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Tuesday, 5 February 2019

Ms. Sugi Sivarajan
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

By email: RetailEnergyReview@esc.vic.gov.au

Dear Ms Sivarajan

RE: “Helping customers engage confidently in the retail energy market” Draft Decision.

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Essential Services Commission’s Draft Decision on “Helping customers engage confidently in the retail energy market”.

About ERM Power Retail

ERM Power Retail Pty Ltd, which trades as ERM Power, is a subsidiary of ERM Power Limited, an Australian energy company operating electricity sales, generation and energy solutions businesses. Since launching in 2007, ERM Power has grown to become the second largest electricity provider to commercial businesses and industrials in Australia by load¹, with operations in every state and the Australian Capital Territory. ERM Power has increasing success in the small business market. www.ermpower.com.au

General Comments

ERM Power has welcomed a large number of the recommendations stemming from the Independent Review into the Electricity and Gas Retail Markets. We recognise the importance of providing simplicity, consistency and transparency in the presentation of retail offers to promote customer engagement and competition in the energy retail sector.

ERM Power generally supports enhancing the manner in which prices and product information is presented to customers. In looking to implement the recommendations from the Review, we acknowledge that the ESC has rationally proposed to follow the approach of the Australian Energy Regulator (AER), given the AER’s considerable work undertaken in this area and the positive outcome from the Basic Plan Information Document (BPID) implementation. This approach will promote efficiencies and consistency of compliance to minimize the implementation costs to retailers.

The ESC plans to introduce a new Victorian energy fact sheet with the form and content consistent with the requirements of the Australian Energy Regulator’s (AER) energy fact sheet (BPID). We strongly recommend the

¹ Based on ERM Power analysis of latest published financial information.



ESC follows the AER's lead in limiting the extension of obligations for small business to those that are single site customers and only to offers that are generally available (but excluding default offers that are created for the purpose of fulfilling FRMP obligations).

As a leading provider to large and multi-site customers we are familiar with the vastly different manner in which multi-site small business customers contract for energy. These customers are contracted via sophisticated negotiation processes using third party brokers, direct submissions to tender requirements, and other means. Multi-site customers do not utilise Victorian Energy Compare to source and compare offers and in fact the system is not capable of providing a search function for this customer group. For clarity in the regulations, we strongly recommend that the ESC should explicitly exclude multi-site business customers from the price fact sheet obligations, given this customer group typically does not benefit from the use of energy price fact sheets.

In the creation of the BPID, we note that the AER has sensibly recognised the unworkability of the Comparison Pricing Table for small business customers, due to the difficulties in segmenting this group and the likelihood of misleading customers through generalisations about usage estimates. These difficulties will be even more prevalent in the Victorian market where many small business customers are on flexible pricing. We urge the ESC to take a similar approach to that of the AER and exclude the comparison mechanism for small business customers.

The concept of generally available offers.

In deciding on the scope of applicable offers that will require the new Victorian energy fact sheet, the concept of 'generally available' will be important. The greater the content of Victorian Energy Compare to contain bespoke and limited offers, the less likely useful comparisons can be made, and the less likely Victorian Energy Compare will be embraced as the leading search tool by consumers. It is our view that customers should not need to delve through countless offers, to determine eligibility by having to read through the information content.

Although we largely support consistency across the jurisdictions, we caution the ESC in adopting the AER's approach to offer exclusion, which is for the comparator to contain all offers bar a small discrete list, specified as 'restricted'. It is unacceptable to widen the concept of 'generally available' offers to account for all offers with the exception of a discrete list. This has made a customer's task of finding a relevant offer very difficult. Further, it is extremely unlikely that businesses will be willing to inefficiently trawl through numerous offers that they are not eligible for. They are more likely to seek a point of comparison in a generic offer and then be encouraged to engage with the retailer for any other offers tailored to their needs.

As mentioned above for business customers, the use of bespoke offers is common for multi-site customers, or those that engage brokers. Such offers are not typically in Victorian Energy Compare and the requirements around Victorian energy fact sheets should explicitly omit multi-site business customers.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Libby Hawker
Senior Manager Regulatory Affairs