4 October 2016

Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulatory

By e-mail: AERInquiry@aer.gov.au

Dear Ms Proudfoot

AER review of minimum amount owing for disconnection, r.116 of the National Energy Retail Rules

Origin welcomes this opportunity to respond to the Australian Energy Regulator's (AER) further consultation on the minimum amount owing for disconnection set out in the National Energy Retail Rules (NERR).

Origin believes that the amount should remain at $300. Increasing the minimum disconnection amount (MDA) above this level will materially increase the risk that customers enter unsustainable levels of debt. The current MDA is one of a number of measures to assist customers and minimise the chances of disconnection. The amount itself should not be considered a function of average monthly bills, but rather a level of accumulated debt that provides customers with an opportunity to engage with their retailer to take action to manage payment difficulties before debt levels compound.

We note that some stakeholders have supported an increase in the MDA to $500 or more. At this level, many customers will have gone through two billing cycles and accumulated further debt ahead of any notice from their retailer that the disconnection process is imminent. Given quarterly bills can be highly seasonal in nature, this outcome is likely. For many customers, there is no 'average' bill amount in practice and a $150 autumn bill may be followed by a $450 winter bill.

Origin is committed to working with its customers to ensure that de-energisation is a last resort and in the past two years, has achieved material reductions in its:

- De-energisations for non payment;
- Average energy debt levels; and
- Average energy debt levels for customers involved in Origin's Power On (hardship) program.

Origin works closely with its customers to ensure that de-energisation is avoided, even after the $300 MDA level of debt has been reached. The MDA is used as an opportunity for Origin and its customers to engage and work together to avoid de-energisation. De-energisation is avoided for the majority of Origin's customers with accumulated debt above $300 (and below $500). These positive outcomes will be less likely if the MDA is increased and it is unclear how increasing the MDA is in the interests of customers experiencing payment difficulties or will result in lower costs overall.

In Origin's experience, the collectability of debt declines significantly above $300. At a level of $500, outstanding debt is significantly more likely to remain outstanding over the medium term relative to a debt level below this amount.

When the $300 level of outstanding debt is reached, it can trigger collection action and customers being reported to credit collection agencies, which can impact customers over a long period of time

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when they find they are unable to access credit from financial institutions in the future. Higher collection costs are also created, leading to increased costs for customers and retailers alike.

Increasing the MDA will likely contribute to increased financial hardship for customers as it is the last of a range of communications customers will receive from their retailer reminding them of overdue payment. Origin cannot see how delaying this particular avenue to encourage engagement is consistent with the long-term interests of customers.

We provide information on a confidential basis in a separate communication to this response and would be pleased to discuss this data with the AER.

Should you wish to discuss any part of this response further, please contact David Calder (Regulatory Strategy Manager) on (03) 8665 7712 in the first instance.

Yours sincerely

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