

Towards energy equity

A strategy for
an inclusive
energy market

October 2022



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AER proudly acknowledges the Traditional Owners of the land on which we work and live, and pay respect to their Elders past and present. We recognise and value that they have cared for and protected Country for thousands of generations. We also acknowledge and pay respect to other Elders within the community and recognise and value the continuing rich cultures and the contribution of Aboriginal and Torres Strait Islander peoples and communities to the Australian community.

Message from AER Chair



I know first-hand how unexpected life events can quickly tip someone from a place of relative security and comfort into mounting bills and spiralling debt, not to mention the mental health challenges that often accompany these unexpected life events.

The right supports are critical to ensuring these vulnerabilities are not compounded and can be key to helping someone get back on their feet again.

I am proud to introduce the Australian Energy Regulator's first-ever consumer vulnerability strategy: *Towards energy equity – a strategy for an inclusive energy market*.

It's an ambitious, forward-thinking strategy that attempts to tackle some of the enduring issues that prevent people from getting what they need from Australia's energy system.

For more than 30 years, the energy sector has grappled with how best to support and serve consumers experiencing vulnerability.

Over time, our understanding of consumers experiencing vulnerability has increased, as has our understanding of how complex markets can impact on people.

But outcomes have failed to improve, with key indicators such as energy debt levels or underconsumption of energy or the number of consumers being offered payment plans or early access into hardship programs remaining locked at levels that have become the 'industry norm'.

If COVID-19 has taught us anything, it's that vulnerable circumstances, whether they be financial, mental or physical, can touch us at any time. And today's energy sector is at a point of monumental change with the rapid expansion of consumer energy resources such as rooftop solar, batteries and electric vehicles. Understanding and learning from the lived experience of consumers is becoming even more important as the sector expands and changes.

It is critical that we don't leave consumers behind, and it's critical we apply new thinking.

In developing our *Towards energy equity strategy*, we've listened to real-life experiences, consulted with experts and questioned all facets of current approaches to identify what we will do differently to get better outcomes.

Our strategy is focused on reducing barriers to participation, supporting consumers experiencing payment difficulty, ensuring the consumer voice is heard in sector reforms and improving affordability by reducing the cost to serve energy consumers.

We have an enormous opportunity to design effective actions that benefit consumers, consumer-facing energy businesses and the system more broadly so consumers can feel confident that Australia's transitioning energy sector is working for them.

I commend our *Towards energy equity strategy* to you as the place to start.

Clare Savage,
Chair of the Australian Energy Regulator

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Why do we need this strategy?

Energy is an essential service. It is essential to people's daily lives, jobs, health and wellbeing and we generally cannot choose not to consume energy. It is therefore important that the energy market is inclusive of all consumers, does not create or compound harms and barriers to participation, and provides affordable energy.

However, outcomes of consumers experiencing vulnerability have been consistently poor over a long period.

This needs to change.

Energy Ministers have set a clear direction through their Strategic Energy Plan to prioritise the outcome of affordable energy and satisfied consumers. This includes delivering better outcomes for consumers experiencing vulnerability.¹

The importance of energy affordability has been further reinforced through the National Energy Transformation Partnership established by Ministers in 2022.² Through the partnership, Ministers have agreed on a vision to maximise the economic opportunities offered by the clean energy transformation, ensure reliable and affordable electricity, and deliver the greatest benefits for Australian households, business and communities.

Protecting consumers experiencing vulnerability while enabling consumers to participate in energy markets is also the AER's first objective in its Strategic Plan for 2020–25.³

From our recent observations⁴, the energy sector is experiencing rising debt levels and the number of electricity hardship consumers has been increasing. Average debt on entry to hardship programs has increased in recent years and consumers are continuing to accrue debt while on hardship programs. Consumers are experiencing poor outcomes including disconnections, under-consumption of energy, high levels of debt and failed payment plans.

This comes at a time when energy prices are increasing and consumers are facing significant cost of living pressures.

In addition, the ways in which the market operates can also directly influence consumer outcomes and impact consumers experiencing vulnerability. We know from our research and consultation with stakeholders that when markets are complex, or not inclusively designed, this can cause new vulnerabilities or compound existing challenges.

The complexity of the energy market is likely to increase with new products and services offered to consumers through the energy transition.

¹ Strategic Energy Plan 2020 <https://www.energy.gov.au/government-priorities/energy-ministers/energy-ministers-publications/strategic-energy-plan>.

² Department of Climate Change, Energy, the Environment and Water, National Energy Transformation Partnership, 12 August 2022.

³ AER Strategic Plan 2020-2025 https://www.aer.gov.au/system/files/AER-Strategic-Plan_2020-2025.pdf.

⁴ Retail performance data over the 2021-22 period has shown an 11.7% increase in hardship customers, a 6.7% increase in average debt on entry into hardship programs and a 2.7% increase of average debt while on hardship programs, AER, Retail Market Performance Data Q4 2021-22.



Image: iStock.com

Consumer-facing energy businesses also face challenges, risks and costs in supporting consumers experiencing vulnerability. The experiences of these consumers can be highly individualised, and consumer-facing energy businesses can find it difficult to identify them. While we can see many consumer-facing energy businesses making significant efforts in this space, they may not have the right incentives or service capacity to address the impact of vulnerability in a way that improves consumer wellbeing and enables those experiencing vulnerability to be effectively catered for by the market.

At an individual business level, consumer-facing energy businesses do not have the levers and capability to address the broader societal factors that contribute to vulnerability in the energy market.

The costs of vulnerability are also not distributed fairly across the system, with consumer-facing energy businesses effectively managing these costs on behalf of other sector participants including networks and generation businesses.

And importantly, the current inefficiencies impact all consumers, both through the costs incurred by consumer-facing energy businesses in assisting consumers experiencing vulnerability (costs to serve), and higher debt levels. Across the sector there are many stakeholders invested in helping consumers experiencing vulnerability – from consumers themselves, to advocates that represent them, consumer-facing energy businesses, networks, governments and the market bodies.

Our 3-year strategy aims to build on the positive work already underway across the sector. These initiatives include:

- › Red Energy and Lumo Energy’s advocacy for protections for consumers affected by family violence⁵
- › the ‘One Stop One Story Hub’ initiative developed by Thriving Communities’ Partnership in collaboration with consumer-facing energy businesses⁶
- › the Energy Charter, a national CEO-led collaboration that supports the energy sector towards a customer-centric future⁷.

We want to work together with sector stakeholders to build lasting and systemic reform that benefits consumers experiencing vulnerability. Done well, this can reduce costs for all consumers. We want to see consumers experiencing vulnerability offered timely and effective supports that work for both consumers and consumer-facing energy businesses. We want to improve energy accessibility and affordability, and help consumers stay connected. We want to ensure the energy transition meets the needs of all consumers.

We want all consumers to be better off, now and in the future.

5 On 23 September 2021, the Australian Energy Market Commission (AEMC) received a rule change request from Red Energy and Lumo Energy (Red and Lumo) to introduce a new requirement on energy retailers to provide assistance, support and protection to consumers who are affected by family violence under the National Energy Retail Rules (NERR).

6 Thriving Communities Partnership, [What we do – One Stop One Story Hub](#), accessed 12 October 2022 (‘Thriving Communities – What we do’).

7 Energy Charter, [About the Energy Charter](#), accessed 12 October 2022.



Consumers experiencing vulnerability

There is no uniformly accepted definition of consumers experiencing vulnerability. In developing this strategy, we received feedback and insight from stakeholders into the very concept and use of the term vulnerability. We are mindful that not all consumers would identify with or respond positively to being described as vulnerable. Research has shown that labels such as vulnerable can risk ‘stigmatising the people we are trying to support’.⁸ It can also imply that a person’s disadvantage is due to their own personal characteristics or failings, ‘rather than a failure of markets, regulators and wider society to ensure that everyone has equal access and equal rights’.⁹ Therefore we are using the term vulnerable to refer to an experience that consumers may have within the energy sector in their lives.

Our definition of consumers experiencing vulnerability guides our strategy.

OUR DEFINITION: CONSUMERS EXPERIENCING VULNERABILITY

‘Consumers experiencing vulnerability’ refers to circumstances that mean a person may be less able to protect or represent their interests, engage effectively and/or are more likely to suffer detriment. This includes having insufficient capacity to pay for energy use.

This experience of vulnerability may stem from:

- **characteristics of the energy sector or products (such as complexity); or**
- **individual circumstances, such as low income, lived experience of disability and/or mental ill health.**

⁸ Commission for Consumers in Vulnerable Circumstances (United Kingdom), [The Commission for Consumers in Vulnerable Circumstances Final Report 2019](#), 2019, p. 19, (‘Commission for Consumers in Vulnerable Circumstances report’). Similar views about the limitations of the language and concept of ‘hardship’ in the National Electricity Customer Framework (NECF) have been raised by stakeholders in Australia, e.g. during our consultations on the [AER’s Customer Hardship Policy Guideline](#). The Energy Charter, [The importance of ethical and intentional language when talking about customer vulnerability](#), 25 August 2021.

⁹ Victorian Essential Services Commission, [Sensitive and appropriate engagement with consumers experiencing vulnerability](#), January 2021.



Image: iStock.com

Our definition importantly recognises the multiple causes of vulnerability experiences.

- › The way consumer-facing energy businesses operate, including their systems, policies and processes, can reduce or exacerbate circumstances of vulnerability. Market characteristics – such as complex market structures and pricing – create barriers to consumer engagement. Consumers can experience harm where information and services are unnecessarily complex and where regulatory arrangements and businesses are not consumer-centric or informed by modern insights.¹⁰ Consumers experiencing vulnerability face additional barriers to engaging effectively in the market and so are less likely to achieve a positive outcome.
- › Circumstances in life can change quickly and without notice when people are impacted by life events or the wider economy. Further, the challenges that many Australians live with, such as not having the literacy and numeracy skills

needed to navigate everyday life, can make it difficult to engage with and/or understand the energy market, access help or obtain the best offer available. However, having certain characteristics or circumstances does not mean a consumer or household is vulnerable.

This definition will support the sector to build resilience, energy wellbeing and inclusion for energy consumers, and recognises the rich stakeholder insights we received through the consultation process of the draft *Consumer vulnerability strategy*. Our focus on both the characteristics of the energy sector and personal circumstances will ensure that we target both causes in our future efforts to protect consumers. We will continue to understand the importance of and evolve the language that we use. We have chosen the strategy name ‘Towards energy equity – a strategy for an inclusive energy market’ to recognise the appropriate language to use, and we will continue to use appropriate language in our engagement, incorporating terminology such as resilience and energy wellbeing.

¹⁰ ACCC, Restoring Electricity Affordability and Australia’s Competitive Advantage: Retail Electricity Pricing Inquiry – Final Report.

Figure 1: Data and characteristics that may exacerbate experiences of vulnerability



1/3
of Australians rent their homes, and are more likely to live in homes with poor energy efficiency¹¹



The number of consumers repaying energy debt over last 4 years has increased from 147,261 to

170,547¹²



65%
of Australians are concerned that energy will be unaffordable for Australians in the next 10 years¹³



Low-income households spend **double the % of their disposable income on energy** than average-income households¹⁴



During 2021–22, the number of energy consumers on payment plans remained lower than pre-COVID levels, down from

162,249 to 120,491¹⁵

SINCE 2016–17

↑ The average debt of consumers not receiving hardship support increased by 56% from \$640 to **\$999**¹⁶

↑ The average debt on entry to electricity hardship programs has increased from \$1,092 to **\$1,690**¹⁶

↑ The number of electricity hardship customers has increased from 59,654 to **73,611**¹⁶

¹¹ Consumer Policy Research Centre (CPRC), [Exploring regulatory Approaches to Consumer Vulnerability: A Report for the AER](#), February 2020 ('CPRC report'), p. 32.

¹² AER, [Retail Market Performance Data Q4 2021-22](#), 30 June 2022.

¹³ Energy Consumers Australia, [Energy Consumer Sentiment & Behaviour Surveys](#), June 2022.

¹⁴ AER, [Annual Retail Markets Report 2020–21](#), November 2021, p. 30.

¹⁵ AER, [Retail Market Performance Data Q4 2021-22](#).

¹⁶ AER, [Retail Market Performance Data Q4 2021-22](#).

¹⁷ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 33.



“I had no idea about payment plans or extensions until after I experienced my first disconnection... And the impact of that was huge. We had to have cold showers, unable to cook, had to eat lots of sandwiches and takeaway food. Kids were hungry and upset. I kept them home from school as they were upset... I made excuses when my friends came over. It was horrible, I hated it.”

Female, single parent, metropolitan NSW¹⁷



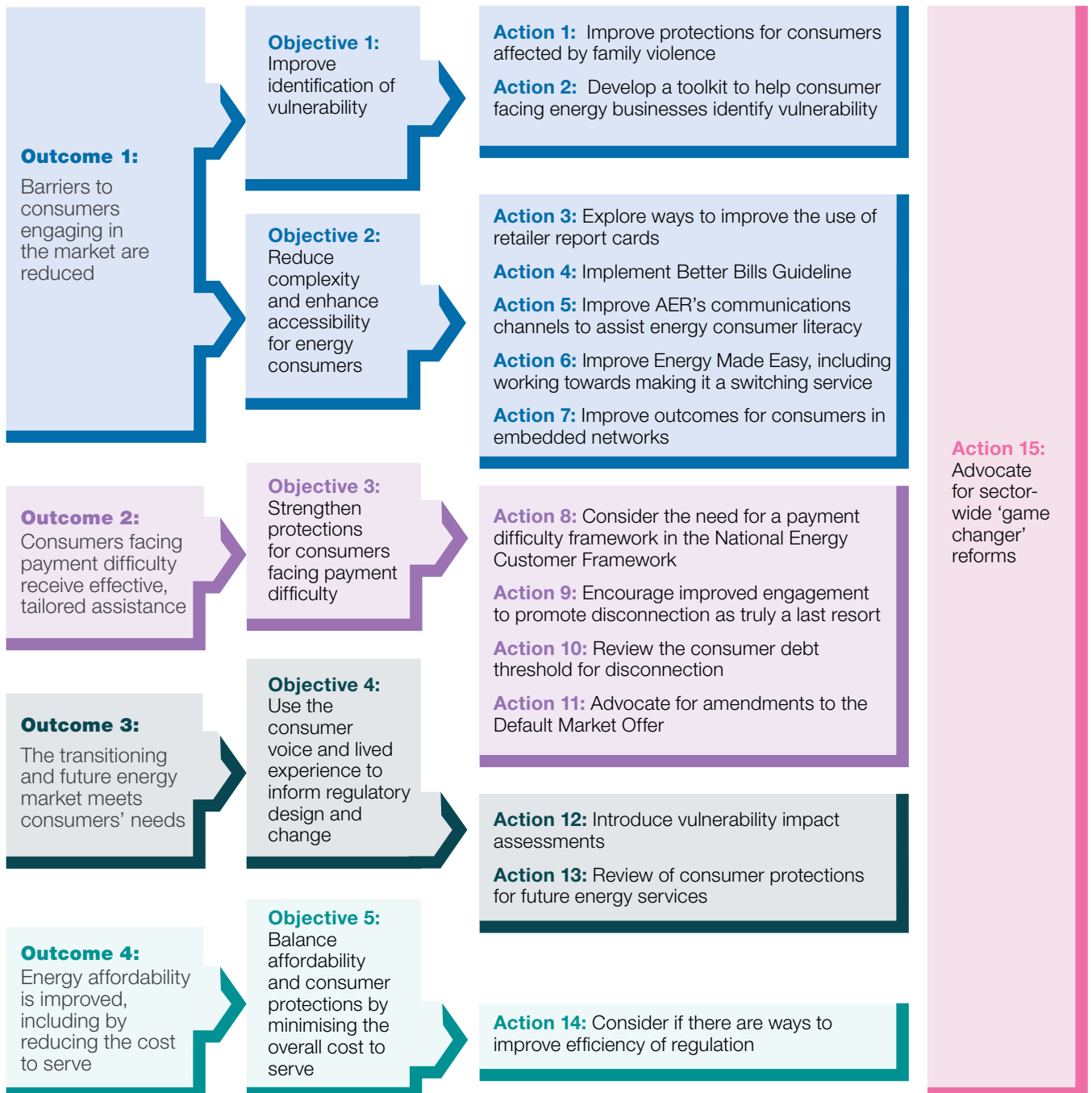
Our strategy

Our strategy identifies the key areas we will focus on to improve outcomes for consumers experiencing vulnerability. We have identified 5 core objectives and 15 actions that we will carry out in the next 3 years. Our final action, advocating for sector-wide ‘game changer’, reforms, is designed to meet all five objectives.

Our strategy aims to:

- › improve support for consumers experiencing vulnerability
- › improve the way the market operates to boost consumer outcomes
- › bring a consistent, informed and evidence-based understanding of the lived experience of vulnerability to our work and the energy market
- › prioritise and target actions to address or prevent consumer harm
- › identify ways to safely reduce the costs of addressing vulnerability, share risks across the sector and reduce energy businesses’ costs to serve (and costs for all consumers)
- › identify opportunities to work together, influence or support others to improve consumer outcomes.

Figure 2: Strategy outcomes, objectives and actions



Underpinning the *Towards energy equity strategy's* actions are 3 key enablers of success – working with stakeholders, sector learning and measuring our impact. These 3 enablers will support and facilitate the success of our strategy.

Figure 3: Enablers to deliver our strategy



1. WORKING WITH STAKEHOLDERS

We will continue our work with stakeholders to develop and implement our strategy actions (co-developing the 'game changer' reforms) to improve outcomes for consumers, consumer-facing energy businesses and the broader sector.



2. ENCOURAGING A CULTURE OF CONTINUOUS LEARNING

We will encourage the sector to continue sharing and supporting each other in our collective understanding of vulnerability.

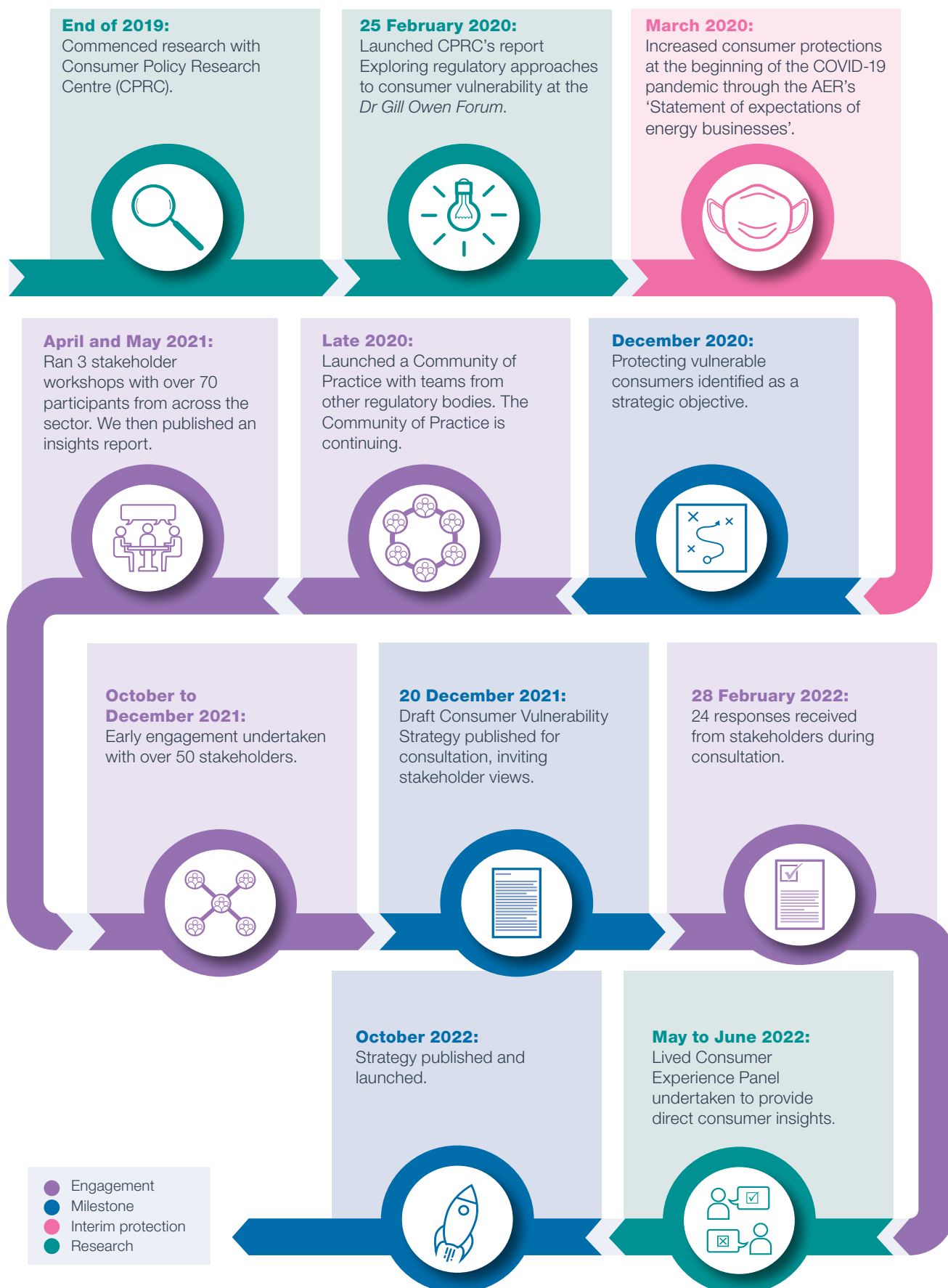


3. MEASURING OUR IMPACT

Measuring impact is key to ensuring the effectiveness of our strategy and promoting continuous sector learning.

Our strategy has been informed by extensive research and engagement. Our approach has allowed us to build on and learn from others. We have listened directly to the lived experiences of consumers and understand the perspectives of our key stakeholders.

Figure 4: Development of the strategy





Objective 1

Improve identification of vulnerability

Traditionally, the energy sector has focused on consumers having difficulty paying their bills and identifying households that require life support. Protections and supports offered have generally been a one-size-fits-all approach, such as payment plans or registers.¹

We now know that vulnerability, and how the sector needs to respond to it, is broader and more complex than payment difficulty. The sector needs to consider the broad spectrum of circumstances and situations that people face. For example, living with low literacy, mental ill health and experiences of family violence within the household all present barriers to consumers being able to manage their energy accounts effectively.

¹ AER, [AER Life support registration guide 2021](#), 23 September 2021.

Figure 5: Example of common situations that consumers can face

1 in 5



Australians have a disability.² Consumers with a disability may find it difficult to search for and assess energy deals or to keep energy usage to an affordable level without compromising their health or welfare.

44%



44% of Australians have literacy levels considered to be below what is required to fully participate in society.³

45%



of Australians will experience mental ill-health at some point in their life.⁴ People living with mental illness may struggle to effectively use essential services due to difficulties like making telephone calls to their service provider, opening the post or navigating complex online forms.

1 in 6



Australian women have experienced physical or sexual violence by a current or former partner.⁵ Survivors of family violence may have experienced economic abuse, including energy debts accumulated in their own name, or may require additional account security to protect their personal information and safety.



1/3

of Australians rent their homes.⁶ People who rent their home are more likely to live in homes with poor energy efficiency and have less capacity than homeowners to make their homes more efficient or to access solar power.

'I was already very depressed, so not being able to keep up with my bills made me slip even further into a depressed state. I was ashamed. I knew I needed help, but I didn't know who to turn to, plus I felt embarrassed to ask for it.'

Female, dual parent, metropolitan NSW⁷

² CPRC report, p. 52.

³ CPRC report, p. 5.

⁴ CPRC report, p. 129.

⁵ CPRC report, p. 5.

⁶ CPRC report, p. 29-32.

⁷ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 12.

We know that:

- › helping earlier leads to better long-term outcomes⁸
- › consumers respond better to consumer-facing energy businesses that believe them.⁹

The sector needs to be able to profile consumers at-risk to ensure action is taken in a timely manner and get them back on track. We understand that identifying vulnerability is not straightforward. Consumers may not tell their consumer-facing energy businesses when they need help or may not think that it is relevant.

Consumer-facing energy businesses play an important role in taking proactive steps to assist consumers experiencing vulnerability, including through hardship programs, payment plans and other measures. Additionally, governments provide extensive supports through mechanisms including concessions and rebate frameworks.

Many consumer-facing energy businesses have also participated in or championed specific collaborative initiatives to support consumers experiencing vulnerability. However, despite this effort, they continue to face challenges in both identifying and assisting consumers experiencing vulnerability, particularly because circumstances of vulnerability can be diverse and complex.

We want to work together with consumer-facing energy businesses and consumer stakeholders to further support the sector's ability to identify vulnerability. This is a foundational step in delivering timely and effective help.

By working collaboratively with stakeholders on measures to identify consumers experiencing vulnerability, we can help to drive earlier engagement and two-way communication between consumers and consumer-facing energy businesses. Early engagement can, in turn, help to promote early action to reduce debt and the risk of disconnection, assist consumers experiencing vulnerability and reduce costs for all consumers.

'I think they [consumer-facing energy businesses] need to be better at identifying and flagging people who are at risk earlier in the process... whether that be through credit checks, account tracking or something similar.'

Male, empty nester, metropolitan South Australia¹⁰

⁸ Essential Services Commission, [Supporting Customers, Avoiding Labels: Energy Hardship Inquiry Final Report](#), February 2016, p. 32 and 41.

⁹ CPRC report, p. 52.

¹⁰ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 57.



Action 1

Improve protections for consumers affected by family violence

Energy services can be used to harm and control victims and survivors of family violence. For example, perpetrators may access and use private information attached to energy accounts. We will support consumer-facing energy businesses as they implement better protections for consumers with lived experience of family violence.

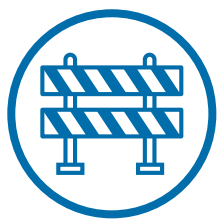
To date, the AER has strongly supported Red Energy and Lumo Energy's rule change request, and the Australian Energy Market Commission review to introduce protections for consumers affected by family violence. We supported an approach that will largely achieve consistency across the National Energy Market, minimise costs for consumer-facing energy businesses and aim to protect victims and survivors.



We will work closely with consumer groups and consumer-facing energy businesses to implement these new rules after the final rule commences on 1 May 2023. We propose to work with consumer-facing energy businesses to support compliance with the rules, including through the provision of appropriate guidance.



The AER will also prioritise a review of the exempt selling guidelines to incorporate the application of family violence conditions to embedded networks once the final rule comes into effect.



Action 2

Develop a toolkit to help consumer-facing energy businesses identify vulnerability

We understand that identifying vulnerability can be challenging. Furthermore, we recognise that we cannot (and should not) rely on consumers identifying themselves as being vulnerable. Consumer-facing energy businesses are already undertaking significant steps to identify consumers experiencing vulnerability, such as the work being done by the Australian Energy Council in collaboration with stakeholders to develop the ‘Best Practice for Energy Retailers Assistance’.¹¹ Our toolkit will build upon this established work.

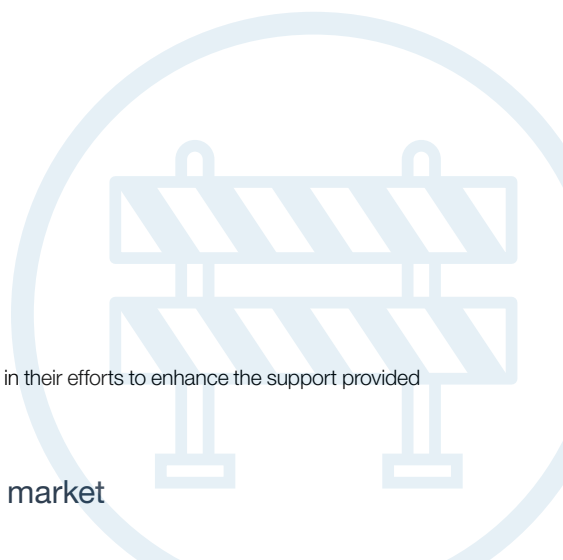


We will collaborate with consumer-facing energy businesses and consumer stakeholders to understand what is already working well and identify where there may be gaps in understanding or techniques.

Ultimately, the toolkit should support better outcomes for consumers through earlier intervention. It should also reduce the cost burden on consumer-facing energy businesses which will be able to adapt the toolkit’s sector-wide insights to their specific context.

Given the importance of early identification, we will commence this action in 2022 and complete it in the second half of 2023.

¹¹ *The Best Practice for Energy Retailer Assistance*, published 22 June 2021, is aimed to support retailers in their efforts to enhance the support provided to customers having trouble paying energy bills.







Objective 2

Reduce complexity and enhance accessibility for energy consumers

It is estimated that 5 million Australians are unable to access products and services due to poor design. This creates a \$1.29 billion waste for consumers trying to solve problems.¹

Consumers are better able to protect their interests and engage with the sector when it is easy to do so. Complex market structures, pricing and lack of plain English information create barriers for consumers. They also increase the probability for harm.

We want to improve consumer choice. To do this, we have committed to:

- › enhance accessibility – through more accessible information to help consumers identify the best plan for them or understand their contract
- › reduce complexity – through simplifying the processes and materials that consumers engage with.

¹ PwC Australia, [Inclusive Report: The benefit of designing for everyone, May 2019, p.1](#)



Action 3

Explore ways to improve the use of retailer report cards

We will explore ways to improve the use of retailer report cards to provide greater transparency over service quality.

We consider greater transparency of service quality can encourage competition on these elements and improve the products and services offered to consumers.



We will engage with stakeholders to identify if there are ways to more effectively provide information that will be able to help consumers and consumer groups/advocates to:

- understand the practices, approaches and outcomes of different consumer-facing energy businesses (for example, customer service and management of debt and hardship)
- compare consumer-facing energy businesses on these factors when selecting a supplier, thereby encouraging competition among consumer-facing energy businesses on service measures.

We will have regard to the costs to retailers when developing improved report cards. This will include consideration of the metrics that may benefit consumers, how report card information would be shared and promoted and the extent to which the benefits of greater emphasis on report cards compare to the costs.

We will commence research and scoping on this work in the second half of 2023 and explore the relevant questions with consumer-facing energy businesses and consumer groups in 2024.

‘My main issue with energy retailers is that there does not seem to be any commonality in the terms they use when describing their energy plans. It gets very confusing when trying to compare plans and retailers.’

Female, single income no kids, metropolitan NSW²

² Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 16.



Action 4

Implement Better Bills Guideline

We published the Better Bills Guideline on 31 March 2022. The guideline will simplify energy bills and help consumers make more informed decisions.

Consumer-facing energy businesses are now implementing the requirements of the guideline and will continue to do so over the next year.



We intend to support consumer-facing energy businesses and promote continuous learning by providing educative material, such as sample bills. By doing so we aim to simplify and reduce the costs of implementation for consumer-facing energy businesses.



We supported the extension of the implementation date, to reduce the costs of implementation for consumer-facing energy businesses and, ultimately, consumers.



We will evaluate the guideline to ensure it delivers on its objectives. This evaluation will inform a review of the guideline that is expected to commence in 2025.

‘The opportunity to speak with a person who understands where you live and knows how providing energy consumption affects everyone, who realises that not everything can be done online. If an energy provider can halt your power, or give you late fees, it should be able to communicate with the person in an online, messaging service linked to their account. It would feel personalised and streamline.’

Male, single income no kids, metropolitan QLD³

³ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 30.



Action 5

Improve AER's communications channels to assist energy consumer literacy

We have been progressing work to make our information more accessible and user-friendly for consumers.



We have added new social media channels to broaden our public reach and started identifying helpful educational material to produce and communicate in plain English through our various channels.



Action 6

Improve Energy Made Easy, including working towards making it a switching service

Independent comparison tools for energy plans can provide insight and aid consumer choice.

We are making changes to the Energy Made Easy website so that searching for and comparing plans is easier. We are also investigating how Energy Made Easy can be enhanced to allow consumers to switch plans once they have completed their comparison.



We will consult with stakeholders as we continue to improve the site. We will trial improvements to Energy Made Easy at the end of 2022 and will launch site upgrades progressively throughout 2023.





Action 7

Improve outcomes for consumers in embedded networks

It is estimated that 1 in 10 National Electricity Market customers are in embedded networks.⁴ In embedded networks consumers may purchase energy from the embedded network provider, or via a consumer-facing energy business (depending on the arrangement made by the embedded network provider). Embedded networks can include apartment buildings, retirement villages and caravan parks.

There are certain protections available to consumers in embedded networks under our Retail Exempt Selling Guideline and Network Exemption Guideline. However, these consumers are not covered by the same broad consumer protections under the Rules as those who purchase energy directly from a consumer-facing energy business outside an embedded network. This can lead to circumstances of increased vulnerability. We released an updated Retail Exempt Selling Guideline, which introduces hardship protections for consumers of exempt sellers.⁵

We have been working with Ombudsman Schemes to increase dispute resolution options for exempt customers, and have released several consumer-facing fact sheets explaining consumer rights in plain English.

We will also consider how the new family violence consumer protections framework can be applied to embedded networks following the Australian Energy Market Commission's consideration of the rule change (see Action 1).



Through this process we will work with stakeholders to determine how these protections will apply.

⁴ NSW Legislative Assembly Committee on Law and Safety, Embedded Networks in NSW Inquiry, 12 August 2022.

⁵ AER, [Retail Exempt Selling Guideline Version 6](#), July 2022.







Objective 3

Strengthen protections for consumers facing payment difficulty

Consumers experiencing payment difficulty are often embarrassed and fearful of engaging with consumer-facing energy businesses. Those consumer-facing energy businesses often wait until consumers reach out. This creates a delay in starting conversations and providing assistance, which ultimately harms consumers.

During 2021–22:

- › 170,547 households were repaying energy bill debt that had accrued for greater than 90 days.¹
- › There was a 4% (5,176 consumers) increase in number of consumers entering into hardship programs compared with the previous year.²
- › On average, consumers held \$1,692 in energy debt before entering hardship programs.³

Together this data indicates that a significant number of households are in energy debt. While the number of customers accessing hardship programs has increased, average debt on entry to hardship programs has also increased, which suggests households are not being identified early. In an environment of increasing general price inflation, more households will experience energy debt as they juggle costs in housing, food, transport and energy. This demonstrates the heightened need to support impacted households early and effectively.

¹ AER, Retail Market Performance Draft Data Q4 2021-22.

² AER, Retail Market Performance Draft Data Q4 2021-22.

³ AER, Retail Market Performance Draft Data Q4 2021-22.

Consumers may also be new to experiencing financial stress. Those experiencing financial stress for the first time may not know that support exists, or how to access that support.

‘Due to the last 2 years with the pandemic, fires and floods, what would be good for us all is a fresh campaign for those that normally would not need this assistance but have found themselves in new territory.’

Female, dual parent, metropolitan NSW⁴

For some consumers, their individual circumstances may have remained the same, but they may be facing challenges from rising energy prices.

Consumers are often not offered appropriate support:

- › There has been an 8.3% increase in the number of energy consumers having multiple payment plans cancelled in the last 12 months. This may suggest that payment plans may be failing to consider consumers’ capacity to pay.⁵
- › Average energy debt of consumers on hardship programs has increased by \$46 over the past year to \$1,772. In Queensland, New South Wales and South Australia average hardship debt is higher than debt on entry to hardship programs.⁶ This suggests consumers’ debts are increasing, even when receiving support through hardship programs.⁷

Features of the energy framework do not adequately support consumers in need of help. For example, the Default Market Offer does not apply to all customers in embedded networks. These consumers may face higher prices as a result. The lack of support within the framework can also place significant costs and risks on consumer-facing energy businesses to support consumers experiencing payment difficulty.

‘I was unemployed and couldn’t afford the electricity bill. I called my provider to try and organise a payment plan, but I wasn’t able to make the repayments they wanted, and they weren’t willing to lower them to accommodate my situation. As a result, my power was cut off. For almost a month I was using torches till I was able to organise the money to pay the bill. I felt embarrassed and worthless.’

Male, single income no kids, metro Queensland⁸

⁴ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 65.

⁵ AER, Retail Market Performance Draft Data Q4 2021-22.

⁶ AER, Quarterly retail performance report Q2 2021-22 October-December, March 2022, p. 7.

⁷ AER, Quarterly retail performance report Q2 2021-22 October-December, March 2022, p. 7.

⁸ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p.38.

Recent studies have shown that consumers who are disconnected are at greater risk of harm to their health or safety.⁹ They are also at higher risk of experiencing emotional strain and financial stress.¹⁰

The letter to self below, raised in our lived consumer experience panel, demonstrates shame and embarrassment being key barriers in preventing proactive consumer engagement. Consumers shouldn't have to feel this way. Through sector improvements we want the sector to meet consumer needs readily.



Dear past self

Don't be worried, ashamed, embarrassed if you need financial assistance in paying your bill. Phone them right now, don't leave it to tomorrow as you will just spend another night worrying, when there is help at hand. Ring your electricity company, explain to them your situation, inform them you are unable to pay your current bill. Not ringing them only brings more stress later on, plus you will get hit with a late fee. Work out how much pay you have left after your expenses if it is around \$80 pay at least \$20 as it is easier to go without something small than having to go without everything. Just don't be ashamed, everything is fixable. Just ask as you are worthy of help.

Male, dual parent, metro NSW¹¹

We will review how consumers needing help are engaged and supported, and how the current support framework can be improved. We commit to identifying if improvements could be made to existing protections, balancing the benefits and costs of doing so.

⁹ Public Interest Advocacy Centre (PIAC), [Cut Off III: the social impact of utility disconnection](#), 14 April 2013 ('Cut Off III'), p. 37.

¹⁰ PIAC, Cut Off III, p. 37.

¹¹ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p.37.



Action 8

Consider the need for a payment difficulty framework in the National Energy Customer Framework

Victoria changed its approach to dealing with consumers experiencing payment difficulty in 2019. Under the Victorian framework, consumer-facing energy businesses are required to proactively identify consumers who have debt, are facing barriers and may need assistance. This helps consumer-facing energy businesses engage earlier with their customer base.

The framework also enables consumer-facing energy businesses to provide tailored support. We consider there may be potential benefits from aspects of this approach and useful lessons from how it has been implemented.

Victoria has recently reviewed whether the implementation of their framework has met its objectives. We will consider the learnings from Victoria's review. Specifically, we will look to how Victorian consumers and consumer-facing energy businesses have benefited under this framework and whether a similar framework, or elements of it, should be applied in the Australian Capital Territory, Tasmania, South Australia, New South Wales and Queensland.

We will ensure that any proposals for a nationally consistent approach effectively balance the cost to serve for consumer-facing energy businesses against the benefits to consumers of a payment difficulty framework.

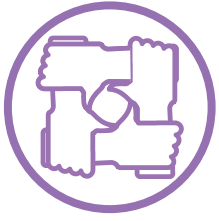


We will consult with stakeholders to consider whether improvements can be made to the National Energy Customer Framework. We expect to release a stakeholder issues paper for consultation outlining our learnings and potential next steps in early 2024.

'I wish I knew that payment plans, and hardship support was available before things got out of hand... it would have saved me a lot of unnecessary anxiety and stress.'

Female, single parent, metropolitan NSW¹²

¹² Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 65.



Action 9

Encourage improved engagement to promote disconnection as truly a last resort

Disconnection and disconnection threats can be harmful to consumers experiencing vulnerability and should be treated as a last resort for addressing non-payment, not a method to prompt consumer engagement.

Consumers experiencing vulnerability or complex circumstances may not have been identified by their consumer-facing energy business and placed on hardship programs or payment plans. As indicated previously, shame and avoidance can be real barriers to engagement. When a consumer is disconnected or threatened with disconnection, they may have accumulated significant debt. Additionally, consumer-facing energy businesses incur costs in managing debt recovery processes, disconnection and re-connection.

The Energy Charter's 'knock to stay connected' initiative is an example of sector participants facilitating discussions and sharing learnings about improving the disconnection process.¹³

We want the sector to continue discussing new and more efficient approaches to improve engagement before and after disconnection. By facilitating these conversations, we hope to identify best practice engagement strategies, and encourage earlier and more meaningful connections that will reduce the number and cost of consumers being disconnected.



We will scope this project in 2023 and plan workshops, or other engagement mechanisms in early 2024.

¹³ [The Energy Charter, Knock to Stay Connected.](#)





Action 10

Review the consumer energy debt threshold for disconnection

Under existing protections, consumers owing less than \$300 on their bill cannot have their energy disconnected. This energy debt threshold amount has not changed since April 2012, while the inflation rate has increased by 22.8%.¹⁴

We believe the energy debt threshold amount should reflect the current energy market and economic climate. A review of the energy debt threshold amount will ensure the amount allows for appropriate engagement between the consumer-facing energy businesses and consumers before disconnection comes into play. In so doing we will balance consumer protections, incentives for effective treatment of consumers and effective debt management from consumer-facing energy businesses.



We will work with various stakeholders in 2023 to examine if this amount is still appropriate. We will also work collectively with consumer-facing energy businesses to determine how any possible increase could impact their processes.

We will publish the outcome of our review in early 2024.

¹⁴ Reserve Bank of Australia Inflation Calculator: <https://www.rba.gov.au/calculator/>. The results produced by the calculator are based on the Consumer Price Index published by the Australian Bureau of Statistics. Consumer Price Index measures the percentage change in the price of a basket of goods and services acquired by household consumers who are resident in the eight State/Territory capital cities, accessed 12 October 2022.



Action 11

Advocate for amendments to the Default Market Offer

Prices in embedded networks are not regulated in the same way as retail prices. Consumers in embedded networks may experience higher prices as a result.

To ensure all consumers in these networks are protected from excessive standing offer prices, we think the Default Market Offer should be extended to all embedded networks' customers.



We will continue to advocate to the Australian Government to extend the Default Market Offer to include embedded network sellers.

Our intention is to implement this change, if approved, in the Default Market Offer 2023–24 determination in mid-2023.





Objective 4

Use the consumer voice and lived experience to inform regulatory design and change

Regulatory design and how the sector operates can deeply impact consumers in vulnerable circumstances. This has historically been the case and is unlikely to change considering the rapid development that the sector and consumers are navigating.

The low carbon energy transition is bringing about new and innovative technology and services. While some consumers are choosing to use batteries, electric vehicles and energy efficient appliances in their homes, many consumers experiencing vulnerability face a range of barriers in accessing such technology.

Despite these barriers, these new and innovative technologies also have the potential to benefit consumers experiencing vulnerability. For example, they may provide tailored assistance for consumers to understand energy services and provide ways to reduce energy costs.

In a similar way, the structure of energy tariffs, as considered in our pricing decisions, also provides opportunities for consumers to reduce costs.

We recognise that new tariff structures can be a cause of stress and confusion for consumers. Work has been done to understand the impact of tariff changes on consumers when approving proposals from businesses.

New cost-reflective tariffs could help to get the maximum value from our existing electricity networks, and could benefit consumers where they are able to adjust the times at which they use electricity to reduce their bill. Providing opportunities and incentives for consumers to minimise their network use during peak times means less need for expensive network investment and lower electricity bills for everyone in the long term.

We support networks in their tariff reform processes and the work being done to build consumer understanding and trust in the various and often complex tariff arrangements. This can be achieved through broad consumer engagement, as well as initiatives like trialling new tariffs and co-design and collaboration approaches to developing tariff options.

Early experiences with solar panels have shown that potential harms can also arise from new technologies. For example, there may be issues with installation practices, grid connection, asset lifespan or misleading sales tactics.¹

We want to continue learning from these experiences, share these learnings with the sector and ensure harms are not 'designed into' emerging frameworks and technologies. This includes ensuring that consumers have access to minimum protections and dispute resolution schemes. It is important that all consumers remain protected – both those who continue to receive traditional energy services and those who take up new options.

We need to change the way that we listen to, understand and reflect the experiences of consumers if we are going to make decisions that continue to make them better off now and in the future. The lived experience of consumers should be considered in all our work to ensure we can address issues before they arise.

¹ Consumer Action Law Centre, [Sunny Side Up: Strengthening the Consumer Protection Regime for Solar Panels in Victoria](#), April 2019.



Action 12

Introduce vulnerability impact assessments

We want to embed a greater understanding of vulnerability in how we work.

This includes ensuring we give regard to the impact on, or creation of, experiences of vulnerability from our regulatory decision making. This will build on work we have done in our network determinations and pricing decisions. We will also consider these impacts in our sandboxing and ring-fencing waiver workstreams, which are both considering the new technologies and services in the energy transition.

We want a broader toolkit for our staff to make vulnerability assessments.



We will begin scoping these assessments in late 2022 and will monitor our decisions to evaluate the improvements we have made.



We will trial assessments with appropriate teams and ensure staff are trained to understand experiences of vulnerability in our analysis.





Action 13

Review of consumer protections for future energy services

As part of the Energy Security Board's reforms to integrate consumer energy resources and flexible demand we have commenced work to understand if the current consumer protections framework remains fit for purpose.²

Over the next 6 months, we will continue our review of consumer protections for future energy services to examine the benefits and risks new consumer energy resource services and products pose to consumers.



We are drawing on customer research, lived experience case studies and stakeholder input. This has also involved working closely with the Energy Security Board's Customer Insights Collaboration work.



We will also consider what reforms may be needed to address identified consumer risks. We are leading this review with the support of other market bodies.

Our final review findings and recommendations will be published in mid-2023.

'Why are there two costs on my bill? 1 being general usage, and 2 being controlled load. I don't understand what they mean. Also, I find it frustrating that I have to pay a daily supply charge even on those days that I'm not using any power at home.'

Male, single income no kids, metropolitan Queensland³

² AER, [Retailer Authorisation and Exemption review](#), 2022.

³ Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 14.

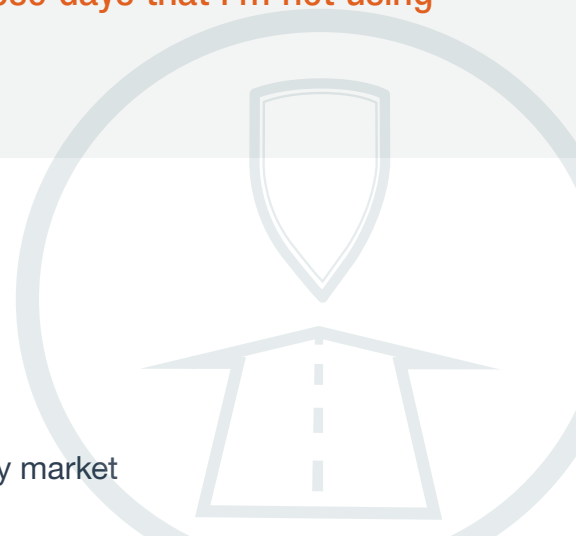


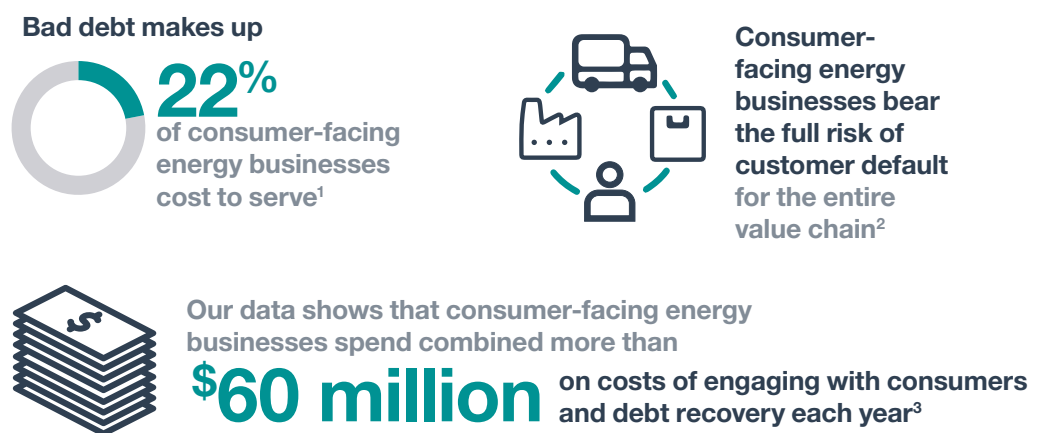


Image: iStock.com

Objective 5

Balance affordability and consumer protections by minimising the overall cost to serve

Figure 6: Costs of consumer-facing energy businesses



Effective measures to support and protect consumers are vital for consumer wellbeing. However, we are conscious that many measures can increase the cost to serve for consumer-facing energy businesses.⁴ These costs are often passed onto consumers in the form of higher prices. These higher prices will be harmful to consumers already in debt and struggling or lead to new consumers experiencing financial difficulty.

Supports and protections should be achieved at the lowest cost. This means that our work will need to balance the benefits of consumer protections with the costs incurred by consumer-facing energy businesses.

We are also conscious that having different rules and regulations across states and territories also adds to consumer-facing energy businesses' costs.

1 ACCC, [Retail Electricity Enquiry Final Report](#), June 2018.

2 Synergies Economic Consulting, ['Balancing act – Protecting Consumers in a viable retail energy market: A report for the Australian Energy Council'](#), February 2021.

3 AER 'game changer' workshop, 24 March 2022. <https://www.aer.gov.au/game-changer>.

4 ACCC, [Retail Electricity Enquiry Final Report](#), June 2018; Synergies Economic Consulting, ['Balancing act – Protecting Consumers in a viable retail energy market: A report for the Australian Energy Council'](#), February 2021; AER, [Retail Market Performance Data Q4 2020-21](#).



Action 14

Consider if there are ways to improve efficiency of regulation

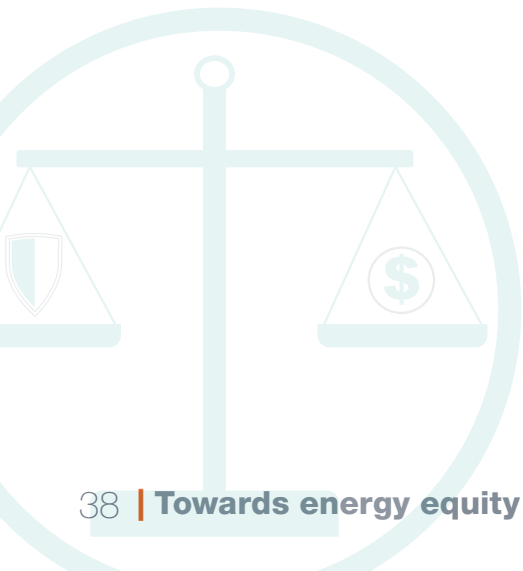
We aim to make amendments to or remove regulations from the retail market regulatory framework to reduce cost to serve while ensuring consumer outcomes are improved or maintained.

To do this, we have commissioned a consultant to undertake a review of relevant legislation and instruments. Through this process we will be seeking views from consumer-facing energy business and stakeholders on ways to reduce costs to serve.

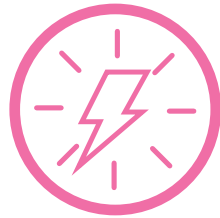
This review will help us identify regulations that could be removed or amended to reduce costs of consumer-facing energy businesses, without reducing consumer protections.



We will consider the consultant's recommendations from our initial review. We will undertake further engagement with broader stakeholders to progress consideration of next steps in relation to this work.







Action 15

Advocate for sector-wide ‘game changer’ reforms

The energy sector should be inclusive of all consumers. However, the outcomes for consumers experiencing vulnerability have been consistently poor over a long period. This is particularly concerning given that energy is an essential service.

It has become clear that there are systemic challenges in supporting consumers experiencing vulnerability. The incentives on consumer-facing energy businesses are not fully aligned to the goal of improving outcomes for those consumers who are experiencing vulnerability. In addition, the capability of these businesses to effectively support consumers is highly variable across the sector. As a result, outcomes for consumers experiencing vulnerability have not improved, despite meaningful efforts to address this issue.

Earlier this year we identified \$645 million in quantifiable financial costs driven by vulnerability each year.¹ However, there are also the intrinsically unquantifiable costs, like impacts on population health and wellbeing. Governments invest significant funds and resources in concession and rebate programs, and have undertaken extensive research and analysis to identify opportunities to improve consumer outcomes.

Consumer-facing energy businesses also expend considerable resources in assisting consumers experiencing vulnerability.² However, these businesses face challenges given that the needs of these consumers are highly individualised, and the cost to serve them can be significant. Individually, consumer-facing energy businesses lack the levers and capability to address the broader societal factors that contribute to broader sector-based vulnerability, while bearing the costs of addressing vulnerability across the whole energy supply chain.

Therefore, there is a significant opportunity to work in collaboration with sector stakeholders to drive systemic change and advocate for an energy system and market that is inclusive of a broader range of consumers and that provides better outcomes for consumers experiencing vulnerability.

Our vision is to create a fund that pools resourcing dedicated to supporting vulnerability to deliver a more equitable and efficient sharing of costs and risks across the sector.

We would seek to work with stakeholders to consider ways in which the fund could be developed and deployed. A range of 'game changer' options could be explored including:

- › establishing a re-insurance pool through which consumer-facing energy businesses would receive financial support to provide the level of service expected
- › establishing a centralised service body that would deliver more consistent and better targeted support for consumers experiencing vulnerability as well as reducing the costs of providing this support
- › extending the financial supports available to consumers experiencing vulnerability, including through social tariffs and rebates.



Through stakeholder workshops with sector participants, we are working together to design a 'game changer' solution. In 2023 we hope a broad collaboration of the sector will advocate for this reform.

1 AER 'game changer' workshop 24 March 2022. <https://www.aer.gov.au/game-changer>.
















2 AER 'game changer' workshop 24 March 2022. <https://www.aer.gov.au/game-changer>.

Next steps

Each action throughout our strategy outlines how and when we plan to deliver on the objectives. We have also identified when we will be consulting on that work to allow stakeholders to plan their involvement.

We have prioritised actions based on their benefit and need. We will implement actions with greater impact first, such as supporting consumer-facing energy businesses with systems, policies and processes to identify and work to alleviate experiences of vulnerability in the energy sector. We will review and report on our actions each year for the life of the strategy. This review will ensure that our efforts are responsive to new information, circumstances or consumer needs. It will also ensure that we are measuring and responding to the impact that our actions have had.



	2022-23			2023-24				2024-25				2025-26
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
 Improve protections for consumers affected by family violence	Support implementation of new rule with guidance			Commence research and scoping protections for embedded networks								
 Develop a toolkit to help consumer-facing energy businesses identify vulnerability	Commence research and scoping	Consultation with stakeholders		Release								
 Explore ways to improve the use of retailer report cards					Commence research, scoping and development of improved report cards			Consultation with stakeholders			Release findings and next steps	
 Implement Better Bills Guideline	Provide support, share educative material and design evaluation strategy											
 Improve AER's communications channels to assist energy consumer literacy	Commence research and scoping			Testing	Release							
 Improve Energy Made Easy, including working towards making it a switching service			Beta version testing/consultation	Launch EME upgrades iteratively								
 Improve outcomes for consumers in embedded networks	Consultation with stakeholders	Release of final network exemption guideline										
 Consider the need for a payment difficulty framework for the National Energy Consumer Framework			Engage and consider on the Victorian PDF review	Commence research and scoping of work		Consultation with stakeholders		Release stakeholder issues paper/findings				
 Encourage improved engagement to promote disconnection as truly a last resort					Commence research and scoping				Consultation with stakeholders	Release position paper		
 Review the consumer energy debt threshold for disconnection			Commence research and scoping		Consultation with stakeholders		Release					
 Advocate for amendments to the Default Market Offer	Advocate for amendments to regulation		Release of DMO 2023-24									
	Continue consultation on DMO											
 Introduce vulnerability impact assessments	Research, scoping and testing of options			Rollout and build staff capabilities								
			Targeted consultation with external stakeholders		Release approach, test and review interim approach			Release approach, test and review interim approach				
 Review of consumer protections for future energy services	Develop and consult on reform options			Release final recommendations								
 Consider if there are ways to improve efficiency of regulation	Consider review report recommendations and determine next steps		Further engagement to progress next steps									
 Advocate for sector-wide 'game changer' reforms	Stakeholder forums		Design Group									
					Advocacy							