

16 August 2018

Mr Russell Pendlebury
Senior Adviser
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pendlebury,

Advance Notice of Price Changes

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) draft rule determination, National Energy Retail Amendment (Advance notice of price changes) Rule 2018.

Simply Energy is a leading second-tier energy retailer with over 660,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a second-tier retailer, Simply Energy supports competition and customer engagement in the market. With these objectives in mind, Simply Energy considers the proposed scope of the AEMC's rule change is adequately adapted to ensure consumers are provided with the information they need to respond to changes in their energy prices.

In exploring the requirements of the proposed rule change in further detail, Simply Energy's submission will briefly evaluate:

- the scope of the proposed rule change;
- whether any further exemptions should be included; and
- the need to harmonise regulatory requirements to ensure greater consistency across National Energy Customer Framework (NECF) jurisdictions.

Apart from suggesting a few minor changes, Simply Energy supports the AEMC's proposed drafting.

Scope of the rule change

The AEMC's proposed advance notice requirements will ensure greater consistency in terms of the information communicated to energy consumers. Provision of this information will also place consumers in a stronger position to compare other offers in the market should they wish to do so.

In saying that, Simply Energy does not consider there is benefit in prescribing a set period for providing advance notification. Prescribing an arbitrary five business day requirement is not going to provide customers with any additional benefit in terms of avoiding bill shock, as they will not be able to transfer to another retailer within such a short timeframe. In view of this, the only timing requirement should be for retailers to notify their customers in advance of any price increase taking effect.

This approach will more effectively balance the interests of both retailers and customers. More importantly, it will also achieve the same policy outcome in that retailers will be restricted from increasing their prices until such time as their customers have been informed. This will, in turn, place energy consumers in a better position to understand any underlying increase in the amounts they are charged on their bills. At the same time, retailers will retain the flexibility to stagger any paper-based communications and more effectively deal with any unexpected delays in networks updating their tariff rates.

Simply Energy is also of the view that mandatory requirements under the Rules should only be imposed on industry to the extent needed to address an identifiable market or regulatory failure. Over regulation can potentially restrict and may dilute market behaviours that may be beneficial for consumers. Given that the AEMC is proposing that contraventions of the advance notification requirements should be subject to a civil penalty, and notifications should be sent regardless of whether prices are increasing or decreasing, retailers are going to be very cautious when applying rate changes. For this reason, some retailers may delay passing on price reductions if they are required to provide notification in advance.

Simply Energy, therefore, considers that retailers should be provided with the discretion as to when they advise customers of a price decrease, as long as affected customers are advised by their next bill. Nevertheless, it is likely that retailers will want to provide their customers with the good news of a price decrease as soon as possible.

Exemptions

In term of exemptions, Simply Energy supports the wider industry position put forward by the Australian Energy Council that price changes resulting from network reclassification should be excluded from advance price change notification requirements. If a site is reclassified, the customer's tariff will change regardless of their energy retailer. Consequently, confining the scope of notifications under the rule to broader price change events rather than one-off customer-specific site reclassifications will ensure greater efficiency in the application of the proposed rule change.

Need for greater harmonisation

Overall, Simply Energy considers that the proposed rule change in conjunction with the recently imposed end of benefit period notice requirements will assist in making energy consumers more aware of pricing changes that may affect their ongoing energy costs.

If anything, these changes will bring other NECF jurisdictions in line with the higher standard of protections that were already in place in Queensland. Simply Energy is hopeful that once the rule change is made, Queensland will repeal its current derogations around notifying customers of tariff changes and fully adopt the requirements as expressed in the National Energy Retail Rules.

While beyond the scope of this rule change, Simply Energy is strongly of the view that this process has demonstrated the need to adopt best practice consumer protections consistently across the national regime. This will not only provide greater consistency from an industry compliance perspective, but more importantly ensure energy customers enjoy the same level of protection no matter where they live. For this reason, Simply Energy is a proponent of greater regulatory harmonisation and only allowing derogations where necessary to address jurisdictional specific issues.

Concluding remarks

In closing, Simply Energy considers that given the AEMC's work on engaging with industry, the proposed implementation date of 1 February 2019 provides adequate lead-time for industry participants to make any necessary system changes.

If you have any questions or would like to engage in further discussions with Simply Energy, please contact Anthony O'Connell, Senior Regulatory and Compliance Officer, on (03) 8807 5134 or at Anthony.OConnell@simplyenergy.com.au.

Yours sincerely



James Barton
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