

22 May 2015

Review of NECF in South Australia

Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

2 William Street
East Richmond, VIC 3121
T 131 806
F 1300 66 10 86
E enquiries@redenergy.com.au
W redenergy.com.au

ATT: Mr Mike Philipson

Submitted via Email: escosa@escosa.sa.gov.au

Dear Mr Philipson,

Re: Review of NECF in South Australia

Red Energy is a 100% Australian owned and operated subsidiary of Snowy Hydro Ltd and is part of the Snowy Hydro retail portfolio which services approximately 1 million customers. Red Energy currently retails electricity and gas in Victoria, and electricity in NSW and South Australia.

We welcome the opportunity to provide this submission on the Review of the Operation of the National Energy Customer Framework (NECF) in South Australia – Issues Paper (the Issues Paper) to the Essential Services Commission of South Australia (the Commission) and commend the Commission on the engagement undertaken with industry to date as part of this review.

As a retailer operating across multiple jurisdictions, Red Energy strongly supports the nationalisation of energy regulations. The introduction of the NECF in the recent years has allowed us to streamline a number of processes across our business, which in turn reduces compliance costs for operating across the NEM. It must however be noted, that until we truly see nationalisation of energy regulation in all jurisdictions, a number of these efficiencies will continue to be compromised.

Red Energy reiterates the comments made by retailers in the recent industry forum held by the Commission regarding this project, and feel that overall the NECF is performing well, with no consumer detriment occurring as a result of the change from the previous framework. As stated above, the NECF has allowed Red Energy to streamline reporting functions, hardship processes, and simplified the regulatory training provided to staff.

Derogations

It must however be noted that the derogations implemented in South Australia do impact the true nationalisation of the framework as drafted. Red Energy supports derogations only if there is a material benefit to consumers that is specific to the jurisdiction they are enacted in. The higher consumption threshold for a Small Customer in South Australia is one such derogation that requires us to have multiple treatment processes in our systems across the states. Red Energy questions whether there is a material benefit to providing customers in South Australia who consume between 100 MW and 160 MW per annum access to the Small Customer protections when all other enacting states have deemed 100 MW to be an appropriate threshold.

The other derogation Red Energy believes is no longer necessary is the requirement to maintain and report a call centre grade of service (GOS) of 95% and ensuring the time taken to respond to enquiries made in writing is no longer than 5 business days. Red Energy does not believe these derogations are necessary in today's highly competitive retail energy market. When these regulations were first introduced in South Australia, there was a monopoly state owned energy provider, and it was seen to be justifiably important that customers were able to access this provider efficiently. In today's market however, an energy retailer has a much stronger need to ensure its customers are able to make efficient contact. A customer dissatisfied with the time taken to answer a phone or respond to a letter is able to transfer to an alternate provider quickly and simply. As such all retailers, and Red Energy in particular, are striving to provide the best possible customer experience, including performing at well above the mandated guidelines in the South Australian derogations. In today's competitive retail market, the derogation merely provides an additional complexity in operating and reporting in South Australia that increases compliance costs for little apparent benefit.

Interpreting data trends

On a final note, Red Energy recommends the Commission take care in interpreting the graphs provided for analysis in the Issues Paper. These graphs separate first and second tier retailers in analysing a number of indicators across the market, however the fluctuating customer base of the second tiers, and the varying activities of the first tiers over the years appear to strongly influence this data, limiting its value for comparison. Red Energy notes in almost all circumstances, the "All Retailers" reference point almost exactly matches the "Top Three" reference point. This leaves the second tier point to fluctuate greatly over the reported periods. Red Energy recommends the Commission places the most weight on the "All Customers" graph as this is most reflective of the industry as a whole and appears to provide the most comparative value to this review.

If you have any further comments or queries in relation to this submission please do not hesitate to contact Ben Barnes, Regulatory Manager on 03 9425 0530.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "R. Barnes" or similar, with a stylized flourish at the end.

Ramy Soussou
General Manager – Regulatory and Stakeholder Relations
Red Energy Pty Ltd