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10 July 2024

David Hazlehurst
CEO
Services Australia
PO Box 7803
CANBERRA ACT 2610

Dear Mr Hazlehurst

Re: Centrepay Reform

The Australian Energy Regulator (**AER**) welcomes the opportunity to comment on the Centrepay Reform Discussion Paper released by Services Australia.

The AER regulates wholesale and retail energy markets, and energy networks, under national energy legislation and rules. Retailers are obligated to accept payment by Centrepay under the [National Energy Retail Rules](#), including to customers identified as experiencing financial payment difficulties in accordance with a retailer's customer hardship policy.¹ We have considered the Centrepay Framework in that context. We recently brought a matter before the Federal Court² under the [National Energy Retail Law](#), which involved AGL's use of Centrepay. As this matter is still awaiting judgment, we have confined our comments in this submission to the Centrepay Framework.

The AER is focussed on protecting vulnerable customers, while enabling consumers to participate in energy markets. In this regard, we support Services Australia's commitment to reforming Centrepay policy to empower customers to self-manage expenses for essential goods and services to assist in building and supporting independence and financial empowerment.

The AER recognises that Centrepay is an important payment option for energy consumers, particularly for customers experiencing financial hardship and vulnerability. However, the AER believes that appropriate protections are needed to ensure that Centrepay delivers the intended benefits and does not result in unintended consequences. Our work, including the matter we brought before the Federal Court, has given us several insights that we provide below for consideration.

Requirement to cancel Centrepay deductions

We note the current Centrepay Policy and Terms (**Policy**) and the Centrepay Procedural Guide (**Guide**) require that, if a customer no longer receives any goods or services, the

¹ See rule 74 of the National Energy Retail Rules.

² AER v AGL Retail Energy Limited ACN 074 839 464) & Others, VID749/2022

business must cancel the Centrepay deduction.³ We have alleged and made submissions that AGL continued to receive deductions after some customers ceased to obtain electricity or gas from AGL.

The AER suggests that the Policy and Guide, and any amendments to those documents, continue to recognise the importance of this obligation and the potential and actual harm to consumers when a Centrepay Registered Business (**Business**) fails to cancel Centrepay deductions after they no longer receive services.

Compliance monitoring by a Centrepay Registered Business

We have observed that retailers can take an excessive period to identify and remediate instances of non-compliance with the Centrepay Framework. We have concerns that Businesses may not have adequate policies, systems and procedures in place to monitor compliance with the Centrepay Framework.

To strengthen the compliance framework, the AER suggests that the compliance review criteria be expanded to include an assessment of the Businesses' policies, systems and procedures for monitoring and ensuring compliance with the Centrepay Framework. It may also be beneficial for the Centrepay Framework to provide Services Australia with the power to require Businesses to conduct an independent compliance audit of relevant policies, systems and procedures.

We otherwise support the suggestions contained in the Australian Competition and Consumer Commission's submission to the Services Australia Discussion Paper on Centrepay Reform.

We thank Services Australia for the opportunity to provide input to this consultation. If you have any questions about our submission, please contact Kris Abbott at kris.abbott@aer.gov.au or 03 9658 6473.

Yours sincerely,



Rowena Park
A/g Executive General Manager
Compliance, Enforcement and Surveillance Division
Australian Energy Regulator

³ See clause 11.13 of the Policy (v.3) and clause 5.2.10 the Guide (v.6).