

10 November 2022

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Ms Collyer,

Re: Review into the arrangements for failed retailers' electricity and gas contracts (RPR0016) – Consultation paper

Simply Energy welcomes the opportunity to provide feedback on the consultation paper for the Australian Energy Market Commission's (Commission) self-initiated review into the arrangements for failed retailers' electricity and gas contracts.

Simply Energy is a leading energy retailer with approximately 700,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. Simply Energy is owned by the ENGIE Group, one of the largest independent power producers in the world and a global leader in the transition to a zero-carbon economy. 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 amendments to the Retailer of Last Resort (RoLR) scheme that enable the costs of being a designated RoLR being recovered quickly and in full. In this submission, Simply Energy provides feedback on the Commission's potential solutions for electricity and gas retailer failures.

Electricity retailer failures

Simply Energy would support Option 1 (cost recovery clarity) being further considered throughout this review, as it appears to improve the current scheme by providing more certainty for the designated RoLR that they will be able to recover their reasonable costs. Simply Energy considers that increased certainty around cost recovery would reduce the risks of participating in the RoLR scheme. Option 1 could be enhanced by assessing whether the cost recovery process can be further streamlined to ensure that the designated RoLR can recover its costs as soon as practicable.

Simply Energy is not supportive of options 3, or 4, as they appear to restrict the ability of companies to make commercial decisions, which would create unintended consequences and additional costs on consumers. We are also concerned that these options would not be workable, as they do not appear to be able to resolve cost and contract issues quickly enough to be valuable for a designated RoLR.

In relation to Option 2, which appears to solely be a 'matchmaking service' to inform the designated RoLR about the counterparties that may have contracts available, we consider that this may only have minimal benefits in assisting the designated RoLR to source contracts from the open market at a market price. It is not clear to us whether the minimal benefits from requiring the failing retailer

to submit information about its current contract positions to the Australian Energy Regulator (AER), would outweigh the risk of sensitive commercial information being shared with the AER and the designated RoLR.

Gas retailer failures

The Commission's proposal to consider expanding the AER's gas contract directions framework to include gas storage contracts has merit and may provide the designated RoLR with support to manage peak demand events. This proposal should be considered further in this review.

Retailer behaviour during volatile market conditions

We note that the Commission includes a chapter in the paper that discusses retailer behaviour during the recent volatile market conditions and suggests that further exploration could be conducted into several issues. In relation to these, Simply Energy would not support the Commission exploring whether electricity retailers were not appropriately hedged for large changes in wholesale prices and whether market participants engaged in potentially speculative contract market activity.

It is critical that retailers maintain their ability to choose their own hedging strategies (subject to any relevant regulation, such as the Retailer Reliability Obligation), as this is ultimately the key role of an energy retailer within the competitive market. We would not support the Commission exploring policy options that seek to restrict retailers' individual hedging strategies.

Concluding remarks

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



James Barton
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Simply Energy