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28 January 2015

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

Submitted electronically

Dear Mr. Pierce,

**Re: National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016 – RRC0006**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on the National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016 (the Rule).

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.

**Introduction**

As the National Energy Customer Framework (NECF) is increasingly implemented, there are a number of unintended consequences of the original drafting that were not anticipated. Consumer protections remain paramount, however the focus must remain on what a consumer needs to be protected against in the current environment.

The Rule proposed by Ergon Energy Retail (Ergon) addresses a need in today's energy market, maintaining consumer protections that consumers need, despite their apparent reduction as drafted in the National Energy Retail Rules (NERR).

**Impact of the current rule**

Red and Lumo do not share the significant concerns voiced by Ergon in the rule change proposal regarding compliance with Rule 24(1) for customers on Standard Retail Contracts (SRC). This is due to the vast majority of Red and Lumo's customers being on Market Retail Contracts, with specific terms included in these contracts regarding timing of bills in relation to meter data received. As such, Red and Lumo are able to ensure compliance with the rule for the small number of customers impacted by it through manual processing.

Despite this, we believe that the proposed Rule represents efficient regulation, and meets the objectives set out when the NECF was drafted. It is of utmost importance that the responsibilities of the various parties in the National Electricity Market (NEM)

do not conflict, with minimum standards required to be upheld by retailers, distributors, and meter data providers (MDP) alike.

### **The National Energy Retail Objective (NERO)**

The Commission is required to determine if the rule change request meets the NERO, and has proposed to consider whether the amendments will facilitate efficient use of energy services, enhance customer experience, and provide a proportional response to the issues identified.

Red and Lumo consider that all three of these objectives are met by the proposed Rule. To enable a consumer to make an informed decision on how to most efficiently use energy, accurate billing is imperative. Our experience has found that consumers who receive estimated bills are less likely to be able to reconcile the consumption at their property with the amount they have been charged. If, for example, a consumer installs a new appliance that consumes a lot of energy, an actual bill issued will highlight to the customer that their consumption is higher than expected and they will have the opportunity to change their use of the appliance. Whereas, if an estimate bill was issued, the customer may not learn of the high consumption until possibly 6 months after it began. Ergon's proposal will allow retailers to issue a greater proportion of bills utilising actual consumption data, allowing consumers to make more efficient consumption decisions, and thus enhance their experience.

As detailed below, we believe that the rule proposed is proportional, and simplistically ensures that more customers receive accurate billing, while retaining the importance of the principle of timely billing. The alternate suggestions proposed by the Commission have the potential to require significant changes to a vast number of procedures and rules. This will be at a significant cost to consumers to achieve essentially the same outcome.

### **The proposed Rule**

Red and Lumo believe the proposed Rule as drafted to be more beneficial to consumers than the alternate proposals put forward by the Commission.

Consumers today are concerned with the number of estimate bills being issued by retailers. Our own internal data shows that approximately 20% of billing complaints relate to estimate bills, while only 11% related to a delayed bill. The delayed bill percentage would be further decreased if customers receiving a bill more than one month late were removed, as these would not be impacted by the proposed Rule<sup>1</sup>.

Taking this data into account, and noting that the proposed Rule will likely only increase the period between bills by a few days for a relatively small number of customers, we are comfortable with the potential for a slightly inferior customer experience for those who place a high importance on timely billing, as opposed to an improved experience from those who place a greater importance on accuracy.

### **The alternate proposals**

Red and Lumo do not believe that the alternate proposals put forward by the Commission are in the best interests of consumers.

Recommending that the Australian Energy Market Operator (AEMO) amend its Service Level Procedures to require more frequent reads so as to allow retailers to ensure bills are issued at least every three months does not seem a logical solution to

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<sup>1</sup> Data collected in period July 2015 – December 2015 across Red and Lumo

resolve the problem identified by Ergon. The additional costs and associated consumer confusion caused by such a change appears to outweigh the perceived benefits of consumers receiving slightly shorter bills.

Similarly, not making any amendment to the current arrangements will result in a vast number of consumers, particularly in regional Queensland where SRC's are mandatory, receiving inaccurate bills, unnecessarily creating further confusion.

### **Concerns raised with the Ergon proposal**

The Commission raises the concern that other types of estimate bills (such as those relating to accessing the customer's meter) could be delayed as a result of the proposed rule<sup>2</sup>. Red and Lumo consider this assertion to be incorrect.

The purpose of the Rule, as drafted, is to allow a retailer to use its best endeavours to issue bills within a three month period. This is based on the AEMO Service Level Procedures that require an MDP to use its best endeavours to provide the retailer with billable data within a three month period. This does not impact the provision of estimated data by an MDP, but rather impacts the provision of *no data*. Red and Lumo would still expect the MDP to provide estimated data for a site in a timely manner where no actual reading is possible.

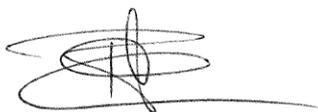
The Commission further suggests that it may be possible for a retailer to accept customer own reads of their meter as a means of avoiding estimated bills. Red and Lumo strongly oppose this practice being included in the development of any potential Rule. While we accept there would be a small number of consumers who would proactively be willing to provide the retailer with their own meter readings to ensure timely billing, the vast majority of consumers will not engage in this process, resulting in substantially the same outcomes as if no changes to the Rule were made.

### **Relevance to gas**

Red and Lumo strongly support the proposed Rule being extended to gas as a number of the issues discussed will correspond to both fuels. Red and Lumo suggest substituting the term 'National Metrology Procedures' in the marked up Rules for 'Retail Market Procedures' so as to encapsulate both gas and electricity.

Red and Lumo thank the Commission for the opportunity to respond to the proposed Rule. 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 read "Ramy Soussou".

### **Ramy Soussou**

General Manager Regulatory Affairs & Stakeholder Relations

**Red Energy Pty Ltd**

**Lumo Energy Australia Pty Ltd**

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<sup>2</sup> Page 18 - Consultation Paper - National Energy Retail Amendment (Meter Read and Billing Frequency) Rule 2016