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Essential Services Commission
Level 8, 570 Bourke Street
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Submitted electronically: energyreform@esc.vic.gov.au

Re: Issues Paper - Review of Energy Retail Code of Practice

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Essential Service Commission's (the Commission's) issues paper for its Review of Energy Retail Code of Practice (ERCoP). We acknowledge the Commission's rationale for undertaking this review, particularly in light of the movement in retail prices across recent years. Furthermore, it is good regulatory practice for regulators to review the efficiency and effectiveness of regulatory frameworks to ensure they remain consistent with policy objectives and reflect the evolving market.

However, a stable regulatory framework provides confidence to retailers about the consistency of their operating and competitive environment and in many instances, delivers benefits for consumers. This might be due to the avoidance of costs (e.g. that retailers incur to implement system changes) or the stability and consistency of the messages they receive. Consistency in the form and content of bills is a notable example.

More fundamentally, we do not see a compelling evidence base for substantial changes to the ERCoP. The issues paper refers to various concerns about specific provisions or emerging issues but in our view, it does not quantify the nature and extent of such problems. A more detailed analysis would allow for a comprehensive evaluation of options or a comparison of the costs and benefits of potential amendments. We would welcome the opportunity to work more closely with the Commission as it prepares a Regulatory Impact Statement for any changes that it might be considering. Otherwise, retailers may incur costs (and pass them through to consumers) for no significant benefit and at a time when many consumers are highly sensitive to further increases in energy prices.

A further issue to note is the Commission's proposed implementation timeframe. While it depends on the nature of any amendments (e.g. whether retailers need to make changes to billing systems), the Commission's proposal for retailers to comply with revised obligations from the end of 2025 seems highly ambitious. The timeframe between the finalisation of changes and their commencement is too short. Furthermore, it also coincides with other regulatory initiatives, the most significant of which is the start of the Accelerated Smart Meter Deployment (scheduled to commence in November 2025).

Response to specific issues

Support for consumers experiencing difficulties

Red and Lumo do not see any obvious deficiencies in the Payment Difficulty Framework (PDF) and note the Commission's positive findings about retailer compliance and consumer outcomes in its recent review. Retailers are very mindful of their obligations to ensure that *all* consumers are aware of and then receive the support they need to manage payment difficulty but recommend the Commission retain some flexibility in the PDF for retailers to provide information in a form and at a time that is consistent with their customers' needs.

For example, a retailer is generally better placed to assess when a customer might be ready for a discussion of energy efficiency and how they can better manage their consumption, rather than it occurring at the same time as a customer is considering alternative offers, payment plans and other elements of the support that is available to them. A further consideration is the limited ability of a retailer to directly address energy efficiency, which is often a function of the quality of appliances and housing stock.

As such, we do not see any need for additional obligations relating to information or assistance in accessing Utility Relief Grants or in relation to energy efficiency. Rather, the Commission can rely on retailers' incentive to ensure their customers receive all relevant entitlements and can consume energy in a sustainable manner. This includes awareness of available rebates and incentives, and of the Victorian Energy Upgrades Scheme. Government funded bodies are well placed to offer comprehensive advice on energy efficiency initiatives and the Commission should view retailers as an initial point of contact or a facilitator of contact between their customer and specialist agencies, rather than being primarily responsible.

On the other hand, we welcome the Commission's acknowledgement of the potential problems arising from the freeze on debt repayments in some instances. In our experience, a mandated debt freeze, even for the relatively short period of 6 months, has led to worse outcomes for some consumers over the longer term. Therefore, we strongly recommend that the Commission remove it as a mandatory element of tailored assistance for consumers who cannot afford the full cost of their ongoing energy use.

We acknowledge that a debt freeze can assist some consumers in some instances, such as job loss or bereavement, but recommend that retailers retain the discretion to agree on the appropriate duration with their customer. Otherwise, retaining the current freeze means that some consumers will accumulate substantial long-term debt and delay other more fundamental measures that are necessary to establish a more sustainable payment solution.

Removal of this freeze allows for a more holistic approach that allows retailers to work with their customers to identify the most appropriate course of action that offers temporary relief and the tools necessary to manage their finances effectively over the longer term.

Supporting consumers who want to disconnect from gas

Red and Lumo see a limited role for retailers to provide consumers with information about disconnecting or abolishing their connection to the gas network. Retailers will always provide information to consumers about the sale of electricity and gas, including relevant charges for specific activities, and we are obligated to fulfill customer requests relating to those services. However, the process of gas disconnection or abolishment itself is controlled by distribution network providers.

More fundamentally, a gas consumer will generally consider a range of factors when assessing whether to electrify their home and should seek advice or information from a range of sources. This includes any safety or environmental considerations. We understand that the gas networks' and Energy Safe Victoria's preference is for consumers to abolish a connection, rather than disconnect, as the former is a safer option; this is not an issue about which retailers can comment with authority. Similar to energy efficiency advice, the role of a retailer could be to facilitate contact between their customers and specialist agencies, rather than assuming the primary role.

Billing

We recommend that the Commission retain the current provisions relating to billing rather than aligning with the Australian Energy Regulator's *Better Bills Guideline*. The current Victorian framework grants some flexibility to retailers to present information in a way that meets their customers' needs. We view this as a preferable model.

We acknowledge the Commission's suggestion that some retailers might prefer consistency between the Victorian and NECF obligations. However, the cost of implementing the *Better Bills Guideline* is sunk and those retailers who did not apply the same bill format across all jurisdictions last year would incur additional costs. Our preference is for the ERCoP to retain some flexibility for retailers to adjust their bills in line with the evolving needs of their customers, particularly as the market starts to deliver more innovative products or as they deliver information through other mechanisms. This could be through apps or websites, for example. Furthermore, changes to billing form and content needs to be carefully managed, as many consumers value consistency of presentation. We have found that substantial changes to bills frequently generate confusion and complaints. Moreover, the Better Bills Guideline is a relatively new initiative so it is too early to assess whether it is delivering benefits to consumers.

A further issue is the presentation of information about the Energy and Water Ombudsman Victoria (EWOV) contact details on the front page of bills. We recognise it is important that

consumers are aware they can access an external dispute resolution mechanism. However, the risk in prescribing that retailers include contact details on the first page is that consumers will seek to resolve all issues or seek general advice from EWOV, rather than raising it with their retailer in the first instance. The Commission will be aware that consumers should seek to initially resolve issues directly with their retailer and that retailers must implement complaint and dispute resolution procedures.

Accessing offers

The issues paper notes some concerns about the accuracy of information about retail offers on the Victorian Energy Compare (VEC) website. Uploading and removing offer information in a timely manner is a regulatory obligation so some of the issues to which the Commission refers may simply be issues of non compliance, rather than the basis for regulatory change. Similarly, the practice of advertising a market offer as a standard offer—and in a way that implies it is a standing offer—seems to be misleading and as such, a breach of Australian consumer law.

Other issues of presentation might arise because VEC (and Energy Made Easy) initially asks for a consumer's postcode, rather than National Meter Identifier, and this may generate a broader range of offers than what that consumer can actually access (due to network assignment policies or the presence of solar, for example). VEC presents more accurate information as the consumer follows the process but it is not always immediately available.

The Commission should bear in mind that retailers have a strong incentive to avoid confusing or misleading their customers (or any prospective customers) about the offers available to them. We want to avoid misunderstandings during the sign-up process and as we fulfill EIC and clear advice obligations.

Clarification of terms

We note the Commission's suggested amendment to clarify that a customer must receive information about available assistance before a disconnection. In our view, the proposal to replace the term '*after the issue of the disconnection warning notice*' with '*after the receipt of the disconnection warning notice by the residential customer*', will not deliver any incremental benefits to consumers. Rather, it will delay what is potentially a trigger for a consumer to finally engage with their retailer if they have not done so to this point. The Commission will be aware of the numerous obligations on retailers to provide information about available support to their customers, including where they are considering commencement of the process to disconnect for non-payment.

Furthermore, retailers must use their best endeavours to ensure their customer receives that information. As such, it is not necessary to introduce a further obligation to provide information about available assistance after the receipt of the disconnection warning notice by the residential customer; this simply duplicates retailers' obligations.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail electricity and gas in New South Wales, Queensland, South Australia, Victoria and the Australian Capital Territory to more than 1.4 million customers.

Red and Lumo thank the Commission for the opportunity to respond to the issues paper. Should you wish to discuss or have any further enquiries regarding this submission, please call Jordan Rigby, Regulatory Manager, on [REDACTED]

Yours sincerely

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