

25 June 2020

Ms. Kate Symons
Chairperson
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

By email: aaron.yuen@esc.vic.gov.au

Dear Ms Symons

Draft decision: Supporting energy customers through the coronavirus pandemic

Thank you for the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC) consultation on the National Electricity Amendment (Deferral Of Network Charges) Rule 2020.

Next Business Energy P/L (NBE) is a 100% Australian owned and operated electricity retailer. NBE is focussed on providing competitively priced electricity to businesses in Victoria, New South Wales, South Australia, Queensland, and the Australian Capital Territory.

Next Business Energy supports the Commissions' Draft Decision to extend assistance to residential customers in applying for Utility Relief Grants, and the Draft Decision to temporarily require retailers to check a customer's tariff suitability.

NBE notes however that the Department of Health and Human Resources (DHHS) processes for Utility Relief Grants have been designed around customers completing the process individually, and not for retailers to integrate into their complex systems. NBE considers that if this Draft Decision proceeds, then the Commission must ensure that DHHS implements systems to enable retailers to provide completed data in a simple batch upload, such as a secure transfer of CSV files.

With regards to the Commission's Draft Decision to extend the Payment Difficulty Framework (PDF) to small business customers, NBE does not consider it an appropriate or proportional response to the impact of the pandemic to small business customers. NBE notes that there has been no evidence of the failure of retailers to support impacted small businesses provided, and the Draft Decision is applied to all small businesses, and not to just those impacted by the pandemic.

NBE believes that a "statement of outcomes" approach outlining the expected behaviours of retailers and impacted businesses would be a more appropriate approach to take to implement a targeted and short-term issue. NBE have also specifically addressed the questions outlined in the Draft Decision below.

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Question 1: Are there other measures you think we should be considering ensuring consistent protections for residential customers experiencing financial stress as a result of the pandemic, either in the short or medium term?

- NBE considers that measures that are currently being applied by retailers are suitable for ensuring the application of consistent protections.

Question 2: Are there other measures you think we should be considering to ensure consistent protections for small business customers experiencing financial stress as a result of the pandemic, either in the short or medium term?

- NBE considers that it is important that retailers can continue to apply the flexible approach to managing small business customers through the emergency.
- The lack of evidence of failure of retailers to apply the recommended additional protections to small business customers suggest that there is no need to replicate the processes adopted for residential customers in the retail code, especially for a short period of time.
- NBE considers that current approach with retailers working with business customers in financial distress during the pandemic to establish bespoke payment plans is appropriate and proportional.
- NBE is mindful that businesses should only continue to trade where they are solvent, and that extension of the PDF to business customers could see businesses continuing to trading whilst insolvent past the end of pandemic emergency. Such businesses could fail after increasing their debts and driving up retailer bad debt.
- NBE recommends that the Commission adopt an approach like that of the Australian Energy Regulator, with a statement providing retailers with a series of outcomes to apply to small business customers who are in financial distress. This approach allows retailers to adopt a customised approach towards such businesses and limits or avoids the requirement for costly system changes, and should be quicker to implement and amend as appropriate.

Question 3: We are proposing that if a small business misses a bill pay-by-date, it will be entitled to repayment of arrears over not more than two years by payments at regular intervals of up to one month. Do you think that two years is an appropriate length of time for small business customers to be asked to repay their arrears?

- NBE considers that 24 months is far more extensive a repayment period than is appropriate for small businesses. Given that small businesses operate for finite periods, often less than 2 years, and that they can close and re-appear as a different legal entity, we believe that a 24 month period would just increase retailer debt levels and retailer financial distress.
- NBE considers that Commission should consider a 9-month debt period, with regular monthly payments, and payment of ongoing usage required.
- NBE also consider that retailer can offer to extend that term based on the individual circumstances of the customer and the retailers risk appetite.

Question 4: We are proposing a temporary entitlement to payment assistance for any small business that misses a bill pay-by-date. Do you think it would be practical or appropriate to restrict eligibility for payment assistance to small businesses that meet a set of criteria for financial stress?

- NBE considers that it is practical to restrict eligibility of small businesses and if such criteria were to apply the Commission allow retailers to deny support unless the current usage of the customer has been consistently reduced (at least 70% of normal)

Question 5: Do you think the current network relief package to retailers has worked the way it was intended?

- Whilst the network relief package was welcome, it assumed customers would “hibernate” their businesses, which rarely happened, and it assumed that business would quickly close leaving retailers with debts that they could quickly write off and partially claim. This has not been the case, as government interventions have kept businesses operating, with some customers managing payments and agreed payment plans, and other not engaging with retailers at. This has meant that utilisation of the package was reduced, as retailers are unable to disconnect and finalise accounts in order to claim.

Question 6: Do you think anything further should be put in place in Victoria after the initial network relief package to retailers ends, for example a deferral of network charges similar to the rule change that the Australian Energy Market Commission is currently consulting on?

- NBE believes that the network relief package currently offered by Networks could be extended until the end of the current emergency.
- NBE also considers that the ESC should consider application of the deferral of the Network Charges rule into the Victorian Jurisdiction.
- NBE believes that the Commission should consider adding COVID19 relief allowance to the retailer costs allowed under the VDO.

Should you require any further information regarding this submission, please do not hesitate to contact Andrew Mair, Manager Regulation & Compliance on 0419 388 283 or via email at andrew@nextbusinessenergy.com.au

Yours sincerely



David Hayes
Chief Executive Officer