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Attention: Mr Mark Feather
General Manager – Policy
Australian Energy Regulator
By Email: ConsumerPolicy@aer.gov.au

18 June 2025

Dear Sir,

Draft Decision – Review of the Minimum Disconnection Amount

AGL Energy (**AGL**) welcomes the opportunity to provide responses to the consultation questions posed by the Australian Energy Regulator (**AER**) in the abovementioned Draft Decision (the **Draft**).

AGL recognises the critical need to ensure that appropriate consumer protections are in place to govern the use of disconnections for non-payment. The National Energy Retail Law (NERL) and National Energy Retail Rules (NERR) provide a framework in which disconnections can be lawfully undertaken by energy retailers as a measure of last resort. Disconnection for non-payment is a necessary mechanism – when used responsibly and compliantly – to manage and support the reduction of customer debt. Evidence shows they often result in engagement from customers who would otherwise not engage with their energy retailer. The minimum disconnection amount is an important safeguard within the framework and any discussion around its design warrants careful consideration of the appropriate consumer outcomes the threshold seeks to deliver.

In relation to the Draft, AGL's high-level positions are:

1. AGL supports the proposed \$500 minimum disconnection amount.
2. However, the principle that a minimum disconnection amount should be aligned to the value of a quarterly energy bill is outdated, no longer fit for purpose and does not support positive consumer outcomes.
3. Instead, the minimum disconnection amount should be determined having regard to customer affordability through alternative measures such as delinquency or non-payment rates to identify the appropriate threshold at which customers cannot pay and/or cease to engage.
4. AGL increased its minimum disconnection amount for NECF jurisdictions in July 2024 and has observed that customer behaviour worsened - payment rates dropped, disconnection warning notices increased, and overdue debt aged significantly.
5. The prevalence of monthly billing will mean that customers will increasingly become overdue on multiple bills before becoming eligible for disconnection for non-payment. This will increase retailer cost-to-serve (debt collection costs) and may actually *increase* the likelihood of some customers being disconnected.
6. AGL supports a responsive approach to reviewing the minimum disconnection amount, based on clear evidence of affordability challenges rather than fixed time intervals. AGL opposes linking reviews to inflation, indexation, or annual price changes.

AGL's detailed responses to the consultation questions are contained within Appendix A attached herewith.

If you have any questions in relation to this submission, please contact Liam Jones on ljones3@agl.com.au.



About AGL

At AGL, we believe energy makes life better and are passionate about powering the way Australians live, move, and work. Proudly Australian for more than 185 years, AGL supplies around 4.5 ¹ million energy, telecommunications, and Netflix customer services. AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL operates Australia's largest private electricity generation portfolio within the National Electricity Market, comprising coal and gas-fired generation, renewable energy sources such as wind, hydro and solar, batteries and other firming technology, and storage assets. We are building on our history as one of Australia's leading private investors in renewable energy to now lead the business of transition to a lower emissions, affordable and smart energy future in line with the goals of our Climate Transition Action Plan. We'll continue to innovate in energy and other essential services to enhance the way Australians live, and to help preserve the world around us for future generations.

Yours sincerely,

A handwritten signature in black ink that reads 'Liam Jones'.

Liam Jones
Senior Manager Policy and Market Regulation

¹ Services to customers number as at 31 December 2024.



Appendix A – AGL’s Responses to Consultation Questions

1. *What are your views on how we have considered evidence on inflation and energy costs?*

Summary of AGL Position

- AGL supports the proposed \$500 minimum disconnection amount.
- The principle that a minimum disconnection amount should be aligned to the value of a quarterly energy bill is outdated, no longer fit for purpose and does not support positive consumer outcomes.
- AGL does not take major issue with the AER’s economic analysis of energy costs but asserts that a more appropriate measure is the *affordability* of those energy costs rather than the arbitrary costs themselves.

AGL supports the proposed \$500 minimum disconnection amount but disagrees with the use of average quarterly energy costs as the determinant of the appropriate threshold. AGL argues that this “long-standing principle”² is both unsuitable and inconsistent with its stated intention of “strengthen(ing) payment difficulty protections for all customers and better support(ing) the principle that disconnection should be a last resort”³. An average energy bill amount is, in isolation, an arbitrary value that fails to consider the inherent or underlying affordability of that energy bill and/or the risk of disconnection faced by consumers. AGL will elaborate further on these considerations and alternative methodologies in response to Question 2 below. AGL’s objection is relevant to the use of this methodology for the ongoing determination of the appropriate threshold as considered in Question 6 below.

AGL also recognises the behavioural economics research cited by the AER. While we do not take issue with observations around consumer perceptions of factors such as round numbers, we do question the relevance of this to consumers who are at risk of disconnection for non-payment. We question whether consumers have any interest, or if there is any value in consumers being able to memorise or recall the minimum disconnection amount. In reality, the most pressing concern for an impacted customer will be whether they are at risk of having their power supply interrupted and not the underlying regulatory mechanism for enlivening that scenario. Retailer collateral such as disconnection warning notices adequately convey this risk. For example, analysis undertaken by AGL showed the relative impact of a notice threatening the possibility of disconnection as compared to an ‘urgent action’ notice (which did not mention disconnection). The absence of disconnection as a consequence of non-payment resulted in a 25% decrease in customer action (making payment or accessing payment support).

For the reasons set out above, AGL does not propose providing any further feedback on the AER’s economic analysis around the movement in energy costs, consumer price index or inflation.

2. *What other evidence or analysis should we consider in making our decision?*

Summary of AGL Position

- Instead of using average energy costs as the determinant of the minimum disconnection amount, the AER should consider alternative measures such as delinquency or non-payment rates for customer bills to identify the appropriate threshold at which customers cannot pay and/or cease to engage.

² Australian Energy Regulator (AER), [Review of the Minimum Disconnection Amount – Draft Decision](#), 15 May 2025, p 3.

³ Ibid, p. 2.



Further to our response to Question 1 above, AGL argues that a more appropriate approach is to consider customer affordability and engagement relative to debt levels and/or debt age. The intent of the threshold should be to support customers experiencing payment difficulties. Inherent in this is the critical role of ensuring that customer debt levels do not increase to unsustainable or unmanageable levels. There is a risk that if the minimum disconnection amount is increased, it will have little impact on customer behaviour and disconnection risk – disengaged customers who ignore retailer contact at the *lower* threshold are unlikely to respond any differently to retailer contact at the *higher* threshold and in fact, their likelihood of responding may *decrease* as they are less likely to afford the higher debt. Furthermore, some customers who may have otherwise paid may willingly choose to alter their behaviour and not pay due to the absence of consequences for non-payment. AGL remains concerned that these customers will still inevitably be disconnected, albeit with higher accumulated debt, making the ability to support their recovery even more difficult. While disconnection should absolutely remain a measure of last resort, this should mean ensuring all reasonable or required steps are taken to support the customer rather than simply waiting until it's too late.

The AER notes in its Draft that the practical guidance contained within the *Customer Engagement Toolkit*⁴ should “significantly reduce the risk of any unintended consequences”⁵. While AGL is supportive of the excellent recommendations contained within the *Toolkit*, we note that AGL is already seeking to engage with customers as early and effectively as possible. In this regard, we note that irrespective of whether a customer's debt balance is above or below the minimum disconnection amount, they will receive the maximum amount of engagement as permitted by the Australian Competition & Consumer Commission's *Debt Collection Guideline for Collectors and Creditors*⁶.

Furthermore, AGL notes that it unilaterally increased its minimum disconnection amount in July 2024 and has been able to track the customer impacts of that change. These included:

- a. **Increased rates of non-payment:** AGL monitored customers who received a disconnection warning notice at the \$300 threshold and compared the behaviour of these same customers when they later received subsequent disconnection warning notices at the increased \$500 threshold. Significantly at the \$300 threshold, around 73% of customers made payment post-disconnection warning notice, but this decreased to 58% of customers under the increased threshold of \$500.
- b. **Increased disconnection warning notices for higher debt balances:** similarly, we observed a 7% increase in the number of disconnection warning notices issued for debts with balances greater than \$1,000 following the change, which suggests that the increase to the threshold allowed more customer debt to accrue.
- c. **Increases in the age of debts:** following the change, non-paying customers experienced a 75% increase in annualised growth of debt aged more than 90 days overdue. This increase is largely due to an average 53-day delay in triggering disconnection warning notices which gave customers more time to fall further into arrears.

As an alternative to average quarterly energy costs, AGL recommends that the minimum disconnection amount should be aligned to the probability of repayment at a given debt amount/range and/or debt age. Expressed as a recovery curve, AGL notes that recovery rates will ordinarily decline as debts increase and/or age. This decline is exponential and not linear; there is an opportunity to set the minimum disconnection amount at an appropriate level to curtail or minimise non-payment and prevent more significant declines in customer outcomes.

⁴ AER, [Customer engagement toolkit: Better practices for identifying and supporting customers experiencing vulnerability](#), February 2025.

⁵ Australian Energy Regulator (AER), [Review of the Minimum Disconnection Amount – Draft Decision](#), 15 May 2025, p 7.

⁶ Australian Competition & Consumer Commission (ACCC), [Debt collection guideline for collectors and creditors](#), 13 April 2021.



3. *How does monthly billing impact the minimum disconnection amount?*

Summary of AGL Position

- The increased prevalence of monthly billing will mean that customers will increasingly become overdue on multiple bills before becoming eligible for disconnection for non-payment.
- The increase in number of bills overdue will increase retailer cost-to-serve (debt collection costs) and may actually increase the customer's likelihood of being disconnected.

AGL notes the ongoing consumer preference shift from quarterly to monthly billing (for electricity customers). Today, around 51% of AGL's residential electricity customers and 34% of our combined residential customers receive energy bills on a monthly billing cycle. We note the shift in preference as it allows customers to better manage their energy costs through smaller, more frequent bills that are less exposed to the impacts of seasonality or bill shock.

The by-product of this shift in billing preferences is that customers will likely have multiple bills overdue before becoming eligible for disconnection. Using the AER's analysis and average annual electricity bill of \$1,814 for customers without controlled load and \$2,506 for customers with controlled load⁷, customers would need to be overdue by between two to three monthly bills to become eligible for disconnection. In practice, AGL's collections strategies would involve customers receiving collections contact on each of these monthly bills, with the collections content/collateral being determined by the customer's risk category and level of debt. AGL is concerned that for at least the first one to two bill cycles, the content might not include reference to the threat of disconnection (we cannot threaten collections action that cannot legally be undertaken) – customers will receive multiple rounds of this contact with limited recourse for non-action or non-response, but then on the latter round of contact, the cumulative accrued debt may cause the customer to qualify for disconnection, causing a change in contact strategy which the customer may ignore on the false presumption that it is the same content they have already received. In this sense, it may actually *increase* the customer's risk of disconnection.

Furthermore, the multiple rounds of contact will increase retailer cost-to-serve by virtue of increased collections costs (SMS, emails, letters and phone calls).

4. *How will aligning the amount with existing performance reporting obligations impact retailers?*

Summary of AGL Position

- We agree with aligning the minimum debt amount with corresponding performance reporting metrics to avoid retailers having to make changes to performance reporting.

AGL agrees with the benefits of aligning the minimum disconnection amount with corresponding metrics within the AER's *Performance Reporting Procedures and Guidelines*⁸. AGL notes that a number of indicators require energy retailers to report on customer debt and these are often banded by the level of customer debt, with \$500 often used as the initial starting interval⁹. Ensuring alignment between the minimum disconnection amount and the corresponding debt intervals will allow clear reporting and avoid the need for changes to the Guidelines which involve significant technical development and testing.

⁷ AER, [Review of the Minimum Disconnection Amount – Draft Decision](#), 15 May 2025, p 4.

⁸ AER, [Performance Reporting Procedures and Guidelines](#), August 2024.

⁹ See for example: S3.18, S3.39 and S4.4



5. *How long would retailers need to implement the new amount with least cost?*

Summary of AGL Position

- AGL's minimum disconnection amount is already \$500 in NECF jurisdictions
- AGL would not need to make any system or process changes should the AER's final decision align with the draft decision
- Notwithstanding AGL's readiness, we estimate that changes of this nature would ordinarily require an implementation timeframe of up to 6 months (from the date of a final decision).

As noted herein, AGL has already voluntarily and unilaterally set its minimum disconnection amount to \$500 for NECF jurisdictions as of July 2024. As a result, we do not anticipate needing to make any changes to accommodate the proposed changes as articulated in the Draft.

In the interests of providing helpful guidance to the AER, we estimate that had we *not* already made these changes, or in the event the AER makes a final decision that differs from the Draft, then AGL would need up to six (6) months to implement the changes from the date of the final decision. This timeframe would be required to reconfigure system processes and controls relating to collections and disconnections, redraft customer collateral and undertake frontline agent training.

Another significant consideration which we urge the AER to take into account is alignment with parallel changes proposed by the Essential Services Commission Victoria in their *Energy Consumer Reforms – Regulatory Impact Statement*¹⁰ which similarly proposes increasing the 'debt-disconnection threshold' in Victoria indicatively from 1 January 2026. AGL recommends that the AER and ESC should seek to align (where possible) on both the quantum of the minimum disconnection amount and the commencement date for the changes to minimise retailer implementation costs and to reduce regulatory complexity.

6. *How should the AER determine when to review the minimum disconnection amount in future? When responding, please consider the following options and provide feedback on any potential alternatives:*

- *A review of the minimum disconnection amount could be triggered periodically – in this case, what would be an appropriate timeframe and why?*
- *A review of the minimum disconnection amount could be triggered through changes to indexation – in this case, what would be the most appropriate approach and why?*

Summary of AGL Position

- AGL supports a responsive approach to reviewing the minimum disconnection amount, based on clear evidence of affordability challenges rather than fixed time intervals.
- AGL opposes linking reviews to inflation, indexation, or annual price changes.
- Reviews may justify lowering the threshold if data shows increased non-payment or disengagement.
- Retailer cost impacts must be considered, including consultation and implementation expenses.

AGL agrees with the notion that the minimum disconnection amount should remain responsive to customer needs and affordability challenges. As such, AGL recommends that any future review of the minimum

¹⁰ Essential Services Commission Victoria (ESC), [Energy Consumer Reforms – Regulatory Impact Statement](#), 16 May 2025.



disconnection amount should be linked to clear and obvious evidence of any changes to these factors, rather than being linked to an arbitrary recurring or periodic time schedule.

We do not recommend specific defined intervals and instead believe the process should be invoked only as and when needed. Furthermore, AGL disagrees with an approach that would connect the minimum disconnection amount to events such as indexation, inflation or annual price change events. While we acknowledge these contribute to average energy costs, there are a range of broader affordability factors that will impact the appropriate threshold. Instead, the AER's debt and hardship related performance reporting indicators could be used as lead indicators to identify any material change in underlying affordability and trigger a review. This could prompt consideration of the data points referred to in AGL's response to Question 2 above. For the reasons set out therein, AGL notes that the outcome of such a review could also necessitate *lowering* the disconnection threshold if there is a need to do so, as evidenced by factors such as increased rates of non-payment or disengagement.

As a final point, the ongoing review of the minimum disconnection amount should of course be balanced and tempered with the retailer costs associated with reviewing and modifying the threshold. Relevant cost considerations include both the process of consulting on the change (including provision of supporting data) and the implementation of any changes arising from the review.