



PO Box 4136
East Richmond VIC 3121

W redenergy.com.au

PO Box 632
Collins St West VIC 8007

W lumoenergy.com.au



17 April 2018

Mr James Clinch
A/Senior Regulatory Manager, Energy
Essential Services Commission
Retail Market Review Implementation
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Submitted via email: retailenergyreview@esc.vic.gov.au

Dear Mr Clinch

Re: Developing a reference price methodology for Victoria's energy market

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales and South Australia and electricity in Queensland to approximately 1.1 million customers.

Following the publication of the final report of the Independent Review of the Electricity and Gas Retail Markets in Victoria (the Thwaites Review), the Essential Services Commission (the Commission) has published a consultation paper regarding the development of a reference price methodology for retail prices in Victoria's electricity and gas markets. This reference price methodology has two purposes, firstly a benchmark price for the Victorian Government as outlined in its Terms of Reference, and secondly for the Commission's ongoing work assessing the competitiveness of the market (Thwaites Review Recommendation 8A).

Red and Lumo strongly oppose any form of energy price regulation, particularly as contemplated in the Thwaites Review with the concept of a Basic Service Offer that excludes costs incurred by retailers in engaging in competition, acquisition and retention of customers. In order for the Commission to truly assess the competitiveness of the market, it must take into account all costs incurred by retailers.

We firmly believe that competitive and deregulated markets deliver the best outcomes for consumers. Innovation, leading customer experience, and competitive rivalry on price provide significant value for consumers. As a result, given the Commission's review is limited in scope to consultation on design of a fundamentally flawed concept, we consider it inappropriate to engage in technical discussion on components of a regulated reference price that will erode and undermine Victoria's reputation as a leader in deregulated energy markets and in our view damage outcomes for Victorian consumers.

Should the Commission wish to discuss or have any further enquiries regarding this submission, please call Stefanie Macri, Manager - Regulatory Affairs [REDACTED].

Yours sincerely



Martin Exelby
Retail CFO
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd