



# Review of the Minimum Disconnection Amount

Final decision

March 2017

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# 1 Overview

Rule 116(1) of the National Energy Retail Rules (Retail Rules), prohibits retailers from disconnecting a customer's premises for non-payment of a bill where the amount outstanding is less than an amount approved by the Australian Energy Regulator (AER) and the customer has agreed to repay that amount. In April 2012 the amount approved by the AER was \$300 (GST inclusive).

In 2016 we undertook a review of the minimum disconnection amount. We initially proposed to keep it at the current approved amount, but then sought views on whether the amount should be raised, given it has been in place for some time. The review involved two rounds of consultation and a stakeholder forum. Informed by consultation and analysis of relevant data, we have determined to retain the minimum disconnection amount of **\$300** (GST inclusive) for both gas and electricity.

Our decision to maintain the minimum disconnection amount of \$300 (GST inclusive) will prevent customers potentially incurring significant debt before seeking assistance and will stop more debt accruing before the collection cycle starts, allowing customers to avoid exacerbating payment and financial difficulties. It will also mean retailers can continue to maintain customers' energy supply through periods of payment difficulties and manage risk and cost exposure.

Perhaps most importantly, we continue to encourage early engagement between retailers and customers as vital to assisting customers experiencing financial difficulties with their energy bills.

We plan to conduct a further review of the minimum disconnection amount in three years but will initiate a review earlier should developments in the market warrant that.

## 2 Background

### 2.1 Consumer protections under the National Energy Retail Law (Retail Law) and Retail Rules

Part 6 of the Retail Rules provides specific protections by setting out the circumstances under which a retailer can arrange for disconnection of small customers' premises. In particular, rule 116 (1)(g) states:

*Despite any other provisions of this Division but subject to sub rules (2), (3) and (4), a retailer must not arrange for the de-energisation of a customer's premises to occur:*

.....

*(g) for non-payment of a bill where **the amount outstanding is less than an amount approved by the AER and the customer has agreed with the retailer to repay that amount;***

(emphasis added)

The purpose of rule 116(1)(g) is to prevent customers from being disconnected where the amount owed is relatively small *and* the customer has agreed to repay the amount.

The rule does not prohibit retailers from de-energising premises where the amount outstanding is above or below the minimum disconnection amount if the customer has not engaged or entered into a repayment agreement. The protection applies where the customer has agreed with the retailer to repay the amount owed.

Rule 116 (1)(g) operates as part of the suite of consumer protections in the Retail Law and Rules that assist customers experiencing payment difficulties with their energy bills. Other protections include the requirement for retailers to offer payment plans<sup>1</sup> or hardship assistance<sup>2</sup> to those who identify (or who are identified by the retailer or other third party) as experiencing payment difficulties or financial hardship. Retailers are required to offer these types of assistance irrespective of any minimum disconnection amount we approved.

### 2.2 Consultation

In May 2016, we consulted on retaining the minimum disconnection amount of \$300 (GST inclusive) for both gas and electricity across all jurisdictions. We sought to understand how the current arrangements were operating in practice and looked at estimated average quarterly energy bills, rates of disconnections, ombudsmen schemes complaint data and compliance levels with the rule 116(1)(g) obligation. We received twelve submissions from a range of stakeholders.

A number of the submissions advocated an increase to the minimum disconnection amount, arguing that \$300 was too low. These submissions noted the consequences for customers of

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<sup>1</sup> Section 50, Retail Law

<sup>2</sup> Section 46, Retail Law

disconnection and the increase in average bills since the amount was first set as factors that should be considered in our review of the amount.

Other submissions were in favour of retaining the minimum amount of \$300, citing concerns around the impact on customer debt levels if the amount was raised. Those submissions also noted that where customers were engaging with their retailer and had agreed to repay the amount owed, they could not be disconnected in any case. It was also considered that the current amount provides a good balance between the interest of retailers managing credit debt and supply through periods of payment difficulties. A summary of the submissions is at **Appendix A**.

Given the range of views, we hosted a stakeholder forum on 22 September 2016 with the aim of further exploring the evidence supporting each position. We invited specific submissions on why we should not increase the minimum disconnection amount.

An important issue raised during the forum and through submissions was the potential negative impacts of disconnecting customers in terms of financial and social and emotional well-being impacts. Many of the submissions and forum attendees recognised that early customer engagement is important, particularly where customers appear to be experiencing payment difficulties. Early customer engagement may help ensure debt levels for customers (and retailers) are not impacted too significantly. Consultation made it clear that retailers can achieve a great deal with early engagement and we encourage strategies and practices that support this. A summary of the submissions from the second consultation is also at **Appendix A**.

Our Sustainable Payment Plans framework and retailer hardship obligations provide incentives for retailers to manage customer debt early and well. We will continue to work with industry to seek improvements in managing customer hardship and financial vulnerability through initiatives like the Sustainable Payment Plans framework. We are also hopeful that additional retailers will sign up to this voluntary framework in the near future.

## 3 Maintaining the minimum disconnection threshold amount

### 3.1 Guiding principles

In deciding to retain the minimum disconnection amount of \$300 (GST inclusive) we had regard to the principles that informed our first review:

- The need to avoid exacerbating hardship issues for customers experiencing financial difficulties.
- Customers should not be disconnected due to an inability to pay.
- Appropriately balancing the interests of customers in maintaining supply and avoiding unmanageable rising debt levels with retailer costs of disconnecting and reconnecting a customer, including costs of servicing larger amounts of uncollected revenue.
- A nationally consistent amount for electricity and gas minimises confusion and facilitates application.

These principles collectively guided our decision to retain the minimum disconnection amount. We discuss them in further detail below focusing on those most relevant to our decision about this current review.

#### 3.1.1 Avoiding exacerbating debt

We are satisfied the minimum disconnection amount of \$300 (GST inclusive) adequately protects customers from accruing unmanageable debt levels which could exacerbate hardship issues.

During consultation a number of submissions noted the consequences of disconnection for customers struggling to pay their bills, advocating that the minimum disconnection amount of \$300 should be increased. Financial Counselling Australia (FCA) and the Consumer Action Law Centre (CALC) demonstrated the additional costs incurred by customers because of disconnection made it harder for customers to get out of debt and avoid future payment difficulties. Their submissions noted expenditure increases to cover additional living expenses as a consequence of disconnection could significantly exceed the \$300 minimum disconnection amount. On the other hand, a number of submissions, including from St Vincent de Paul Society, expressed concern that increasing the minimum disconnection amount would increase the debt levels of customers who are already experiencing difficulties in paying and this is likely to result in greater challenges for these customers to recover financially and be able to discharge the current debt with assistance from grants and other financial hardship help. Submission details are in **Appendix A**.

A number of stakeholders raised concern about the “carryover” costs related to disconnection. They noted the amount owing at the point of disconnection would increase if the minimum disconnection amount is raised, placing greater pressure on the customer’s ability to repay the higher amount and impacting retailers’ ability to recover this debt.

We consider raising the amount would exacerbate customer difficulties in repaying debt. In reaching that position, we were particularly persuaded by evidence from stakeholders that showed raising the amount would increase customer debt levels and extend the length of

collection cycles, resulting in increased customer hardship. Against this we weighed the likely harm to customers if we did not raise the minimum disconnection amount to provide an additional buffer before they start incurring debt while disconnected.

We consider increasing the minimum disconnection amount is likely to result in debt levels considerably beyond what many customers who find themselves in financial difficulty would be able to reasonably manage. This is particularly the case for customers who have fallen behind on both electricity and gas bills and are facing other aspects of financial hardship – not only would they be liable for ongoing energy costs but also any disconnection and reconnection fees and accordingly could owe significantly more by the time they are disconnected.

### **3.1.2 Maintaining supply – preventing disconnection for small amounts**

Maintaining the minimum disconnection amount of \$300 (GST inclusive) protects customers from being disconnected for relatively small amounts or for being one quarterly bill behind while ensuring customer hardship is not exacerbated.

As part of this review we have assessed average quarterly bill data for low income households. In addition many of the submissions we received in the first consultation provided information about these data and noted evidence of increases to quarterly bills to support an increase in the minimum disconnection amount.<sup>3</sup> Our analysis of average quarterly electricity bill data up to December 2016 indicated that in all jurisdictions average quarterly bills are closer to \$400. Our assessment of these data is discussed below but average quarterly bills as a proxy for understanding if the protection is appropriately set is only one of the principles we have regard to and factors we weigh in our review. We note also the increasing use of monthly and other more regular billing cycles. Such practices potentially make quarterly bills less relevant a reference in determining the minimum disconnection amount.

A number of retailer submissions noted they use the amount to identify customers experiencing possible payment difficulties to engage in hardship dialogue with that customer to avoid disconnection.<sup>4</sup> While we strongly encourage retailers to engage early and not wait for the minimum disconnection amount to become relevant, we consider increasing the minimum amount would potentially delay early engagement, exacerbating customer debt.

Disconnection should be a last resort and customers should not be disconnected solely due to an inability to pay. Irrespective of the amount, we encourage effective and early engagement by retailers and customers in managing a customer's account. Effective engagement should ensure customers are fully informed of concessions and discounts, access to the relevant government and social support schemes and available payment plans and options to assist maintain connection and support payment of debt.

### **3.1.3 Balancing consumer and retailer interest**

The current minimum disconnection amount of \$300 (including GST) strikes an appropriate balance between the level of debt most customers can afford to repay and management of

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<sup>3</sup> See submissions to May 2016 consultation from PIAC, FCA AND EWON

<sup>4</sup> See submissions to 24 August consultation letter from Australian Energy Council second submission, AGL, Energy Australia, Origin Energy and Red Energy and Lumo Energy



existing debt by retailers and customers. We consider increasing the minimum disconnection amount would limit the ability of customers already experiencing payment difficulties to repay a larger debt, exacerbating payment or financial difficulties. It would also place added pressure on retailers to maintain customer supply, while managing increased cost exposure to large amounts of uncollected debt.

Information provided in a number of submissions demonstrated that the time lag from a bill becoming overdue to disconnection of supply would add an additional month of energy charges to the amount a customer has outstanding, thereby increasing customer exposure to debt.<sup>5</sup> Further, if customers owe more prior to being disconnected, the cost to retailers of servicing the debt will also increase. Retailers have submitted that these increases would be reflected in higher costs for those retailers and may be passed through to customers by increased prices.

Some submissions argued the amount should be increased to reflect the current changes in the energy market. However, we consider increasing the amount will limit the ability of the most vulnerable customers to repay debt. Information from St Vincent de Paul Society, shows once a customer owes more than \$500, the available options to financial assistance and support from similar agencies to help repay these arrears in full is reduced.

Taking into consideration the likely impact to customer debt levels we consider the current threshold amount provides appropriate protection to customers from disconnection and exacerbating debt while also allowing retailers to manage credit risks and customer supply.

### **3.1.4 Consistency**

We maintain that a simple single minimum disconnection amount for both gas and electricity ensures consistent application of the protection in Retail Law jurisdictions, minimises confusion and makes it easier for consumers to understand their rights. Additionally, it will be simpler for retailers to continue to implement and maintain across their businesses, particularly those who operate in multiple jurisdictions.

## **3.2 Analysis of the minimum disconnection amount**

We have analysed the operation of the minimum disconnection amount since it was initially set in 2012 and consider that the minimum disconnection amount of \$300 (GST inclusive) has not lost the protective value:

- Average billing data suggests that electricity bills for standing and market offers across all Retail Law jurisdictions is greater than \$300 in 2016-17. We do not consider this, on its own, merits an increase of the amount. Although average gas bills also increased in that time, the average quarterly gas bill was still less than \$300 across almost all jurisdictions.
- While rates of disconnection for non-payment have increased in all jurisdictions other than in NSW, the rates remain relatively low overall.
- Disconnection complaint numbers appeared steady or otherwise declining and provided no indication that the minimum disconnection amount should be revised.

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<sup>5</sup> See submission to 24 August consultation letter from AGL, Aurora Energy, Energy Australia, Origin Energy, Powershop, Red Energy and Lumo Energy.

- Retailers are generally meeting the requirements of the current rule. There have been relatively few reported breaches of the minimum disconnection amount provision (r. 116(1)(g)) reported since 2014-15.

Having regard to the ongoing focus by retailers on assisting customers through hardship programs and sustainable payment plans, the declining or stable number of complaints received and general retailer compliance, we consider the minimum disconnection amount, alongside the other protections afforded to customers under the Retail Law and Rules, to be operating effectively.

### 3.2.1 Average energy bills

It is important that the protection afforded by the minimum disconnection amount is not eroded over time by increases in energy prices and bills. The minimum disconnection amount should prevent customers from being disconnected for owing a small amount. In 2012 we used average quarterly bill data as a proxy for estimating a small amount.

Our assessment of the average quarterly energy bill data for low income households<sup>6</sup> showed the amount can vary and relying primarily on fluctuations in average quarterly bills without regard to other factors would depreciate the protective value of the threshold amount:

- Average electricity bills for the 2015-16 financial year were lower than average electricity bills in 2012-13, when the minimum disconnection amount was first introduced.
- Average electricity bills for the December quarter of the 2016-17 financial year for standing and market offers were greater than \$300, with the majority closer to \$400.
- Although average gas bill prices in the 2015-16 financial year were higher than prices in 2012-13, indicating a depreciation in the value of the protective amount relating to gas, average gas bills are still lower than average electricity bills. Moreover, the average quarterly gas bill for low income households is still less than the \$300 minimum disconnection amount in almost all jurisdictions.<sup>7</sup>

We note submissions were varied on whether average quarterly bills had increased in the last financial year, with PIAC's submission that average quarterly bills had risen above \$300 but AGL's analysis of Queensland data showed no significant increase<sup>8</sup>. We acknowledge simple quarterly average bill data does not provide a complete indication of typical costs during high consumption seasonal periods and both seasonal variation and reliance on a single fuel type are variables that have a bearing on consideration of whether the minimum disconnection amount reflects average quarterly bills. On its own an increase in average energy bills would not merit a higher minimum disconnection amount. Further, we are concerned that increasing the amount would decrease the protective value of minimum

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<sup>6</sup> Low income household benchmark data was chosen because this group is most vulnerable to financial hardship.

<sup>7</sup> Average quarterly gas bill in the ACT is approximately \$383.

<sup>8</sup> PIAC submitted that based on the AER's data, the average quarterly amount was in excess of \$300, suggesting that the amount of \$300 was "no longer sufficient to protect the most vulnerable consumers across the NEM, including those on low income who may be at greater risk of not being able to pay their bills on time". Aurora Energy noted in its submission that Tasmanian average quarterly winter bill would be in excess of \$300. AGL's analysis of the AER's average quarterly bill data found that other than Queensland there was not a significant increase. EWON noted in its submission using AER's data, that the average quarterly bill across all jurisdictions was "greater than \$300 with the majority closer to \$400".

disconnection amount. We consider increasing the minimum disconnection amount is likely to result in customers incurring more debt before seeking assistance, exacerbating payment and financial difficulties.

Whilst the approved minimum disconnection amount of \$300 (GST inclusive) will not, in all cases, be equivalent to a quarterly bill, it does provide an appropriate level of protection for customers.

### **3.2.2 Rates of disconnection for non-payment**

As the minimum disconnection amount operates in conjunction with a number of consumer protections designed to avoid disconnections solely due to an inability to pay, we reviewed disconnection data.

Disconnection data from our *Annual Report on the Performance of the Retail Energy Market*<sup>9</sup> shows mixed results. Disconnections for both electricity and gas has decreased in NSW, but increased in South Australia, ACT and Tasmania. While disconnections for non-payment increased in the ACT and Tasmania, overall the rates remained comparatively low and represented less than one percent of total electricity customers in both jurisdictions. Although disconnection rates for South Australia was the highest nationally, the percentage of disconnected customers was 1.39 percent of total electricity customers.

The correlation between disconnection data and average energy bills is arguable given the fluctuations in the cost of average bills. We note there are other protections in place for vulnerable customers through retailer hardship obligations and more protection for customers whose retailers have signed up to our Sustainable Payment Plans framework.

### **3.2.3 Disconnection complaints**

Analysis of our complaints data and complaints received by ombudsmen<sup>10</sup> relating to disconnections for non-payment showed that the number of complaints on this issue had decreased or remained roughly stable over the last financial year, having reached a peak in most jurisdictions the year before. Anecdotally there has been an increase in the complaints across all schemes for customers carrying high levels of debt and we will work with the schemes to ensure retailers are complying with hardship obligations as well as offering sustainable payment plans to customers. Our monitoring of this issue will take into account where retailers have signed up to our Sustainable Payment Plans framework and how they are meeting their obligations under that.

### **3.2.4 Retailer compliance**

Retailer reports of breaches of rule 116(1)(g) are infrequent, with only one incident of a breach reported during the 2014-15 financial year and a small number for the 2015-16 year. Retailers submitted they have adopted safeguards that prevent customers from being disconnected if they owe less than the minimum disconnection amount. This level of self-reported non-compliance, and the absence of customer complaints or market intelligence to the contrary, indicates that on the whole retailers take appropriate measures to ensure they adhere to the requirements around disconnecting customers.

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<sup>9</sup> [2015-16 AER annual report on the performance of the retail energy market](#)

<sup>10</sup> This information was taken from a review of complaints information published in ombudsmen annual reports.

## 4 Review period

We will periodically review the minimum disconnection amount to ensure it is set at a level that remains appropriate and affords customers a suitable level of protection.

We consider a stable fixed amount over a long period time would assist customers and retailers by providing consistency around their rights and obligations.

We propose reviewing the amount in three years, but will initiate a review earlier if there are any significant changes in the market that suggest a review is warranted.

## 5 Conclusion

We consider the current minimum disconnection amount of \$300 (GST inclusive) remains effective in protecting customers and achieves the aim of ensuring customers are not disconnected for owing a relatively small amount. Further, we are concerned increasing the amount would weaken its protective value and may lead to additional negative customer impacts.

We strongly encourage early and effective engagement by customers and retailers where customers appear to be at risk of disconnection for non-payment of their energy bills. This ensures management of a customer's account is optimised, including allowing for early intervention when a customer is struggling to pay. Early engagement can see customers benefitting not only from the full suite of consumer protections afforded by the Retail Law and Rules, but also by receiving early and targeted help, external concessions, rebates and discounts.

We note the focus of some stakeholders on the appropriate response of retailers to customers who have exceeded the minimum disconnection amount. While we acknowledge this is outside the scope of this review, we encourage retailers to proactively offer assistance and attempt early identification of customers who may be experiencing payment difficulties.

Such an approach is consistent with our Sustainable Payment Plans framework released in July last year. We appreciate that customers who can not or will not engage present particular difficulties for retailers trying to manage debt and customer hardship. However we actively discourage retailers using disconnection as a tool to prompt engagement.

## Appendix A. Summary of submissions and AER response

### Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
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#### FIRST CONSULTATION LETTER

#### Question 1: What other factors (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection

<b>ACT Civil and Administrative Tribunal (ACAT)</b>	Stakeholders agreed with the factors the AER had considered when initially setting the minimum amount and submitted these did not require adjustment.	The factors we considered when we initially set the minimum amount at \$300 remain valid.
<b>AGL</b>	Stakeholders emphasised that customers should not be disconnected for a relatively small amount or for not paying one quarterly bill.	We acknowledge disconnection can have impacts on customers beyond the interruption of supply. We are concerned customers may find their access to financial assistance through social and government agencies is limited if the overall debt they carry on disconnection increases. The current threshold of \$300 when a customer has been through the debt collection cycle and disconnection notice period is manageable. Customers can, at least partly, cover this amount through financial assistance grants. However, increasing the amount will increase the debt carried by customers and we understand there is a risk the customer's hardship may be exacerbated by increased debt resulting from a higher minimum disconnection amount.
<b>Australian Energy Council (AEC)</b>	Several stakeholders raised concerns about the increase in quarterly energy bills for customers, noting that the \$300 minimum disconnection amount did not necessarily reflect most customers' quarterly bills.	We consulted with stakeholders on the 'tipping point' amount for customers from which they could manage their debt. Although no conclusive amount was identified, we accepted that increasing the minimum disconnection amount resulted in higher arrears for the customer and potentially excluded some customers from financial support programs.
<b>Consumer Action Law Centre (CALC)</b>	CALC noted the residual impacts of disconnection (including on the customer's wellbeing; dependents; and on their financial stability) which it believed extended beyond immediate financial implications.	We consider early engagement with customers is an important part
<b>Energy and Water Ombudsman NSW (EWON)</b>	A point made by a number of submissions was the role smart meters can play in streamlining the disconnection process.	
<b>Energy and Water Ombudsman SA (EWOSA)</b>	AGL noted the impact of credit management regulations that lead to less than effective customer outcomes which is a cost that all customers must bear.	
<b>Ergon Energy Queensland Pty Ltd (EEQ)</b>		
<b>Financial Counselling Australia (FCA)</b>		

## Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
<b>Red Energy and Lumo Energy (RESE)</b> <b>Uniting Care Australia (UCA)</b>		<p>of managing customer debt and should be part of how retailers deal with customers struggling to pay. We appreciate that customers who can not or will not engage present particular difficulties for retailers trying to manage debt and customer hardship. However we actively discourage retailers using disconnection as a tool to prompt engagement. s.</p>

### Question 2: What other data (if any) should the AER consider when reviewing and approving the minimum amount owing for disconnection

<b>ACAT</b> <b>AGL</b> <b>AEC</b> <b>EWON</b> <b>FCA</b> <b>Public Interest Advocacy Centre Ltd (PIAC)</b> <b>UCA</b>	<p>A number of submissions considered the AER did not need to have regard to additional data.</p> <p>Some of the submissions suggested the AER consider more than just a quarterly bill as a benchmark in determining the minimum amount.</p> <p>PIAC submitted the AER consider data relating to disconnection rates since the inception of the minimum amount.</p> <p>UAC submitted it believes customers are spending two-thirds of their income on rent and utilities. This results in these customers having limited funds for other necessities.</p> <p>A number of submissions noted that some customers were able to afford to pay the outstanding amount and have their supply reconnected relatively quickly. By increasing the minimum amount this would impact the ability for a customer to pay these arrears and in turn remain off supply for a longer period.</p>	<p>Our assessment of the average quarterly energy bill data for low income households showed the amount can vary and relying primarily on fluctuations in average quarterly bills without regard to other factors would depreciate the protective value of the threshold amount</p> <p>We acknowledge that simple quarterly average bill data does not provide a complete indication of typical costs during high consumption seasonal periods and both seasonal variation and reliance on a single fuel type are variables that have a bearing on consideration of whether the minimum disconnection amount reflects average quarterly bills. On its own an increase in average energy bills would not merit a higher minimum disconnection amount. Further, we are concerned that increasing the amount would decrease the protective value of minimum disconnection amount. We consider increasing the minimum disconnection amount is likely to result in customers incurring more debt before seeking assistance, exacerbating payment and financial difficulties.</p>
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## Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
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### Question 3: What are stakeholders' experiences of the operation of the minimum disconnection amount to date

ACAT	The majority of submissions noted that the current minimum amount was set at an appropriate level and therefore was not impacting disconnection levels.	For the past two reporting years (2014/15 and 2015/16) we received a low number of reported breaches of Rule 116(1)(g). As we indicated when we commenced the review the figures demonstrate that retailers are largely compliant with this obligation.
AGL		
AEC	The FCA noted that although it had not identified any breaches of the minimum amount, it flagged its concern that third party agents may threaten customers with disconnection for amounts less than the minimum.	We strongly encourage early and effective engagement by customers and retailers where customers appear to be at risk of disconnection for non-payment of their energy bills. This ensures management of a customer's account is optimised, including allowing for early intervention when a customer is struggling to pay. Early engagement can see customers benefitting not only from the full suite of consumer protections afforded by the Retail Law and Rules, but also by receiving early and targeted help, external concessions, rebates and discounts.
CALC		
EnergyAustralia		
FCA	The UCA noted with the minimum amount at the current level, it would prefer having longer time to pay their bills. If a customer is on Centrepay or a shortened billing cycle, the minimum amount would be significant and take some time to repay.	
UCA	Several submissions noted its preference to work with customers and assist them with setting agreed and effective payment plans and arrangements.	
	A number of submissions reiterated that disconnection should be the last resort.	
	ACAT had no record of a disconnection for less than \$300. Its experience is disconnections occur for amounts greater than \$300. The ACT also has an additional hardship disconnection/reconnection mechanism provided by Part 12 of the <i>Utilities Act 2000</i> .	



## Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
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### Question 4: Do stakeholders consider retaining a minimum disconnection amount of \$300 (GST inclusive) to be appropriate? Why / why not?

ACAT	<p>Many of submissions confirmed the minimum amount should be retained at \$300.</p> <p>Some submissions stated that retaining the minimum amount at \$300 balanced the retailer's need to minimise credit risk with the customer's need for supply when experiencing difficulties in paying and not being disconnected for a small amount owing.</p> <p>A number of stakeholders raised concern about the "carryover" costs related to disconnection. They noted the amount owing at the point of disconnection would increase if the minimum disconnection amount is raised, placing greater pressure on the customer's ability to repay the higher amount and impacting retailers' ability to recover this debt.</p> <p>EWOSA noted that retaining the minimum disconnection amount at \$300 would protect small customers from being disconnected for being behind a payment for only one quarterly bill.</p> <p>CALC, PIAC, FCA and the UCA submitted that the minimum amount should be increased.</p>	<p>We are satisfied the minimum disconnection amount of \$300 adequately protects customers from accruing unmanageable debt levels which could exacerbate hardship issues.</p> <p>We consider increasing the minimum disconnection amount is likely to result in debt levels considerably beyond what many customers who find themselves in financial difficulty would be able to reasonably manage. This is particularly the case for customers who have fallen behind on both electricity and gas bills and are facing other aspects of financial hardship – not only would they be liable for ongoing energy costs but also any disconnection and reconnection fees and accordingly could owe significantly more by the time they are disconnected</p>
AGL		
AEC		
Consumer Action Law Centre (CALC)		
EEQ		
EnergyAustralia		
EWOSA		
FCA		
PIAC		
RELE		
UCA		

### Question 5: If no, what alternative amount (GST inclusive) do you consider would be more appropriate and why?

ACAT	<p>The submissions that requested an alternative amount to \$300 considered an increase of the minimum amount up to \$520.</p>	<p>We consider raising the amount would exacerbate customer difficulties in repaying debt. In reaching that position, we were particularly persuaded by evidence from stakeholders that showed</p>
FCA		

## Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
<p><b>PIAC</b></p> <p><b>UCA</b></p>	<p>CALC and the FCA noted that the AER should consider the financial, social and other impacts of disconnection for those affected, and also the impacts caused by changes in the market such as the increasing incidence of remote disconnection.</p> <p>In PIAC's submission to increase the minimum amount to \$520 it noted that customers with payment difficulties need assistance, not action that further disadvantages them when they are vulnerable.</p> <p>PIAC also supported an annual indexation of this amount to average electricity bill increases.</p> <p>FCA proposed that an appropriate level of consumer protection should be a minimum disconnection amount of at least \$500 (GST Inclusive) for a minimum six months' worth of usage (being two quarterly bills).</p>	<p>raising the amount would increase customer debt levels and extend the length of collection cycles, resulting in increased customer hardship. Against this we weighed the likely harm to customers if we did not raise the minimum disconnection amount to provide an additional buffer before they start incurring debt while disconnected.</p> <p>We agree with PIAC's statement that vulnerable customers need assistance and support. We strongly encourage retailers to initiate an ongoing dialogue with their customers so they can manage their energy accounts as effectively as possible.</p> <p>We do not favour adjusting the minimum disconnection amount through indexation. One of the aims of setting the minimum amount is to provide a clear and consistent figure. The regular review of the minimum amount will allow us to ensure the minimum amount remains effective and has not diminished its protective effect.</p>

### Question 6: When should the AER next review the minimum disconnection amount?

<p><b>ACAT</b></p> <p><b>AGL</b></p> <p><b>AEC</b></p> <p><b>EWON</b></p> <p><b>EWOSA</b></p> <p><b>FCA</b></p>	<p>A number of the submissions suggested the AER review the minimum amount every five (5) years.</p> <p>FCA recommended a review every 12 months.</p> <p>The EEQ and PIAC suggested the review should be conducted every two (2) years).</p> <p>While CALC and UCA out forward a review every three (3) years)</p>	<p>We will periodically review the minimum disconnection amount to ensure it is set at a level that remains appropriate and affords customers a suitable level of protection.</p> <p>We consider a stable fixed amount over a long period time would assist customers and retailers by providing consistency around their rights and obligations.</p> <p>We propose reviewing the amount in three years, but will initiate a review earlier if there are any significant changes in the market that</p>
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## Submissions from May 2016 consultation

Stakeholder	Stakeholder response	AER response
<b>PIAC</b> <b>RELE</b> <b>UCA</b>	EWOSA suggested a review every two to three years. It believed that if the review period occurred over a longer period of time, the minimum amount will not accurately reflect the energy market and a shift to cost-reflective pricing.	suggest a review is warranted.

## Summary of submissions and responses from additional consultation

### Submissions from September 2016 consultation

Stakeholder

Stakeholder response

AER response

#### SECOND CONSULTATION LETTER

#### Response to 24 August 2016 consultation letter - should the minimum amount be raised or retained at \$300?

AEC	From the 12 written submissions received as part of the second consultation, nine (9) submissions maintained the minimum amount should be retained at \$300. Eight of these submissions were from retailers or a retailer advocate body, and the other was from St Vinnies.	We are satisfied the minimum disconnection amount of \$300 (GST inclusive) adequately protects customers from accruing unmanageable debt levels which could exacerbate hardship issues.
AGL		
Aurora Energy	The eight retailers/retailer advocate body's submissions proposed the amount should remain at \$300 as it struck a balance between the retailer's debt management needs and protecting the customer's right to uninterrupted energy supply.	We consider raising the amount would exacerbate customer difficulties in repaying debt. In reaching that position, we were particularly persuaded by evidence from stakeholders that showed raising the amount would increase customer debt levels and extend the length of collection cycles, resulting in increased customer hardship. Against this we weighed the likely harm to customers if we did not raise the minimum disconnection amount to provide an additional buffer before they start incurring debt while disconnected.
EWON		
EnergyAustralia	A number of these submissions noted retailers have a number of mandatory and voluntary support programs in place.	We consider increasing the minimum disconnection amount is likely to result in debt levels considerably beyond what many customers who find themselves in financial difficulty would be able to reasonably manage. This is particularly the case for customers who have fallen behind on both electricity and gas bills and are facing other aspects of financial hardship – not only would they be liable for ongoing energy costs but also any disconnection and reconnection fees and accordingly could owe significantly more by the time they are disconnected.
EEQ		
NSW Council of Social Services (NCOSS)	The time taken from when the bill is overdue to the actual disconnection of supply resulted in customers owing often an additional month of energy charges. Therefore the minimum amount was a baseline and the additional month of energy charges and any disconnection and reconnection fees would need to be factored in to the final amount.	
Origin Energy (Origin)		
PIAC	Origin noted that the collectability of debt declines significantly above \$300. At \$500, the outstanding debt is more likely to become a debt owing over the medium term.	
Powershop		
RELE	St Vinnies stated in its submission that it believed the amount	
St Vincent de Paul Society (St Vinnies)		

## Submissions from September 2016 consultation

Stakeholder	Stakeholder response	AER response
	<p>should remain at \$300. Increasing the amount may result in customers remaining disconnected for longer as they will not be able to pay the overdue amount as readily.</p> <p>EWON noted in its submission, the minimum amount should be increased to \$400. This increased amount would better reflect what it believed were increased quarterly bills.</p> <p>PIAC sought an increase to \$520. This it contended would factor in higher energy prices and increased disconnection numbers in NSW.</p> <p>NCOSS believed the amount should be increased to \$500 to reflect increased energy prices since 2012 and sustained high level of disconnection in NSW. NCOSS believes that the AER should review the minimum amount every three years in line with the Sustainable Payment Plan framework.</p>	<p>Our Sustainable Payment Plans framework and retailer hardship obligations provide incentives for retailers to manage customer debt early and well. We will continue to work with industry to seek improvements in managing customer hardship and financial vulnerability through initiatives like the Sustainable Payment Plans framework. We are also hopeful that additional retailers will sign up to this voluntary framework in the near future.</p>