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3 October 2016

Ms Sarah Proudfoot  
General Manager - Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Submitted electronically

Dear Ms Proudfoot,

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

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Regulator (AER) on the minimum disconnection amount.

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to over 1 million customers. We provide this submission to reiterate comments made at the public forum on 22 September 2016.

**The importance of the minimum disconnection amount**

Red and Lumo strongly support efforts by industry, regulators and consumer representatives to develop a holistic framework that encourages engagement, ensuring that disconnection is a last resort.

The overall framework includes retailers undertaking a number of mandatory and voluntary steps aimed to provide assistance to consumers who may be experiencing difficulty paying their bills. These steps include reminder SMS's, outbound calls, and sending notices to both the customers billing and postal addresses. As part of our billing and payment cycles, Red and Lumo undertake specific processes for customers above and below the minimum disconnection threshold.

The minimum disconnection amount can be characterised as the final consumer protection. If all other efforts by us to contact and engage the customer fail, and the debt is above the minimum threshold, we send the mandated reminder and disconnection warning notices before ultimately disconnecting a disengaged customer.

**Amending the minimum disconnection amount**

Red and Lumo are very concerned that an increase of the minimum disconnection amount to \$520 is being considered. Whilst we agree with a principle that disconnections should not occur for trivial amounts, we strongly refute any argument that a \$300 debt falls into this category. We consider that increasing the disconnection amount will undoubtedly result in some consumers accruing higher debts before seeking assistance from their energy retailer, ultimately making it harder for them to set up affordable payment arrangements. Our experience also shows that there is a group of customers who do not engage until after they receive the regulated disconnection warning notice.

These two factors highlight why the disconnection amount must not be increased without irrefutable evidence that the current amount is harming consumers. The minimum disconnection amount is solely a protection for those that do not engage with their energy retailer. As noted above, customers who engage with their energy retailer and work to repay their energy debts will not be disconnected, irrespective of their accumulated debt. Increasing the amount to \$520 for example, could result in an average energy consumer in NSW accumulating \$693<sup>1</sup> of energy debt prior to receiving a disconnection warning notice. If the customer was located in the Essential Energy network, the accumulated debt could be more than \$1000<sup>2</sup>. We consider that for a customer on a low income, the higher arrears will make sustainable repayment of the debt very difficult.

### **Disconnection for being only one quarterly bill behind**

We note the AER in 2012 considered that 'customers should not be disconnected from an essential service ... for being one quarterly bill behind'<sup>3</sup>. We do not believe that this should be the defining rationale in determining what an appropriate minimum disconnection amount should be today.

In recent years there have been countless forums and consultations undertaken to better understand reasons behind rising disconnections and energy hardship. Almost universally, the difficulty energy retailers face in achieving early engagement with their customers is raised as a key concern for industry and consumer representatives alike. Energy disconnection is a critical final step to ensuring consumers engage and are not allowed to continue to accrue debt. We consider that allowing consumer debts to accumulate to the extent discussed above is unsustainable for both consumers and retailers.

We strongly urge the AER to reconsider whether, in light of this contention and the engagement factors discussed above, the principle that disengaged customers should not be disconnected for only being one quarterly bill behind should be the defining factor in this review.

Red and Lumo thank the AER for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, please call Ben Barnes, Regulatory Manager on 03 9425 0530.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal line extending to the right.

**Ramy Soussou**  
General Manager Regulatory Affairs & Stakeholder Relations  
**Red Energy Pty Ltd**  
**Lumo Energy Australia Pty Ltd**

<sup>1</sup> two quarterly bills for consumers on the median market offer in NSW.

<sup>2</sup> [http://aer.gov.au/system/files/AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market%20201415\\_0.PDF](http://aer.gov.au/system/files/AER%20Annual%20Report%20on%20the%20Performance%20of%20the%20Retail%20Energy%20Market%20201415_0.PDF), page 45

<sup>3</sup> Ibid, at pg 44

<sup>3</sup> <http://aer.gov.au/system/files/AER%20approval%20of%20minimum%20disconnection%20amount.pdf>