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Rule change request

Clarifying disconnection protections

Proponent

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Contact: Stephanie Jolly, Executive General Manager, Consumers and Markets

Summary

The Australian Energy Regulator (AER) is proposing an amendment to the National Energy Retail Rules (Retail Rules) to clarify disconnection protections.

Our [Review of payment difficulty protections in the National Energy Customer Framework \(NECF\)](#) found that energy retailers often rely on disconnection, or the threat of disconnection, to engage customers in energy debt. Retailers do this because they find some customers will only engage with them when they receive a disconnection warning notice or are disconnected. However, we also found that the quality of retailer engagement before disconnection is very inconsistent.

Under section 47 of the National Energy Retail Law (Retail Law), retailers must give effect to the general principle that disconnection of a hardship customer due to inability to pay energy bills should be a last resort option. We have [written to Energy Ministers](#) to recommend changes to the National Energy Retail Regulations to apply a Tier 1 civil penalty to breaches of this obligation. There are also specific requirements in the Retail Rules for when a retailer can and cannot arrange for a customer to be disconnected, including customers experiencing hardship and payment difficulty. These requirements are already Tier 1 civil penalty provisions.

Our review identified opportunities to update the framework to better ensure that disconnection is only used as a last resort, including by improving the quality of retailer engagement with a customer before the retailer arranges to disconnect the customer. These opportunities require clarifying existing disconnection protections in 2 ways:

1. We identified an opportunity to clarify (for the avoidance of any doubt) that the time a retailer is taken to have arranged disconnection (or reconnection) is when the retailer requests the distributor to do so. This is an important clarification that will assist in determining whether a retailer has met its obligations, including the minimum disconnection protections set out in the Retail Rules as well as the obligation 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.
2. We identified an opportunity to strengthen requirements for communication in the disconnection process by updating the Retail Rules to clarify that retailers should use multiple communication channels to engage with customers at risk of disconnection for non-payment. Minor amendments could be made at the same time to better reflect current communication channels.

We have consulted extensively and publicly on the nature of the problem through our payment difficulty review. The consultation process and outcomes are recorded in the published [findings report](#) and [consultation report](#). Stakeholder submissions and other consultation outputs are available on [our website](#).

Stakeholders agreed that disconnection should be a last resort option for hardship customers. Stakeholders also agreed that proactive and effective engagement is essential to help customers avoid disconnection, and that effective customer engagement should use a flexible, tailored approach that does not rely on a single touchpoint or channel. In our consultation, retailers generally indicated that they already use multiple channels to communicate with customers at risk of disconnection for non-payment. As such, the proposed changes are likely to have minimal impact on costs for most retailers and could help reduce some costs in the long term (for example, by simplifying compliance and improving engagement with customers experiencing payment difficulty).

We recommend the AEMC consider whether this rule change could be fast-tracked under section 253 of the Retail Law.

Description of the proposed rule change

We propose a new sub-rule 107(6) in the Retail Rules which would clarify when a retailer is taken to have arranged de-energisation or re-energisation of a customer's premises, which we propose should be when the retailer requests the distributor to do so. We also propose amendments to rule 111(1)(e) in the Retail Rules which would clarify that retailers should use more than one communication channel to engage with customers at risk of disconnection for non-payment, before arranging for the customer to be disconnected. See Table 1 for specific proposed amendments to the Retail Rules.

Table 1: Proposed amendments to the Retail Rules to clarify disconnection protections

Rule	Current text	Proposed amendment text
107 of the Retail Rules	r 107(2): 'A retailer must not arrange de-energisation of a customer's premises except in accordance with Division 2.' r 107(5): 'A reference in this Part to the de-energisation or re-energisation of a customer's premises includes arranging for the premises to be de-energised or re-energised remotely.'	<i>r 107(6): 'A reference in this Part to a retailer arranging de-energisation or re-energisation of a customer's premises includes a retailer requesting a distributor to de-energise or re-energise the premises.'</i> [added text in italics]
111(1)(e) of the Retail Rules	r 111(1)(e): 'the retailer has, after giving the disconnection warning notice, used its best endeavours to contact the customer, in connection with the failure to pay, or to agree to the offer or to adhere to the payment plan or instalment arrangement as referred to in paragraphs (a)(ii) and (b)(ii), in one of the following ways: (i) in person; (ii) by telephone (in which case contact is, if the telephone is unanswered, taken to have occurred only if the customer acknowledges receipt of a message); (iii) by facsimile or other electronic means (in which case contact is taken to have occurred only if the customer acknowledges receipt of the message)'	r 111(1)(e): 'the retailer has, after giving the disconnection warning notice, used its best endeavours to contact the customer, in connection with the failure to pay, or to agree to the offer or to adhere to the payment plan or instalment arrangement as referred to in paragraphs (a)(ii) and (b)(ii), in one <i>at least two</i> of the following ways: (i) in person; (ii) by telephone (in which case contact is, if the telephone is unanswered, taken to have occurred only if the customer acknowledges receipt of a message); (iii) by facsimile or other <i>electronic means</i> (in which case contact is taken to have occurred only if the customer acknowledges receipt of the message)' [added text in italics, removed text in strikethrough]

Statement of nature and scope of the issue

Our [Review of payment difficulty protections in the NECF](#) found that effective engagement is critical to help customers avoid disconnection, but retailers often rely on disconnection or the threat of disconnection as an engagement tool. In addition, we found that the quality of retailer engagement (including in the lead up to disconnection) is very inconsistent.

We heard feedback from both consumer groups and retailers 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). For example, in a discussion with energy businesses about what works well when engaging with customers experiencing payment difficulty, participants prioritised being flexible and responsive, engaging early, and using all tools and channels available. It is critical to use multiple channels to communicate and engage with customers, including phone calls, SMS, Knock to Stay Connected visits, digital platforms and self-service options, because there is no one-size-fits-all approach.¹ We heard similar feedback from consumer advocates in a separate workshop on improving engagement to reduce the risk of debt and disconnection, as well as in a listening session with culturally and linguistically diverse communities.²

However, some customers are disconnected without warning because the notification does not reach them through the channel being used – for example, an email notification may be caught by a spam filter or a posted notice may not be received.³

Disconnection has significant and material consequences for people. Customers who are disconnected can face serious risks to their health and wellbeing, in addition to financial costs. For example, 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).⁴ These costs have a large impact on customers who already can't afford their energy bills.

Research (soon to be made public) undertaken in 2025 for Energy Consumers Australia found that electricity disconnections cost our society \$157 million each year, which is equivalent to \$5,500 per disconnection. Findings from the forthcoming report estimate that over \$50 million of these costs are borne directly by customers, with disconnection costs ranging from \$626 for a household that is able to be reconnected promptly to over \$3,000 for highly pressured households. According to this modelling, these highly pressured households – those experiencing affordability challenges across multiple expenses and who struggle to find the funds to reconnect – may pay around \$1,400 in direct financial costs as a result of being disconnected from an essential service they can't afford.

Ensuring that disconnection is only used as a last resort and ensuring more consistent standards of retailer engagement with customers at risk of disconnection for non-payment can help prevent these costs and improve consumer outcomes.

¹ AER, [Review of payment difficulty protections in the NECF: Consultation summary – Workshop 1 \(Energy businesses\)](#), June 2024, p 3.

² AER, [Review of payment difficulty protections in the NECF: Consultation summary – Workshop 2 \(Consumer organisations\)](#), June 2024; AER, [Review of payment difficulty protections in the NECF: Consultation summary – Voices for Power listening session](#), July 2024.

³ AER, [Consultation summary – Voices for Power listening session](#), July 2024, pp 7–8.

⁴ JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, p 65.

Alignment with energy objective and consumer protections test

The proposed rule change will contribute to achieving the National Energy Retail Objective by improving the price of energy services in the long-term interests of consumers of energy.

It may entail some implementation costs for those retailers who do not currently use multiple communication channels when engaging with customers at risk of disconnection for non-payment. However, feedback we received during our consultation process suggests that these costs are likely to apply to only some retailers. In addition, these costs may be offset by broader savings.

The proposed rule change will improve the quality of retailer engagement with customers at risk of disconnection, which will better ensure that customers experiencing payment difficulty and hardship are identified and supported appropriately with assistance that is tailored to their individual circumstances. This can help reduce long-term customer debt more effectively than disconnection. The forthcoming research conducted for Energy Consumers Australia estimates that disconnections cost energy retailers over \$10 million each year, which may be passed on to energy customers in the form of increased prices. Earlier modelling conducted by EY PJP for the AER estimated that disconnection of customers experiencing vulnerability specifically costs retailers \$6 million each year.⁵ Clarifying disconnection protections and ensuring customers who are at risk of disconnection are appropriately engaged by their retailer will help prevent avoidable disconnections and associated costs.

In addition, clarifying retailer obligations will reduce retailer compliance costs and lower the risk of wrongful disconnections, which also entail costs which may be passed on to energy customers in the form of increased prices.

The proposed rule change supports the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers. It clarifies existing protections for customers at risk of disconnection, including when a retailer is taken to have arranged disconnection and the minimum standards for a retailer's best endeavours to contact a customer before disconnecting them for non-payment. These clarifications will support the application of protections for customers experiencing payment difficulty and hardship, including the principle in section 47 of the Retail Law that disconnection of a hardship customer due to inability to pay energy bills should be a last resort option.

Potential impacts of proposed change

This rule change will have benefits for consumers, retailers and market bodies.

The proposed rule change will better protect customers from avoidable disconnections, help more customers receive assistance when they need it and better ensure that disconnection is truly a last resort for hardship customers.

The rule change will also benefit consumers and retailers by supporting greater trust in the energy market. It will do this by ensuring engagement is more consistent and reducing the potential for customers to be disconnected without being aware they were at risk of disconnection.

Clarifying the time at which a retailer is taken to have arranged de-energisation or re-energisation of a customer's premises will assist in determining whether a retailer has met its last resort obligation,

⁵ AER and EY Port Jackson Partners (EY PJP), [Consumer vulnerability: A case for change, Australian Energy Regulator](#), 24 March 2022, p 59.

which will simplify compliance for retailers and support the AER's compliance and enforcement functions.

We do not expect this rule change to require updates to AER guidelines. This change may require some updates to regulatory guidance. However, we do not expect this to have material resourcing implications for the AER, provided there is sufficient flexibility to enable us to manage the development of this guidance within our existing resources.

Summary of consultation

Through the [Review of payment difficulty protections in the NECF](#), we consulted extensively with stakeholders on the nature of the problem and the proposal forming the basis of this rule change request. Consultation included early engagement meetings with over 40 stakeholders, discussions with the AER's Customer Consultative Group, lived experience research, stakeholder workshops, listening sessions and site visits to retailer call centres. It also included a public formal submissions process, supported by a published [issues paper](#) which consulted specifically on the issue of improving engagement in the disconnection process (see pages 42–44), as well as 2 public stakeholder forums. See the [consultation report](#) for further detail on consultation undertaken through the review and feedback received from stakeholders.