

19 November 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged via the AEMC's website

Dear Ms York,

Re: Review of the Retailer of Last Resort Scheme (RPR0015) – Consultation Paper

Simply Energy welcomes the opportunity to provide feedback on the consultation paper for the review of the Retailer of Last Resort (RoLR) scheme.

Simply Energy is a leading energy retailer with over 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Simply Energy supports the intent of the Australian Energy Market Commission's (AEMC) review to improve the RoLR scheme and reduce barriers to increased retailer participation in the RoLR scheme. Simply Energy's submission provides feedback on barriers to participating in the RoLR scheme and the AEMC's proposal to remove the requirement that RoLR customers be placed on standard retail contracts.

Reducing barriers to increased participation in the RoLR scheme

While participating in the RoLR scheme provides an opportunity for retailers to increase customer numbers, there are operational costs involved that currently act as a barrier to participation. As discussed below, Simply Energy supports the AEMC's recommendations to reduce the operational costs and risks of participating in the RoLR scheme.

Framework for RoLR designation

Simply Energy agrees with the AEMC that it is currently unlikely that any retailer other than the default RoLR would be appointed as the designated RoLR in the limited time frames of a RoLR event. Retailers are unlikely to be willing to incur the costs to register, and maintain registration, as an additional RoLR when there is a very low probability they can be appointed as a designated RoLR. Simply Energy would support the Australian Energy Regulator (AER) having more time for RoLR designation if this led to retailers other than the default RoLR being appointed as a designated RoLR in the future.

RoLR cost recovery arrangements

Simply Energy supports the AEMC making changes to the RoLR scheme in the National Energy Retail Law to provide increased certainty that a designated RoLR can quickly recover its reasonable costs.

Simply Energy considers that increased certainty around cost recovery would reduce the risks of participating in the RoLR scheme.

AEMO credit support requirements and RoLR procedures

Simply Energy supports the AEMC's recommended changes to give the designated RoLR more time to meet the Australian Energy Market Operator's (AEMO) credit support requirements in relation to RoLR customers. Simply Energy considers that this change would reduce the risks of participating in the RoLR scheme.

In relation to AEMO processes, Simply Energy also considers that AEMO should review and streamline its RoLR procedures to ensure that processes across electricity and gas markets are harmonised as much as possible. Harmonisation would reduce the operational costs incurred in maintaining RoLR processes across both energy markets.

RoLR plan requirements

Simply Energy supports the AEMC's proposed minor amendment to provide more flexibility in the communication and publication of the AER's RoLR plan exercises.

Simply Energy would also support a review of the AER's RoLR plan in relation to the obligations on failed retailers. As observed in past RoLR events, relying on failed retailers to provide information to the designated RoLR has limited value and creates unnecessary and inefficient dependencies. For example, paragraphs 2.20.1 and 2.20.2 of the RoLR plan currently require the failed retailer to provide data to the designated RoLR that would also be available from other participants (such as from AEMO and affected distributors).

RoLR registration process

The current process to register as an additional RoLR is labour intensive and requires significant amounts of information to be provided to the AER. There are also ongoing costs associated with registering as an additional RoLR, as the AER reviews the registration of additional RoLRs with firm offers every three months and additional RoLRs with non-firm offers every two years. Simply Energy would support simplifications in the registration process and less frequent reviews of registration.

Market retail contracts for RoLR customers

Simply Energy considers that standard retail contracts should remain the default option for RoLR customers. Simply Energy does not oppose the removal of the requirement that RoLR customers be placed on standard retail contracts, as this would give retailers the choice of providing RoLR customers with either a standard or market retail contract.

However, Simply Energy does not consider that customers of a failed retailer would significantly benefit from being placed on a market retail contract rather than a standard retail contract. While market retail contracts are generally lower priced than standard retail contracts, there is significantly less price dispersion between different types of contracts since the introduction of the Default Market Offer on 1 July 2019. In addition, customers of a failed retailer can move on to a market retail contract at any time, either with the designated RoLR or with another retailer.

Although there is limited detail about the AER's approval process, Simply Energy considers that registered RoLRs may not submit a RoLR market retail contract to the AER if it is a costly process to gain approval. In addition, it is not clear from the consultation paper whether registered RoLRs would need to go through the AER approval process each time the prices of their market retail contracts change. Retailers regularly change the prices of their market and standard retail contracts

due to changes in market conditions, and it would be a barrier to seeking approval of a RoLR market retail contract if the AER's approval is tied to the specific tariffs rather than the contract type.

Concluding remarks

In closing, Simply Energy considers there are opportunities to reduce barriers to retailer participation in the RoLR scheme, which will promote competition in the market to the benefit of consumers. Simply Energy looks forward to continuing to work actively with the AEMC on changes to the RoLR scheme.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive, slightly slanted style.

James Barton
General Manager, Regulation
Simply Energy