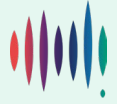


Submission on the Energy Retail Code of Practice review

Submission to the Essential Services
Commission (Victoria)

DATE: 26/06/2025



Introduction

Energy Consumers Australia (ECA) appreciates the opportunity to make a submission to the Essential Services Commission's (ESC) review of the Energy Retail Code of Practice.

We support the proposed package of reforms to the Code and consider that many of the reforms will meaningfully improve outcomes for Victorian energy consumers. In particular we welcome the reforms to:

- require retailers to automatically switch customers experiencing payment difficulty to the best offer
- ensure customers on legacy contracts are paying a reasonable price for their energy
- increase the minimum disconnection threshold – though we emphasise that disconnection must be an absolute last resort and must sit inside a system of proactive, early-intervention support to alleviate energy hardship.

We also welcome other proposed reforms including to improve awareness of dispute resolution services and to require retailers to offer alternative payment and billing methods for all contracts.

We have responded to the consultation questions posed in the Regulatory Impact Statement (RIS) below.

We also refer the ESC to our recent submission to the Australian Energy Regulator's recent review of the minimum disconnection threshold in the National Energy Customer Framework (NECF),¹ the recent 'Rank the Energy Retailer' report² and a forthcoming report on the cost of disconnections.³

Responses to consultation questions

General questions

1. Are there any additional costs and benefits that we should consider for the proposed reforms?

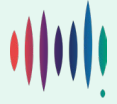
The RIS appears to cover the main costs and benefits that should be considered for the proposed reforms, noting the RIS methodology (multi-criteria analysis) means these have not necessarily been quantified.

We note that no multi-criteria analysis was conducted for the proposal to increase the minimum disconnection amount due to the low implementation burden expected from these changes. We note in support of that reform (and should it be necessary to quantify the impacts of disconnection for this or other reforms) that ECA has commissioned a forthcoming report prepared by Reform Matters in relation to the cost of disconnections.

¹ ECA, Submission to the Australian Energy Regulator's Draft Decision (June 2025), [Submission to the Australian Energy Regulator's draft decision on its Review of the minimum disconnection amount](#) | Energy Consumers Australia.

² FCVic, Financial Counselling Australia, ECA, Consumer Policy Research Centre, [Rank the Energy Retailer 2025](#) (June 2025), [2025 Rank-the-Energy-Retailer Report.pdf](#).

³ Reform Matters, *Disconnections: Counting the Cost* (2025) (this report is not yet published but will be shared with the ESC when available).



The draft report indicates that electricity disconnections for non-payment create a net welfare loss by generating new costs for multiple parties. These include financial and non-financial impacts on households, such as health consequences; operational costs for retailers managing disconnections; and increased pressure on governments and third-party support services assisting customers in hardship. Preliminary findings from this report estimated the annual cost of disconnecting households to have been \$157m in 2023-24— which is equivalent to a total cost of \$5,500 per disconnection. This number has been trending upwards in recent years.⁴

2. Are there any additional implementation requirements we should consider for this package of reforms and each individual reform?

3. Do you have any feedback on the proposed implementation timeframes for the proposed reforms?

We support the proposed six-month implementation timeframe. Where practicable we encourage the reforms to be developed in such a way that retailers can commence implementing reforms that will benefit consumers ahead of the formal commencement date (for example, retailers could include information about EWOV on bills immediately).

4. Are there any further considerations required for how each reform will interact with one another?

We note that in parallel with the review of the Code, the Australian Energy Market Commission (AEMC) is considering changes to the National Energy Retail Rules to enhance consumer protections.⁵

In some cases, these rule changes are similar to the changes being considered by the ESC but with some important differences. Consumers may not be aware of the different regulatory arrangements in Victoria compared to NECF jurisdictions. We encourage the ESC to ensure that consumer-focused communication about the changes to the Code is clear and simple to avoid contributing to any potential confusion, and to coordinate with the AEMC as appropriate.

5. If your preferred option differs from that identified in the MCA, could you please explain why?

We generally support the preferred options identified in the RIS.

Other matters considered

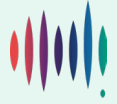
6. Do you agree with increasing the threshold for the best offer check results from \$22 to \$50? If not, what amount would be more appropriate, and why?

We note that the proposed \$50 threshold will now also be used for the 'automatic best offer' reform. While we consider that a lower threshold is preferable to ensure that consumers are informed if they could be on a better offer, given the expanded role for this threshold the proposed \$50 amount appears to strike a reasonable balance.

We note the RIS estimates this will impact around 95,350 customers that would otherwise receive a best offer message. While the RIS assumes a low switching rate among these customers of 0.25-0.5 per cent, the potential detriment from customers not being aware of a better offer is nonetheless significant

⁴ Reform Matters, *Disconnections: Counting the Cost* (2025) (this report is not yet published but will be shared with the ESC when available).

⁵ AEMC, [AEMC delivers enhanced consumer protections to help customers find better energy deals | AEMC](#).



so we encourage monitoring of this change post-implementation to ensure it is not negatively impacting consumers.

7. Do you agree with increasing the minimum disconnection amount to \$500? If not, what amount would be more appropriate, and why? Should this amount be indexed to account for inflation or increases in energy prices?

We strongly support the minimum disconnection amount being increased. However, we emphasise that – per clause 121 of the Code – disconnection must be an absolute last resort, and there must be effective and sustainable support for people experiencing energy hardship.

ECA has recently made a submission to the Australian Energy Regulator (AER) to increase the minimum disconnection amount under the National Energy Retail Rules to \$500.⁶ Our position on the ESC's proposal is the same as outlined in the submission to the AER's review (noting that in some respects the Code contains additional protections to those in the NECF).

While we support the minimum disconnection amount being increased, we highlight that disconnection due to hardship is a failure of the system, not of the consumer. It is critical that the energy market does not perceive increasing the minimum disconnection amount as a complete solution. It must be part of a broader strategy to eliminate disconnection for customers in hardship and to ensure that everyone, regardless of socioeconomic status and geographic location, has access to the energy they need to live safely and with dignity.

As we have also recommended to the AER, we note that:

- disconnections must be treated as an absolute last resort and should not be used to prompt engagement
- the minimum disconnection amount must sit inside a system of proactive, early-intervention support to alleviate energy hardship
- reform must be responsive – future reviews of the minimum disconnection amount should occur regularly.

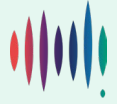
As noted in response to Q1, ECA has commissioned a forthcoming report prepared by Reform Matters in relation to the cost of disconnections. This report indicates significant financial and non-financial impacts of disconnections – such as health consequences, operational costs for retailers managing disconnections; and increased pressure on governments and third-party support services assisting customers in hardship – estimated \$157m in 2023-24 – which is equivalent to a total cost of \$5,500 per disconnection.⁷

We support the minimum disconnection amount being indexed, or otherwise regularly reviewed. If the amount is not indexed, we recommend it is reviewed regularly (at least every 2 years).

If indexed, the indexation amount should not be less than either the inflation rate or a benchmark for increases in energy prices (e.g. if energy prices increase by more than inflation, the minimum disconnection amount should also increase by a corresponding amount). Any indexation amount should also take into account that customers experiencing hardship may be paying a much higher amount of their income and household expenses on energy relative to other customers.

⁶ ECA, Submission to the Australian Energy Regulator's Draft Decision (June 2025), [Submission to the Australian Energy Regulator's draft decision on its Review of the minimum disconnection amount](#) | Energy Consumers Australia.

⁷ Reform Matters, *Disconnections: Counting the Cost* (2025) (this report is not yet published but will be shared with the ESC when available).



Automatic best offer for customers experiencing payment difficulty

General comments

We strongly support this proposed reform, including providing an exception from explicit informed consent requirements where this is acting as a barrier to moving customers onto a better offer. As the RIS notes this is an important protection that will help ensure customers experiencing payment difficulty are not paying more for energy than they need to.

We support the proposed eligibility option covering both 1) customers receiving tailored assistance, and 2) customers in arrears for at least three months and with arrears of \$1,000 or more. We consider the second eligibility criterion is necessary as there will be customers experiencing payment difficulty who may for various reasons not be (or may no longer be) receiving tailored assistance. We acknowledge that there is a risk of 'over-capture' (i.e. this criterion potentially including some customers who are not experiencing payment difficulty) but consider that priority should be given to ensuring all customers experiencing payment difficulty are covered under the eligibility criteria.

The recent 'Rank the Energy Retailer' report highlights findings from a national 2025 survey of financial counsellors on the hardship practices of energy retailers.⁸ The report highlights concerns about systemic shortcomings in energy hardship responses and includes analysis of reasons why people who enter a hardship program do not always stay within the program.⁹

Finally, we acknowledge this reform will require a change in how explicit informed consent is applied. We believe the potential benefits of ensuring consumers experiencing payment difficulty are on the best offer outweigh the potential risks. Explicit informed consent does not limit retailers from increasing a consumer's prices and we therefore support any reform which helps to ensure potential cost savings are experienced by consumers too. Further, the use of an easily accessible post-switch reversal would allow consumers to opt-out if they value additional perks in their former plan that are not considered when assessing the "best offer".

8. Are there other mechanisms we should consider in the design of the automatic best offer to protect consumer choice and agency (in addition to the proposed opt-out and post switch reversal periods)?

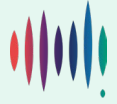
The proposed mechanisms appear to be reasonable to preserve customer choice and agency.

In relation to the post-switch reversal:

- We suggest the reversal period is ten business days after receiving the first bill after a switch (rather than five business days). A consumer may not be aware of the switch until receiving the bill so we consider the period should be ten business days to align with the opt-out and cooling off periods.
- It is not clear if there is any obligation on a retailer to make the consumer aware of their right of reversal under proposed clause 121F(1). If there is no such obligation proposed, we recommend one is included to ensure the consumer is aware not just that their plan has changed but that they have the right to reverse the switch within the reversal period.

⁸ FCVic, Financial Counselling Australia, ECA, Consumer Policy Research Centre, *Rank the Energy Retailer 2025* (June 2025), [2025 Rank-the-Energy-Retailer_Report.pdf](#).

⁹ Ibid, 15.



9. Could the proposed amendments for the automatic best offer be enhanced to further reduce implementation costs and maximise benefits to customers experiencing payment difficulty?

We do not have any further suggestions but reiterate (per our general comments above) that it is necessary that the eligibility criteria for the automatic best offer cover customers experiencing payment difficulty, whether or not they are currently receiving tailored assistance. We consider that the preferred option best achieves that.

10. Do you have any feedback on the proposed process and implementation timeframes for the automatic best offer?

The proposed process and timeframes for the automatic best offer appear reasonable.

Improving the ability to switch to the best offer

11. What metrics do you think could help assess the effectiveness of the process to switch to the best offer?

The draft metrics proposed on p 101 of the RIS appear reasonable. The metrics should cover all means by which a consumer might seek to initiate a switch (phone, online etc). As noted in the RIS, customers starting a switch process but not completing it may indicate the switching process is not simple or accessible; we consider this an important metric to measure.

12. Are there any implementation issues for small retailers that we should consider regarding effective processes to switch to the best offer?

We acknowledge that implementation may be relatively more costly for smaller retailers, but we don't consider any exemption or extension of time to comply is appropriate. The proposed requirements are outcomes-based and appear to be reasonable minimum expectations of businesses seeking to participate in the retail market for an essential service.

Protections for customers paying higher prices

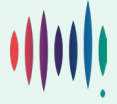
General comments

We welcome this proposed reform, which will provide some protection for customers on older contracts from paying a 'loyalty penalty'. We support providing an exception to explicit informed consent requirements where this is a barrier to moving these customers onto a better offer.

We note this reform is described as a 'protection for customers paying higher prices', but is not a general protection against higher prices but rather a specific response to customers on legacy contracts being penalised for their loyalty to a retailer. ESC may wish to consider reframing how it communicates this reform as it is implemented.

13. What would you consider to be a suitable benchmark to determine a reasonable price for gas?

We note that for electricity, the ESC proposes to deem the Victorian Default Offer (VDO) to be a 'reasonable price'. Noting there is no VDO-equivalent for gas, a simple approach might be to deem prices within a certain range above the average or median gas market offer for a region to be a reasonable price. That range might be based on the difference between the VDO and average electricity market offers. We note though there are other differences in the markets for gas compared to electricity



(beyond the absence of a VDO-equivalent) that may make determining a reasonable price benchmark for gas more complex.

Other reforms

We note our support for the other reforms proposed in the RIS (that we have not addressed in response to the above questions), including the proposals:

- that retailers must offer alternative payment methods for all contracts and offer paper bills and e-billing options for all contracts
- that retailers include the telephone number of the Energy and Water Ombudsman Victoria on the front page of a customer's energy bill
- to improve the application of concessions on bills
- to limit fees and discounts relating to a payment condition to reasonable costs.

**The national voice for residential and
small business energy consumers**



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