AUSTRALIAN ENERGY REGULATOR

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Thursday, 26 June 2025

Energy Reform
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne VIC 3000

Dear Energy Reform team,

Re: Energy Consumer Reforms Regulatory Impact Statement

We thank you for the opportunity to comment on the Essential Services Commission of Victoria's (ESCV) Energy Consumer Reforms Regulatory Impact Statement and Draft Energy Retail Code of Practice, published on 16 May 2025.

We welcome progress towards stronger and more consistent consumer protections for energy customers. Many similar changes are being considered in the National Energy Customer Framework, which we regulate. These include changes being progressed through Australian Energy Market Commission rule change processes as well as our own draft decision for an increased minimum disconnection amount.

We also note that some of the issues and options being considered by the ESCV may be relevant to our upcoming retail guideline reviews in 2025 and 2026. The guidelines being reviewed include:

- the Benefit Change Notice Guidelines, which set out obligations for retailers in relation to notifying small customers when a benefit provided to them through their market retail contract is expiring or changing
- the Better Bills Guideline, which sets out obligations for retailers in relation to preparing and issuing bills
- the Customer Hardship Policy Guideline, which sets out obligations for retailers in relation to their customer hardship policies
- the Retail Pricing Information Guidelines, which set out obligations for retailers in relation to the presentation of standing and market offer prices.

In responding to the Energy Consumer Reforms Regulatory Impact Statement and Draft Energy Retail Code of Practice, we aim to support better customer outcomes, more coordinated reforms and greater consistency across regulatory frameworks where appropriate. As such, our submission is focused on two of the proposed changes that interact most directly with our guidelines and powers within the National Energy Customer Framework (NECF): increasing the best offer threshold and increasing the minimum debt amount for disconnection.

Increasing the best offer threshold

We note the ESCV's proposed change to increase the best offer threshold from $22 to $50. We acknowledge the reasons outlined in the Regulatory Impact Statement, including that the threshold has not been updated or adjusted for inflation since 2018, that setting too high a threshold may lead to customers missing out on savings, and that the ESCV's behavioural testing revealed up to 90% of customers would need to save at least $50 to switch.

In 2024, we conducted our own consumer research to assess the benefits of the Better Bills Guideline (including the better offer message) for customers. This research similarly found that while customers see the better offer message as a positive addition to their bill, some customers may be unlikely to take action if the potential savings are too low (for example, less than $40), especially if they are observing significant overall increases to their bill.

As mentioned above, we are planning to undertake a review of the Better Bills Guideline in 2026. In undertaking this review, we will refer to relevant learnings from not only our own evaluation research, but also the ESCV's review findings and consultation. We will continue to engage closely with the ESCV leading up to and throughout our guideline review.

Increasing the minimum debt amount for disconnection

We also note and welcome the ESCV's proposed change to increase the minimum debt amount for disconnection from $300 to $500. In May 2025, we published a draft decision which proposed to raise the minimum disconnection amount in the NECF from $300 to $500. We made this draft decision because:

- our Review of payment difficulty protections in the NECF identified a need for changes to make sure that disconnection is only used as a last resort, including by strengthening minimum disconnection protections and increasing the minimum disconnection amount
- the current minimum disconnection amount has not kept pace with inflation and energy costs, and should be increased to better align with the current cost of a quarterly bill
- an amount of $500 would support implementation by aligning with existing reporting requirements and ensuring the number is simple and easy to remember
- the risk of unintended consequences can be mitigated through better and more proactive retailer engagement, in line with other recommendations from our payment difficulty review as well as the guidance in our Customer engagement toolkit.

Consultation on our draft decision closed on 18 June 2025 and we are intending to make a final decision on a new minimum disconnection amount for the NECF in mid-2025. Noting the benefits of a nationally consistent amount for electricity and gas, we support the ESCV's consideration of this change as part of the Energy Retail Code of Practice review and will continue to engage closely with the ESCV as we consider our final decision.

We thank you again for the opportunity to comment and look forward to continuing to engage with the ESCV on these issues. If you have any questions about this submission, please contact Lois Shedd at ConsumerPolicy@aer.gov.au.

Yours sincerely,

[redacted]

Sara Stark
Acting General Manager, Policy

Sent by email on: 26.06.2025