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Australian Energy Regulator

Submission regarding Australian Energy Regulator draft consumer vulnerability strategy consultation paper

The Brotherhood of St. Laurence (BSL) welcomes this opportunity to comment on the Australian Energy Regulator (AER)'s draft consumer vulnerability strategy. Affordable energy is a basic household requirement to live a dignified life, yet many Australians cannot afford the energy they need. A range of factors in the energy market can contribute to the problem, including the need to use the internet to find and sometimes access the best market offers, creating a barrier to people who have limited internet access or capability; and the complexity of energy market offers, which makes it difficult for many people to compare offers, especially those who do not speak English as a first language, and people who have limited time, numeracy, or energy literacy.

We appreciate the AER's efforts to improve the situation for vulnerable consumers; however, in our view, regulation should not primarily aim to only reduce 'barriers to consumers engaging in the market' (the strategy's first desired outcome), but to ensure all consumers can access affordable energy regardless of their ability to navigate a complex market or overcome structural barriers to participation (such as the reliance on the internet to compare offers). In the context of an essential service, a market should not be an end in itself, but a means of serving people.

This brief submission outlines some policies we believe would improve energy affordability and consumer protections.

Should some or all of the proposed actions be implemented? Should some be prioritised over others?

All the proposed actions have merit, but we particularly advocate for actions that will directly lower bills and improve protections.

For example, BSL would prioritise applying the Default Market Offer (DMO) to embedded networks – or preferably a lower price, given that the DMO is premised on not discouraging market engagement, and that such engagement is virtually impossible for embedded network customers. This would quickly lower the bills of hundreds of thousands of people with very little downside, except to embedded network operators, who have no right to unfairly profit from monopoly provision of an essential service. Victoria has already

applied its Victorian Default Offer – which is cheaper than the DMO¹ – to embedded networks, showing that this is entirely achievable.

Improving the way that energy companies engage with people experiencing family violence is extremely valuable, however we will defer to specialist organisations about whether a review is the best way of achieving this.

What measures should the AER use to assess the impact of our Strategy?

BSL suggest that the actual prices paid by households, not just those available in the market, are a key measure that should be used. The latter is often used to suggest that markets are delivering affordable energy, but the existence of lower prices is irrelevant to a household who faces barriers to accessing them, such as language, ‘bad’ credit, or internet access. The AER, working with the ACCC, is best placed to source this information. It is critical the information is representative of the community and is able to provide insights into the prices different cohorts in society pay. For example, those on very low incomes, or culturally and linguistically diverse households, who BSL have found pay a higher price for energy.

Do stakeholders support the AER exploring options around improved engagement between energy businesses and consumers at risk of disconnections, such as knocking before disconnection? Are there other alternatives, options or practices that energy businesses are using to provide supports in this area?

We advocate for regulations requiring energy retailers to provide supports that improve energy affordability to consumers at risk of disconnection, such as placing customers on the best offer and providing energy efficiency upgrades. This will be more useful in averting future affordability problems than measures that merely promote more engagement between a customer who cannot afford energy and a retailer who is not obliged to meaningfully help them.

Knocking before disconnection can have value in certain circumstances. However, it can also be intimidating for people to be visited by someone to whom they owe money at their home, and it creates risks, especially where staff are not equipped for circumstances such as mental health issues and family violence. As such, any plan for knocking at the time of disconnection needs to be carefully planned and implemented.

For further information about this submission, please contact Damian Sullivan (e: dsullivan@bsl.org.au; m: 0405 141 735) or David Bryant (e: dbryant@bsl.org.au; ph: 03 9483 2470).

Yours sincerely,

Damian Sullivan

Senior Manager, Energy, Equity and Climate Change

¹ Own arithmetic for 3900 kWh p.a. usage; <https://www.aer.gov.au/system/files/AER%20-%20Default%20Market%20Offer%20-%20Draft%20price%20Determination%202022-23%20-%2018%20February.pdf> and <https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-1-january-2022>.