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20 September 2021

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

Submitted electronically

Dear Ms Symons,

Re: Payment Difficulties Framework Review Approach Paper

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Essential Services Commission's (the Commission's) approach paper for the review of the Payment Difficulties Framework (the approach paper). While Red and Lumo support a review of the Payment Difficulties Framework (PDF) along with the questions proposed by the Commission we have some concerns over the approach and the potential outcomes of the review.

Review approach

Red and Lumo encourage the Commission to take an evidence based approach in examining the customer journey (including potential disconnection for non payment where appropriate) under the PDF. The Commission should specifically review the required communications under the PDF, the expected responses and the expectations of retailers to manage consumers who refuse to engage in the process. To support retailers in managing the PDF, the Commission should consider issuing further guidance to retailers on how communications should be written and sent to consumers as well as the process for consumers to be moved in and out of assistance.

Red and Lumo are also concerned the consultation process published by the Commission is inadequate for a full stakeholder response or for those responses to be properly considered. Following the release of the approach paper, the Commission has proposed to seek feedback only through focussed workshops, targeted one-on-one interviews and discussions, prior to the release of specific actions in 2022. This approach does not allow stakeholders to view and respond to each other's feedback or time to gain a proper understanding of the Commission's approach and proposals, thus limiting the effectiveness of the consultation process.

A more effective approach would be to undertake this review consistent with the existing regulatory reform consultation process. This would involve the release of an issues paper allowing stakeholders to provide specific feedback on the issues raised and the direction of the consultation. A draft decision would then follow allowing stakeholders to provide feedback not only on the proposed changes, but also comment on the feedback from other stakeholders, with any further consultation carried out prior to a final report with recommendations included.

The Commission must also consider how any changes will interact with future market structures, not just focus retrospectively. On the current timeline published by the Commission, it is likely that the implementation of any proposed changes will be expected sometime in 2023. Red and Lumo are concerned that the review will not adequately consider the market changes proposed in the Energy

Security Board's post-2025 market design. This has proposed implementation of new market structures (such Flexible Trading Relationships) for consumers which will directly impact the operation of support programs such as the PDF.

Use of data to drive decision making

Red and Lumo strongly support the use of data by the Commission in examining the effectiveness of the PDF and if it is delivering for consumers as intended. Furthermore, Red and Lumo would be willing to provide further targeted data demonstrating concerns over consumers who have refused to engage in the process and the risks associated with increasing debt levels. Red and Lumo are concerned that available data demonstrates an increasing number of consumers are risking a worse financial outcome by making payments below their consumption (which is unable to decrease due to existing circumstances or a lack of engagement) and increase their overall debt situation.

Red and Lumo also propose that the examination of any data take into account the impact of the COVID-19 pandemic noting the data should be split to take into consideration pre-pandemic, mid-pandemic and post-pandemic (where available).

It is critical however that the examination is driven by clear quantifiable data sets which demonstrate evidence of a clear trend of consumers and their experiences under the PDF and is not driven by anecdotes. If the Commission allows the outcomes of this review to be driven by anecdotes, and not factual evidence based data, it runs the risk of creating an impossible and costly system that aims to be perfect for all circumstances and in all situations. Changes should be designed to support consumers, with the Commission taking a proportional response to clearly identified problems, where benefits outweigh costs.

About Red and Lumo

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

Red and Lumo thank the Commission for the opportunity to comment on the approach paper. 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 "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou
General Manager, Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
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