



# Joint submission to the AER Review of the minimum disconnection amount

20 June 2025

Justice and Equity Centre  
ABN 77 002 773 524  
[www.jec.org.au](http://www.jec.org.au)

Gadigal Country  
Level 5, 175 Liverpool St  
Sydney NSW 2000  
Phone + 61 2 8898 6500  
Email [contact@jec.org.au](mailto:contact@jec.org.au)



## About the Justice and Equity Centre

The Justice and Equity Centre is a leading, independent law and policy centre. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we work with people and communities who are marginalised and facing disadvantage.

The Centre tackles injustice and inequality through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

## Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

### Contact

Thea Bray  
The Justice and Equity Centre  
Level 5, 175 Liverpool St  
Sydney NSW 2000

T: +61 2 8898 6500  
E: [tbray@jec.org.au](mailto:tbray@jec.org.au)

Website: [www.jec.org.au](http://www.jec.org.au)

The Justice and Equity Centre office is located on the land of the Gadigal of the Eora Nation.

## **Consumer Action Law Centre**

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

## **Council on the Ageing NSW**

Council on the Ageing (COTA) NSW is the leading not-for-profit organisation representing the rights and interests of people over 50 in NSW. We're an independent, consumer-based, non-government organisation. We are determined to ensure that older people's contributions to society are valued and that they have access to the opportunities other members of the community take for granted.

## **The Financial Counsellors' Association of NSW**

The Financial Counsellors' Association of NSW Inc. (FCAN) is the peak membership body for Financial Counsellors in NSW. FCAN supports members and represents the sector to advocate for suitable regulation and products to protect the financially vulnerable and to prevent people and families from experiencing financial hardship.

## **First Nations Clean Energy Network**

The First Nations Clean Energy Network is made up of First Nations people, groups, community organisations, land councils, unions, academics, industry groups, technical advisors, legal experts, renewables companies and others - working in partnership to ensure that First Nations share in the benefits of Australia's clean energy transition.

## **Queensland Council of Social Service**

QCOSS is Queensland's peak body for community services. We bring our members, the community sector, other peak bodies, government, business and the community together in our work to improve the lives of all Queenslanders. Our work is evidence based, focused on the whole of Queensland and reflects the views and perspectives of our members, who share our vision and are deeply involved in our work. We are committed to self-determination for First Nations Peoples.

## **South Australian Council of Social Service**

The South Australian Council of Social Service is the peak non-government representative body for non-government health and community services in South Australia, and has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*. SACOSS' purpose is to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. We undertake policy and advocacy work in areas that specifically affect disadvantaged and low-income households in South Australia.

# Contents

<b>Recommendations .....</b>	<b>2</b>
<b>Introduction .....</b>	<b>3</b>
<b>Disconnection causes harm .....</b>	<b>3</b>
<b>Reforms supporting update of the disconnection amount .....</b>	<b>5</b>
Minimising the instances and seriousness of payment difficulty leading to debt .....	5
Ensuring early, proactive, effective assistance .....	6
More consistent and durable assistance for those with ongoing need .....	6
Reducing risk to consumers by requiring in person visits before disconnection .....	6
<b>Increasing the minimum disconnection amount .....</b>	<b>7</b>
<b>\$500 is not a fit for purpose protection .....</b>	<b>8</b>
\$500 does not support disconnection as a last resort .....	8
\$500 is not reliably in excess of a quarterly bill .....	8
<b>Principles and considerations to determine the minimum .....</b>	<b>9</b>
<b>Agreeing to paying the amount .....</b>	<b>12</b>
<b>Response to consultation questions .....</b>	<b>12</b>

# Recommendations

## **Recommendation 1**

---

*That the minimum disconnection amount should be higher than \$500 and set at a level supporting the principle that:*

- *Disconnection is a last resort;*
- *People should not be disconnected for a single quarterly bill;*
- *The minimum amount may be closer to two quarterly bills, to ensure the intent; and*
- *The amount should reflect the bills of people who experience payment difficulty and are currently at risk of disconnection.*

## **Recommendation 2**

---

*That the minimum disconnection amount should apply to all consumers. We support this Review should be accompanied by a rule change which removes the words “and the customer has agreed with the retailer to repay that amount” from r 116(1)(g) of the Retail Rules.*

## **Recommendation 3**

---

*That the minimum disconnection amount should be reviewed annually and potentially linked to the setting of the DMO.*

## Introduction

The Justice and Equity Centre (JEC), Consumer Action Law Centre (CALC), Council on the Ageing (COTA), NSW the Financial Counsellors' Association of NSW (FCAN), First Nations Clean Energy Network (FNCEN), Queensland Council of Social Service (QCOSS) and South Australian Council of Social Service (SACOSS) welcome the opportunity to respond to the Australian Energy Regulator's (AER) *Review of the minimum disconnection amount – Draft decision* ('Draft decision').

Our organisations represent the interests of consumers and communities across Australia and include specific representation of First Nations communities and low-income households. We draw on a wide body of evidence of consumer experiences and outcomes, and a deep understanding of the lived experience of consumers, particularly those facing disadvantage, in accessing essential energy services.

Disconnecting households from their energy service – or threatening to do so - because of an inability to pay is fundamentally incompatible with the understanding of energy as an essential service. In principle, we do not support disconnection threats in response to households who are unable to afford their energy needs. If disconnection is to continue to be an option for retailers in response non-payment, much more robust protections are required to ensure that disconnection (and threats of disconnection) truly are a last resort.

The current minimum disconnection amount of \$300 has not been reviewed for nearly a decade, a time in which there has been seismic changes in energy, including significant and sustained increases in energy costs. The current amount has not been fundamentally fit for purpose as a protective measure for some time. In this context we support the proposal to raise the minimum disconnection amount. However, we do not consider lifting the minimum disconnection amount to \$500 as likely to support the principle of disconnection as last resort and are concerned it does not offer adequate protection for households experiencing vulnerability.

In this submission we discuss the harms caused by disconnection, recommend an approach to setting the minimum disconnection amount that is informed by the risk of harm to consumers, and urge that this reform be considered within the context of wider proposed consumer protections reforms. We provide reasoning as to why we do not consider \$500 to be consistent with ensuring disconnection is a last resort and provide our recommendations for how a more appropriate amount may be determined. Finally, we provide support for the AER's proposal that the disconnection minimum amount apply to all household consumers and respond directly to the consultation questions provided.

## Disconnection causes harm

The 'essentiality' of energy is often recognised, but the implications of this are not well understood.

The essentiality of energy means that people need what energy services enable, regardless of whether they are able to afford the energy use this involves. Currently, protections and supports in the National Energy Consumer Framework (NECF) largely focus on responding after a harm

impact has occurred – such as payment difficulty and debt accumulation. There is insufficient recognition that the essential nature of energy, and the nature of the retail energy market itself can drive greater consumer vulnerability and increase the likelihood and impact of payment difficulty and debt.

Disconnecting consumers from an essential service, is both a result of increased consumer vulnerability, and something which exacerbates consumer vulnerability. Disconnection, including the threat and fear of disconnection has been shown to cause people harm. JEC's research, *Powerless: Debt and disconnections*<sup>1</sup> shows that disconnection, including the threat and fear of it:

- Drives people to unhealthy responses – such as going without healthy food and medical care, and going without the energy they need - which endangers their health and wellbeing.
- Drives people to agree to unsustainable financial arrangements – such as unaffordable payment plans and credit products - which compound the burden of financial difficulty and drives instances of repeated disconnection.
- Causes additional expense in fees (such as reconnection fees and bonds) and responding to the lack of energy such as having to dispose of refrigerated food.
- Causes stress and impacts people's ability to be connected with friends / family and the outside world.
- Impacts children's ability to study and be cared for.
- Can drive 'switching' behaviour which compounds debt and payment difficulty issues for the households and creates issues for the 'receiving' retailer.<sup>2</sup>

The people most impacted by disconnection - including the threat and fear of it - come from demographic groups frequently associated with disadvantage, including people on lower incomes, First Nations households and renters. However, JEC's most recent research saw higher rates of middle income households and mortgagees impacted. Many of the households at risk of or who have experienced disconnection also have high rates of disability (49%) and experiences of mental illness (32%).<sup>3</sup>

While it may be said to drive a 'reaction' from households, disconnecting households, or threatening them with disconnection, does little or nothing to address their ability to afford their energy service or re-establish financial stability. Instead, for the reasons outlined above, it is more likely to achieve the opposite. A striking 83% of respondents in *Powerless: Debt and disconnections*, were still grappling with payment difficulties after their experience of disconnection (actual, threatened or fear of it).<sup>4</sup> This statistic is supported in consistent research which finds that the greatest indicator of future disconnection risk, is having been disconnected or threatened with disconnection previously.

---

<sup>1</sup> Public Interest Advocacy Centre (PIAC), [Powerless: Debt and disconnection](#) (2024).

<sup>2</sup> See pages 62 to 80 of [Powerless: Debt and disconnection](#) for details.

<sup>3</sup> [PIAC](#) (n 1) 4-15.

<sup>4</sup> [Ibid](#) 84.

## Reforms supporting update of the disconnection amount

We strongly support the opportunities for reform outlined in the AER's *Review of payment difficulty protections in the National Energy Customer Framework – Findings report*<sup>5</sup> ('Findings report'), though noting detailed aspects have not yet been determined, these reforms will be required to ensure the opportunities lead to the intended good outcomes for consumers. If well designed, implemented and enforced these reforms will make important progress in reducing debt build up and disconnections. The disconnection minimum amount should be set according to principles consistent with these reforms, and at a level which supports the intent of them – that is, to engage retail assistance early, consistently and effectively to ensure disconnection threats are only used as a last resort.

In addition, there are other important reforms which would also reduce payment difficulty disconnections that were not expressly identified in the AER's opportunities. These are detailed in full in JEC's joint community response to the *Review of payment difficulty protections in the National Energy Customer Framework - Consultation paper*.<sup>6</sup>

In summary, we content it is necessary to holistically consider how debt accumulation and disconnection can be minimised and avoided, which should include:

### Minimising the instances and seriousness of payment difficulty leading to debt

Reducing the instance of payment difficulty was considered out of scope for the *Review of payment difficulty protections in the National Energy Customer Framework*. JEC's *Powerless: Debt and disconnection* research detailed how the experience of seeking assistance itself can add stress rather than alleviate it. An effective regulatory framework should consider minimising the experience of payment difficulty as a priority objective.<sup>7</sup> Measures to reduce instances of payment difficulty should include:

- Fairer energy costs and structures which suit people's needs and ensure they pay no more than necessary and efficient;
- Well targeted and effective energy concessions which are a consistent proportion of bills;<sup>8</sup>
- Setting and supporting compliance with robust minimum energy performance standards for rented homes; and
- Assisting households on low incomes to access the benefits of energy efficient homes and appliances and Consumer Energy Resources (CER).

---

<sup>5</sup> AER, [Review of payment difficulty protections in the National Energy Customer Framework – Findings report](#) (2025).

<sup>6</sup> <https://www.aer.gov.au/system/files/2024-08/Justice%20and%20Equity%20Centre%20and%20Others%20-%20Joint%20submission%20to%20Review%20of%20payment%20difficulty%20protections%20in%20the%20N%20ECF%20-%20205%20July%202024.pdf>

<sup>7</sup> Noting that some aspects of measures to minimise payment difficulty also require action outside of the protections framework and we urge the energy sector to discuss these issues with housing, health and social services sectors.

<sup>8</sup> For more information, see SACOSS & ACOSS, [Reforming electricity concessions to better meet need: Summary report](#) (2022).



## **Ensuring early, proactive, effective assistance**

The AER has recognised reforms are needed to ensure early assistance is provided for people experiencing payment difficulty. The JEC supports proposals requiring retailers to make information about assistance generally available and apply a prescriptive or proactive engagement obligation on retailers. An overarching retailer duty or obligation to act in the best interest of their customers would also significantly augment and improve the effectiveness of requirements for early assistance.

## **More consistent and durable assistance for those with ongoing need**

The current payment difficulty protections assume payment difficulty is short term or transitory. Yet there is a significant cohort of people who will either struggle long-term or never be able to afford the 'market cost' of their energy needs without an unreasonable impact on their health and wellbeing, or without accumulating unsustainable debts. As the AER identified in initiating the 'Game Changer' initiative, the current framework is not capable of ensuring these people receive the support required and often places an unreasonable burden of perpetual 'engagement' with their retailer, without the prospect of a durable remedy, and often with diminishing levels of success in support. It is difficult to reliably and consistently identify these people, complicating any potential reform solutions – such as social tariffs and other measures explored through the Game Changer initiative. An energy system that works for all consumers must explicitly consider the needs of those who cannot afford the energy they need, and who will require substantial additional (and potentially long-term) support to do so. Otherwise, these households constantly face the prospect of disconnection and an acerating spiral into stress and long-term hardship, or worse.

## **Reducing risk to consumers by requiring in person visits before disconnection**

Prior to initiating disconnection procedures – or as a condition to be able to do so – an energy retailer could arrange for an in-person visit to make contact with the household in question. Such a visit would serve multiple purposes aimed at reducing the risk of harm (from disconnection) to the consumer, ensuring more effective support is initiated, and identifying where disconnection proceedings may be appropriate. Specifically, this could assist to:

- More effectively enable retailer (and other community and government) assistance is provided to address payment difficulty and arrears;
- Ensure 'at-risk' consumers are not threatened with disconnection;
- Make contact with 'unknown customers' who have not signed up with a retailer but use energy (such as after moving into a rental property); and
- To determine where a property is vacant (with a mechanism to enable a disconnection at a lower debt amount when it is clear that no one resides at the property and a safety check is undertaken).

The risk of harm impact to consumers associated with disconnection and threats of disconnection requires a commensurate robustness of process determining when and how these proceedings can be initiated. In this context, it is appropriate and indeed necessary for 'friction' to be built into the processes for disconnection to ensure, with confidence, it is truly a last resort. We contend requiring in-person visits prior to disconnection should be considered as an important part of this.

This in-person intervention should be undertaken by a suitably qualified person, who is a designated ‘third party’ (ideally not an employee or agent of the retailer). This visit should take place ahead of a disconnection, to check on the welfare of the household members and determine whether it is appropriate to disconnect, and connect households with appropriate supports.

### **Abolishing reconnection fees**

As the AER proposes, reconnection fees should be abolished for consumers experiencing payment difficulty. This would help strengthen the disincentive to disconnect in all but the most unavoidable or definitively ‘appropriate’ circumstances.

### **Penalty provisions**

We support applying Tier 1 civil penalties for retailers who do not act in the best interest of their customer, do not make genuine efforts to assist them and fail to uphold the principle that disconnection is a last resort. We recommend consideration be given to applying penalties for unnecessary or unwarranted threats of disconnection, where it can be established that threats are not being applied as a ‘last resort’ action.

## **Increasing the minimum disconnection amount**

The JEC strongly supports increasing the minimum disconnection amount as a long-overdue reform with scope for significant benefit to many consumers. The existing amount is not fit-for-purpose, is misaligned with energy costs, and is insufficient to incentivise retailers to engage in all other measures prior to threatening disconnection.

As identified by the AER, additional obligations should be placed on retailers to ensure they offer appropriate assistance early, before significant debt is accumulated. Putting in place proactive triggers for assistance would remove any argument that disconnection is needed to elicit ‘consumer engagement’. In any case, using disconnection to force engagement is ineffective. Threats may result in a response from a household, but it comes with a range of risks to the consumer (as outlined above). Consumers who engage following a threat are not any more able to afford their energy or debt, and the fact they are responding to a threat creates or exacerbates a position of extreme vulnerability for the consumer. Evidence we have shown indicates these threats are more likely to increase issues of unaffordability as people pay towards the debt with money required for other essentials, or by accessing credit products or other unsafe debt. Even within the current rules, engagement can and should be achieved in more appropriate, sustainable and effective ways that don’t involve threats to an essential service.

Victoria’s Essential Services Commission (ESC) found that 82% of disconnections took place at a debt amount over \$1,000, and that the average debt amount at disconnection was \$2,457.<sup>9</sup> In NSW, disconnected households who were receiving NSW Government assistance had average debts at disconnection of \$2,810 in FY2024 and \$2,120 in FY 2023.<sup>10</sup> These figures suggest

---

<sup>9</sup> ESC, *Energy Consumer Reforms: Regulatory Impact Statement* (2025) 45.

<sup>10</sup> NSW Government, [Energy Social Programs dashboard](#) (accessed 3 June 2025) slide 16.

there is already a wide range of experience for consumers and retail practice, and that it is not necessary for the minimum debt amount to be set as low as it is.

## **\$500 is not a fit for purpose protection**

We agree with the AER that the current \$300 minimum disconnection amount is unsuitable. However, we do not consider \$500 to be sufficient to deliver on the intent of a change at this time. We content the proposed \$500 amount does not reflect two critical principles the AER considers relevant:

- It is too low to consistently ensure disconnections are a last resort; and
- It is not more than a quarterly bill for many households (particularly the households who get disconnected).

In any case, while ensuring the amount is not less than a single bill is relevant, to deliver on this intent it is possible that setting the amount relative to two average bills may be more appropriate and effective.

## **\$500 does not support disconnection as a last resort**

A \$500 debt can be easily reached by any household, but particularly those disadvantaged households who are more likely to have homes with high energy running costs because their homes are more likely to have low thermal performance; have appliances which have poor energy efficiency; and not have access to CER such as solar and batteries.

In this context, a \$500 minimum disconnection is unlikely to change the practices of retailers who may be relying on disconnection as a 'communications tool'. For many, it is less than a quarterly bill (see below). A \$500 debt is unlikely to involve a time-period enabling retailers to proactively offer support, resolve nonpayment or engage in all other options, before threatening disconnection.

In addition, a threshold of \$500 still risks disconnection threats being received by people who have simply missed paying their bill and not yet received communication attempts from their retailers (including due to being busy, unwell, hospitalised or on holiday etc).

## **\$500 is not reliably in excess of a quarterly bill**

The average bills used by the AER in the Draft decision are not an appropriate basis for setting the minimum disconnection amount. While averages are a relevant data point, they should not be regarded as definitive. Other relevant considerations include:

- Households who get disconnected generally have significantly higher usage and higher bills than households who aren't disconnected.<sup>11</sup>

---

<sup>11</sup> [Ibid.](#)

- Average usage includes homes with solar, so is lower than usage rates for non-solar homes, who are more likely to be at risk of disconnection.
- Actual tariffs of households at risk of disconnection are likely to be much higher than the offers available on Energy Made Easy and Victorian Energy Compare. Looking at available offers also fails to account for people on higher legacy tariffs and / or unable to choose a suitable retail offer (for example are on a time of use tariff when they would be better off on a flat rate tariff).
- Average income data fails to capture the diversity and circumstances of households experiencing payment difficulty. Some of the middle and low-income households own their own homes outright, have solar and have single occupants. Others, have larger households and rent their home or have a mortgage. These households may have higher incomes, but their energy needs (and demands on their income) are substantially higher.
- The minimum disconnection amount needs to protect people who have higher than average energy usage, or even average bills of households with controlled loads.
- Seasonal differences in energy bills needs to be considered – winter and / or summer bills are likely to be much higher than \$500 even for low-average use households.
- Geographical differences need to be considered. In some areas network charges are much higher (for example tariffs and bills in Essential Energy's network are materially higher than those in Endeavour Energy's and Ausgrid's networks) and some local climates require more energy usage.
- Figures for electric only homes need to be considered. They are likely to have higher electricity bills than dual fuel homes.

A \$500 disconnection minimum does not stop those retailers who rely on disconnection threats as an habitual (rather than last resort) engagement tool. It does not incentivise early, effective engagement and assistance and does little to ensure households have access to energy.

In any case, while the amount is rightly set with reference to quarterly bills – to protect against the risk of disconnection harms arising from missing a single bill – this does not mean it must or should be set AT the level of a quarterly bill. Indeed, arguably the intent is better delivered by ensuring the minimum amount is closer to two quarterly bills. We explore this further below.

## Principles and considerations to determine the minimum

While disconnection threats remain a functional part of the framework an appropriate a minimum debt amount needs to be in place. In addition to those discussed in the previous section, we recommend the amount be set with reference to the following principles and considerations:

**No household should be disconnected because they can't afford the energy they need.**

People who can't afford their energy bills are very vulnerable and need assistance, not to be further pressured by being threatened or disconnected. Disconnection sets people back

financially, requires people to juggle other payments, cut back on other essentials, as well as causing additional stress for households likely to already be experiencing significant stress.<sup>12</sup>

**The amount should reflect the findings and opportunities for reforms in the AER's *Findings report*.**

The *Findings report* found that “Retailers rely on disconnection to engage customers with energy debt”,<sup>13</sup> that “this outcome may often be avoided through more effective engagement and assistance throughout the payment difficulty journey”<sup>14</sup> and that “we cannot avoid disconnection without directly addressing payment difficulty, changing the way the market works, or both. Given that the community expects all Australians should have access to energy, it may be time to rethink how we can keep customers connected to this essential service.”<sup>15</sup>

**The minimum disconnection amount should reflect the principle that disconnection is truly a last resort.** For this important principle to be delivered consistently in practice, it is necessary for the ‘prescriptive’ elements of disconnection provisions (such as the minimum amount) to remove any unnecessary risk that disconnection may be pursued without all other options being pursued.

**Disconnection threats should not be considered an ‘engagement tool’.**

Disconnections and disconnection warnings mostly do not result in positive contact from households. They involve myriad risks and real impacts not just to the consumer, but to the relationship between consumer and retailer. They further disempower households and render them more vulnerable to accepting unaffordable arrangements, drive them to switch retailers, and seek unsafe credit.

**Debt and late payments should trigger assistance from retailers, not disconnection.**

**People should not be disconnected for a single quarterly bill.**

In line with supporting the principle that disconnection should be a last resort, the minimum debt amount should be significantly higher than a quarterly bill, to ensure no-one is disconnected as a result of a single bill. We recommend that disconnection should not occur until at least after a second quarterly bill, that is, at least six months behind (and after other measures referred to above are taken). This heightens the incentive for retailers to engage all other measures and gives households experiencing payment difficulty a reasonable period to be identified for assistance, and respond.

**Protect as many people as possible by capturing the outliers, not just looking at averages.**

Consideration should be given to the widening usage gap between households as we transition to a decarbonised energy system. That is, many households, particularly renters and those on lower incomes, have few options to safely reduce their usage and bills. The minimum should be set at an amount that considers how much energy it takes to safely run a home with no solar, and

---

<sup>12</sup> [PIAC](#) (n 1) 62 – 70.

<sup>13</sup> [AER](#) (n 5) 12.

<sup>14</sup> [Ibid](#) 12.

<sup>15</sup> [Ibid](#) 4.

poor energy efficiency during peak winter and peak summer periods. This is particularly important for those in many regional and remote communities exposed to more extreme weather ranges.

**Balancing the costs and risks between consumers and retailers is not a simple equation.**

The potential for harm impact to consumers is more tangible, immediate and long-term. It should be considered or weighted differently to the potential risks and costs to retailers, which are more diffuse and less material in impact. Consumers are likely to experience the harm impacts with limited or no alternative avenues to manage those impacts. Whereas retailers have a range of tools available to them to manage costs and risk of potential impacts associated with regulatory changes. In other words, managing risk and cost is fundamental to retailers' role as businesses providing (and profiting from) an essential service. We also note that the debt amount a household is liable for does not represent the potential cost impact the retailer is actually exposed to. This amount is potentially much smaller.

**Ongoing debt has a lesser harm impact than disconnection**

Debt does have real and ongoing impacts on a household and should be considered. However, the relative harm impact of debt and disconnection is also relevant. Specifically, a disconnection has a more significant immediate and ongoing harm impact on a household than debt. Energy debts have multiple avenues for redress and management which can mitigate or remove their impact on a household. The opposite is true for disconnections.

**Households should not be repeatedly disconnected or at risk of disconnection.**

As we have detailed, a significant minority of households will never be in a position to sustainably afford their energy needs or resolve arrears. They should not face perpetual threats and impacts resulting from disconnection being used as a usual business practice. Assistance and protections for households experiencing entrenched payment difficulty is required.

**Disconnection should not exacerbate nor cause harm.**

A precautionary principle should be taken to avoid further harms, ensuring that disconnection should only proceed where it can be clearly and consistently be established that there is no clear risk of harm.

***Recommendation 1***

---

*That the minimum disconnection amount should be higher than \$500 and set at a level supporting the principle that:*

- *Disconnection is a last resort;*
- *People should not be disconnected for a single quarterly bill;*
- *The minimum amount may be closer to two quarterly bills, to ensure the intent; and*
- *The amount should reflect the bills of people who experience payment difficulty and are currently at risk of disconnection.*

## Agreeing to paying the amount

The minimum disconnection amount is only a protection where the “the customer has agreed with the retailer to repay that amount”.<sup>16</sup> We are unaware how this provision works in practice and are concerned that if the minimum debt amount was raised, that some retailers might justify disconnections at lower debt amounts by arguing that the consumer has not agreed to pay the amount.

A minimum debt amount before disconnection should be a blanket protection, not something that can be undermined by a caveat that is difficult to monitor or enforce, or which confers retailers with unreasonable discretion. We agree with the AER’s assessment in the *Findings report* that the minimum disconnection amount should apply to all consumers and support an amendment to rule 116(1)(g) of the Retail Rules to remove the words “and the customer has agreed with the retailer to repay that amount”.

### ***Recommendation 2***

---

*That the minimum disconnection amount should apply to all consumers. We support this Review should be accompanied by a rule change which removes the words “and the customer has agreed with the retailer to repay that amount” from r 116(1)(g) of the Retail Rules.*

## Response to consultation questions

### **Question 1: What are your views on how we have considered evidence on inflation and energy costs?**

This question is addressed above, under the heading ‘\$500 is not a fit for purpose protection.’

### **Question 2: What other evidence or analysis should we consider in making our decision?**

This question is addressed above, under ‘\$500 is not a fit for purpose protection’ and ‘Principles and considerations to determine the minimum.’

### **Question 3: How does monthly billing impact the minimum disconnection amount?**

Often monthly billing for households on low income are based on estimated bills because they are less likely to have advanced metering. In the body of this submission we provide principles and considerations applying to setting the minimum disconnection amount that are not impacted by monthly billing.

### **Question 4: How will aligning the amount with existing performance reporting obligations impact retailers?**

Disconnections are disproportionately more impactful for consumers than retailers. Consumers are likely to experience the harm impacts with limited or no alternative avenues to manage those

---

<sup>16</sup> National Energy Retail Rules r 116(1)(g).



impacts. Whereas retailers have a range of tools available to them to manage costs and potential risk impacts associated with debt. In other words, managing risk and cost is fundamental to retailer's role as businesses providing an essential service. Therefore, the appropriate minimum disconnection amount must give greatest weight to considering how it impacts and protects consumers, not on retailer reporting costs or debt management risks.

**Question 5: How long would retailers need to implement the new amount with least cost?**

Victoria's Essential Services Commission found that 82% of disconnections took place at a debt amount over \$1,000, disconnections rarely occur under \$500 and that the average debt amount at disconnection was \$2,457.<sup>17</sup> In NSW, disconnected households who were receiving NSW Government assistance had average debts at disconnection of \$2,810 in FY2024 and \$2,120 in FY 2023.<sup>18</sup> These figures indicate a significant range in retail practice and suggest even a more significant change to the minimum disconnection amount would not present a material risk to many retailers, and could be a low cost reform.

**Question 6: How should the AER determine when to review the minimum disconnection amount in future? When responding, please consider the following options and provide feedback on any potential alternatives:**

- **A review of the minimum disconnection amount could be triggered periodically – in this case, what would be an appropriate timeframe and why?**
- **A review of the minimum disconnection amount could be triggered through changes to indexation – in this case, what would be the most appropriate approach and why?**

The minimum disconnection rate has not been reviewed since 2016/17, which has meant that the amount is wholly unfit for purpose. This is not a situation which should occur again, particularly as the energy system transition is resulting in rapid changes and consumer impacts over very short timeframes.

Accordingly, a mechanism needs to be in place to ensure that reviews are regular and more timely. Given the rapid changes in the energy system, the new retail rules currently under consideration by the Australian Energy Market Commission (AEMC), the AER's opportunities for payment protection reforms in the *Findings report* and the Better Energy Customer Experiences review, we recommend that in the first instance the amount be reviewed annually, perhaps linked to the Default Market Offer (DMO) determination. An annual review would enable:

- Assessment of how reforms are working to improve affordability and protect consumers;
- Consideration of how the minimum amount works to support these reforms; and
- How it may relate to the DMO and bill amounts for households experiencing payment difficulty.

---

<sup>17</sup> ESC (n 8) 45.

<sup>18</sup> [NSW Government](#) (n 9) slide 16.



### **Recommendation 3**

---

*That the minimum disconnection amount should be reviewed annually and potentially linked to the setting of the DMO.*