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12 April 2022

Essential Services Commission  
Level 8, 570 Bourke Street  
Melbourne Victoria 3000  
Email: [VDO@esc.vic.gov.au](mailto:VDO@esc.vic.gov.au)

Dear whom it may concern,

ReAmped Energy welcomes the opportunity to provide feedback on the draft decision of the Victorian Default Offer 2022-23 (VDO). Whilst ReAmped Energy is supportive of the VDO as it provides much needed price transparency, our view is that the draft VDO doesn't adequately reflect current market conditions. It is essential that the increasing costs faced by retailers, such as higher wholesale prices and accelerating inflation are fairly reflected in the VDO to protect the competitive market.

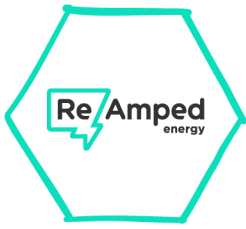
### **Thriving competition relies on sustainable margins**

ReAmped Energy was first launched in 2018 and has since become one of the fastest growing electricity retailers in Australia, reaching 70,000 customers in March 2022. Our low price electricity offers are an essential part of the competitive market and have been welcomed by households across the country.

ReAmped is a staunch advocate of competition as a critical means by which consumers can access lower prices, innovative offers and as a way to hold the incumbent energy giants accountable. As such we are supportive of the VDO objectives to prevent customers being taken advantage of and increasing transparency of price offers.

However, we also consider the VDO must allow independent retailers, who do not have the scale or the captive customers of the incumbents, to be able to recover costs and receive a reasonable margin as a way to protect competition. We would encourage the ESC to look at the recent occurrences in the UK market, where regulation restricting what retailers can charge led to multiple defaults when surging wholesale costs could not be recovered. Competition is now well and truly eroded in the UK market with only the incumbents and a handful of challenger brands remaining.

Whilst the VDO is unlikely to have such drastic outcomes as the UK, if the implicit margin is below sustainable levels this will significantly reduce the ability of independent retailers to fund acquisition and innovation and in turn this will reduce essential competitive pressures,



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negatively impact customers in the long run. With increasing volatility on the back of increasing renewables it would be prudent for the regulator to increase allowances for wholesale costs to protect the market from future price shocks.

### **Increases in retail costs and wholesale costs are not fairly reflected in latest VDO**

ReAmped Energy has two areas of concern in relation to the VDO

1. There has only been a marginal increase in the allowance for retail costs (~1.7%) which does not reflect market inflation. CPI of 3.5% was reported for the year ended 31 December 2021 and it should be recognised that costs are only just starting to increase as the full impacts of the war in Ukraine haven't been reflected. Whilst ReAmped Energy acknowledges there are difficulties looking forward, we consider there should be sufficient headroom in the calculation to absorb any reasonable increases and remain fit for purpose.
2. Similarly, the global geopolitical issues have put further upward pressure on wholesale prices on the back of rises in global commodity prices. It should be recognised that increases in wholesale cost will be borne primarily by the independents who cannot rely on a structural hedge and instead access supply via the open market to support growth. Therefore, we would recommend increasing the allowance for wholesale costs to enable challenger brands to have more runway for growth and bring greater competition to the region. Additionally, it would be prudent to consider an out of cycle review should the upward trend in prices continue to accelerate post the release of the final VDO.

ReAmped Energy welcomes further discussion on our submission Please contact Eleanor Briggs via email: [eleanor.briggs@reampedenergy.com.au](mailto:eleanor.briggs@reampedenergy.com.au) if you have any questions.

Kind Regards,

A handwritten signature in blue ink, appearing to read 'Luke Blincoe', with a long horizontal flourish extending to the right.

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