

9 November 2023

Ms Fiona Towers  
Executive Director Pricing and Policy  
Independent Pricing and Regulatory Tribunal

Dear Ms Towers,

**Independent Pricing and Regulatory Tribunal energy retail market monitoring review**

The Independent Pricing and Regulatory Tribunal's (IPART) annual energy retail market monitoring review has an important role in investigating outcomes for NSW households. Energy is an essential service. The energy system and markets need to work for consumers and deliver outcomes that equitably and affordably support the needs of NSW households. They should be able to easily access sustainable and affordable energy supports their physical, social and economic wellbeing.

IPART's assessment of the retail energy market must be centred on whether the intended outcomes of competition (more effective, efficient and affordable energy services) are being delivered for NSW consumers. IPART's assessment cannot consider broad indicators of competition (such as number of retailers, number of offers, consumer switching). Accordingly, this review should examine the individual and systemic outcomes for all consumers, particularly those experiencing disadvantage. Particular consideration should be given to how the energy system transition and the operation of the market are having disproportionate impacts on those people.

This letter provides specific recommendations for inclusion in IPART's annual energy retail market monitoring review ('IPART's Review'), including what research IPART should undertake to test actual market outcomes for consumers. We understand that IPART has generally only used publicly available information in its Review. However, legislation provides for the Minister to ask IPART to undertake special reviews in connection with the energy market, and could provide direction to survey and collect actual consumer outcomes to gain a better understanding of the outcomes being delivered for NSW households.

PIAC strongly supports IPART having the scope of action and any required powers or direction to effectively monitor and assess the NSW consumer outcomes being delivered by the retail energy market. Any assessment of consumer outcomes should have a particular focus on outcomes for cohorts experiencing disadvantage, such as First Nations people, Culturally and Linguistically Diverse communities and people with disabilities.

Accordingly, we reiterate our support for IPART being provided with any necessary direction to undertake analysis of the actual experiences and outcomes of NSW consumers. This examination of outcomes should include:

- Analysis of actual consumer bills and validating publicly listed offers against those actually accessible to (and accessed by) consumers. We're aware that offers included on the Australian Energy Regulator's Energy Made Easy website are not likely to be indicative of the offers households are on, or that the offers listed are even being made available to consumers that contact the retailer.
- Examining variance in fixed/daily charges and usage charges across different categories (for example, by retailer, by geographic area/network, by level of usage, solar versus non-solar, etc)
- Fees paid by consumers, such as late fees, missed direct debit fees, missed pay on time discounts. An examination of the types of consumers who pay these fees and an understanding of how much more these fees add to the cost of an energy bill.
- Cross referencing bill amounts, fees and access to conditional discounting with tenure, household income, access to CER, location and key cohort analysis (including First Nations people, Culturally and Linguistically Diverse communities and people with disabilities).
- Qualitative data on the experiences of NSW households in accessing affordable, sustainable energy. Whilst the AER and IPART currently collect predominantly quantitative data as aggregates from retailers, in-depth, qualitative data can provide greater insight into the experiences of consumers being suggested by quantitative data. It is important to recognise the systemic implications of individual experiences (and the value of collecting and examining them) in the energy market. Individual experiences of the retail market result from the systems and approaches of retailers and the responses to systemic forces. As such individual experiences, particular in relation to access to offers and the shape of the offers which are available, should be regarded as indicators of systemic issues and trends.

We have provided an appendix to this letter detailing energy retail issues we consider important for IPART to consider as part of this review and the ongoing monitoring process.

### **Continued engagement**

PIAC would welcome the opportunity to discuss these matters further with the IPART and other stakeholders.

Yours sincerely

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## Appendix

### Current trends and issues impacting NSW household energy consumers

#### 1. Introduction

In the past year, households in NSW have faced increased cost of living pressures including substantial rises the cost of housing and other essentials. For many NSW households, electricity bills jumped by more than 25% from July 1, 2023. Increases of this magnitude are untenable for consumers already struggling to pay for essentials like housing and food.<sup>1</sup>

The Australian Energy Regulator (AER) figures show large and sustained increases indicators of financial difficulty, and they expect that debt levels will continue to increase into 2024.<sup>2</sup> PIAC has been informed by at least one NSW electricity distribution network that retailers have told them to expect significant increases in disconnections for non-payment in the coming months.

Complaints to EWON are already [up 22% from last year](#), with the majority of complaints being about high electricity bills. In a [recent national survey of people on low incomes](#) undertaken by ACOSS, 97% indicated they were struggling to afford their energy bills and are running out of options. People reported taking drastic measures like not heating their home in the middle of winter, turning fridges off overnight, limiting showers, not having visitors, and going without food or medicine to afford their bills.

The ongoing transformation of our energy system as we move towards zero emissions is currently adding further cost and complexity to the energy retail system. New products and services are being made available including solar, batteries, advanced meters, time variable tariffs, smart home appliances and home management services, and electric vehicles. They are becoming more widespread in circumstances where the retail market and its regulations and protections are already struggling to deliver consistently for consumers. There is considerable likelihood of existing inequity in outcomes between the relatively small number of consumers who can (and do) engage successfully with the energy system and those consumers who cannot (or do not), being made substantially worse.

The goal for the NSW Government should be that all NSW households have access to affordable, sustainable energy through an equitable and efficient energy retail system. IPART, as the key entity for monitoring outcomes for NSW consumers, must undertake monitoring of the retail market and energy system capable of understanding the outcomes experienced by all consumers, and providing effective recommendations for Government action.

#### Payment harms research

In this document we refer to our payment harms research. This research was conducted in 2022. We would expect the identified issues with payment difficulty to have worsened since this research was conducted. This research was conducted with the Australian Communications Consumer Action Network (ACCAN) to answer the core question, 'If you are disadvantaged, do you pay more to receive your utilities because of the way you pay?'. The research included:

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<sup>1</sup> NSW Council of Social Services 2023 [Barely hanging on: The Cost-of-Living Crisis in NSW](#)

<sup>2</sup> Australian Energy Regulator (AER), [State of the energy market 2023](#), 218.

- An 'Ipsos survey' of 1,000 nationally representative adults.
- A questionnaire of 1,026 consumers undertaken by Action Market Research ('AMR survey') who were 18 years or older, living in Australia, responsible for either their telco (phone/internet) or energy (electricity/gas) bills, and have a household income of \$50,000 or less, or, if their income was higher, reported some difficulty affording their household bills.
- Interviews with 10 service providers - frontline workers such as financial counsellors who help people experiencing payment difficulties.
- Interviews with 30 consumers from the cohorts identified in the omnibus survey as more adversely affected by payment harms, and who indicated they experience payment issues.

More information about the methodology can be found [on our website](#). The results of this survey, particularly in relation to the use of 'Buy now pay later' and other credit products are also likely to indicate use at a lower level than would be prevalent in 2023, with general figures and anecdotal evidence from financial counsellors indicating rapid increase in the use of lightly regulated credit products.

## 2. The retail energy market

### **The purpose of retail energy competition**

Competition in retail energy is promoted on the assumption (and with the intent) that it results in more efficient, effective and innovative essential service delivery. It is crucial to note that contestability in retail energy services is not an end in itself or an intrinsic good. It was introduced to drive quality customer service at lower cost to consumers. Competitive markets can deliver good outcomes for consumers where they are well designed with incentives for efficiency and incentives to deliver the outcomes consumers need, and when they are well regulated, monitored and rules enforced. These core concepts are key to determining the scope and role of energy market monitoring by IPART and underpin PIAC's contention that effective monitoring must focus on the outcomes of competition for consumers, not merely markers of the existence of active competition.

### **Retail offers and the practical accessibility of plans listed on Energy Made Easy**

Consistent messaging from governments, regulators and advice bodies is that consumers must regularly switch retailers or request a better plan from their current retailer. This raises the legitimate question whether it is reasonable to expect consumers to constantly 'engage' with the energy market in order to ensure a reasonable price for an essential service. There is a further question whether this is reasonable when sometimes the potential financial gains are worthwhile, but many times they aren't.<sup>3</sup> Households have many different aspects of their lives requiring their time and effort and current understanding of consumer vulnerability indicates making fair outcomes in essential services contingent on market engagement is likely to be increasing consumer vulnerability. The AER has recognised this risk in their State of the Market 2023 report<sup>4</sup>:

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<sup>3</sup> Victorian Energy Policy Centre (VEPC), *Do Victorian households leave less money on the table when they switch electricity retailers?* (2019) 23.

<sup>4</sup> AER (n 2) 248.

for a range of reasons, many consumers face barriers to actively participate in the market and secure the best offer for their situation. This can exacerbate existing structural inequalities, whereby those who can least afford it are paying higher energy rates.

A report commissioned by PIAC found concerning energy retailer behaviour, including regarding offers made available to consumers<sup>5</sup>. Researchers found considerable discrepancy between offers publicly listed on Energy Made Easy and those that were actually available to consumers upon contacting the retailer.

In their recent DMO determinations the AER has also recognised a lack of information regarding what type of offers consumers are accessing (beyond simply delineating between standing and market offers). In both cases IPART's retail monitoring has an important role to play in monitoring the state of the market and providing IPART and others with greater clarity regarding what offers consumers are actually accessing, in what circumstances, and what the outcomes of those offers are (both in final bill, bill per usage, fixed charges and other conditions). This assessment is particularly important for consumers who the AER monitoring may recognise as 'on a market offer', but who have expired benefits that may mean they are on offer terms that may be worse than the DMO. Testing the assumptions regarding what outcomes are being delivered for NSW consumers on market offers is a key role for IPART.

### **Tariffs**

The growing complexity of our transitioning energy system involves changes to tariff structures, both underlying network tariffs and the end tariffs (or prices) paid by retail consumers. PIAC is concerned that the current understanding of the role and interaction of tariffs and prices is dysfunctional, confused and is contributing to poor outcomes for NSW consumers, as well as impeding the efficient operation of the energy system. Discussions with regulators, decision makers and energy businesses (including consumer engagement undertaken by distribution network service providers (DNSP) demonstrate an underlying assumption that the role of retailers is simply to pass through DNSP tariffs and cost signals to consumers. PIAC is extremely concerned that the purpose of network tariffs, cost-reflective network tariffs (CRNTs), and the interaction between network tariffs and retail tariffs is being fundamentally misunderstood and confused.

Cost-reflective network tariffs (and network tariffs generally) are an input, among many, to the end retail price paid by the consumer. CRNTs (and network tariffs generally) are intended to reflect (as efficiently as possible) the actual costs of usage at a connection point to the retailer responsible for that connection.

It is the role of the retailer to bundle network costs (along with much more variable wholesale energy costs and other inputs) and create a range of retail products for consumers to choose from. This role is both fundamental to ensuring each aspect of the energy system can operate efficiently (for instance by having the wholesale market operate on 5-minute settlement, with a range of hedging and risk management products) with risk and cost managed by the party most capable of doing so effectively, while also ensuring consumers retain choice to access and pay for energy in a way that meets their needs. This choice may include products which more closely mirror underlying network tariffs, products which vary with wholesale prices, flat price products or 'unlimited' use tariffs, tariffs with 'demand response rebates', solar-soak

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<sup>5</sup> Miller, Lisa and Miller, Kelly, [Save4Good: Insights into Retailer Practices](#) (2022).

tariffs and more. The range of choice should offer consumers a retail product that suits their particular needs while also providing retailers with scope to manage their costs and risks through diversity of cost-recovery based on product differentiation (rather than pure price differentiation as is currently more common). Some consumers may prefer to pay slightly higher, but flatter tariffs (valuing certainty and consistency over control and potential cost savings), where others may be willing to have more variation but be responsible for managing their use accordingly (and accepting the risk they may end up paying more if they cannot change their use). There is no need (and no justification) for retailers to require consumers to be on retail products which reflect network tariffs. In fact, doing so is an unreasonable curtailment of consumer choice that contravenes key assumptions of the market framework which underpins the NEM.

Importantly, the effectiveness of cost-reflective network tariffs is not influenced or impeded by the end retail price paid by consumers. A cost-reflective network tariffs efficiently reflects costs at a connection point. This ensures a usage at a connection point cannot be 'cross-subsidised' by other connections, and visa-versa. It is then the responsibility of the retailer to create products which present the relevant consumer with the products that allow the consumer to choose to either pay the efficiently reflected cost of their usage or change their behaviour or make other decisions to mitigate or avoid that cost. Crucially it is not the intent (or a requirement) that consumers be presented with the cost reflective signal and required to change behaviour. Network tariffs are intended to support efficient usage of the network, which includes ensuring those incurring costs are paying for them, as well as enabling people to change their use to lower costs. The assumption that efficient network operation is only about lowering use to its efficient minimum is a misunderstanding of the concept of efficiency as it applies to pricing, and unacceptably assumes consumers must be responsible for efficient network operation by reducing and adapting their usage.

We strongly recommend that IPART consider the above reasoning examining the role and outcomes of tariffs in the retail monitoring review. In particular, examining any circumstances which may limit consumer choice and unacceptably place a burden of responsibility on consumers should be a priority for IPART monitoring.

### **Default Market Offer Reform**

The DMO was created to limit exposure to 'unjustifiable prices' for consumers on standing offers, and serve as a consistent reference for market offer prices. While PIAC strongly support the need for robust default price protections and meaningful references, we have had serious concerns about the format and implementation of the DMO from the outset. Regardless, unprecedented high energy prices and volatility, expectations of higher costs through the energy transition, and a changing understanding of consumer vulnerability have created ongoing circumstances that are materially different to those when the current objectives and form of the DMO were determined. The energy price increases that NSW consumers have experienced recently and the public conversation about energy prices suggests that consumers are not being protected from what they consider to be unreasonable prices. This sustained consumer distress is further indicated in the significant increase in complaints about high bills that EWON is receiving.

PIAC has consistently advocated for effective default pricing protections which are more consistently applied and grounded in efficient cost to serve. This would align the DMO more closely with consumer understanding and minimise the extent to which consumers are left paying more than is necessary for an essential service. Current and expected circumstances

demonstrate the need to reconsider the role and application of price protections. There is general agreement among stakeholders that the current DMO process has limited scope to address the circumstances and adequately protect consumers. An urgent review of the objectives and framework of the DMO is needed. PIAC, alongside a national group of social and community stakeholders, has written to energy Ministers recommending a review of the DMO as part of the inclusion of a new 'equity and inclusion' workstream in the National Energy Transformation Partnership. IPART should recommend the NSW Government support these initiatives.

### **Fees on energy bills**

Examining retail offers does not necessarily capture what people actually pay for energy. Late fees; missed conditional discounting (generally pay on time discounts); membership fees; dishonour fees; payment processing fees; disconnection/reconnection fees; and interest and credit product fees charged by credit providers, can add considerably to the bills of people who can least afford it, and for whom the underlying bill may already have been unaffordable. For some people, multiples of these fees can be applied to a single energy bill.

#### Late fees

Seventy-nine percent of NSW electricity and gas consumers are with the Big 3 retailers - Origin, AGL and Energy Australia.<sup>6</sup> Their late payment fees for NSW consumers are:

- \$12 for Origin market contracts and standard natural gas retail contracts and \$10.90 for standard electricity retail contracts;<sup>7</sup>
- \$12 for AGL market and standard retail contracts;<sup>8</sup>
- \$12 for Energy Australia market retail contracts and \$10.90 for standing offer contracts.<sup>9</sup>

PIAC's research into payment harms provided some insight into the true cost of late fees on the people who can least afford them:

"There are late fees. You know, every time you get your bill there's a late fee of \$12 or \$15... it's just goes up and up." – Financial Counsellor, WA

Unfortunately for some people experiencing payment difficulty, these fees are part of their expected payment process:

"Late payments, yes. I think, from a lot of conversations we have, people expect that it is a part of their payment process. Some people are on products, such as bill smoothing, or they are doing direct debits and they do get caught by the 'pay on time discounts.' But usually they'll end up with some sort of fee, either non-payment or late payment, and are expecting that's part of their billing cycle." – Financial Counsellor, SA

#### Conditional discounting

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<sup>6</sup> Independent Pricing and Regulatory Tribunal (IPART), *Monitoring NSW energy retail markets 2021-22*, 63.

<sup>7</sup> <https://www.originenergy.com.au/pricing/additional-charges/>.

<sup>8</sup> [https://www.agl.com.au/content/dam/digital/agl/documents/terms-and-conditions/energy/rates-and-contracts/market-retail-contracts/nsw/agl2197\\_agl\\_fs\\_mrc\\_nsw\\_online\\_fa.pdf](https://www.agl.com.au/content/dam/digital/agl/documents/terms-and-conditions/energy/rates-and-contracts/market-retail-contracts/nsw/agl2197_agl_fs_mrc_nsw_online_fa.pdf);  
[https://www.agl.com.au/content/dam/digital/agl/documents/terms-and-conditions/energy/rates-and-contracts/standard-retail-contracts/nsw/agl2197\\_agl\\_fs\\_src\\_nsw\\_online\\_fa.pdf](https://www.agl.com.au/content/dam/digital/agl/documents/terms-and-conditions/energy/rates-and-contracts/standard-retail-contracts/nsw/agl2197_agl_fs_src_nsw_online_fa.pdf).

<sup>9</sup> <https://www.energyaustralia.com.au/home/help-and-support/faqs/late-fees>.

Energy offers including conditional discounts are becoming less prominent.<sup>10</sup> The ACCC found that whilst some energy plans with conditional discounts are cheaper in the first year, they are more expensive after the benefit period expires.<sup>11</sup> This is evidence of a larger issue which requires investigation. That is, the significant number (perhaps majority) of consumers recorded on market offers, but for whom the benefits period has expired leaving them on significantly worse terms. There is little visibility of what these consumers are actually paying and surface analysis of the number of consumers on market offers assumes they are better off than they are likely to be. The AER also previously found that 9% of people on offers with conditional discounts did not meet the conditions and so did not receive the discount. They also found that 14% of people in hardship programs and 12% of people on payment plans did not meet the discount conditions so were penalised with higher bills.<sup>12</sup> This indicates that to a certain extent, the people who can least afford it are helping to supplement the costs of those who may be in a position to better afford their energy bills and/or less likely to be living hand to mouth.

Despite the downward trend in conditional discounting, in the past year, there have been close to 200,000 instances of pay on time discounts being missed by NSW households.<sup>13</sup>

We are unaware of the extent of other conditional discounting that may be occurring, or being missed, such as upfront payments (which can distort comparison to the DMO), loyalty discounts or product bundling 'discounts' (bundling discounts on one service might disguise higher prices on the other bundled services). PIAC strongly recommend this as an area of IPART analysis considering these are likely to be significant contributors to the difference between what it is assumed consumers are paying, and what outcomes they are actually receiving in the market.

#### Multiple fees

PIAC's payment harms research found that at least 9% of consumer respondents had been charged multiple fees on a bill. This included fees for the method of payment, fees for the way they received their bill, late fees or other types of fees. Missing out on pay-on-time discounts was also mentioned by some consumers. This is likely to be a material under-estimate of the scale of the issue as people have demonstrated that they are often unaware of the fees they are being charged and inaccurate in their assessment of all the fees they are incurring.

#### Understanding the true cost of energy bills

IPART's review provides a good opportunity to understand the extent of fees on energy bills, how often more than one fee is applied to a single bill and the types of consumers who are affected most. IPART should explore opportunities to cross reference consumers who pay these fees with consumers on current or previous payment plans and/or are currently in or were previously in hardship programs, as well as consumers with 0, 30, 60 or 90 day debt which would provide insight into whether the use of these fees are exacerbating payment difficulty and should be more tightly regulated.

### 3. Equity in a changing climate and energy system

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<sup>10</sup> AER (n 2) 253.

<sup>11</sup> Australian Competition and Consumer Commission (ACCC), [Inquiry into the National Electricity Market](#), 4.

<sup>12</sup> AER (n 2) 210.

<sup>13</sup> AER, Schedule 3 - Quarter 3 2022-23 Retail Performance Data.



## **Access to energy efficiency, electrification and the benefits of CER**

Efficient, renewable electrification of NSW households is crucial to enabling an energy system transition that improves long-term energy affordability and equity. Electrification of households is critical to emissions reduction, which is being incorporated into the updated NEO.<sup>14</sup> The process of efficiently electrifying homes includes:

- Thermal shell upgrades including insulation, draught proofing, window-glazing and shading.
- Appliance replacement for heating, hot-water and cooking
- Metering, wiring and other associated upgrades sometimes required to enable efficient electrification.
- Consumer Energy Resources (CER) including rooftop solar, batteries and household energy management systems.
- Gas network disconnection and decommissioning.

Early adopting households with the means to do so are already demonstrating the significant cost,<sup>15</sup> health<sup>16</sup> and sustainability benefits efficient electrification can enable. However, disadvantaged households (including private renters,<sup>17</sup> social housing tenants, low-income owner-occupiers,<sup>18</sup> First Nations households and communities,<sup>19</sup> remote households and communities) are often those worst impacted by inefficient, unhealthy homes and the least able to efficiently electrify without adequate enabling measures, supports and implementation of mandatory minimum standards for rental housing.

IPART's report should commence analysis on key household energy transition indicators including electrification, innovative energy products, green products, offsetting and bundling to better understand the impacts of efficient household electrification in determining outcomes for NSW energy consumers including health and affordability outcomes. This data can also assist in the planning and implementation of electrification in NSW. This qualitative data can be gained by sampling actual bills from consumers in certain cohorts, and augmenting this with key information regarding the mix of major household fixtures, access to solar, presence of a smart meter, as well as prevalence of other products and services accessed as part of (or alongside) a retail offer.

## **Hard to heat and cool homes**

Disadvantaged households are more likely to live in homes which are hard to heat and hard to cool because of a lack of money to improve the thermal performance of their dwelling or access more energy efficient appliances. Similarly, tenancy laws inhibit renters' ability to improve the thermal performance of their dwelling and the energy efficiency of fixed appliances. Climate change will exacerbate these issues.

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<sup>14</sup> <https://www.aemc.gov.au/regulation/neo>.

<sup>15</sup> Renew, [Limiting Energy Bills by Getting Off Gas](#) (2022).

<sup>16</sup> Climate Council, [Kicking the Gas Habit: How Gas is Harming our Health](#) (2021).

<sup>17</sup> Healthy Homes for Renters, [Community Sector Blueprint: a National Framework for Minimum Energy Efficiency Rental Requirements](#) (2022).

<sup>18</sup> Brotherhood of St Lawrence, [Enabling electrification: addressing the barriers to moving off gas faced by lower-income households](#) (2023).

<sup>19</sup> Riley et al., [Connected: rooftop solar, prepay and reducing energy insecurity in remote Australia](#) (2023).

Low standards of thermal performance and liveability can severely impact health and wellbeing, and in some cases, cause or contribute to death.<sup>20</sup> Australian housing is of a low energy efficiency standard compared to similar countries.<sup>21</sup> For some households, this means high energy bills resulting from an attempt to stay cool or warm. For others, it means going without and suffering serious consequences to their wellbeing. Unhealthy thermal environments cause fatigue and stress, preventing people from engaging in education, working from home, seeking employment, and other opportunities, in addition to the flow-on financial impacts. A recent report about renting in winter by Better Renting found that rental homes in NSW:

...although not one of the coldest jurisdictions, still had over half of participants with median temperatures below 16°C. NSW also saw some of the worst performance when comparing indoor and outdoor temperatures: on average, indoor temperatures were only 2.8°C above outdoor temperatures, with homes colder in than out for almost 5 hours a day. Social isolation and mould were key problems in this state, which currently has no minimum energy efficiency standards for rentals.<sup>22</sup>

NSW renters who were involved in the study reported avoiding social interaction in their homes, choosing between a healthy thermal temperature and groceries and struggling against unceasing mould. These outcomes should be regarded as consumer outcomes from the retail energy market, given they indicate an inability for many consumers to meet their needs with energy.

Better Renting's complementary report on renting in summer found similarly distressing results.

NSW [rental homes] had a median temperature of 23.9°C, meaning that temperatures were above this level 50% of the time. Researchers spent over 8 hours a day in temperatures above 25°C. NSW had high humidity, increasing apparent temperatures, with a maximum recorded humidity of 96%. The highest temperature recorded in NSW was 46.4°C on 26 December 2022, the second-highest in Australia<sup>23</sup>.

NSW renters involved in the summer study reported landlords refusing to make thermal comfort upgrades, physical and mental health issues and financial stress from trying to regulate their home to a healthy temperature.

It is likely that renters in NSW will face even greater challenges this summer due to increased energy prices and forecast high temperatures.

## Metering

Metering is an essential component of the energy system and is crucial to the safe, efficient, and reliable delivery of energy services in the long-term interests of consumers. The evolution of the energy system and technological improvements mean more is required of meters, both

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<sup>20</sup> Better Renting, [Unsafe as Houses: Cold housing deaths in the ACT](#) (2019).

<sup>21</sup> R Horne & C Hayles, 'Towards global benchmarking for sustainable homes: an international comparison of the energy performance of housing' (2008) *Journal of Housing and the Built Environment*, 119–130.

<sup>22</sup> Better Renting, [Power Struggles: Renting in Winter](#) (2023) 2.

<sup>23</sup> Better Renting, [Sweaty and Stressed: Renting in an Australian Summer](#) (2023) 3.

by consumers and the entities delivering energy services, than was the case when legacy metering was installed.

Advanced meters digitally measure and record electricity consumption (and export) and power quality data in near real-time. As such, they can significantly increase the scope, efficiency, and reliability of the delivery of energy services and operation of the energy system. This makes advanced meters key enablers of system efficiency, and essential to the transition to a cleaner, more distributed, and flexible energy system. Accumulation meters need to be replaced with advanced meters; however, the market mechanism currently being used for the rollout of advanced meters is failing consumers. EWON has reported complaints about advanced meter installations, highlighting issues with consumer trust in the rollout.

“These consumer trust issues must be addressed by any approach to an accelerated smart meter rollout rather than exacerbated. The case studies below centre on customers who:

- expected to receive accurate, actual bills due to having a smart meter installed, but received estimated and/or adjusted bills.
- expected to be able to use a retailer’s phone app to get the most benefit out of their CER but found that the app was not working in line with their expectations.<sup>24</sup>

The AEMC review of the regulatory framework for metering services unfortunately did not assess all viable alternatives (including reform of the industry structure) to ensure metering promotes the interests of consumers. In response to this, PIAC has been consulting with NSW DNSPs and the NSW Government on options for small customer metering in NSW that would meet the needs of NSW energy consumers and ensure better outcomes for NSW households than the current competitive framework. IPART should examine actual outcomes for consumers related to the installation of an advanced meter and the quality and cost of service which results. IPART should consider recommending the NSW Government examine options to ensure metering arrangements in NSW are capable of meeting the needs of NSW consumers. Results from IPART’s monitoring could serve as important inputs to the imminent development of the NSW Government Consumer Energy Strategy.

### **Greenwashing**

Greenwashing is misleading or deceptive conduct which seeks to overstate a company’s environmental credentials to maintain or increase product or service sales, or receive a premium on those sales it may not otherwise achieve were the true nature of those products or services presented accurately.

Greenwashing has direct costs to consumers, as well as a range of indirect impacts on consumers, consumer confidence and the effectiveness of markets for energy services. It often results in:

- consumers incurring additional costs (through products and services sold at a ‘green premium’);
- consumers not purchasing genuinely green products;

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<sup>24</sup> Energy and Water Ombudsman NSW (EWON), ‘Consumer energy resources complaints and case studies’ in [EWON Insights Jan-March 2023](#).

- consumer confusion and the erosion of consumer confidence in genuine claims of environmental sustainability; and
- diverting investment away from products and services that are genuinely environmentally sustainable.

This fundamentally undermines the ability for markets to support the transition to more sustainable products and services.

There are many incentives for energy sector companies, at all stages in the supply chain from production to the delivery and sale of energy to consumers, to make claims which may overstate or confuse their environmental credentials. There are, similarly, many ways these claims may be made. These include:

- Misstating total GHG emissions of an energy product or service through inaccurate or selective accounting.
- Basing net-zero emissions claims on poorly verified offsets and the implication that offsets can effectively negate the GHG impact of equivalent emissions.
- Misleading claims that the life cycle GHG emissions from a specific energy source are less than from another form of energy. This includes making comparisons between emissions of gas and electricity, and not recognising the direct GHG emissions impact of methane involved in gas use, as well as the GHG emissions impact of its combustion.
- Using vague descriptors that have the possibility to mislead e.g. “renewable gas” or “clean energy”; and
- Aspirational claims that net-zero will be possible due to the development of new products and technologies which are unproven, unlikely to be practical at a competitive cost (such as carbon capture and storage and distributed hydrogen), and/or highly unlikely to be viable within the timeframes necessary to have an impact.

In a recent internet sweep for greenwashing, the ACCC identified behaviour that raised concerns. These included using vague and unqualified claims, a lack of substantiated information, use of absolute claims, use of comparisons, exaggerating benefits or omitting relevant information, and use of aspirational claims with little information on how these goals could be achieved<sup>25</sup>.

The ACCC reviewed the claims of 25 energy companies and identified that the claims of 16 companies raised concerns<sup>26</sup>. The Environmental Defenders Office has in recent years sought to expose greenwashing claim, including by energy companies<sup>27</sup>.

PIAC is particularly concerned with potential greenwashing from the gas sector as these companies grapple with national efforts towards decarbonisation, including electrification. Concerningly, far from prudent risk management and future planning, gas network businesses have incentivised new connections, provided financial incentives to convert to gas appliances and attempted to incentivise increased household gas demand. This has included continuing

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<sup>25</sup> ACCC, [Greenwashing by Businesses in Australia: Findings of the ACCC's internet sweep of environmental claims \(2023\)](#).

<sup>26</sup> Ibid. 2.

<sup>27</sup> See <https://www.edo.org.au/corporate-greenwashing/>.

to offer incentives for households to switch to gas appliances without providing accurate information regarding the impacts and costs of those appliances and the risk that households will be left with stranded investments. IPART's monitoring of the retail markets should consider impacts on consumer outcomes from greenwashing in the energy sector and recommend the NSW Government pursue measures to ensure accuracy and consistency in the information presented to NSW consumers.

### **Payment difficulties and disadvantaged households**

Energy bills have undergone sustained increases over the past year. For many NSW households, in addition to previous rises, electricity bills have increased by more than 25% from July 1 2023. This magnitude of increases are untenable for consumers already struggling to pay for essentials like housing and food in the cost of living crisis.

Household on low incomes pay disproportionately more of their income on energy;<sup>28</sup> are more likely to be on worse retail offers, having less capacity to shop around for better energy deals;<sup>29</sup> pay more in fees;<sup>30</sup> generally need to use more energy because they don't have access to CER, energy efficiency and quality housing; and yet also contribute disproportionality towards the cost of the transition.<sup>31</sup> The cohort of people either on low incomes or otherwise struggling with affordability is increasing and represents a substantial proportion of all NSW consumers and IPART should consider examining outcomes not only for those on Low Income Household Energy Rebates, but other households on low incomes or struggling to afford their energy needs due to sustained reductions in disposable income (for instance those people for whom steep rises in housing costs have resulted in post-housing disposable income being less than 50%)

### **Difficulties affording energy bills**

PIAC's research into payment harms found that people prioritise paying their energy bills. Of all the bill types they receive, rent/mortgage payments are seen as the most important (49% ranked this number one) followed by electricity (20%), with gas at eighth most important (2%) (noting that not all households are connected to gas). When viewing these results by top three bills ranked, electricity becomes the most important bill with 68% of all consumers ranking this within their top three bills to pay off as a priority. Gas is seventh with 21% ranking it as a priority bill.

Despite this prioritisation, people find energy bills expensive with bills often well in excess of available income or savings. In interviews for the payment harms research, people across all cohorts explained the careful ways they have to budget to ensure they can afford their expenses, as well as the challenges they face juggling income when it is not enough to cover their expenses and/or their savings aren't enough to act as a buffer between pays.

People also indicated that because energy bill amounts are uneven they are even more difficult to pay, especially on time:

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<sup>28</sup> At the end of 2022, average income earners were spending 1.2% to 2.1% of their income on electricity, whilst low income earners were paying between 2.8% to 5.4% of their income on electricity (AER, State of the Energy Market 2023 (2023) 235).

<sup>29</sup> For example, due to lower English proficiency, decreased access to the internet and lower internet literacy.

<sup>30</sup> For example, not having the money to pay on time.

<sup>31</sup> Because many of the costs for the transition, such as green schemes are on bills.

- 64% of consumers said that paying bills in regular, small manageable amounts would be helpful;
- 67% of people also thought ‘an easy way to manage and adjust payments whenever I want’ would be helpful;
- 66% of all consumers say ‘making it easier to shift payment dates within a month to align bill payments with when your income is received’ would be helpful; and
- 64% say that they would like to be offered a more flexible repayment plan.

IPARTs examination of consumer outcomes should seek to assess quarterly and monthly bills against household post-housing cost disposable income figures (on a weekly and monthly basis). Qualitative analysis of actual consumer bills and /or interviews with consumers would provide valuable insight into the outcomes being delivered for NSW households.

## Debt

Increasing debt levels have been a key theme for consumers in the past few years.

AER data indicates that at Q3 2022-23, 102,442 NSW households were repaying energy debt. Looking at annual figures this number had been trending down, but it now appears to be increasing. The average amount of this energy debt for NSW households has been trending up and at Q3 2022-23, the amount was \$1014.<sup>32</sup>

Average debt on entry to hardship programs has been increasing each year since 2017-2018, as has average debt of hardship customers.<sup>33</sup> The AER expects that debt levels will continue to increase into early 2024.<sup>34</sup>

From Q3 2021-22 to Q3 2022-23, 22,065 NSW households had the experience of having their electricity debt referred to an external credit collection agency for debt recovery and 7,687 NSW households were referred for gas debts.<sup>35</sup>

The rapid rise and widespread availability and popularity of payment advance, Buy Now Pay Later (BNPL) and other unregulated credit products (discussed below) is also likely to have impacted people’s payment behaviour shifting debt from the energy sector.

The impact of debt on people’s lives can be crippling. Analysis of outcomes for consumers should seek to examine cases of consumer debt, particularly where energy debt is experienced alongside debts related to other essentials (including buy now pay later, rent, mortgage or other debts). This information could be gained from qualitative case analysis of financial counselling or community service clients.

## Disconnection

Disconnection is intended to be a last resort. Though disconnection levels have not returned to pre-Statement of Expectations levels, over 3,000 NSW households were disconnected for electricity non-payment in Q3 2022-23 alone<sup>36</sup>. PIAC has been informed by at least one NSW electricity distribution network that retailers have told them to expect significant increases in

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<sup>32</sup> AER, *Schedule 3 - Quarter 3 2022-23 Retail Performance Data*.

<sup>33</sup> AER, *Schedule 4 - Quarter 3 2022-23 Retail Performance Data*.

<sup>34</sup> AER (n 2) 218.

<sup>35</sup> AER, *Schedule 3 - Quarter 3 2022-23 Retail Performance Data*.

<sup>36</sup> AER, *Schedule 3 - Quarter 3 2022-23 Retail Performance Data*.

disconnections for non-payment in the coming months. The figures on debt accumulated would support this assessment.

PIAC has also been informed by a NSW DNSP that remote disconnections have commenced in NSW. Remote de-energisation removes any human intervention (as part of a visit ahead of a disconnection (see below) or simply from the person who would physically undertake the disconnection) reducing the 'friction' involved in de-energisation and increasing the chances that a disconnection service order results in a disconnection. Given that remote de-energisation can also be undertaken at lower cost to the retailer, the incentive for a retailer to ensure disconnection is a last resort is reduced. PIAC note that the introduction of remote de-energisation in Victoria resulted in a step-change increase in completed de-energisations, as well as a significant increases in instances of households experiencing multiple de-energisations.

PIAC does not support de-energisations/disconnections for non-payment. They do not assist consumers ability to afford their energy and resolve debt issues and are only likely to result in further negative impacts on households already struggling.

PIAC has just completed the fieldwork of the latest round of our disconnections and debt research which examines people's experiences of disconnection and debt. This research is also examining what measures would have helped avoid the situation for that household. PIAC will share the findings of this research with IPART at the earliest possible opportunity.

### **In person visits ahead of a disconnection**

In June this year PIAC assisted the Energy Charter in developing and launching the Knock to Stay Connected (K2SC) Customer Code. This code encourages all Energy Charter signatories to implement an in person visit (initially by a network meter reader) to homes ahead of a scheduled disconnection for non-payment. Essential Energy and other DNSPs have had success with the program to dramatically reduce the number of completed disconnections. PIAC worked with other community organisations to develop a supports flier, to work in tandem with the disconnection notice, offering a list of supports and assistance people can access to help them break the cycle of payment difficulty. The intent of this is to leverage the moment of impending disconnection/de-energisation to offer more effective assistance to the consumer with the goal of mitigating the impacts and ideally putting the household on a more sustainable long-term footing.

PIAC supports the K2SC being a minimum requirement consistently applied across NSW, ensuring that de-energisation for non-payment is never undertaken remotely, and that the moment of potential de-energisation is genuinely used to provide more comprehensive assistance to impacted NSW households. PIAC considers this a first step towards a mechanism where the pre-de-energisation visit is undertaken by a qualified community worker who could help a household access the supports they need to address their payment difficulty and any other challenges that a household might be facing.

Remote disconnection is a threat to the success that the K2SC has had to date. PIAC does not support any use of remote disconnection for non-payment and strongly recommends IPART support ceasing this practice in NSW.

### **Disconnections in extreme weather**

Under the National Energy Retail Rules (NERR), a 'retailer must not arrange for the de-energisation of a customer's premises to occur... where the customer's premises are to be de-energised under rule 111 [for not paying bill] –during an extreme weather event.'<sup>37</sup>

'Extreme weather event' is defined in the NERR as 'an event declared by a local instrument as an extreme weather event in the jurisdiction in which the customer's premises are located'.<sup>38</sup>

There is no 'local instrument' in NSW. One DNSP informed PIAC they rely on the opinion of their local on the ground team to inform them whether conditions are inappropriate to undertake a disconnection for non-payment. Other NSW DNSPs have indicated that they are just beginning to think about this issue. One retailer informed PIAC that they apply South Australia's definition of 'extreme weather event'<sup>39</sup> across their entire customer base, regardless of their location.

The impacts of our changing climate means more extreme weather events in NSW, including hotter days and heatwaves<sup>40</sup>. There is an increasing awareness of the serious risks to household health and wellbeing (and even life) during extreme weather, recognising that in western Sydney and many rural areas of the State, extreme weather can be fatal. PIAC consider it is becoming more imperative that a definition of extreme weather event in NSW be created and applied consistently across the state to protect households. Importantly this definition should recognise the significant risk of potential harm faced by households during extreme weather and the potential risks resulting from being unable to cool (or heat) a household environment during these periods. PIAC has examined international approaches and recommends that the 'extreme weather' protection from disconnection should consider the following aspects:

- Be a forecast, not rely on current actual conditions, to ensure that households are not disconnected ahead of extreme weather.<sup>41</sup>
- Allow for local area extreme weather. It should be based on broad area forecasts. For example, protections would need to consider material differences between local areas within western Sydney and what may be forecast across the Sydney Region.
- Have a definition that is based on wet bulb temperature or apparent 'feels like' temperature, which would take into account humidity and wind, rather than be based only on air temperature.
- Have consideration of the type of housing the consumer lives in. Experiencing hot or cold weather in a dwelling with poor thermal properties is very different to experiencing hot or cold weather in a home with good thermal properties.

As noted above, PIAC is currently undertaking research into disconnections and debt, and as part of this research, on our behalf, Action Market Research interviewed a household who was

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<sup>37</sup> NERR Part 6, Rule 116 (1)(h).

<sup>38</sup> NERR Part 6, Division 1, Rule 108.

<sup>39</sup> Section 8 of the National Energy Retail Law (Local Provisions) Regulations 2013 defines 'extreme weather events as: 'For the purposes of Part 6 of the National Energy Retail Rules, any day where the forecast for the Adelaide Metropolitan area issued by the Bureau of Meteorology at 4 p.m. CST indicates that the following day is the third day in a sequence of 3 days (which may occur on a rolling basis) where the average of the minimum and maximum temperature for each day equals or exceeds 28° Celsius is declared to be an extreme weather event.

<sup>40</sup> Adapt NSW, [Climate Change in NSW](#).

<sup>41</sup> AER figures indicate that only between 30-40% of households disconnected are reconnected within 7 days. (AER, 'Retail energy market performance update for Quarter 3, 2022-23, Schedule 3'.



disconnected from their gas supply during a heavy snow event causing great distress and risk to health for the household.

PIAC urges that NSW develop a reasonable, robust definition for extreme weather to protect households from losing their energy supply during periods when it is needed to keep them safe.

**Under consumption of energy**

Households facing costs pressures will commonly attempt to manage their bills by reducing their energy use to a level below that which meets their needs, sometimes endangering their health.

Base:	873	265	200	309	63	174	147	365	228
Q7. Payment Issues with electricity and/or gas bills	TOTAL	Low Income	Seniors	Not employed	First Nations	CALD	Disability	Non-Capital City	High School Or Less
I used my electricity and/or gas less than I needed, to help save money	24%	24%	10%	19%	60%	28%	37%	26%	23%

As part of PIAC’s research into payment harms (undertaken before the impact of recent price rises and the current cost of living crisis), an Ipsos survey of 1,000 nationally represented households found that 24% of consumers indicated that they use their energy less than needed as a strategy to save money. This was more common for First Nations people (60%) and people with disability (37%).

This was elaborated on in open responses in the AMR survey:

“Because in order to do it [pay my energy bill] on time I have to sacrifice things like hot water, heating, etc. and reduce expenses in other areas to ensure there is enough money.” – Open response in AMR survey.

“It’s so expensive. We try to use as little electricity as possible yet each month the bill shocks and deflates me because my efforts don’t seem to make a difference.” – Open response in AMR survey.

Whilst some people communicated more concerning energy saving behaviours during interviews:

“My family always complain to me how cold my place is. And one time my mum offered to pay to use the heater because I won’t use the heater during winter [to save money].” – Low Income, Female, 40-44 years, NSW.

Cutting back on necessary energy is likely to exacerbate other issues such as health and impacts on people’s ability to be included socially and economically.

Under consumption of energy can also coincide with increased fixed charges from retailers, compounding impacts on consumers who have less ability to reduce the amount of the bill whilst still suffering the consequences of minimal energy use.

This payment difficulty can be hidden from retailers, but we encourage IPART to consider this as part of its retail monitoring. Particular attention should be paid to the fixed charges of low-consuming households, with qualitative analysis of the outcomes such households and whether their consumption can reasonably support their needs.

**Cutting back elsewhere to afford energy**

Retailers are unlikely to be aware of consumers under-consuming in other areas in order to afford their energy bills.

In our submission to IPART’s 2021-22 Retail monitoring, PIAC shared some findings from our payment harms research that 74% of people responding to the AMR survey cut back on something to afford their energy bill, including people who go without food. The nationally representative Ipsos survey indicated 13% of people go without essentials such as food or medicine to pay a bill/debt.

Base:	873	265	200	309	63	174	147	365	228
Q7. Payment Issues with electricity and/or gas bills	TOTAL	Low Income	Seniors	Not employed	First Nations	CALD	Disability	Non-Capital City	High School Or Less
I went without other essentials such as food or medicine to pay a bill/debt	13%	16%	5%	10%	51%	21%	31%	15%	11%

The Ipsos survey also indicated that First Nations people (51%) followed by people with disability (31%) and members of the CALD community (21%) were most likely to go without essentials such as food or medicine in order to pay for a bill or debt. Again, it is important to note that these surveys were undertaken before the current cost of living crisis, so these figures are likely to be worse now.

Interviews with consumers revealed how people go without adequate food, in order to afford their essential bills.

“Food, or medication.” – Living with Disability, Female, 45-49 years, QLD.

“Yeah, I do, I go without food. I won’t do a big grocery shop, or I’ll get a gift card on AfterPay so I can afford food. I’ll go without if I can’t afford a bill. [This is usually] once every three months.” – Senior on Aged Pension, Female, 75-79 years, SA.

Service providers also shared the hidden hardship people experience in order to afford to pay their energy bills. This includes going without proper food and other basics needed for their wellbeing.

“So, they’re going without. Usually, in the [First Nations] community, it means the mother is going without. The parent is going without. Because they’ll want the kids to survive, so they’ll go without food, they’ll go without basic shoes... they’ll go around to food banks, they go around to get whatever assistance they can because that’s how they afford it...”-  
Financial Counsellor, NSW

“Some clients cut down on their food, going hungry to pay for their bills. A lot of them, especially CALD clients, they might not know that there are hardship options and they might try to pay them at detriment to their other expenses.” – Financial Counsellor, WA

“Well, a lot of the time they’re not eating, so we do have options to do food hampers and food cards and that. If we can’t always help with the bill, we will then give them food vouchers to then say, ‘Use that money onto your bill and use these vouchers for food’.”- Financial Counsellor, WA

AMR have shared an interview undertaken recently as part of our disconnection and debt research, where a mother of five children who also cares for her parents said that “I have learned I can survive for 4 days without food before things get really bad....”. Despite this, she has been disconnected three times in the last three years. These are not isolated cases with recent research from the NSW Council of Social Service documenting the increasingly widespread nature of extreme cost-of-living stress impacting peoples’ ability to sustain their needs<sup>42</sup>. The results of this research also relate to impacts prior to the worst of the current cost of living crisis and are likely to be significantly worse and more widespread now.

### **Increase in use of unregulated and lightly regulated credit products**

As part of our payment harms research service providers and energy consumers reported that credit products such as BNPL are becoming increasingly popular and more commonly used for essentials, including groceries and energy bills.

Paying energy bills by a credit product disguises payment difficulty from retailers and means that protections built into the energy system are lost, as one service provider explained in the payment harms research:

“BNPL creeping into the energy market is allowing this hardship issue to be masked... and it means that clients, by the time they get to me, they’ve lost those protections of the ombudsman, they’re now in trouble with BNPL, the energy providers are not necessarily aware of the problems, so none of those potential safeguards have been done. The energy situation needs to be a barrier on BNPL being used for these things.” – Financial Counsellor, NSW.

Service providers also explained that multiple credit products are often used and that the associated fees increased the cost of energy (and other) bills:

“So, now they want to get off [BNPL credit product] Deferit, and to get off Deferit they’ve got to go get a payday loan to pay the bill in whole for the energy bill. Let’s say it costs \$500, now on top of the Deferit fee, now on top of the payday lender fee, the bill is now twice the cost. So, if there was a much clearer path of “this is what it costs” or “this is what you’re affording or paying fortnightly”.” – Financial Counsellor, NSW.

Some consumers articulated the perceived positives of credit products, explaining they are helpful for budgeting, valuable to cut large payments down into smaller amounts, are easy to use and help make ends meet. People cite using BNPL to pay for energy because they feel it

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<sup>42</sup> NCOSS ‘Tough times, hard choices’ July 2022 [https://www.ncoss.org.au/wp-content/uploads/2022/07/NCOSS\\_CostOfLiving22\\_FINAL\\_DESIGNED.pdf](https://www.ncoss.org.au/wp-content/uploads/2022/07/NCOSS_CostOfLiving22_FINAL_DESIGNED.pdf)

gives them control, helps them track payments, is a set repayment amount (whereas energy bill amounts fluctuate) and because they cannot otherwise afford the bill. These payment options such as breaking large bills into smaller amounts should be more easily accessible from energy retailers. Importantly, if provided by energy retailers they are transparent arrangements which come with a range of protections which support consumers and help to ensure they are not further disadvantaged or impacted.

Many people have little awareness of the pitfalls for credit products. For example, paying a fee is seen as reasonable, even though energy retailers are required to offer regulated payment plans and bill smoothing at no charge. For example:

“I would use AfterPay on bills if it was a particularly large bill. I haven't had to pay a full summer's worth of cooling/heating so then I would consider a similar service.” – Low Income, Female, 25-29 years, VIC.

Other consumers expressed that the product helped them at the time but made their financial difficulties bigger in the longer term.

“Harder to pay off in the long run but less stressful in the current time.” – energy consumer response in survey.

Base:	873	265	200	309	63	174	147	365	228
Q5. Used to pay Electricity and/or gas bills last 2 years	TOTAL	Low Income	Seniors	Not employed	First Nations	CALD	Disability	Non-Capital City	High School Or Less
Direct Debit	65%	60%	57%	60%	73%	79%	67%	66%	59%
Buy Now Pay Later	21%	17%	4%	8%	58%	41%	29%	18%	14%
Bundling	25%	23%	11%	14%	68%	43%	35%	21%	17%
Credit Card	47%	36%	34%	31%	72%	64%	40%	40%	39%
Centrepay	20%	24%	5%	13%	63%	35%	32%	20%	18%
Payday loan	16%	14%	2%	5%	64%	30%	28%	15%	11%
Wage advance products	17%	12%	2%	5%	60%	39%	23%	15%	11%
Borrowing from friends/family	21%	19%	2%	10%	69%	38%	39%	20%	15%
Drawing on superannuation	18%	15%	12%	11%	58%	32%	26%	17%	11%

The Ipsos survey demonstrated that more vulnerable communities, particularly First Nations and CALD communities have higher than average usage of BNPL products, payday loans and wage advance products to pay for their energy bills.

There is a worryingly high level of interest in using BNPL, with 31% of energy respondents in the AMR survey indicating they are likely to use BNPL to pay for energy in the future. The effectiveness of protections in the energy system are undermined by the wide-spread use of credit products, which normalise problematic fees and charges.

Although there are some processes underway to improve regulation of credit products, PIAC remains concerned that some credit product providers advertise their products to pay for essential services. Issues around the marketing and design of these credit products will also need to be addressed to ensure good consumer outcomes.

More information can be found [in our report](#). IPART investigation of outcomes for NSW consumers should consider the prevalence of lightly-regulated credit products in energy, their impact on the affordability of energy offers and their relative prevalence (and effectiveness) compared to bill-smoothing and other retail-provided payment options.

### **Centrepay**

The objective of Centrepay is to “assist Customers in managing expenses that are consistent with the purposes of welfare payments, and reducing financial risk, by providing a facility to have regular Deductions made from their welfare payments.”<sup>43</sup> Although Centrepay can cause some consumers some difficulty,<sup>44</sup> it is an important mechanism to help some households ensure their essential bills are paid.

AER data indicates that use of Centrepay by NSW residents to pay energy bills is gradually falling.<sup>45</sup> PIAC is aware that Centrepay is increasingly being used for non-essential products such as consumer leases and retail stores basing their business model on regular Centrepay payments.<sup>46</sup> We do not support the unrestrained use of Centrepay for products and services which may limit its utility or availability to support essential services such as energy.

We urge IPART and the NSW Government to explore measures ensuring Centrepay mechanism is not taken advantage of and can be used by people to ensure their needs can be met.

### **Life support**

Recently, DNSPs have become concerned about the rise of the numbers of people on the life support register and the effectiveness of their support for people with more critical life-support needs. We acknowledge that eligibility for the life support register is likely to grow further with the growth of hospitals at home, aging in place and greater recognition of the need to support people with disability at home. DNSPs have indicated a need to determine who should be prioritised in restoration in an unplanned outage, should they have capacity to provide this. In

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<sup>43</sup> Services Australia, *Centrepay Policy and Terms* (2018) 5.

<sup>44</sup> For example, it can be difficult to get the payment amount right since energy bills are seasonal, which can leave people too far ahead, or in debt. It can also be difficult to change the amount.

<sup>45</sup> AER, ‘Retail energy market performance update for Quarter 3, 2022–23, Schedule 3’ and ‘Retail energy market performance update for Quarter 4, 2018-19, Schedule 3’

<sup>46</sup> ABC, [ACCC considering issues raised over retailer Urban Rampage’s use of Centrepay in disadvantaged communities](#) (14 September 2022).

discussions the possibility of changing the list of eligible life support equipment and removing medical professionals' discretion from the definition of life support equipment (Part 1 Division 1 Rule 3 Definitions life support equipment (g) of the NERR) has been raised. This would have significant impacts on the number of people currently eligible for life support protections.

PIAC does not support any changes which reduce necessary protections for those currently supported on the life support register. We agree DNSPs should be able to effectively identify those with critical needs and protect them accordingly, but this must not come at the cost of undermining protections for those who need them (such as people who need regular breathing assistance, mobility assistance, and other support in order to sustain their daily health and wellbeing. It may be that as part of the registration process, medical professionals could indicate a consumer has critical needs (with more stringent criteria) and requires a continuous connection to electricity for their condition. This would address DNSP need to know where to concentrate priority restoration (should they have ability to do this), whilst still ensuring that vulnerable people are not disconnected for non-payment from the energy they need.

It is important that the life support register criteria remains flexible enough to ensure that people who need energy for their safety and welfare – including people who use powered wheelchairs, electric beds and/or need heating and cooling for medical purposes - receive additional protections from disconnection for non-payment. Meeting the more critical needs of others should not come at the cost of those protections.

#### **4. Assistance**

##### **Hardship programs**

The number of NSW households in hardship programs has been increasing and exceeds pre-pandemic levels.<sup>47</sup> This is likely a result of increased payment difficulties being experienced by households. Average debt of NSW households entering hardship programs and the average energy debt of households in hardship programs have both been rising to be higher than pre-pandemic levels. The AER has indicated that increased participation in hardship programs in recent quarters could be a result of more proactive efforts being made by retailers to assist households experiencing payment difficulties,<sup>48</sup> but, the annual debt levels trends indicate that this may not be the case.

Significant numbers of people – 40.9% of electricity households on payment plans - aren't meeting their usage costs. It is likely that these households would be better supported by being in hardship programs.

IPART should consider the outcomes of NSW households on hardship programs, in relation to other households receiving payment support, and those with arrears and debt who are not on payment support, as part of assessment of the outcomes being delivered by energy retailers. IPART could also consider the relative usage of these cohorts, the relative fixed charges of these cohorts, as well as whether they have dual fuel connections.

##### **NSW Government supports**

Rebates and Energy Accounts Payment Assistance (EAPA) and other energy assistance programs help improve short and long-term outcomes for people's access to energy and have the potential help facilitate the energy transition by making it more affordable.

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<sup>47</sup> AER, *Schedule 4 - Quarter 3 2022-23 Retail Performance Data*.

<sup>48</sup> AER, [Quarterly Retail Performance Report, January – March 2023](#), 15.

## **Rebates**

PIAC welcomed the one off additional rebate payments provided through the [Energy Bill Relief Fund](#) with support from the Federal Government and the NSW Government. A very important aspect of the Energy Bill Relief Fund was extending support to people in receipt of the Carer Allowance and holders of the Low-Income Health Care Card. We would support IPART the value and impact of extending rebate support (through the Low-Income Household Energy Rebate) on an ongoing basis.

PIAC welcomes any increase to ongoing energy supports, such as those recently [announced by the NSW Government](#). Whilst these increases recognise more support is required to support energy affordability for NSW households, PIAC does not consider these increases sufficient or appropriate longer term.

PIAC strongly supports rebate support (particularly the Low-Income Household Energy Rebate) being provided on a proportional or percentage basis (as they are in Victoria). Percentage based rebates are fairer, more effective and more flexible. They would help households on lower incomes better cope with increases in energy prices expected as part of the transition, decrease as energy becomes cheaper. Importantly they support energy affordability according to need (supporting those with larger needs more than those with smaller energy requirements. The current fixed amounts provide disproportionate assistance to those with the least energy need. PIAC worked with other consumer advocates across the NEM to research and write the report, [Reforming electricity concessions to better meet need](#). IPART should examine the outcomes for households receiving the Low-Income Household Energy Rebate, and consider the relative support offered to households with different usage needs. This examination should also consider the relative support offered to electricity-only households compared to those with electricity and gas. We would welcome IPART supporting recommendations for rebates provided on a proportionate basis.

PIAC recommends consideration of the gas energy rebate being used (through upfront availability) to support households electrify and benefit from duplicated fixed charges, and increased appliance efficiency and lower running costs.

With its low take up, the Family Energy Rebate could be re-designed to help households access efficient electrification, energy efficiency and CER, with an option to continue access direct financial assistance for households who prefer it.

PIAC remains concerned that otherwise eligible people (particularly those in first nations communities) remain locked out of receiving rebates because of address and name mis-match issues.

PIAC would support IPART recommending or undertaking a wider investigation of rebate performance and how rebates could be better designed to help long term affordability issues and support lower income households and others experiencing financial difficulty, during the energy transition.

## **Energy Accounts Payment Assistance (EAPA)**

EAPA is essential in keeping people experiencing financial difficulty safe from disconnection and helping to mitigate their energy related debt. We welcome the increases in the EAPA

threshold. However, further reforms could be made to improve outcomes for people experiencing energy affordability issues:

- EAPA should be fuel neutral to recognise that we need to efficiently electrify – an amount of \$800 per instance should be available to electricity-only households.
- EAPA should be issued for the actual amount owing (if it's under the threshold), rather than in \$50 increments. Current practice means people often miss out on a significant amount of assistance (up to \$49)
- Access to amounts over the usual threshold should be possible for certain circumstances. Recent changes have meant it is now very difficult to access amounts over the threshold, even though there remains a clear need for additional assistance for eligible recipients with bills well in excess of the \$400 amount.
- Apply EAPA to closed accounts. There are many legitimate reasons why a person may have debt remaining in a closed account. For example, switching to get a better energy deal, or moving due to eviction, to source cheaper housing or to escape family violence.
- Scope to address circumstances where accumulated debt is so high and the person's circumstances such that they will never be able to repay the debt. Including:
  - A process to wipe debt;
  - Investigation into how a retailer allowed a debt to get so high;
  - On-going personalised support; and
  - Consideration of opportunities for people to remain on 'usage only' offers.
- Energy efficiency programs and other co-ordinated measures to sustainably reduce the energy used by the household on an ongoing basis.
- Specific arrangements for social housing residents unlikely to ever be able to manage their energy (or other) bills. This should involve including affordable energy as part of their 'capped' payments to the housing provider rather than through a private retailer. This would enable energy payments to be capped at a proportion a person's fixed income.
- Ensuring EAPA provided through Service NSW (or other in-person avenues) provides equivalent service to that available through community service providers. Particular consideration should be given to improving wrap-around support and single-point access to other supports and assistance for affordability which is available through community service providers.
- Considering all measures to simplify the EAPA application process and minimising the stress or shame experienced by applicants.
- Improving communications regarding processes and waiting times to alleviate stress. This should include regular correspondence assuring people that their claim is still on a wait list or being processed and whether they need to take any action could help alleviate this.



- Address ongoing issues regarding identification, particularly for people from first nations communities, by ensuring EAPA systems are more flexible and inclusive. Consideration should be given to allowing the NSW Photo Card to be used for on-line EAPA applications. Lack of identification is also common in family violence situations, where identification documents are often kept by perpetrators as a way to control victim- survivors and their access to services, or victim-survivors flee their home without their documents. It is also difficult for people who are bed ridden to supply documents (and have long phone conversations).
- Consider measures to address issues arising from the interaction with Centrepay and bill smoothing. Specifically, where those paying bills by Centrepay and bill smoothing accumulate credit or do not pay enough to avoid high bills and it is difficult to determine the debt amount EAPA can be applied to, or where this unfairly limits the amount of EAPA available. This can be exacerbated where there are long wait times for EAPA approval. There may need to be scope for more flexible approach for people in these circumstances.

IPART can support further reforms to EAPA by specifically assessing the impact of the issues raised above as part of a wider assessment of the energy outcomes received by NSW households.

### **7. Embedded networks**

PIAC is pleased that the NSW Government has initiated actions to ameliorate some of the disadvantages experienced by people living in embedded networks experience.

IPART has a crucial role investigating and reporting on embedded network and exempt selling issues in its annual energy retail monitoring report. This should include gaining greater clarity on the number of residents in embedded networks and exempt selling arrangements, the exemption classes and different arrangements these people are living under, the structure under which they pay for energy as well as access to actual bills. PIAC also supports the need for transparency in relation to usage, debts and disconnection of people in embedded networks. This should also include assessing impediments to accessing EAPA, rebates and supports. Details about hot and chilled water embedded networks should be included as should any emerging embedded network types.

PIAC strongly recommends IPART seek the scope of action, direction and powers required to undertake this investigation as part of its ongoing monitoring role.