

26 June 2025

Sarah Sheppard
Chief Executive Office
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne 3000

Dear Ms Sheppard,

Energy Consumer Reforms – Draft Decision and Regulatory Impact Statement

Origin Energy (Origin) appreciates the opportunity to provide comment on the Essential Services Commission (ESC) *Energy Consumer Reforms* Draft Decision and Regulatory Impact Statement.

Origin strongly supports regulatory reforms that aim to help hardship customers better manage their cost of energy. It is vital that any regulatory changes ensure that each hardship customer is treated equally and equitably and that any potential unintended consequences are fully considered.

We are concerned that the ESC's proposal to require retailers to automatically switch customers to their best offer without consent will not achieve the reform objectives and may have a negative impact on the broader market.

Switching customers to different plans without their consent has the potential to create confusion and further distrust in the industry. In our experience automatically switching customers to a better offer will provide short term cost relief but it will not encourage the customer to engage with their retailer. This will diminish the ability for the retailer to actively work with the customer to help them better manage their bills and debt; which we believe delivers the best long-term outcome for customers.

We are also concerned that mandating automatic switching could have the unintended consequence of either compressing retailer margins or creating a significant difference in best offers across retailers. Because of the transfer of a large number of customers to potentially larger discount products, retailers will need to manage this financial risk. One potential response is a compression in discounts. As a result, all customers including those who are engaged will not be able to obtain the discounts they previously could. More concerning, a hardship customer with one retailer could be significantly worse off compared to a comparable hardship customer with a different retailer because of the potential material difference in best offer rates. This is neither fair nor equitable.

Origin retains its position that a hardship tariff would better meet the ESC's objectives. A hardship tariff would be a transparent, fair and equitable solution, and is supported by consumer groups.

Finally, we note the ESC and AEMC have proposed different solutions to effectively the same policy problem. This regulatory inconsistency will create additional costs. We do not believe there has been demonstrable evidence that the benefit of this reform will outweigh the costs or will deliver a more preferable outcome compared to a hardship tariff.

Origin's views on each of the issues raised in the draft decision and RIS are set in Attachment A.

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

Yours sincerely



Sean Greenup
Group Manager Regulatory Policy

Automatic best offer for customers experiencing payment difficulty

The ESC's proposal is overly complex and assumes that energy retailers can accurately determine for the individual circumstance of each customer a best offer for them. This is especially challenging when offers include non-energy value-adds (such as subscriptions) which may be important to the customer but are not captured in a price-based calculation.

Eligibility

Extending eligibility to all customers with an outstanding debt of \$1,000 or more does not effectively differentiate between customers experiencing genuine financial hardship and those who may have simply missed a single bill. In such cases, customers could receive notifications about being automatically switched, despite not requiring additional support. Additionally, the \$1,000 threshold is not a static benchmark, and we are concerned about its practical application.

We believe greater consideration should be given to identifying the appropriate target audience for this reform. In our view, the policy would deliver the most benefit to customers experiencing genuine financial hardship – those who consistently underpay their accounts and already receive additional support from retailers. These customers are more likely to prioritise the cost of energy over non-price value-add features and would stand to benefit most from ensuring they are on the lowest possible energy rates.

Because the definition of tailored assistance is very broad (it captures any customer with a debt of \$55 who has entered a payment arrangement with their retailer) the number of customers receiving this assistance is significant. We are concerned this could create an unintended outcome where margins are compressed as retailers manage the financial exposure of a large number of customers being transferred to a larger discount plan. One potential response is a compression in discounts. As a result, all customers including those who are engaged will not be able to obtain the discounts they previously could.

More concerning, a hardship customer with one retailer could be significantly worse off compared to a comparable hardship customer with a different retailer because of the potential material difference in best offer rates. This is neither fair nor equitable.

Origin retains its position that a hardship tariff would better meet the ESC's objectives. A hardship tariff would be a transparent, fair and equitable solution, and is supported by consumer groups. An independently determined hardship tariff would ensure that all eligible customers receive access to the same price, regardless of their retailer.

Automatic switching and informed consent

Explicit informed consent is a key consumer protection that supports customer agency and informed decision making. Under this proposal, customers may be automatically switched to a plan that they may not have chosen, effectively reducing their ability to select a plan that better suits their individual circumstances and preferences. We are deeply concerned that removing this choice could lead to dissatisfaction, particularly if the customer feels that they were not adequately consulted or informed about the implications of the switch.

In cases where a customer has actively chosen a specific product and agreed to particular payment terms such as pre-payment, automatic switching could remove critical support mechanisms designed to help the customer manage their bills. The new product may not include these features, potentially putting the customer at a disadvantage.

Exclusions to automatic switching

We believe that if the customer opts out of automatic switching, they should be excluded from future automatic switching obligations. To the extent this is a carve out, retailers would need to provide evidence of these customer numbers in any annual AER compliance reporting.

One of the key challenges with the current best offer calculation is that it is based solely on the lowest possible energy price, without accounting for non-energy benefits. Many retailers offer bundled plans that combine electricity, gas and broadband allowing customers to achieve meaningful savings by sourcing all services from a single retailer. However, when only the electricity component is assessed in isolation, the bundled offer may appear less competitive – potentially triggering an automatic switch recommendation. The best offer calculation does not account for the overall value of bundled arrangements or additional benefits.

Further, some customers sign up for energy plan bundles which include non-energy services as energy demand response (EDR) programs or other long-term benefits. For example, some retailers offer plans of five years or more that include a battery. Early exit would require the customer to pay out the cost of the battery. Customers who actively choose to integrate plans and other services, where they get an energy benefit, should not be disadvantaged from the requirements.

While automated switching mechanisms may support disengaged customers, they should not be applied to customers who are actively engaged and deliberately choose plans that aligns with their preferences and needs. On this basis, we believe that if the customer makes an explicit decision not to be on the deemed better offer these customers should be excluded from the requirements.

Customers should be able to opt out for a defined period of 12 or 24 months – this generally aligns with the benefit periods of offers. After this time, the retailer would need to commence to contact the customer and offer automatic switching if they continued to fall within the eligibility for the requirement.

From a retailer's perspective, repeatedly contacting an engaged customer who has made an informed and deliberate choice may not only be unnecessary but could also diminish the overall customer experience.

Minimum Disconnection Amount

The ESC's proposal is to increase the minimum amount of outstanding debt a customer must have before a retailer can arrange for a customer to be disconnected. The proposal is to increase the amount from \$300 to \$500 (including GST).

We have concerns with this proposal as disconnection for non-payment is always treated as a last resort. While we make every effort to avoid this outcome, our experience demonstrates that early awareness of disconnection as a possible consequence significantly improves customer engagement and increases uptake of available payment support.

However, the proposed increase to the minimum disconnection amount is likely to reduce early engagement and delay timely intervention as retailers would be unable to reference disconnection until the higher threshold is reached. In some cases, customers could be more than two full billing cycles in arrears before disconnection can even be raised - by which point their debt may have grown to nearly \$1,000. This delay weakens the effectiveness of our engagement efforts and limits our ability to provide early support to customers who need it most.

We have a comprehensive hardship program in place and all communications regarding overdue amounts include clear information on available assistance and we actively encourage early engagement from customers experiencing financial difficulty.

When disconnection is not presented as a possible outcome, we observe a material decline in customer engagement. This was particularly evident during the COVID-19 pandemic when disconnections were paused. When disconnections resumed through our billing platform, we saw a sharp increase in engagement with many customers expressing frustration that their debt had been allowed to accumulate to such high levels. This experience clearly demonstrated that the potential for disconnection acts as a critical trigger for customers to respond and seek help.

Origin supports periodic review of the amount rather than annual indexations. Annual indexations will lead to non-whole numbers which will make it more difficult for both consumers and call centre staff remembering the minimum disconnection amount.

Finally, it is important to note that this policy has the potential to interact with the automatic switching provisions. A customer could approach the \$1,000 debt threshold before the retailer has an opportunity to engage with them about payment options. Under the proposed reforms, automatic switching may be triggered before this engagement occurs, potentially transferring the customer to another offer. This could lead to a negative customer experience, particularly if the customer had actively chosen a product with non-price benefits (such as a subscription) only to be moved away from it before the retailer has had a chance to discuss their options.

Increasing the best offer threshold

We support the proposal to increase the minimum potential savings for a negative best offer check from \$22 to \$50 per year.

Improving access to cheaper offers

Under this proposal, a retailer would be required to: 1) offer alternative payment methods for all contracts; and 2) offer paper bills and e-billing for all contracts. However, it is proposed that a retailer could be able to charge a conditional fee or to offer a conditional discount related to payment conditions if they are limited to reasonable costs.

The ESC should consider the basis in which this requirement is set. There will be contracts in the market that do not meet these requirements. We argue that this should only apply on a prospective basis to ensure that it does not have unintended consequences.

Improving the ability to switch to the best offer

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

Origin believes that there needs to be an exclusion for this requirement for multi-site offers. Multi-site offers are individually negotiated, and customers pay based on specific agreed amounts determined by the owner or management of the site. Offers cannot be presented in the same manner as single site contracts.

Protections for customers paying higher prices

For electricity, Origin supports the ESC's views that the Victorian Default Offer (VDO) is a 'reasonable price'. This means that prices at or below the VDO would be deemed reasonable.

For gas, Origin considers the retailer's standing offer price to be the appropriate benchmark for a reasonable gas price.

Origin seeks clarification on the proposed timing of the required review. Specifically, if a customer is confirmed to be on a lower priced offer at the four year mark, we seek confirmation on whether the next review would be due four years after that initial review or whether annual reviews would be required thereafter (i.e. in years 5, 6, and beyond) until the customer is deemed to be on the best offer. If ongoing annual checks are required after the initial four-year period, a separate and more complex process will need to be developed and integrated into our billing systems.

Reversion to Original Product

Reverting customers to their original plan will need to be managed manually. Open products will continue to be visible and available to eligible customers. In contrast, closed products, those previously offered but no longer available to new customers, must remain closed to prevent customers from being inadvertently placed on outdated offers.

If a customer requests to return to a closed product, the process will remain manual. The call centre would need to raise a request with a specialised product team, who would temporarily re-open the closed product to enable the change. This process carries risk as re-opening the product even briefly could result in it being offered to other customers by the sales team in error.

Origin's preference is to provide clearer and earlier communication to customers at the outset, rather than relying on complex, manual, and resource-intensive backend processes to reinstate closed plans.

Improving the application of concessions on bills

We agree retailers should proactively seek information from customers (new and existing) on their eligibility for energy concessions or rebates. Origin actively engages with our new customers when they enter into agreements to ensure they are aware of their concession entitlements. In addition, we engage with our existing customers about available concessions through hardship discussions, bill messages, website updates, our online My Account and through regular verification of customer information.

However, we believe there should be clear and defined circumstances under which these obligations apply. For example, when a retailer is entering into a new contract with a customer or when a customer requests to switch to another plan. This approach ensures retailers have a clear understanding of the ESC's expectations. We do not support a broad requirement for retailers to request concession eligibility information from residential customers at any time the retailer deems it relevant.

Further, there will need to be a specific exemption from this obligation in cases of automatic best offer switching. Where a retailer is required to automatically switch a customer, there is no direct communication or engagement with the customer as part of the process, making it impractical to request concession eligibility information.

Extending protections for customers on legacy contracts

Origin supports this proposal.

Improving awareness of independent dispute resolution services

As previously raised, we support including Energy Ombudsman details on consumer bills. However, the placement of the details on the front-page drives increased calls to the Energy Ombudsman in the first instance rather than the customer contacting their retailer to resolve an issue. This leads to a poor customer experience when the customer is referred back to the retailer.

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

We seek confirmation as to whether it is intended that this policy apply to embedded network customers.

Timeframe for Implementation

We are concerned about the proposed timeframe for implementing these policies within the next 6 to 12 months, particularly given the volume of significant reforms currently underway at both state and federal levels; many of which have overlapping timelines or potentially conflicting requirements. The AEMC is consulting on related reforms with differing proposed outcomes, NSW is progressing with the consolidation of energy rebate arrangements and there are substantial reforms underway in the Consumer Energy Resources space.

In addition, the proposed implementation dates of 1 January and 1 July coincide with the busiest periods for energy retailers. These timeframes align with major pricing and rebate changes as well as key reporting obligations at the start of the calendar year. To ensure appropriate system development, testing and implementation—without placing additional strain on system and resourcing capacity—Origin seeks shifting the implementation dates to 1 March and 1 October.