

27 March 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Electronic submission: lodged online via www.aemc.gov.au

Dear Sir/Madam

**National Energy Retail Amendment (Retailer price variations in market retail contracts) Rule 2014
Consultation Paper**

Momentum Energy welcomes the opportunity to provide comments in response to the National Energy Retail Amendment (Retailer price variations in market retail contracts) Rule 2014 (the Consultation Paper).

Momentum Energy is a second tier retailer with current retail electricity licences in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory, and current retail gas licences in Victoria and South Australia. Momentum Energy is fully owned by Hydro Tasmania, one of the largest clean energy producers in Australia.

Momentum has reviewed the submission of the Energy Retailers Association of Australia (ERAA) and supports the positions set out in that submission.

Momentum does not support the rule change request (the proposed rule) put forward by the Consumer Action Law Centre (CALC) and the Consumer Utilities Advocacy Centre (CUAC) (collectively referred to as the proponents). Momentum believes that implementation of the proposed rule would not promote the long term interests of consumers as required under the National Energy Retail Objective (NERO).

In fact, implementation of the proposed rule would lead to the following outcomes, which would be inconsistent with the NERO:

- In order to cover the risks associated with unpredictable but significant possible events, retailers would add risk premiums to their offers. This will leave customers paying for the costs of events that never eventuate. This would lead to pricing outcomes not in the long term interests of consumers and would limit competition.
- Competition would be further limited by reducing retailers' incentive to innovate.
- Certain times in the year and the aftermath of certain events would become advantageous times for customers to enter into new contracts, which would disadvantage less educated customers and limit competition.
- It is possible that customers will have to re-contract their energy supply on a more frequent basis, leading to higher search and transactions costs. Customers with a preference for longer term contracts could be subject to increased risk of bill shock as large price increases between contracts would be more likely.

- Retail prices would be de-coupled from retailers' costs, which would constitute a significant contravention of the NERO of ensuring efficiency in investment, operation and use of energy.
- The range of choices available to customers would be reduced. Retailers already offer a wide variety of contracts, including those with fixed prices over a fixed term and offers with no exit fees. Implementation of the proposed rule would remove many offers which are currently most attractive to consumers.

Momentum does not believe that any of the alternative rules contained in the Consultation Paper would be in the interests of consumers. In fact, Momentum questions whether the proponents have set out sufficiently compelling evidence to support any form of rule change in relation to the issues set out. Momentum's customers are already informed of the nature of fixed term contracts when signing up to new deals. Momentum believes that the Australian Consumer Law provides a strong safeguard against misleading and deceptive conduct. Energy retailers are an ongoing focus for the ACCC. If a retailer were to describe an offer as fixed price or not make clear in its marketing materials and sign up documentation that the price paid by the customer was subject to change, and then change the price, the customer would have recourse.

If you would like to discuss this submission or any other matter, please contact Momentum's Regulatory Manager Luke Brown on (03) 8612 6437 or luke.brown@momentum.com.au.

Yours sincerely



Alastair Phillips
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