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Australian Energy Regulator – Consumer Vulnerability Strategy Draft

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AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Regulator's draft Consumer Vulnerability Strategy (the draft Strategy), dated 20 December 2021.

AGL commends the AER's commitment to keeping consumers experiencing vulnerability at the front and centre of the discussion. Particularly, while the energy industry undergoes a period of transformation fuelled by decarbonisation, the rapid shift to renewable energy, the role of two-side energy as well as new and emerging technologies which redefine the way consumers engage with the energy market. The world is closely following Australia's energy journey and the AER's Consumer Vulnerability Strategy and related work demonstrates that our energy markets strive for inclusivity and universal access to the essential services for all consumers.

We are also pleased that the tone of the draft Strategy emphasises that collaboration across the industry and meaningful, timely engagement are key to overcoming the barriers that consumers can face in the energy markets. The AER's draft Strategy diagnoses the causes and effects that certain structures within these markets can have in exacerbating consumer vulnerabilities. The AER also introduces a number of potential tangible action items to address and support the objectives and outcomes in the draft Strategy. This has been a welcome approach and AGL thanks the AER for the opportunity to contribute through detailed responses to the questions put forward in the draft Strategy and through direct engagement with the AER.

As one of Australia's oldest ASX listed companies and providers of the essential services to customers across the National Energy Customer Framework (NECF), Victoria and the west coast, AGL has an extensive history in supporting customers experiencing vulnerability. The insights and observations that AGL shares with the AER are gathered from our experiences with the operation of various regulatory frameworks, including the Victorian Payment Difficulty Framework, as well as our own research, campaigns, and programs, such as AGL's hardship program, Staying Connected, and AGL's COVID-19 Support Program.

Vulnerability is a dynamic, multifaceted issue. While there may be common underlying factors such as illness, poor energy literacy, digital illiteracy, loss of income, displacement or family violence, these factors manifest differently in each customer, therefore, how each customer is impacted, and which support they will ultimately require may also be different. Due to the competitive nature of the electricity and gas markets, the customer-retailer relationship, in essence, will underpin the AER's Consumer Vulnerability Strategy and we observe that most of the action items, outcomes and objectives, are inextricably linked to the conduct and performance of energy retailers. To this end, there should be a pronounced focus in the draft Strategy on promoting early and effective customer engagement with the essential services, and promoting meaningful, long-term collaboration between industry, community, and government.

AGL also puts forward a number of principles which we believe will be central to the success of the AER's Consumer Vulnerability Strategy:

a. Addressing the role of governments to provide adequate/appropriate income support to those in financial distress, both long-term and short-term.
b. Supporting an environment that promotes and encourages customer engagement.
c. Industry, community, and government collaboration.
d. Establishing knowledge sharing arrangements within and between industries/community sector.
e. Allowing for testing and piloting different approaches without the threat of regulatory intervention by expanding the focus of sandboxing arrangements to test and pilot different approaches and introducing regulation only when other options have been exhausted.

We explore these principles and provide AGL's responses to the AER's questions in the attached Appendix.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at vkalpakidis@agl.com.au.

Yours sincerely,

Elizabeth Molyneux

General Manager, Policy and Market Regulation

AGL Energy

Appendix

Consultation Question	AGL response
Language/terminology	
Recognising that some consumers would not identify with or respond positively to the use of the term 'vulnerability', do stakeholders have insights about consumer preferences for the type of wording or language the AER could use?	Essential service providers operate within complex regulatory frameworks, legal obligations, consumer protections and licensing requirements that often impose artificially constructed views of consumer vulnerabilities which are not necessarily reflective of community expectations. AGL does not believe there should be a focus on defining vulnerability and then tailoring regulatory interventions towards addressing these vulnerabilities. Rather, the government, regulators, industry, and community groups should work collaboratively on sharing experiences and learnings to develop, tailor, and improve support for customers who engage with their retailer. This approach, we believe, will lead to the development of more effective strategies and policies that assist customers in overcoming barriers when accessing services and support in the energy market. Overcoming the barriers which arise from vulnerable and disadvantaged circumstances is better framed in terms of "*what support does the customer require and how can it be delivered in a way that is timely and meaningful to the customer?"* Does the customer need financial relief? Is the customer experiencing circumstances that mean they require additional account security measures? Can a product, service or price structure be delivered and explained in a way that resonates with the customer's needs and preferences? By focusing on assisting the customer to access the service, product, or support measures through tangible actions with defined customer outcomes, the resulting customer experience will be less stigmatising, unintrusive and universally inclusive.

AGL has concerns about the AER's definition of consumer vulnerability as we believe it incorrectly captures the relationship between the energy markets and consumer vulnerability. The AER proposes that characteristics of the energy market give rise to a vulnerability in the consumer or that certain market characteristics can put the consumer into vulnerable circumstances. AGL disagrees with this conclusion, noting that markets on their own cannot spontaneously create vulnerability within a consumer, but rather, the interaction between the customer's existing or underlying characteristics and some aspects of the market can exacerbate the customer's vulnerability or disadvantage.

Further, the proposed definition is inconsistent with consumer vulnerability definitions found in other literature and international jurisdictions, including Ofgem's definition which we understand the AER considered when developing the Strategy draft.[1] AGL considers that Ofgem's definition of consumer vulnerability more accurately reflects the interrelationship between a consumer experiencing vulnerability and the energy market, as being:

> *"when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:*
>
> - *significantly less able than a typical domestic consumer to protect or represent his or her interests; and/or*
> - *significantly more likely than a typical domestic consumer to suffer detriment or that detriment is likely to be more substantial."* [2]

[1] Ofgem, Consumer Vulnerability Strategy, October 2019.
[2] Ibid, p7.

This definition is more holistic in that it appropriately considers a number of factors, including:

- The causal connection between the customer's personal circumstances and characteristics and aspects of the market, including how the two interact to create potential harm or detriment to the consumer.
- It correctly reflects that characteristics of the energy market on their own cannot create vulnerabilities but rather exacerbate existing vulnerabilities.
- Ofgem's reference to "a typical domestic consumer", is particularly important in this context. The AER's definition does not make this distinction as it only proposes that the customer is "less able to protect…" or "more likely to suffer detriment" but does not identify compared to which customer cohort.

AGL strongly believes that the provision of support should be, simply put, binary. The customer either requires additional support measures at the time they engage with their retailer, or they do not. The decisions to assist and support the customer should not depend on whether they identify as being vulnerable or experiencing vulnerability, therefore, the underlying causes for seeking assistance should not be a key consideration when the customer requires access to those measures.

It is also important to address the subjective nature of vulnerability from the perspective of the consumer, and whether they identify or wish to be identified as 'experiencing vulnerability' or disadvantage. Removing the title of vulnerability or forms of vulnerability is likely to remove the stigma of being considered vulnerable or disadvantaged for customers and therefore likely to encourage them to engage the retailer for a service that is based on their current personal circumstances without being 'labelled'.

Messaging to customers

AGL includes messages in communications to customers to offer help and support, including in "Our commitment to customers[3]", "[w]*e understand that sometimes life can throw challenges your way. We will provide extra support when you need it."* This wording is deliberate and acknowledges that any customer at different points in their life may need some extra support and so our statements are framed to reduce any stigma around asking for help. Another messages we frequently use is **"**We're always here to help."

Objective 1: Improve identification of vulnerability	
The AER is interested in understanding whether stakeholders already use a set of indicators to identify customers who may be experiencing vulnerable circumstances. What factors should we consider in developing this toolkit? What else could the AER do to recognise and support industry participants who are providing effective early intervention? If you have insights, an existing list of indicators you would like to share with us, or are interested in being involved in contributing to the development of the toolkit, please reach out to our team	AGL uses early predictive indicators to identify customers who may require financial support measures through on a combination of technology-based solutions and agent processes, AGL's Early Predictive Hardship program draws upon several account indicators to proactively identify in AGL's IT systems, customers who may be experiencing difficulty paying their account. Customers identified through this method are sent information about enrolling into AGL's hardship program, Staying Connected, and ways in which AGL can offer sustainable payment support to customers when they need it most. Some of the indicators already used by AGL are consistent with those put forward by the AER in the draft Strategy[4] and are sufficiently broad so in most instances these indicators capture customers that miss the pay-by date of their bill. AGL also has internal processes, scripting, and tools to assist customers who contact the retailer directly. Often conversations about bill shock or high bills mask underlying affordability problems in

[3] AGL Energy, Our commitment to customers – What you can expect from us as an AGL customer.

[4] The AER proposes "missed payments, payment reduction requests and levels of debt" as some indicators that retailers can use to activate early conversations with customers: AER draft Consumer Vulnerability Strategy, December 2021, p 18.

customers. Service centre agents are trained to identify where customers require payment support, however, most commonly customers self-identify as requiring financial relief or additional protections.

AGL does not believe it is appropriate for Customer Service agents to make process-driven social welfare judgements about consumers' personal circumstances. It is important that customers retain agency to represent their best interests, and there may be times where making assumptions about the customer's circumstances may be considered intrusive and unwelcome. Below, we share our experience on how consumers may be impacted:

Vulnerable Customer – Ombudsman Complaint

The customer had lodged an unrelated complaint with an energy ombudsman scheme.

During the dispute resolution process, AGL was advised by staff of the ombudsman that they believed the customer to be experiencing financial abuse. AGL was instructed by the ombudsman to apply additional protections on account of being identified as a customer experiencing vulnerability.

The customer was dissatisfied that additional controls had been applied to their account and requested for these protections to be removed. The customer advised that they would be lodging a new complaint with the ombudsman in relation to being classified as 'vulnerable'.

AGL subsequently removed the additional account security measures.

AGL's data shows that early predictive services generally receive a very low response rate from customers. [redacted]

Retailers are motivated to contact customers early in their billing cycle as it improves cash flow and therefore, costs-to-serve. AGL will attempt to directly contact all customers at the earliest stage of the billing cycle, sometimes as early as two days after the missed pay-by date, and then at various points throughout the cycle. In this respect, AGL takes a blanket approach and assumes that all customers who miss a bill due date may be experiencing vulnerability, and therefore, all customers are entitled to access additional support measures and relief.

AGL's experiences show that customer disengagement from the process aggravates and contributes to a growing debt problem across all jurisdictions. To date, the regulatory process has focused on introducing new obligations on retailers to communicate and encourage customer engagement. We believe the draft Strategy should also explore options to educate and promote customer reciprocity and willingness to participate and engage in meaningful discussions on managing their energy account and seeking out support where the customer may be experiencing difficulties paying their account.

AGL observes that the AER has included "living with mental and physical illness" as a potential indicator for its proposed toolkit. While agents are instructed to recognise illness as a cause of payment difficulties, the AER must remain cognisant that frontline customer service staff are not trained medical professionals and it would be inappropriate and intrusive for agents to discuss the customer's medical status on the assumption of potential vulnerability. Further, there are significant privacy implications in capturing sensitive customer information, including that it may only be collected with the customer's explicit consent. AGL does not believe it to be appropriate to record medical and other types of sensitive information on the customer's energy account outside of circumstances whereby the customer is seeking to apply for life support protections.

The energy retail industry would benefit from the AER developing, in collaboration with industry and the community sector, a customer engagement toolkit, or online information portal focused on promoting effective, early, and respectful two-way dialogue between customers and retailers. The centralised multi-lingual information hub, managed by the AER could be a trusted source of information to which all retailers could refer customers, and which outlines:

- Consumer rights and responsibilities, including what kind of assistance the customer is entitled to from their retailer, for example, enrolment into the hardship program, family violence protections, home energy audits, appliance replacement, tariff review, etc.
- The importance of customers remaining in contact with their energy retailer if they need help and talking about what help the retailer is able to provide; as early as possible.
- How retailers can best engage customers experiencing vulnerable circumstances that combines industry and cross-industry experiences and formulated with participation from various consumer advocacy and financial counsellor groups. This could involve lived experiences, customer perspectives, and consumer testing to develop the best approach to early engagement, especially for chronically disengaged customers.
- How to claim concession entitlements for customers and jurisdictional relief grant schemes, including a potential self-service function synchronised to the Services Australia database.
- Family Violence support service referrals and resources.
- Referrals to accredited financial counsellors and other support services which are local and accessible to the customer.

	• How to contact, or respond to contact, from their energy retailer when a customer has fallen into debt or is facing uncertainty in their circumstances. • Information for customers on breaking the debt cycle.
Objective 2: Reduce complexity and enhance accessibility for energy consumers	
Should the AER's Retailer Report Cards be extended to report on quality-of-service metrics? How would this information best be presented to consumers? What costs and other considerations are relevant?	AGL's observation is that the AER has not sufficiently defined what constitutes complexity for the customer (or provided a distinction between complexity as it applies to a typical consumer compared to a vulnerable consumer), in order for mechanisms to be put in place that can alleviate such complexity or reduce the cognitive overload that customers perceive when engaging with the market. Prior to uplifting the existing Retailer Report Cards, the AER should collate and publish: • data relating to the foot traffic on the current Retailer Report Cards since the year they were introduced, including an assessment on whether there is a steady decline or increase over time in customers accessing this information. • the current foot traffic on Energy Made Easy. • clear and defined targets that the AER wishes to achieve, including projections on what it expects the reach of the new Retailer Report Cards to be. AGL recommends that the AER's initial focus should be on optimising the accessibility of the current Retailer Report Cards. For example, the top results from a quick Google search of key terms such as "AER Retailer Report Cards" do not link a consumer directly to the AER's Retailer Report Card PDF document, but rather the AER's Annual retail market reports landing page. The

AER will be aware from BETA's research how small friction costs such as clicking a link to open a PDF can deter customer engagement and reduce customer comprehension.[5]

While the current Retailer Report Cards already contain useful metrics for comparing retailer performance, we question whether this information is desirable for the typical customer and even more so for a customer experiencing vulnerable circumstances. Consumers who would most likely benefit from the AER's 'improved' Retailer Report Cards, are unlikely to be the same customers who frequent Energy Made Easy. Customers in acute financial distress or who are experiencing entrenched financial problems are more likely to be focused on issues requiring their immediate attention to reduce or pay off their outstanding account.

AGL also notes that the proposed new indicators listed by the AER such as clarity of billing and effectiveness of the retailer's online and phone assistance are elements which are subjective in nature and would be difficult to compare from retailer-to-retailer. It would necessarily rely on a person, or group of people (likely staff of AER) to assess different retailers' collateral, services, and resources from the lens of their own personal consumer preferences. This approach does not adequately factor in real life customer experiences and personal history, the impact of the customer's vulnerability on their decision making, the intrinsic value of some services provided to customers that may not be part of the retailer's product offering, and what services or features consumers truly value at different points in the consumer lifecycle.

Notwithstanding, AGL is supportive of the AER using existing performance indicator reporting metrics to create an enhanced comparison experience. We understand that the AER will soon commence reviewing the existing performance indicator requirements. However, AGL cautions the AER that substantial changes to existing definitions, terminology, or scope of the already complex performance reporting requirements, will unavoidably contribute to increased costs-to-serve in the

[5] Australian Energy Regulator, *Draft Better Bills Guideline, Notice of Draft Instrument*, 20 December 2021, p 46.

NECF states. We do not anticipate that consumer sentiment towards new and improved Retailer Report Cards would be positive if customers also knew that they would bear the cost of the changes.

Objective 3: Strengthen protections for consumers facing payment difficulty	
Do stakeholders see merit in implementing a payment difficulty framework for the NECF? What are the risks and opportunities, costs, and benefits? What consumer and market outcomes could a NECF payment difficulty framework focus on?	The Victorian Payment Difficulty Framework (PDF) is an alternative regulatory framework for retailers to offer support and payment plans to customers experiencing payment difficulties through the billing cycle. While the ESC is currently conducting a review of the success or otherwise of the framework, AGL's own experience and analysis shows that the PDF has not resulted in any significant improvements in customer outcomes. Rather, we believe in some performance measures (i.e., debt accumulation), the PDF has deteriorated consumer outcomes to the economic and social detriment of those impacted. Throughout the 2021-2022 review of the PDF, AGL had demonstrated to the Essential Services Commission (ESC) the findings and insights from an independent report undertaken by Alviss Consulting which compared outcomes between NECF customers and Victorian customers under the PDF. While AGL is set meet with the AER to present these outcomes after the consultation period for the draft Strategy closes, AGL encourages the AER to consider our previous submission on the PDF[6] which addresses some of the key issues with the Victorian PDF. Specifically, that: **Debt levels continue to rise exponentially for customers receiving tailored assistance:** A combination of protracted payment plans, low repayment instalments and a limited capacity for customers to reduce their energy consumption are contributing to a growing debt problem in Victoria, especially for customers who cannot afford to pay for ongoing usage.

[6] AGL Energy, Submission to the Essential Services Commission - Payment Difficulty Framework Review, 30 November 2021.

Revocation rates for payment plans are the highest in Victoria: Despite a growing number of payment arrangements where the customer repays below what they consume in a standard billing period, between 40-50% of all payment plans established in Victoria are broken due to customer non-compliance. In comparison, South Australian customers had the lowest payment plan revocation rates at 17%.[7] Other NECF states also recorded comparatively low compared to their Victorian counterpart.

Disconnection rates remain lower in the NECF states than in Victoria: While using "disconnections as a measure of last result" is one of the three strategic objectives of the PDF, there is no widespread evidence that retailers are (or previously were) systemically non-compliant in their disconnection practices before the introduction of the PDF. AGL observed a decline in the number of disconnections in 2019 when the PDF came into effect, as compared to the previous year in 2018. However, after the moratorium on disconnections ended in Victoria on 2021, the disconnection figures are steadily increasing tow**ards** pre-PDF levels.

Regulatory obligations on retailers will not assist customers to reduce their energy consumption: The independent report revealed that 47% of Victorian customer accounts analysed had managed to reduce their energy consumption by an average of $130 on their annual bill, while 47% increased their consumption by the same amount while receiving tailored assistance (where the customer cannot afford to pay for ongoing usage). 6% of customers made no impact at all on their energy usage.

Customers who actively participated in AGL's home energy efficiency audits, appliance replacement and other energy efficiency programs and pilots were more likely to reduce their

[7] The analysis compared payment arrangements established in South Australia and Victoria for the year 2019.

consumption compared to other tailored assistance (who could not pay for ongoing usage) customers. However, this is indicative that this customer cohort has limited capacity to reduce their energy consumption, so any reduction is proportionately low compared to overall usage.

Additional research into our hardship customers revealed that for those customers whose consumption increased during this period, the customer's personal circumstances often did not provide any scope for energy efficiency and/or financial counselling support to improve their circumstances as these customers are often:

- Single and low income;
- More likely to have dependants; and
- In public or rental property with poor energy efficiency ratings and therefore the scope for energy efficiency improvements is limited.

These characteristics further reinforce that without government intervention, a regulated hardship framework (whether PDF or NECF arrangements) cannot resolve acute payment difficulties, inefficient housing standards and chronic disengagement.[8] Rather, as we outlined under Objective 1, we require a more holistic and non-regulatory approach where governments, industry (as well as across various sectors) and community sector work collaboratively to share knowledge and experiences in developing a central portal toolkit that provides information to customers that will assist them to engage with their retailer. Building more regulatory obligations does not and will not support customers who face vulnerabilities due to broader economic, health, housing, and social circumstance.

[8] AGL submission to the ESC PDF Review, p10.

Chronic customer disengagement limits the effectiveness of any regulated hardship framework: Disengagement, rather than debt, is the most pronounced barrier to early intervention and establishing sustainable payment solutions. Without initiating or responding to two-way, meaningful dialogue between customer and retailer, customers will fall deeper into to the debt-disconnection cycle. Customers receiving tailored assistance in Victoria are more likely to establish "set and forget" payment plans where the customer repays debt through instalments which are significantly below their average consumption and stop engaging with their retailer. This results in the customer accumulating higher-than-average arrears while energy retailers are often unable to change this trajectory until the customer contacts the retailer or ceases paying.

There is no evidence to suggest that the PDF outcomes are materially better than those in the NECF framework: We encourage the AER to undertake a data-driven, quantitative analysis against a set of clearly defined, tangible objectives to identify which outcomes are unsatisfactory in NECF, compared to the Victorian PDF equivalent and whether a VIC-style PDF is the most appropriate mechanism to improve those outcomes.

Some elements of the PDF make sense: AGL supports the universal provision of information on available support measures to customers after a missed bill pay-by date. The customer's entitlement to access payment support from when they first accumulate debt ($55 threshold) can promote early intervention in willing customers. AGL has largely adopted these commonsense principles for all of its customers.

While both the AER and ESC issued Statements of Expectations during the lockdown period of the COVID pandemic**, the PDF framework (as opposed to the NECF framework) was shown not to be flexible enough to support customers** with the ESC making a number of additional, short-term regulatory changes to the Energy Retail Code to allow for the necessary flexibility to enable retailers to provide fit-for-purpose support during the changing circumstances.

The PDF is costly: [redacted]. Implementation of a PDF-style framework in NECF will not be a simple matter of "cutting and pasting" existing processes and systems logic from VIC across the NSW, QLD, and SA. [redacted] Importantly, we do not envisage any discernible consumer benefits, but based on our analysis, these costs are highly likely to result in worse consumer outcomes.

Do stakeholders support the AER exploring options around improved engagement between energy businesses and consumers at risk of disconnections, such as knocking before disconnection? Are there other alternatives, options or practices that energy businesses are using to provide supports in this area? Do stakeholders support the idea of a further disconnection threshold review at this time

Disconnection Warning Notices & Engagement

Disconnections are considered a last resort action in the energy sector given the essential nature of energy. This notion is supported by the regulatory process that outlines minimum communications and activities a retailer must carry out to support a customer to pay their bill before arranging a de-energisation for non-payment.

Below is a 'typical' AGL process that shows the efforts we undertake to communicate and seek customer engagement. The disconnection only occurs following a period of over 30 to 40 business days and involves a dozen contact points (both as required by regulation and additional measures we undertake) to the customer. The timeline demonstrates the numerous engagement opportunities throughout the process:

[redacted]

In AGL's experience, the AER's and the ESC's moratorium on disconnections had a profound and lasting impact on customers' access to AGL's financial support measures. When the moratorium was lifted and disconnections resumed, AGL made the following observations on the role of the disconnection warning in encouraging customer engagement:

1. Customers disengaged when the words ‘disconnection warning’ were removed from communication notices during the moratorium period.
2. There is a customer engagement benefit from disconnections that are initiated, but which are cancelled by retailer before completion.
3. There was a sharp increase in customers accessing payment difficulty support once disconnection warning notices resumed.
4. The resumption of disconnection warning notices resulted in a reduction of customer debt levels through more customers engaging and seeking payment plan, hardship, and other support services.

[redacted]

Knock Before You Disconnect

There has been strong support for the concept of ‘Knock Before You Disconnect’ (KBYD) as a way to warn customers of an imminent disconnection and encourage them to engage with their retailer. Trials run by network businesses to date have measured success by the number of stopped disconnections but have not tracked other important metrics to understand what happens after a cancelled disconnection, such as customer debt levels in six and 12 months, for example. AGL has participated in a number of these trials and observed that while the visit can result in a higher number of stopped disconnections, for many customers the disconnection still happens down the track but after more debt has been accrued.

In pursuit of ways to drive earlier engagement with customers who needs support, AGL developed and ran a pilot with SAPN in February 2022 to assess the impacts of KBYD visits conducted earlier in the disconnection process. In the Disconnection Prevention Visit, SAPN visited the customer a number of days after the disconnection warning notice was issued rather than a few days prior to the d**e-**energisation. This was around ten days earlier than in the other trials. During these trials, representatives carrying out the visit would leave a flyer to warn customers that their energy would be imminently disconnected and offer information on a broad range of assistance options available, such as ConnectEd a support service to help keep people connected to energy, water and communications, the National Debt Helpline, support numbers for small businesses, rural support, gambling help and Mob Strong support. The reverse of the flyer also contained the key message translated into the ten most commonly spoken languages in the SAPN network.

Initial results from the pilot have been promising in a number of metrics including payments received or payment arrangements made, number of customers who avoided a ‘best endeavours’ communication within seven business days, and the total number of disconnections averted compared to the control group (which followed the standard process). AGL’s analysis is still in the early stages, and we do not yet have visibility of data such as the number of payment arrangements that will be successfully completed in six months and beyond, the long-term percentage variation to customer debt levels, adherence to payment plans and number of attempted disconnections as well as the impact on the wellbeing and safety of representatives carrying out in-person visits.

Concerns raised during this and other trials include:

- Issues around customer identification and protection of personal information of the account holder.
- Family violence situations.
- Whether it is generally appropriate for staff of retailers, or acting on behalf of the retailer, to attend the customer's premises. The ACCC's debt collection guideline for collectors and creditors recommends that "Personal or 'field' visits generally be considered as an option of last resort" [9] while the AER is investigating in-person-contact as an additional engagement step
- Customers can view in-person visits as harassment and intimidation, regardless of the information provided on additional support measures available
- Potential for fraud by people 'acting' as agents of the industry to demand immediate payment.

Disconnection Threshold Review

AGL considers any change to the disconnection threshold has to be based on a detailed analysis to understand and appropriately balance the impact of the de-energisation versus the impact of consumers accumulating higher average debts.

[9] Australian Competition and Consumer Commission, *Debt collection guideline for collectors & Creditors*, 13 April 2021, p16.

	Our experience is that the disconnection action, while a last resort measure, is an effective tool to generate customer engagement including to access to available support measures. Any increase in threshold must be considered in the context that those who engage at the disconnection stage of the billing cycle will do so with a higher level of debt if the threshold is increased. This raises questions regarding whether remediation will be as effective, and the likelihood of rehabilitating a customer with higher debt and whether those who do engage at this point will continue to do so with higher debt. AGL believes the AER should focus its resources as a priority on the aspects of their draft Strategy that improve customer engagement at the start of the billing cycle rather than the end. Once those measures have been put in place and assessment has been undertaken on how they impact consumer outcomes, the AER can later revisit if there is a need to review the disconnection threshold.
Are vulnerability impact assessments an approach that other sector participants should incorporate into their decision-making processes? We would like to learn from organisations that currently consider these impacts.	AGL believes this is a positive proposal and we recommend the AER not only develop a vulnerability impact assessment but rather the AER conduct a holistic cost benefit assessment. We observe that currently the AER has no legal or regulatory obligation to consider consumer impacts in their decision making along the same lines as the Australian Energy Market Commission (AEMC) through the National Energy Objective. Currently, the AER is required to create an instrument (such as a Guideline) under the NERL or NERR, while the NERR sets out under Part 12 the Retail Consultation Procedure that the AER must follow. The AER also follows this consultation procedure when seeking to amend Guidelines.[10] However, there are no rules relating to the tests that the AER must apply or what outcome the AER should seek in the making and amendment of regulatory instruments, like

[10] This is referenced in AER guideline consultations, see for example: 2018 RPIG consultation, p.4.

	Guidelines. There is no requirement for broader economic considerations, impacts to investment, competition, or the market or how these balance with any proposed benefits to be delivered to consumers. Hence, AGL encourages the AER to consider approaching the AEMC to introduce a rule change that will codify best regulatory practice requirements on the AER to help provide consistency and a clear set of expectations within the energy industry. This should include undertaking a holistic cost-benefit analysis to ensure that any proposed benefits for customers (including those experiencing vulnerability) are appropriately balanced against costs or impacts to innovation, competition, and broader market implications.
Are there other decisions that the AER currently makes, or assessments that the AER currently undertakes, in which we should consider benefits to consumers experiencing vulnerability?	AGL proposes that the AER also look at arranging regulatory sandboxing exercises which can test new approaches to modernise the credit regulations. AGL can assist the AER in developing the parameters of such sandboxing arrangements, as well as other stakeholders such as consumer advocacy groups, policymakers and representatives from other industries could help inform the AER's approach. For example, the sandboxing arrangements could seek to test different consumer behaviour and outcomes through innovative new approaches and assess: - How different customer cohorts might behave during a longer or shorter collections cycle. - The impact of less or more regulated correspondences and/or contact attempts from the retailer to the customer. - The impact of using only alternative methods of communications, such as push notifications, My Account portal, digital engagement.

Objective 5: Balance affordability and consumer protections by minimising the overall cost to serve where possible

Do stakeholders see merit in a broad review to identify regulations and protections that have become redundant or unnecessary over time, as well as opportunities to promote consistency and reduce cost to serve across jurisdictions? Are there regulations that stakeholders consider should be particularly targeted for review due to their cost-to-serve implications? What regulations can be reviewed or removed while still maintaining and improving consumer outcomes?

Hardship Policy Regulations

AGL has observed the disproportionate weight and emphasis that the AER places on retailers' regulated Hardship Policies. AGL was recently subject to extensive audit questions, for example, on how it notifies the customer of the existence of the Hardship Policy and the number of customers that request access via AGL's Customer Service. AGL can unequivocally say that customer's do not seek access to the Hardship Policy document. The document, whether a PDF or physical copy, is simply not sought by customers.

In our experience, customers experiencing financial vulnerability, are more likely to seek what support is available through AGL's other online resources, through their bill or mid-cycle Energy Insights alert, reminder notices or in most instances, engage directly with us to discuss payment plans, extensions, and enrolment into the hardship program. This type of information is almost exclusively best delivered directly to the customer in a way that relates to their energy account and resonates with the customer.

Maintaining, publishing and periodically reviewing a Hardship Policy document is not an insignificant feat. It requires substantial resources from both a regulatory compliance and operational perspective, for an artifact that consumers fundamentally do not access.

AGL encourages the AER to revisit the Hardship Policy obligations under the National Energy Retail Law and Rules to identify opportunities to simplify the policy requirements and place more emphasis on the provision of support rather than the maintenance of a document.

Enablers of success

How can the AER and stakeholders best learn from each other, and embed understanding and consideration of vulnerability across our organisations and in our everyday systems?	As we propose in our response to Objective 1 relating to the identification of vulnerable consumers, the AER can foster a collaborative industry environment and continuous knowledge sharing of experiences and insights a centralised information hub or customer portal. The AER can continue to develop and update the available resources to reflect evolving best practice principle on dealing with vulnerable consumers and share consumer experiences.