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16 January 2025

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

Submitted electronically: www.aemc.gov.au

Dear Ms Collyer,

Re: Assisting Hardship Customers (RRC0060)

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Australian Energy Market Commission (the Commission) on the consultation paper for a rule change proposal in Assisting Hardship Customers.

Red and Lumo recognise the importance of identifying opportunities to deliver better outcomes for hardship customers. The consultation paper notes the various opportunities available to ensure consumers experiencing hardship can potentially reduce their current and future energy bills by taking up the deemed better offer. This is an expectation on retailers under the Australian Energy Regulator's (AER's) Hardship Guideline and co-exists with other consumer protections. Retailers will always have detailed discussions with their customers upon entry to their hardship program and this involves not just pricing but other ways they can reduce their bills. Retailers also provide mechanisms for all of their customers, including those in hardship, to accept a deemed better offer such as through an outbound phone conversation, or at a time that suits that customer, or via email, websites and online portals.

We also note the AER is currently reviewing both the payment difficulty protections in the NECF and the effectiveness of the *Better Bills Guideline,* which took effect in September 2023. Red and Lumo consider there is benefit in considering these reviews together with this rule change proposal to fully understand their impact, including potential opportunities for better outcomes for consumers.

Better offer Non-Engagement

The focus of the proposal is to ensure consumers experiencing hardship receive the cheapest offer available from their retailer. However, our preference is to discuss with our customers what is available to them and then work with them to identify an offer that is best suited to their individual circumstances. This may not necessarily be the deemed better offer.

Upon entering a hardship program, retailers must already discuss the deemed better offer with their customers, along with other offers that might better suit that customer. However, it is possible that some decide not to take up the cheaper offer. It may be because the potential savings are not significant, or because they will lose access to other benefits associated with their market retail contract (for example, frequent flyer points, movie tickets or other vouchers). While these market offers may not be the deemed better offer available, the consumer may consider it is the best offer for their individual circumstances. In addition, some consumers actively choose not to take the time to complete explicit informed consent for what they do not consider to be a substantial saving.

Proposed Solution

Red and Lumo agree that the Commission's crediting approach avoids potential issues of non-compliance for failure to obtain explicit informed consent under the National Energy Retail Law. However, we encourage the Commission to consider how it might influence consumer behaviour and more, specifically, their incentive to continue to work with their retailer both during and after they have left a hardship program. In some instances, the automated credit could discourage some vulnerable consumers from engaging with their retailer, creating a risk that they might fall back into energy debt on completion of the hardship program and when the credit difference no longer applies. One feature of the current approach is that it encourages vulnerable consumers to continue to discuss their circumstances with their retailer, who can then offer appropriate support and discuss alternative offers. It also reinforces explicit, informed consent protections as the consumer can assess a range of options and make an informed choice.

Red and Lumo generally agree there are potential benefits to the proposed solution. Vulnerable consumers who haven't engaged with the deemed better offer will obtain energy savings with the application of a credit to their energy account. However, this might influence how retailers support their customers as it prescribes the specific support they must offer. As a consequence, some retailers may cease to provide other voluntary forms of support for hardship customers that are not mandated in the National Energy Retail Rules or outlined in an approved hardship policy, such as appliance swaps, payment matching or debt write-offs.

The rule change recognises these changes may generate some additional costs. While the Commission notes there are currently processes in place for retailers to calculate the deemed better offer, these calculations are a comparison at a specific moment in time based on previous consumption and do not necessarily align with the credits that the customer would receive. A retailer would also need to determine the eligibility period for the benefit for the purposes of the calculation and determining the credit. This could create customer confusion as there is no clear link between the credits they receive and the deemed better offer message.

Therefore, we encourage the Commission to engage further with retailers to fully understand what would be required to complete a successful implementation of this rule change and how consistent the proposal is with current processes and systems.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro. Collectively, we retail electricity and gas in New South Wales, Queensland, South Australia, Victoria and the ACT to over 1.4 million customers.

Red and Lumo thank the Commission for the opportunity to comment on the draft report. Should you wish to discuss or have any further enquiries regarding this submission, please call Jordan Rigby, Regulatory Manager on 0472 666 261.

Yours sincerely

Geoff Hargreaves
Manager - Regulatory Affairs
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