31 January 2025

Benn Barr
Chief Executive Officer
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Mr Barr,

Assisting hardship customers Rule change – Consultation Paper

Origin Energy (Origin) appreciates the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) Assisting hardship customers, Rule change consultation paper.

We agree that customers facing payment difficulty should be provided with support to assist them to pay off their debts faster and resume normal payment and billing arrangements.

We believe the best way to achieve this would be to establish a hardship tariff to be available to customers on a retailer's hardship program. This could be developed by the AER alongside the DMO, allowing for consultation on the methodology and level of the tariff.

This approach will ensure that all hardship customers have access to the same independently determined price. A deficiency under the proposed Rule change is that it is tied to an individual retailer's deemed best offer. This price will differ across retailers meaning that not all customers will obtain the same benefit. This is not equitable.

A hardship tariff will also remove the operational complexities of the proposed Rule change. For example, if retailers are expected to credit the difference between a customer's current rate and the deemed best offer, credits will be applied using different rates throughout the year with different rates also used for different customers. This will effectively create individual outcomes which will be extremely challenging for retailers to implement and equally as problematic for the AER to assess compliance. A hardship tariff on the other hand will set a single consistent rate for all hardship customers.

While a hardship tariff achieves a workable and equitable solution, it does not remove the broader question of whether support is best targeted through government rebates and other assistance to reduce the end price hardship customers pay or how such costs should be socialised. We recognise these are matters outside of the AEMC's bailiwick, however, we believe there is a broader role for regulators to encourage policy makers to adopt first best solutions.

Origin's views on issues raised in the Consultation Paper are set out below.

Provision of a bill credit

Because retailers have different deemed best offers, the bill credit will be different from retailer to retailer. We do not think this is an equitable solution and it has the potential to create customer confusion and distrust. For example, if a customer switches from one retailer to another the value of their rebate will be different. This will be extremely to a customer why this has happened and challenging for the customer to understand.

The Rule change proposal would require retailers to credit eligible consumers with the difference between the cost of their energy usage on their current plan and the cost of their energy usage on their retailer's deemed best offer. However, this position is predicated on the concept of "cheapest" not "best", which in the eyes of the customer can be two very different concepts.

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Retailers design products and plans to appeal to specific customer needs and segments. For example, customers can access products linked to rewards programs such as Woolworths Rewards. Other products can include a high solar feed in tariff with a lower energy discount and vice versa. In many instances hardship (and non-hardship) customers value these non-price benefits and price differences highly.

Generally, we are concerned that the proposed Rule will be complex to implement and does not fully consider how customers value their energy plan.

It should not be assumed that where a customer's current plan does not equate to a retailer's deemed best offer from a price perspective, that the customer does not prefer their existing product. This is given that quantifying the financial value of non-price benefits is complex and will differ from customer to customer.

Furthermore, the calculation of the difference between current and best offers is not static. For example, a retailer's deemed best offer will change regularly over a twelve-month period. As a result, benefits may differ across customers and for the same customer over time. Furthermore, customers can be rebilled because of substituted data. This can occur because of short term failings in meter communications. In most circumstances the retailer will recalculate and reissue the customer's bill. As a result, under the proposed Rule the bill credit will be inaccurate and would need to be recalculated.

We are also concerned that the proposal to automatically apply credits could have unintended consequences. Our experience has shown that customers, particularly those facing payment difficulties, often disengage if they view credits on bills. This is the reason retailers have moved away from this form of assistance. The most successful engagements tend to occur when the customer actively reaches out to the retailer. In these instances, customers are more likely to engage meaningfully, express concerns, and be open to hardship support or alternative offers.

Origin's proposed alternative

We believe an alternative approach to achieve the Rule change objective would be to establish a hardship tariff to be available to customers in a retailer's hardship program. The AER could derive this hardship tariff as part of the same consultation process as the DMO.

This will allow the AER to consult and consider how the hardship tariff should be calculated and at what level it should be set relative to the DMO. This will also allow the AER to make an objective and transparent decision about how any cross-subsidisation should be considered in the calculation of the DMO.

A hardship tariff will ensure that all hardship customers have access to the same independently determined price. It will also remove the operational complexities in the Rule change proposal, notably how and when to apply credits to a customer's account when deemed best offers are regularly changing.

In terms of implementation, all customers entering a hardship program would be offered the AER determined hardship tariff. Because this is being done at the point of entry into hardship, the customer would be informed and would have the ability to make an informed decision to accept the offer or not.

We recognise that this will not capture all customers initially. To capture these remaining customers, we believe the AEMC ought to consider changes to the Rules so that when a hardship customer continues to consume energy after their contract has expired, they can be assigned to the hardship tariff instead of the DMO (as we have proposed in our submission to retail energy contracts Rule change). This will remove the need for retailers to obtain explicit informed consent.

However, it is important that any mechanism that is applied respects the customer's choice. Specifically, when a customer enters hardship, they can choose not to accept the hardship tariff and stay on their current arrangements.

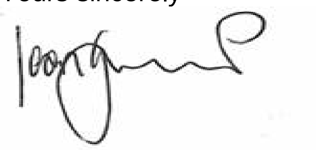
A hardship tariff will also establish a single consistent rate for all hardship customers. This will provide a transparent and consistent regulatory framework that customers are more likely to understand. A hardship tariff makes clear what price a hardship customer will pay – regardless of their retailer. This is more practicable for retailers because they can apply the price in confidence that they will be meeting the regulatory obligations.

It is also important that a hardship tariff does not create an outcome where this assistance inadvertently provides discounts to customers who are not vulnerable. We propose that eligibility for the hardship tariff should apply only to customers who are in a hardship program. We think there is a case to limit this eligibility to hardship customers who are also receiving government financial assistance. This will ensure the tariff is best targeted to those who need it most.

We recognise that we have not provided a fully detailed operating model of a hardship tariff. Notwithstanding, we believe our concept can be considered for further examination and consultation in the AEMC's draft decision.

If you have any questions regarding this submission, please contact me on (07) 3867 0620 or at sean.greenup@originenergy.com.au.

Yours sincerely



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