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Ms Sarah Proudfoot  
General Manager—Retail Markets Branch  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Submitted electronically: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Ms. Proudfoot

### **Re. Draft AER Benefit Change Notice Guidelines**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to comment on the Australian Energy Regulator's (AER's) Draft Benefit Change Notice Guidelines (the Guidelines).

#### **Coverage**

We largely support the proposed coverage of the Guidelines, particularly the definition of an 'excluded change' (i.e. where a retailer must notify a customer under Retail Rule 46(3)). There is real potential for many consumers to be confused by prescribed notices from their retailers - which they receive in addition to their standard bills - therefore, the AER's draft decision mitigates this to the extent possible.

We also welcome the AER's acknowledgement that the Australian Energy Market Commission is considering a rule change proposal to require retailers to notify customer in advance of price changes. This is an opportunity to take a broader view of the objective, frequency and form of all prescribed notices and how they interact. We support measures to promote consumer engagement but encourage policymakers and regulators to adopt an integrated and consistent approach.

However, the AER could further improve the Guideline by extending the definition of excluded change to customers who have been on a fixed benefit for 6 months, as opposed to the 40 day threshold the AER proposes in the Draft Guidelines. As we argued in our submission to the Issues Paper, these are engaged customers who are likely to consider these additional notifications unnecessary, particularly alongside other regulated notices (such as price changes in a market contract) and unregulated notices (such as further information about their benefit).

#### **Form and content of notice**

We support the AER's decision not to mandate the inclusion of the previous 12 months' billing amount in the proposed notice. However, the proposed notice is still highly prescriptive and contains a large volume of information with accompanying explanation. The Notice of Draft Instrument explains that much of this reflects behavioural research and is necessary to encourage participation. However, we expect few consumers will engage with this volume of information.

## Evidence base for proposed obligations

As a final point, we note the AER is drawing heavily on behavioural research and consumer testing for these Draft Guidelines and for other regulatory instruments (such as the Retail Pricing Information Guidelines). This analysis is focused on identifying the appropriate timing and form of regulated mechanisms - such as prescribed notices in advance of specific events - for encouraging greater participation in energy markets.

This is worthy research but we have two particular concerns. Firstly, we are aware this research is ongoing; the Draft Guidelines Notice, for example, refers to 'initial' and 'preliminary' results.

A more fundamental issue is how broadly some of these findings might apply outside the formal testing environment. More specifically, it is unclear whether these initial findings apply for consumer segments who differ in their understanding of the retail market or current level of engagement, or whether they will hold over time. Furthermore, the Notice of Draft Instrument implies a degree of certainty about the prescribed content that we do not believe is warranted.

In short, we are not convinced the AER has established a sound evidence base for some of its proposed obligations. It would therefore be prudent for the AER to amend the Guidelines in the future as it refines its research and receives customer feedback from retailers.

We acknowledge the AER is working to prescribed dates for some of these measures. For example, retailers must comply with the Benefit Change Guideline from 1 October 2018. However, we encourage the AER to take the time to ensure proposed obligations directly target and effectively address problems of consumer disengagement. Red and Lumo welcome the chance to contribute to these processes as we can offer useful insights on how best to communicate with consumers.

## About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to approximately 1.1 million customers.

Red and Lumo thank the AER for the opportunity to respond to its Draft Guideline. Should you have any further enquiries regarding this submission, please call Geoff Hargreaves, Regulatory Manager on 0438 671 750.

Yours sincerely

A handwritten signature in black ink, appearing to be "Ramy Soussou", written over a white background.

**Ramy Soussou**  
General Manager Regulatory Affairs & Stakeholder Relations  
**Red Energy Pty Ltd**  
**Lumo Energy (Australia) Pty Ltd**