

Level 9, 243 Edward St,
Brisbane, QLD 4001, Australia
ABN 21605682684

17 March 2022

Ms Stephanie Jolly
General Manager, Market Performance
Australian Energy Regulator
GPO Box 3131, Canberra ACT 2601
Email: dmo@aer.gov.au

Dear Ms Jolly,

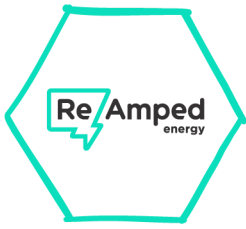
ReAmped Energy welcomes the opportunity to provide feedback on the draft determination for the Default Market Offer 2022-23 (DMO 4). Whilst ReAmped Energy is supportive of the DMO's policy objective, to protect consumers from unreasonably high prices, our view is that there is no justification for reducing the DMO in the current market. It is essential that the increasing costs faced by retailers, such as higher wholesale prices and inflation are fairly reflected in the DMO to protect the competitive market.

ReAmped Energy was first launched in 2018 and has since become one of the fastest growing electricity retailers in Australia, reaching 70,000 customers in March 2022. Our low price electricity offers are an essential part of the competitive market and have been welcomed by households across the country.

Thriving competition relies on sustainable margins

ReAmped is a staunch advocate of competition as a critical means by which consumers can access lower prices, innovative offers and as a way to hold the incumbent energy giants accountable. As such we are supportive of the DMO objectives to prevent customers being taken advantage of.

However, we also consider the DMO must allow independent retailers to be able to recover costs and receive a reasonable margin to protect competition. We would encourage the AER to look at the recent occurrences in the UK market, where regulation restricting what retailers can charge led to multiple defaults when surging wholesale costs could not be recovered. Competition is now well and truly eroded in the UK market with only a handful of challenger brands remaining. Whilst the DMO is unlikely to have such drastic outcomes as the UK, if the implicit margin is below sustainable levels this will significantly reduce the ability of independent retailers to fund acquisition and in turn this will reduce essential competitive pressures and negatively impact customers in the long run.



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Increases in retail costs and wholesale costs are not fairly reflected in DMO4

ReAmped Energy has two areas of concern in relation to the DMO 4

1. There has been a reduction in the allowance for retail cost between DMO 3 and 4 with limited justification and despite significant inflationary cost pressures. Figure 2.2 in the consultation paper shows that for 3 of the networks the retail allowance (Retail Cost + DMO Allowance) under DMO 4 is lower than that (Residual) under DMO 3 which doesn't reflect the increasing costs faced by retailers. Only 1 network (SAPN) has a material increase for the retail allowance but the indicative margin remains relatively thin at 5%.

In addition it should be recognised that costs are only just starting to increase and the impacts of the war in Ukraine haven't been fully reflected in CPI calculations. Whilst ReAmped Energy acknowledges there are difficulties looking forward, we consider there should be sufficient headroom in the calculation to absorb any reasonable increases and remain fit for purpose.

2. Similarly, the war has put further upward pressure on wholesale prices due to increases in global commodity prices. Therefore, we don't consider it prudent to adjust the methodology for calculating wholesale costs at this time in such a way as to reduce the allowance. Further increases in wholesale cost will be borne primarily by the independents who cannot rely on a structural hedge and instead access supply via the open market to support growth.

ReAmped Energy welcomes further discussion on our submission Please contact James Nymeyer via email: james.nymeyer@reampedenergy.com.au if you have any questions.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'L. Blincoe', with a long horizontal flourish extending to the right.

Luke Blincoe
Chief Executive, ReAmped Energy Ltd
luke.blincoe@reampedenergy.com.au
+64 27 601 3142