

11 September 2014

Retailer Price Variations in Market Retail Contracts

Australian Energy Market Commission

ATT: Sarah Lau

Submitted online: <http://www.aemc.gov.au/About-Us/Contact-Us/Lodge-A-Submission.html?RuleChange=RRC0001>

Dear Sir/Madam,

RE: Draft Rule Determination- National Energy Retail Amendment (Retailer Price Variations in Market Retail Contracts) Rule 2014

Red Energy welcomes the opportunity to provide comment on the AEMC's Retailer Price Variations in Market Retail Contracts Rule Change Draft Rule Determination (the Draft Determination).

Red Energy is a 100% Australian owned and operated subsidiary of Snowy Hydro Ltd. Red Energy currently retails electricity in Victoria, NSW, and South Australia and is one of the larger second tier retailers in the National Electricity Market (NEM).

The Draft Rule

Red Energy generally supports the Draft Determination of the AEMC as a proportionate response to the concerns outlined in the Rule Change Proposal made by the Consumer Action Law Centre and the Consumer Utilities Advocacy Centre. Red Energy is a strong advocate for consumer knowledge, and feels that the additional requirements on retailers under the proposed Rule 46A of the National Energy Retail Rules (NERR) will empower customers to make better informed decisions regarding their retail energy contracts.

Red Energy does however have some concerns with the additional requirements to be included in Rule 64(1)(a). These concerns focus on the prescriptive requirements this amendment will place on retailers regarding how they communicate with their customers. A retailer would no longer have any flexibility as to the methods by which they advise customers of a price change and would be forced to choose one method of notification for the duration of the Market Retail Contract, possibly to the detriment of a customer's experience.

Red Energy currently utilises a number of methods to notify customers of a price change in line with Rule 46 (4) of the NERR. These include sending advance notification to a customer of a price change, sending notification of price change shortly after the event, or notifying a customer on their next bill. This flexibility currently allowed in the rules enables Red Energy to take a different course of action in notifying its customers should the circumstances warrant a more significant response. For example, a customer receiving a price decrease may be most efficiently notified of the change on the bill, whereas a customer receiving an increase caused by a number of factors may be best notified with an explanatory letter in advance of the change. Red Energy believes the amendment to Rule 64(1)(a) will encourage retailers to set out in its contract the minimum allowable notification method, which may not always be in the customer's best interests.

To this end, Red Energy does not believe the amendment to Rule 64 is warranted nor required. In writing this submission, Red Energy has reviewed a number of enquiries which arose following a price change in January 2014. None of the customers voicing concerns with regard to the change made reference to not being aware of the method in which Red Energy could alter pricing in a Market Retail Contract.

Despite this fact, should the Commission feel compelled to make a change to the requirements of Rule 64, Red Energy proposes that a more preferable amendment may be to require retailers to advise customers in its Product Disclosure Statement of the methods that the retailer may use to notify a Small Customer of a price change. This amendment would allow the retailer to clearly inform the customer how prices can be changed to meet the intent of the Draft Determination, while still allowing a retailer flexibility to promote a better overall customer experience in the energy market.

If you have any further comments or queries in relation to this submission please don't hesitate to contact Ben Barnes on 03 9425 0530, or me directly on 03 9425 0496.

Yours sincerely

A handwritten signature in black ink, appearing to be 'SG' followed by a stylized flourish.

Stephen Grant
Manager-Quality and Compliance
Red Energy Pty Ltd