

1 November 2019

Mr Brett Everett
Director, Pricing
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Submitted electronically

Dear Mr Everett,

Re: Draft Reports - Performance and Competitiveness of the New South Wales (NSW) Retail Gas and Electricity Markets 2018-19

Red Energy (Red) welcomes the opportunity to provide feedback to the Independent Pricing and Regulatory Tribunal (IPART) on the release of its Draft Electricity and Gas Reports into the performance and competitiveness of the NSW retail gas and electricity markets (the draft reports).

In the draft report IPART has clearly demonstrated that “competition continued to improve in the retail market”¹ highlighting the drop in lowest market offers, the increasing market share of smaller retailers and the increased engagement of consumers. We strongly believe that a competitive energy market must be supported and agree with IPART that “allowing competition to continue to develop would deliver the best outcomes for customers in NSW”². We welcome the work that has been done by IPART to provide an evidence based assessment of the NSW energy market and have provided our feedback to the draft reports below.

Consistent Regulations

Red strongly agree with IPART that “inconsistent regulations across the NEM drive additional costs.”³ State based derogations increase costs to retailers and consumers while adding little additional value. We agree “that jurisdictions should work to harmonise electricity regulation”⁴

¹ Independent Pricing and Regulatory Tribunal, Review of the performance and competitiveness of the Retail Electricity Market 2018-19, October 2019, p3

² Ibid, p9

³ Ibid, p42

⁴ Ibid, p43

and while we believe there is opportunity for this to be done in NSW, we have concerns that there remains potential for further duplications and costs.

We believe that an opportunity exists for the NSW Government to align the NSW Social Code and concessional rebates with other jurisdictions. The negative impact of multiple concessional schemes across state jurisdictions were specifically highlighted by the Australian Competition and Consumer Commission (ACCC) which warned that "inconsistency between concession regimes is increasing both retail costs for retailers and complexity for consumers."⁵ The alignment of schemes across States would provide not only a cost saving to retailers and consumers but also increase confidence of consumers who relocate between states. At this stage we believe that adopting the model that is currently used in Victoria would vastly benefit not only consumers but the wider industry, avoiding duplication as well as ensuring best support is provided to consumers in need. As the ACCC recommended "state and territory governments restructure concession schemes to ensure that they offset both supply charges and usage charges"⁶ which the Victorian scheme achieves. Failing full adoption of the Victorian concession model, we believe that at a minimum there should be streamlining in the verification and approval process between jurisdictions.

However, there is a potential for duplication in the recommendations put forward by IPART to expand the role of NSW Energy Switch and the call to "allow customers to input interval meter data to make more accurate estimates of customers' bills under different offers."⁷ Currently, the Australian Energy Regulator (AER) already manages a national comparison site, Energy Made Easy, which we believe may be better placed to incorporate customer smart meter data. It should be remembered that Energy Switch leverages comparison data provided by Energy Made Easy and we believe that the ongoing presence of multiple comparison sites or the potential expansion of Energy Switch has the potential to lead to duplication of services and further costs.

Retention activity

Red does not agree with the statement put forward by IPART that "aggressive retention activity is constraining entrant growth"⁸ nor with the insinuation that retention activity worsen consumer outcomes. As a non-incumbent energy retailer, we have won all of our customers in the competitive market through our products and award-winning customer service.

The IPART report clearly notes that competition is increasing despite this retention activity and highlights the entry of five new retailers into the energy market as a success of competition. Furthermore, we do not agree with the argument that retention activity is wasteful or that it imposes a net cost on consumers. When consumers engage with the market by examining their current or new potential energy offers, they are likely to benefit and get a better deal or one that

⁵ REPI p299.

⁶ Ibid, p227

⁷ Independent Pricing and Regulatory Tribunal, Review of the performance and competitiveness of the Retail Electricity Market 2018-19, October 2019, p2

⁸ Ibid, p41



better suits their needs. This can be both through their current retailer and through a transfer in the market to a new retailer. This process also has long term benefits as consumers become more aware of the energy market and can avoid becoming disengaged in the future leading to better long term outcomes. Retention activity is simply a clear example of consumer engagement and therefore provides a benefit to consumers.

IPART requirement to monitor the NSW energy market

Red supports the recommendation put forward by IPART for the NSW Government to “remove the requirement for IPART to monitor the retail electricity (and gas) market.”⁹ We agree that a number of the reporting obligations carried out by IPART are already being completed by the AER, AEMC and ACCC. We also agree that the duplication of these reporting requirements is inefficient and increases costs to the market and consumers.

However, we believe that the methodology and processes used by IPART have been exceptionally successful in gaining a proper independent measurement of the performance of the NSW market. We believe that the market reports produced have been clear, concise and effective in monitoring the NSW market. We would strongly encourage the other market monitoring agencies to adopt a methodology and process similar to IPART to improve their own market monitoring reporting. We acknowledge, however, that where there are specific NSW matters or significant impacts, these should be independently reviewed and investigated we believe that IPART is best placed to do this.

About Red

Our two brands Red Energy and Lumo Energy are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and electricity in the ACT to over 1 million customers.

We thank IPART for the opportunity to respond to its draft reports. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on [REDACTED].

Yours sincerely

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

⁹ Ibid, p2