



21 June 2016

Ms Sarah Proudfoot
General Manager Retail Markets Branch
AER GPO Box 520 MELBOURNE VIC 3001

Submitted via email to AERInquiry@aer.gov.au

Dear Ms Proudfoot,

AGL Submission to AER Consultation on Minimum Amount Owing for Disconnection

AGL Energy Limited (**AGL**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) consultation on the minimum disconnection amount.

AGL is Australia's largest integrated Energy Company, operating across the supply chain with investments in coal-fired, gas-fired, and renewable electricity generation and is a significant retailer of energy, providing energy solutions to over 3.7 million customer accounts in the NEM. AGL is Australia's largest ASX listed owner, operator and developer of renewable generation.

AGL supports the National Energy Retail Rules (**Retail Rules**) that provide protection for customers by prescribing when a retailer can arrange for the disconnection of a small customer's premises.

AGL also supports a shared responsibility approach to supporting customers in financial hardship across the government, industry and community sector. Operational changes over the past year have been focussed on early intervention to avoid debt building up and integrated partnerships to support customers with long-term difficulty.

AGL has invested \$6.5 million in an Affordability Initiative which supports vulnerable consumers with debt relief, matching payments funding for financial counsellors and energy saving technologies for households.

Customers on our hardship program on average consume more than 40% more electricity per year than the average household. This can be due to a range of reasons, such as poor building fabric, cheap inefficient appliances, large families and more time spent in the home. The best thing we can collectively do for these customers is help them to reduce their consumption and ongoing energy costs. AGL supports partnerships with state governments to better target energy saving technology, such as solar PV and hot water systems to high consumption, low-income households.

AGL support where ever possible a nationally consistent approach. As such, we would urge the AER to liaise and agree with the Victorian Essential Services Commission in adopting a national minimum disconnection amount. We believe that a national minimum amount for both fuels will avoid potential confusion for small customers.

AGL considers the current minimum amount of \$300 strikes a reasonable balance between debt management and customer protection. AGL recognises there are multiple factors which may be taken into account when attempting to set a equitable disconnection threshold, such as customer jurisdiction, fuel types and usage (residential versus small business), billing frequency, and the like. On balance, it is foreseen that an increased disconnection threshold is likely to result in higher accumulated debt for those customers who choose to not engage or inform the retailer of their financial difficulties prior to a disconnection notice being issued.



AGL's preference is to work with customers and assist them with setting agreed and effective payment plans and arrangements. We treat disconnection for non-payment as a last resort option. However, we recognise that the warning of disconnection for non-payment acts as an important trigger for some customers to make contact with us to discuss their situation.

AGL notes that a failure of the disconnection process sometimes is due to the performance of a regulated network service provider and difficulties with accessing meters. In particular, in NSW, we experience a less than expected rate of successful disconnection service order completions for gas. As a result, there is no incentive for the customer to contact the retailer as they are able to continue to consume while also increasing their debt.

While we acknowledge this is out of scope for this review, we believe the AER need to consider the implication of the practice on consumer debt levels and experience. Credit management regulations that lead to less than effective customer outcomes is a cost borne by good paying consumers cross subsidising non engaging consumers.

AGL believes that the protection of the minimum disconnection amount should be reviewed in light of the purpose of the customers energy usage; based on energy being an essential services for residential customers whereas for a small business it is an input, like labour and capital, which needs to be managed commercially.

Finally, AGL suggests the AER conduct a further review of the minimum disconnection amount in five years, with a review only occurring earlier should developments in the market require it.

For further information please contact Mark Riley on (03) 8633 6131 or email mriley@agl.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to be 'L. Kuhn', is positioned below the 'Yours sincerely' text.

Leilani Kuhn

Manager Network Strategy and Regulation