

22 May 2015

General Manager—Retail Markets Branch
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Submitted via Email: AERinquiry@aer.gov.au

Dear Ms Proudfoot,

Re: Amended retail pricing information guidelines 2015

Red Energy is a 100% Australian owned and operated subsidiary of Snowy Hydro Ltd and is part of the Snowy Hydro retail portfolio which services approximately 1 million customers. Red Energy currently retails electricity and gas in Victoria, and electricity in NSW and South Australia.

We welcome the opportunity to provide this submission on the Draft Retail Pricing Information Guidelines – April 2015 (the Guidelines) and the Notice of Draft Instrument (the Draft Instrument) accompanying them. Red Energy is supportive of the Australian Energy Regulator's (the AER) proposal to simplify the Guidelines, and agree that further clarification will encourage greater participation and engagement of consumers in the retail energy market.

While Red Energy is generally supportive of the changes proposed in the Guideline, we do wish to reiterate our overarching position is that any proposals to limit the manner and method in which Retailers choose to develop and market products to suit their customers has the potential to limit the benefits available to consumers in a deregulated energy market. In a competitive market, a Retailer who does not provide products that meet the needs of its customers will not be successful in the long term, however conversely a customer wishing to choose a product that meets their needs, but is unable to due to the regulations imposed represents a clear failure of a fully deregulated market.

Terminology

Red Energy is strongly supportive of the AER clarifying the language used in Energy Price Fact Sheets (EPFS) and believe this will in time flow through to other communications and correspondence sent by retailers to consumers. Red Energy's billing system refers to "usage" rather than "consumption" so this change will allow the same terminology to be present throughout the whole supply chain.

Red Energy is also supportive of the proposals to use terms such as "exit fee" and "ongoing contract with fixed benefit period" as less confusing than the current alternatives used.

Treatment of unconditional discounts

Red Energy is supportive of the AER's desire to improve clarity for customers when Retailers make offers comprising unconditional discounting, however questions the decision the AER has reached in how this should be displayed in an EPFS.

The Guideline suggests that the rates provided to a customer in the pricing table must include any unconditional discount (referred to as a guaranteed discount), and then subsequently provide information regarding that unconditional discount immediately following the table in the discounts section. Red Energy believes this has the potential to further confuse customers regarding the rates they will actually pay, as it

may appear that a customer will get an additional guaranteed discount off the already discounted rates provided in the table. Red Energy believes customers would be better served by the AER mandating a clear explanation on the EPFS of how the rates correlate to the discount offered.

For example if Red Energy offered a customer a product comprising:

- An energy rate of 30c/kWh
- A supply charge of \$1.00 per day
- A 20% guaranteed discount off the usage

An appropriate disclaimer of the guaranteed discount might be "Red Energy offers a 20% guaranteed discount which is not included in the above pricing table. This discount is off the above usage price offered and does not discount the supply charge." If the AER considers it important that a customer is made aware of the pricing of a market offer inclusive of any discounts, Red Energy believes that this pricing table should also include any conditional discounts with an appropriate definition so as not to confuse customers between the two differing methods of discounting.

Other changes

Red Energy is also supportive of the further clarification between generally available and non-generally available market offers. We agree with the AER that this distinction will reduce confusion in the market regarding retailer obligations in this area.

Red Energy is however opposed to the variation of clause 2.4.3(7) and does not see a justifiable benefit in increasing the wording and obligations imposed by this change. The primary purpose of an EPFS is to assist a customer easily compare energy offers, not to explain Energy Made Easy and advertise its logo. The current wording clearly advises a customer on the availability of EME, and the AER has provided no evidence that this is currently insufficient to meet consumer needs. Further to this, the AER has not provided any evidence to illustrate how consumers will benefit from seeing the EME logo on the EPFS.

Red Energy is also concerned that the requirement to include information regarding the existence of an EPFS on social media posts may be impractical due to character limitations. Red Energy believes it would be sufficient to include EPFS references on any website links the post might lead to.

If you have any further comments or queries in relation to this submission please do not hesitate to contact Ben Barnes, Regulatory Manager on 03 9425 0530.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ramy Soussou".

Ramy Soussou
General Manager – Regulatory Affairs and Stakeholder Relations
Red Energy Pty Ltd