

SUBMISSION TO THE AUSTRALIAN ENERGY REGULATOR: REVIEW OF THE MINIMUM DISCONNECTION AMOUNT

Date	Submitted By	Organisation
29 May 2025	Candice Sutor Head of CX Insights	Altogether Group

Recipient

General Manager, Policy
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: ConsumerPolicy@aer.gov.au

Introduction

We thank the Australian Energy Regulator (AER) for the opportunity to provide feedback on the draft decision to increase the minimum disconnection amount under the National Energy Customer Framework (NECF) from \$300 (incl. GST) to \$500 (incl. GST).

Executive Summary

While we understand the intention to reduce disconnections and better support customers experiencing financial hardship, we respectfully raise concerns regarding the long-term consequences of this approach. Our submission addresses the following key points:

1. Key Concerns

1.1 Higher Thresholds May Entrench Debt

Increasing the minimum disconnection threshold to \$500 risks entrenching unmanageable debt for vulnerable customers, potentially creating greater long-term financial harm than it prevents.

1.2 Undermining Proactive Approaches

The proposed increase undermines more proactive approaches enabled by smart metering technology and monthly billing cycles that help customers manage their energy costs more effectively.

1.3 Increased Financial Risk

The increased financial risk for retailers will inevitably be passed on to all customers, ultimately raising prices across the market and creating additional cost pressures.

1.4 Alternative Solutions

We believe there is a better way to protect vulnerable customers: empowering them with smart tools like In-Home Displays (IHDs), shorter billing cycles, and earlier engagement strategies.

1.5 Tiered Thresholds Proposal

We advocate for tiered disconnection thresholds that recognise retailers using shorter billing cycles to support better customer outcomes.

2. Higher Thresholds Risk Greater Long-Term Harm

2.1 Evidence of Delayed Intervention Impacts

International and domestic research consistently shows that early engagement is key to preventing debt spirals. A higher disconnection threshold may delay necessary action and increase the likelihood of default or disengagement:

- a. A 2023 study by the Utility Regulator Northern Ireland found that delaying intervention led to greater emotional distress, reduced energy access, and poorer outcomes for vulnerable customers. Many customers self-ration or self-disconnect prior to formal disconnection, with those in higher debt having the least ability to recover sustainably (Utility Regulator, 2023).
- b. The NICE (2025) Vulnerable Customer Report highlighted that early intervention and personalised support significantly improved outcomes for customers experiencing payment difficulties.

2.2 Debt Accumulation Concerns

Allowing customers to accumulate larger debts before intervention may seem compassionate in the short term but can lead to more severe financial hardship in the long term, making recovery more difficult and prolonged.

3. Monthly Billing and Smart Metering Offer Better Solutions

3.1 Advantages of Monthly Billing

Retailers like ours now offer monthly billing as standard, which delivers several benefits:

- a. Prevents "bill shock" by providing more frequent, smaller bills that align better with household income cycles
- b. Supports early identification of payment difficulty patterns
- c. Enables more timely and effective intervention before debt reaches unmanageable levels

3.2 Smart Meter Benefits

Smart meters provide real-time visibility into usage patterns, enabling households to understand their energy use and adjust behaviour. The Australian Energy Market Commission (AEMC) has supported this shift, noting that smart meters and better data access:

- a. Empower customers with better information about their energy consumption
- b. Improve billing accuracy and reduce estimated bills
- c. Enable innovative tariffs and services that can help manage costs (AEMC, 2023)

4. Market-Wide Cost Consequences

4.1 Financial Risk Distribution

Allowing larger debts to accumulate before disconnection exposes retailers to higher credit risk, which is ultimately passed onto the customer base via higher prices. This increases inequity, as low-risk or low-income customers end up subsidising unrecoverable losses.

4.2 Innovation Disincentives

Higher disconnection thresholds disincentivise investment in hardship innovation, as they make reactive management the norm rather than encouraging early support and proactive engagement strategies.

5. Leveraging Smart Technology to Empower Customers

5.1 In-Home Displays and Smart Metering

We propose a retailer-led rollout of smart meters and In-Home Displays (IHDs) to hardship customers, supported or incentivised by the AER. Evidence supporting this approach includes:

- a. The UK BEIS-commissioned study found that IHDs helped vulnerable customers develop energy-saving behaviours, improved their confidence in managing bills, and increased overall energy literacy (NatCen, 2023).
- b. The SMART-UP project across several EU nations found that vulnerable households receiving IHDs and tailored support saw significant improvements in budgeting, usage awareness, and household wellbeing (EU Energy Poverty Observatory, 2020).

5.2 Education and Control

Customers need greater education and control so they are positioned to achieve long-term financial recovery, not just short-term relief. Smart technology provides the tools necessary for sustainable energy management and financial wellbeing.

6. Support for Tiered Thresholds Based on Billing Frequency

6.1 Differentiated Approach

We support the AER's rationale for increasing the disconnection threshold to reflect updated energy costs. However, we strongly advocate for a differentiated threshold based on billing frequency:

- a. Support increasing the threshold to \$500 for retailers billing quarterly, to protect customers from disconnection due to a single large bill.
- b. Retain the \$300 threshold for retailers offering monthly billing, which already provides more manageable bills and allows for earlier intervention.

6.2 Benefits of a Tiered Approach

This tiered approach matters for several reasons:

- a. Monthly billing is a proactive customer protection in itself—it reduces bill shock and facilitates engagement before debt becomes unmanageable.
- b. Vulnerable customers benefit from regular, smaller bills, which better align with common income cycles (e.g., fortnightly or monthly government payments).
- c. Maintaining the lower threshold for monthly billing incentivises innovation and supports AER goals around smart metering, digital inclusion, and energy literacy.

7. Recommendations

7.1 Tiered Threshold Implementation

We respectfully request that the AER implement a tiered threshold approach:

- a. Retain the \$300 disconnection threshold for monthly billing retailers, while raising it to \$500 for quarterly billing retailers.

7.2 Support for Innovative Hardship Approaches

Support differentiated hardship approaches for retailers offering monthly billing, smart meter/IHD programs, and advanced digital engagement methods.

7.3 Smart Technology Promotion

Encourage smart meter and IHD rollouts to hardship customers as part of proactive energy literacy strategies.

References

- AEMC (2023). Smart Meters 100% by 2030 – new customer information, real-time data and protections. <https://www.aemc.gov.au/news-centre/media-releases/aemc-smart-meters-100-2030>
- EU Energy Poverty Observatory (2020). SMART-UP: Vulnerable Consumer Empowerment through Smart Metering. <https://energy-poverty.ec.europa.eu/observatory/publications/smart-vulnerable-consumer-empowerment-smart-meter-world>
- NatCen Social Research (2023). Maximising the Benefits of Smart Metering for Consumers – Qualitative Research. <https://natcen.ac.uk/sites/default/files/2023-02/Research-into-maximising-the-benefits-of-smart-metering-for-consumers-Qualitative-research-with-smart-meter-consumers.pdf>
- Utility Regulator Northern Ireland (2024). Energy Hardship – Consumer Lived Experiences. <https://www.uregni.gov.uk/files/uregni/documents/2024-07/Energy%20Hardship%20-%20Consumer%20Lived%20Experiences%20-%20full%20report.pdf>
- NICE. (2025). Vulnerable Customer Report – Creating Inclusive Experiences: Meeting the Needs of Vulnerable Consumers in 2025 (UK). <https://www.nice.com/blog/creating-inclusive-experiences-meeting-the-needs-of-vulnerable-consumers-in-2025>

Contact Information

For further information or clarification regarding this submission, please contact:

Candice Sutor

Head of CX Insights

Altogether Group

