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16 November 2015

Queensland Productivity Commission  
PO Box 12112  
George St QLD 4003

Submitted electronically

Dear Mr Wood,

**Re: Electricity Pricing in Queensland Issues Paper**

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Queensland Productivity Commission (QPC) on the Electricity Pricing in Queensland Issues Paper (the Issues Paper).

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to approximately 1 million customers.

**Competition in South East Queensland**

Red and Lumo strongly believe that for competition in South East Queensland (SEQ) to continue to grow, retail energy pricing must be deregulated.

Red and Lumo have taken a different approach to SEQ. Lumo is an active retailer in SEQ, while Red has chosen to wait for a stable regulatory environment before entering the market. New entrants require confidence in the market to participate and operate efficiently over a sustainable period. Deregulated retail pricing and the recent moves to harmonised regulatory frameworks in Queensland will continue to improve the confidence required for new entrants and to promote competition more generally.

A regulated price determination is a very complicated process, and has significant implications on retailers operating or looking to enter a market. The QPC correctly states in the Issues Paper that if the price is set too low, then retailers (and this is particularly the case for smaller retailers) are unable to recover the efficient costs of supplying energy to a customer. On the other hand, if the price is set too high, consumers are impacted<sup>1</sup>. Deregulating mature, competitive markets allows retailers to set real energy prices at efficient levels. Deregulated markets drive further competition and encourage new entrants.

In New South Wales (NSW) the benefits of increased competition following deregulation have been clear. NSW Energy Minister Anthony Roberts recently stated:

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<sup>1</sup> Queensland Productivity Commission (2015), Electricity Pricing in Queensland – Issues Paper, Brisbane, Page 32

The deregulation of the retail electricity market has increased competition, delivered lower prices and improved customer services. More than 400,000 NSW households and businesses have taken advantage of these reforms over the past 12 months to switch to a better deal,

The Independent Pricing and Regulatory Tribunal (IPART), the Australian Energy Market Commission (AEMC) and the St Vincent de Paul Society have found households can save between \$290 and \$1,050 per year by shopping around and taking advantage of the benefits of deregulation.<sup>2</sup>

Red and Lumo are confident, with the market monitoring regime set out in the *Electricity Competition and Protection Legislation Amendment Act 2014* and the consumer protections underpinned by the *National Energy Retail Law Queensland Act 2014*, that the market in SEQ is ready for electricity retail price deregulation.

### **Concessions in Queensland**

Red and Lumo strongly believe that the eligibility for energy concessions in Queensland must be reviewed. We continue to advocate for a nationally consistent approach to energy rebates to ensure that targeted assistance is provided to those consumers experiencing hardship, in a fiscally responsible approach.

We note that Queensland is the only State that provides energy concessions to Seniors Card holders, with this irregularity potentially coming at a significant cost to Healthcare Card (HCC) holders. To be eligible for a HCC, a single income must be below \$27,612 per annum<sup>3</sup>, whereas access to a Seniors Card is not means tested in any way. While we do not specifically oppose Seniors Card holders remaining eligible, we believe it is essential for the Queensland Government to expand energy rebate eligibility to very low income HCC holders.

Red and Lumo thank the QPC for the opportunity to respond to this consultation. Should you have any further enquiries regarding this submission, please call Ben Barnes, Regulatory Manager on 03 9425 0530.

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**  
**Lumo Energy Australia Pty Ltd**

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<sup>2</sup> [http://www.resourcesandenergy.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0006/579399/Driving-competition-and-transparency-across-the-resources-and-energy-sectors.pdf](http://www.resourcesandenergy.nsw.gov.au/__data/assets/pdf_file/0006/579399/Driving-competition-and-transparency-across-the-resources-and-energy-sectors.pdf)

<sup>3</sup> <http://www.humanservices.gov.au/customer/enablers/centrelink/low-income-health-care-card/income-test>