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Australian Energy Market Commission

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Review Into the Arrangements for Failed Retailers' Electricity and Gas Contracts - Direction Paper

GloBird Energy (**GloBird**) welcomes the opportunity to provide feedback on the directions paper for the Review into the Arrangements for failed Retailers' Electricity and Gas Contracts (**paper**).

GloBird commenced operations in 2015 and has since become one of the fastest growing electricity and gas retailers in Australia, with a customer base of over 150,000 residential and small business customers across Victoria, New South Wales, Queensland and South Australia. Our excellent value energy offerings, innovative products and high-quality customer service are key drivers of our success in this highly competitive energy market.

This submission responds to question 2 of the paper. In terms of the other questions, GloBird supports the positions taken by the Australian Energy Council (AEC) in its submission response.

Question 2: Should we issue the failed retailer with a bill for the costs of its failure?

GloBird fully supports the overall intent of recovering the RoLR cost recovery from the failed retailer to minimise costs on the system and to discourage unethical conduct. However, we strongly believe that the proposed solutions in the paper will lead to unintended and adverse consequences.

We believe that most energy retailers are "good actors" who conduct in ethical behaviour and are also keen to be active participants in meeting the net-zero target by 2050. GloBird maintains that retailers are well-placed to participate in the energy transition by investing in renewable technologies and capitalising on i) their knowledge of customers' needs and ii) their expertise in structuring products that appeal to customers. GloBird itself is currently assessing multiple 'clean' investments including batteries and solar farms to be installed in various locations around the country. Projects like these will play an important role in the energy transition, supporting the stability of the grid and the net zero future.

It is also worth noting that investing in generation projects provides the retailer an effective risk management tool to hedge its exposure to the volatility of the wholesale market. From this perspective, GloBird does not support measures that impede a retailer's ability to manage these inherent risks.

GloBird is concerned that making the Australian Energy Regulator (**AER**) a secured creditor - by registering the AER on the Personal Property Security Register - will adversely impact the ability of retailers to invest in renewable generation projects by increasing retailers' cost of capital. The cost of capital for retailers has increased significantly in the last 12 - 18 months due to:

1. higher and more volatile wholesale electricity prices, leading to greater credit support required by counter parties; and
2. rising interest rates

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Energy retailers understand the inherent nature of the energy markets and accept the market forces that have led to the recent elevated cost of finance. However, we are concerned that the liability being tabled by the AER will be cost prohibitive particularly when capital intensive projects such as renewable generation are being considered. Financiers will view the PPSR adversely when assessing credit quality and accordingly will increase the cost of debt finance leading to a reduction in value and therefore investment in these projects. Any reduction in investment in these renewable technologies will lead to poor outcomes for both the community in general and the energy industry:

1. Slows the transition to net-zero
2. Increases the likelihood of RoLR events (reduces the ability for retailers to hedge their exposure to the wholesale market - exacerbated recently by the state of the electricity futures market)

Accordingly, despite support the overall intent of the paper GloBird strongly believes that making the AER a secured creditor would lead to unintended consequences and be punitive on retailers acting in good faith. GloBird submits that other mechanisms, such as those proposed by the AEC in its submission, are available to discourage unethical behaviour. These include personal bans for directors and senior management and public hearings.

GloBird urges the AEMC not to pursue the registration of a security interest on the PPSR as this additional liability will not only increase barriers to entry for new retailers but also limit the ability of this important and natural participant to invest in renewable generation.

GloBird Energy will be pleased to meet with the AEMC to further discuss this submission. Please contact Nabil Chemali via email: [redacted]

Yours sincerely

[redacted]

John McCluskey
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GloBird Energy