Review of the minimum disconnection amount

Submission to the Australian Energy Regulator's Draft Decision

DATE: 18/06/2025

Table of Recommendations

Recommendation	Page details
Recommendation 1: Disconnections must be treated as an absolute last resort and should not be used to prompt engagement Disconnection must be treated as an absolute last resort, never as a tool to prompt customer engagement. Even with a raised threshold, the threat of disconnection remains and continues to cause serious harm. Evidence shows that the possibility of being disconnected can lead to stress, anxiety, and further financial hardship, especially for households in vulnerable circumstances. We recommend that the AER should prohibit the use of disconnection (and the threat thereof) as a behavioural trigger for consumers experiencing payment difficulty and require that all early intervention and support options be exhausted before disconnection is even considered.	4
Recommendation 2: The minimum disconnection amount must sit inside a system of proactive, early-intervention support to alleviate energy hardship Raising the minimum disconnection amount to $500 is a welcome step, but it must sit within a system of early, proactive and tailored support. ECA agrees with the AER's 13 opportunities for improvement recently identified and is keen to support the AER as much as possible in the process, ensuring early engagement, realistic and accessible support, and stronger program accountability – so disconnection due to hardship is treated as a system failure, not an acceptable outcome.	5
Recommendation 3: Reform must be responsive — future reviews of the minimum disconnection amount should occur regularly ECA calls for reforms to be responsive and with regular reviews guided by detailed consumer impact data. Given rising energy costs and diverse household circumstances, the $500 threshold must be reviewed frequently, and adjusted to reflect changing prices and lived experiences.	7

This submission addresses the following consultation questions:

- What are your views on how we have considered evidence on inflation and energy costs?
- What other evidence or analysis should we consider in making our decision?
- How should the AER determine when to review the minimum disconnection amount in future?

Introduction

Energy Consumers Australia (ECA) welcomes the opportunity to provide a submission in response to the Draft Decision released by the Australian Energy Regulator (AER) to inform the determination of the minimum disconnection amount.

We represent all household and small business energy consumers, and advocate for a future Australian energy system that works for, and benefits, all households and small businesses who use it, and one in which no one is left behind on the journey to net zero.

This response builds on our earlier submission to the AER's Review of Payment Difficulty Protections in the National Energy Customer Framework. We recommended that the AER embed a national payment difficulty framework that prioritises consumer outcomes over retailer costs, with a strong focus on early identification, appropriate assistance, and disconnection only as a last resort. We advocated for the AER to co-design the framework through ongoing consultation with consumer groups and retailers, drawing on learnings from Victoria and international examples. We also called for clear, enforceable obligations, accessible and inclusive communication, and a commitment to continuous improvement. Finally, we recommended that the AER take on a stewardship role by promoting best practice, encouraging transparent reporting, and supporting innovation to better protect households experiencing financial stress.

We see strong alignment between the findings of the Review of the Payment Difficulty Protections in the NECF, accompanied in this draft decision and the objectives outlined in our 3-year plan, and we trust our recommendations and evidence will support your decision in ensuring that consumers experiencing payment difficulties keep access to energy and are supported by effective and sustainable help.

Our position on the review of the minimum disconnection amount

Disconnection due to hardship is a failure of the system, not of the consumer. Increasing the minimum disconnection amount is a positive step and we are supportive of that. But it is critical that the energy market does not perceive this increase as a complete solution. It must be part of a broader strategy to eliminate disconnection for customers in hardship and to ensure that everyone, regardless of socioeconomic status and geographic location, has access to the energy they need to live safely and with dignity.

Disconnection should never be seen as an acceptable cost recovery tool in a modern energy system. It is not an effective or efficient way to engage with consumers who are in financial difficulty. It often leads to greater harm, deeper debt, and more costs for both consumers and retailers. We need to modernise how we think about and respond to energy debt, recognising that the energy system is fundamentally essential, now more than ever.

Electricity disconnections for non-payment create a net welfare loss by generating new costs for multiple parties. As indicated by a forthcoming report prepared by Reform Matters for ECA, these include financial and non-financial impacts on households, such as health consequences; operational costs for retailers managing disconnections; and increased pressure on governments and third-party support services assisting customers in hardship. Preliminary findings from this report estimated the annual cost of disconnecting households to have been $157m in 2023-24– which is equivalent to a total cost of $5,500 per disconnection. This number has been trending upwards in recent years.

ECA considers increasing the minimum disconnection threshold to $500 a step in the right direction. However, this reform must be part of a broader, systemic strategy focused on early intervention and hardship support – as supported by the 13 opportunities for improvement across the customer journey in the Review of the Payment Difficulty Protections in the National Energy Customer Framework.

The AER has acknowledged that disconnection notices can distress customers while failing to achieve better engagement or payment outcomes.[1] The focus should be on engaging with customers before debt escalates, using data to proactively identify those at risk, and offering practical, tailored support.

There is clear evidence from Australia and overseas that more equitable and efficient models exist. This includes the establishment of a Priority Services Register (PSR), modelled on the UK system managed by Ofgem, which enables consumers experiencing vulnerability to inform their retailer of their needs and access targeted support. Consumers within the PSR have direct access to trained staff, tailored communication (e.g. interpreter services), priority during outages, access to specialised programs and, in some cases, additional legal protections, helping ensure people receive timely, appropriate assistance.[2]

To recover costs in a sustainable and responsible way, we must move away from outdated, punitive tools and focus on smarter, fairer approaches that work for both consumers and retailers. The following recommendations outline ECA's emerging position on disconnections and our specific recommendations related to the AER's draft determination.

1. **Disconnections must be treated as an absolute last resort and should not be used to prompt engagement.**
2. **The minimum disconnection amount must sit inside a system of proactive, early-intervention supports that make disconnection unnecessary.**
3. **Reform must be responsive — future reviews of the minimum disconnection amount should occur regularly.**

Recommendation 1: Disconnections must be treated as an absolute last resort and should not be used to prompt engagement

Energy is essential. Disconnecting people from electricity or gas denies them a reasonable standard of living and exposes them to unhealthy and unsafe circumstances, including extreme weather. Disconnection must be treated as an absolute last resort, with much stronger limits on its use. Even if the minimum disconnection amount is increased, this alone will not address the harm caused by the threat of disconnection, particularly as it is currently used as a tool to prompt customer engagement.

We support the AER raising the minimum disconnection amount to $500. While this happens, policymakers must heed the AER's broader call for reform to the system. Disconnections should only occur after all forms of early intervention, support, and hardship assistance have been exhausted.

There is strong and growing evidence that disconnection or even the threat of disconnection causes harm, including deep emotional and psychological toll, with customers reporting anxiety, stress, shame, humiliation, hopelessness, and social withdrawal.

[1] Australian Energy Regulator, *Review of Payment Difficulty Protections in the NECF: Issues Paper* (Issues Paper, May 2024) https://www.aer.gov.au/system/files/2024-05/AER%20-%20Review%20of%20payment%20difficulty%20protections%20in%20the%20NECF%20-%20Issues%20paper%20-%20May%202024.pdf.
[2] Office of Gas and Electricity Markets (Ofgem), *Join Your Supplier's Priority Services Register* (Web Page) https://www.ofgem.gov.uk/information-consumers/energy-advice-households/join-your-suppliers-priority-services-register.

The threat of disconnection can have significant adverse impacts on households experiencing financial difficulty, leading consumers to taking on additional debt, seeking financial support from family or friends, reducing energy use in ways that compromise health and wellbeing, or forgoing other necessities. In many cases, the psychological distress associated with receiving a disconnection warning can exceed that of the disconnection itself. These impacts often exacerbate pre-existing mental health conditions or create new ones, with long-term consequences for wellbeing.[3]

The Heat or Eat report[4] and studies by Strempel et al. (2015)[5] and Petrova (2017)[6] also show the impact that disconnections can have on child development and family relationships. Parents expressed distress about being unable to provide food, warmth, or emotional stability for their children.

As indicated by the AER, current protections are not fit for purpose.[7] Two-thirds of customers exited hardship programs, and were then at risk of disconnection, due to exclusion in 2023-24[8]. Often, people are excluded from a hardship program because they are unable to meet their payment plan conditions, especially when those payment plans are not tailored to their circumstances or capacity to pay. This data reinforces concerns about systemic shortcomings in energy hardship responses and a widespread failure to provide realistic and sustainable support. In this context, hardship begets more hardship.

Recommendation 2: The minimum disconnection amount must sit inside a system of proactive, early-intervention support to alleviate energy hardship

Increasing the minimum disconnection amount is a necessary step in advancing protections for those that need the most. But much more is needed to alleviate energy hardship and ensure people can afford their energy bills on an ongoing basis.

Most people who are disconnected from electricity are not disengaged or unwilling to pay. Many are already receiving concessions, which indicates they are on low incomes and likely experiencing a range of other vulnerabilities. Others have been on payment plans that ultimately did not work for them. These customers often enter hardship programs with significant levels of debt, yet the support available at that stage is limited. This points to a system that is not responding effectively to people in financial stress.

According to the AER (Figure 1), the overall profile of disconnected electricity customers did not change significantly in 2023–24. Of all customers who were disconnected, 36% had been on a payment plan in

[3] Strempel A and Nicholls L, *Disconnections Case Studies: Understanding the Consumer Experience* (Research Paper, 2022) https://www.semanticscholar.org/paper/Disconnections-case-studies%3A-understanding-the-Strempel-Nicholls/3bd25f4470e703573968b37bfc1c3a7a6365ba9b.

[4] Consumer Action Law Centre, *Heat or Eat: Energy Affordability and Payment Difficulties in Victoria* (Report, August 2015) https://consumeraction.org.au/wp-content/uploads/2015/08/Heat-or-Eat-Consumer-Action-Law-Centre.pdf.

[5] Anna Strempel, Louise Nicholls and Yolande Strengers, *Disconnections Case Studies: Understanding the Householder Experience* (Research Report, 2015) https://www.semanticscholar.org/paper/Disconnections-case-studies%3A-understanding-the-Strempel-Nicholls/3bd25f4470e703573968b37bfc1c3a7a6365ba9b.

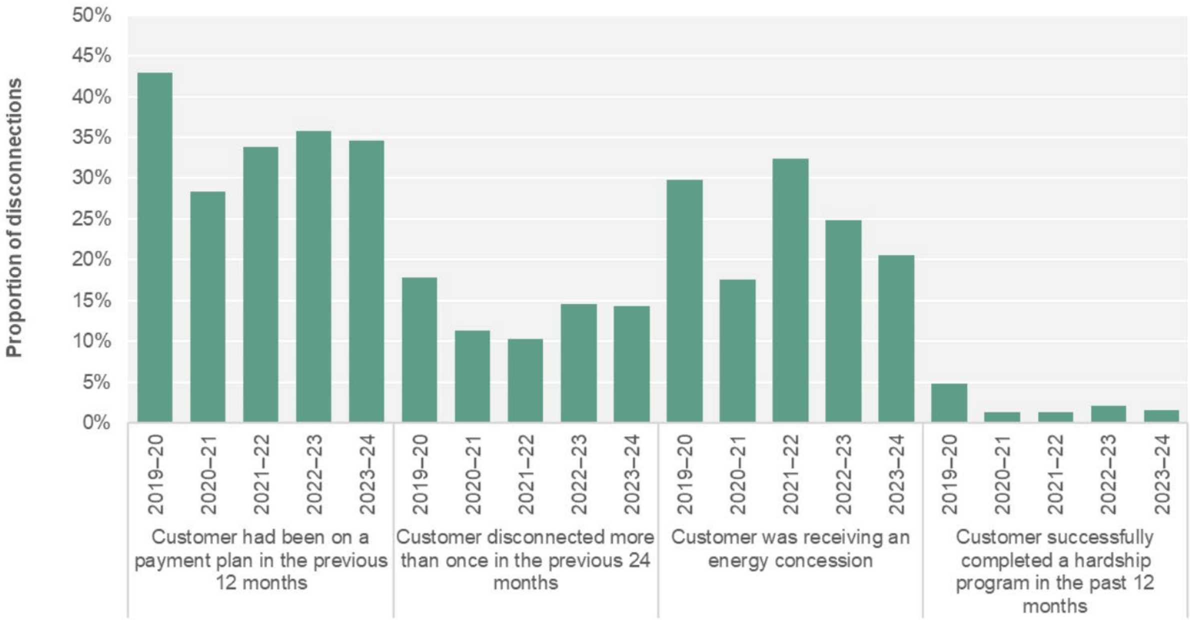
[6] S Petrova, 'Illuminating Austerity: Lighting Poverty as an Agent and Signifier of the Greek Crisis' (2017) *European Urban and Regional Studies* https://doi.org/10.1177/0969776417697889.

[7] Australian Energy Regulator, *Review of Payment Difficulty Protections in the NECF – Findings Report* (Report, May 2025) https://www.aer.gov.au/system/files/2025-05/AER%20Review%20of%20payment%20difficulty%20protections%20in%20the%20NECF%20-%20Findings%20report%20-%20May%202025.pdf.

[8] Annual Retail Market Report 2023–24 - 30 November 2024

the previous 12 months.[9] When considered alongside those receiving concessions, it is clear that disconnection most often affects households that are already trying to engage with support but are not receiving the level of help they need early enough to prevent falling further behind.

Figure 1 - Residential electricity disconnection customer profiles (from the AER's Annual Retail Markets Report 2023-24)



Energy debt is rising sharply and affecting more people

Preliminary insights from ECA's July 2025 Consumer Energy Report Card found that many households experiencing energy hardship are receiving no support at all—neither from retailers nor government.[10] When early support is absent, households resort to harmful coping strategies—borrowing informally, turning to high-cost payday loans, or juggling other essential bills—behaviours that deepen debt and worsen health.[11]

Further, the AER cautions that "some consumers may not be contacted by their retailer with assistance options until they have accrued a debt of more than $500," even though energy debt is best managed "at the first signs of payment difficulty."

Retailers are failing to identify early signs of payment difficulty, and hardship support is inconsistently applied across providers and jurisdictions. More customers are entering hardship programs already in

[9] Australian Energy Regulator, *Annual Retail Market Report 2023–24* (Report, 30 November 2024) https://www.aer.gov.au/system/files/2024-12/Annual%20Retail%20Market%20Report%202023%E2%80%9324%20-%2030%20November%202024.pdf.
[10] Energy Consumers Australia, *Consumer Energy Report Card* (Web Page) https://energyconsumersaustralia.com.au/consumer-energy-report-card.
[11] Iain Staffell et al, 'Energy transition within 1.5 °C: A review of pathways and barriers' (2021) 6 *Nature Energy* 106–117 https://www.nature.com/articles/s41560-020-00763-9.

significant debt, with initial debt at entry increasing by over 50%, from $1,085 to $1,633, and average debt for hardship customers up by 16% (from $1,685 to $1,947).[12]

ECA's December 2024 Consumer Energy Report Card found that 90% of consumers are concerned about cost-of-living.[13] The revised Default Market Offer (DMO) for 2024–25 points to ongoing increases in electricity prices across several regions.[14] It's very likely that energy affordability will remain a key issue for most Australians, and energy debt will continue to rise. Without a comprehensive system focused on early and preventative support, disconnection will remain a harsh and damaging response.

ECA recognises that the broader reforms outlined in the AER's 13 opportunities for improvement extend beyond the AER's regulatory function. While we strongly support these reforms, we acknowledge that implementation—such as making legislative reforms and changes to the National Energy Retail Rules—will require action by other relevant bodies, including governments and the Australian Energy Market Commission (AEMC). We welcome the opportunity to work with the AER to support and influence these wider reform efforts, especially the opportunity to consider alternatives to disconnection to manage risk in the energy market (Opportunity 13).

Recommendation 3: Reform must be responsive — future reviews should occur regularly

There has been an eight-year gap since the minimum disconnection amount was last reviewed. This is too long, especially amid rising energy prices, growing household debt, and persistent cost-of-living pressures. ECA recommends that the AER retains flexibility to act sooner when consumer impact indicators warrant reform. These indicators could include energy debt levels, hardship program exit data, disconnection trends, and broader economic markers such as inflation.

Furthermore, ECA recommends that if the draft decision to increase the minimum disconnection amount to $500 is implemented, it must be subject to regular review to ensure it remains responsive amid changing energy prices and consumer circumstances. Scheduled reviews, informed by comprehensive consumer impact data and broader economic indicators, are essential to adapt protections and to safeguard vulnerable households effectively.

Final Remarks

The National Energy Customer Framework must be revised to include a principle that no consumer is left behind — and that includes ensuring consumers experiencing payment difficulty are not disconnected from their energy supply. Energy is an essential service, and support must be available when people need it, delivered in a way that is proactive, practical, and tailored to the individual.

[12] Australian Energy Regulator, *Q2 2024–25 Retail Performance Reporting* (Report, March 2025) https://www.aer.gov.au/system/files/2025-03/Q2%202024-25%20Retail%20Performance%20Reporting_1.pdf.
[13] Energy Consumers Australia, *Consumer Energy Report Card* (Web Page, 2024) https://energyconsumersaustralia.com.au/consumer-energy-report-card.
[14] Australian Energy Regulator, *Revised Final Determination – Default Market Offer Prices 2024–25* (Report, 3 June 2024) https://www.aer.gov.au/system/files/2024-06/AER%20-%20Revised%20final%20determination%20-%20Default%20market%20offer%20prices%202024-25%20-%203%20June%202024.pdf.

The AER's proposal to raise the minimum disconnection amount is a welcome recognition that current protections are insufficient. Our recommendations reflect three key imperatives for the energy system.

First, disconnection must be treated as an absolute last resort. It should never be used as a means of prompting customer engagement. Threatening disconnection in order to get people to engage is arguably an indictment of retailers' inability to do a core part of their job well. The evidence is clear that disconnection causes significant harm, particularly for those already in hardship, and undermines the very trust and relationships that are needed to support people out of energy debt.

Second, the threshold increase must sit within a comprehensive early intervention and hardship strategy. The current system allows consumers to accrue unmanageable debt before help is offered. Support must be based on people's capacity to pay, not simply the size of their arrears, and must be accessible to all, regardless of whether they can navigate complex systems or advocate for themselves.

Finally, the review of the minimum disconnection amount should occur more frequently. The eight-year gap since the last review of the disconnection amount is too long, particularly given the volatility in energy markets and the sharp increase in consumer vulnerability. We need regular reviews informed by lived experience, disaggregated consumer data, and real-world outcomes. Only by doing so can we ensure that protections remain relevant and that energy retailers are held to account for delivering safe, fair and sustainable support.

This is a critical moment to reset our approach. With strong regulatory leadership, we can move towards a system where energy consumers are supported before they fall into crisis and where the need for disconnection is not just rare, but largely obsolete.

We appreciate the effort undertaken by the AER to strengthen protections for customers experiencing payment difficulty to ensure that they are proactively identified, engaged early, and supported appropriately with assistance that is tailored to their individual circumstances.

If you have any questions or wish to undertake further consultation, please reach out to Ellaha Mokhtar, Manager – Consumer Advocacy, on ellaha.m@energyconsumersaustralia.com.au.

Ellaha Mokhtar
Manager, Consumer Advocacy
Energy Consumers Australia

The national voice for residential and small business energy consumers

ENERGY CONSUMERS AUSTRALIA

PO Box A989,
Sydney South NSW 1235
T 02 9220 5500