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29 May 2018

Mr Russell Pendlebury
Senior Adviser
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Mr Pendlebury,

Re: Advance notice of price change - RRC0015

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to submit to the Australian Energy Market Commission's (the Commission) Consultation Paper on the rule change proposal to require retailers to provide consumers with advance notice of price changes.

In order to achieve a fair and competitive retail energy market, consumers must be made aware when changes occur that will impact their bills. The current regulatory framework does not require advanced notification when it comes to price changes. Given this importance, Red and Lumo currently strive to notify our customers in advance of price changes and as such we strongly support changes to the National Energy Retail Rules (the Rules) to ensure that consumers are notified of price changes before they occur. However, we consider the Commission must avoid prescribing the detailed requirements of the notice, or any specific timeframes with regard to how far in advance the notification must be delivered. It is suggested that consumers receiving the notice 10 days in advance address issues of bill shock and disengagement among some consumer segments.We do not consider this is the case and expect it will have unintended consequences.

We consider that addressing bill shock and disengagement is better achieved through more direct measures, such as the various commitments that retailers made to the Prime Minister in 2017. Furthermore, this rule change proposal coincides with various regulatory initiatives that explicitly seek to address consumer disengagement and provide more useful information to consumers. The latter include recent changes to the Australian Energy Regulator's (the AER) Retail Pricing Information Guidelines, the soon to be finalised Benefit Change Guideline, and proposed improvements to Energy Made Easy.

Notice period

Red and Lumo support the extension of an advance notification obligation to all all electricity and gas consumers covered by the the Rules. However, we strongly urge the Commission to make the rule principles based, without prescription on the specific number of days in advance the notice must be sent. A prescriptive timeframe creates unnecessary challenges for retailers for no significant consumer benefit.

The Commission acknowledges that retailers' prices are a function of various inputs, such as regulated network charges and other regulatory determinations, which are beyond their control. Mandating a long notice period would leave retailers exposed when there are delays in regulatory determinations.

We recognise that 10 days is the benchmark for a prescribed timeframe given the Queensland derogation. However, the important issue is that retailers inform their customers of price changes in advance, noting they are no worse off than if they were to receive the notice 15, 10 or even 5 days in advance.

There are operational issues with the prescribed timeframe of 10 days in Queensland, and we consider there are some unintended consequences with the prescriptive approach in Queensland. In order to illustrate these, we have attached to this submission a case study that goes through what we consider an optimal customer experience alongside what a rigid, compliant approach should the rule be over-prescriptive and equivalent to the Queensland rule.

The Commission also acknowledges some of the practical issues associated with prescribing notifications for a large number of consumers. This includes the time to finalise letters and other communications, prepare customer-facing staff for enquiries, obtaining access to mail houses, and the physical delivery of a large volume of letters. These issues are genuine, and create logistical barriers when dealing with a large customer base.

While the notice may indeed prompt some consumers to seek out alternative offers and switch retailers (as the rule proponents suggest), the transfer of that consumer to another retailer would not realistically occur within 10 days. As the Commission found in its analysis of a rule change proposal to transfer customers on estimated meter reads, a 'clear majority' of transfers occur within 30 days.

We also expect the incremental impact on consumers' bills of a typical price change (i.e. the difference between what they would pay when they request to transfer 10 days in advance and what they pay when a request occurs closer to the date of the price change) is small. The Consultation Paper refers to bill shock but this is typically a function of changes in consumption from one bill to the next and could reflect seasonal factors (like a relatively warm summer) or a significant change in a consumer's circumstances.

In any event, consumers who do choose to transfer to another retailer following notification of a price change will do so earlier than is the case under the current Rules, whereby a notification can be given as late as the next bill. This is a significant improvement for consumers, and will definitely enable them to save money on their bills.

Coverage

Red and Lumo's preference is to align retailers' obligations for market retail contract and standard retail contract consumers for the advanced notification of all price changes. This means there should be a common timeframe and method of communication.

The Commission suggests mandatory notifications when prices fall could create a positive customer experience. However, retailers do not require a rule obligation to provide their customers with good news.

Content

The rule proponents suggest this notice could overcome problems of disengagement. However, the obligation extends to all customers, even when there is no reason to think they are disengaged. Therefore, we recommend the Commission only prescribes a notification obligation, the sole purpose of which is to inform consumers of price changes.

Red and Lumo strongly oppose some of the Commission's more prescriptive suggestions about the content of the notice, such as the inclusion of a retailer's best offer or the possible timing limitation between the offer in the notice (10 days before it becomes effective) and the visibility of offers on Energy Made Easy. This information is not required in this notice as it is either irrelevant, prescribed in other notices or easily accessed through other mechanisms.

Consumers who are disengaged, such as those who have been on a standing offer for an extended period are being reached through other regulatory measures (such as those referred to above).

About Red and Lumo

We 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 the Consultation Paper. Should you have any further enquiries regarding this submission, please call Geoff Hargreaves, Regulatory Manager on 0438 671 750.

Yours sincerely

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd
Att.

Case Study: Smart Meter Exchange for Solar in June

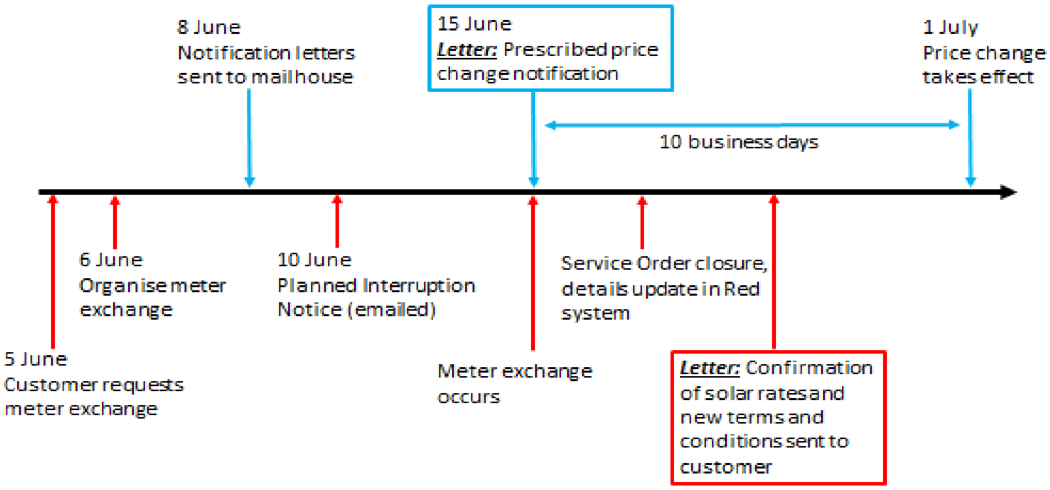
Customer Denuto calls Red Energy on 5 June and advises he has had solar installed at his property in regional New South Wales and requests the installation of a smart meter to allow him to generate and offset his consumption.

Between our interaction on 5 June and 1 July, Red Energy must issue the customer a planned interruption notice for the meter exchange, and must also provide the customer with their annual price change notification. Both regulated pieces of information are crucial to Mr Denuto, however, we do not want to confuse our customers as to what they can expect and by when.

Mr Denuto receives an emailed notification advising that he can expect an interruption to his electricity supply in order to install a smart meter on 15 June. This process completes in Red Energy's systems post-the 10 business day price change notification window.

Because Mr Denuto resides in NSW, we can manually exclude his price change notification, wait for the completion of the works and then issue one letter with all the appropriate and accurate information for Mr Denuto, which he receives 4 business days prior to the price change. We consider that this provides Mr Denuto with a much better customer experience.

If Mr Denuto lived in south-east Queensland, we would have been obligated to issue multiple letters, complying with both the regulated price change information (in blue below) along with the regulated metering information (in red below) replacing the original price change information with the more relevant one to Mr Denuto 6 business days later. This price change could not then come into effect until 6 July due to the 10 day rule; Mr Denuto would need to be manually billed and/or treated differently in the billing system.



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