Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

16 January 2025

Dear Ms Collyer,

Assisting hardship customers – consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on a rule change request to amend the National Energy Retail Rules to further support consumers experiencing hardship.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet that includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE firmly believes that a robust and dynamic consumer protection framework is essential to maximising positive long-term consumer outcomes while promoting strong and fair competition. However, ENGIE does not support the proposal to require retailers to provide consumers on their hardship arrangements with a credit on their bill to match the amount they would pay if they were on a 'deemed better offer' (the "crediting the difference" mechanism). ENGIE contends that it risks undermining retailers' ability to engage vulnerable customers as well as discouraging consumer participation in the energy market – all while imposing significant costs on retailers without adequate evidence that the reform would deliver a net benefit for hardship customers.

ENGIE also notes that the Essential Services Commission (ESC) is currently consulting on a similar reform to the Energy Retail Code of Practice. Misalignment between the reforms would likely introduce additional compliance risk and increased administrative costs potentially leading to further adverse consumer outcomes.

ENGIE's response to this consultation paper provides detailed commentary on the proposed "crediting the difference" mechanism, with consideration for desired outcomes, costs, benefits, and challenges.

Hardship customers may not be on the deemed better offer

The evidence to support this reform is unclear

ENGIE contends that customers receiving hardship support are likely paying a lower price per kWh than other residential customers. For example, the ESC's *Victorian Energy Market Report* illustrates that customers receiving payment difficulty assistance have consistently paid a lower median price per kWh for electricity compared to other residential customers.[1] This is because customers on hardship programs receive tailored support distinct from standard customer arrangements, including assessing the most cost-effective tariff suited to their needs. As such, it is likely that hardship customers in Default Market Offer (DMO) regions are also paying a lower median price for electricity than other residential customers.

Hardship customers are increasingly able to engage with retailers

ENGIE contends that existing hardship processes are largely effective in supporting hardship customers in engaging with their retailers. Data from the Australian Energy Regulator's (AER) Quarter 4 2023–24 Retail Performance Report indicates that the proportion of residential electricity customers participating in financial hardship programs has increased from 1.0 per cent to 1.9 per cent since the onset of the cost-of-living crisis.[2] While the cost-of-living crisis has largely contributed to this increase, it illustrates that current mechanisms have been largely able to capture customers experiencing financial hardship.

Simultaneous reforms are seeking to understand concerns related to consumer hardship

ENGIE notes that concurrent reforms are already seeking to address concerns regarding whether consumers receive adequate support from their retailers and access to better offers. The AER's ongoing review of payment difficulty protections under the National Energy Customer Framework (NECF) is assessing the effectiveness of current consumer protections while identifying gaps and unintended consequences. ENGIE suggests delaying any rule changes until its findings can be considered, as they may provide further insights to address the underlying objectives of this proposed rule change.

Efforts would be better focused on engaging financially vulnerable customers

ENGIE acknowledges that a cohort of consumers experiencing financial hardship is likely not being captured by current mechanisms. Rather than doubling down on regulation, ENGIE contends that several barriers to engagement identified in the consultation paper, such as literacy and language challenges, could be better addressed by a more holistic and community-centred solution.

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[1] Essential Services Commission, *Victorian Energy Market Report,* 2024. Link.

[2] Australian Energy Regulator, *Schedule 4 – Quarter 4 2023–24 Retail Performance Data.* 2024. Link.

The ESC's *Getting to Fair: Breaking Down Barriers to Essential Services* strategy states that effective engagement is often facilitated through trusted intermediaries or voices, such as financial counsellors, community legal services, and community groups to reflect individuals' circumstances.[3]

As such, in the short term, local engagement through community outreach programs may help target customers who are experiencing financial hardship but are currently not receiving support. For example, Neighbourhood Houses Victoria provided just under 6,000 individuals with energy affordability support during the third round of the Power Savings Bonus scheme, including assistance with energy bill literacy, concession backdating, comparing energy offers, accessing the Utility Relief Grant Scheme and language barrier support.[4] This holistic approach demonstrates community-based initiatives' effectiveness in addressing energy challenges and highlights their potential to support vulnerable customers.

Provision of bill credit to hardship customers who are not on a deemed better offer

ENGIE strongly opposes the proposed rule change to "credit the difference" between a customer's current plan and the deemed best offer. ENGIE contends that this mechanism inadequately addresses the perceived problem while creating additional challenges for retailers and consumers.

The "crediting the difference" mechanism is more complex to implement than it initially appears

ENGIE understands how the "crediting the difference" mechanism might appear a straightforward way to 'build and leverage existing systems' that retailers have in place.[5] While retailers' systems have the capability to provide credits on customer's accounts, such as for overcharges in line with rule 31 of the NERR or credits applied for the Energy Bill Relief program, these credits are typically calculated based on static values and applied on a case-by-case basis.

In practice, ENGIE's system for calculating best offer estimates is not integrated with billing systems, preventing the automated application of variable credits on customer bills. Further complicating this, the best offer system calculates estimated annual savings which is not revenue-grade functionality. To comply, ENGIE would need to develop new infrastructure to link the best offer calculation to billing platforms and create a mechanism to pro-rata the savings for each billing cycle, adding complexity, implementation costs, and heightened compliance risks.

The "crediting the difference" mechanism undermines vulnerable customers' ability to access long-term energy bill savings

ENGIE contends that the "crediting the difference" mechanism would likely limit the benefits of a lower-priced best offer to the duration of a customer's participation in the hardship program. Once a customer exits the hardship program, they would revert to their previous plan, negating the longer-term value of the

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[3] Essential Services Commission, *Getting to Fair: Breaking Down Barriers to Energy Equity,* 2021. Link.

[4] Neighbourhood Houses Victoria, *Annual Report 2022-23,* 2023. Link.

[5] Australian Energy Market Commission, *Assisting Hardship Customers: Consultation Paper,* 2024. Link.

mechanism. This option risks removing any incentive for customers to actively switch to a new offer upon entering the hardship program, as they would receive the same price benefit without taking action. This ultimately undermines efforts to promote engagement and reduces opportunities for customers to access ongoing savings.

Additionally, hardship customers who may have been receiving bill credits could face bill shock upon exiting the hardship program, particularly if they have not transitioned to a permanently lower-priced offer. This could increase the risk of re-entering financial hardship, undermining the intended consumer protections.

Costs and benefits of the proposed solution

Retailer costs to implement and maintain the "crediting the difference" mechanism are significant

ENGIE considers that the rule change proposal's "moderate" cost estimate does not accurately reflect the complexities of retailers' operations and diverse customer cohorts. As described in the previous section, retailers would likely incur significant system costs to build automated billing capabilities, reconfigure billing platforms, update customer management systems, and integrate new data processing functionalities. Given the magnitude of these system changes and the associated costs, a substantive implementation period would be necessary to allow retailers sufficient time to adapt, in tandem with a regulatory grace period to address any unintended errors.

Quantifying the financial value of non-price benefits is complex and differs from customer to customer

ENGIE's experience is that vulnerable customers may prioritise specific features of their energy plans over lower tariffs alone. For example, some customers opt to offset their emissions by paying an additional fee for GreenPower or may prefer a higher feed-in tariff. Additionally, some vulnerable customers value non-monetary benefits such as rewards programs (e.g., movie tickets).[6] ENGIE acknowledges that this is also an issue with the initial design of the AER's automated better offer recommendation.

Implementation considerations

A harmonised approach between the AEMC and ESC would benefit both retailers and vulnerable consumers

ENGIE strongly encourages the AEMC and ESC to adopt a consistent approach to their reforms. ENGIE considers that the worst-case scenario would be for the AEMC to proceed with the "crediting the difference" mechanism while the ESC adopts an alternative approach, such as automated switching for

[6] Uniting, *Game Changer Consumer Workshops,* 2023. Link.

vulnerable customers. Inconsistent regulatory frameworks across jurisdictions would result in harmful consumer outcomes and elevate the risk of inadvertent non-compliance for retailers.

While ENGIE acknowledges that the AEMC is unable to amend explicit informed consent requirements as part of this rule change request, the preferred option may be for the AEMC to recommend the Energy and Climate Change Ministerial Council to progress amendments to the National Energy Retail Law to support a harmonised approach to this reform. This would also align with the AER's preferred implementation, as described in its 2023 Game Changer report.[7]

Concluding remarks

ENGIE looks forward to working actively with the AEMC to support the objective of this rule change while considering the broader regulatory environment, implementation costs, market dynamics and adverse outcomes from the proposed "crediting the difference" mechanism.

Should you have any queries in relation to this submission please do not hesitate to contact me by telephone on 0400 731 274.

Yours sincerely,

Ronan Cotter

Ronan Cotter
Regulatory Advisor

[7] Australian Energy Regulator, *Game Changer Report*, 2023. Link.