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Australian Energy Market Commission  
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### **Limiting Conditional Discounts on Energy Offers**

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group or Powershop) thanks the Australian Energy Market Commission (AEMC) for the opportunity to provide comments on the AEMC's Limiting Conditional Discounts on Energy Offers Draft Rule Determination (the Draft Determination).

#### Background on the MEA Group

MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. Powershop is an innovative retailer committed to providing lower prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system. Over the last five years, Powershop has introduced a number of significant, innovative and customer-centric initiatives into the Victorian market, including the first mobile app that allows customers to monitor their usage, a peer-to-peer solar trading trial and a successful customer-led demand response program. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and funding a large range of community and social enterprise energy projects through our Your Community Energy program.

#### Submission

Powershop does not believe that the regulating of conditional discounts is going to have the desired impact that the objectives of Draft Determination seeks. Alternatively, it will likely stifle price and product competition, innovation and much needed investment in the energy market from existing stakeholders and new entrants. At a time when industry is absorbing a significant transition to renewables, creating barriers such as this could further labour this transition.

Conditional discounts are often used as a reward for positive consumer behaviour. A key misconception that is presented in this Draft Determination is that all conditional discounts are considered a 'penalty'. Powershop encourage the AEMC to look at conditional discounts with a balanced view that takes into account the positive outcomes achieved by promoting customer engagement, the number of customers who take up their conditional discounts and enjoy the benefits, and existing and new regulatory protections (including existing hardship arrangements) for unengaged customers and customers who face affordability issues.

The Default Market Offer (DMO) from 1 July 2019 has achieved positive outcomes, including providing non-engaged customers with a fair safety net. Recent rule changes (e.g. 'Preventing discounts on inflated energy rates') in conjunction with the DMO, has removed the ability to create inflated prices with the conditional discounts and also removed offers with large discount percentages. However, it has also impacted engaged customers negatively by reducing the availability of innovative and low-cost market offers.

Powershop have always advocated for these recent market reforms to ensure there is an even playing field and more importantly, to provide customers with clearer information to compare offers. These reforms and their positive impacts have rendered the requirements detailed in this Draft Determination redundant and potentially destabilising.

It is important to note that prior to obtaining a customer's Explicit Informed Consent (EIC), the customer has been specifically advised what the base rate would be and compare it to the DMO or discount rate, should they achieve the applicable conditions. The customer therefore understands the rate they will pay if they do not take up their discount. The base rate is an agreed amount that the customer is willing to pay in the event they do not take up their conditional discount.

The number of products and market offers with discounts since 1 July 2019 has reduced significantly. From a competition, customer service and satisfaction perspective this is not the best possible outcome for customers. Removing the incentive to innovate and provide various products for customers to engage, manage and reduce their demand and costs is diluted significantly under such a Draft Determination.

The reduction of these offers and discounts since 1 July already indicates that this 'request' for regulating conditional discounting from the Federal Government has become outdated and irrelevant to the current retail market.

Adding further detail to customer satisfaction, Powershop refers to a statement from the Draft Determination; 'many customers have been satisfied with their current conditional arrangements'. The Draft Determination does not provide evidence to this statement that would suggest that regulated conditional discounting is required since the fundamental shifts in the market occurred under the DMO.

Powershop is concerned with the proposed transitional provisions catering for a retrospective application of the Draft Determination. Powershop notes that the National Energy Retail Law does not appear to accommodate the retrospective application of new rules. Furthermore, introducing a rule with a retrospective application sets a destabilising precedence for the industry at a time when the industry is undergoing significant change. The transitional provision also introduces regulatory risk for retailers due the number of market retail contracts customers have entered when the promise of discounted energy for paying on time.

Powershop believes the requirements detailed in the Draft Determination should not go ahead and we encourage the Federal Department of Environment and Energy (DEE) to allow the market to continue to operate and evolve under the DMO. It is important to note that the upcoming varying tariff DMO will align conditional discounts even further, making this rule change even more redundant. The DMO will continue to require retailers to provide competitive and easy to understand offers for customers, without introducing further regulatory burden that is ultimately felt by the customer.

If you have any queries or would like to discuss any aspect of this submission, please feel free to contact me.

Yours sincerely,



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