

# Towards energy equity

A strategy for an  
inclusive energy market

**Supporting document**

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.

## Glossary

Shortened form	Extended form
ACCC	Australian Competition and Consumer Commission
AER	Australian Energy Regulator
COTA	Council on the Aging
CPRC	Consumer Policy Research Centre
EWON	Energy and Water Ombudsman of NSW
EWOQ	Energy and Water Ombudsman Queensland
EWOSA	Energy and Water Ombudsman of South Australia
NER	National Energy Rules
PIAC	Public Interest Advocacy Centre
SACOSS	South Australian Council of Social Services

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# Introduction

Our *Towards energy equity strategy* outlines the Australian Energy Regulator (AER)'s approach to addressing consumers experiencing vulnerability in the energy sector. The strategy provides objectives and actions that we will undertake in the next 3 years to improve outcomes for those consumers.

This document provides the supporting evidence of how we developed the strategy.

We want to work together with sector stakeholders to build lasting and systemic reform that benefits consumers experiencing vulnerability and in turn reduces 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, affordability and help consumers stay connected. We want to ensure the energy transition meets the needs of all consumers.

Our 3-year strategy aims to facilitate change. Change to assist us to work more innovatively, improve outcomes for consumers and consumer-facing energy businesses, and use our regulatory powers effectively.

## Long-term interest of consumers already a focus

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 and the market bodies. Some examples include:

- › Since submitting a rule change request in September 2021, Red Energy and Lumo Energy advocated for protections for consumers affected by family violence.<sup>1</sup>
- › The Australian Energy Council, consumer-facing energy businesses and consumer advocates have collaborated to develop the *Best Practice for Energy Retailer Assistance Guide*, published in June 2021. This guide is a tool to assist consumer-facing energy businesses to support their customers having difficulty paying their bills.<sup>2</sup>
- › The *One Stop One Story Hub* digital platform was developed by Thriving Communities Partnership.<sup>3</sup> It is designed around a 'no evidence' trust model that connects businesses across various sectors to support the consumer journey using a single-entry point in a safe and secure way.
- › The Energy Charter is a national CEO-led collaboration that supports the energy sector towards a customer-centric future.
- › Consumer-facing energy businesses provided the Council on the Aging (COTA) with targeted information for consumers about how to stay on top of their bills and seek help if they needed it during the COVID-19 pandemic. This information was also provided in multiple community languages to increase accessibility and understanding.<sup>4</sup>

<sup>1</sup> After consulting on this rule change request, the Australian Energy Market Commission introduced rules that will require consumer-facing energy businesses to provide assistance, support and protection to consumers who are affected by family violence under the National Energy Retail Rules (NERR) from 1 May 2023.

<sup>2</sup> Australian Energy Council, [Principles in Practice Resource: Guidance for retailers seeking to implement best practice customer support](#), June 2021.

<sup>3</sup> Thriving Communities Partnership, [What we do – One Stop One Story Hub](#), accessed 18 October 2022.

<sup>4</sup> Australian Energy Council, [COVID-19](#), accessed 18 October 2022.



The AER also seeks to reduce complexity in the energy sector and increase affordability, access and engagement using a range of regulatory tools. For example, we:

- › make and enforce guidelines that enable and protect consumers
- › have set the Default Market Offer on an annual basis since 2019
- › developed the Better Bills Guideline in March 2022 (see further under Objective 2)
- › provide the Energy Made Easy price comparison service
- › monitor wholesale energy markets
- › regulate monopoly distribution and transmission infrastructure
- › contribute to policy processes and reviews that affect consumers
- › take actions to improve compliance and address breaches of energy laws and rules.<sup>5</sup>

## **More focus on addressing consumers experiencing vulnerability is needed**

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.<sup>6</sup>

The importance of energy affordability has been further reinforced through the National Energy Transformation Partnership established by Energy Ministers in 2022.<sup>7</sup> Through the partnership, Energy Ministers have agreed 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, businesses and communities.

The COVID-19 pandemic and recent challenges in the east coast energy market have highlighted how unexpected market pressures can increase the risk of harm or disadvantage.

Recent research has shown that 24% of Australians are concerned about their financial wellbeing.<sup>8</sup> Our Lived Consumer Experience Panel highlighted that energy bills are just one of several mounting cost of living pressures consumers are struggling with in the current economic climate. Recent increases in the cost of living have placed a growing burden on all consumers. Consumers are actively looking for ways to minimise their energy bills and stay in control.<sup>9</sup>

Data indicates that:

- › 20% of consumers requested financial assistance to pay their electricity bill during the pandemic. Of these, half received help that was useful and half did not receive help that was useful.<sup>10</sup>
- › The amount of energy debt outstanding when an electricity consumer enters a formal hardship program has also steadily increased since 2016–17, from \$1,092 to \$1,692. This could indicate growing systemic barriers to effectively identifying consumers who are experiencing payment difficulty.<sup>11</sup>

5 Australian Competition & Consumer Commission (ACCC) and AER, [ACCC and AER Corporate Plan 2021-22](#), 31 August 2021, p. 35.

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

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

8 Consumer Policy Research Centre, [Consumers and COVID-19: from crisis to recovery](#), September 2020.

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

10 Energy Consumers Australia, [Shock to the System: Energy Consumers experience of the COVID-19 crisis – the numbers](#), June 2020, p. 8.

11 AER, Retail Market Performance Data Q4 2021-22.

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. Consumer-facing energy businesses can also incur significant costs in assisting consumers experiencing vulnerability. 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 sector.

## **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.**

We introduced our working definition of consumers experiencing vulnerability within our draft *Consumer vulnerability strategy*.

This definition reflects 2 underlying principles:

- › if consumers experiencing vulnerability are provided with appropriate support, then they are likely to achieve satisfactory outcomes in the energy market
- › consumer outcomes will be enhanced if barriers to engagement are addressed.

There is no uniformly accepted definition of consumers experiencing vulnerability. In developing our definition, we learnt from the approaches used by relevant bodies like the Office of Gas and Electricity Markets, the Organisation for Economic Co-operation and Development and the United Kingdom’s Competition and Markets Authority. Our definition is also informed by insights from the Consumer Policy Research Centre (CPRC) and the United Kingdom’s Competition and Markets Authority market studies.<sup>12</sup> It encompasses both market-based and individual experiences of vulnerability. Due to this continuing conversation around terminology, in our draft consultation we sought insights from stakeholders on consumer preferences about the language the AER could use in the future.

<sup>12</sup> The CPRC report does not recommend one single definition of ‘vulnerability.’ However, it does highlight the value of definitions that focus on the broad and wide-ranging circumstances of vulnerability that can affect any person on a permanent or temporary basis, and which leave room for understanding to evolve in response to regulatory changes: CPRC report, p. 15-1.



## Stakeholder feedback on the definition

Stakeholder feedback received on our definition and terminology was nuanced and greatly appreciated.

Some stakeholders acknowledged the difficulty in developing an encompassing definition. Uniting noted that, regardless of the term used, it will resonate with some people and not others.<sup>13</sup> They noted that in their own consumer focus groups participants offered conflicting perspectives and opinions when consulted on how to best talk about experiences of vulnerability.<sup>14</sup> This sentiment is also echoed in the Energy and Water Ombudsman of New South Wales (EWON)'s feedback – that terminology may never be perfected.<sup>15</sup>

Several stakeholders supported the AER's definition.<sup>16</sup> Particular support was given to the AER adopting a working definition, allowing for flexibility to continue to consider future insights on terminology and the impact of language.<sup>17</sup>

There was agreement across several different stakeholders that consumers should not be referred to as vulnerable, especially in consumer-facing or direct engagement,<sup>18</sup> because the term:

- › can be used in ways that disconnects people from the circumstances that led to their experiences of vulnerability<sup>19</sup>
- › does not consider individual impacts<sup>20</sup>
- › can be alienating<sup>21</sup>
- › creates barriers to supports because consumers do not identify with the label of vulnerability<sup>22</sup>
- › does not acknowledge that all consumers can experience vulnerability in their access to energy<sup>23</sup>
- › contributes to categorising and stigmatising people.<sup>24</sup>

<sup>13</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>14</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>15</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>16</sup> Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February; Energy and Water Ombudsman of SA (EWOSA) & Energy and Water Ombudsman Queensland (EWOQ), Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>17</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; CPRC, Submission to the draft *Consumer vulnerability strategy* 28 February 2022; SA Power Networks, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>18</sup> Ausnet, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy* 25 February 2022; CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy* 17 March 2022.

<sup>19</sup> Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>20</sup> Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>21</sup> CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>22</sup> CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>23</sup> PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>24</sup> PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

Ombudsman schemes did recognise that the concept of vulnerability is regularly used by regulators, industry participants and consumer advocates,<sup>25</sup> and appropriate to use given its acceptance and use across multiple sectors.<sup>26</sup>

Ausgrid noted similar concerns towards the word hardship, advising that describing consumers as being in hardship could prevent people from accessing support.<sup>27</sup>

Several consumer-facing energy businesses and the Australian Energy Council were against the AER including the market as a cause of vulnerability. They noted that markets themselves do not create vulnerabilities; rather, vulnerability is caused by factors outside of the market (such as employment, income or marginalisation).<sup>28</sup> Conversely, the Public Interest Advocacy Centre (PIAC) recommended the AER place greater consideration on how the energy market itself contributes to experiences of vulnerability within the overall strategy.<sup>29</sup>

We disagree with this position held by consumer-facing energy businesses. We consider that it is important to address existing aspects of the market that might:

- › exacerbate the circumstances in which consumers may experience vulnerability
- › be a foundational cause of vulnerability (such as future energy market changes that may affect consumers who have limited protections due to housing arrangements).

The CPRC noted that the real challenge with defining experiences of vulnerability is how to operationalise the definition.<sup>30</sup> This question of operationalising a definition of vulnerability was touched on by some other stakeholders. EnergyAustralia expressed concern that defining experiences of vulnerability could limit protections for consumers who do not fall within the definition (in particular, those experiencing non-financial types of hardship).<sup>31</sup> Both AGL and the COTA did not support the binary categorisation of consumers into ‘vulnerable’ and ‘not vulnerable’. AGL believes that the question should be whether a consumer needs support or not, and this should not be contingent on whether a consumer identifies as experiencing vulnerability.<sup>32</sup> Origin also noted that a consumer having the presence of one or more risk factors does not mean that person is necessarily experiencing vulnerability.<sup>33</sup>

Aurora and Powershop called for a review of terminology.<sup>34</sup> Aurora suggested this review should form part of the AER’s strategy delivery, while Powershop noted it should be driven by the community sector.<sup>35</sup> The CPRC recommended we consider co-designing and performing comprehension testing on consumer-facing materials, particularly with language, and its impact in culturally and linguistically diverse communities.<sup>36</sup> Energy Consumers Australia requested that we consider developing guidance for consumer-facing energy businesses and the wider sector on appropriate terminology for consumer-facing communications.<sup>37</sup>

25 EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

26 EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

27 Ausgrid, Submission to the draft *Consumer vulnerability strategy* 28 February 2022.

28 Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

29 PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

30 CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

31 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

32 AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

33 Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

34 Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

35 Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

36 CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

37 Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

Stakeholders also offered alternative terms that they use, and those the AER should consider:

- › EnergyAustralia suggested ‘inclusivity’ or ‘resilience’ as an alternative<sup>38</sup>
- › Energy Consumers Australia also proposed the AER use ‘resilience’<sup>39</sup>
- › Powershop noted they have been using ‘energy well-being’ internally, for its positive tone<sup>40</sup>
- › EWOSA & EWOQ noted not using terms but capturing vulnerable consumers as ‘anyone with a reduced capacity to resolve their issue’<sup>41</sup>
- › Alinta suggested there is no need to group consumers under the banner of vulnerability; rather, the focus can be on those who are ‘having difficulty meeting financial obligations’ or having ‘language or comprehension difficulty’<sup>42</sup>
- › PIAC recommended the AER focus on interactions with the energy system, rather than the person and their capabilities and/or attributes.<sup>43</sup>

The importance of language also came through in our Lived Consumer Experience research findings. When the language and navigation process is complex, consumers often find it too difficult and disengage, leading to mounting unpaid bills and potentially unrecoverable debt for consumer-facing energy businesses (see Lived Consumer Experience case study 1).<sup>44</sup>

## **Lived Consumer Experience case study #1**

### **Female, 42, metropolitan Queensland<sup>45</sup>**

This participant, a schoolteacher, living with her husband and newborn child, was experiencing financial hardship in the early stages of the COVID-19 pandemic.

After a cursory scan of her energy provider’s website to see what support was available, she was a little confused because the language used on the website about hardship programs was overly complex, jargonistic and gave her the impression that it would be difficult and time-consuming.

As a result, she navigated away from the page and did not consider calling the provider because she was unsure if she would qualify and did not want to risk judgement about her.

However, as time went by, her energy bill debt began to rise. Eventually, it reached a point where she felt it was necessary to call her energy provider to discuss. When she called, she quickly learnt that she was eligible for a payment plan, which allowed her to pay in arrears without any additional fees or penalties.

This was set up straight away over the phone and help was provided in a friendly manner. The process was explained in simple terms, which gave her a greater sense of confidence moving forward.

38 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

39 Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

40 Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

41 EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

42 Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

43 PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

44 Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 63.

45 Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 64.

We have continued the definition of consumers experiencing vulnerability in the *Towards energy equity strategy* because it provides focus for our objectives and actions.

We understand and appreciate stakeholder feedback on our working definition of consumers experiencing vulnerability. Such stakeholder insight illustrated the preference for us to use alternative language in our future engagement. Reflecting on these viewpoints on this important point,<sup>46</sup> we would prefer not to use the term ‘vulnerable’ when engaging with stakeholders. Instead, we will endeavour to use the term vulnerability to describe a consumers’ lived experience rather than a label for a cohort. Additionally, the name selected for this strategy, *Towards energy equity – a strategy for an inclusive energy market*, is also recognition of the appropriate use of language.

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<sup>46</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.





# Developing the strategy

In February 2020 we launched research conducted for us by the CPRC – *Exploring regulatory approaches to consumer vulnerability – A report for the Australian Energy Regulator*.

This report shone a light on contemporary lived consumer experiences of vulnerability. It helped us understand that experiences of vulnerability are diverse, transient or permanent, and multifaceted. It also helped us to understand that work by regulators domestically and internationally has demonstrated how a strategy that focuses on consumers experiencing vulnerability can address these issues, delivering comprehensive market change and improving consumer outcomes.<sup>47</sup>

The CPRC recommended the AER develop a strategy that could outline our understanding of the concept of consumers experiencing vulnerability.<sup>48</sup>

In December 2020 we made the first objective of our Strategic Plan 2020–2025 ‘protecting vulnerable consumers, while enabling consumers to participate in energy markets’.<sup>49</sup> In line with this objective, the *Towards energy equity strategy* focuses on having consumer interests, preferences, outcomes and voices at the forefront of our work. This will encourage, support and facilitate others to work with us to improve outcomes for energy consumers over the coming years.

In 2021 we continued to develop the *Towards energy equity strategy*. We engaged with consumer-facing energy businesses and consumer groups through roundtables, reference groups and industry cross-sector workshops. We also considered research by other sectors and reviewed various domestic and international reports.

This work led us to release the draft *Consumer vulnerability strategy* on 21 December 2021, following which we received 24 stakeholder submissions.<sup>50</sup>

During the process of developing the draft strategy, it became 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.

In early 2022, we undertook research that indicated consumer vulnerability costs the energy system (including consumers, non-profit organisations, governments and consumer-facing energy businesses) at least \$645 million each year (not including government concessions).<sup>51</sup> There are also a range of unquantifiable costs that have not been captured in this modelling estimate. This research was presented to stakeholders on 24 March 2022.

Advocating for sector-wide ‘game changer’ reforms is now included in the *Towards energy equity strategy* as Action 15. The ‘game changer’ reforms will better balance cost and risk within the sector so that consumers experiencing vulnerability are identified early and get the support they need to improve outcomes.

47 CPRC report, p. 12.

48 CPRC report, p. 9.

49 AER, [Strategic Plan 2020-2025](#), December 2020 (‘AER Strategic Plan’), p. 9.

50 AER, [Consumer Vulnerability Strategy – Draft](#), accessed 25 July 2022.

51 ‘Game changer’, <https://www.aer.gov.au/game-changer>.



The community of 120 participants (110 participated through an online community portal and 10 inputted through a phone interview) were recruited from a specialist market research panel and de-identified to ensure privacy and anonymity. It included a subset of people experiencing financial hardship, people who have additional needs, as well as people who identify as culturally and linguistically diverse.

This helped us deepen our understanding of the lived experience of consumers and conceptualise the requirements for a fit-for-purpose regime that:

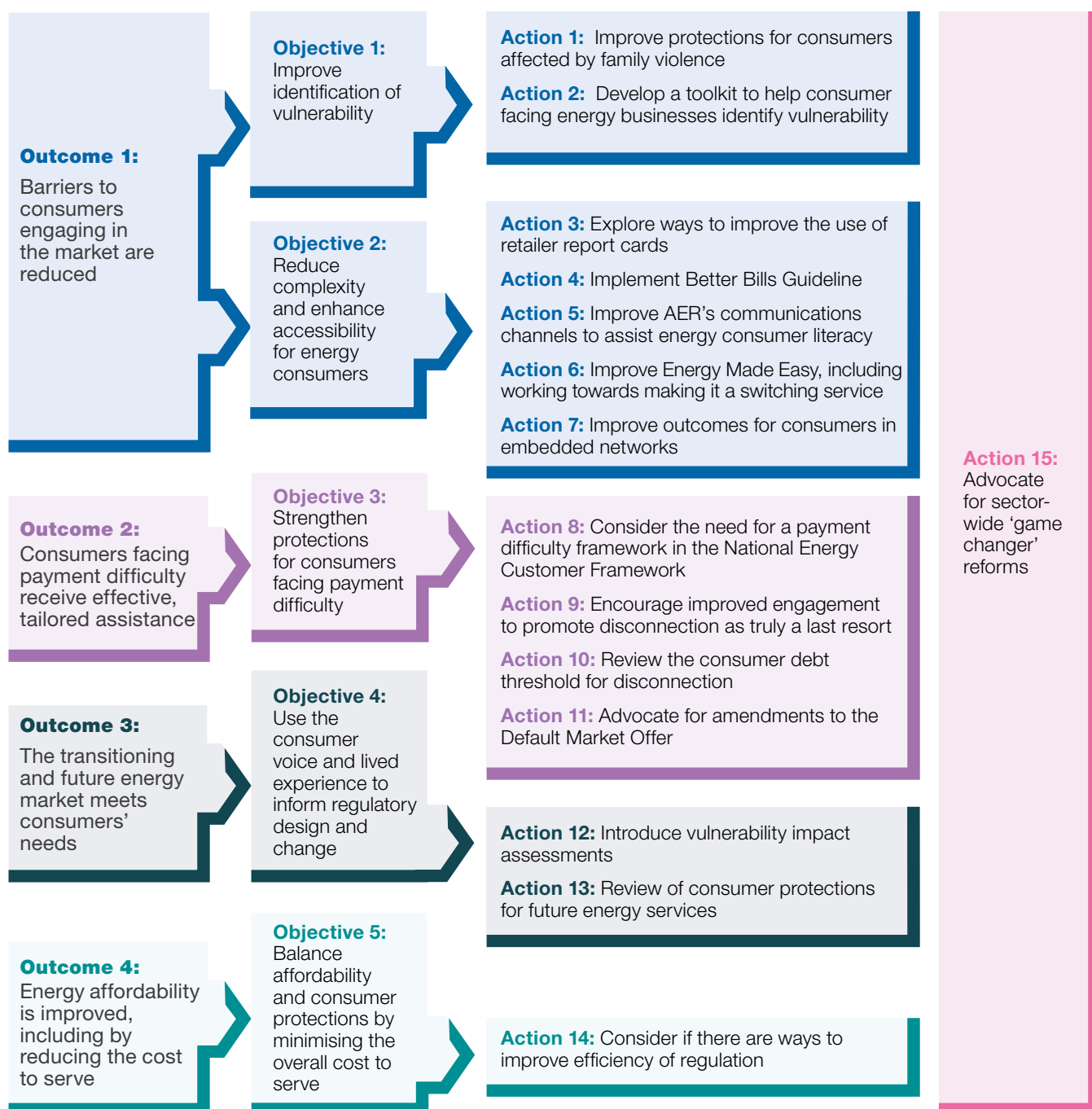
- Images below provided by the participants of the Lived Consumer Experience community.**



52 Bastion Insights Lived Consumer Experience Report, 22 July 2022, p. 77.

## Strategy structure

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





# Objective 1

## Improve identification of vulnerability

### Introduction

Studies show a range of factors prevent consumers from being able to identify themselves as facing difficulty or needing help. These factors include:

- › not feeling like ‘hardship’ applies because it seems extreme or embarrassing
- › experiencing shame or stigma
- › feeling overwhelmed by economic and life events
- › competing demands and essential expenses (such as rent, food and medical expenses)
- › a lack of trust and insight toward businesses and the market
- › a fear that asking will have adverse effects (on credit/debt)
- › lack of awareness of available supports
- › living with mental ill-health
- › experiencing family violence.<sup>53</sup>

The COVID-19 pandemic and current state of the energy sector have intensified a number of these factors. They have also made them relevant to a larger group of consumers.

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, including through concession 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.

Early identification of consumers at risk, intervention, assistance and advice are key to ensuring consumers are given the right supports. Early stakeholder feedback has suggested that a clear and common understanding of experiences of vulnerability is needed to support early action. Research has also found that improving the consumer experience is an opportunity for the retailer to reduce debt levels, protect revenue, ensure consumer loyalty and retention, and build a reputation in the market that should be a competitive advantage.<sup>54</sup>

<sup>53</sup> Commission for Customers in Vulnerable Circumstances report, p. 22.

<sup>54</sup> Energy Consumers Australia, [Scoping an effective voluntary industry guideline for helping households manage their energy usage and bills](#), June 2019, p. 8.

Figure 1: Examples of common situations that consumers can face

1 in 5



Australians have a disability.<sup>55</sup> 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.<sup>56</sup>

45%



of Australians will experience mental ill-health at some point in their life.<sup>57</sup> 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.<sup>58</sup> 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. 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.<sup>59</sup>

## Stakeholder case study – EWON<sup>60</sup>

A customer responsible for a 7 person household and eligible for concessions, with English as a second language, contacted EWON about receiving bills that were higher than expected. At the time of contact, this customer's energy provider had not been able to assist them. This customer also informed EWON they had limited income.

EWON performed a review and found that the customer's gas heating appliances were the likely cause of higher bills and that the customer's concession details failed validation due to a name mismatch.

While the consumer-facing energy business had spoken to the customer about the issues with the concession name mismatch at least 3 times, they did not also discuss options for payment difficulties or give energy efficiency advice. This was even when the customer had shown multiple indicators of potential affordability difficulties. Proactive assistance would have given this customer the knowledge to navigate financial difficulty in the future.

EWON discussed the indications of payment difficulties with the consumer-facing energy business to ensure its further discussions with the customer would go beyond the concession issue. Positively, the energy provider took proactive steps to correct the concession issue, including backdating the missed concession.

<sup>55</sup> CPRC report, p. 55.

<sup>56</sup> CPRC report, p. 5.

<sup>57</sup> CPRC report, p. 29.

<sup>58</sup> CPRC report, p. 5.

<sup>59</sup> CPRC report, p. 29-32.

<sup>60</sup> EWON, Submission for the draft *Consumer vulnerability strategy*, 28 February 2022, p. 10.





## Action 1 Improve protections for consumers affected by family violence

Following a rule change request from Red Energy and Lumo Energy, the Australian Energy Market Commission introduced protections for consumers affected by family violence.

We provided submissions to the Australian Energy Market Commission's consultation paper and draft rule determination. In both submissions, we supported an approach that would largely achieve consistency across the National Electricity Market, minimise the cost for consumer-facing energy businesses in complying with the rules and keep victims and survivors protected and alive.

We also highlighted the importance of considering the lived experience of victims and survivors in policy design, and proposed that the AER provide guidance to clarify compliance measures and ensure awareness of how the outcomes of the final rule may be achieved. Our steps to support compliance and provide clarity aim to minimise these costs where we can.

We support targeted reforms to protect victims and survivors. The Australian Energy Market Commission's final rule determination was released on 15 September 2022, and we will engage with the broader sector to support implementation of these new rules by mid-2023.

Following implementation of the rules on 1 May 2023, we will also prioritise a review of the exempt selling guidelines to incorporate the application of family violence conditions to embedded networks.



## Action 2 Develop a toolkit to help consumer-facing energy businesses identify vulnerability

### Consultation

During our consultation process we sought to understand:

- › existing systems being used in the sector to identify customers needing support
- › what factors stakeholders think we should consider in developing the toolkit
- › what the AER can do to support and recognise consumer-facing energy businesses providing effective, early action.

We recognise that several consumer-facing energy businesses have already established internal identification processes, including agent training to recognise trigger words or phrases.<sup>61</sup>

Stakeholders with reservations suggested the toolkit would need to be flexible in its usage. That flexibility needs to be in line with their processes and judgement when delivering required assistance.<sup>62</sup> We acknowledge that any identification toolkit would not be a regulatory tool for the AER to use, but rather a continuous learning initiative that is flexible and adaptable for different use.

Such flexibility would also allow for the identification toolkit to develop in line with future business models, products and services in the transitioning energy sector.

Stakeholders also asked us to avoid duplicating existing sector work.<sup>63</sup>

<sup>61</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022; South Australia Power Networks, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>62</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOA and EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Alinta Energy, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; Energy and Water Ombudsman of NSW (EWON), Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>63</sup> Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 March 2022; Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.



Energy Consumers Australia noted 2 key areas where an identification toolkit could address diversity and help cut through complexity:<sup>64</sup>

- › the value in extensive engagement with consumer-facing energy businesses to improve our understanding of the information currently collected and improve how we're using that data to aid consumers. These improvements should be key to the toolkit development.
- › the importance of working directly with consumers experiencing vulnerability during the toolkit development. They requested that particular attention be given to cultural and linguistically diverse groups, consumers with a disability and remote communities. This direct consumer collaboration would allow us to listen to consumers who may experience vulnerability in different ways. These consumer voices will be key to achieving a focus shift away from financial hardship being the main determinant of vulnerability experiences.

Our Lived Consumer Experience work has been an opportunity for us to directly hear from and understand the experiences of various energy consumer groups, including culturally and linguistically diverse consumers, renters, long-term unemployed, individuals with chronic mental ill-health conditions, parents with chronic illness and family violence victims/survivors.

This research affirms the importance of early engagement and the need for consumer-facing energy businesses to ensure supports are more accessible for consumers. Consumers want to pay bills. However, when faced with adversity, they may be unaware of how to access the range of help consumer-facing energy businesses can offer to build understanding, manage missed payments and resolve debt.<sup>65</sup> Shame and embarrassment also act as barriers to engagement.

‘I felt worthless because there was an issue with my energy bill, but my provider wouldn't/didn't listen to me. The ombudsman was the only person who could fix the problem.’

**Female, dual parent, metropolitan NSW<sup>66</sup>**

Beneficial sector improvements are already being made to improve the consumer journey. Thriving Communities Partnership is partnering with consumer-facing energy businesses in the implementation of new tools such as the ‘no evidence’ trust model that frames the ‘One Stop One Story Hub’.<sup>67</sup> Many consumer-facing energy businesses are also involved in this initiative or are developing their own approaches. These can be costly with a great deal of trial and error as new approaches are developed.

We were warned by a stakeholder of the risk of the toolkit being applied as a ‘box-ticking’ exercise.<sup>68</sup> We recognise that problems may arise if consumers need to fit certain strict criteria, provide specific verification or use ‘magic words’ like hardship to access support.

<sup>64</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>65</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 14.

<sup>66</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 70.

<sup>67</sup> Thriving Communities Partnership, What we do – One Stop One Story Hub, accessed 12 July 2022 (‘Thriving Communities – What we do’).

<sup>68</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

Solutions we can implement to avoid such risks include:

- › making indicators non-exhaustive and framed around broad circumstances, actions or outcomes, rather than a specific event or set of circumstances<sup>69</sup>
- › promoting and encouraging the use of a ‘no evidence’ trust model
- › using a debt trigger.<sup>70</sup>

## Summary and next steps

Through a broad collaboration process with consumer-facing energy businesses and consumer stakeholders we will build an understanding of what already works well, identify where there may be gaps in understanding or technique, and develop an identification toolkit featuring a non-exhaustive list of indicators. As foreshadowed in the draft *Consumer vulnerability strategy*, this action will provide consumer-facing energy businesses with a resource to proactively help identify and support consumers in need of assistance. Stakeholders provided insights for developing a toolkit that is:

- › designed with a consumer voice
- › broad and flexible
- › supportive of existing legislative obligations, frameworks and guidance
- › future proof.

We will immediately commence work to develop the toolkit.

Continued research of relevant and up-to-date resources will be a key component of our process to ensure the toolkit can be adaptive to future energy services.

Through the toolkit we want to showcase different approaches, learn from the stakeholders and assist consumer-facing energy businesses in implementing different tools. This could also reduce the cost burden on consumer-facing energy businesses, particularly in identifying vulnerability, and improve the efficiency of practices related to early engagement.

Additionally, our engagement and collaboration with consumer-facing energy businesses and consumer advocates will help us develop our understanding of existing sector work underway.

The toolkit will be launched in second half of 2023.

<sup>69</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA and EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Alinta Energy, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; Energy and Water Ombudsman of NSW (EWON), Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>70</sup> SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.



# Objective 2 Reduce complexity and enhance accessibility for energy consumers

## Introduction

The design, of products and services that consumers engage with can create barriers for consumers in accessing services. Insight received from our Lived Consumer Experience findings demonstrated that:

- › consumers find understanding processes difficult, which makes engaging with consumer-facing energy businesses challenging
- › transparency and honesty about terms and conditions of energy plans is needed (especially in relation to how long certain discounts will apply, late payment fees and other hidden costs).<sup>71</sup>

The energy sector contains complex barriers that can cause sector-based experiences of vulnerability or can exacerbate an individual's experience of personal vulnerability:

- › complex market structures, processes and pricing are factors that can cause unnecessary or harmful confusion, difficulty and inaccuracy when making decisions and can increase the risk of consumers not engaging
- › reliance on known consumer behavioural biases – these include known biases we all have around status quo, loss aversion and cognitive overload, which can constrain consumer engagement<sup>72</sup>
- › poor product and service design, including communication methods that are not inclusive of all consumers and can create barriers<sup>73</sup>
- › the essential nature of energy means consumers have no choice about whether they use energy, or have access to it. This can directly impact health and wellbeing.<sup>74</sup>

As noted by the CPRC, vulnerability strategies have traditionally focused on the individual's circumstances. These individual circumstances place a consumer at risk of detriment, rather than looking at the barriers within the system they use. To provide the right support we hope to change this perspective and instead target these complex barriers. Systemically, the question needs to shift from 'what is wrong with this person?' to 'what is wrong with the service if a person cannot access it?'.<sup>75</sup>

Inclusive design ensures products and services are clear, understandable and lessen the impacts of the sector. It can also help enable better access and usability by as many consumers as possible, such as people who are blind or have low vision and people who are deaf or who experience hearing loss.<sup>76</sup> Inclusive design would avoid making benefits, protections and fair outcomes for consumers contingent on consumer engagement.<sup>77</sup> Designing inclusively drives innovation and increases competition.<sup>78</sup> The AER's ability to demonstrate stewardship, by 'steering' or 'shaping' the sector, is crucial for implementing the right efforts (designing change, including Lived Consumer Experience insight and behavioural insights testing) to deliver good outcomes for consumers.

71 Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 51.

72 Cognitive overload: the tendency to be overwhelmed by large amounts of information, which may lead us to forget things or delay decisions, Loss aversion: the pain of a loss is psychologically twice as powerful as the reward from an equivalent gain, which may lead us to not switch if losses weigh more heavily than the potential financial gains, Status quo bias: the tendency to stick with a chosen option or default, even where a better option may be available; Behavioural Economics Team of the Australian Government, [Electricity information to fit the bill](#), December 2018, p. 9.

73 CPRC report, p. 22.

74 CPRC report, p. 1.

75 CPRC report, p. 27.

76 CPRC report, p. 28. The Centre for Inclusive Design (Melbourne) defines inclusive design as 'human-centred design that considers the full range of human diversity, including ability, language, culture, gender, age and other forms of human difference, as part of the design process'.

77 PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

78 Centre for Inclusive Design, *The Benefit of Designing for Everyone*, May 2019, p. 13.

## Lived Consumer Experience case study #2

### Female, 65, regional South Australia<sup>79</sup>

This participant is recently retired and has recently come to the end of her contract with her energy retailer. After a particularly poor customer service experience, she has decided to move on from her current retailer.

She conducts a Google search and navigates towards retailer websites. She finds the process highly complex and difficult to navigate due to information being presented in several different ways (such as comparison tables).

She also finds that the terminology varies and is hard to understand (e.g. feed-in tariffs, shoulder/peak/off peak tariffs, flat/standard/peak/anytime rate, etc.).

Even after stumbling across government sites such as 'Energy Made Easy', she still finds the comparison process difficult.

In the end, she consults her local Facebook community for recommendations and phones a friend. She ultimately bases her decision on the advice of 'real people', who helped her identify the best retailer and plan.

Reflecting on her experience, she believes that energy businesses need to make their products and services easier to understand so the process for consumers to compare providers/plans is simpler.



### Action 3 Explore ways to improve the use of retailer report cards

We collect and publish information on the performance of consumer-facing energy businesses as part of our *Annual retail markets report*.<sup>80</sup> This information, featured in our retailer report cards, includes (but is not limited to) metrics on consumers who successfully complete hardship programs, disconnections, responsiveness to enquiries and complaints from consumers.

In the draft *Consumer vulnerability strategy*, we detailed our intention to explore ways to improve our retailer report cards to encourage consumer-facing energy businesses to develop their products and services by facilitating competition by comparison.<sup>81</sup> Improved retailer report cards could also provide greater transparency on service quality for consumers or consumer advocates.

### Consultation

During consultation we sought to understand if our retailer report cards could improve or expand the quality-of-service metrics reported, including:

- › how this information would be best presented to consumers
- › relevant costs.

<sup>79</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 50.

<sup>80</sup> AER, Annual retail markets report 2020-21 - Retailer report cards, November 2021.

<sup>81</sup> CPRC, Five Preconditions of Effective Consumer Engagement, 17 April 2018: the CPRC cites attributes of service quality as transparency, authenticity, agency and convenience. The report also notes consumers need access to clear, comprehensible and comparable information for consumers to understand and act upon.



South Australian Power Network and Energy Consumers Australia agreed there was merit in providing better information to consumers.<sup>82</sup> They noted that retailer report cards are a tool to empower customers and act as an incentive to improve quality of service among consumer-facing energy businesses.<sup>83</sup>

Telstra supported this action and suggested that broader non-price comparison information in retailer report cards would help consumers consider a wider range of factors (such as environment, accessibility and support programs). These factors may be relevant to their circumstances and may motivate customers to switch.<sup>84</sup>

AGL was supportive of the AER using performance metrics to create an enhanced comparison experience.<sup>85</sup>

A key issue raised with this action was about whether consumers use or rely on retailer report cards.<sup>86</sup> COTA was concerned for consumers who do not use online services and if they would benefit.<sup>87</sup> AGL recommended that our initial focus should be on optimising the awareness and accessibility of the current retailer report cards.<sup>88</sup> A number of stakeholders encouraged the AER to undertake further stakeholder engagement to understand what metrics influence consumer decision-making.<sup>89</sup> EWON and the CPRC noted there would be value in the AER conducting behavioural insights research.<sup>90</sup>

Stakeholders also questioned the potential subjectiveness of measurements included.<sup>91</sup> Red Energy and Lumo Energy queried how the AER could objectively measure the effectiveness of a retailer's online or phone assistance, or accessibility of consumer-facing energy businesses' websites. They also noted it was unclear how the AER could make comparisons given efforts made to differentiate their services and use of different engagement methods.<sup>92</sup> Aurora also mentioned that the operating environment can be different across consumer-facing energy businesses.<sup>93</sup> Additionally, it was noted that consumers often choose to interact with their provider in diverse ways (for example, online or web chat function).<sup>94</sup>

82 SAPN, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

83 SAPN, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

84 Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

85 AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

86 Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

87 COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

88 AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

89 Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

90 EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

91 Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

92 Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

93 Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

94 Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.



Origin strongly advocated for the AER to develop the retailer report cards using objective and measurable indicators,<sup>95</sup> although they acknowledge the CPRC’s research featured qualitative and subjective metrics.<sup>96</sup>

Stakeholders noted the AER will need to ensure information in the retail report cards remain up to date and accurate,<sup>97</sup> especially given how quickly digital platforms change.<sup>98</sup> This process will require constant monitoring.<sup>99</sup> Maintenance will also need to ensure the metrics remain relevant to reforms and changes in the market.<sup>100</sup>

Several consumer-facing energy businesses also indicated that updates to the existing suite of performance indicators would likely result in additional costs for retailers.<sup>101</sup> For example, the Australian Energy Council did not consider there is sufficient evidence to suggest that changes will be materially beneficial to justify the additional costs.<sup>102</sup> We are mindful of the possible costs burden imposed on consumer-facing energy business and want to examine this proposal further.

## Summary and next steps

Improving our retailer report cards could enable consumers to compare energy services more easily and encourage competition by comparison between consumer-facing energy businesses.

Stakeholders provided mixed support to proceed with this work. However, given our Lived Consumer Experience findings demonstrated that consumers are interested in greater transparency of service quality to inform their decision-making, we want to progress this action. Due to the potential resources required to make this action impactful, we will complete a scoping and research piece to better understand the correct metrics to feature.

In undertaking this action, we will have regard to the costs to retailers by ensuring that any improvements are commensurate in terms of the benefits they will provide. How the report card information would be shared and promoted will be an important consideration on the potential benefit and cost of this action. We anticipate commencing research and scoping on this work in the second half of 2023 and exploring the relevant questions with consumer-facing energy businesses and consumer groups in 2024.

<sup>95</sup> Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>96</sup> CPRC, [Picking peaches: Service quality in the Victorian Energy Market – a summary report](#), August 2020.

<sup>97</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Powershop, Alinta, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>98</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>99</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>100</sup> CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>101</sup> Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>102</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.



## Action 4 Implement Better Bills Guideline

The Better Bills Guideline was published on 31 March 2022.<sup>103</sup> It simplifies energy bills and increases a consumer's ability to make informed decisions about their energy plan.

The Better Bills Guideline was developed using an evidence-based approach and included a significant amount of research. The foundational research was a comprehensive study by the Behavioural Economics Team of the Australian Government.<sup>104</sup> This was followed by targeted studies exploring the perspectives of specific groups, such as culturally and linguistically diverse consumers and older non-digital consumers.<sup>105</sup> Additional research was undertaken on better offer messages.<sup>106</sup>

Principles framing the Better Bills Guideline development included the costs of compliance for consumer-facing energy businesses as well as whether these costs are proportionate to the expected benefits of the guideline requirements.

The roll out of the Better Bills Guideline is now underway. During the implementation stage of the guideline, we will also support consumer-facing energy businesses with relevant educative material, with a goal of simplifying the process and minimising the costs of implementation. In September 2022, the AER released 2 example bills and accompanying explanatory information illustrating the requirements of the guideline.<sup>107</sup> The AER is considering additional work in the coming months to support retailers in complying further with the guideline.

An evaluation of the Better Bills Guideline will inform a review that is expected to commence 2 years after full implementation. The review will assess the relative costs and benefits of the guideline for consumers, drawing on insights from stakeholders and our evaluation.

<sup>103</sup> AER, [Better Bills Guideline](#), 31 March 2022.

<sup>104</sup> The Behavioural Economics Team of the Australian Government, [Improving energy bills: final report](#), 11 August 2022.

<sup>105</sup> AER, [Better Bills Guideline Behavioural and Consumer Research: Targeted focus group findings – Culturally and linguistically diverse consumers](#), 2. August 2022; Hall & Partners, [Australian Energy Regulator Better Bills Guideline Research Final Report \(on older and non-digital consumers\)](#), July 2021.

<sup>106</sup> Behavioural Insights Team, [Testing the better offer notice on energy bills: Final report from the BIT](#), February 2022.

<sup>107</sup> AER, Better Bills Guideline implementation, <https://www.aer.gov.au/retail-markets/guidelines-reviews/better-bills-guideline-version-2/implementation>, accessed 18 October 2022.



## 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.

Our focus is on facilitating better energy literacy and transparency so consumers can feel confident that the sector is working for them, and that they have the necessary information to make informed choices.

In 2012 we developed the price comparison website Energy Made Easy, an unbiased energy comparator tool providing consumers useful information about energy use. The information on Energy Made Easy is repurposed for our social media channels to increase the reach to a broader cross-section of the community.

A project to update and refresh the AER website is underway. The AER website project will include an enhanced focus on the consumer through a new look and feel as well as more clearly linked synergies between the AER website, Energy Made Easy comparison tool and our social media content. The first phase has been completed and was aided by a cross-section of consumers who were asked to provide human-centred insights on how our website can better meet consumer needs.

During the consultation process for the draft *Consumer vulnerability strategy*, stakeholders requested that this work involve developing and testing for real-life applicability by those who have lived experience of financial interruption, mental ill-health and lived experience of disability.<sup>108</sup>

We anticipate the redeveloped website will be launched in 2023, with continued improvements planned.

<sup>108</sup> Uniting, Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.



## Action 6 Improve Energy Made Easy, including working towards making it a switching service

One of the AER's strategic priorities is to tilt our focus to develop Energy Made Easy.<sup>109</sup> Iterative design and development work has been underway over the past 12 months with the aim of ensuring Energy Made Easy better reflects consumer needs. Additionally, we continue to work with consumer-facing energy businesses to enhance the service to allow consumers to switch plans once they have completed their comparison.

For consumers, the process of comparing providers is often perceived to be highly complex to understand and navigate. Furthermore, consumer-facing energy businesses present their services in different formats and feature varied information.<sup>110</sup>

'Comparing energy suppliers is confusing and very time consuming. I have thought of changing in the past but because I don't understand the item charges on the bills, I lose confidence to carry through with the change. I don't know whether I will be better off or not.'

**Female, dual parent, regional NSW<sup>111</sup>**

Our Lived Consumer Experience findings show that consumers are interested in using comparison tools to inform their decision-making but are not always aware of the websites available to them. We are continuing to develop how we promote awareness and drive traffic to Energy Made Easy (e.g. two new Energy Made Easy social media channels were created and launched on 17 June 2022).

The Lived Consumer Experience findings also highlighted the comparison process on the current Energy Made Easy website was 'still difficult'. This indicates that there is value in our current work to improve its usability. Our iterative design and development work has been informed by our growing understanding of consumer decision-making methods and the needs of consumers. Design improvements have included:

- › a dynamic language translation feature (featuring 33 languages)
- › a more helpful search experience, including suburb and postcode look-up
- › enhancements to the website's accessibility and general operation.

As part of this development work, we are also investigating how Energy Made Easy could be enhanced to allow consumers the option to switch plans once they have completed their comparison.

We have also engaged the Australian Government's Behavioural Economics Team to test and inform the redesign of Energy Made Easy, putting consumer behaviour at the heart of the redesign. This testing work is ongoing and will culminate in the release of a beta version of Energy Made Easy at the end of 2022. The beta website will offer consumers the opportunity to try the updated Energy Made Easy site and provide direct feedback.

We will launch Energy Made Easy site upgrades progressively throughout 2023.

<sup>109</sup> AER Strategic Plan, p. 15.

<sup>110</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 18.

<sup>111</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 16.



## Action 7 Improve outcomes for consumers in embedded networks

Embedded network consumers can purchase energy in one of two ways. From an exempt seller,<sup>112</sup><sup>113</sup> or a consumer-facing energy business operating within the embedded network space.<sup>114</sup>

When choosing an energy provider, embedded network consumers have limited choice. This could be due to the network metering or because consumer-facing energy businesses may not want to sell to an embedded network consumer. Embedded network customers cannot always access competitive pricing offers and are not covered by the same protections as those who purchase energy direct from an energy retailer.<sup>115</sup>

However, certain protections are available to embedded network customers under our Retail Exempt Selling Guideline and Network Exemption Guideline.<sup>116</sup> Together, these guidelines set out the compliance requirements each seller must meet for energy on-selling or distribution activities.

In May 2021 we commenced a review of both the retail and network exemption frameworks.<sup>117</sup> The objectives of the review were to:

- › improve clarity and readability
- › create consistency between the guidelines
- › remove redundancies
- › introduce standardised statements where information requirements need to be met.

The final Retail Exempt Selling Guideline was released on 15 July 2022.<sup>118</sup>

Additionally, we have ongoing engagement with Ombudsman Schemes to develop dispute resolution options for exempt consumers. We have released several consumer-facing fact sheets explaining the rights of exempt consumers in plain English. Additionally, we will scope how the new family violence consumer protections framework can be applied to embedded networks following the commencement of the Australian Energy Market Commission's rule change on 1 May 2023 (see Action 1).

The draft Network Exemption Guideline will be published by the end of 2022. A public consultation period will follow seeking input from stakeholders. We will finalise this process and release the updated Network Exemption Guideline in 2023.

The review of consumer protections for the future energy services framework will consider how embedded networks should be regulated in the future framework (see Action 13). This review process will involve broad stakeholder engagement to capture insights on how protections could apply. We will consult on a paper to be published in October 2022 that sets out various options for reform to the current consumer protection framework.

Draft recommendations and review findings will be published by the AER in 2023.

<sup>112</sup> Exempt selling occurs when a person or business purchases energy from a retailer and on-sells the energy to their customers, commonly through an embedded network. The AER governs who can on-sell energy without becoming an authorised retailer, and the conditions exempt sellers have to comply with, via its Retail Exempt Selling Guideline. An exempt seller's core business is not the sale of energy.

<sup>113</sup> An 'exempt' seller is permitted by the AER to on-sell energy without first acquiring a retailer authorisation.

<sup>114</sup> AER, [AER \(Retail\) Exempt Selling Guideline version 5](#), March 2018, p. 5-6.

<sup>115</sup> AER, [Updating the Retail and Network and Exemption Guidelines Consultation Paper](#), May 2021, ('Retail and Network Exemption consultation paper') p. 7.

<sup>116</sup> The Retail Exempt Selling Guideline applies to entities that on-sell energy to consumers.

<sup>117</sup> AER, [Network service provider registration exemption guideline review 2021-22](#), accessed 18 October 2022.

<sup>118</sup> AER, [Retail Exempt Selling Guideline version 6](#), July 2022.







# Objective 3 Strengthen protections for consumers facing payment difficulty

## Introduction

The National Electricity Customer Framework provides protection for consumers who are unable to pay their energy bills or are a hardship customer. The National Electricity Customer Framework applies in all jurisdictions of the National Electricity Market other than Victoria.

Consumer-facing energy businesses must provide the following general protections:

- › offer and apply payment plans for hardship, as well as other residential consumers experiencing payment difficulties<sup>119</sup>
- › not commence proceedings for recovery of debt if a customer is complying with a payment plan<sup>120</sup>
- › not arrange for de-energisation of the customer unless the customer has not agreed or cancelled 2 payment plans in previous 12 months<sup>121</sup>
- › offer a payment instalment arrangement before disconnection, for general residential customers<sup>122</sup>
- › make acknowledged contact before disconnection<sup>123</sup>
- › not disconnect households registered as having life support equipment.<sup>124</sup>

In addition, they must do the following in relation to hardship customers:

- › have a hardship policy that complies with the AER's Customer Hardship Policy Guideline<sup>125</sup>
- › inform hardship customers of the existence of a hardship policy as soon as practicable after the consumer is identified as being in hardship<sup>126</sup>
- › waive any late fee payable by a customer who is a hardship customer.<sup>127</sup>

Small business customers are unable to access financial difficulty protections under the National Electricity Customer Framework in the form of payment plans or hardship programs. There are also no restrictions on when an energy business can commence proceedings for debt recovery from a small business customer.

In circumstances where protections do not apply, consumer-facing energy businesses are currently able to issue disconnection warning notices for non-payment and subsequently disconnect consumers.<sup>128</sup> However, under the National Energy Retail Law disconnection should only be applied as a last resort option for consumers identified as being in hardship.<sup>129</sup>

119 National Energy Retail Law, section 50(1).

120 National Energy Retail Rules, rule 116 (1)(d).

121 National Energy Retail Rules, rule 111(2).

122 National Energy Retail Rules, rule 111(1)(b).

123 National Energy Retail Rules, rule 111(1)(a).

124 National Energy Retail Rules, rule 120(a).

125 National Energy Retail Rules, rule 75B(1)(a).

126 National Energy Retail Rules, rule 71(1).

127 National Energy Retail Rules, rule 73.

128 National Energy Retail Rules, rule 111(2)(a)-(c).

129 However, under section 47 of the *National Energy Retail Law*, retailers must give effect to the general principle that disconnection of premises of a hardship customer due to inability to pay should only be a last resort option.

We understand that the threat of disconnection can be an extremely difficult experience for a consumer. In its *Close to the Edge* report, PIAC noted several consumers describing ‘feeling unable to face opening envelopes that they expected to include notifications of disconnections’.<sup>130</sup> The Lived Consumer Experience findings demonstrated that shame and guilt are commonly felt by consumers when struggling to pay energy bills. Avoidance is a real option faced by consumers experiencing vulnerability who have debts but are fearful of engaging with consumer-facing energy businesses to resolve the issue.<sup>131</sup>

The Lived Consumer Experience case studies 3 and 4 highlight real stories of consumers experiencing vulnerability.

### Lived Consumer Experience case study #3

Male, 55, metropolitan NSW<sup>132</sup>

This participant developed a complex physical ailment that meant he could no longer work in an office. As a result, he had to cease his employment and take up a part-time job as an Uber Eats driver.

He felt as if he was making an honest attempt to bring in money, but the bills just kept piling up – to the point where he was two quarters behind on his energy bill.

He called his retailer and was offered a payment plan but he could not commit to the payment terms, to which the operator said there was nothing more they could do.

The operator then closed the conversation without referring him to any other support services or seeking any other arrangements.

He then attempted to reach out to the Salvos and Vinnies on his own accord, both of which were inundated and had busy phone lines. After several attempts to ask for help, this participant gave up and contemplated suicide. He is still suicidal (seeking support services) and is currently waiting for the day that his energy is disconnected. He is hopeful that someone will answer his call before it is too late.

<sup>130</sup> PIAC, *Close to the Edge – a Qualitative and Quantitative Study*, 21 November 2018, ('Close to the Edge report') p. 10.

<sup>131</sup> Bastion Insights, *Lived Consumer Experience Report*, 22 July 2022, p. 73.

<sup>132</sup> Bastion Insights, *Lived Consumer Experience Report*, 22 July 2022, p. 48.

## Lived Consumer Experience case study #4

### Female, 38, metropolitan Queensland<sup>133</sup>

This participant, a mother of two, had experienced several energy disconnections. She is a survivor of family violence and her financial problems stem from that experience.

After years of financial and physical abuse, she separated from her husband and took on part-time work. However, a short time later she experienced health conditions, which resulted in the need for her to have major surgery. She has not been able to work since.

As a result, her debts began to pile up and she experienced several disconnections from her utilities. Sometimes the disconnections would last a couple of days, other times they would last for weeks.

She tried several times to negotiate a payment plan with her energy retailer, but simply cannot commit to the terms they offered her.

Feeling ashamed for not being able to provide for her children, she found that the experience took a significant toll on her mental health. Moving forward, she is hopeful for change and that energy providers can offer more sustainable and realistic solutions to those who need it the most.

Consumers have described the experience of being disconnected as ‘humiliating’, ‘something they would avoid (if they had the capacity to)’ and ‘an exacerbator of longer-term vulnerability’.<sup>134</sup>

More worrying is that research has shown some consumers managing their circumstances by underconsumption habits, potentially to their detriment. Such habits can include self-rationing energy usage, self-disconnecting or sacrificing other essential goods to pay energy bills.<sup>135</sup> Consumers may also turn to ‘buy now, pay later’ services available to them. These services can be short-term solutions that mask the need for longer-term support.

Some contact approaches such as disconnection notices can drive disengagement among consumers, which can further exacerbate the debt cycle. Building an open dialogue based on trust between consumer-facing energy businesses and consumers will help tackle this issue of disengagement and consumer avoidance. Given the impacts that disconnection and disconnection warning notices can have on a consumer’s economic participation, social inclusion, health and wellbeing, it is important that customers are offered early, proactive and effective supports before any notice is issued.

<sup>133</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 68.

<sup>134</sup> PIAC, Close to the Edge Report, p. 10.

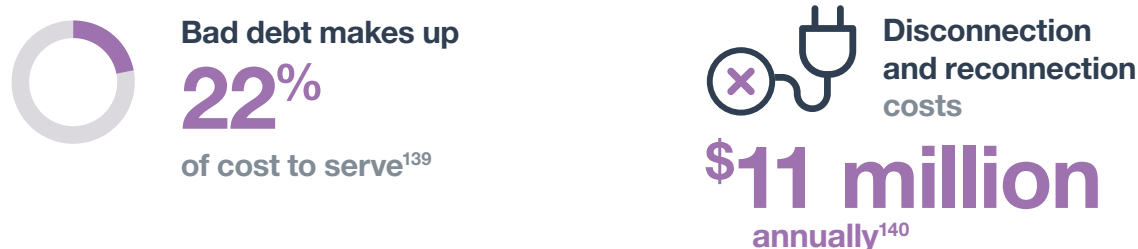
<sup>135</sup> E Bourova, I Ramsay and P Ali, *The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies*, Journal of Consumer Policy, 42 (2019), p. 203-206.

Support should be provided to prevent the accrual of unmanageable debt, and the entrenchment and compounding of vulnerable experiences from needing to reach out for charity and assistance, exposure to the debt collection process and the impact of poor credit records.

Beyond consumer harm, disconnection also has negative consequences for consumer-facing energy businesses.<sup>136</sup> The costs of vulnerability are also not distributed fairly across the sector, 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.

**Figure 2: Consumer-facing energy business costs**



Our actions below will improve the assistance and support offered to consumers in the National Electricity Customer Framework, who are experiencing payment difficulty and empower consumer-facing energy businesses to innovate their engagement approaches to achieve positive outcomes.

<sup>136</sup> ACCC, [Retail Electricity Enquiry Final Report](#), June 2018 ('Retail Electricity Pricing Inquiry'); Energy Consumers Australia, [KPMG report for ECA: Quantifying the costs of customers experiencing difficulties in paying energy bills](#), October 2016, p. 30.

<sup>139</sup> ACCC, [Retail Electricity Enquiry Final Report](#), June 2018.

<sup>138</sup> Energy Consumers Australia, [KPMG report for ECA: Quantifying the costs of customers experiencing difficulties in paying energy bills](#), 2016, p. 30.



## Action 8: Consider the need for a payment difficulty framework in the National Electricity Customer Framework

In the draft *Consumer vulnerability strategy*, we proposed to perform a review of protections for consumers experiencing payment difficulty under the National Electricity Customer Framework, to determine whether current protections are fit for purpose. We also noted that undertaking such a review could benefit consumers, through the potential for alignment and strengthening of existing protections, as well as consumer-facing energy businesses whose costs to serve could possibly reduce over time through consistency across jurisdictions.

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 payment difficulty, are facing barriers and may need assistance. This helps consumer-facing energy businesses engage earlier with their customer base.

### Consultation

There was a large amount of engagement from stakeholders on this action.

Stakeholders in opposition cited a lack of decisive evidence showing the Victorian payment difficulty framework as creating materially better outcomes than the National Electricity Customer Framework,<sup>139</sup> or that the payment difficulty framework is meeting its intended objectives.<sup>140</sup>

Several stakeholders referred to consumer debt accrual through prolonging the payment of arrears.<sup>141</sup> One stakeholder noted that consumer-facing energy businesses would benefit from a greater understanding of the specific risks, opportunities, costs and benefits of the proposal, before offering support.<sup>142</sup> We recognise that further consultation needs to be undertaken to explore what aspects of the Victorian payment difficulty framework have been effective, and could be used to identify if a similar framework, or aspects of it, could be applied in the ACT, Tasmania, South Australia, New South Wales and Queensland.

Several stakeholders said the Victorian payment difficulty framework did not encourage engagement by consumers, especially where payment plans are not covering a consumer's usage.<sup>143</sup>

Consumer advocates consider an opportunity exists for the AER to develop a national electricity customer framework payment difficulty framework that builds on Victoria's framework,<sup>144</sup> and supported the AER considering the need for a similar framework.<sup>145</sup>

Stakeholders in support noted several benefits that would stem from consistency across jurisdictions, including reduced costs and complexities for both consumer-facing energy businesses and consumers.<sup>146</sup> South Australian Power Network encouraged us to work closely with consumer-facing energy businesses to explore opportunities and the costs to serve those consumer-facing energy businesses face that are associated with this action.<sup>147</sup>

<sup>139</sup> Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>140</sup> Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>141</sup> EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; and AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>142</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>143</sup> Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>144</sup> EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>145</sup> EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022; SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>146</sup> Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>147</sup> SAPN, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.



Specific features of the Victorian payment difficulty framework have been noted as successful in improving outcomes and opportunities for us to consider. These include:

- › requirements on consumer-facing energy businesses to assist consumers in accessing government supports (such as utility relief grants)<sup>148</sup>
- › regulation of correspondence requiring regular engagement with consumers,<sup>149</sup> which was beneficial for consumer-facing energy businesses because it clarified when to proactively engage with consumers<sup>150</sup>
- › broader eligibility for supports triggered by an energy debt threshold (of \$55), which removes the distinction between payment difficulty and hardship, and promotes early intervention and greater access because it allows for entitlement regardless of vulnerability indicators<sup>151</sup>
- › time granted to consumers to think about their payment plan before accepting, allowing for greater consideration of their capacity to pay<sup>152</sup>
- › a clear and practical structure to monitor disconnections, which helps to ensure disconnections are applied genuinely as a last resort action.<sup>153</sup>

Several stakeholders noted the Victorian Essential Services Commission's current implementation review of its payment difficulty framework and advised us to wait to determine next steps until after this review's completion.<sup>154</sup> We intend to commence this work after the findings of the Victorian Essential Services Commission's current review have been released. We will learn from this review, specifically in relation to identifying benefits to both consumers (early identification and tailored support) and consumer-facing energy businesses (reduced disconnection, bad debt and financing). Balancing demonstrated benefits with associated costs will be a strong consideration given to this work.

In their submission Energy Queensland provided an alternative approach.<sup>155</sup> They referred to consumers in Ergon Energy's isolated communities who have successfully used prepayment via card-operated meters to better manage finances, energy usage and avoid debt accumulation. Energy Queensland acknowledged that pre-payment is a contentious issue but suggested it could be a topic of discussion among stakeholders that could inform future policy direction.<sup>156</sup>

We hold the view that pre-payment raises significant risk of disconnection for consumers experiencing vulnerability and places the onus on the consumer to remain involved in the process of being connected. This disadvantages consumers who are experiencing vulnerability, including older customers and customers with specific health and wellbeing needs.

Supporting this are recent findings from the Essential Services Commission of South Australia's review of its Prepayment Meter System Code, which highlighted that some requirements need to be updated. This includes monitoring these self-disconnections as an indicator of when the consumer-facing energy business must contact the consumer, and flagging using prepayment systems generates higher costs than post-pay arrangements.<sup>157</sup>

148 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

149 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

150 Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

151 AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Ausnet, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

152 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

153 PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

154 Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

155 Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

156 The Queensland Council of Social Services report "*Empowering remote communities – Experiences of Aboriginal and Torres Strait Islander customers using electricity prepayment meters in Queensland*".

157 ESCV, Prepayment Meter System Code Review, 17 March 2021.

Energy Consumers Australia also spotlighted a need to consider extending consumer protections to small businesses.<sup>158</sup> Energy Consumers Australia noted in their submission that external circumstances outside a small business's control, such as extreme weather or illness, can cause significant financial distress.<sup>159</sup> Research provided by Energy Consumers Australia of small businesses' experiences during the COVID-19 pandemic highlights their financial volatility.<sup>160</sup> During the pandemic:

- › Energy Consumers Australia observed small businesses reporting debt levels of 42% higher than pre-COVID<sup>161</sup>
- › research from the EWON found that 56% of small business customers experiencing debt collection were also experiencing financial vulnerability, compared with 7% pre-COVID.<sup>162</sup>

Our Lived Consumer Experience findings identified that consumers who want to pay are afforded alternative engagement options, and also have a broader awareness of the supports available to them. We have heard stories of shame, discrimination, disassociation and isolation being key barriers preventing proactive consumer engagement, which in turn causes undue stress by failing to reach out for help earlier.

As part of the Lived Consumer Experience analysis, participants were asked to write a letter to their 'past self' to reflect on what they would have done differently after having entered a hardship program for the first time. The following quote is an example of a response to this activity from a male participant, who rents and works part time.

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### Lived Consumer Experience case study #5

#### Male, dual parent, metropolitan NSW<sup>163</sup>

*'Dear past self.*

*Don't be worried, ashamed, embarrassed if you need financial assistance in paying your bills. Phone the provider right now, don't leave it to tomorrow as you will just spend another night worrying, when there is help at hand.*

*Ring you 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 late fees that you don't want. Work out how much pay you have left after your expenses. If it is \$80, then 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, you just need to ask. You are worthy of help.'*

<sup>158</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>159</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>160</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>161</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022; AER, Retail Market Performance Data Q3 2020-21.

<sup>162</sup> EWON, [Spotlight on Consumer and Small Business energy debt solutions](#), November 2021.

<sup>163</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 37.

As evidenced in Lived Consumer Experience case study 5, this participant (like many others), felt a stigma in needing help and identified on reflection that avoiding the situation compounded the problem. There is a strong need for proactive efforts to be made to build energy business' support pathways and deliver them in an earlier timeframe.

## Summary and next steps

We have decided to progress our action to consider the need for a payment difficulty framework for the National Electricity Customer Framework.

If we find a payment difficulty framework for the National Electricity Customer Framework is not necessary, this review will also provide an opportunity for us to ensure that the current payment and hardship protections are fit for purpose, and continue to effectively support consumer and market outcomes. Our review will enable us to identify:

- › the positive elements of the payment difficulty framework that have led to improved outcomes for both consumer-facing energy businesses and consumers
- › the components of payment and hardship protections that need improvement to meet its objectives.

Further benefits arising from this review include early identification and tailored support for consumers needing help. In their submission, EWON noted that such a review could foster improved engagement solutions,<sup>164</sup> which is an outcome we would aim for with this work. An additional benefit is consumer-facing energy businesses benefitting from reduced costs associated with improved outcomes (e.g. disconnection, bad debt and financing).

We will commence our action to review the need for a payment difficulty framework in early 2023. This will commence with our consideration of the Victorian Essential Services Commission's implementation review findings.

Specifically, we will look to how Victorian consumers and customer-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 consult with stakeholders to consider whether improvements can be made to the payment difficulty arrangements. We expect to release a stakeholder issues paper for consultation outlining our learnings and potential next steps in early 2024.

<sup>164</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.



## Action 9: Encourage improved engagement to promote disconnection as truly a last resort

In the draft *Consumer vulnerability strategy*, we proposed examining if communication between consumers and consumer-facing energy businesses could be improved to encourage earlier assistance to consumers experiencing vulnerability, before issuing disconnection warnings.

### Consultation

Stakeholder feedback demonstrated wide support for this action.<sup>165</sup>

Several stakeholders discussed the Energy Charter's initiative 'knock to stay connected'<sup>166</sup> as an example of work being done for consideration. The Energy Consumers Australia, EWOSA & EWOQ, and the South Australian Council of Social Services (SACOSS) were supportive of this initiative. They referred to trials as evidence of the success of a pre-disconnection visit.<sup>167</sup> SACOSS noted that more than 50% of their disconnection orders were cancelled during the South Australia Power Network's trial.<sup>168</sup>

Those not in support of 'knock to stay connected' warned that success rates of the initiative remained unclear.<sup>169</sup> Concerns were also raised about safety of consumer-facing energy business staff who might not be equipped to respond to mental ill-health or family violence on the scene. Additionally, they identified that 'knock to stay connected' can be perceived as intimidating by some consumers.<sup>170</sup>

Stakeholders have also questioned the role 'knock to stay connected' can play with increasing smart meter penetration, which allows for remote disconnection.<sup>171</sup> Stakeholders noted that we need to consider the cost-reduction benefits of smart meters<sup>172</sup> and the resource intensiveness of 'knock to stay connected' before deciding whether to encourage this as a practice.<sup>173</sup> Conversely, SACOSS noted that increasing smart meter penetration, and consequently remote disconnection, highlights how crucial face-to-face contact can be for consumers to avoid disconnection.<sup>174</sup>

<sup>165</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Ausnet, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; SAPN, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; Brotherhood of St Lorraine, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Ausgrid, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>166</sup> [The Energy Charter, Knock to Stay Connected](#)

<sup>167</sup> EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>168</sup> EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; SACOSS, [Knock before you disconnect program](#), March 2021.

<sup>169</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>170</sup> Brotherhood of St Lorraine, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>171</sup> Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>172</sup> Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>173</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>174</sup> SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

We acknowledge the following initiatives implemented by stakeholders:

- › AGL (in collaboration with South Australian Power Network) are trialling a new warning notification in the form of a flyer provided 10 days before a disconnection date. This flyer offers information on assistance options available, such as ConnectEd – a support service to help keep people connected to utility services – the National Debt Helpline, support numbers for small businesses and rural support. The flyer also contains its key message translated into the 10 most commonly spoken languages in the South Australian Power Network.<sup>175</sup>
- › Powershop recently implemented a text message notification (sent one day before disconnection).<sup>176</sup>

Tango Energy warned against the AER requiring specific practices for consumer-facing energy businesses to undertake, noting this may hinder innovation and limit the scope of communication that consumer-facing energy businesses share with their consumers.<sup>177</sup>

Stakeholders provided the following recommendations for our work moving forward:

- › Uniting encourages us to work directly with the community sector to better identify and understand the best engagement and support strategies for consumers experiencing vulnerability.<sup>178</sup>
- › PIAC recommends that a comprehensive review should be performed on the role that the disconnection process plays in the provision of an essential service.<sup>179</sup>
- › EWON recommends we consider consumer-facing energy businesses' practices following disconnection.<sup>180</sup>
- › Brotherhood of St Laurence advocates for regulatory requirements on consumer-facing energy businesses to provide supports that improve energy affordability for consumers at risk of disconnection.<sup>181</sup> They note examples such as placing consumers on the best offer and providing energy efficiency upgrades.<sup>182</sup>

## Summary and next steps

Our Lived Consumer Experience findings demonstrate that barriers exist for consumers in asking for assistance. These included:<sup>183</sup>

- › a low awareness of support available
- › fear of judgement or ramifications stemming to admitting the problem
- › lack of suitable and/or sustainable payment plans.

Consumers are embarrassed and fearful of proactively engaging with consumer-facing energy businesses to understand and try to resolve issues. Often to their own detriment, consumers avoid engagement, which can result in disconnection.

<sup>175</sup> AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>176</sup> Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>177</sup> Tango, Submission to the draft *Consumer vulnerability strategy*.

<sup>178</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>179</sup> PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>180</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>181</sup> Brotherhood of St Laurence, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>182</sup> Brotherhood of St Laurence, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>183</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 12.



## Lived Consumer Experience case study #6

Male, 26, regional Tasmania<sup>184</sup>

This participant is long term unemployed and living day to day. He is currently struggling to pay for food and rent, let alone keep on top of his energy bills.

When the phone rings or when he discovers a bill in the letter box, he does everything he possibly can to avoid it as he simply does not have the time, energy, money or brain capacity to deal with the issue – at least not now.

Despite having heard about hardship programs and payment plans from a friend in a similar situation, the participant expected the process to enter into such an agreement to be time consuming and difficult – let alone embarrassing to ask for.

As time went on, he continued to put it off while his debt accumulated to the point that he received a disconnection notice from his consumer-facing energy business. It was at this point that he called up to ask for help. After being put onto a payment plan, James found himself in a similar situation after having again failed to make 'on time' payments due to unforeseen circumstances.

On reflection, he wished that there was an easier and less confronting way to be reminded what consumers need to pay, when they need to pay and what supports, offers, and alternatives are available to take up.

Lived Consumer Experience case study 6 highlights the need for consumer-facing energy businesses to reduce the confronting way that consumers experience notices from them. Warning notices can cause fear, stress and drive disengagement among consumers. They can further compound the problems consumers are already facing.

We acknowledge the mixed stakeholder views on the effectiveness of 'knock to stay connected'. Of note are the concerns around safety issues of a pre-disconnection visit on consumer-facing energy business staff and consumers experiencing disconnection. We will consider further evidence of the efficacy of the initiative before encouraging consumer-facing energy businesses to undertake 'knock to stay connected' initiatives. We will continue to engage with consumer-facing energy businesses to learn from any implementation evaluation reporting undertaken.

Working with consumer-facing energy businesses and consumers, we want to further learn when and how engagement occurs, if it has the intended purposes and if there are ways to improve the efficiency of the engagement. Engagement is key to ensuring consumers are offered the necessary support before becoming at risk of, or being, disconnected. We see this as a natural progression from the development of a toolkit.

<sup>184</sup> Bastion Insights, Lived Consumer Experience Report, 22 July 2022, p. 62.

Consumer-facing energy businesses and consumers, and their representative bodies, have valuable experience and understanding of these processes. By facilitating further conversations with these groups we hope that the sector can identify and encourage initiatives that show effectiveness in promoting earlier engagement, trust and support.

We will scope this project in 2023, and plan stakeholder workshops or other engagement mechanisms in early 2024. These workshops will be aimed to discuss the engagement cycle and identify better practices. We see this as a continuous learning process with input from different stakeholders, where we identify new or more efficient approaches and improvements to be considered.

By facilitating these conversations, we hope to:

- › reduce consumer-facing energy businesses disconnection process costs, by potentially reducing the number of consumers that go through this process and by making the engagement more efficient
- › encourage earlier and more meaningful engagement, which overcomes the stress and stigma associated with disconnection. This is aimed to reduce the level of debt build up, increase the manageability of payments and reduce the number of consumers going to disconnection.

Through our exploration we will showcase best practice engagement strategies, which the sector can, if appropriate, incorporate into their processes. We anticipate we will scope this work in 2023, with planning workshops or other engagement mechanisms carrying through into 2025.



## Action 10: Review the consumer energy debt threshold for disconnection

### Consultation

Ombudsman schemes and Energy Consumers Australia indicated clear support for the AER performing a review of the consumer debt threshold amount for disconnection.<sup>185</sup> EWON noted concerns that the current threshold is so low that a consumer missing one quarterly bill payment is at risk of disconnection. EWOSA & EWOQ note the threshold has not kept pace with the average bill.

Alinta held the view that the debt threshold amount needs to be set at a level that balances continuity of supply while ensuring consumers are not exposed to accumulating greater levels of debt.<sup>186</sup>

Conversely, several consumer-facing energy businesses and the Australian Energy Council were not in support of the AER performing a review of the consumer debt threshold for disconnection.<sup>187</sup> Red and Lumo Energy noted concerns that an increase of the threshold would lead to unintended consequences, such as debt accrual.

The Australian Energy Council, Energy Queensland, EnergyAustralia, Alinta and Powershop held the view that we had yet to establish an evidentiary basis to support the need for a review at this stage.<sup>188</sup>

Stakeholder feedback revealed a tension between the need to protect consumers from disconnection and the use of disconnection to prevent consumers from accruing large debts.

### Summary and next steps

Our consumer debt threshold for disconnection has remained unchanged since 2012, while the overall inflation rate, measured by the consumer price index has increased by 22.8% over the past decade.<sup>189</sup> This increases the risk of disconnection for consumers, especially with the continued volatility in the wholesale market.

A review of the debt threshold for disconnection will ensure the threshold amount is set at a level that strikes a balance between preventing consumers from accruing higher debt levels and being disconnected.

We will undertake this review. In doing so we will work with both consumer-facing energy businesses and consumer groups to ensure we have strong evidence for our decision on whether to maintain or increase the consumer debt threshold. We will work with various stakeholders in 2023 to examine if this amount is still appropriate. We aim to release our minimum disconnection amount decision by early 2024.

<sup>185</sup> EWON, Submission to the draft Consumer vulnerability strategy, 28 February 2022; EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>186</sup> Alinta, Submission to the draft Consumer vulnerability strategy, 25 February 2022.

<sup>187</sup> Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>188</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>189</sup> 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 18 October 2022.



## Action 11: Advocate for amendments to the Default Market Offer

In 2019 the Default Market Offer was introduced to, among other things, replace excessive standing offers for electricity by applying a price cap on retail standing offers.<sup>190</sup>

At present, the Default Market Offer does not apply to all the tariffs charged in embedded networks.<sup>191</sup> However, in situations where embedded networks customers purchase their electricity from an exempt seller, they do have their prices indirectly capped at the Default Market Offer.<sup>192</sup> Under the exempt seller framework, owners of embedded networks are unable to charge customers more than the standing offer price of the local area consumer-facing energy business.

We have sought to strengthen protection offered by the Default Market Offer by advocating for the extension of the Default Market Offer to customers in embedded networks.<sup>193</sup> There is broad support for such an extension.<sup>194</sup> However, further consultation needs to be undertaken by the Australian Government before implementing this change in the Default Market Offer regulations.

We will continue to advocate with the government and ACCC on how best to extend the Default Market Offer to embedded networks. Our consultation on the Default Market Offer should commence in 2022. Our intention is to implement this change, if approved by government, for the Default Market Offer 2023–24 determination in mid-2023. The methodology of this change will ultimately depend on the form of the amended regulation as determined by the Australian Government.

<sup>190</sup> A recommended policy approach from ACCC's *Retail Electricity Enquiry Final Report*, which found that standing offer prices charged to consumers who are inactive or disengaged from the market were unreasonably high.

<sup>191</sup> This is because embedded network consumers are excluded under the *Competition and Consumer (Industry Code – Electricity Retail) Regulations 2019*, which gives effect to the Default Market Offer.

<sup>192</sup> Condition 7 of AER's Retail Exempt Selling Guidelines (Version 6).

<sup>193</sup> AER, [Submission to Department of Industry, Science Energy and Resource's Competition and Consumer \(Industry Code – Electricity Retail\) Regulations 2019 Post-Implementation Review Consultation paper](#), 8 October 2021..

<sup>194</sup> Department of Industry, Science Energy and Resource, [Directions from the review of the Default Market Offer and Reference Price](#), January 2022.





# Objective 4 Use the consumer voice and lived experience to inform regulatory design and change

## Introduction

Innovative technologies are changing the energy landscape, and the range of new energy services available to consumers is expanding. Unfortunately, it's not always simple to understand how innovations fit within the current rules and regulations, or how consumers may be impacted.

To build a future sector design that meets the needs both of consumers with traditional services and those taking up new options, we need to bring a greater consumer 'lens' to our consideration of regulatory initiatives.

While the changing energy landscape does allow for some consumers to access a wide range of new energy products and services, including batteries for storage, electric vehicles and smart appliances, many consumers experiencing vulnerability face barriers to access.

Although these products and services are innovating the energy sector and supporting consumers to access cheaper energy prices, they are not shared by all consumers as they have upfront costs which can contribute to and cause inequality. Consumers experiencing vulnerability often have higher barriers to access such innovation due to their circumstances. For consumers already paying energy bills, these new technologies can be expensive to buy outright without sufficient financial support.

Innovating products and services are often complex in design<sup>195</sup> and constantly developing. Such change and complexity can cause distrust or harm, and act as a barrier to access for all consumers, particularly those experiencing vulnerability, resulting in:

- › increased cost and reduced efficiency in the National Electricity Market
- › consumers being excluded or penalised in the transitioning market (such as not accessing or updating innovative services and products, bearing the cost of stranded assets, and high disconnection 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 can 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.

<sup>195</sup> Consumer Action Law Centre, [Sunny Side Up: Strengthening the Consumer Protection Regime for Solar Panels in Victoria](#), April 2019 ('Sunny side up report').

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.

Consumer advocates have already started to observe factors and circumstances leading to consumer harms from new and innovative energy products and services,<sup>196</sup> including:

- › product faults
- › a lack of effective dispute resolution
- › failings in installation and connection
- › problematic financing leading to substantial consumer harm.

We want all consumers protected and supported during this transition period. Research suggests the harms and barriers present in the current sector will continue and worsen if they remain uncorrected and are ‘designed into’ our future energy sector.<sup>197</sup>

Our actions stemming from this objective respond to such harms and barriers by ensuring we take steps, within our remit, to contribute to an energy transition focused on the lived consumer experience. We also support initiatives that have been undertaken to try to achieve this, such as the collaboration between Energy Consumers Australia and Dr Tonkinwise.<sup>198</sup>

When the National Electricity Customer Framework was introduced, consumer interactions with the energy sector were relatively homogenous. However, with technological developments and rapid take-up of residential solar and batteries, the development of a two-sided energy sector has unfolded. We must identify whether there are risks to consumers from those products and services.

We have already commenced work to achieve this goal. This work has included supporting the Energy Security Board and other energy market bodies to develop the Post-2025 Market Design.<sup>199</sup>

There is the opportunity here to continue learning from stakeholders and ensure that inclusive services and safe defaults are designed into the emerging frameworks and technologies.

We want to build trust to ensure all consumers feel safe engaging in the sector and reduce the likelihood of consumers suffering detriment because of the sector’s conduct.

This extensive work will occur over the next 3 years, involving continued engagement with energy market bodies and consumer-facing energy businesses.

<sup>196</sup> Consumer Action Law Centre, Sunny side up Report.

<sup>197</sup> Energy and Water Ombudsman Victoria, [Charging Ahead](#), June 2020. See also Australian and New Zealand Energy & Water Ombudsman Network and University of Sydney, [What will energy consumers expect of an energy and water ombudsman scheme in 2020, 2025, and 2030?](#), October 2019.

<sup>198</sup> Energy Consumers Australia, [Post 2025 Market Design – Response to Consultation Paper September 2020](#), October 2020.

<sup>199</sup> Energy Security Board, [Post-2025 Electricity Market Design](#), accessed 11 July 2022.



## Action 12: Introduce vulnerability impact assessments

In the draft *Consumer vulnerability strategy*, we outlined our intention to embed the consideration of vulnerability across all the areas of our work, via vulnerability impact assessments. Specifically, the work we undertake must consider the impacts for consumers experiencing vulnerability and should ensure that actions do not cause or create experiences of vulnerability.

This will build on work we have done in our network determinations and pricing decisions. Two early areas of our work where we will consider vulnerability impacts are our regulatory sandboxing and ring-fencing functions.

- › Under the AER's power to offer ring-fencing and sandboxing waivers, consumer-facing energy businesses with new and innovative proposals can apply to explore their new ideas, which would not be allowed under existing energy rules and guidelines.<sup>200</sup>
- › In deciding whether to grant a ring-fencing waiver, we consider how a proposal will benefit the long-term interests of consumers, which includes those experiencing vulnerability. Proposals where the potential negative impact—or harm—to consumers outweighs the benefit will not have obligations waived.

The AER is establishing a regulatory sandboxing function aimed to help consumer-facing energy businesses navigate complex frameworks and enable trials for new products and services that will deliver greater choice and improved outcomes for consumers (including those in vulnerable circumstances). The *Regulatory Sandboxing Issues Paper* published in November 2021<sup>201</sup>, and the AER draft *Trial Project Guidelines*<sup>202</sup> published in April 2022, outlined our approach for removing barriers to allow consumer-facing energy businesses to innovate. In particular, one consideration for the trial waiver process was whether consumers in vulnerable circumstances will be impacted and supported.

### Consultation

Most stakeholders support the AER incorporating these measures into our work.

Red and Lumo Energy noted that these assessments should not become the AER's primary decision-making driver<sup>203</sup>. Several stakeholders also noted that vulnerability assessments should be part of, or supplement, the consideration of costs and benefits.

Stakeholders offered views on work undertaken by the AER that could include a vulnerability impact assessment, such as:

- › Energy Made Easy<sup>204</sup>
- › the AER's wider web content<sup>205</sup>
- › Regulation Impact Statement processes<sup>206</sup>
- › assessments of rule change proposals<sup>207</sup>
- › the Default Market Offer<sup>208</sup>
- › exempt seller application processes.<sup>209</sup>

<sup>200</sup> Clause 6A.21.2(b)(2) National Electricity Rules.

<sup>201</sup> AER, [Issues paper – Regulatory sandboxing](#), November 2021.

<sup>202</sup> [AER, Draft Trial Project Guidelines - Regulatory Sandboxing](#), April 2022.

<sup>203</sup> Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>204</sup> Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>205</sup> Ausnet, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>206</sup> Telstra, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>207</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>208</sup> PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>209</sup> COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

In support, Energy Consumers Australia noted that vulnerability impact assessments will allow for the AER to have a strong consumer focus in its wide range of responsibilities.<sup>210</sup>

In the consultation process APA called on us to collaborate with government and the energy sector to increase consumer support during this transition period. APA flagged concern for the gas death spiral resulting from customers who can't exercise choice (shifting to electrical appliances).<sup>211</sup>

The AER has prepared an information paper on the issues<sup>212</sup> aimed to assist stakeholders in understanding the current energy transition implications for the economic regulation of gas pipelines and networks and, in turn, for consumers. We outline a range of possible options to manage the pricing risk and stranded asset risk arising from a potential material decline in gas demand in the long term.

SACOSS advocated for the concept of a vulnerability impact assessment to be embedded across all decision-making in the National Electricity Market.<sup>213</sup> They recommended this occur through an amendment of the National Electricity Objective and the National Energy Retail Objective to include 'social equity' as a consideration.<sup>214</sup>

## Summary and next steps

Given the wide stakeholder support received, we will undertake this action. We value stakeholders' feedback on this point and intend to incorporate stakeholder views (when possible) when developing and implementing our vulnerability impact assessments.

We acknowledge concerns raised by stakeholders on the role these assessments will play in the AER's decision-making. These assessments will work to complement the AER's existing obligations under relevant energy laws, rules and regulations.

We consider it important that this action be acted on early in our 3-year plan. We intend to commence work on our vulnerability impact assessments in late 2022.

When developing this action, we will work closely with staff across the AER to determine how to best integrate vulnerability impact assessments into our work. We will also test those processes and ensure our staff have the capabilities to properly consider consumers experiencing vulnerability in their work. We will also seek stakeholder perspectives on our approaches both as we develop them, and as we seek to test, refine and continue building our capabilities over time.

In taking this action we want to demonstrate that the AER is undergoing the same journey as the sector. We want to show leadership in the types of processes the sector can incorporate into their business to embed the consideration of experiences of vulnerability as a principle.

We aim to include these assessments as part of the AER's business as usual by mid-2024, followed by review and an iterative process.

<sup>210</sup> Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

<sup>211</sup> APA, Submission to the Draft *Consumer Vulnerability Strategy*, 1 March 2022.

<sup>212</sup> AER, [Regulating gas pipelines under uncertainty – information paper](#), November 2021.

<sup>213</sup> SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>214</sup> SACOSS, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.



## Action 13: Review of consumer protections for future energy services

In addition to undertaking more proactive efforts advocating for the consumer perspective across the broad energy sector, we have specific scope to consider these opportunities through the review of consumer protections for future energy services.

This review was a recommendation accepted as part of the Energy Security Board Post-2025 Market Design Final Advice to Energy Ministers in July 2021.

This action involves assessing whether the current energy consumer protection framework remains fit for purpose in a transitioning energy market. There is a strong need for this review because consumers are rapidly engaging with the growing suite of energy products and services available<sup>215</sup>. The review will include assessing the current and future risks to consumers of new consumer energy resource-based products and services and consider the most appropriate form of regulation to ensure consumers are adequately protected.

To understand the impact on consumers from new products and services, we will draw on consumer insights research and case studies, as well as input from stakeholders. We will use these insights to undertake consumer journey mapping, assess the magnitude of risk, and develop recommendations on what regulatory reforms are required.

Over the next 6 months, with the support of the other regulatory bodies such as the Australian Energy Market Commission, Energy Security Board and Australian Energy Market Operator, we will champion this review. A consultation paper on options for reform of the consumer protection framework will be published in October 2022.

We propose to publish draft recommendations and our review findings in 2023.

<sup>215</sup> AER, [Retailer Authorisation and Exemption review](#), 2022.





# Objective 5 Balance affordability and consumer protections by minimising the overall cost to serve

## Introduction

Consumer-facing energy businesses face significant challenges addressing experiences of vulnerability within their customer base. Challenges stem from:

- › a lack of understanding of the broad obstacles faced by customers experiencing vulnerability
- › an inability to properly identify the complex obstacles
- › an inability to tailor assistance for customers experiencing vulnerability.

Consumer-facing energy businesses also face significant associated costs servicing customers who are experiencing vulnerability and the costs are not evenly spread across these businesses.<sup>216</sup>

Consumer-facing energy businesses are also unable to share these costs and risks with other sector participants, such as networks.

<sup>216</sup> Currently, Tier 1 retailers have the highest number of customers accessing hardship supports overall (8,932 for AGL, 10,880 for EA, 28,149 for Origin across the NECF, comprising 0.59%, 1.08% and 1.54% of their customer base respectively): AER, Retail Market Performance Data Q4 2021-22. The ACCC's REPI also noted the economies of scale benefiting Tier 1 retailers in relation to cost to serve (\$75 per customer) having the compared to other retailers (\$146 per customer), p. 224.



## Action 14: Consider if there are ways to improve efficiency of regulation

### Consultation

During the consultation for the draft *Consumer vulnerability strategy* we sought to understand:

- › the merit in searching for regulations that are no longer relevant
- › what opportunities exist to promote consistency and reduce costs to serve
- › what regulations should be targeted for review.

A significant number of stakeholders supported the proposed action.<sup>217</sup> These stakeholders endorsed a review of the existing regulations. One stakeholder noted the importance of considering review periods and ensuring that they remain fit for purpose.<sup>218</sup> Powershop and AGL recommended that a regulation review of hardship and disconnection processes should be prioritised.<sup>219</sup>

The Australian Energy Council supported the proposed action, and highlighted the costs incurred by consumer-facing energy businesses to develop the regulatory framework.<sup>220</sup> They warned that any change (even one that reduces ongoing cost to serve) must be weighed against the potential costs to implement the change.

PIAC was not supportive of the proposed action.<sup>221</sup> They warned that cost to serve implications are not material to energy affordability or business viability. Energy Consumers Australia submitted that protections in the emerging market are more important than the proposed review of existing protections.<sup>222</sup>

### Summary and next steps

Our action to review regulations and consumer protections to reduce cost to serve has broad support from stakeholders. It aims to alleviate and identify redundant regulations that are contributing to unnecessary costs for consumer-facing energy businesses while maintaining existing levels of protection. It is important that this process of reducing regulation and the cost to serve does so in a way which ensures consumer outcomes are ‘maintained’ or improved.

Our action could also build on findings in recent reports like the Australian Energy Market Commission’s Retail Competition Reviews and the recommendations by the ACCC’s Retail Electricity Pricing Inquiry report that the Council of Australian Governments’ Energy Council should undertake a review of the effectiveness of the National Electricity Customer Framework.<sup>223</sup>

217 Tango Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Red Energy and Lumo Energy, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

218 EnergyAustralia, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

219 Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; AGL, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

220 Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

221 PIAC, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

222 Energy Consumers Australia, Submission to the draft *Consumer vulnerability strategy*, 17 March 2022.

223 REPI; Australian Energy Markets Commission, [2019 Retail Energy Competition Review](#), June 2019; Australian Energy Markets Commission, [2020 Retail Energy Competition Review](#), June 2020.

We consider that reduced cost to serve could result in substantially enhanced efficiency, consumer outcomes and scope for innovation, while also addressing stakeholder concerns about the limitations of ‘piecemeal individual rule changes, without a broader structural view on regulatory reform’.<sup>224</sup>

Through our review we will identify opportunities to remove obligations on consumer-facing energy businesses to reduce the cost to service while maintaining or improving customer outcomes. This includes regulations that are outdated, duplicative or no longer fit for purpose. Targeting these types of regulations will ensure that our current framework is not imposing any unnecessary costs or barriers as the energy market transitions.

We have commenced this action through initiating our Retail Regulatory Simplification Project. This has involved commissioning a consultant to undertake a review of relevant legislation and instruments. The consultant has engaged with consumer-facing energy businesses, jurisdictions as well as government to canvas their views on ways to reduce costs to serve for consumer-facing energy businesses. We will consider the work undertaken by our consultant and determine the appropriate next steps for taking forward this review.

Since work contributing to this action has already commenced, we will consider the consultant’s recommendations along with our proposed next steps.

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<sup>224</sup> EnergyAustralia submission to [AEMC Retail Competition Review](#), June 2020, p. 206.









## Action 15: Advocate for sector-wide ‘game changer’ reforms

The energy sector should be inclusive of all consumers. However, this is currently not the case, with a vast number of consumers experiencing vulnerability. Recent challenges within the energy sector and mounting costs of living pressures in the current economic climate will only compound the problem in the short-to-medium term.

There is an enormous opportunity to establish new expectations of the energy sector to be inclusive of a broader range of consumers and effectively identify those experiencing vulnerability. Doing so will require addressing systemic challenges that undermine the sector’s ability to provide adequate support to consumers experiencing vulnerability.

Efforts are already being made by the sector. 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. Furthermore, consumer-facing energy businesses have also expended considerable resources in assisting consumers experiencing vulnerability. Despite these efforts, there is a lack of incentives on consumer-facing energy businesses to provide the level of service that society expects of them. Certain circumstances are left to be dealt with through tax, transfer and other support systems. This creates a range of costs and consequences that are borne by consumers, consumer-facing energy businesses, governments, non-profit organisations and the wider population.

Vulnerability can cause adverse outcomes, such as disconnection and debt accrual. Some costs related to these outcomes are directly measurable financial costs (e.g. time spent navigating or providing supports), but there are also many unquantifiable and non-financial costs (e.g. stress and health impacts, and erosion of trust in the energy system). These costs are not equitably distributed, either between consumers and the sector, or within the sector.

We have identified \$645 million in quantifiable financial costs driven by vulnerability each year.<sup>225</sup> However, there are also the intrinsically unquantifiable costs, like impacts on population health and wellbeing.

Of this \$645 million in annual costs, consumer-facing energy businesses bear around \$265 million. This includes costs associated with recovery of debt, costs to administer hardship programs, and the costs of bad debt. Consumers themselves bear over half of all quantifiable financial vulnerability costs, such as:

- › lack of access to efficient appliances and fittings (costing around \$133 million per year)
- › behavioural changes to reduce usage (costing around \$78 million per year)
- › lack of access to solar panels and rebates (costing around \$10 million per year)
- › more time spent navigating the energy market than other consumers (costing around \$108 million per year).

<sup>225</sup> AER ‘game changer’ workshop 24 March 2022. <https://www.aer.gov.au/game-changer>

The mental and emotional stress, impact of bad credit ratings and reduced quality of living can have significant long-term impacts on consumers, and form some of the unquantifiable costs.

*‘I felt very vulnerable, ashamed, and constantly worried about the future. My mental health was very fragile, and this played out physically, with headaches and weight loss.’*

**Female, single parent, metropolitan NSW**

There is a clear need to address the causes of these quantifiable and unquantifiable costs. Our vision is to create a mechanism for more equitable and efficient sharing of costs and risks across the sector, and use the opportunities unlocked by this to deliver a system that:

- › better engages consumers
- › provides earlier and better targeted support to consumers
- › provides better protections across the whole consumer journey.

This could improve consumer outcomes while reducing the costs of vulnerability to the sector over the long term, including for example through reducing consumer debt and disconnections.

At the time of publishing the draft *Consumer vulnerability strategy*, the concept of this ‘game changer’ reform was only just emerging. The AER has undertaken a rigorous stakeholder engagement process since October 2021 to develop the ‘game changer’ concept. At the end of 2021, we undertook a series of stakeholder meetings to understand the potential sector interest in undertaking reforms. Feedback received from stakeholders was that we required a better shared understanding of how much vulnerability costs, and how ‘game changer’ reforms would change the distribution of costs and risks across the sector.

With the assistance of EY Port Jackson Partners consultants, in early 2022 we undertook research to estimate the costs of vulnerability across the sector. The results of this work provided the data included in this section. Stakeholders from across the sector were briefed on this research on 24 March 2022.<sup>226</sup>

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 that include:

- › 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.

<sup>226</sup> AER ‘game changer’ workshop 24 March 2022. <https://www.aer.gov.au/game-changer>

Our view is that our role is not to judge which of these ideas is best at this stage. Rather, we hope to steward a collaborative development process with stakeholders from across the sector with an aim of co-developing a proposed model for reform.

## Summary and next steps

This ‘game changer’ reform work has progressed. To achieve our reform goals, we are:

- › running stakeholder workshops with sector participants to develop a ‘game changer’ solution. Under the guidance of leaders from across the sector, a collaborative group of diverse stakeholders (led by an independent facilitator) will develop the proposed solution using a human-centred design approach
- › hoping that in 2023 a broad collaboration of the sector will advocate for the ‘game changer’ solution.



# Enablers

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

## Enabler of success 1: Working together

One of the important enablers of success is 'working together'. We look forward to continuing our work with stakeholders to develop and implement our strategy (including co-designing the 'game changer' reforms) to improve outcomes for consumers, consumer-facing energy businesses and the broader sector.

### Consultation

During the consultation process of the draft *Consumer vulnerability strategy*, we sought stakeholder feedback on:

- › important steps and outcomes we should consider when engaging with stakeholders during our strategy's implementation
- › how stakeholders would like to collaborate with the AER and others
- › how we can support stakeholders in engaging with each other.

All stakeholders that provided feedback on this enabler proposed we undertake further engagement during our action implementation process. Powershop and Energy Queensland suggested that all parties subject to the strategy's actions should be engaged, with particular emphasis on consumers and consumer-facing energy businesses.<sup>227</sup> Uniting and Aurora expanded on this by recommending we gain insights directly through the consumer voice and lived experience.<sup>228</sup> Conversations with consumer advocates and support workers were also recommended.<sup>229</sup>

To build an evidence-based understanding of the lived experience of vulnerability and consumer perspective on energy market engagement we explored the lived experience of consumers in May 2022.

Stakeholders encouraged engagement through forums focused on particular issues,<sup>230</sup> working groups<sup>231</sup> and workshops.<sup>232</sup> EWON acknowledged the successful forums and working groups previously undertaken by the AER.<sup>233</sup> Alinta noted that a precondition to successful engagement is adequate consultation time.<sup>234</sup>

<sup>227</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>228</sup> Uniting, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022; Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>229</sup> Uniting, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

<sup>230</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Uniting, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

<sup>231</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>232</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>233</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>234</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.



Several stakeholders identified how they would like to collaborate with us on the *Towards energy equity strategy*:

- › Energy Queensland would like to discuss the impacts of legislation, regulation and guidelines on their business.<sup>235</sup> They also noted the unique circumstances of their customer base. Job opportunities, travel distances, access to health facilities, access to education/training facilities and cultural and community practices are different in regional and remote Australia compared with metropolitan areas
- › Energy Queensland were interested in helping develop the toolkit under Action 2
- › Powershop offered quantitative and qualitative data, such as engagement rates after a particular piece of communication<sup>236</sup>
- › Alinta are interested in being involved in all strategy actions through working groups.<sup>237</sup>

## Summary and next steps

We recognise stakeholder interest in collaborating on our projects. Throughout each action we have indicated where we will engage with different stakeholders to assist us delivering each project.

## Enabler of success 2: Sector learning – culture of continuous improvement

We want to embed a modern, informed view of how experiences of vulnerability can impact a consumer's experience of the energy market. At the same time, address complexity, increase access, affordability and engagement. To do this, we want to encourage the sector to continue to share and support each other in our collective understanding in this area.

We asked stakeholders how we can best learn from each other and embed understanding and consideration of vulnerability experiences across our organisations and in our everyday systems.

## Consultation

Alinta and AGL noted collaboration as being important for continuous sharing of knowledge, ideas and experiences.<sup>238</sup> Alinta recommended a vulnerability working group as a way to achieve this.<sup>239</sup> Origin suggested that a centralised information hub could be developed with up-to-date and available resources that could foster a collaborative sector and evolving best practice.<sup>240</sup>

Consumer-facing energy businesses play an important role in improving consumer outcomes and developing proactive processes and tools to understand and address the needs of consumers experiencing vulnerability.

We welcome sector stewardship, innovation and all collaborative efforts to improve consumer outcomes.

The Australian Energy Council encourages us to seek further engagement with the sector as early as possible to help identify best practice solutions to broad sector problems. Similarly, Energy Queensland encouraged the AER to actively listen to the challenges faced by consumer-facing energy businesses, in particular those who bear most consumer obligations.<sup>241</sup>

<sup>235</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>236</sup> Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>237</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>238</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>239</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

<sup>240</sup> Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>241</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

COTA recommended direct consumer engagement throughout all work and warned that if the diverse voices of consumers are not attentively listened to as equal and active energy market partners, the desired outcomes of the *Towards energy equity strategy* will not be achieved.<sup>242</sup>

The Australian Energy Council expressed an interest in having peak body representation in the AER's Regulator Community of Practice. They also proposed shared training and secondments between the AER and sector participants.<sup>243</sup>

## Summary and next steps

Throughout the *Towards energy equity strategy* we have acknowledged where we can learn from stakeholder insights and previous experience. We will look to develop these actions to continue that learning process. We will also share our learnings with stakeholders and the broader sector.

## Enabler of success 3: Measuring impact

Measuring impact is key to ensuring the effectiveness of the *Towards energy equity strategy* and promoting continuous sector learning. It is also important that, as an agency, we can recognise future trends in order to understand how we can continue to make an impact.<sup>244</sup>

### Consultation

We asked stakeholders to identify existing impact-measurement approaches or initiatives that we could draw on. We also asked stakeholders to outline the measures we should use to assess the impact of our strategy, and how they would like our impacts shared.

Several stakeholders acknowledged the challenge of measuring impact,<sup>245</sup> especially given the profound changes currently underway in the energy sector.<sup>246</sup>

Stakeholders endorsed the need for both quantitative and qualitative information sources for the *Towards energy equity strategy*'s impact measurement.<sup>247</sup> Quantitative data sources suggested the AER's retailer performance data on debt, disconnections, hardship and payment plans, as well as the ombudsman scheme complaints data we collect.<sup>248</sup> Qualitative data sources suggested ombudsman scheme case studies,<sup>249</sup> meaningful narratives,<sup>250</sup> insights drawn from stakeholder

engagement,<sup>251</sup> anecdotal information from financial counsellors and community workers, consumer focus group findings and lived experience insight.<sup>252</sup> EWON noted that equivalent data should be obtained for embedded networks.<sup>253</sup>

Stakeholders also noted several different approaches currently being taken:

- › Aurora recommended a principles-based approach, to allow for consideration of each consumer-facing energy business's different operating environment (in terms of socioeconomic landscape,

<sup>242</sup> COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

<sup>243</sup> Australian Energy Council, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>244</sup> The Organisation for Economic Co-operation and Development, [Measuring Consumer Detriment and the Impact of Consumer Policy: Feasibility Study](#), April 2020.

<sup>245</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>246</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>247</sup> Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>248</sup> Powershop, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>249</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>250</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>251</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.

<sup>252</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>253</sup> EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

environmental factors, the roll-out of smart meters and jurisdictional differences in price regulation).<sup>254</sup>

- › Origin and Alinta suggested we measure success based on the proposed outcomes being delivered.<sup>255</sup>
- › The CPRC recommended we measure welfare effects, noting a welfare approach can build a more holistic and better understanding of outcomes that matter to consumers<sup>256</sup>
- › Alinta suggested measures based on evidence, which include a cost-benefit analysis. They also noted that any assessment should include whether the Towards Energy Equity Strategy remains fit for purpose.<sup>257</sup>
- › Uniting encouraged us to consider outcomes that vulnerable consumers are likely to report, such as anxiety and stress, fear or loss of dignity, in our measuring.<sup>258</sup>
- › Brotherhood of St Laurence suggested we use the actual prices paid by households (not market prices) in our evaluation. They also noted the importance of considering different cohorts (such as low-income and culturally and linguistically diverse households) in our measurements.<sup>259</sup>

Origin noted that measurements should be defined at the beginning to provide a baseline to contrast change against.<sup>260</sup>

Stakeholders also identified how they would like the AER to communicate. Engagement pathways noted include forums, workshops, individual meetings, working groups, focus groups and published discussion papers.<sup>261</sup> COTA proposed that we publish updates on the *Towards energy equity strategy's* implementation, and an evaluation report at the end of the 3-year plan.

EWOSA & EWOQ noted the crossover between our action to improve our retail report cards, and the metrics we would be using for measuring the *Towards energy equity strategy's* impact.<sup>262</sup>

## Summary and next steps

Ensuring our strategy has the desired impact is very important. We appreciate all recommendations made by stakeholders how to best measure its impact and ensure its effectiveness. We will measure the outcomes of all actions to track the progress that we have made, and will release a progress update yearly. 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.

<sup>254</sup> Aurora, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>255</sup> Origin Energy, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>256</sup> CPRC, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>257</sup> Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022.


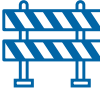













<sup>258</sup> Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>259</sup> Brotherhood of St Laurence, Submission to the draft *Consumer vulnerability strategy*, 7 March 2022.

<sup>260</sup> Origin, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022.

<sup>261</sup> COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022; EWON, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Uniting (Vic.Tas), Submission to the draft *Consumer vulnerability strategy*, 4 March 2022.

<sup>262</sup> EWOSA & EWOQ, Joint submission to the draft *Consumer vulnerability strategy*, 25 February 2022.

		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								

## Prioritisation and review of actions

Through consultation, we sought stakeholder feedback on which of the proposed actions should be prioritised over others. Stakeholders provided limited comments on this point. From responses received, Action 14 (*Consider if there are ways to improve efficiency of regulation*) received the highest support from stakeholders.<sup>263</sup> Work on this action has already commenced through our Retail Regulatory Simplification Project.

More generally, EnergyAustralia noted reservations towards the cost effectiveness of several actions. They submitted that regulatory decisions need to be justified and be supported with evidence that cost outweighs benefits incurred. They encouraged the AER (and other regulators) to consider and prioritise the most equitable and robust form of support. We acknowledge this cost concern raised and will ensure the actions prioritised are those with the most benefit to the sector.

The implementation of the 15 actions has been planned across a multi-year plan as demonstrated by the prioritisation timeline above. Several actions have already been planned and operationally demonstrated or nearing completion.

Implementation of relevant work will be the responsibility of various AER teams, with a number that will be undertaken in collaboration with consultancy resourcing for behavioural insights and testing. An action such as the development of an identification toolkit will involve an extensive collaborative process with industry bodies, consumer-facing energy businesses and consumer groups to develop a product to assist consumer-facing energy businesses to identify and engage with consumers experiencing vulnerability. Factors such as availability, scheduling, scope and resourcing will significantly determine the optimal timeframes for each action.

We will conduct a yearly update of the *Towards energy equity strategy* and associated actions. The success of our strategy and associated actions will be demonstrated by:

- › our work being designed, informed and based on the lived experience of customers experiencing vulnerability
- › the prioritisation of deliverables that have addressed or prevented consumer harm
- › improved consumer outcomes resulting from improved market operation
- › reducing costs to serve for consumer-facing energy businesses and therefore reducing costs for all customers
- › improved consumer outcomes and the promotion of broader sector work.

<sup>263</sup> Energy Queensland, Submission to the draft *Consumer vulnerability strategy*, 28 February 2022; Alinta, Submission to the draft *Consumer vulnerability strategy*, 25 February 2022; COTA, Submission to the draft *Consumer vulnerability strategy*, 9 March 2022.