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General Manage, Policy
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted Online: ConsumerPolicy@aer.gov.au

Draft Decision – Review of the Minimum Disconnection Amount

Alinta Energy welcomes the opportunity to provide comment on the Australian Energy Regulator's Draft Decision on the '*Review of the Minimum Disconnection Amount*".

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers. We have a strong interest in energy market design, particularly as it relates to consumer protection, including protections associated with the "Minimum Disconnection Amount."

While the minimum disconnection amount plays an important role in protecting consumers, it also has a direct impact on the level of bad and doubtful debts carried by retailers. These unrecovered costs are ultimately absorbed by the broader customer base, including households that may themselves be struggling financially but continue to meet their payment obligations.

At the outset it needs to be clearly understood that disconnection is an absolute last resort for retailers. Consumers experiencing payment difficulty, and/or participating in retailers support programs, will be protected from disconnection.

It is also important to recognise that every customer's circumstances are different. Some may be unable to meet their financial obligations despite their willingness to do so, while others may delay engagement for various reasons unrelated to their capacity to pay.

Our experience suggests that while support information is provided to all customers who have fallen behind on their energy bills, it is not always acted upon until contact is made regarding the possibility of disconnection. In many cases, this contact becomes the prompt that encourages the customer to engage with their retailer, often opening the door to tailored support options that can lead to better outcomes.

In this context, early communication about the risk of disconnection can play a valuable role in facilitating timely engagement and helping customers access support sooner.

Raising the minimum disconnection amount could delay these critical interactions, potentially allowing debts to build to levels that are harder for customers to manage.

The issue of a delay in customer interaction was previously highlighted by the AER in its March 2017 Final Determination on the review of the minimum disconnection amount. The AER stated:

> *While we strongly encourage retailers to engage early and not wait for the minimum disconnection amount to become relevant, we consider increasing the minimum amount would potentially delay early engagement, exacerbating customer debt.*[1]

The AER also went on to state that:

> *the minimum disconnection amount needs to strike a balance between the level of debt most customers can afford to repay and the management of existing debt by retailers and customers. The AER considered that increasing the minimum disconnection amount would limit the ability of customers already experiencing payment difficulty to repay a larger debt, exacerbating payment or financial difficulties. It would also place added pressure on retailers to maintain customer supply, while managing increased cost exposure to large amounts of uncollected debt.*[2]

Both observations from the 2017 Final Determination remain current in today's environment.

An increase in the minimum disconnection amount will arguably have the impact of increasing consumer debt beyond the level that most customers can afford to repay. Likewise, the potential cumulative effect of delaying the consumer interactions risks the accumulation of higher debt levels, further impacting the consumer and ultimately increasing the costs borne by all customers, including those financially stretched but continuing to pay their bills on time.

It is for these key reasons that we do not support an increase to the minimum disconnection amount.

However, if the AER determines that a change must be made, retailers will require significant lead time for implementation. Any increase would necessitate updates across multiple aspects of Alinta Energy's credit management policies, processes, and systems. We would therefore request a minimum transition period of eight months.

Should you have any questions or wish to discuss any aspect of our submission please contact Mr Shaun Ruddy, Manager National Retail Regulation on [redacted] or via email: [redacted]

Yours Sincerely

[redacted]

Graeme Hamilton
General Manager
Regulatory & Government Affairs.

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1 Review of Minimum Disconnection Amount Final Decision March 2017 3.1.2 Maintaining Supply – Preventing Disconnection for Small Amounts

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