



13 April 2016

Simon Kidd
Assistant Director
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: AERInquiry@aer.gov.au

Dear Mr Kidd

RE: Draft Sustainable Payment Plan Framework

ERM Business Energy welcomes the opportunity to respond to the Australian Energy Regulator (AER) on its consultation document on its Draft Sustainable Payment Plan Framework (the Framework).

About ERM Business Energy

ERM Power Retail Pty Ltd, which trades as ERM Business Energy, is a subsidiary of ERM Power Limited, an Australian energy company that operates generation and electricity sales businesses. Since launching in 2007, ERM Business Energy has grown to become the fourth largest electricity retailer by load in Australia, with operations in every state and the Australian Capital Territory. ERM Business Energy is now the second largest electricity retailer to the large business market by load,¹ with increasing success in the small business market.

The Framework and small business customers

Section 50 of the National Energy Retail Law requires authorised retailers to offer and apply payment plans for hardship customers, and other residential customers experiencing payment difficulties. While there is no obligation for authorised retailers to offer and apply payment plans to small business customers, ERM Business Energy acknowledges that payment plans can also be constructive in supporting small business customers to effectively manage their debt. It is our policy to assess the best approach to supporting each of our customers' needs on a case by case basis, with payment plans being one of a number of potential options.

A retailer's practices in offering and applying payment plans to residential customers is likely to be a far more material issue than for small business customers, with our experience showing that the vast majority of small business customers pay their invoices in a timely manner.

Further, offering a payment plan may not be the most appropriate mechanism for supporting a business customer, either from the customer's or retailer's perspective. For example, there may be a customer circumstance where an early payment incentive may enable the customer to better manage its account over time. Or, there may be a circumstance where entering into an extended, ongoing

¹ Based on ERM Power analysis of latest published financial information.

payment plan with a failing business may pose significant legal or credit risks to the retailer. We therefore do not believe there is benefit in particularly emphasising a retailer's practices in relation to payment plans for small business customers through an instrument such as the proposed Framework.

Where ERM Business Energy does offer a payment plan to a customer, we believe that our approach is consistent with the broad principles of empathy and respect, flexibility and consistency under the Framework. However, we remain concerned about prescriptive and broad applicability of a Framework to small business customers. The Framework has clearly been drafted with a focus on residential customers, and does not differentiate between the rights of each customer segment. This could confuse small business customers, who might assume they have a statutory right to be offered a payment plan, or further, that they should expect support under a retailer hardship program.

We therefore do not believe that the Framework should be considered applicable to small business customers. The Framework document and associated AER webpage should clearly state that it applies only to residential customers. Customers seeking more information about a retailer's approach to supporting small business customers with payment difficulties should contact that retailer directly.

Published list of retailers

The AER has emphasised that the Framework may be adopted by retailers on a voluntary basis, and that there would be no compliance monitoring or enforcement action undertaken should a retailer choose not to adopt the Framework. However, ERM Power is concerned that those retailers who are not included on the published list may be perceived by customers as offering a lower standard of service compared to listed retailers. In the case of retailers who choose not to adopt the Framework due to the fact that they only service business customers, this would be a particularly unfair judgement. ERM Business Energy prides itself on its award-winning customer service standards, and would not like to see customers' perceptions influenced by such a list.

We also note that highlighting retailers who adopt a best-practice approach (beyond practises of other compliant retailers) appears to be outside the AER's remit for compliance monitoring and enforcement.

Our preferred option is that the AER does not publish on its website a list of retailers who have adopted the Framework.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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