VCOSS
Victorian Council of Social Service

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We welcome the opportunity to provide this input.

VCOSS Submission to the Energy Retail Code of Practice review – Energy Consumer Reforms Regulatory Impact Statement

Executive Summary

The Victorian Council of Social Service (VCOSS) welcomes the Energy Retail Code of Practice (ERCOP) reforms proposed by the Essential Services Commission (ESC) in the *Energy Consumer Reforms: Regulatory Impact Statement* (the RIS).[1]

In the body of this submission, we detail our specific responses to each proposed rule. **However, our overall position and overarching recommendation is that the ESC progresses the proposed reforms to the ERCOP**.

We believe that the proposed reforms will lead to a fairer and more affordable energy market, especially for consumers on lower incomes, facing structural barriers to engaging with the energy market, or experiencing other vulnerabilities.

This is important because household energy is an essential service that Victorians on low incomes struggle to afford, and because of this, many are accruing unmanageable amounts of debt. People on low and fixed incomes often go to great lengths to pay their energy bills. Many consumers with intersecting cost pressures, such as high housing, food, medical, or transport costs, are forced to make bleak choices like foregoing other essentials or lowering energy use to levels that are dangerous to physical and mental wellbeing.

[1] Essential Services Commission (2025), *Energy Consumer Reforms: Regulatory Impact Statement*

These impacts are compounded by retailer practice. Community sector workers have observed that retailers often fail to deliver adequate assistance to customers experiencing payment difficulty. This includes consistently failing to support customers to switch to the most affordable offer available and failing to ensure customers are receiving eligible concessions.

In a recent survey of financial counsellors, only 12 per cent of respondents rated energy retailers around Australia as "excellent" in their hardship responses – well behind water and banking sectors. Key failings highlighted by financial counsellors included: a lack of proactive support, burdensome eligibility checks, and disconnection processes misused as 'engagement' tools.[2]

These findings from the financial counselling sector correspond with concerns raised more broadly across the VCOSS membership.

Throughout the ERCOP review, VCOSS has been pleased to see the ESC embed a holistic understanding of the cost pressures and hardships that Victorian households face. We are also glad to see that the ESC has heard from both consumer advocates and consumers with lived experience of payment difficulty in developing the suite of reforms proposed in this RIS.

We particularly applaud the decision to explore automating elements of payment difficulty protections. The automation of processes to support customers has the greatest potential positive impact, given that many consumers in hardship face structural barriers in the market and receive inconsistent support by retailers.

[2] Financial Counselling Victoria and Financial Counselling Australia (2025) *Rank the Energy Retailer 2025: Research findings from a 2025 survey of financial counsellors on the hardship practices of Australian energy retailers*, p6.

Recommendations

ESC's preferred option	VCOSS response
Automatic switching to best offer for customers on tailored assistance or customers with arrears of $1,000 or more, with an opt-out period safeguard.	VCOSS strongly supports this measure. Retailers often fail to move customers experiencing payment difficulty onto the most affordable offer. Automating this process – with an opt-out safeguard – will ensure customers are on the best offer without having to take proactive action.
Require retailers to ensure plans are not restricted based on payment method or communication method and limiting conditional fees and discounts to reasonable costs.	This is an important regulatory safeguard that VCOSS supports. Putting restrictions on plans based on payment or communication method creates unreasonable barriers to consumers getting the most affordable offer.
Outcomes-based requirements to improve ability to switch to best offer, with minimum requirements for a website and telephone process allowing consumers to compare plans.	VCOSS supports outcomes-based requirements to improve the ability to switch to retailers' best offer, provided minimum requirements are maintained. The monitoring and evaluation of new outcomes-based and principles-based regulations is also essential.
Mandate retailers to ensure all customers on older contracts pay a "reasonable" price, including a flexible definition of reasonable price.	VCOSS supports this measure which will tackle the "loyalty tax." We support the ESC's proposed factors for proscribing a "reasonable" price, but urge strong monitoring and enforcement, and recommend that offers with add-on incentives priced above proscribed factors should not be considered reasonable.
Principles-based requirement to request eligibility information at relevant times, with prescriptive minimum requirements to request eligibility information at specific points.	VCOSS strongly supports the proscribed requirements for checking eligibility when new customers sign up, and for existing customers at all potential points of contact including when a customer is experiencing payment difficulty, is identified as being affected by family violence, and when eligibility expires or lapses.
Extend protections for customers on legacy contracts to those entered before 1 July 2020.	VCOSS supports this proposal.
Require the inclusion of EWOV's phone number on the front page of bills.	VCOSS strongly supports this proposal and reiterates the need for all communication from retailers to be accessible.
Increase the minimum debt threshold for disconnections from $300 to $500.	While we support an increase above $300, VCOSS questions whether $500 is sufficiently high enough to ensure disconnection – or the threat of disconnection – is a measure of absolute last resort. The ESC should set the threshold based on a holistic consideration of essential household costs and review this amount regularly. Ultimately, the policymakers and regulators should work to ban disconnections altogether.

Automatic best offer for customers experiencing payment difficulty

ESC's preferred option	VCOSS response
Automatic switching to best offer for customers on tailored assistance or customers with arrears of $1,000 or more, with an opt-out period safeguard.	VCOSS strongly supports this measure. Retailers often fail to move customers experiencing payment difficulty onto the most affordable offer. Automating this process – with an opt-out safeguard – will ensure customers are on the best offer without having to take proactive action.

VCOSS supports automatic switching to best offer as the option most likely to benefit consumers struggling with high energy costs

VCOSS strongly supports the proposal to automatically switch customers who are receiving tailored assistance. For far too long, VCOSS has heard that customers who are in energy debt and struggling to pay for ongoing costs are not on the most affordable offer available. Most people would expect that switching consumers to a cheaper offer would be the very first step by retailer hardship support staff, but VCOSS member organisations who work with consumers have told us that this is an entrenched and consistent failing of energy retailer practice. Putting regulations in place to make this process automatic is a good response to this gap in support.

We also strongly support applying automatic switching for customers who are in arrears of $1,000 or more for at least at least three months. As many customers who are in arrears do not ask for assistance from their retailer – due to structural barriers, lack of knowledge, or stigma attached to asking for help – this is a crucial eligibility addition that addresses what would otherwise be a large gap in protections.

We do note an inconsistency between the threshold of $1,000 for automatic switching to best offer, and the proposed $500 minimum debt disconnection threshold. VCOSS is concerned that this creates a situation whereby a customer that had not requested support from their retailer could be disconnected prior to qualifying for automatic switching to their best offer. We discuss this in more detail later in this submission.

Explicit informed consent

VCOSS supports the ESC's decision not to require explicit informed consent from customers for automatic switching, provided there is an opt-out and cooling-off period mechanism included. We agree that the avoided harms of staying on higher priced offers will significantly outweigh potential harms created by this decision.

The omission of explicit informed consent has been raised by retailers as a major concern with this reform. However, retailers routinely raise prices without needing consent, so the argument that retailers should require consent to lower rates makes little sense.

To support the opt-out function, there must be measures to ensure that notification to consumers is understandable and accessible, such as the provision of plain English wording, and easy-to-understand information showing the cost differences between the previous and new pricing structures.

A note on market offers with incentives

Throughout the consultation for this reform package, energy retailers have raised market offers with incentives – such as free Netflix subscriptions included as part of the contract – as one reason why some customers may want to be, or should be, on offers that are priced above the most affordable offer. VCOSS rejects this reasoning.

It is our view that most energy offers with incentives benefit the retailer at the consumer's expense. This occurs by obscuring the true cost of energy and providing mediocre or dubious add-on benefits to the customer, while retailers reclaim the costs of incentives with uncompetitive prices.

VCOSS undertook a brief survey of available offers with incentives provided by the top 10 retailers by market share and found:

- Most offers with incentives have uncompetitive prices, with either supply or usage charges priced close to or above the Victorian Default Offer (VDO).
- Many benefits are simply one-off cash or credit bonuses on sign up.
- Ongoing benefits usually provide small discounts on other purchases, such as points on rewards schemes, or free memberships that offer reduced prices on things like tickets and groceries – many of these discounts are small, and many require consumers to make separate purchases of goods and services to access savings.
- Some incentives include charity donations or carbon offsets that provide no direct financial benefit to the customer.

We do not doubt that some consumers would want to sign up to these offers.

However, VCOSS is extremely sceptical that consumers who are struggling to pay for energy, or who are over $1,000 in debt, would object to forfeiting these dubious benefits for reduced ongoing costs.

We do not agree with retailers that the existence of these types of offers is sufficient reason for any customer who is in payment difficulty to be paying higher prices for essential energy than they need to.

Improving access to cheaper offers

ESC's preferred option	VCOSS response
Require retailers to ensure plans are not restricted based on payment method or communication method and limiting conditional fees and discounts to reasonable costs.	This is an important regulatory safeguard that VCOSS supports. Putting restrictions on plans based on payment or communication method creates unreasonable barriers to consumers getting the most affordable offer.

VCOSS supports this proposal. Frontline staff at VCOSS member organisations have previously reported that clients they support have been locked out of access to some retailers' best offer due to requirements for specific payment methods, or the requirement to receive bills through online methods only.

Not providing bills for best offers in paper form means that customers who experience digital exclusion are prevented from accessing the most affordable plan. This barrier particularly impacts older people, people from culturally and linguistically diverse backgrounds, and First Nations peoples.

Requiring direct-debit only payment on best offers creates similar barriers to access. Some consumers – often those on the lowest incomes – do not have access to the same financial products and services as others. Also, many consumers, such as First Peoples, people from culturally and linguistically diverse backgrounds, and especially migrants and refugees, may not trust financial institutions or retailers enough to enter this type of payment arrangement. This is because of past negative experiences, often rooted in systemic discrimination.

Even if a customer is technically able to use direct debit, those on lower incomes often withdraw from or avoid such arrangements to have more control over payments. This is to prioritise payments for essentials as needed. When juggling multiple expenses with few sources of income, customers often need to carefully plan out expenses to ensure adequate money is available.

Energy is an essential service, and so all customers need to have the same level of access to the market as each other. Therefore, unreasonable barriers should not be placed in front of more affordable offers.

Improving the ability to switch to the best offer

ESC's preferred option	VCOSS response
Outcomes-based requirements to improve ability to switch to best offer, with minimum requirements for a website and telephone process allowing consumers to compare plans.	VCOSS supports outcomes-based requirements to improve the ability to switch to retailers' best offer, provided minimum requirements are maintained. The monitoring and evaluation of new outcomes-based and principles-based regulations is also essential.

VCOSS strongly supports measures to facilitate customers' ability to switch to their best offer

VCOSS supports measures to improve energy customers' ability to switch to the best offer from their retailer for their usage. The energy market is complex to navigate, and many consumers simply stick with their existing plan rather than undertake the constant monitoring that is necessary to stay on the most affordable offer. 40 per cent of Victorian households responding to Energy Consumers Australia's (ECA) *Consumer Energy Report Card* survey say they review their energy plan less frequently than once a year, while 11 per cent say they never do.[3]

This shows in the number of customers who are not getting the best value from their retailers, with 56 per cent of electricity customers and 59 per cent of gas customers not on their retailer's best offer at the end of Q2 FY2024-25.[4] In that time, some individual energy retailers recorded as many as 90 per cent of their customers not on their best offer.[5]

Findings from the ESC's consumer focus group aligns with what VCOSS often hears about the privatised energy market: consumers do not understand why there are variable prices for what they see as an essential service and a like-for-like product across the market.[6] On top of this fundamental difference in worldview between consumers' understanding of energy and the basic operation of the market, customers also face an administrative burden and informational barriers to switching given the complexity of engaging.[7]

Most consumers simply do not have capacity to constantly engage, while some consumers face digital and language barriers that prevent engaging at all.

[3] Energy Consumers Australia (2024) *Consumer Energy Report Card - Data | December 2024 | Residential topline data tables*.

[4] Essential Services Commission (2025) *Victorian Energy Market Dashboard*, accessed 23/06/25.

[5] Essential Services Commission (2025) *Victorian Energy Market Dashboard*, accessed 23/06/25.

[6] Whereto (2025) *Essential Services Commission Report: Consumer focus group stand-up and delivery to support the Energy Retail Code of Practice review*, p13.

[7] Whereto (2025) *Essential Services Commission Report: Consumer focus group stand-up and delivery to support the Energy Retail Code of Practice review*, pp10-12.

Confusing and time-consuming switching processes mean many consumers would not even try searching for better offers due to the belief that the potential savings do not outweigh the cost in time to find and compare offers. Unsurprisingly, many consumers express a preference for a simplified relationship with electricity.[8]

It is unconscionable that any Victorian household is paying potentially hundreds of dollars more than they need to each year for an essential service, in part because retailers are not adequately facilitating customers' engagement with the market. VCOSS regards this situation, and the constant need to revisit it in regulatory reform, as a clear failing of the retail energy market to deliver on even the simplest supposed benefits of a privatised system.

VCOSS supports the proposed minimum requirements to provide clear and simple instructions on retailer websites on how to switch to the best offer, have website and telephone processes for switching to the best offer, and to provide a simple and accessible processes for customers to compare their current plan to other plans available to them, including the best offer.

We believe that these requirements will benefit customers, and that these benefits outweigh costs to retailers, who should bear a responsibility to facilitate engagement with the market. Retailers should also have sufficient processes in place to identify customers' best offer due to existing regulatory requirements, reducing the implementation cost.

It is essential to keep a baseline of minimum requirements when enacting outcomes-based or principles-based regulatory frameworks

VCOSS supports the ESC exploring outcomes-based and principles-based regulatory frameworks in reforming the ERCOP. However, we are pleased to see that the ESC will maintain a baseline of minimum requirements, such as those discussed above.

We often hear from frontline member organisations that retailers tend to do the very bare minimum to satisfy their regulatory obligations when providing assistance to customers. This can lead to consumer harms. For example, retailers often put customers requiring tailored assistance on unaffordable payment plans with the minimum payback period required by regulations. For this reason, we are hopeful that outcomes-based frameworks might work to lift the standard across the industry by incentivising best practice. We also encourage regulators to further explore consumer duties – as exist in other sectors – such as the requirement for financial institutions to act honestly, fairly, and efficiently.

However, we strongly emphasise the importance of minimum requirements to ensure a baseline of acceptable behaviour by retailers.

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[8] Energy Consumers Australia found that among respondents to their Consumer Energy Report Card survey, over half (56%) of Victorians say they want a basic relationship with the electricity system. See: Energy Consumers Australia (2024) *Consumer Energy Report Card - Data | December 2024 | Residential topline data tables*.

We remain sceptical that all retailers – motivated by profit – would provide adequate and consistent levels of support across the market under purely outcomes or principles-based regulations.

The measurement of the results of these new types of regulatory frameworks are also essential, and we trust the ESC will monitor whether regulations are having the desired outcome. Such frameworks should only be maintained if they improve outcomes for consumers, rather than reduce compliance costs for energy businesses.

Protections for customers paying higher prices

ESC's preferred option	VCOSS response
Mandate retailers to ensure all customers on older contracts pay a "reasonable" price, including a flexible definition of reasonable price.	VCOSS supports this measure which will tackle the "loyalty tax." We support the ESC's proposed factors for proscribing a "reasonable" price, but urge strong monitoring and enforcement, and recommend that offers with add-on incentives priced above proscribed factors should not be considered reasonable.

Implement protections for customers paying higher prices on older contracts

The structural barriers discussed in the previous section contribute to the so-called "loyalty tax," whereby the price of a customer's offer becomes less and less competitive over time if they do not shop around; a situation that is counterintuitive for many customers. For this reason, VCOSS strongly supports protections for customers who find themselves paying more on older contracts.

It is particularly concerning for VCOSS that currently, a portion of customers receiving payment difficulty support are impacted by the higher prices of old offers, with savings of between $53 and $730 possible for this cohort depending on the age of the contract.[9] This is a clear demonstration of the loyalty tax at work, and regulatory safeguards to protect households from this phenomenon would be a highly impactful measure.

In the broader customer base, nine per cent of all customers on flat rate market offers four years or older could be saving as much as $407 a year. [10] Many of those customers are likely struggling with bills and not receiving assistance from their retailer due to structural barriers.

For example, older Victorians are likely one cohort impacted by the high cost of older offers. Older people are less likely to regularly move house – likely being owner-occupiers rather than renters – and therefore have less reason to engage with the market regularly. They often face structural barriers to engagement such as digital exclusion as well. VCOSS also hears from member organisations that older people are less likely to seek assistance from energy retailers for payment difficulty, due to the perceived stigma attached to asking for help.

[9] See Table 1: Essential Services Commission (2025) *Customers on older plans significantly better off on their retailer's best offer*, p5.

[10] See Table 2: Essential Services Commission (2025) *Customers on older plans significantly better off on their retailer's best offer*, p5.

VCOSS notes that for this reform, the ESC is proposing that retailers would not be required to secure explicit informed consent from customers before changing their bill to ensure a reasonable price. As discussed above, VCOSS supports this, provided there are clear safeguards such as an opt-out and/or cooling-off period built in.

Setting a "reasonable" price for electricity

With regards to setting the definition of a "reasonable" price for electricity, VCOSS supports the use of the VDO as a benchmark. However, with regards to considering prices above the VDO reasonable if they include additional benefits, we reiterate our position stated above, that add-on incentives to market offers largely work to obscure the true cost of the service and are often of dubious value to consumers. VCOSS recommends that these incentives be considered as separate to the cost of energy plans and be excluded from consideration of a reasonable price.

Setting a "reasonable" price for gas

In the absence of an equivalent to the VDO for gas, VCOSS supports the proposed proscribed factors for a reasonable price:

- The lowest cost generally available plan to the retailer's new customers
- The median price paid by customers of the retailer
- The price of the retailer's standing offers
- The value of any additional benefits to the customer
- Any other matter specified in a guideline issued by the Commission.

In responding to these factors, we would emphasise the need for the ESC to take adequate monitoring and enforcement action to ensure compliance, given the comparative complexity of these factors for gas, as opposed to simply using the VDO in the context of electricity.

We also reiterate that add-on incentives should not be considered as a reason to allow prices that fall above the proscribed factors.

This is a clear instance in which consumers, regulators and potentially retailers would benefit from an equivalent mechanism to the VDO for the gas market. It has been a longstanding VCOSS recommendation to the Victorian Government that there should be an equivalent default offer for gas, with a price set by the ESC through a review process like the current VDO process. This would also be an essential regulatory safeguard for consumers in the context of the transition away from gas to all-electric homes.

VCOSS acknowledges that the introduction of such an offer would require an order-in-council or legislative change from the Victorian Government and is not within the ESC's power to enact.

Improving the application of concessions on bills

ESC's preferred option	VCOSS response
Principles-based requirement to request eligibility information at relevant times, with prescriptive minimum requirements to request eligibility information at specific points.	VCOSS strongly supports the proscribed requirements for checking eligibility when new customers sign up, and for existing customers at all potential points of contact including when a customer is experiencing payment difficulty, is identified as being affected by family violence, and when eligibility expires or lapses.

VCOSS supports the decision to include proscribed minimum requirements to request eligibility information at specific points. As discussed above, while we support the exploration of outcomes-based or principles-based regulatory frameworks, we again reiterate the need to maintain a baseline of minimum requirements. In this specific instance, the need to proscribe points in time when retailers check for eligibility is essential, especially where a customer is experiencing payment difficulty or is identified as being affected by family violence.

VCOSS understands from member organisations that a common and persistent problem is retailers not adequately checking whether a customer who is eligible for concessions is receiving them, especially in the context of requesting support for payment difficulty. Many customers also experience sudden bill shock at times their concession eligibility expires.

VCOSS has previously found that a lack of awareness is the number one reason people are missing out on the energy concessions they are entitled to, and that households experiencing language and digital inclusion barriers are more likely to miss out.[11] Consumers also experience stigma attached to asking for help. In this context, proactive action to check eligibility from retailers is essential.

It is important for retailers to provide this information in a clear and accessible way, through multiple channels. Messages regarding concessions should also be presented as the default for people who are eligible, rather than something to be claimed, to reduce the potential stigma associated with requesting assistance.

VCOSS strongly supports the ESC's statement that automatically applying concessions would be the best option to resolve the problem.[12] But we acknowledge that the current division of information systems between the different levels of Government, Services Australia, and retailers present an obstacle to this.

[11] Lenne, J. (2023) *The Missing 14%: Why so many Victorians are missing out on energy concessions*, VCOSS, p4.

[12] Essential Services Commission (2025), *Energy Consumer Reforms: Regulatory Impact Statement,* p129.

VCOSS is glad to see that the Energy and Climate Change Ministerial Council has asked senior officials from the Commonwealth, States and Territories to work with Services Australia on options for supporting concession card holders to access state-based energy rebates.[13]

[13] Energy and Climate Change Ministerial Council (2024) *Meeting Communique 19 July 2024*.

Extending protections for customers on legacy contracts

ESC's preferred option	VCOSS response
Extend protections for customers on legacy contracts to those entered before 1 July 2020.	VCOSS supports this proposal.

VCOSS supports the proposal to extend the existing protections for consumers on legacy contracts with high conditional discounts to customers with contracts entered before 1 July 2020. This change would impact only a small number of customers, but these customers are potentially exposed to large bill shocks.

Improving awareness of independent dispute resolution services

ESC's preferred option	VCOSS response
Require the inclusion of EWOV's phone number on the front page of bills.	VCOSS strongly supports this proposal and reiterates the need for all communication from retailers to be accessible.

VCOSS strongly supports the proposed requirement to include contact details for EWOV on energy bills. In VCOSS' view, this addition to bills would provide benefits to consumers by increasing the awareness of the independent dispute resolution services that are available.

While we know that some retailers already display EWOV contact details on their bills, we believe it is appropriate to make this a requirement for all retailers. Despite the benefit to consumers, many retailers are unlikely to voluntarily display this information for fear of increases in the number of complaints – thus the need for the ESC to enact this reform.

It is also crucial to provide the required information on bills in formats that are accessible to a diverse range of people. This includes people with English as a second language, and people experiencing digital exclusion.

Increasing the debt-disconnection threshold

ESC's preferred option	VCOSS response
Increase the minimum debt threshold for disconnections from $300 to $500.	While we support an increase above $300, VCOSS questions whether $500 is sufficiently high enough to ensure disconnection – or the threat of disconnection – is a measure of absolute last resort. The ESC should set the threshold based on a holistic consideration of essential household costs and review this amount regularly. Ultimately, the policymakers and regulators should work to ban disconnections altogether.

The minimum debt disconnection threshold should be set as high as possible

VCOSS supports an increase above $300 for the debt-disconnection threshold. This figure has not been reviewed or raised in some time, and no longer represents contemporary energy costs. As part of their recent *Rank the Retailer* report, the peak bodies for financial counsellors in Victoria and nationally also recommended that minimum disconnection thresholds be raised to better reflect current energy costs.[14]

However, we question whether $500 is sufficiently high enough to ensure disconnection is a measure of absolute last resort. Especially when, in practice, most retailers only disconnect customers with much higher levels of arrears, closer to $2,500.[15]

Part of the ESC's reasoning to raise the threshold above $300 is to avoid customers exceeding that amount of debt in a single bill. However, taking the 2025-26 VDO as an example, a residential electricity customer on a flat tariff with annual usage of 4,000 kWh pays $1,675 per year.[16] This means a quarterly bill for electricity of $418.75, very close to the $500 threshold.[17] With seasonal variations to usage, it would be possible to cross the debt-disconnection threshold in a single billing period. Households on lower incomes are also more likely to have high energy running costs because their homes are more likely to have low thermal performance, appliances with poor energy efficiency, and no access to solar and household batteries.

[14] Financial Counselling Victoria and Financial Counselling Australia (2025) *Rank the Energy Retailer 2025: Research findings from a 2025 survey of financial counsellors on the hardship practices of Australian energy retailers*, p47.

[15] The RIS noted that between January and December 2024, approximately 82 per cent of electricity and gas disconnections were for customers in arrears over $1,000, the average level of debt when at the point of disconnection was approximately $2,500, and no retailer had average levels of debt at disconnection of below $500. See: Essential Services Commission (2025), *Energy Consumer Reforms: Regulatory Impact Statement,* p45.

[16] Averaged across all distribution zones. Essential Services Commission (2025) *Victorian Default Offer 2025-26: Final Decision Paper*, p12.

[17] This cost varies across distribution zones, with the most expensive (AusNet) being $477 per quarter.

VCOSS also notes the Victorian Government's policy direction on household electrification. As these policy processes are working towards most households being primarily on a single energy fuel source – electricity – it is conceivable that households will regularly have a single bill exceeding $500. For customers left on the gas network in the future, increasing network charges may also raise gas bills further.

It is also important to keep in mind how the reforms proposed in the RIS interact. We note that the that the proposed threshold for automatic switching to a retailer's best offer is $1,000, seemingly creating a situation where a disengaged customer could be disconnected prior to being switched to a more affordable offer or receiving assistance.

With this context in mind, the ESC should set the minimum disconnection amount as high as possible, based on a holistic consideration of all essential household costs. As thresholds decided at a specific point in time are not future-proofed – especially given the momentum on electrification – the amount should be reviewed regularly, potentially alongside the annual VDO pricing review.

Disconnections should be phased out

VCOSS does not believe that disconnections should ever occur, as the potential for harms are simply too great. When someone is in debt to their energy retailer, they are often experiencing intersecting hardships, and likely have other debts that they are juggling at the same time as struggling to pay for ongoing essential costs. They are forced to make tough choices between essentials like healthcare costs, housing costs, school costs, groceries, and other bills on top of energy.

This is because for many lower income households – and especially households relying on income support payments – the money coming in simply does not cover necessary expenses. In this context, disconnecting a household from an essential service does not improve the customer's ability to pay. Rather, it endangers health, safety, wellbeing, exacerbates social and digital exclusion, and reduces dignity.

Concerningly, cohorts experiencing vulnerability are also the most likely to be disconnected. Research carried out by the Justice and Equity Centre (formerly the Public Interest Advocacy Centre) in New South Wales found that demographic groups frequently associated with economic disadvantage, and particularly women, young people, First Peoples, and people with disability, were more likely to have experiences of debt or disconnection for energy, gas, or water.[18]

Ultimately, policymakers and regulators should work towards banning disconnections altogether.

[18] Public Interest Advocacy Centre (2024) *Powerless: Debt and disconnection*.

The ESC should prevent retailers utilising disconnection and disconnection warnings as a tool for consumer engagement

VCOSS members have previously reported disconnection warnings being used as a form of coercive communication – a threat – to disengaged customers who have debt to engage. For example, Consumer Action Law Centre has reported that contacts to the National Debt Helpline had in some cases received disconnection notices without having been contacted for hardship assistance.[19] EWOV has also noted this phenomenon.[20] In other jurisdictions, the AER has also observed that retailers are relying on disconnection and the threat of disconnection as an engagement tool.[21]

VCOSS would characterise this use of disconnection notices as highly problematic and extremely harmful. We also believe this behaviour is not in the spirit of requirements under the existing ERCOP.

Consumers who engage following a threat are not any more able to afford their energy or pay back debt than they were before. In fact, it is more likely to exacerbate vulnerabilities, especially if a person ends up rationing other essentials to pay back their debt.

Noting the current high cost of energy, raising the minimum debt-disconnection threshold to $500 will not prevent this behaviour from retailers. Alongside raising the threshold higher, the ESC should take appropriate enforcement actions to prevent this harmful behaviour by retailers.

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[19] Consumer Action Law Centre (2024) *Energy Assistance Report 4th Edition: Keeping the Lights On – How Victoria's energy policies are impacting Victorian Households*, p27.

[20] Energy and Water Ombudsman (2025) *Reflect - May 2025*, accessed 20/06/2025.

[21] Australian Energy Regulator (2025), *Review of payment difficulty protections in the National Energy Customer Framework*, p12.