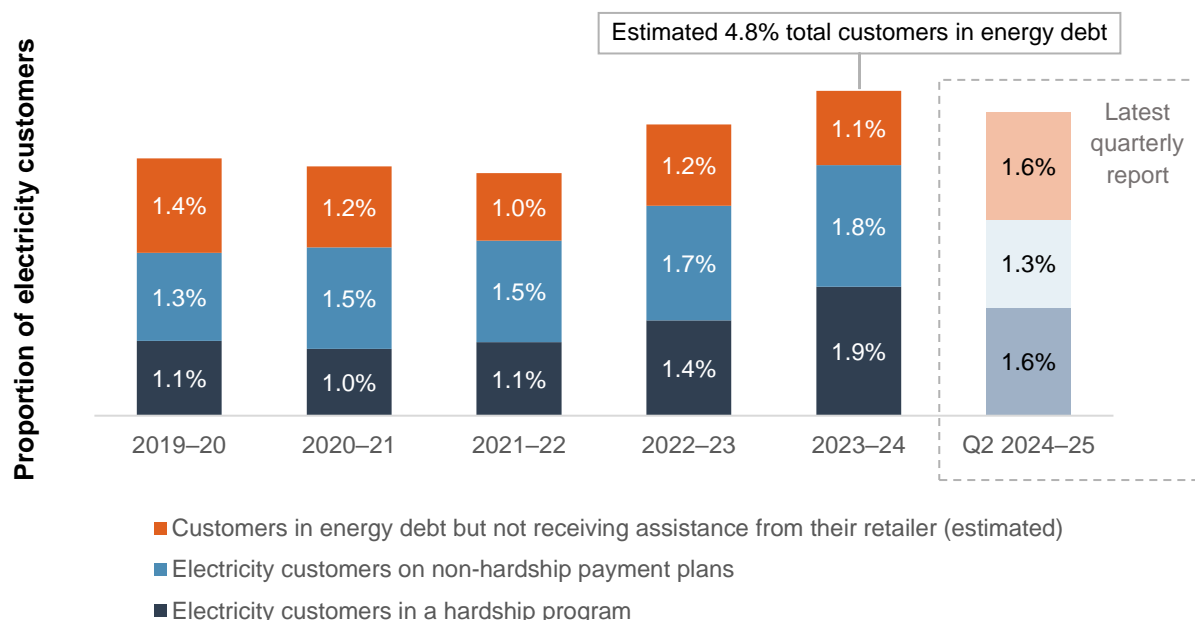
We have explored the case for change by considering the effectiveness of current protections, the gaps, failures and unintended consequences of the current framework, and the effectiveness of other potential approaches (drawing on learnings from other frameworks, including the Victorian payment difficulty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

There is a persistent assistance gap

As visualised in Figure 2, our retail performance data tells us that the scale of payment difficulty in the NECF has remained between 3.6% and 5% since 2019–20. We estimate that a total of 4.8% of customers were in energy debt in 2023–24, including the 1.9% of customers in a hardship program and the estimated 2.9% of customers in energy debt but not in a hardship program. This number has increased from the 5-year low of 3.6% in 2021–22, despite the energy bill relief provided in recent years.

Figure 2 Estimating the scale of payment difficulty in the NECF over time



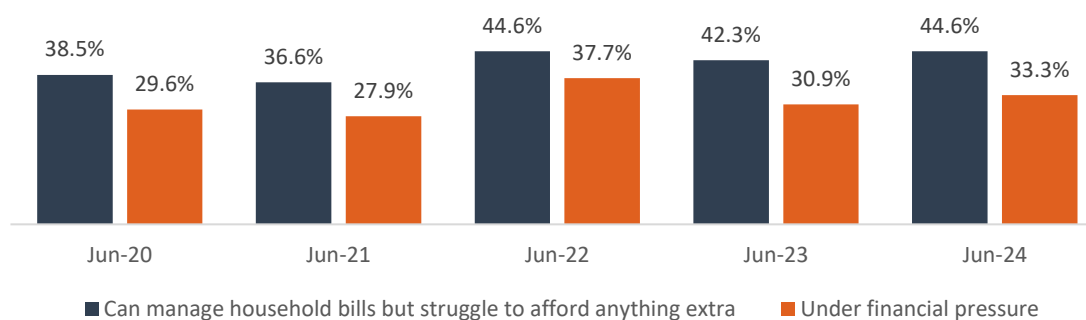
Note: Charts refer to electricity customers to best capture the full scope of payment difficulty. Customers in energy debt but not receiving assistance is a proxy metric calculated by combining the proportion of customers with non-hardship energy debt and the proportion of electricity customers on hardship programs. This is then compared 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 payment difficulty with their electricity.

Source: AER, [Schedule 3 – Quarter 4 2023–24 retail performance data](#), December 2024; AER, [Schedule 4 – Quarter 4 2023–24 retail performance data](#), December 2024; AER, [Key trends – Quarter 2 2024–25 retail performance data](#), March 2025.

The persistence of these debt levels over time shows that they are a structural part of our energy system, which is not sustainable. We are particularly concerned that more than 1% of customers, or over 75,000 households, are in energy debt but are not receiving any assistance from their retailer in the form of either a hardship program or non-hardship payment plan. This gap has also remained largely consistent over time, at 1% to 1.6%. Other research has found that only 29% of customers who were disconnected were receiving assistance from their energy provider, while 43% were not receiving any assistance from their energy or water provider or through a government rebate or concession at the time they were disconnected.⁷

We also know that many households are experiencing hidden payment difficulty – that is, they pay their energy bills on time but have to make sacrifices elsewhere in their lives in order to do so. This often includes forgoing other essential expenses such as food or healthcare. For example, our consumer research found that 47% of customers in financial stress who were unable to pay a utility bill on time in the last 12 months had responded by cutting back in areas of essential spending. Clearly, these customers are experiencing payment difficulty but they do not show up in our data. This means that the scale of payment difficulty is greater than we can estimate with our data. Looking beyond our own data, there is evidence that the assistance gap may be much higher when hidden payment difficulty is taken into account. For example, data from Energy Consumers Australia's Energy Consumer Sentiment Survey (visualised in Figure 3) suggests that the proportion of Australians who are under financial pressure and missing out on assistance may be consistently as high as 28% to 38%. In June 2024, 33.3% of customers in the NECF who reported being under financial pressure also reported that they were not receiving assistance in the form of either a retailer hardship arrangement or a concession, rebate or other assistance with energy bills.

Figure 3 Proportion of ECA Energy Consumer Sentiment Survey respondents who are struggling or under financial pressure and not receiving assistance



Note: Proportion of people not receiving assistance is calculated based on the number of respondents who responded 'no' to both having a special payment arrangement with their electricity retailer as a result of financial hardship and receiving a concession, rebate or other assistance with energy bills.

Source: AER analysis of Energy Consumers Australia [Energy Consumer Sentiment Survey](#) data (filtered for residents living in NECF states and territories, $n = 1450$ (2020), 1478 (2021), 1400 (2022), 1400 (2023), 1401 (2024)).

⁷ JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, p. 30.

The quality of information about assistance is inconsistent

The framework has few standards for the information that retailers must give their customers about payment difficulty assistance. Currently, retailers must provide information about concessions or rebates when a customer signs up, when the customer is identified as a hardship customer or when the customer informs the retailer in writing or by telephone that they are experiencing payment difficulty. Retailers must also inform hardship customers about their hardship policy, which includes information on assistance.⁸ However, hardship policies are not the most effective way to communicate this information. Hardship policies are sometimes difficult to find and customers may not engage with their retailer's policy because they do not identify as being in 'hardship'. In addition, hardship policies may not be written in a customer-friendly way, in part due to the range of information they must contain (including information about retailer processes that may not be relevant for customers).⁹

Depending on their retailer, sometimes customers can access some of this information outside of their retailer's hardship policy. Provided the information is easy to understand and act on, this can reduce engagement barriers (like stigma and friction) that prevent customers from accessing assistance. However, there is significant variation among retailers when it comes to communicating this information in other ways. In November 2024, we analysed 53 retailer websites to assess the quality of information provided about assistance. Specifically, we looked for information about assistance that was available without needing to download or view a separate file (such as the retailer's hardship policy). We considered:

- general accessibility and navigation, such as how easy it was to find the information from the retailer's home page
- whether information was tailored to customers with specific needs (including culturally and linguistically diverse customers, First Nations customers and customers with disability), including in some cases whether the page passed tests on compliance with screen reader and assistive technology standards
- the quality of information about assistance and how to access it, such as whether the page explained types of assistance and specific steps or processes to access them
- the complexity of language used, including in some cases how the page performed on common readability tests.

Our analysis found that the information available was particularly poor in meeting the needs of diverse customers, although it performed better on complexity of language and general accessibility and navigation. We also found that 18 retailer websites did not have a specific page for information about payment difficulty assistance. This can make it much more difficult for customers to know what assistance may be available when they are experiencing payment difficulty, simply because of who their retailer is.

⁸ Retail Rules, r 19(1)(c), r 33(3) and r 71; Retail Law, s 46.

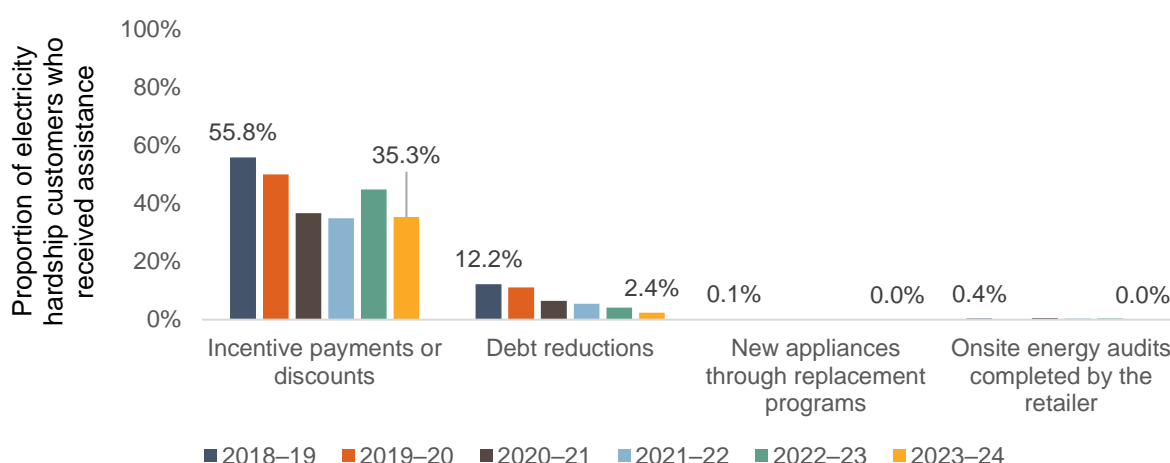
⁹ Retail Law, s 44; AER Customer Hardship Policy Guideline.

Assistance provided under the framework is often ineffective

Customers who do not receive assistance to lower their energy costs into the future may be more likely to experience more severe or longer-term payment difficulty. However, retailers have significant discretion to determine the assistance they provide in the current framework, with data showing that this assistance is generally limited to payment plans and incentive payments. Although these can be effective, other forms of assistance that can lower energy costs (such as debt waivers and energy efficiency assistance, including audits and appliance upgrades) are rarely offered to customers experiencing payment difficulty.

Our retail performance data shows that provision of debt reductions has steadily decreased since reporting began, with an average of just 2.4% of electricity hardship customers receiving debt reductions in 2023–24 compared with 12.2% in 2018–19 (with similar declines for gas customers).¹⁰ It also shows that very few customers have received help from their retailer to upgrade inefficient appliances or improve the energy efficiency of their home over the past 6 years (see Figure 4 and Figure 5). Other research suggests that just 13% of customers had received energy cost-saving advice before being disconnected and just 15% had been put on a better offer, while only 12% of customers were receiving a concession to help with their energy/water bills at the time they were disconnected.¹¹

Figure 4 Proportion of electricity hardship customers who received assistance to lower energy costs, quarterly average, 2018–19 to 2023–24

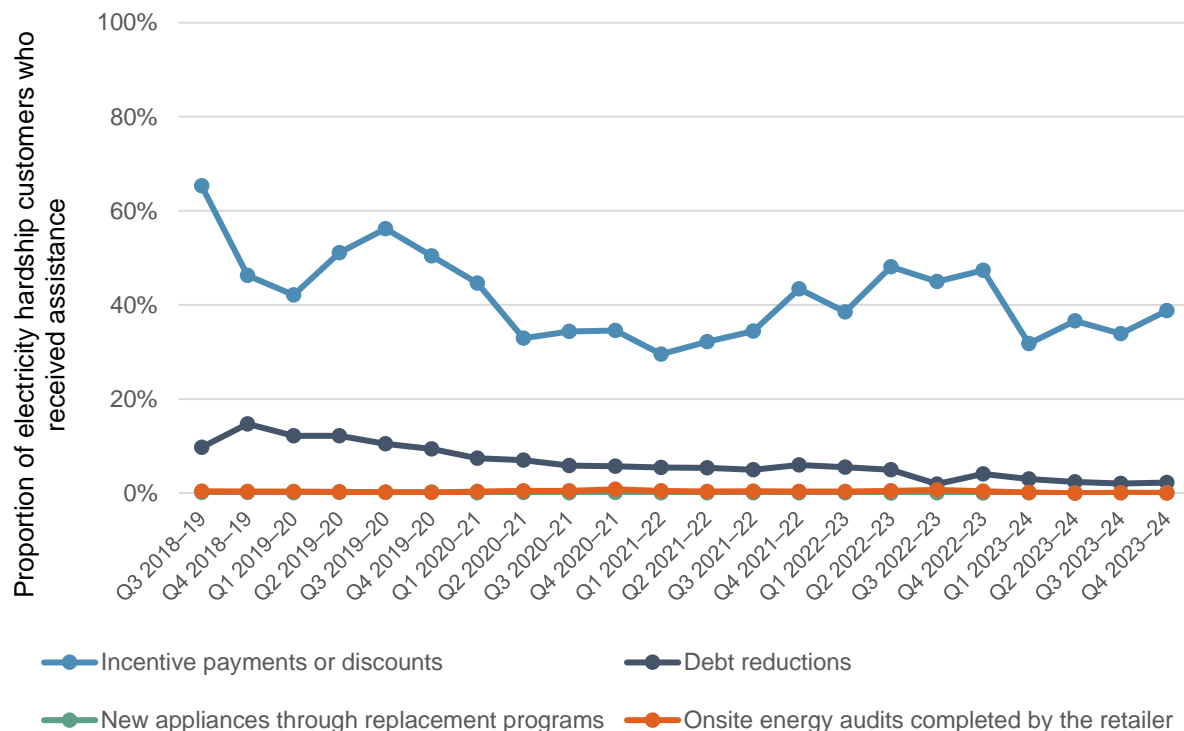


Source: AER, [Schedule 4 – Quarter 4 2023–24 retail performance data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Quarter 4 2022–23 retail performance data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Retail Performance Data Q4 2021–22](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Retail Performance Data Q4 2020–21](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Q4 2019–20 Retail Performance Data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Q4 2018–19 Retail Performance Data](#), Sheet: 'Hardship assistance'; average across all quarters.

¹⁰ AER, [Schedule 4 – Quarter 4 2023–24 retail performance data](#), Sheets: 'Hardship Assist - Elec', 'Hardship Assist - Gas'; AER, [Schedule 4 – Q4 2018–19 Retail Performance Data](#), Sheet: 'Hardship assistance'; average across all quarters.

¹¹ JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, pp. 31 & 35.

Figure 5 Proportion of electricity hardship customers who received assistance to lower energy costs, all quarters, Q3 2018–19 to Q4 2023–24



Source: AER, [Schedule 4 – Quarter 4 2023–24 retail performance data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Quarter 4 2022–23 retail performance data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Retail Performance Data Q4 2021–22](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Retail Performance Data Q4 2020–21](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Q4 2019–20 Retail Performance Data](#), Sheet: 'Hardship Assist - Elec'; AER, [Schedule 4 – Q4 2018–19 Retail Performance Data](#), Sheet: 'Hardship assistance'.

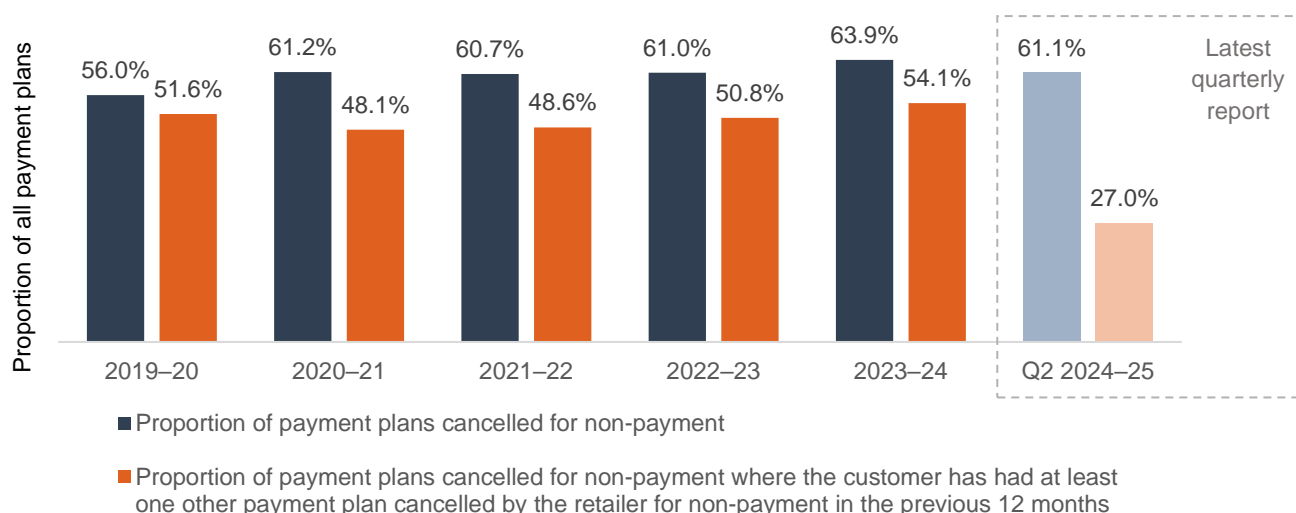
In 2023, after extensive consultation and collaboration with stakeholders from across the sector, the AER recommended reforms to provide customers experiencing vulnerability with debt waivers and energy efficiency support as part of a comprehensive package to change the way the energy sector addresses consumer vulnerability.¹² This review has again highlighted the critical importance of assistance that lowers energy costs.

Our consumer research found that people were significantly more likely to say that the support provided by their retailer was very helpful when they had been put on a cheaper plan (31% of customers who found the assistance very helpful had been put on a cheaper plan, while only 18% of customers who found the assistance not helpful or only somewhat helpful had been put on a cheaper plan). Our consumer research also emphasised the importance of making sure payment plans reflect a customer's ability to pay, with customers who were put on an affordable payment plan significantly more likely to have found the assistance very helpful. However, research from the Justice and Equity Centre indicates that 42% of

¹² AER, [Game changer report](#), Australian Energy Regulator, November 2023.

customers who were disconnected were on a payment plan that they could not really afford.¹³ Our data shows that the majority of payment plans are cancelled for non-payment (63.9% in 2023–24), with this proportion remaining at around 60% for the past several years (see Figure 6).¹⁴

Figure 6 Proportion of payment plans cancelled for non-payment



Note: Averages of electricity and gas.

Source: AER, [Schedule 3 – Quarter 4 2023–24 retail performance data](#), Sheets: 'Payment Plans', 'Payment Plan by Type – Elec', 'Payment Plan by Type – Gas'; AER, [Schedule 3 – Quarter 2 2024–25 retail performance data](#), Sheets: 'Payment Plans', 'Payment Plan by Type – Elec', 'Payment Plan by Type – Gas'.

In addition, around half of payment plans are cancelled for customers who had at least one other payment plan cancelled by the retailer for non-payment in the previous 12 months (54% in 2023–24). This increases the risk of being disconnected for non-payment because a customer refusing or failing 2 payment plans in the previous 12 months is one condition that must be met before their retailer can commence the disconnection process.¹⁵ Many customers are disconnected within 12 months of being on a payment plan (35.7% of electricity disconnections and 29% of gas disconnections in 2023–24).¹⁶ Not making requested payments is also the main reason that customers are excluded from hardship programs (69.1% of electricity and 81.3% of gas hardship customers in 2023–24).¹⁷

¹³ JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, p. 31.

¹⁴ AER, [Schedule 3 – Quarter 4 2023–24 retail performance data](#), Sheet: 'Payment Plans', averages of electricity and gas.

¹⁵ Retail Rules, r 111(2)(c).

¹⁶ AER, [Annual retail markets report 2023–24](#), Australian Energy Regulator, November 2024, pp. 93 & 95.

¹⁷ AER, [Annual retail markets report 2023–24](#), Australian Energy Regulator, November 2024, pp. 100 & 104.

Disconnection is relied on as an engagement tool

The framework includes a principle that disconnection should be a last resort option for hardship customers who are unable to pay their energy bills.¹⁸ However, this principle is not consistently translating into outcomes where disconnection is truly a last resort.

Retailers rely on disconnection to engage customers with energy debt, noting that some customers will not respond to their retailer until they receive a disconnection warning notice or are disconnected. While this may be true in some cases, this outcome may often be avoided through more effective engagement and assistance throughout the payment difficulty journey. Both disconnection and disconnection warning notices cause real harm to households. Besides the impact on health and wellbeing, research from the Justice and Equity Centre found that customers who were disconnected from utilities paid an average of \$316 in reconnection fees, \$241 in bond fees, \$149 in late payment fees and \$310 in other fees (noting these are self-reported figures).¹⁹ This doesn't include the other costs customers may incur, such as costs associated with not being able to cook or keep food at home. Even where a customer avoids disconnection, they may do so by going without heating and cooling, skipping meals or medicine, or taking on high-cost or risky debt.

The minimum disconnection amount helps protect all customers from the harms associated with disconnection. This amount (which is set by the AER) has been \$300 since the NECF was introduced in 2012. A key principle in determining this amount has been that a customer should not be disconnected for being one quarterly bill behind. However, our data shows that some customers are disconnected with less than \$500 debt (2,055 electricity customers and 524 gas customers in 2023–24).²⁰ Meanwhile, the latest report from the ACCC's Inquiry into the National Electricity Market estimated an average annual electricity price of \$1,814 for customers without a controlled load and \$2,506 for customers with a controlled load in 2024 (assuming 100% achievement of conditional discounts).²¹ This means that some households are being disconnected for debts that are about the same as a quarterly electricity bill or less.

While retailers are not allowed to arrange for a customer to be disconnected where the customer owes less than the minimum disconnection amount, this protection only applies where customers have agreed to repay the amount. Whether a customer has agreed to repay the amount will depend in part on the quality of their retailer's engagement with them. As such, poor engagement practices can not only delay customers from accessing assistance but also put them at risk of disconnection. Unfortunately, we found that customers have inconsistent experiences when it comes to engagement in the disconnection process, with significant variation across retailers due to a lack of minimum standards.

¹⁸ Retail Law, s 47.

¹⁹ JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, p. 65.

²⁰ AER, [Schedule 3 – Quarter 4 2023–24 retail performance data](#), Australian Energy Regulator, Sheet: 'Disconnection Resi by debt'.

²¹ ACCC, [Appendix C – Supplementary spreadsheet with retail pricing data, cost stack data and charts – Inquiry into the National Electricity Market report – December 2024](#), Australian Competition and Consumer Commission, Sheet: '1. Residential (conditional)'.

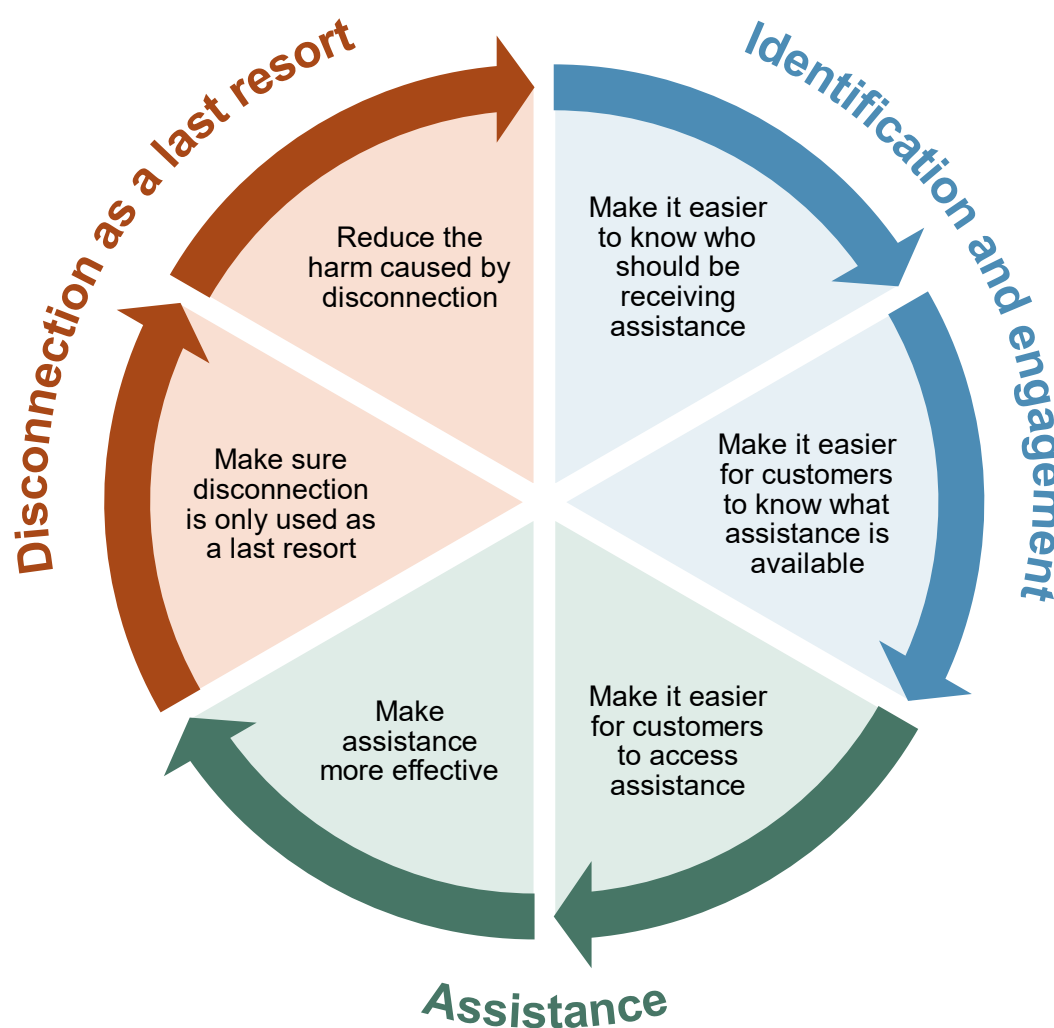
3 Opportunities to improve the framework

We have identified 13 opportunities to strengthen protections for households experiencing payment difficulty and improve outcomes for all energy customers by reducing the burden of debt – for customers experiencing payment difficulty and the energy system as a whole.

The opportunities that we've prioritised are those that are most likely to deliver stronger protections that are impactful, equitable, simple and practical, with the lowest risk of unintended consequences and an impact on costs that is both proportionate to the expected benefits and as minimal as possible.

Some of the proposed reforms represent a significant change. However, together they will help customers experiencing payment difficulty get the right assistance at the right time, make the regulatory framework simpler and more consistent, and reduce the burden of debt for both customers and the system as a whole.

Figure 7 Opportunities to improve the regulatory framework for payment difficulty protections in the NECF, across the customer journey



Make it easier to know who should be receiving assistance

The current eligibility framework for payment difficulty protections in the NECF is complex, with eligibility varying based on factors such as the processes put in place by a customer's retailer under their hardship policy and whether a customer has explicitly told their retailer they are experiencing payment difficulty. There is significant opportunity to simplify the framework and ensure more consistent protections by making it easier to know who should be receiving assistance. This can be achieved by amending the Retail Law to introduce a single, consistent definition for customers experiencing payment difficulty.

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

Implementing this opportunity requires changes to the definitions used in the Retail Law and Retail Rules, with accompanying amendments to align other relevant provisions in the Retail Law, Retail Rules and AER instruments with the updated definition.

An interim measure to ensure that existing protections apply to customers experiencing payment difficulty regardless of whether they have self-identified or been identified by their retailer could be implemented through amendments to rules 33 and 111 in the Retail Rules.

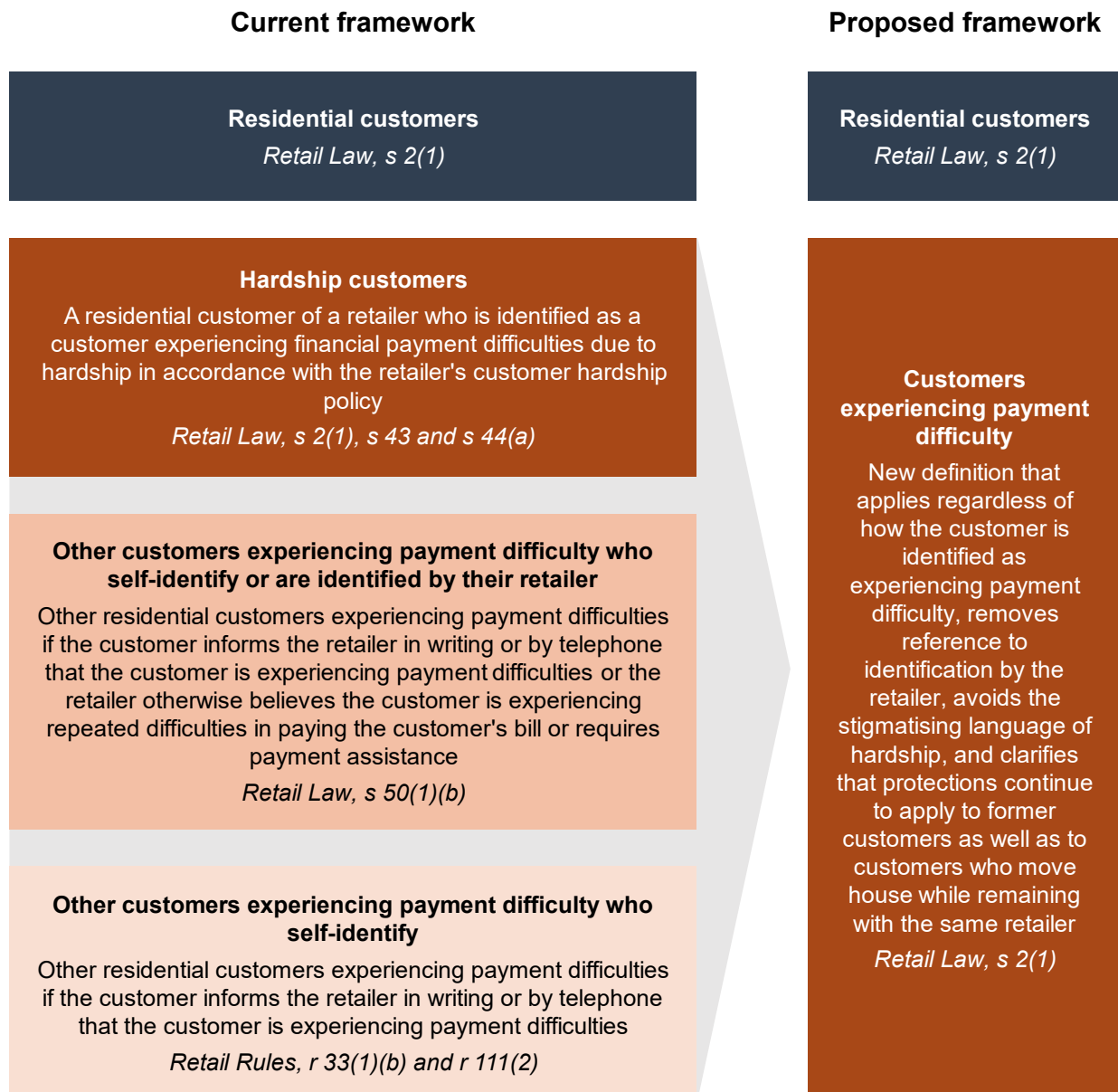
The eligibility framework could be significantly improved by amending the Retail Law to eliminate the distinction between hardship customers and other customers experiencing payment difficulty. Instead, we propose a single, inclusive definition of customers experiencing payment difficulty. This change would significantly reduce the complexity of the current eligibility framework, as shown in Figure 8. It would also increase consistency across regulatory frameworks by aligning the eligibility framework in the NECF more closely with the Victorian payment difficulty framework.

The new definition could improve significantly on the existing definitions, increase consistency and reduce barriers to assistance by:

- removing any reference to identification by the retailer, to clarify that customers experiencing payment difficulty are entitled to protections regardless of the effectiveness of their retailer's processes to identify payment difficulty
- updating the terminology used in the definition to avoid the stigmatising language of 'hardship', which is a barrier to some customers accessing assistance
- clarifying that protections continue to apply, without interruption, to former customers as well as to customers who move house while remaining with the same retailer.

This reform would require supporting changes to the Retail Law, Retail Rules and AER instruments to align other relevant provisions with the updated definition. It may also impact the purpose and scope of the AER's Customer Hardship Policy Guideline. While it will still be important to have a regulatory framework that places clear obligations on retailers to have appropriate processes and systems in place to identify and assist customers experiencing payment difficulty, updating the definition in line with the above will maximise the consistency of protections. Embedding other protections in the Retail Rules, as proposed by other opportunities in this report, will further support this consistency and reduce the ongoing regulatory burden of updating retailer hardship policies with information that may be more relevant to retailers themselves than the customers the policies are intended for.

Figure 8 Visualisation of proposed changes to simplify the eligibility framework for payment difficulty protections in the NECF



As an interim measure, incremental improvements could be made by updating references to other customers experiencing payment difficulty in the Retail Rules. As shown in Figure 8, these references in the Retail Rules currently imply that relevant protections are restricted to customers who self-identify as experiencing payment difficulty. It is important that customers who self-identify as experiencing payment difficulty are taken at their word and provided with assistance. However, it is equally important that retailers proactively identify and assist customers who are experiencing payment difficulty. To strengthen protections while legislative reform progresses, we think there is a strong case to align references in the Retail Rules to the broader description in the Retail Law, which refers to circumstances where ‘the retailer otherwise believes the customer is experiencing repeated difficulties in paying the customer’s bill or requires payment assistance’.

Make it easier for customers to know what assistance is available

The quality of engagement and information a customer receives from their retailer can be a decisive factor in whether a customer receives the right assistance at the right time. There is significant opportunity to improve how retailers are engaging with customers experiencing payment difficulty. These opportunities can all be progressed through a rule change proposal to make it easier for customers to know what assistance is available.

Opportunity 2: Require retailers to provide generally available information about assistance that is easy for all customers to access, understand and act on

Implementing this opportunity requires additions to the Retail Rules (for example, in Part 2, Division 9).

Currently, customers are likely to experience significant inconsistency in the assistance information available from their retailer, such as on their retailer's website. This means that customers may face additional barriers to accessing assistance simply because of who their retailer is. To address this, we propose a principles-based requirement in the Retail Rules for retailers to make information about assistance options generally available, rather than being contained solely in their hardship policy. Importantly, this information must be easy for all customers – including culturally and linguistically diverse customers, First Nations customers and customers with disability – to access, understand and act on.

Opportunity 3: Introduce a proactive engagement obligation for retailers to provide information to customers in response to an objective trigger

Implementing this opportunity requires additions to the Retail Rules (for example, in Part 2, Division 9).

Proactively providing customers with information about assistance options early can significantly reduce the barriers they face to accessing that assistance. There is an opportunity to make sure this happens more consistently by introducing an obligation for retailers to provide information about assistance to customers as early as possible, no later than after a specific trigger is reached. To simplify implementation, support consistency across regulatory frameworks and minimise the cost impacts for retailers, this trigger could align with the \$55 debt trigger in the Victorian Energy Retail Code of Practice.²² The cost impact of this change could be further mitigated by allowing retailers to exercise discretion in how information about assistance is phased and to provide information in different ways, depending on customer circumstances and communication preferences.

²² In Victoria, retailers are required to provide information about tailored assistance and how to access it where the customer has not paid a bill by its due date and contacts the retailer, or has not paid a bill by its due date and has arrears of more than \$55; Victorian [Energy Retail Code of Practice](#), cl 129(1)–(2).

Opportunity 4: Require retailers to take steps to engage with customers in ways that meet their needs

Implementing this opportunity requires additions to the Retail Rules (for example, in Part 2, Division 9).

To maximise the benefits of any engagement obligations, it is important to ensure that engagement is done in a way that is likely to be effective. There is an opportunity to support this with a principles-based obligation in the Retail Rules that requires retailers to take steps to engage with customers in ways that meet their needs. This would include when reaching out to customers proactively (for example, in response to the objective trigger proposed in opportunity 3) and when engaging with customers who reach out to them.

In determining the specific form of this requirement, there are existing obligations that could be considered as examples. For example:

- The AER Better Bills Guideline includes a design principle that requires retailers to apply practices proven to enhance customer comprehension and make information included in bills readily understandable.²³
- The Retail Rules require retailers to take reasonable steps to identify the preferred method of communication for a customer affected by family violence, to keep a record of this preferred method of communication, to use the method of communication with the affected customer and to allow the affected customer to use that method in communication with the retailer.²⁴
- The Victorian Essential Services Commission has published guidance for retailers on how to contact customers, noting information relating to standard and tailored assistance should be sent in a customer's preferred communication method(s).²⁵
- Ofgem (the UK's energy regulator) requires retailers to regularly review their methods of contact with customers experiencing payment difficulty, especially where those methods are ineffective in preventing disconnection.²⁶

In progressing this opportunity, it will also be important to consider how this obligation could best complement other related obligations, including the requirement for retailers to use their best endeavours to contact a customer in the disconnection process²⁷ or a potential overarching consumer duty as proposed by the AER.²⁸

²³ AER, [Better Bills Guideline \(Version 2\)](#), Australian Energy Regulator, January 2023, s 20.

²⁴ Retail Rules, r 76H.

²⁵ ESCV, [Payment difficulty framework guideline](#), Essential Services Commission of Victoria, 2024, cl 1.1.6.

²⁶ Ofgem, [Consumer standards – Decision](#), Ofgem, 2023.

²⁷ Retail Rules, r 111(1)(e).

²⁸ AER, [Review of consumer protections for future energy services: Final advice report](#), Australian Energy Regulator, November 2023.

Make it easier for customers to access assistance

Customers experiencing payment difficulty face a range of barriers to accessing assistance, even when they are aware of it. To help customers receive the right assistance at the right time, it is critical to make the process of accessing it as simple and easy as possible.

Opportunity 5: Introduce minimum assistance standards for all customers

Implementing this opportunity requires additions to the Retail Rules (for example, in Part 2, Division 9).

We recommend establishing minimum assistance standards for all customers (with additional assistance for customers experiencing payment difficulty, as set out in opportunity 7). This would ensure that all customers are eligible for a baseline level of assistance, regardless of whether they have identified, or can be identified, as experiencing payment difficulty. This baseline assistance would reduce the framework's reliance on identification, address hidden payment difficulty and provide a safety net of guaranteed minimum assistance for customers who may be unable to engage with their retailer due to barriers such as shame, stigma or cognitive overload. It would also increase the consistency of protections across jurisdictions, which would reduce regulatory complexity and simplify compliance for retailers.

In alignment with Victoria, the minimum assistance available to all customers should include flexible payment options, including bill smoothing and payment extensions. We propose it should also include additional assistance, including an entitlement to advice about the likely cost of their future energy use and how this cost may be lowered (including a better offer check) and information about any government and non-government assistance available to help a customer meet their energy costs (including energy concessions). The benefits of this assistance will be maximised by minimising the friction involved in accessing it, including by making self-service options available to customers where possible and appropriate.

Opportunity 6: Ban retailers from requiring proof of circumstances before accessing payment difficulty assistance

This opportunity requires additions to the Retail Rules (for example, in Part 2, Division 9 or in Part 3). Embedding this protection in the Retail Rules would ensure that it remains clear and consistent over time, which is likely to support ongoing compliance.

There is an opportunity to support more consistent protections and reduce the onus on customers by explicitly banning retailers from requiring proof of circumstances before a customer can access assistance. Currently, customers may have different experiences based on which retailer they are with, due to variations in retailer hardship policies. While it is important for retailers to be able to ask relevant questions to tailor assistance appropriately (including to appropriately determine a customer's capacity to pay when establishing a payment plan), it is not appropriate that some customers may be expected to provide proof to access payment difficulty assistance simply because of who their retailer is.

Embedding this protection in the Retail Rules would ensure that it remains clear and consistent over time, which is likely to support ongoing compliance. When protections are set out in hardship policies rather than the Retail Law or the Retail Rules, it creates ambiguity about the role of hardship policies and makes it harder for customers to find and understand the information they need to access assistance.

Make assistance more effective

Customers experiencing payment difficulty must be supported appropriately with assistance that is tailored to their individual challenges and circumstances. A one-size-fits-all approach to providing assistance can be ineffective and contribute to consumer harm. There is significant opportunity to improve the effectiveness of assistance, including by ensuring that customers more consistently receive assistance to lower energy costs.

Opportunity 7: Introduce minimum assistance standards for customers experiencing payment difficulty

Implementing this opportunity requires additions to the Retail Rules (for example, in Part 3).

Customers would receive more consistent and effective assistance if the Retail Rules were amended to include a requirement for retailers to provide practical assistance to help customers experiencing payment difficulty lower their energy costs. Lowering energy costs is key to preventing payment difficulty from getting worse and reducing payment difficulty into the future. Assistance to lower energy costs should include, at a minimum:

- helping the customer apply for government concessions and rebates they are eligible for
- moving the customer to a better plan if available
- providing practical assistance and information to help the customer reduce their energy usage, which could include conducting energy audits, providing appliance upgrades or making customer-friendly usage monitoring tools available.

Minimum assistance should also include assistance to help customers manage the energy costs they have already incurred, including by providing them with payment plans that appropriately reflect their capacity to pay. Introducing these minimum assistance standards for customers experiencing payment difficulty would reduce regulatory complexity by increasing consistency in protections across the national energy market.

Opportunity 8: Strengthen protections to make payment plans more affordable

Implementing this opportunity requires amendments to the Retail Rules, including rule 72.

Given the negative consequences of unaffordable payment plans (including the increased risk of disconnection), there is significant opportunity to strengthen protections by making payment plans more consistently affordable. This could be done by amending the Retail Rules to require retailers to appropriately consider in all payment plans a customer's capacity to pay and to ensure payment plans are flexible if a customer's capacity to pay changes over time. It may also be appropriate to consider extending this protection to include bill smoothing arrangements for customers experiencing payment difficulty.

The benefits of making payment plans and arrangements more flexible will be maximised if self-service options are more widely available to customers. Self-service options can be provided through a range of channels, such as through a retailer's app or website, two-way SMS or an automated phone service. A flexible approach to implementing any requirement for self-service options is likely to minimise the risk of potential unintended consequences and significantly reduce the cost impacts for retailers.

Make sure disconnection is only used as a last resort

Disconnection, or the threat of disconnection, is being used as an engagement tool despite the framework's implied objective that it should be a last resort for customers who are struggling to pay their bills. There is significant opportunity to strengthen protections by increasing the incentive for retailers to ensure that disconnection is truly reserved for those circumstances where there are no other options.

Opportunity 9: Strengthen minimum disconnection protections, including increasing the minimum disconnection amount

Ensuring the minimum disconnection amount applies to all customers requires an amendment to rule 116 in the Retail Rules.

Increasing the minimum disconnection amount requires an AER decision. We will publish a paper seeking feedback on a new amount and expect to make a final decision in mid-2025.

The minimum disconnection amount currently only applies where the customer has agreed to repay the amount.²⁹ Removing this caveat from the Retail Rules is an important opportunity to strengthen protections for customers who may face barriers to engaging with their retailer in the disconnection process, including barriers that may be created or exacerbated by the retailer's engagement systems and processes. The minimum disconnection amount should protect customers regardless of whether they have explicitly agreed to repay the amount. This change would also reduce regulatory complexity by better aligning with the existing provision that a retailer must not disconnect a customer unless (among other things) the customer has refused or failed to take any reasonable action towards settling the debt.³⁰

Through this review, we have concluded that increasing the minimum disconnection amount will strengthen protections for all customers and better support the principle that disconnection is a last resort. As noted on page 12, data from the ACCC and AER indicates that some households are being disconnected for debts that are about the same as a quarterly electricity bill or less. Increasing the amount will incentivise retailers to engage more effectively with customers earlier in the payment difficulty journey and reduce customer harm caused by avoidable disconnections. Strengthening other protections as recommended by this review (including strengthening engagement requirements) will mitigate the risk of potential unintended consequences, such as delaying customer engagement.

Increasing the minimum disconnection amount requires an AER decision. We will publish a paper seeking feedback on a new amount and expect to make a decision in mid-2025. We note that the Victorian Essential Services Commission is currently reviewing their Energy Retail Code of Practice and will engage concurrently with them on opportunities to align their framework with the updated amount in the NECF to support consistency across jurisdictions.

²⁹ Retail Rules, r 116(1)(g).

³⁰ Retail Rules, r 111(3)(d).

Opportunity 10: Strengthen requirements for communication in the disconnection process

Implementing this opportunity requires amendments to rules 109, 110 and 111 in the Retail Rules.

There is an opportunity to improve engagement in the lead-up to disconnection by ensuring that customers are proactively provided with appropriate information about assistance in reminder and disconnection warning notices. Ensuring customers are aware that assistance is available may reduce the risk of them turning to potentially harmful strategies such as living without heating and cooling, skipping meals or medicine, or taking on high-cost or risky debt elsewhere. This change could take the form of a general obligation that requires retailers to provide easily actionable information about assistance on these notices, or a more prescriptive approach could specify what information must be provided (for example, information about government rebates and concessions, a better offer message, or specific details of a potential payment plan arrangement). Alternatively, the Retail Rules could combine a general obligation with a provision for further prescription in an AER instrument.

Another opportunity to improve the quality of engagement in the disconnection process requires amending the Retail Rules to clarify that retailers should use multiple communication channels to engage with customers at risk of disconnection (for example, by removing the words ‘one of’ in rule 111(1)(e)). At the same time, the Retail Rules could also be updated to better reflect common communication channels (for example, by removing the reference to facsimile).

Opportunity 11: Strengthen the principle that disconnection is a last resort option, including introducing financial penalties for retailers who fail to uphold the principle

Introducing civil penalties for retailers who fail to uphold the general principle that disconnection should be a last resort option for customers experiencing payment difficulty requires a change to the National Energy Retail Regulations. A supporting change to assist in determining whether a retailer has met this obligation would require amendments to rule 107 in the Retail Rules.

Implementing an additional obligation for retailers to consider the impact of disconnection for all customers would require amendments to the Retail Rules (for example, rule 111).

Protections for customers experiencing payment difficulty could also be significantly strengthened by introducing financial penalties for retailers who do not give effect to the general principle that disconnection should be a last resort. This can be done by making s 47 of the Retail Law a Tier 1 civil penalty provision. We propose it should be a Tier 1 civil penalty due to the customer harm that can be caused by disconnection and disconnection warning notices. This would significantly increase the retailer incentive to ensure that disconnection is genuinely used as a last resort option.

To support this change, there is a related opportunity to clarify (for the avoidance of any doubt) the time at which a retailer is taken to have arranged de-energisation of a customer's premises to make it clear that this occurs when the retailer requests the distributor to do so. This will assist in determining whether a retailer has met its last resort obligation.

The general principle could also be strengthened by introducing an obligation for retailers to take the harms of disconnection into account when considering disconnecting a customer, similar to the existing obligation in the Retail Rules for customers affected by family violence.

Reduce the harm caused by disconnection

The market 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.

Opportunity 12: Ban reconnection fees for customers experiencing payment difficulty

Implementing this opportunity requires amendments to the Retail Rules (for example, rules 121 and 122). Additional changes would be required to share cost impacts across retailers and distributors.

Reconnection fees often impact customers in vulnerable circumstances, including people who are experiencing significant payment difficulty and have been disconnected. These fees can prevent these customers from accessing an essential service and cause customers to use harmful strategies to regain access to energy. There is an opportunity to mitigate the harm of disconnection by banning retailers from requiring customers experiencing payment difficulty to pay reconnection fees. This would also increase the retailer incentive to ensure that disconnection is truly a last resort. It may be appropriate to consider whether retailers alone should bear the cost of this change, given that the entire energy supply chain can contribute to payment difficulty through energy price impacts – for example, the ban could be applied to both retailers and distributors, which would require additional changes.

Opportunity 13: Consider alternatives to disconnection to manage risk in the energy market

Implementing this opportunity requires further analysis and consultation on potential alternative approaches to managing risk in the energy market. Ultimately, any alternative is likely to require broad reform, which may include reform beyond the energy sector.

The community generally expects that all Australians should have universal access to essential services, such as energy. However, the framework is currently unable to ensure this, due to its reliance on disconnection to manage the risk of customer non-payment for energy retailers. We encourage policymakers to consider examples from other sectors and energy systems and consult on potential alternatives to disconnection to manage this risk in the Australian energy market. For example, this could include socialising energy costs for customers who are otherwise unable to afford access to this essential service.

We acknowledge the scale of change represented by this opportunity, and the amount of work involved in progressing such a change. However, we encourage policymakers to consider the potential impact that changing the role of disconnection could have on improving customer outcomes into the future, especially as they consider improving the energy consumer protection framework more broadly. Ensuring there is a sustainable way to keep customers connected will not only benefit those customers who are enabled to maintain access to this essential service but could also have benefits for all customers by reducing the costs of bad debt in the energy market.

It could also significantly reduce complexity for customers, retailers, regulators and government by streamlining the social support that is already provided through a range of concessions, rebates and schemes that differ across individual programs and jurisdictions.

Appendix A: Stakeholders consulted

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

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 39 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.

All stakeholders who provided feedback are listed below (an asterisk indicates the stakeholder provided a formal submission). All consultation documents are published on the [review's webpage](#), including submissions and workshop summaries. The [consultation report](#) provides our detailed analysis of stakeholder feedback, which has informed our findings.

Stakeholders that provided feedback in our consultation process

ACT Environment, Planning and Sustainable Development Directorate	Financial Counselling Australia*
ActewAGL	Financial Counselling Victoria*
AER Customer Consultative Group	Horizon Power
AGL*	ICAN Learn
Alinta Energy*	Justice and Equity Centre*
Altogether Group	Dr Thomas Longden (Western Sydney University)*
Aurora Energy	Momentum Energy*
Ausgrid*	Northern Territory Council of Social Service*
Australian Council of Social Service*	NSW Advocate for Children and Young People
Australian Energy Council*	Origin Energy*
Brad Riley (Australian National University)*	Powershop*
Brotherhood of St Laurence*	Queensland Council of Social Service*
Compliance Quarter*	Queensland Department of Energy and Climate
Consumer Action Law Centre*	Recoveries Corp
Council on the Ageing ACT*	Red Energy and Lumo Energy*
Council on the Ageing Australia*	South Australian Council of Social Service*
Council on the Ageing NSW*	South Australian Financial Counsellors Association
Council on the Ageing SA	SA Power Networks*
Energy and Water Ombudsman NSW*	Southcoast Medical Service Aboriginal Corporation
Energy and Water Ombudsman QLD*	St Vincent de Paul
Energy and Water Ombudsman SA*	Sydney Community Forum
Energy and Water Ombudsman Victoria	Uniting Vic.Tas*
Energy Australia*	Victorian Council of Social Service*
Energy Consumers Australia*	Voices for Power
Engie*	Dr Lee White (University of Sydney)*
Ergon Energy*	
Essential Services Commission of SA	
Ethnic Communities' Council of NSW*	