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10 October 2017

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Pierce,

Re: National Energy Retail Amendment (Notification of the end of a fixed benefit period) Rule 2017

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on the Notification of the end of a fixed benefit period Rule consultation paper.

Red and Lumo strongly support the intent of this rule change. Consumers should be made aware of when the terms of their contract materially change, in particular when such a change results in them paying more for their energy.

In making the final rule, or determining a more preferable rule, we caution the Commission from attempting to resolve other known or perceived issues in the energy market, such as the ease of accessing consumption data. This rule change is about providing customers with information that makes it clear the consequences of inaction. We consider all decisions regarding this rule change must be made to achieve this clear objective. This is particularly important in this case given the rule change is being implemented under the expedited process.

The objective of the proposed Rule

The proposed Rule can be split into two sections. The first, comprising sub-rule 1 to 4, appears to mirror to an extent the obligations a retailer faces at the conclusion of a fixed term contract. We consider these provisions should be implemented as drafted.

Sub-rule 2 provides an exception to the proposed Rule should the customer be no financially worse off, or the if the benefit lost is non-financial. We support this exception, considering it assists in achieving the objective and mitigates unnecessary costs.

In practice, we consider these exceptions should not be applicable if, under the terms of the contract, the customer would be worse off but for other extraneous reasons they are not. For example, if at the same time a customer lost a 10% pay on time discount due to an expiring fixed benefit period (FBP) and there was a simultaneous 10% increase in energy concession applicable to the customer, the exception should not apply. Conversely, the exemption should apply if the benefits allowed under the FBP continue, however there is a price change that takes place. In this circumstance, the retailer should be exempt from the obligations under rule 48A, and instead take action under rule 46.

The second part of the proposed Rule intends to expand upon the obligations at the end of a fixed term contract, by individually detailing to a customer how much worse off they will be if they take no action. We consider this aspect of the rule is crucial to its success, and provide the points below regarding the method in which it is envisaged to occur.

Obligations in providing information in dollar terms

Sub-rule 5 places three obligations on retailers in providing consumers information at the conclusion of a FBP. These obligations require a retailer to provide:

1. the amount in dollars that was payable by the customer under the contract;

2. the amount in dollars that would have been payable by the customer under the contract but for receiving the financial benefit during the FBP; and
3. the retailer's reasonable estimate of the amount that will be payable under the contract as a result of the expiry of the FBP.

We are concerned that these three pieces of information will likely confuse customers, and may not provide a genuine illustration as to the change in outcome if they do nothing.

Consumers want to know how much they paid under the FBP, and how much they will likely pay in the future without the FBP. It seems irrelevant how much their contracted benefits could have been if they had received all these benefits when they did not. For example, a customer who receives a 30% pay on time discount during the fixed benefit period may have a discounted price of \$2000 and an undiscounted price of \$2500. If a customer received some discounts, but missed others, they might actually have paid \$2300. \$2300 seems to be the pertinent historical amount in this example, however this would not be shown based on the requirements of sub-rule 5.

In order to achieve the objective of the rule change, consumers merely need to be aware how much they paid during the previous 12 months under the FBP, and based on that consumption how much they would likely pay in future without the benefits applied. This provides relatable, simple information based on their specific behaviour. The inclusion of potentially payable amounts, rather than those actually paid detracts from this notice.

Implementation

Red and Lumo are supportive of the proponent's desire to implement this rule as soon as possible so as to maximise its effectiveness.

That being said, we understand some retailers have concerns of achieving a 1 January 2018 implementation date, suggesting that it may result in materially higher costs than a later commencement date. Therefore, we consider a compromised position may be a staged implementation timeline.

We consider it appropriate to requiring retailers to send a notice complying with sub-rule 1 to 4 from 1 January 2018 to ensure customers currently on fixed benefit periods will be aware that their energy costs will increase. This element of the proposed Rule is unlikely to be as technically onerous on retailer systems as the tailored requirements in sub-rule 5 and will enable some benefits to be realised sooner.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia, and electricity in Queensland, to approximately 1 million customers.

Red and Lumo thank the Commission for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, please call Ben Barnes, Regulatory Manager on 03 9425 0530.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou

General Manager Regulatory Affairs & Stakeholder Relations

Red Energy Pty Ltd

Lumo Energy Australia Pty Ltd