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31 August 2023

Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 161
Civic Square ACT 2608

Submitted electronically

Dear Mr Joe Dimasi,

Re: Issues paper - standing offer prices for the supply of electricity to small customers from 1 July 2024

Red Energy welcomes the opportunity to make this submission to the Independent Competition and Regulatory Commission's (the Commission's) issues paper on the standing offer prices for the supply of electricity to small customers from 1 July 2024. We are a recent entrant to the ACT market and have a relatively small market share. Despite this, we offer an important alternative to the more established retailers, both in terms of our retail prices and the other elements of our service offering. This is a function of effective competition and a framework that allows consumers to participate in the market with confidence. Effective competition is enabled by stable and predictable price regulation that allows all retailers to recover reasonable costs. This includes a return that reflects the risk of retail operations in the ACT.

It is important that the Commission maintains an approach for the next regulatory period that encourages competition. Regulated prices that do not account for all reasonable costs will ultimately result in diminished competition, market concentration, a decline in service standards and innovation, and more passive consumers.

Timeframe for the yearly standing offer approval process

One of the major challenges for our operations in the ACT is the practicalities of the price change process. This is due to the lateness of the Commission's price determinations—compared with the Default Market Offer and Victorian Default Offer—and the misalignment with the Ministerial reference price. The current timeframes do not give us sufficient time to complete all the necessary steps to fulfill our legal obligations under the ACT Retail Electricity (Transparency and Comparability) Code and National Energy Retail Rules. This includes advance notification of price changes within a prescribed period and in a prescribed form.

The reference price was published and advised to retailers on 14 June in 2023 and on 16 June 2022. Both of these dates give retailers very limited time to update all systems and customer collateral as well as meet the existing obligations to notify customers of price changes.

Red and Lumo recommend that publication of standing offer prices should align with the timing of final decision of the Default Market Offer (which must occur no later than 25 May). Ideally there would then be a published and agreed timeframe for the release of reference price to retailers, although we acknowledge this is beyond the ICRC's direct control. Even so, the publication of final standing offer prices in May should allow adequate time for Ministerial Directions on the reference price and retailers to meet all subsequent obligations on providing advice on price changes to customers.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in New South Wales, Queensland, South Australia, Victoria and in the ACT to over 1.2 million customers.

Red and Lumo thank the Commission for the opportunity to comment on the draft report. Should you wish to discuss or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to read "G Hargreaves".

Geoff Hargreaves

Manager - Regulatory Affairs

Red Energy Pty Ltd

Lumo Energy (Australia) Pty Ltd