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Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Sent by email

**Re: draft Ring-Fencing Guideline Electricity Distribution August 2016 (Ring- Fencing Guideline).**

Ergon Energy Queensland Pty Ltd ("Ergon Retail") welcomes the opportunity to make this submission to the Australian Energy Regulator (AER) on the draft Ring-Fencing Guideline Electricity Distribution August 2016.

Ergon Retail is a fully owned ring-fenced subsidiary of Ergon Energy Corporation Ltd ("Ergon Network") and part of the broader Energy Queensland Limited group. Ergon retail is a service delivery retailer to over 700,000 homes and business across regional Queensland. As such, Ergon Retail is currently restricted under legislation and:

- Can only offer tariffs published in the Queensland government gazette;
- cannot take back customers who have transferred to another retailer;
- provides service to the most remote areas of the state and under the Queensland Government Uniform Tariff Policy (UTP) often provides that service to consumers below cost; and
- Focuses on customer service at the lowest cost so that customers get the best value from their electricity spend

We continue to be supportive of the broad principles of ring-fencing arrangements that ensure a level playing field for competition, however there should be a recognition that the interests of regional consumers will not necessarily be served through a stringent one size fits all approach to ring-fencing. In large parts of regional Queensland where there is little or no competition for behind the meter services there are clear benefits to those consumers in the Energy Queensland businesses working together to provide services at the lowest cost.

Given the legislative restrictions Ergon Retail operates under, there is an existing waiver from the current state Ring-Fencing Guidelines and we ask the AER to have regard to that when considering future waivers. Ring-fencing has the potential to increase costs to customers in an area where there is no harm given Ergon Retail's legislative restrictions. Ergon Retail notes that in the event there are amendments to the legislative restrictions under which we operate, there may be a need to review any waiver.

Ergon Energy has a number of offices where network and retail share the same building. Our head office in Townsville was the result of a rationalisation of 7 separate leases throughout the city into one resulting in substantial savings which ultimately benefit the customer. Renting new office space will mean either Ergon Retail or Ergon Network (whichever remains with the lease) will be left renting space that is over sized for its needs. This is wasteful and a cost that will ultimately be borne by the customer.

More broadly, should the AER require it, changes to websites and call centres (office changes, IVR updates, scripting and branding changes) should be carefully managed to ensure minimal customer confusion and disruption. We are understandably proud of the standing that the Ergon Energy brand has in the community and changing it would take significant time and investment to give customers confidence in the new brand. Further to any proposed brand change, during storm season (December – March) our customers rely on our

website and call centres for crucial information. We do not make any substantive changes to customer facing parts of our business during this period so that our customers can rely on consistent clear messages about dangers, storm warnings, outages and recovery activities during this period so that there is no confusion which compromises the safety of our customers. Ergon Retail notes that the Final Ring-Fencing Guideline is due for release by the end of November, which aligns with the start of storm season in Queensland. Therefore, Ergon Retail is concerned about the timeframe for implementing changes should the AER require it, noting we would be unlikely to make changes to our customer facing channels over this time. A brand change requires physical separation of all website content, unwinding of social media, analytics and search capability. Factoring in the time to design and develop a brand as well as the time to implement and embed the brand in order to minimise any negative customer reaction (i.e. when the customer receives their first bill from a brand other than Ergon Retail) will likely take around 18 months.

If you have any further questions this submission please contact Gareth Morrah on 07 3851 6823

Regards

A handwritten signature in blue ink, appearing to be 'Ben Verdon', with a stylized, scribbled end.

Ben Verdon  
A/ General Manager Wholesale Markets  
Ergon Energy Queensland