2 December 2024

Sarah Sheppard
Chief Executive Office
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

Dear Ms Sheppard,

**Energy Consumer Reforms – Discussion Paper**

Origin Energy (Origin) appreciates the opportunity to provide comment on the Essential Services Commission (ESC) *Energy Consumer Reforms* Discussion Paper.

We agree that customers facing payment difficulty should be supported with low-cost energy to support them to pay off their debts faster and resume normal payment and billing arrangements.

We believe the best way to achieve this would be for the ESC to establish a hardship tariff to be available for customers receiving tailored assistance. The ESC could establish a hardship tariff at the same time it develops the VDO. This will allow the ESC to consult on how the hardship tariff should be calculated and at what level it should be set relative to the VDO.

This approach will ensure that all hardship customers have access to the same independently determined price. A deficiency under the ESC's proposed options is that they are tied to an individual retailer's deemed best offer. This price will differ across retailers meaning that not all customers will obtain the same benefit. This is not equitable.

A hardship tariff will also remove the operational complexities inherent in the ESC's proposed options. For example, if retailers are expected to credit the difference between a customer's current rate and the deemed best offer, credits will be applied using different rates throughout the year with different rates also used for different customers. This will effectively create individual outcomes which will be extremely challenging for retailers to implement and equally as problematic for the ESC to assess compliance. A hardship tariff on the other hand will set a single consistent rate for customers receiving tailored assistance.

While a hardship tariff achieves a workable and equitable solution, it does not remove the broader question of whether support is best targeted through government rebates and other assistance to reduce the end price hardship customers pay or how such costs should be socialised. We recognise these are matters outside of the ESC's bailiwick.

We understand the ESC will consider these pricing reforms as part of its broader review of the Energy Retail Code of Practice, expected to be completed in late 2025. This affords the ESC time to critically assess alternative options and not rush a solution. We look forward to working closely with the ESC as part of this process.

Origin's views on each of the issues raised in the Discussion Paper are set out in Attachment A.

If you have any questions regarding this submission, please contact Caroline Brumby in the first instance on [redacted] or [redacted].

Yours sincerely

[redacted]

Sean Greenup
Group Manager Regulatory Policy



Origin Energy Limited ABN 30 000 051 696• Level 32, Tower 1, 100 Barangaroo Avenue, Barangaroo NSW 2000
GPO Box 5376, Barangaroo NSW 2000 • Telephone (02) 8345 5000 • Facsimile (02) 9252 9244 • www.originenergy.com.au

# Attachment A

**Automatic best offer for customers experiencing payment difficulty**

The ESC is considering three initial options for moving customers receiving assistance to a retailer's best offer:

1. Crediting the difference between the current plan and the best offer.
2. Reducing tariffs to match the best offer.
3. Automated switching to the best offer.

We do not support these proposed options. Origin's concerns with these options are set out below including what we consider to be a more effective alternative.

*Crediting the difference between the current plan and the best offer*

This option would require retailers to credit eligible consumers with the difference between the cost of their energy usage on their current plan and the cost of their energy usage on their retailer's deemed best offer. However, this position is predicated on the concept of "cheapest" not "best", which in the eyes of the customer can be two very different concepts.

Retailers design products and plans to appeal to specific customer needs and segments. For example, customers can access products linked to rewards programs such as Woolworths Rewards. Other products can include a high solar feed in tariff with a lower energy discount and vice versa. In many instances hardship (and non-hardship) customer value these non-price benefits and price differences highly.

The ESC should exercise caution in assuming that because a customer's current plan does not equal the price of a deemed best offer that the customer does not prefer their existing product. Also, quantifying the financial value of non-price benefits is extremely complex and will differ from customer to customer.

Furthermore, the calculation of the difference between current and best offers can be complex. For example, it is not feasible for retailers to compare different tariff structures such as comparing a flat to a Time of Use (ToU). Retailers cannot predict future usage patterns of a customer and therefore can more meaningfully derive a value between a variable and flat tariff.

This proposal is highly complex and would become even more challenging if retailers were required to perform this task on a frequent basis (i.e. more than annual). Frequent calculation would not only increase operational complexity but could also lead to customer confusion and dissatisfaction, particularly if the credit amount fluctuates significantly throughout the year.

We are concerned that the ESC's proposals to automatically apply credits or switch customers between offers could have unintended consequences. Specifically, by removing the reasons that customers traditionally must contact their retailer—such as to inquire about plans or offers—we may see a reduction in direct customer interaction.

While we understand the intention is to improve the customer experience, our experience has shown that customers, particularly those facing payment difficulties, often disengage if they view credits on bills. This is the reason retailers have moved away from this form of assistance. The most successful engagements tend to occur when the customer actively reaches out to the retailer. In these instances, customers are more likely to engage meaningfully, express concerns, and be open to tailored assistance or alternative offers.

For these reasons, we are concerned that this option will be complex to implement and does not recognise how certain customer value their current plan.

*Reducing tariffs to match the best offer*

This option would require retailers to lower the tariffs of an existing customer's energy plan to align them with the tariffs of the retailer's deemed best offer. This option would allow eligible customers to keep the non-monetary benefits of their current energy plan. It also infers a customer could access a high FiT and also access a consumption tariff equal to the deemed best offer.

Allowing customers to access both these benefits (i.e. non-price and high FiT) and also a deemed best offer goes beyond the policy intent to ensure customers facing financial difficulty have access to a retailer's deemed best offer. Rather it suggests they can access a deemed best offer *and* additional price and non-price benefits. This cost would be borne by retailers and ultimately socialised across all their customers.

*Automated switching to the best offer*

This would require retailers to switch eligible customers to the deemed best offer. The deemed best offer is calculated as the cheapest generally available offer based on the customer's previous 12 months of energy usage.

One of the key issues with this option is that it removes explicit informed consent from the customer. Under this proposal, customers may be automatically switched to a plan that they may not have chosen themselves, effectively reducing their ability to select a plan that better suits their individual circumstances and preferences. Removing this choice could lead to dissatisfaction, particularly if the customer feels that they were not adequately consulted or informed about the implications of the switch.

Additionally, it is crucial to clarify how the "best offer" is defined. We assume that any calculation of the "best offer" would exclude concessions (e.g., hardship or government assistance programs) and solar export data. Including these factors in the calculation would overstate the potential savings (or credit) that a consumer could have received over a 12-month period, which could result in an inaccurate or inflated credit. This could create an expectation mismatch and potentially lead to customer dissatisfaction when the actual savings differ from the calculated credit.

Furthermore, we strongly oppose the notion that retailers should automatically change tariffs to match the best offer as soon as a customer becomes eligible for payment difficulty assistance. This approach assumes that retailers can maintain an ongoing monitoring system to continuously identify the "best offer" for hardship customers. More importantly, it disregards the opportunity for proactive engagement with the customer to ensure that the tariff or offer is genuinely appropriate for their unique circumstances.

*Origin's proposed alternative*

We believe an alternative approach to achieve the ESC's policy objectives would be to establish a hardship tariff to be available to customers receiving tailored assistance. The ESC could derive a hardship tariff as part of the same consultation process as the VDO.

This will allow the ESC to consult and consider how the hardship tariff should be calculated and at what level it should be set relative to the VDO. This will also allow the ESC to make an objective decision about how any cross-subsidisation should be considered in the calculation of the VDO.

A hardship tariff will ensure that all hardship customers have access to the same independently determined price. It will also remove the operational complexities in the ESC's proposed options, notably how and when to apply credits to a customer's account when deemed best offers are regularly changing.

In terms of implementation, all customers entering tailored assistance would be offered the ESC determined hardship tariff. Because this is being done at the point of entry into tailored assistance, the customer would be informed and would have the ability to make an informed decision to accept the offer or not.

We recognise that this will not capture all customers because there will be a certain number of customers on tailored assistance who have let their contract expire and will not have engaged with their retailer to renew their benefit. The Code requires that these customers are assigned to the VDO.

To capture these remaining customers, we believe the ESC ought to consider changes to the Code so that when a customer on tailored assistance continues to consume energy after their contract has expired, they can be assigned to the hardship tariff instead of the VDO. This will remove the need for retailers to obtain explicit informed consent.

However, it is important that any mechanism that is applied respects the customer's choice. Specifically, when a customer receives tailored assistance, they can choose not to accept the hardship tariff and stay on their current arrangements.

A hardship tariff will also establish a single consistent rate for all customers receiving tailored assistance. This will provide a transparent and consistent regulatory framework that customers are more likely to understand. A hardship tariff makes clear what price a hardship customer will pay – regardless of their retailer. This is more practicable for retailers because they can apply the price in confidence that they will be meeting the regulatory obligations.

It is also important that a hardship tariff does not create an outcome where this assistance inadvertently provides discounts to customers who are not vulnerable. We propose that eligibility for the hardship tariff should apply only to customers who are receiving tailored assistance. We think there is a case to limit this eligibility to those customers receiving tailored assistance and also government financial assistance. This will ensure the tariff is best targeted to those who need it most.

We recognise that we have not provided a fully detailed operating model of a hardship tariff. Notwithstanding, we understand the ESC will consider these pricing reforms as part of its broader review of the Energy Retail Code of Practice which is expected to be completed in late 2025. This provides the ESC with time to fully consider and agree on an option. It is vital we all take this time to build an effective model that supports customer experiencing financial hardship.

### Improving the ability to switch to the best offer

We support an approach where retailers develop their own effective mechanisms for customers to switch to the best offer. Retailers are best placed to understand how customers respond to messaging and the systems and processes that will deliver the most cost-effective solutions. Furthermore, allowing retailers to determine the processes provides the necessary flexibility to tailor options in response to evolving product, service and ongoing needs of customers.

Origin already offers a variety of means to sign up for a better offer. We include hyperlinks in bills, offers in retail apps, direct links on our website and customers can sign up over the phone. These are all efficient and effortless processes. A direct link to offers within bills will again improve the efficiency of switching to a best offer (if one is available).

### Improving the application of concessions to bills

Retailers have extensive obligations in administering rebates and concessions on behalf of Governments. No rebate or concession framework is consistent across jurisdictions and nor are their synergies in how each of the concessions are administered. We support harmonising and consolidating concessions and rebates across states to achieve efficiencies and customers can have a greater understanding of their entitlements.

In terms of new customer contact, the current Rebate Agreement requires retailers to confirm whether the customer is eligible for a concession or rebate. This includes through both verbal and online contacts with new customers. We have online forms that validate and confirm the rebate status online.

In terms of existing customers, we include a bill message around concessions on every bill and proactively ask about concessions when customers are experiencing financial difficulty. In addition, we are required under our Agreement with the Victoria Government to provide information on our website regarding concessions and how to apply, as well as providing this information to customers on request.

Further, for existing customers, under a new Agreement, who are currently negotiating with the Department, we will be required to check a concession customers eligibility every month and if the customer is no longer eligible, then immediately cease the concession. We also notify customers that their concessions have ceased, the reason why, and we request that the customer get into touch with Origin to update any concession details. This is considerable monitoring and communication with existing customers.

It should be noted that retailers are unable to monitor or notify a customer when either eligibility is close to expiring or has expired. This information is not captured by retailers or Services Australia. It is Origin's understanding that many concession cards do not have expiry dates.

We strongly oppose a mass marketing campaign to all residential customers to contact a retailer to see if they are eligible for a concession or rebate. Queensland took this approach with the Energy Bill Relief Rebate and the negative feedback outweighed any benefit. There was a poor customer service outcome. Blanket communication drives calls to the call centre and frustration from the customer where they are in fact not eligible.

Origin believes there should be no further changes to requirements. Retailers are in the process of negotiating new Agreements with the relevant Government Departments over the monthly validations and confirmations to customers, information is provided on every bill to a customer, and we have detailed information on concession eligibility on our website. We are not confident that actions to attempt to contact Victorian customers on a mass level will have the desired impact of uplifting the number of customers receiving a concession.

**Extending protections for customers on legacy contracts**

Origin supports the intent of this proposal. We note the restrictions have been operational since 1 July 2020 and it seems appropriate to apply the restrictions to any agreements prior to this time.

While the numbers of customers are low, the greatest concern is if there are still vulnerable customers on large conditional discounts (i.e. pay on time discounts) and these customers being least able to pay their bills if they do not meet the conditions of the discount.

**Improving awareness of EWOV**

We support including Energy Ombudsman details on consumer bills. However, we question the placement of this information on the front page of the bill. The placement of the details on the front-page drives increased calls to the Energy Ombudsman in the first instance rather than the customer contacting their retailer to resolve an issue.

This may result in a poor customer experience if the Ombudsman refers the customer to their retailer. This is a common scenario where a consumer calls the Energy Ombudsman to complain about a high bill, but really the issue is in relation to affordability. If the customer had called the retailer in the first instance, the retailer could have resolved this issue. However, a call to the Ombudsman prolongs resolution and causes customer frustration that the consumer is being referred to the retailer.

We support contact details and information as to when to contact the Energy Ombudsman should be included with Tier 2 information. This information logically belongs with the additional information section regarding concessions and grants.