

26 June 2025

Energy Consumer Reforms - Regulatory Impact Statement

OVO Energy welcomes the opportunity to provide feedback on the Energy Consumer Reforms: Regulatory Impact Statement prepared by the Essential Services Commission.

OVO Energy commenced retailing electricity in early 2020 in Victoria, it has since grown to almost 70,000 residential and small business customers. OVO Energy only retails electricity to small customers. Therefore this submission is focussed on select reforms.

Automatic best offer for customers experiencing payment difficulty

OVO Energy supports automatic best offer switching for those vulnerable customers who are experiencing significant financial difficulty. This would result in a meaningful benefit to those consumers, particularly those that do not engage or struggle with barriers to engagement.

However, OVO Energy believes that the detail and design of the mechanism needs to be carefully structured to ensure an appropriate outcome, particularly given it will be done without the customer's explicit informed consent. To ensure the appropriate balance between a customer's rights and the best interests of customers struggling to pay their energy costs, this should only occur for customers experiencing the most severe form of payment difficulties.

OVO Energy recommends that the eligibility criteria should be restricted to those Tailored Assistance customers who cannot afford their ongoing usage costs (TA2). OVO Energy believes that this would be better than a "debt trigger".

Use of a "debt trigger" may have inappropriate outcomes and fail to meet the intention of the reform. It may also inadvertently incentivise customers not paying bills to ensure they were always on the lowest rates which would be an inappropriate outcome.

Some customers may meet the debt threshold but not require assistance for a range of reasons, including -

- Customers on bill smoothing arrangements that have been making their required payments but due to the timing of the year accrued debt which will be paid off by the end of the year.
- Some customers may have large bills due to seasonality such as winter bills or consume large amounts of electricity from their appliances or an electric vehicle and miss a payment for a reason that is not due to payment difficulties. These customers may be in debt for a short period of time and then make payments to reduce or pay their debt entirely. In such a circumstance it may have been communicated to the customer that their plan is being changed but the retailer may no longer have the right to do so.

The better approach would be to limit it to those customers who have been identified by themselves or an energy retailer as needing financial support and are unable to pay for their ongoing energy use.

Timing of reform

The proposed 1 July 2026 commencement date is insufficient time to ensure systems and processes can be built. This is a complex proposal which will take significant system development time to ensure it is appropriately scoped, developed and tested. It will also be a significant change to operational processes, customer communications, record keeping, governance and compliance processes as well as require relevant staff training. The proposed timing is insufficient to undertake all tasks that will be required to comply with the proposed reform. OVO Energy strongly recommends that any proposal requiring automated switching have a commencement date of 31 December 2026.

Improving access to cheaper offers.

OVO Energy notes that it is named in the Commission's Regulatory Impact Statement as a retailer offering a price competitive offer with direct debit and e-billing attributes. OVO Energy offers 3 core residential plan concepts, each concept has 2 versions. One version requires direct debit and e-billing, the other "basic" version is priced 5% more than the first version and does not have the same requirements.

There are a range of benefits provided by these plan attributes to a retailer that allows the plan to be priced cheaper:

- There is a lower cost to serve because there is no requirement to support the production of paper bills or manage a range of payment methods.
- There are operational efficiencies with fewer inbound calls and back office tasks related to billing and payment issues which reduces manual processes.
- Direct debit reduces the likelihood of customers needing to be sent reminder notices and is less likely to require some form of debt collection activity. The more debt collection activity, the greater the cost to the retailer.
- eBilling also drives customers towards digital channels which allows them to self service most key processes through online portals and mobile apps. This further reduces cost to the retailer as it encourages processes to be automated and requires less manual handling from customer enquiries. It is also beneficial for the customer, enabling them to manage their account any time it suits them without having to contact the retailer.
- These plan attributes also help lower the barriers to competition for smaller, new entrant retailers. Start up businesses require cashflow and don't have the same capacity to manage bad debt that the larger incumbent retailers have. Predictable and timely payments assist

with working capital requirements and help a retailer reduce its debt risk. This is particularly important for small growing retailers who do not have large customer bases. This rule change would more greatly disadvantage a smaller retailer.

Due to the reduced cost and operational efficiencies of these plan attributes, they can be priced more competitively.

The Commission's current pay-on-time discount cap is set at 6.62%. This is deemed by the Commission a retailer's reasonable costs for receiving prompt payment and would be suitably analogous for a retailer's reasonable costs for assessing this reform. OVO Energy notes that there is only a 5% cost benefit for e-billing and direct debit versions of OVO's plan concept.

Therefore, if the plan attributes were introduced as a conditional discount, the consumer groups who are the aimed beneficiaries of this rule would not benefit and be able to access the lower rates.

OVO Energy commenced retailing in Victoria in 2020 after the 1 January 2020 reforms. It has never offered discounts (conditional or otherwise) and does not have the functionality to offer these. If OVO Energy were to build the functionality to do so it would come at significant cost. Retailer costs are ultimately born by the wider customer base. It should also be noted that the functionality is complex and would take time to build, so these types of plans may have to be withdrawn from the market until the additional functionality could be built, if it were financially feasible to continue to offer these plans. Increasing the complexity of system functionality and additional costs that come with system upgrades would likely lose the cost efficiencies that these plans currently have.

There are also indirect benefits of allowing these types of products. E-billing and direct debit facilitate scalable, technology driven billing and customer service systems. Better technology supports innovation and assists with speed to market with new offerings.

The Commission notes that some customers who experience payment difficulties are unable to commit to paying by direct debit at the same time every month and that there is a belief that they are being unfairly disadvantaged. OVO Energy notes that if a customer is experiencing payment difficulties and requires Tailored Assistance they are not required to pay by direct debit, even if it is a requirement of their plan. OVO Energy works with a customer to set up a payment plan at an amount and frequency that takes into account a customer's ability to pay and waives any plan requirements while they need additional support.

Finally, the Commission notes that only 5 retailers offer these types of offers which is a small proportion of the market. Therefore there is a range of offers already available to customers who do not want an energy plan with these attributes.

This proposed rule is unlikely to have any discernable advantage to vulnerable customers. Rather it is more likely to increase costs, increase barriers to competition and reduce innovation.

Increasing the threshold for receiving a 'best offer' message and increasing the minimum debt amount for disconnection

OVO Energy supports the proposed increase to the best offer check threshold and minimum disconnection amount.

Improving the ability for customers to switch to the best offer

OVO Energy notes that customer behaviour in relation to the receipt of the best offer has also been considered by the AEMC. In its recent draft determination on *Improving the ability to switch to a better offer*, the AEMC observed, following an investigation into customer behaviour, that it is not the time and effort required to switch preventing this occurring but low engagement with energy bills. The AEMC notes that the switching process "is fairly easy".¹

OVO Energy currently enables customers to switch plans either via the website, the customer's online portal, MyOVO or the app, or via the phone or email. Considerable time, effort and resources have gone into designing online and telephone processes for switching. The quickest method for a customer to switch plans would be to log onto MyOVO or the app which contains a button at the bottom of the customer's plan summary which states "switch plans". It then takes them to an online switch process tailored to their information. The customer then selects their preferred plan and reconfirms important information such as whether the property has life support equipment or the customer has a concession and then seeks their consent. It takes approximately 3 mins for the customer to switch.

OVO Energy has invested heavily in its online digital solution with a focus on customer experience. Significant investment has been made in its technology to enable this. This digital investment has enabled it to enter the energy market and compete with much larger retailers.

If the Commission requires certain standards or prescribes requirements it will result in significant cost to retailers to ensure compliance with these requirements. Website design, build and integration with retailer billing systems is complex, resource intensive and time consuming to create. If retailers are required to redesign processes this will be a significant cost. These costs will ultimately be borne by the consumer. There is also a risk that it will degrade the customer

¹ AEMC, National Energy Retail Amendment (Improving the ability to switch to a better offer) Rule, Draft rule determination, page i.

experience as well as create significant barriers to entry and competition for smaller retailers. Overly prescriptive regulation will likely create barriers to innovation as retailers may not be able to improve on its online experience if it does not meet the regulatory requirements (even if it is in the best interest of the customer). We note that regulation can be slow to make and struggles to keep up with rapid advances to technology, therefore an overly prescriptive design will likely result in outdated requirements fairly quickly to the disadvantage of consumers.

OVO Energy is of the view that the better solution to the Commission's issue is to improve customer knowledge and awareness of the importance of engaging with the energy market and reviewing their bills to ensure they are on the best offer for their circumstances.

Improving the awareness of Independent dispute resolution service.

OVO Energy supports this proposal. OVO Energy notes that it already includes EWOV's phone number on the front page of its bill for Victorian consumers.

If you would like to discuss this submission further, please contact Kirsten Torrance -

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Yours sincerely,

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Nicole Wallis
Interim CEO