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28 February 2017

Review Secretariat
Department of Environment, Land, Water and Planning
8 Nicholson St,
East Melbourne VIC 3018

Dear Sir/Madam,

Re: Review of electricity and gas retail markets in Victoria

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to make a submission to the Review Panel on the Review of electricity and gas retail markets in Victoria – Discussion Paper (the discussion paper).

Red and Lumo firmly believe that retail competition is working and is delivering choice to energy consumers in Victoria.

About Red and Lumo

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to approximately 1 million customers. Red and Lumo are members of the Australian Energy Council and support the comments made in their submission to the Review Panel.

Red and Lumo as energy retailers provide a variety of products, services and value to Victorian energy consumers. The functions of an energy retailer are broader than just providing a gas or electricity bill and include, but are not limited to, the following activities:

- Purchasing electricity and gas from the wholesale markets on behalf of its customers
- Managing wholesale market risks
- Managing renewable energy schemes, feed in tariffs and green schemes, both at a national and jurisdictional level
- Purchasing transmission and network services on behalf of its customers
- Procurement, maintenance and management of customer's electricity metering installation and data (expected to commence in December 2017)
- Acquisition of new customers offering a variety of products and value-added services
- Provision of customer services, energy efficiency information, dispute resolution services and working with our vulnerable customers within our hardship policies
- Managing customer credit risk
- Managing and provisioning government concession schemes to relevant customers
- Facilitate field work with regulated networks and service providers at our customer's premises
- Managing regulatory risks, compliance reporting, regulatory and compliance costs.

Retail Competition

National competition policy has promoted choice and competition in both the national and Victorian retail energy markets. The high levels of switching across the NEM, particularly in Victoria along with many new entrants into the retail markets clearly highlight that retail competition is effective. This is also promoted by the AEMC who have completed three

annual retail competition reviews at the request of the COAG Energy Council. In 2016, the AEMC reported that it “finds that competition continues to be effective in most jurisdictions and is delivering benefits for customers”.¹ Further, with specific reference to Victoria, it specifically noted that “competition continues to be effective in the retail electricity market. Competition is also effective in the retail gas market, and stronger than in other jurisdictions”.² We agree that retail competition is effective and delivering benefits to Victorian consumers.

In order to ensure retail competition continues to work effectively and deliver benefits to consumers, we recommend that stringent ring fencing arrangements apply to ensure that regulated businesses are not competing with competitive providers to meet consumer needs. In particular, where networks use their regulated, monopoly advantage to distort the market in the delivery of services to consumers. The regulatory regime should prevent this from occurring and continuing to promote competitive neutrality will ensure that barriers to competition do not arise.

Conclusion

We thank Review Panel for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, please call Stefanie Macri, Manager - Regulatory Affairs on 03 9976 5604.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Ramy Soussou
General Manager, Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd

¹ AEMC, 2016 Retail Competition Review, Final Report, 30 June 2016, Sydney, pg.i

² Ibid, pg. 24.