8 May 2025

Mr Andrew Lewis
Acting Chief Executive Officer
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Mr Lewis,

Assisting Hardship Customers - Rule change draft determination

Origin Energy (Origin) appreciates the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Assisting hardship customers, Rule change draft determination.

Origin is disappointed that the AEMC has not considered a hardship tariff as an option in meeting the intent of the Energy and Climate Change Ministerial Council's (ECMC) Rule change proposal. We consider a hardship tariff provides a transparent, fair and equitable solution, and is supported by consumer groups.[1]

The objective of the Rule change proposal is to help hardship customers better manage their bills and debt, to tackle their debts and manage ongoing energy usage. In meeting this objective, it is vital that all hardship customers are treated equally and equitably. To achieve this, all hardship customers must have access to the same financial benefits and are encouraged to engage with their retailer to obtain the necessary ongoing support structures.

We do not believe the preferable draft rule (draft rule) best achieves these objectives. Linking the cost of energy to a retailer's deemed better offer will not deliver equitable outcomes. This decision will result in hardship customers paying different costs across retailers. This is neither fair nor equitable.

In addition, in our experience applying credits to a customer's bill will not encourage the customer to engage with their retailer. As a result, this diminishes the ability for the retailer to actively work with the customer to help them better manage their bills and debt.

We understand that the AEMC considers that a tariff-based solution is outside of its remit for this Rule change. We also understand it will consider the merits of a hardship tariff in its 'Electricity pricing for a consumer-driven future' review which it expects to finalise in March 2026.

However, we see no reason why a hardship tariff should not be considered as part of this rule change; it is a viable solution and should be assessed against other potential solutions. If the AEMC considers tariff-based solutions are outside of its remit, we strongly encourage deferring the final rule change decision until after considering the merits of a hardship tariff through the Pricing Review process. While this may defer the implementation date of the proposed Rule for a short period of time (we think six months could be achievable), it is vitally important we achieve the best policy outcome for hardship customers, and this should not be compromised because regulatory processes do not align.

Origin's views on issues raised in the draft decision are set out below.

Hardship tariff

Origin continues to support the development of a dedicated hardship tariff as a more effective and equitable approach to supporting customers experiencing financial difficulty. We retain the arguments put forward in our submission to the AEMC's consultation paper.

[1] Justice and Equity Centre joint submission to the AEMC Rule change proposal consultation paper, p.24.

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To reiterate, an independently determined hardship tariff would ensure that all eligible customers receive access to the same price, regardless of their retailer. This addresses a key shortcoming of the proposed Rule change, which ties support to each retailer's deemed better offer. As these offers vary between retailers, customers may receive inconsistent levels of support, creating inequity across the market.

The proposed Rule would require retailers to credit the difference between a customer's current rate and their deemed better offer or reduce tariff rates, using different rates across time and customers. This will result in highly individualised outcomes that are difficult for retailers to implement across an entire customer base and for the AER to monitor and enforce. In contrast, a single hardship tariff would provide a consistent and manageable framework, benefiting both retailers and regulators while delivering clear support to customers in hardship.

Another shortcoming of the proposed Rule is that it incentivises customers not to engage. Under the proposal, a customer can explicitly decide not to sign up to a deemed better offer because they prefer an alternative non-price benefit such as a Woolworths points or a Netflix subscription. Under the proposal, they will receive both the equivalent of a deemed better offer and also their non-price benefit; in other words a double benefit not available to any other cohort.

We believe that if the customer makes an explicit decision not to be on the deemed better offer these customers should be excluded from the Rule. To the extent this is a carve out, retailers would need to provide evidence of these customer numbers in any annual AER compliance reporting.

To understand the impact of its decision, the AEMC should make available the spread of different deemed better offers to understand the extent of the difference in benefits under its Rule. We also believe the AEMC or AER should observe these prices over time to ensure its proposal (if implemented) does not create unintended negative outcomes for hardship customers.

Credits on hardship customer bills

We are concerned that using the deemed better offer as a 'base price' for determining credits for customer bills may create unintended consequences. Over time, retailers may be incentivised to increase their deemed better offer to reduce financial exposure and minimise the number of complex credit calculations. This would disproportionately impact hardship customers, as well as move-in and carry-over customers, for whom the deemed better offer effectively becomes the default rate for non-engagement by a customer. Such an outcome would be detrimental to consumers and contrary to the intent of the Rule.

Furthermore, in our experience bill credits do not promote customer engagement. Customers are often unaware they have received a credit, or if they are it often promotes disengagement because the customer response is why do I need to engage when I will receive the benefit automatically. This reduces valuable opportunities for retailers to build relationships and offer more comprehensive support such as energy efficiency guidance or help with appliance upgrades that can lead to more sustainable, long-term outcomes.

From an operational perspective, we have identified several system and resource complexities with retailers implementing deemed better offer credits on hardship customer bills, including:

- *Complex credit calculations*: The Rule would require credit amounts to vary based on factors such as distributor, tariff category, and retail product, creating a highly complex system with numerous configurations. Additionally, applying these calculations retrospectively such as when a customer has been notified of a better offer but has not taken it up further increases the complexity.
- *Ongoing data management requirements*: A retailer's deemed better offer will change regularly over a twelve-month period. Further, customers can be rebilled for a wide host of reasons requiring the use 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. Accurate and comprehensive product and tariff data would need to be maintained over time to support these scenarios, increasing the complexities of billing and customer management systems.
- *Time-slicing of billing periods:* To ensure precise comparisons, bills may need to be segmented by time period, particularly across billing quarters to calculate the customers current plan vs deemed better over a twelve-month period. This is technically and administratively complex.

- *High implementation and maintenance costs*: Retailers will need to invest heavily in systems and staffing to meet compliance requirements. These costs would apply regardless of how many customers receive bill credits and may limit the overall value delivered, particularly when the costs are ultimately reflected in the costs of all customers.

The costs imposed by these requirements could be better directed toward supporting hardship customers (ie hardship tariffs or additional support payments), rather than managing a complex crediting process.

Lowering tariff rates on customer bills

We consider a downward price adjustment or discount would not be a workable or practicable option. This would mean that if a retailer chooses to give a hardship customer an enduring discount, it would be applied to each bill while the customer is in a hardship program so that the total bill would be the same as being on the deemed better offer.

This option doesn’t address the issues we have raised above. Under this scenario if a customer does not engage and enters into an alternative product with non-price benefits, they will receive a bill discount rather than a credit. It is effectively the same outcome with the same problems.

Changing the customer’s price each bill so that their bill matches the deemed better offer will also create additional administrative effort and costs because retailers will be required to provide customers with 20 business days advance notice of making this price change.

If you have any questions regarding this submission, please contact Caroline Brumby in the first instance on (07) 3867 0863 or caroline.brumby@originenergy.com.au.

Yours sincerely

Sean Greenup
Group Manager Regulatory Policy