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# Rule change request

## Strengthening minimum disconnection protections

### Proponent

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### Summary

The Australian Energy Regulator (AER) is proposing an amendment to the National Energy Retail Rules (Retail Rules) to strengthen minimum disconnection protections.

Our [Review of payment difficulty protections in the National Energy Customer Framework \(NECF\)](#) found that customers have inconsistent experiences when it comes to engagement during the disconnection process and some protections place an inappropriate onus on customers. While retailers are not allowed to arrange for a customer to be disconnected where the customer owes less than the minimum disconnection amount, this protection only applies where customers have agreed to repay the amount. This disadvantages customers who face engagement barriers or whose retailers have less effective engagement practices. It also does not align with the policy intent of the minimum disconnection amount, which is a fundamental protection that should apply equally to all small customers.

Our review identified an opportunity to better ensure that disconnection is only used as a last resort by strengthening minimum disconnection protections. We have already acted on the opportunity within our power by [increasing the minimum disconnection amount from \\$300 to \\$500](#), effective from 1 July 2026. This rule change request proposes to further strengthen disconnection protections by updating the Retail Rules to ensure the amount applies to all customers, not just those who have explicitly agreed to repay their debt. This would better align with the principle that the minimum disconnection amount is a minimum protection for all customers, simplify the regulatory framework and improve consistency, supporting greater trust in the energy market.

We have consulted extensively and publicly on the nature of the problem through our payment difficulty review. The consultation process and outcomes are recorded in the payment difficulty review's published [findings report](#), [consultation report](#) and the [final decision](#) of the minimum disconnection amount. Stakeholder submissions and other consultation outputs are available on [our website](#). We also received stakeholder feedback on this issue in the public consultation process for our [Review of the minimum disconnection amount](#). Stakeholder submissions to that process are also available on [our website](#).

Many stakeholders agreed that the minimum disconnection amount should apply to all consumers, not just those who have agreed to repay their debt. We did not receive any feedback from stakeholders advocating to retain the existing requirement for customers to agree to repay the debt

to be protected by the minimum disconnection amount, or that removing this caveat would have a material impact on retailer processes or costs.

On this basis, we suggest that this rule change is non-controversial and could be progressed through an expedited rule change process. Alternatively, we recommend the AEMC consider whether this rule change could be fast-tracked under section 253 of the Retail Law.

## Description of the proposed rule change

We propose amendments to rule 116(1)(g) in the Retail Rules to remove the caveat that customers must have agreed to repay outstanding debt for the minimum disconnection amount to apply. See Table 1 for specific proposed amendments to the Retail Rules.

**Table 1: Proposed amendments to the Retail Rules to strengthen disconnection protections**

Rule	Current provisions	Proposed amendment text
116(1)(g)	r 116(1)(g): A retailer must not arrange for disconnection 'for non-payment of a bill where the amount outstanding is less than an amount approved by the AER and the customer has agreed with the retailer to repay that amount'	r 116(1)(g): A retailer must not arrange for disconnection 'for non-payment of a bill where the amount outstanding is less than an amount approved by the AER <del>and the customer has agreed with the retailer to repay that amount</del> ' [removed text in strikethrough]

## Statement of nature and scope of the issue

Our [Review of payment difficulty protections in the NECT](#) found that customers are not afforded the same protections in the disconnection process, due to gaps in the current framework that place an inappropriate onus on consumers.

Rule 116(1)(g) of the Retail Rules states that a retailer must not arrange for disconnection for non-payment of a bill where the amount outstanding is less than an amount approved by the AER *and the customer has agreed with the retailer to repay that amount* (emphasis added). This gap means that customers who have not explicitly agreed to repay their debt are not afforded the same minimum disconnection protections.

Whether a customer has agreed to repay the amount will depend in part on the quality of their retailer's engagement with them. As such, poor engagement practices can not only delay customers from accessing assistance but also put them at risk of disconnection. Unfortunately, we found that customers have inconsistent experiences when it comes to engagement in the disconnection process, with significant variation across retailers due to a lack of minimum standards. This means some customers may not benefit from minimum disconnection protections, simply because of who their retailer is.

The minimum disconnection amount is also the main payment difficulty protection for customers who are not identified as experiencing payment difficulty. This makes it an important safety net for customers who face engagement and disclosure barriers, or whose retailers have less effective processes for identifying and engaging with customers experiencing payment difficulty. In order to be an effective safety net, the minimum disconnection amount should apply universally rather than putting the onus on customers to take action to benefit from the protection. Applying the minimum disconnection amount universally would also simplify the regulatory framework for retailers. Other minimum disconnection protections, such as the provisions set out in rule 111, are designed so that customers are protected unless they have refused or failed to take action. This is a more appropriate standard for minimum disconnection protections.

Disconnection has significant and material consequences for people. Customers who are disconnected can face serious risks to their health and wellbeing, in addition to financial costs. For example, research from the Justice and Equity Centre found that customers who were disconnected from utilities paid an average of \$316 in reconnection fees, \$241 in bond fees, \$149 in late payment fees and \$310 in other fees (noting these are self-reported figures).<sup>1</sup> These costs have a large impact on customers who already can't afford their energy bills.

Research (soon to be made public) undertaken in 2025 for Energy Consumers Australia found that electricity disconnections cost our society \$157 million each year, which is equivalent to \$5,500 per disconnection. Findings from the forthcoming report estimate that over \$50 million of these costs are borne directly by customers, with disconnection costs ranging from \$626 for a household that is able to be reconnected promptly to over \$3,000 for highly pressured households. According to this modelling, these highly pressured households – those experiencing affordability challenges across multiple expenses and who struggle to find the funds to reconnect – may pay around \$1,400 in direct financial costs as a result of being disconnected from an essential service they can't afford.

Other customers may avoid disconnection by going without other essentials like food or medicine or by taking on high-cost or risky credit arrangements. These risks will be higher for customers who don't have the benefit of minimum disconnection protections like the minimum disconnection amount. Removing this caveat to ensure that the minimum disconnection amount applies to all customers, not just those who have agreed to repay their debt, would simplify the regulatory framework and make consumer protections more equitable and consistent, supporting greater trust in the energy market.

## Alignment with energy objective

The proposed rule change will contribute to achieving the National Energy Retail Objective by improving the price of energy services in the long-term interests of consumers of energy.

Our recent decision to increase the minimum disconnection amount to \$500 from 1 July 2026 took into account the risk of higher debt levels that could result in higher costs for all customers. We determined that \$500 appropriately balanced minimising this risk with the need for stronger payment difficulty protections for all customers, given the purpose of the minimum disconnection amount as a minimum protection for all customers. We also committed to monitor data to determine when to review the amount in future (for example, in response to evidence of unintended consequences or evidence that retailers are not ensuring disconnection is a last resort for hardship customers).<sup>2</sup>

In 2024–25, the majority of residential disconnections were for debts between \$500 and \$1,500. There were a total of 1,291 residential electricity disconnections and 380 residential gas disconnections for debts below \$500. Compared with the previous year, this was a decrease of 37% for electricity disconnections and 27% for gas disconnections.<sup>3</sup> Many of these customers would be protected by the increase in the minimum disconnection amount – provided they agreed to repay the amount. By removing this caveat, the proposed rule change extends this protection to the remaining subset of customers with debts below \$500. We did not receive any feedback during our reviews suggesting that removing this caveat would have a material impact on retailer costs.

<sup>1</sup> JEC, [Powerless: Debt and disconnection](#), Justice and Equity Centre, 2024, p 65

<sup>2</sup> AER, [Review of the minimum disconnection amount: Final decision](#), 2025.

<sup>3</sup> AER, [Annual retail markets report 2024–25](#), December 2025, pp 108–111.

Any costs that may result from delaying this subset of disconnections are likely to be minor and offset by broader benefits. For example, the proposed rule change will better ensure customers experiencing payment difficulty and hardship are proactively identified, engaged early and supported appropriately with assistance that is tailored to their individual circumstances. This can help reduce long-term customer debt more effectively than disconnection. The forthcoming research conducted for Energy Consumers Australia estimates that disconnections cost energy retailers over \$10 million each year, which may be passed on to energy customers in the form of increased prices. Earlier modelling conducted by EY PJP for the AER estimated that disconnection of customers experiencing vulnerability specifically costs retailers \$6 million each year.<sup>4</sup> Ensuring customers who owe less than the minimum disconnection amount cannot be disconnected, regardless of whether they have agreed to repay the amount, will encourage more proactive and effective engagement and help reduce avoidable disconnections and associated costs.

In addition, making the minimum disconnection amount apply universally will simplify retailer compliance, lowering the risk of wrongful disconnections and reducing compliance costs which may be passed on to energy customers in the form of increased prices.

The proposed rule change supports the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers. It simplifies the application of existing disconnection protections. It also addresses an important gap in current protections by ensuring that there is an appropriate safety net to reduce the risk of disconnection for customers experiencing payment difficulty who may be disadvantaged by engagement barriers or less effective engagement practices by their retailer.

## Potential impacts of proposed change

This rule change will have benefits for consumers, retailers and market bodies.

The rule change will ensure that the minimum disconnection amount applies to all customers. This will reduce disconnections, especially for customers who are disadvantaged by higher engagement barriers or poor retailer identification and engagement practices. It will also support more trust in the energy market by ensuring more clear and consistent customer protections.

It will benefit retailers by simplifying the protections framework and setting a universal standard for minimum disconnection protections in the NECF. This will make it easier for retailers to understand and comply with their obligations before disconnection. It may also improve the effectiveness of retailer engagement efforts by supporting greater trust in the energy market more broadly, as a result of more consistent customer protections and experiences.

We do not expect this rule change to require updates to AER guidelines. This change may require some updates to regulatory guidance. However, we do not expect this to have material resourcing implications for the AER, provided there is sufficient flexibility to enable us to manage the development of this guidance within our existing resources.

## Summary of consultation

Through the [Review of payment difficulty protections in the NECF](#), we consulted extensively with stakeholders on the nature of the problem. Consultation included early engagement meetings with

<sup>4</sup> AER and EY Port Jackson Partners (EY PJP), [Consumer vulnerability: A case for change, Australian Energy Regulator](#), 24 March 2022, p 59.

over 40 stakeholders, discussions with the AER's Customer Consultative Group, lived experience research, stakeholder workshops, listening sessions and site visits to retailer call centres. It included a public formal submissions process, supported by a published [issues paper](#), which consulted specifically on the purpose and effectiveness of the minimum disconnection amount (see page 40), as well as 2 public stakeholder forums. We also received stakeholder feedback on this rule change through our [Review of the minimum disconnection amount](#). See the [consultation report](#) and our [final decision](#) on the minimum disconnection amount for further detail on consultation undertaken and feedback received from stakeholders.