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8 May 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's (the Commission's) draft determination for a rule change proposal in Assisting Hardship Customers.

Red and Lumo are committed to improving outcomes for hardship customers. Therefore, we acknowledge the rationale underpinning the Commission's draft determination to ensure consumers in hardship pay the lowest possible price for their energy. However, it is important that the Commission carefully consider the costs to all consumers and the unintended consequences of any change to the current framework. For example, the proposal that retailers should credit the difference between a hardship consumer's current offer and the deemed better offer is highly complex and costly to implement and administer. A preferable approach is to provide retailers with more flexibility with pricing for hardship customers, while maintaining the integrity of Explicit Informed Consent (EIC) and incentives for both parties to engage.

The Commission is aware that the Australian Energy Regulator's (AER) *Hardship Guideline* requires retailers to discuss offers with hardship customers, including those with a lower price or with a pricing structure that is different from their current contract. They also receive deemed better offer messages on bills in line with the *Better Bills Guideline* and we provide various channels for all customers, including those in hardship, to accept the deemed better offer at any time.

Our conversations with our customers about potential payment difficulty are broad and relate not just to pricing but also to other elements of their retail offer. This includes non-price benefits, flexible payment arrangements and energy efficiency advice. All hardship customers can make a fully informed decision and provide EIC if they decide to move to a different contract or choose instead to remain on their current contract. In some instances, a consumer may relinquish other elements of their offer if they decide to move to a cheaper offer and it is important they understand when this is the case. The nature of those benefits

may be that they have more value to a specific consumer than the financial benefit of shifting to a cheaper alternative. This is one reason why there is still some proportion of hardship consumers who have not moved to cheaper offers.

EIC has been a core consumer protection since the start of full retail competition. We also view it as an important way to encourage ongoing engagement between a retailer and its customers. Options that facilitate the transfer between different retail contracts without preserving EIC must be treated with caution as they can lead to confusion and misunderstanding.

Crediting the difference between current and deemed better offer

Applying credits to achieve the same outcome would effectively amount to the creation of a new process that operates in parallel with the established billing process. This would generate significant costs. Retailers calculate the deemed better offer but this creates a point-in-time annual comparison with the current offer. It does not align with the accurate credit or discount required for an individual bill period as consumption patterns change through the seasons. A retailer would also need to determine the duration of a customer's eligibility for a credit, noting that entry to and exit from a hardship program is not aligned with billing cycles in any way. We will follow up our submission with more detailed estimates of the likely implementation and ongoing costs for the Commission to consider.

Retailers would also need to build the capability to reverse and reapply credits when bills are reversed and / or reissued. This is a regular occurrence, if a retailer receives revised meter data, during a customer-initiated meter exchange or where there is a tariff change request, for example. Determining these eligibility periods and calculating credits will have the potential to confuse consumers. Credits might be applied, removed, amended or ceased if they exit a hardship program and more generally, bear no relationship that is obvious to the consumer to the deemed better offer calculation on their bill.

Over the longer term, a requirement to credit the difference, irrespective of whether the consumer takes up the deemed better offer could lead to a withdrawal of non-price benefits or higher retail prices for all consumers. This is because the trade-off between price and non-price benefits has changed and the significant cost of implementation. This proposal would limit the form of retail competition and could lead to worse consumer outcomes, particularly for those consumers who value non-price benefits highly.

We agree that the Commission's crediting approach avoids non-compliance issues related to informed consent. However, automated credits could disincentivise ongoing engagement between some vulnerable consumers and retailers. Potential consequences of this are further debt accumulation, missed opportunities for a retailer to better understand a customer's circumstances and/or to tailor their support accordingly. In other words, support would take a specific form. The current framework encourages dialogue and informed choices about various options. While the proposed solution offers benefits by providing

savings to disengaged vulnerable consumers, it might limit retailers' support strategies by prescribing specific actions. This could lead to a reduction in voluntary support programs such as energy efficient appliance swaps and debt write-offs.

Recommended approach

We acknowledge the Commission's attempt to develop a solution that avoids mandating that retailers must credit the difference between a current and deemed better offer, but instead focuses on the outcome for hardship consumers. In our view, the challenge for the Commission is to provide retailers with the flexibility to assign hardship customers to cheaper offers, while maintaining the integrity of EIC provisions and incentives for engagement.

There is scope for the Commission to consider potential changes to the hardship framework that increase retailers' flexibility to move participants in their hardship program to cheaper offers. For example, it could be a condition of entry to a hardship program that a customer provides *ex ante* consent and subject to sufficient notification or other conditions.

The draft determination mandates that the AER should revise its *Hardship Guideline* to ensure it is consistent with the objective of this rule change proposal. We note also that the AER intends to review this Guideline, in addition to the *Better Bills* and *Retail Pricing and Information Guidelines* later this year. We suggest aligning these reviews with this rule change proposal for a comprehensive understanding of consumer impacts.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail electricity and gas in New South Wales, Queensland, South Australia, Victoria and the Australian Capital Territory to over 1.5 million customers.

Red and Lumo thank the Commission for the opportunity to comment on the draft determination. 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

A handwritten signature in black ink, appearing to read "G Hargreaves".

Geoff Hargreaves

Manager - Regulatory Affairs

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd