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Energy Consumer Reforms – Regulatory Impact Statement

AGL Energy (AGL) welcomes the opportunity to provide feedback to the Essential Services Commission's (the Commission) *Energy Consumer Reforms* Regulatory Impact Statement (the RIS).

AGL's feedback on the RIS broadly encompasses three themes which will be explored further herein:

- 1. Consultation & RIS Methodology:** while AGL is grateful for the collaborative and engaging manner in which Commission staff have worked with industry through this process, we are nonetheless concerned at the inclusion of new rule changes in the RIS that have had limited consultation despite their impactful nature. Furthermore, the solution assessment criteria adopted in the RIS lacks empirical and quantifiable evidence which ultimately undermines some of the recommendations.
- 2. Solution Design:** AGL acknowledges the problem statements the RIS is seeking to address, but we are concerned that a number of the chosen solutions are unnecessarily complex, will increase regulatory burden for industry and have associated cost implications for consumers. The solutions intend to reduce cost and improve affordability but will likely have the opposite effect. AGL warns that the Commission's proposed reforms risk undermining retail competition, stifling innovation, and increasing operational costs, with insufficient consideration of their long-term impacts. Reducing price dispersion may disengage customers and deter market entrants, ultimately harming Victorian consumers and the Victorian energy market.
- 3. Implementation Considerations:** as a corollary of the above, AGL notes that the Commission's preferred solutions propose implementation timeframes that are manifestly inadequate having regard to the complexity and magnitude of the changes. Additionally, they diverge from the approach taken in the National Energy Customer Framework (NECF) jurisdiction which compounds the challenges of delivering parallel reform packages that cover largely similar functionality but on different timelines and with different solution design.

Each of these points will be considered in more detail.

1. Consultation & RIS Methodology

AGL thanks the Commission for its continued engagement with industry and other stakeholders during the Energy Retail Code of Practice Review and the *Energy Consumer Reforms* consultations. AGL recognises the Commission's commitment to ensuring that a broad range of stakeholder views are represented and considered throughout this process. However, we note:

- the RIS includes four distinct additional rule changes that were not previously put forward in the *Energy Consumer Reforms Discussion Paper*. Stakeholders have only had one round of consultation to consider the full breadth of impact on customers, retailers and the industry.



- AGL is concerned that the five-week consultation period is insufficient to fully assess the outcomes and implications of the *Energy Consumer Reforms*, especially as many of the rule changes will have a material impact on the energy markets in Victoria.

With a number of the reforms proposed to come into effect as early as 1 January 2026, AGL expects that the energy sector as a whole will struggle to assess, design and operationalise the suite of new regulations, and face barriers to engaging the necessary resources for implementation of these changes given the constrained resourcing environment due to the extensive regulatory reform agenda in the National Energy Market (NEM).

As the Victorian energy regulator and policymaker, it is incumbent on the Commission to recognise that its program of reforms and the expedited consultation process contributes to the regulatory cost and complexity burden for industry and ultimately customers. AGL's capital expenditure to comply with new and existing regulations ranges between \$20 and \$25 million annually and the overall cost to industry will of course be greater again. Ultimately, any expected savings or benefits from these reforms could be undermined and supplanted by the significant costs faced by retailers in implementing the extensive regulatory agenda. Ultimately it is the end consumer who bears the cost of this regulatory burden. Ironically, in an attempt to reduce energy costs and improve affordability for consumers, the proposed solutions will actually perpetuate and exacerbate the very problem they seek to address.

The Commission's RIS Methodology

In order for legal and regulatory frameworks to operate effectively and competitively, there must be a reasonable level of certainty and consistency in the development of regulatory obligations. It is incumbent on all policymakers, government bodies and regulators tasked with policy reforms to be rigorous and thorough in their assessment of the impact of proposed reforms. While AGL welcomes the Commission's 'multi-criteria analysis' (MCA) to decide its preferred approach as part of the RIS, AGL has observed the following:

- The *score and weighted score ratings* for each proposed rule change have no specific reference point to determine the scaling and appear to only reflect the Commission's subjective assessment of the outcomes and impacts of each option. These scores appear to be rooted in the Commission's own qualitative assessment and rely on wide variety of untested assumptions. Conversely, the absence of quantifiable or empirical evidence to support the proposals undermines the independence of the recommendations.
- The Commission's *estimation of costs to industry* and its assumptions as to how retailer revenue is earned is misguided and flawed. For example, the assumption that the savings for customers switching to the best offer represent retailer profit or surplus is incorrect. The rate of customer uptake of the best offer message is generally factored into the retailer's pricings and costs projections, and therefore, the Commission's observations regarding costs transfers are invalid and grossly overstate the estimated savings to customers/loss to industry. Compounded by the underappreciation in the RIS of the retailer costs, time and effort required to operationalise the vast number of regulatory reforms underway, the long-term impacts are likely to be to the detriment of competition in the market.

2. Solution Design

The table below summarises AGL's high-level position on the nine draft rule changes proposed by the Commission and our detailed feedback on each of the individual rule changes is contained within Appendix A attached herewith.



AGL's high-level positions are:

Table 1: Summary of AGL's positions in relation to the draft rule changes in the RIS

Rule Change	AGL Position
Automated switching for customers experiencing payment difficulty	AGL supports automated switching for customers experiencing payment hardship, however, the Commission's proposed eligibility scope is too broad and will have unintended adverse customer outcomes.
Improving access to cheaper offers	While AGL does not object to this rule change, we do not consider it will result in any discernible customer benefits but may hamstring the development of new, innovative offers in the market.
Improving the ability to switch to the best offer	AGL supports an outcomes-based approach provided it is consistent with the processes and functionalities that are already available in the industry.
Protections for customers on older contracts	Based on the current drafting, AGL does not support this rule change without further consideration as to the impact on industry and competition and encourages the Commission to hold a standalone consultation for these reforms.
Improving the application of concessions to bills	AGL already has robust processes in place to capture this information and supports full retailer discretion and flexibility to determine when and how to request the customer's concession details.
Extending protections for customers on legacy contracts	AGL supports this change and is undertaking proactive work to transition Victorian consumers on legacy contracts pre-July 2020 contracts to new contracts.
Improving awareness of independent dispute resolution services	AGL supports this change as we already display the Energy and Water Ombudsman's contact number on the first page of our Victorian bills.
Increasing the disconnection threshold	AGL has already aligned its internal disconnection threshold to \$500 for all states. Despite this, we urge caution on the impacts of modifying the disconnection threshold.
Increasing the best offer message threshold.	AGL strongly supports the Commission's proposal to increase the best offer message threshold from \$22 to \$50.



Impact of reforms on competition and price dispersion in the energy retail sector

The Commission's suite of reforms is designed to address issues related to consumer protections and the perceived 'loyalty tax'. We are concerned that a number of the proposed rule changes could have the unintended effect of lessening competition in the energy retail market, restricting innovative product development and significantly increasing the regulatory burden and operational costs associated with running an energy retail business in Victoria. These reforms will lead to a significant structural change of the market, the implications of which need to be carefully considered before these reforms take effect. A five-week consultation is an insufficient period of time to undertake this analysis.

AGL underscores that the long-term impact of these reforms could lead to a reduction of price dispersion of energy offers and a contraction of innovative new plans and offers that enter the market. Price is one of the key drivers for customer engagement in a competitive market; strong price dispersion facilitates customer engagement and a healthy competitive market. Compression of price dispersion will lead to customers disengaging further from the market and no longer seeking better offers due to the low incentive/low reward for switching to an alternative contract. In the long term this is harmful to customers as it leads to further disintegration of the competitive market and disincentivises new participants from entering the market and competing for customers.

It is important to consider the flow on impacts to the underlying market structure, as reforms that remove the highest-priced plans or shift large numbers of customers to the lowest-cost options reduce the difference between the average and lowest prices over time. While a reduction in price dispersion may be a desirable short-to-medium term outcome, the long-term contraction in the number of energy plans, market participants and innovative offers and concepts in the market will ultimately be to the detriment of Victorian consumers as we transition towards a future energy system. Throughout this submission, AGL has made recommendations that could mitigate the adverse impacts to the Victorian energy markets and retail competition as a result of these rule changes.

3. Implementation Considerations

As part of these reforms, the Commission is proposing nine distinct rule changes which come into effect on 1 January 2026 for Tranche 1 reforms and 1 July 2026 for Tranche 2. Noting the scale and magnitude of the changes, AGL urges the Commission to reconsider and revise the implementation timeframes to reflect the operational realities and extensive regulatory reform agenda within the retail energy sector. The commencement dates put forward in the RIS are based on an incomplete understanding of the complexities involved in operationalising these reforms, particularly with respect to changes to each retailer's billing and customer management systems and other supporting IT infrastructure.

The Commission will also be aware that as part of the comparable suite of Energy and Climate Change Ministerial Council (ECMC) reforms, the Australian Energy Market Commission (AEMC) has provided for a period of between 12 to 18 months to operationalise the *Assisting Hardship Customers* and *Improving consumer confidence in energy retail contracts* rule changes, which AGL considers to be a more pragmatic timeframe.¹

The Commission, however, has put forward nine distinct and more nuanced rules that will each have a profound impact on how the retail energy industry operates and services Victorian consumers but allowed for less than 12 months from the Final Decision for retailers to design, develop, deploy and test these changes.

¹ The AEMC's proposes a 31 December 2026 commencement date for its Assisting Hardship Customers rule change which involves an alternative solution to the Commission's automated best offer for customer experiencing payment difficulty. The suite of reforms proposed under the Improving consumer confidence in energy retail contracts Draft Determination are set to come into effect in July 2026.



AGL considers that these reforms are positioned to be the largest customer-facing regulatory changes to the Victorian energy frameworks since the introduction of the best offer and the Victorian Default Offer. Accordingly, the Commission should set the industry and consumers up for success with a reasonable and appropriate period of time to enact the changes.

AGL strongly recommends the following commencement dates for each respective rule change to ensure that the changes have sufficient lead time and are manageable for all stakeholders involved in executing these changes:

Table 2: AGL's proposed revised commencement dates for each rule change

Tranche	Rule Change	Commencement
1	➤ Improving awareness of independent dispute resolution services	1 January 2026
2	➤ Increasing the disconnection threshold ➤ Improving access to cheaper offers ➤ Extending protections for customers on legacy contracts ➤ Improving the application of concessions to bills	31 August 2026
3	➤ Automated switching for customers experiencing payment difficulty ➤ Improving the ability to switch to the best offer ➤ Protections for customers on older contracts ➤ Increasing the best offer message threshold	1 December 2026

Throughout this submission, AGL outlines specific considerations to substantiate the extended implementation timeframe for each respective rule change. More broadly, AGL notes the following factors could severely impact retailers' ability to deliver the changes in line with the current commencement dates:

- Currently, there is an extensive regulatory reform agenda in flight across the NEM. Retailers operating across the NECF and Victorian jurisdictions will have to prepare for both the Commission's *Energy Consumer Reforms* and the AEMC's equivalent ECMC suite of rule changes. There are efficiencies to be gained by aligning and extending the commencement dates for certain regulatory changes which can be project managed concurrently.

The Commission's Tranche 2 commencement date (1 July 2026) coincides with the annual price change event in Victoria, a period of significant activity and pressure for retailers. During this time, retailers must prepare their businesses, meet advance notice requirements for price changes, and implement necessary IT system updates. AGL strongly recommends that no new regulatory obligations commence during this period, as doing so would exacerbate existing resourcing pressures and time constraints.

- The accelerated implementation timeline will create significant challenges in procuring financial, staff and contractor resources. With all retailers in Victoria working to enact these and other regulatory changes at the same time, the sharp spike in workload raises the costs to procure implementation resources and project support. These costs are ultimately passed down to consumers who wear the financial burdens of the Commission's vast reform agenda.
- Resourcing projects to meet the 1 January 2026 commencement date would require that employees of retailers (and potentially contractors) work throughout the Christmas shutdown period. A longer implementation timeframe may minimise the risk of employees experiencing



burnout by allowing for an optimised and fair schedule of work, while also avoiding the potential for mental health concerns for employees and inflated costs during the holiday period.

- With only a limited number of mail-house vendors in Australia that service the energy retail industry to create, issue and post customer-facing collateral (both postal and electronic), there is the potential for substantial delays as vendors attempt to facilitate the industry-wide changes for a large number of retailers at the same time.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at

[REDACTED].

Yours sincerely,

[REDACTED]

Liam Jones

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AGL Energy



Appendix A – AGL’s Feedback on the Regulatory Impact Statement

1. Automatic best offer for customers experiencing payment difficulty.

1.1 Summary of AGL Position

- AGL supports Implementation Option A.1 - Automatic best switching for customers experiencing payment difficulty who meet the chosen eligibility criteria.
- AGL supports a modified version of Eligibility option AA.1 – customers receiving tailored assistance and who cannot afford their ongoing energy usage without the ‘debt trigger’ mechanism.
- The Commission should consider a universal opt-out option from this process for customers who do not wish to undergo automated switching now and/or in the future.
- The current implementation timeframe is unreasonable. Industry needs at minimum 18 months to design, build, deploy and test changes of this magnitude to ensure strong customer outcomes and a good customer experience.

AGL remains supportive of the concept of automatic switching to lower cost energy offers for vulnerable customers who do not or cannot engage with the energy market. However, as will be considered further in response to this rule change, the specific details and design of the mechanism are critical to striking the appropriate balance between positive and perverse customer outcomes. AGL wishes to emphasise to the Commission that failure to find the appropriate balance risks creating adverse outcomes including effectively incentivising non-payment of energy bills in Victoria.

The concept of automated best offer switching for customers experiencing hardship was first articulated in the AER’s Game Changer Report². Through our involvement in both the design and leadership groups of the initiative, AGL has been a vocal proponent of the recommendation. However, as noted at the time, there was significant detail to be resolved before a final solution could be implemented.

Generally, AGL is pleased that the Commission has elected to progress the automated best offer switching reforms in Victoria. We consider that, subject to the Commission addressing the matters raised in AGL’s submission, this rule change has the potential to genuinely improve outcomes for customers experiencing hardship who are unwilling or unable to undertake the process to swap to the best offer.

As part of the AEMC’s *Assisting Hardship Customers* consultation, AGL strongly advocated for the national energy policymaker to align its solution to the Commission’s which we consider to be the preferable approach.

AGL’s feedback to this rule change raises practical, operational, and consumer experience considerations for the Commission to address in its Final Determination.

² Australian Energy Regulator, Game changer, Final Report, November 2023, p21.



1.2 *Customer eligibility for automated best offer*

AGL strongly believes that the automated switching process should apply only to customers who have identified themselves or are identified by their retailer as experiencing *serious* payment difficulties. Customers who are receiving tailored assistance under the Payment Difficulty Framework and who cannot pay for ongoing usage (TA2) meet this eligibility criteria consistent with the AER's recommendations in its Game Changer Final Report³.

On the other hand, AGL does not support the inclusion of tailored assistance customers who *can* afford their ongoing energy usage (TA1). By virtue of the intentionally low threshold for eligibility for this form of tailored assistance (merely falling overdue), AGL is concerned that the mechanism will be invoked too frequently and for customers who are not genuinely experiencing payment difficulties. It will also lead to negative customer experiences for engaged customers who do not want to swap offers. At worst, it may encourage customers to not pay their energy bills at one end of the spectrum and at the other end, lead to customers avoiding accessing payment support to eschew automatic swapping.

The auto switching mechanism involves unilateral action by the energy retailer to move a customer off their chosen energy offer and onto an alternative energy offer without the customer's explicit informed consent. The determinant of the alternate energy offer is predominantly price and does not consider any of the additional features or benefits that may have attracted the customer to their initial higher cost offer. This removal of customer agency should not be taken lightly. AGL believes it should occur for some customers, but only those in the most severe form of payment difficulties – those who cannot afford their ongoing energy costs (TA2).

Given the implications of this change, it would be preferable and more prudent to monitor and then undertake a fulsome post implementation review of the outcomes of the rule change, both desired and undesired, before determining whether or not to extend the automated switching to the best offer for customers experiencing payment difficulty who can afford to pay for ongoing usage.

Notwithstanding the above, of the options proposed by the Commission in the RIS, AGL's next best customer eligibility criteria preference aligns with Option AA.1 – Tailored assistance customers whether or not they can afford their ongoing energy usage. However, as AGL outlines above, attempting to capture both Tailored Assistance 1 and 2 customers casts the net too wide and could exacerbate the unintended consequence and perverse outcomes that undermine the intent of the rule change. To overcome this, AGL recommends a universal opt-out mechanism (see section 1.5.1 *Universal opt-out provision*) so that customers who are engaged and informed retain the ability to decide which energy plan best meets their needs and objectives.

AGL does not support the introduction of the 'debt trigger' mechanism proposed in Eligibility Option AA.2 (see section 1.2.1 – *debt trigger*, below).

1.2.1 *'Debt trigger'*

AGL does not support the inclusion of the proposed 'debt trigger' mechanism as part of this rule change. Extending the automatic best offer switching mechanism to customers who have accrued at least \$1,000 of debt for a period of 3 months or more (Eligibility Option AA.2), creates more challenges than it seeks to resolve, and goes beyond the AER's Game changer recommendations which were supported by industry, policymakers, consumer representatives and other stakeholders.

³ Ibid, p22.



Below, AGL has outlined the factors that interfere with the effective operation of the debt trigger mechanism:

Firstly, AGL does not have existing system capabilities that it can leverage to support implementation of the debt trigger mechanism. While AGL does report on aged debt as part of its performance reporting obligations, the current definition of 'energy debt' is not aligned with what is proposed under this eligibility option. The relevant aged debt metrics which AGL reports on are not inbuilt directly into our billing and customer management system but rather derived and calculated through a standalone process. However, the debt trigger relies on the additional identification of a value in the age of the debt to trigger the automated best switching process rather than relying on existing conditions or data points that AGL's billing system is already configured to capture.

Secondly, significant computation or processing power ('number crunching') will be required to continuously monitor individual customer debt at the granular level required by this rule change. AGL anticipates this will have a material impact on the performance of its IT systems, particularly, if there are seasonal or temporal fluctuations in the volume of customers who come in and out of eligibility.

Thirdly, the Commission has not specified how retailers should treat the age of debt and the fuel it is apportioned to. For example, should the debt be accrued on an individual fuel only or at a customer account level (i.e. across both gas and electricity)? What if the customer becomes eligible and AGL's system commences the automated switch process but subsequently the customer makes a partial payment to reduce their arrears below the threshold? Is the Commission's expectation that the automated switching process is progressed or paused in these circumstances? These factors contribute additional system stress on AGL's IT infrastructure and require careful consideration, design and development to operationalise.

Lastly, there is a likelihood that the debt trigger will lead to unintended and perverse outcomes with respect to the interaction between this rule change and the disconnection threshold in Victoria (currently set at \$300 but proposed to increase to \$500). The Commission noted that under this option, a retailer could disconnect a customer before they become eligible to receive the automatic best offer, but does not consider this likely as most disconnections are for arrears over \$1,000.00.⁴ However, taking into consideration the complexity and costs associated with building for this mechanism, there is a real possibility that some retailers could elect to design a process to disconnect this non-paying customer cohort, in line with energy laws and regulations, at \$999, for example. At the very least, there is nothing preventing retailers from doing so. While the Commission has acknowledged the possibility of this occurring, it has not proposed how to mitigate this outcome.

1.3 Frequency

If a customer enters multiple hardship or payment plan arrangements during a specified period, the automated switching obligation should be limited to a certain number of automated swaps. To the extent that the deemed best offer changes over time, retailers should be limited to automatically swapping the customer no more than *once per year*. This will allow both the customer and retailer to consider a full year of energy consumption and seasonality, while limiting the administrative burdens of undertaking the switching process numerous times in a short period.

⁴ Essential Services Commission, Energy Consumer Reforms: Regulatory Impact Statement, 16 May 2025, p66



1.4 *Interaction with annual price change, customer-initiated product swaps and other events*

There are a number of externalities and concurrent events in a customer's lifecycle that could conflict or interfere with the intended operation of the automated switching process. It is critical that the Commission provide sufficient guidance on how to treat and overcome the barriers for each of the below scenarios:

- **Price change:** It is inevitable that the automated best offer switching process will sometimes occur at or around a price change event, namely, 1 July (for Standard Retail Contracts) and 1 August (for evergreen Market Retail Contracts) in Victoria. During this period, there may be customers who undergo the automated best offer switch but elect to revert to their original plan after the price change takes effect. In this instance, the customer may not have received the relevant price change communications for their original plan due to the tension in timing between the automated switch and the advanced notice of price change requirements. Although the customer would have experienced the price change event had they remained on their original contract, the customer will revert to a plan with different rates without having received notice of the change. AGL is seeking the Commission's detailed guidance on its expectations for how to treat price change events in this context.
- **Customer-initiated product swapping:** There is an additional layer of complexity involved in continuously monitoring customer accounts which become eligible for or commence the automated best offer switching process. There are two distinct scenarios that need to be solved for to address potential timing issues between recontracting activities and the automated switching process:
 - Where there is a *pending or future-dated* customer-initiated product swap at the time the customer becomes eligible: should the retailer progress the automated best offer switching despite the customer's inflight product swap?
 - Where the customer is *already undergoing the automated switching process*, but at any stage prior to its completion, chooses another plan: should the retailer then pause the automated switch from going ahead and progress the customer-initiated product swap? In this instance, the customer could remain eligible for the automated best offer switching even after the customer-initiated product swap completes.
- **Bill smoothing:** AGL recommends that customers who have accrued debt that may meet the automated switch eligibility threshold, but who are being managed under a bill smoothing arrangement are exempt from the automated best offer switching process.
- **Specific products:** Customers on products with specific features who fail to opt-out of the automated switch to the best offer could abruptly lose access to the perks and benefits of their plan, some of which are difficult to immediately reinstate. This could be a significant cause for dissatisfaction and complaints, particularly for customers who do not actively engage with letters/emails sent by their retailer. For example, under AGL's Netflix plan, customers will lose access to the Netflix streaming service when the plan ends. In the context of this rule change, this can be overcome by the automated best offer switch taking effect from the customer's next bill rather than at any point mid-bill cycle, or by allowing customers to opt-out from undergoing the automated switch process at an account level now and in the future (see 1.5.1 *Universal Opt-out provision*).
- **Multisite and collective agreements:** AGL recommends that sites/customers subject to a bespoke collective or multisite agreement are exempt from the automated best offer switching rule. Collective billing or multisite agreements often have unique plan or invoicing requirements and needs to mass market customers. These types of billing arrangements are not representative of a typical small



customer and multisite/collective agreement customers could be adversely affected by automatic switching provisions.

Under collective or multisite billing agreements, the retailer and the 'parent' or primary contracting customer (for example, the head office of a retail chain) enter into a bespoke or negotiated contract for the sale and supply of energy to a number of 'child' sites. The parent entity often manages the accounting for the individual sites by receiving and processing the invoices for the child entities (sometimes in the hundreds) subject to the collective billing agreement. Retailers will manage these accounts separately through a dedicated team that can provide comprehensive information about the energy plan or contract directly to the customer. If individual sites/customers under these collective agreements become eligible and undergo the automated switching process, this could undermine their negotiated agreement and require additional steps to correct.

1.5 Opt-out and reversal protections

AGL recognises that, in order to limit adverse and unintended outcomes, the automated switching processes need strict parameters and effective protections, particularly for eligible customers who wish to remain on their current plan.

AGL generally has no concerns with the opt-out provision which allows customers a 'cooling off period' of 10 business days to stop the automated switching process from going ahead. The post-switch reversal protections, however, are more nuanced, and will require the Commission to consider the following factors for it to operate effectively:

- **Retrospectivity:** Where a customer requests to go back to their original plan, this change should only apply prospectively in that, retailers would not be required to reverse and reissue the most recent bill as though the customer had remained on their original energy product. The Commission must make it explicit that customers who elect to exercise the post-switch reversal are still required to pay the bill that was issued under the new plan.
- **Price change events and pending customer-initiated product swapping:** we refer to and repeat the contents of section 1.4 above. For customers on quarterly billing for electricity, the future dated switch date could be as long as 90+ days in the future if the customer becomes eligible at the beginning of the billing cycle. During this time, it is inevitable that some customers will experience a price change event, end of contract/recontracting event or a customer-initiated product swap. This element of the rule change, including how it interacts with the post-switch reversal protections has not been addressed in the RIS.

1.5.1 Universal opt-out provision

There are many customers who are engaged with and informed about their energy plan and other products available in the energy market. It is reasonable to expect that some customers will prefer to stay on their existing plans or maintain control over the products that best suit their needs. Forcing the automated best offer switch despite a clear customer preference to remain on their current product would be unreasonable and lead to profound customer dissatisfaction, complaints and overall loss of confidence in the energy industry.

AGL strongly believes that to avoid unintended consequences and to allow retailers flexibility in meeting individual customer needs, the Commission should consider creating a universal, account-level opt-out provision for the automated switching process. This would be similar to marketing opt-out rights, enabling customers to retain full control over their energy plans for as long as they wish or until they choose to rejoin the process. The current drafting suggests that customers will need to wait until they receive a letter of intent



to switch to opt-out of the process from their retailer in order to opt-out. The customer would need to repeat this process each they become eligible for the automated best offer switch.

1.6 Implementation timeframe

The proposed 1 July 2026 commencement date does not give retailers sufficient lead time to cater for this rule change which requires significantly more effort than simply building a mechanism that can automatically swap customers from one product to another. Retailers must also create supporting customer materials and bill explainers, new customer-facing letters, arrange comprehensive agent training, establish recordkeeping systems as well as governance, compliance and performance reporting monitoring abilities to oversee the process. Notably, AGL does not currently have existing capabilities or comparable processes that it could leverage to facilitate this reform. This means that every component of it will need to be designed, built and deployed from scratch.

Based on AGL's previous experience, the complexity involved in making system changes to the best offer algorithm cannot be overstated. As part of a recent system uplift, it took approximately 12 months to successfully deploy the necessary IT system changes.

AGL urges the Commission to allow for a 1 December 2026 commencement date for these reforms which is closer aligned with the AEMC's *Assisting Hardship Customers* rule change and while the mechanisms are different between the two jurisdictions, the solutions would need to be developed and implemented in tandem.

2. Improving access to cheaper offers

2.1 Summary of AGL Position

- AGL does not see any discernible consumer benefits from this rule change and would prefer that the Commission not undermine retailers' ability to create and offer products that meet various consumer needs and preferences by imposing undue restrictions on products and how they are designed.
- AGL generally supports that fees and discounts should reflect the costs of doing business incurred by the retailer.

AGL believes it is imperative that retailers have the ability to develop products and services that are priced according to the retailer's commercial and risk strategies. The range of plans currently available on the market represent a spectrum of various product offerings that cater to different customer needs and preferences. Some of these plans may have mandatory attributes or conditions such as electronic billing, or direct debit but offer cheaper rates or other specific perks and benefits. This is not conduct that requires regulatory intervention but is in fact a by-product of an open and competitive market.

While AGL is identified by the Commission as one of five retailers who offer plans with a mandatory electronic billing attribute, AGL has processes and exemptions in place so as to not disadvantage customers experiencing vulnerable circumstances. The Commission should consider that retailers are not seeking to penalise customers through plans that contain these types of attributes and conditions but rather reward and incentivise desirable customer behaviour. As part of this discourse, it is important to acknowledge that Australian policies clearly favour digital billing for its environmental, economic and efficiency advantages, and that AGL and other organisations still have a responsibility to incentivise and encourage digital uptake.



Mandatory attributes such as e-billing and direct debit can facilitate improved entry to market and competition for smaller retailers through lower costs to serve from foregone payment handling, paper billing and manual processing costs and contribute to operational efficiencies and improved digital engagement. While AGL does not require direct debit to enter into any of its plans, AGL acknowledges that for some retailers this is an important mechanism to manage cash flow through predictable and timely payments to reduce arrears and working capital needs, and to lower the risk of bad debt through missed payments or disconnections. Although not every retailer follows the same approach, it is imperative that retailers retain control of their own product and risk strategies and are allowed full discretion as to how to meet the energy needs and objectives of their customers.

Should the Commission be minded to progress this rule change, AGL strongly recommends that the rule only applies prospectively to new plans entering the market after the commencement date. AGL does not support retrospective application of laws and regulations as a matter of good regulatory practice and considers that the program of work to unwind existing products with mandatory attributes outweigh any benefits derived from this rule.

2.2 Netflix offer

AGL's Netflix plan requires that customers provide an email address for registration of the Netflix streaming service and account creation with the third-party provider. The mandatory email requirement is not necessarily linked to the customer's preferred method of communication but is required to register and use the service itself. Further, certain correspondence from Netflix, such as account activation is done exclusively through email with no paper-based alternative available. The unintended consequence of the Commission's rule change is that AGL may have to cease offering or developing new and innovative product propositions to our customers, stifling the already lagging innovation in the energy industry which is hamstrung by the onerous requirements of an antiquated regulatory framework.

AGL urges the Commission to consider how certain innovative product offerings can be made exempt from this rule or create a distinction between attributes required to give effect to certain plan benefits/perks versus mandatory attributes in general (e-billing and direct debit).

2.3 Cost reflective fees and discounts

Consistent with AGL's feedback to the AEMC's *Improving consumer confidence in energy retail contracts* consultation, AGL supports the Commission's position that fees and discounts should be cost reflective.

3. Improving the ability to switch to the best offer

3.1 Summary of AGL Position

- AGL already has streamlined digital and conventional channels for customers to switch plans based on their needs and preferences.
- AGL support an outcomes-based approach to allow retailer to determine how best to meet the intent of this rule change.
- AGL offers its own version of a plan comparison page which would be at risk if the Commission progresses its own prescriptive requirements for the like-for-like portal.



3.2 Purpose of the reforms

As part of the previous Energy Consumer Reforms Discussion Paper consultation, AGL put forward, and still maintains the view that, low uptake of the best offer is indicative of an underlying consumer behavioural issue rather than a failing of the retail industry or regulatory framework. As such, there is limited empirical evidence to suggest that this rule change will materially improve customer uptake of the best offer. On the contrary, the AEMC's recent draft determination on '*Switching to a better offer*' actually found through their investigation that "there was little evidence to support this hypothesis"⁵. Further, the AEMC posits that there is little supporting evidence of transaction costs being a barrier to switching and they could not identify "any changes that could be made that would address this in a way that would increase switching rates"⁶.

If the Commission's chosen solution is vastly different to the systems and digital capabilities already developed and offered to our customers, AGL can unequivocally say that there will be moderate to significant costs associated with this rule change particularly with respect to the creation of a like-for-like comparison portal for retailers' existing plans. This leaves Victorian consumers in the unenviable position of footing the bill for reforms that may ultimately have no bearing on whether they take up the best offer, or not.

AGL maintains that the industry and consumers would derive greater benefit from a concerted information and awareness uplift program, coordinated by the Commission and Victorian government, to stress the importance of consumers remaining engaged with their energy retailer, the competitive energy retail markets and how to switch.

3.3 Implementation Options

AGL generally supports the outcomes-based approaches proposed by the Commission under Option C.1 (Outcomes based without minimum standards) and Option C.2. (Outcomes based with minimum standards) to give effect to this rule.

As AGL already has robust systems, processes and agent training in place to facilitate energy plan switching at a contact centre level, and a variety of digital options for customers who wish to self-service online. An outcomes-based approach will allow for greater flexibility on how to meet the intent of the rule change while leveraging any existing infrastructure already built and available to customers.

AGL's methods for switching plans, such as our contact centre support, website portals and App functionalities were designed with customer experience, needs and behaviours in mind, supported by our extensive consumer insights and research. A simple and seamless consumer experience is a cornerstone of a good energy provider and retailers are naturally incentivised, from a customer acquisition, satisfaction and retention perspective, to have simple and accessible methods of switching plans in place. AGL strongly believes that retailers are best placed to design and create the specifications for the customer switching experiences, rather than the Commission.

AGL does not support Option C.3 (Prescriptive approach) as the requirements listed by the Commission in the RIS will certainly conflict with the product switching options and functionalities that AGL already offers to its customers.

⁵ AEMC, Improving the ability to switch to a better offer, Draft rule determination, 19 June 2025, p i.

⁶ Ibid, p4.



3.4 Online platform for comparing electricity plans side-by-side

AGL has inferred from the RIS that irrespective of which implementation option the Commission ultimately elects, it will mandate that each retailer must create a digital like-for-like comparison portal for their existing energy plans.

The Commission correctly observes that upgrading website functionalities and providing a process for a customer to compare their current plan to other plans available may require costly system upgrades⁷.

AGL already offers a solution that aligns with the intent of the rule to make switching simple and streamlined for customers. Requiring retailers to adopt a new mandated approach would compel AGL to invest additional time and financial resources to redesign and redeploy functionality that is already effective, and customer focussed.

Illustration 1: Online AGL plan comparison portal available for new and existing customers.

The screenshot displays a side-by-side comparison of three electricity plans on the AGL website. Each plan card includes a title, a brief description, a comparison to the Victorian Default Offer (VDO), an estimated annual and monthly cost, and a 'View electricity rates' button. The 'Employee Rate Energy Plan' is the current plan, signed up on 25th October 2024. The 'AGL Smart Saver' plan offers 12% less than the VDO at \$1,167 per year. The 'AGL Netflix Plan' offers 10% less than the VDO at \$1,189 per year. Each plan also includes a 'How estimates work' link and a 'Basic plan information' link. The 'AGL Netflix Plan' includes a 'Call 131 245' button.

Plan Name	Description	Comparison	Estimated Annual Cost	Estimated Monthly Cost	Action
Employee Rate Energy Plan	Signed up since 25th October 2024	We're unable to show you a Reference Price comparison or estimate for your existing plan.			View electricity rates
AGL Smart Saver	Low variable rates	12% less than the Victorian Default Offer (VDO)	\$1,167	estimated per year or \$97 per month	View electricity rates
AGL Netflix Plan	Great value electricity plan including Netflix	10% less than the Victorian Default Offer (VDO)	\$1,189	estimated per year or \$99 per month	View electricity rates

3.3 The role of the Customer Data Right framework

Further, AGL anticipates that the Consumer Data Right framework and upcoming action initiation reforms, will have a significant role to play in enabling customers to seamlessly switch to the best offer, not only with their current retailer, but the best available offer in the market. AGL encourages the Commission to look for opportunities to support consumer uptake and understanding of the CDR regime, rather than requiring retailers to invest in additional system upgrades and customer collateral changes when there is limited evidence these measures will further improve consumer engagement and switching rates.

⁷Essential Services Commission, Energy Consumer Reforms: Regulatory Impact Statement, 16 May 2025, p100



4. Protections for customers on older contracts

4.1 *Summary of AGL Position*

- The Commission has not allowed sufficient time during this consultation process to fully assess the structural impact of the various elements of the proposed rule change on the energy retail markets.
- Based on the current draft rule, AGL does not support the proposed change without further detailed analysis.
- If the rule is to proceed, AGL's preferred approach to defining a "reasonable price" is Option 2 – Flexible definition with minimum standards.
- AGL has provided feedback on the relevant provisions contained in the Draft Energy Retail Code of Practice.
- A commencement date of 1 January 2026 is impractical for a change of this scale.

As this rule change did not form part of the original Energy Consumer Reforms Discussion Paper, AGL is concerned that the Commission has allowed only five weeks and a single round of consultation for its consideration. This timeframe is insufficient to fully assess the impact on AGL and, more broadly, to evaluate the potential effects on the energy industry as a whole.

AGL believes these reforms warrant further consultation and a detailed analysis of their structural impact on the energy market and competition in Victoria. Accordingly, the Commission should pause the reforms and conduct a standalone consultation to evaluate their suitability.

However, if the Commission intends to proceed with the rule change at this time, AGL offers the following observations.

4.2 *Definition of older customer retail contract*

The Commission defines an older customer retail contract as "a customer retail contract that is four years or older from the commencement of the contract." This definition is overly broad and risks capturing a wide range of contracts that may not necessarily be the intended cohort.

AGL proposes revising the definition to specifically reference customer retail contracts with a fixed benefit period of four years or more *from the commencement of that fixed benefit period*. A more targeted definition could help avoid unnecessary complexity and compliance burdens for retailers. Further, this could address the risk of ambiguity surrounding the valuation of non-price benefits offered to customers as well as the unintended consequence of discouraging the development and adoption of innovative retail energy products that include non-price benefits (e.g., bundled services like streaming subscriptions or frequent flyer rewards).

4.3 *Annual tariff review*

As it is currently drafted, the relevant provisions of the Energy Retail Code are not sufficiently clear regarding how retailers should meet the annual review obligations required by this rule.

The rule generally applies to contracts that are four years or older, some of which will be eligible at the time the rules come into effect next year, and others will become eligible over time. With respect to the latter, as



energy contracts continue to age and come into scope of this rule, it would be helpful for industry to understand from the onset whether the annual tariff review must occur at the precise point in time when a contract reaches four years or whether the annual price change period is an acceptable time at which to undertake this review, even if it is some time after the four year anniversary of the contract.

This clarification is essential before retailers begin building systems and processes to comply with this requirement, especially given the strict price certainty obligations in Victoria. For the purposes of a price decrease, it can be difficult to determine whether a tariff change represents a full price reduction, taking into account seasonal fluctuations and the various components of a customer's tariff (i.e. supply charges and time-of-use periods). Retailers would prefer to avoid the risk of changing prices outside the 1 August price change date due to potential enforcement actions.

AGL's preference is that the annual tariff review requirement aligns with the price change period, or for the Commission to create an exemption from the price certainty rule for retailers to vary price in line with the fair and reasonable requirement.

4.3.1 *Clause 121B(3)*

This provision in the draft Energy Retail Code of Practice requires that a “*retailer identifies that a small customer on an older customer retailer contract is not paying a reasonable price for their energy (whether through a review undertaken in accordance with subclause (1) or otherwise)...*”

Retailers need certainty as to how this requirement operates and when it is enlivened. The inclusion of the words “*or otherwise*” creates uncertainty around the circumstances when a retailer would be expected to carry out the tariff review for the purposes of this rule, as it may require a retailer to undertake this review as part of recontracting campaigns, tariff reassignment or even routine discussions about the customer's energy plan.

It would be preferable if this requirement applied only at the designated annual review.

4.4 *Definition of fair and reasonable price*

AGL's preference is to allow retailers to have flexibility to determine the fair and reasonable price, with reference to the factors prescribed by the Commission (Option D.2). While AGL would have preferred that retailers have full discretion to determine their own fair and reasonable price point to satisfy this rule, we consider that the subjective interpretation and risk of enforcement action by the Commission outweigh any benefits of additional flexibility to set the reasonable price.

With respect to gas, AGL considers that a retailer's gas standing offer is already a fair and reasonable price to meet the requirements of this rule.

4.5 *Implementation timeframe*

The Commission proposes a commencement date of 1 January 2026 for this rule. With the Final Determination expected in September 2025 and factoring in the Christmas shutdown period, this leaves industry with only a matter of weeks to design the mechanism to identify, review, and monitor eligible contracts and take appropriate action. Given the current regulatory implementation environment, this timeframe is wholly unworkable.

Further, as part of this rule change, the Commission will allow (but not mandate) that a retailer automatically move customers on ‘unreasonably’ priced older contracts to a new plan with cheaper, more reasonable prices. However, retailers will not have completed building their automated best offer solutions, including the



opt-out and post-switch reversal processes by the 1 January 2026 commencement date. This means one of the two permitted solutions under this rule change will be unavailable. This misalignment between commencement date and availability of both solutions unfairly disadvantages retailers as it is crucial to have both the automated switching and the price reduction options available at commencement.

AGL urges the Commission to extend the commencement date of this rule to align with the automated best offer switching requirements, ideally to 1 December 2026, or at minimum to 31 August 2026.

5. Improving the application of concessions to bills

5.1 Summary of AGL Position

- AGL has robust processes in place to capture and validate customers' concession information.
- AGL prefers that the Commission allow full flexibility for retailers to determine how best to meet the overarching principles (Option E.1).
- AGL does not support the additional loss of eligibility communication requirements proposed under this rule change, as they do not align with existing obligations each retailer has with the Victorian concession authority.

5.2 Implementation Option

AGL has robust processes and agent training in place to capture and validate concession information at multiple touchpoints in the customer journey. Retailers are incentivised to accurately record concession details and apply the appropriate entitlements to customers' bills, so retailers will generally take the steps necessary to ensure that this information is captured and validated.

Accordingly, AGL's preferred implementation approach is Option E.1 – Principles based regulation.

While AGL has considered the features of Option E.2 – principles-based regulation with prescriptive elements, the following issues make it a less desirable approach:

- **Requirement to request concessions eligibility when the customer changes products with the same retailer:** While AGL's frontline staff are trained to collect concession information during product swaps through the contact centre or webchat function, AGL will need to revisit its online MyAccount and AGL App capabilities as they may not meet the prescriptive requirements of this implementation option.

To clarify, AGL does capture concession information for new customers moving homes or switching retailers. However, for existing customers, the online switching process relies on account information already available at the time of the product switch. It does not currently prompt customers to reconfirm concession details, as it assumes this information has been previously captured at sign-up or through another interaction.

Uplifting our digital capabilities would require a significant program of work while there is no clear evidence that doing so would result in increased uptake of concession entitlements.

- **Contact attempts following loss of eligibility:** The Commission will be aware that licenced entities, as part of their agreement with the Department of Fairness, Families and Housing), are already required to inform customers by letter/email of the loss of concessions eligibility.



AGL interprets the Commission's wording of Clause 16A(2)(b) "*if the customer does not respond to the initial contact, the retailer must attempt to contact the residential customer a second time*" as an expectation that retailers must initiate direct contact with customers, such as through outbound calls or SMS following loss of concession eligibility. This interpretation is based on the practical difficulty of confirming whether a customer has responded to a letter or email, especially in cases where the customer does not go on to restore their concession entitlements.

AGL does not support the Commission creating duplicative energy regulations to meet this requirement as it already exists in our bilateral contracts with the state concessions authority, which is the more appropriate instrument for matters relating to the administration of concessions entitlements.

Further, there is no evidence to suggest that the current notification process is ineffective or confusing for customers, however, the new rule would impose substantial recordkeeping and administrative burdens on retailers, with limited benefit to customers.

In AGL's experience, customers are increasingly more cautious about potential fraud and scam attempts and are less likely to engage with direct calls or messages than with letters or emails which can be reviewed and actioned at a time that suits the customer. Further, the Commission should be mindful of sensitive circumstances such as the death of a concession card holder or a permanent change in a household's income, where continued contact attempts about concession eligibility loss may be inappropriate or cause distress.

5.3 Implementation Timeframe

If the Commission elects to progress its preferred implementation Option E.2 - Principles based with prescriptive regulation, AGL would require until at least 31 August 2026 to meet the requirements set out in the RIS.

6. Extending protections for customers on legacy contracts

6.1 Summary of AGL Position

- AGL generally supports this rule change.
- AGL makes practical recommendations as to the interaction between new Clause 77A and other provisions in the Energy Retail Code of Practice.
- The Commission should consider an extended commencement date until 31 August 2026 or alternative transitional arrangements to allow retailers who are moving customers to new plans to finalise this program of work and completely retire the legacy contracts.

As part of AGL's response to the Energy Consumer Reforms Discussion Paper, AGL expressed its support for the proposition that customers on legacy contracts should not be exposed to higher prices from conditional discounts or risk their benefits ending before their contract.

6.2 Clause 77A of the Draft Energy Retail Code of Practice - Conditional fees and discounts

New clause 77A proposes that all fees and discounts relating to a payment condition (such as pay-on-time discounts) are limited to reasonable costs. If the scale of these conditional discounts exceeds this



reasonable estimate (for example high pay-on-time discounts), retailers must apply these discounts unconditionally. This clause applies to all contracts, whether entered into before or after 1 July 2020.

Existing Clause 95 states that "Any pay-on-time discount in a market retail contract must not exceed the amount that the Commission specifies in a guideline published under section 13 of the Essential Services Commission Act 2001 that is in effect at the time that the contract is entered into."

Both clauses regulate pay-on-time discounts in market retail contracts. While they are not mutually exclusive, the lack of rationalisation or cross-reference between them creates unnecessary confusion and can lead to uncertainty about compliance obligations, especially when the thresholds or interpretations differ.

This creates a risk of inconsistent application and undermines the clarity that is essential for effective consumer protection and regulatory enforcement.

To enhance transparency and reduce administrative burden, the Commission should consider rationalising these provisions either by consolidating them into a single, coherent clause, or at a minimum by explicitly referencing one clause within the other to clarify their relationship.

6.3 *Implementation Timeframe*

AGL maintains its support for this change and the solution proposed in Option F.1.

However, in lieu of implementing remedial system changes, AGL is continuing its program of work to proactively move any remaining customers off legacy pre-July 2020 contracts and onto new contracts. AGL believes this is a preferable treatment for these customers as it allows them access to more current plans. As such, it is our intention to undertake and complete this activity rather than invest in significant IT build for a small and organically declining cohort of customers.

AGL recommends allowing retailers more time to complete these voluntary activities in order to avoid the cost implications of the system solution. AGL recommends that implementation of this change should be deferred until 31 August 2026.

7. Improving the awareness of independent dispute resolution services

7.1 *Summary of AGL Position*

- The front page of AGL's first bill already displays the Energy and Water Ombudsman of Victoria's phone number.
- AGL would not need to make changes to its bills to give effect to this rule if the Final Determination is consistent with the RIS.

As part of AGL's Better Bills Guideline implementation project and our bill uplift program of work, AGL took the proactive decision to include contact details of state energy ombudsmen for all customers in the NEM. AGL welcomes the consistency between this rule change and the AER's Better Bills Guideline requirements.

If the Commission's Final Decision is consistent with the RIS, AGL will not need to make any changes to its systems or billing templates to comply with this requirement. However, AGL notes that any changes to bill templates, particularly those affecting the front page of the bill are costly and time consuming, and involves unique challenges posed by working with AGL's third-party mail house vendor. If there are additional requirements in the Final Determination, AGL would need no less than 9 months from the time that it is



published to make the required changes to its Victorian bill. AGL strongly recommends that the Commission should not seek to impose bill obligations that differ from the AER's Better Bills Guideline.

8. Increasing the disconnection threshold

8.1 Summary of AGL Position

- AGL's minimum disconnection amount is already \$500 in Victoria.
- AGL would not need to make any system or process changes to give effect to this rule if the Final Determination is consistent with the RIS.
- Notwithstanding AGL's readiness, we estimate that we would have required an implementation timeframe of 3 - 6 months.

AGL recognises the critical need to ensure that appropriate consumer protections are in place to govern the use of disconnections for non-payment. The ERCoP, *Electricity Industry Act 2000* (Vic) and *Gas Industry Act 2001* (Vic) 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.

AGL has already voluntarily and proactively set its minimum disconnection amount to \$500 in Victoria (and 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 RIS.

8.2 Considerations for Setting the Threshold

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 has observed the 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 than 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. For example, using the St Vincent de Paul analysis cited in the RIS, 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 debt collection 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 or 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).

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 an appropriate level to curtail or minimise non-payment and prevent more significant declines in customer outcomes.

8.3 *Impacts of Changing the Threshold*

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 in fact *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 be a reference to ensuring all reasonable or required steps are taken to support the customer rather than simply waiting until it's too late.

AGL 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, which 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 an increase in annualised growth of debt aged more than 90 days overdue. This increase is largely due to deferred triggering of disconnection warning notices which gave customers more time to fall further into arrears.

8.4 *Implementation Considerations*

In the interests of providing helpful guidance to the Commission, AGL has calculated were these changes not already made, or in the event the Commission makes a final decision that differs from the RIS, that 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 frontline agent training.



9. Increasing the best offer message threshold

9.1 Summary of AGL Position

- AGL generally supports increasing the best offer message threshold to \$50 dollars.
- The IT systems architecture supporting the best offer calculation and message is complex. Retailers will need sufficient implementation time until 1 December 2026 to make this change.

AGL has continuously and strongly supported an evidence-based best offer message threshold set at \$50. However, during the consultation for the '*Building trust through new customer entitlements in the retail energy markets*' process, which introduced the best offer reforms, the Commission determined that a threshold of \$22 per annum savings be set for the best offer notification obligations to be triggered. The Commission stated that in setting this threshold, they are compelled by legislation to consider customers at large, including low income and vulnerable customers. In the public forums, the Commission noted that \$22 per annum would be significant to a small subset of customers and therefore must set the threshold low to protect these customers.⁸

AGL is pleased that the Commission has revised its position and is seeking to revert to the originally proposed \$50 best offer message threshold, which we consider will create a more material financial incentive for customers to switch.

9.2 Implementation timeframe

AGL notes that the Commission has proposed a prospective commencement date of 1 January 2026 for this change. AGL questions the decision to decouple commencement of this change from the other best offer-related reforms contemplated in the RIS, being 1 July 2026. Implementation of these changes should be aligned - it is important that the Commission recognise the highly complex and interdependent IT infrastructure and processes that perform the best offer calculation within each retailer's billing and customer management system, and the magnitude of work that goes into operationalising these changes.

However, as noted by AGL throughout this submission, even the later of the two implementation dates is not a reasonable or pragmatic implementation timeframe to enact these changes, and it severely underestimates the amount of time, effort and resources (both financial and technical) required to make changes of this scale while maintaining the existing best offer processes intact to ensure compliance with the current regulations.

In particular, AGL highlights the following implementation considerations:

- Retailers must continue to comply with the existing best offer threshold until the new regulations take effect. Making changes to the best offer while keeping the previous methodology/threshold intact poses additional challenges and compliance risks.
- Although the change may appear simple, it is not simply a matter of updating an input from \$22 to \$50. The best offer algorithm is highly complex, temperamental, and performs millions of calculations, consuming significant processing capacity.

⁸ AGL Energy, Submission to the Essential Services Commission's Ensuring contracts are clear and fair, Draft Decision, 21 January 2019, p11.



- Related system performance issues, caused by altering the best offer algorithms for the entire Victorian customer base, must also be addressed. Daily processing of high volumes of customer accounts can severely impact the performance of billing and customer management systems. Resolving these issues requires significant time, personnel, and financial investment.
- Customer contact centre processes and scripting must be updated, along with bill explainers and inserts, digital content, and any other customer-facing materials that reference the best offer.