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10 September 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam,

Re: ERC0181: Multiple Trading Relationships Consultation Paper

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on the Multiple Trading Relationships Consultation Paper.

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

Proposed assessment framework

The Commission has not considered that the added complexity with the introduction of multiple trading relationships and how it will operate in practice. The proposal is not limited to one option, i.e. parallel or subtractive. If this is the case retailers would need to accommodate for both options.

There are a number of implementation and operational matters, where MTR will add further complexity that has not been considered in the assessment framework. For example, it is unclear how the management of hardship customers will occur where one retailer is aware of a customer experiencing financial difficulty but not the other or in situations where the customer requires electricity for life support. This complexity is furthered when concession arrangements are considered, as which retailer will be able to apply a concession?

Furthermore, will the multiple retailers have the same network billing arrangements on site and how does this work with more cost reflective network tariffs. For example, will a customer be subject to a demand component on each settlement point or only at the connection point? And how will this be managed?

The separation of load across various settlement points creates complexity with the requirement to deliver meter data information to a customer. Currently a retailer determines if a customer is residential or business as part of the customer classification code. For sites with a business classification, the distributor then applies a customer threshold code. How will this be classified if the customer classification of a settlement point differs, one is residential, whilst the other is business?

Red and Lumo consider that there is further consideration required by the Commission when assessing the benefits and costs of multiple trading relationships.

Additionally, these considerations need to take into account the integration of multiple trading relationships with the competition in metering and embedded network rule changes that are in progress.

Energy Services

The Consultation Paper reviews potential new energy services that can be facilitated by MTR. Under the current framework, most of the services noted in Figure 4.1 can be provided for with an advanced metering capability. Many of these services have been trialed or implemented either locally or internationally. For example, a washing machine pilot was trialed in the UK, where customers paid by load of washing instead of power consumption or where customers received a discounted tariff for washing in off peak times. If there is sufficient demand from customers wanting these products or services, retailers will respond and offer them; however, multiple trading relationships is not required for these energy services.

Benefits of Multiple Trading Relationships

There are negligible benefits arising from the introduction of multiple trading relationships into the National Electricity Market (NEM).

Red and Lumo note that the existing framework allows individual customers who wish to do so to have multiple connection points and retailers at their premises. In the existing framework, these customers bear the cost of the additional wiring and metering. Should their existing retailer not provide them with a competitive offer for both connection points, the customer is able to choose between one or more retailers for a product that suits their needs.

In conclusion, as the existing framework allows for multiple retailers at a site and that with an advanced metering installation many of the energy services can already be provided, Red and Lumo do not consider that the multiple trading relationships change is warranted.

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 Stefanie Macri, Regulatory Manager on 03 9976 5604.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd