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6 August 2018

Ms Jessica Robinson  
Director, Pricing  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Submitted via email

Dear Ms Robinson,

## **Re: Performance and competitiveness of retail energy market 2017-18**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to provide a submission to the Independent Pricing and Regulatory Tribunals (IPART) review of the performance and competitiveness of the retail energy market for 2017-18.

### **Retail competition**

IPART's report will be its fourth monitoring the retail electricity market and the first reviewing competition in the retail gas markets following price deregulation on 1 July 2017. This presents a good opportunity for IPART to compare the differences between the two fuels and set a benchmark for future reviews.

In general, we are comfortable with the level of retail competition in both the gas and electricity retail markets in NSW. We note in the 2017 review that IPART found that competition in the retail electricity market continued to develop, with more retailers entering the market and the market share of smaller retailers increasing. IPART noted that more than three quarters of customers were on market offers, and customer churn was high. While this is still true in 2018, the retail energy market in NSW remains relatively immature, and offers are evolving rapidly. In previous years, retail offers were trending towards increasingly large discounts. While customers valued this, seeking out these offers in the market, we accept that they have led to some confusion and made it difficult to compare different offers between retailers. The market appears to be shifting towards retailers offering consumers simpler products without conditional discounts. We recommend IPART look at the trends of emerging retail products, rather than focusing on the offers that may have been available in the past.

In addition to the market's evolution, we are seeing more interventions in the retail market than ever before. While jurisdictional changes are no doubt intended to benefit consumers and simplify energy markets, we support the approach of IPART in previous reviews to recommend changes be made to the national framework rather than encouraging NSW specific regulation. Noting that there are likely to be further changes in the coming years as the Finkel recommendations, the Australian Energy Market Commission undertakes further reviews into the retail market and the ACCC recommendations are implemented. We recommend that the significant interventions that have taken place in 2017/18 are reviewed by IPART to understand whether these have benefited NSW consumers.

### **Gas competition**

In relation to gas competition, whilst we are generally comfortable with how competition is developing in the NSW market, poor meter access and estimated reads are causing notably different customer experiences to those in the electricity market. Many gas meters are located inside customer premises, making them very difficult to gain access for transfers between retailers or to allow accurate customer billing. This slows down switching for customers, and often results in



cancellations. We are investigating mechanisms within the market systems to encourage simpler transfers for gas customers.

Gas water meters are particularly difficult to access, and result in significant estimated billing - often to the detriment of customers. The National Energy Retail Rules require retailers to obtain an actual read at least once every 12 months, and prohibit recovery of any undercharged amounts longer than 9 months. This creates an urgency for retailers to obtain meter reads, further inconveniencing customers and decreasing satisfaction in the market.

To mitigate this issue we employ a team that specifically deals with these access issues, contacting customers and the relevant distributor to organise appointments to obtain a manual meter read. All of this takes a lot of time and effort and is very costly in the long run, presenting a barrier to entry and operation in NSW. There is a current review of estimated billing being undertaken by the Australian Energy Market Commission. We recommend that IPART monitor this rule change and should it not progress, investigate possible solutions to this issue as part of this review.

**Smart metering**

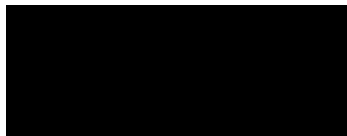
It is important to note that in late 2017 the rules governing electricity metering changed, shifting responsibility for new and replacement meters from networks to retailers in order to encourage greater consumer choice. As might be expected following a change of this magnitude, we acknowledge there have been some early teething issues, however once resolved, smart metering will bring significant benefits to NSW consumers. We expect offers to continue to evolve to meet consumer needs over the next 12 to 24 months.

A market led rollout will enable retailers to offer consumers energy products that are of value to them, better tailored to their specific circumstances. These products might include applications providing greater insights into energy use, more frequent billing to allow better budgeting, or more granular energy tariffs that better reflect a customer’s impact on the grid. This does not come without cost, and an important element of the rollout is that retailers are able to develop positive business cases to deliver benefits to consumers. Unfortunately, the moratorium on remote services in NSW has diminished the business case. A key benefit for both retailers and consumers is the ability to energise and de-energise meters remotely. Remote services decrease costs for all parties, and speeds up what can be a cumbersome process, particularly in rural areas. We expect this moratorium will slow the proliferation of smart metering in NSW and must be taken into account as part of this review.

**About Red and Lumo**

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, South Australia, New South Wales and Queensland to approximately 1 million customers. Should IPART have any enquiries regarding this submission, please call Con Noutso, Regulatory Manager on [REDACTED]

Yours sincerely



**Ramy Soussou**  
 General Manager Regulatory Affairs & Stakeholder Relations  
**Red Energy Pty Ltd**  
**Lumo Energy Australia Pty Ltd**