

6 December 2018



Mark Feather  
General Manager, Policy and Performance  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

email : [DMO@aer.gov.au](mailto:DMO@aer.gov.au)

Dear Mr Feather,

### Default Market Offer price - Submission

LPE appreciate the opportunity to make a submission to the AER on the proposed Default Market Offer price.

LPE is a small retailer supplying services to residential and small business energy consumers. Although LPE have no customers on standing offers, we hold concerns around the application of the DMO in terms of offers, method of comparison and presentation of bills.

We agree, in principle, that a DMO creates a safety net for consumers who are unable to access a genuine market offer by choice or by availability.

The prospect of this becoming a regulation of a business model is a source of great concern for LPE. It would require all retailers to adhere to a benchmark, or have offers of product designation that require comparisons to a benchmark. In effect, this is a discounting model; our existing model does not incorporate a discount. LPE will be forced to enter into a marketplace that embraces the 'discount' offer, which seems to be the main purpose of normalising a DMO reference price.

Free enterprise requires the market mechanism to come into effect in many ways. Creating a fixed position for retailers to benchmark against is contradictory to a free market where each retailer creates their own 'cost' around the many components of an energy price. Having a reasonable consideration of each cost slice is not enough, as risk and protective factors are independent of each free enterprise and need to remain protected. Each cost segment will be subject to a bell curve, with ranges that 'reasonable consideration' would have difficulty covering.

The multitude of factors that create the value position of the DMO, will have a greater effect on smaller retailers such as LPE. These effects will be markedly greater than those experienced by larger retailers with the majority of standing offer customers, where managing risk can often be at opposite ends of a scale depending on a market approach.

As the AER have been given a Commonwealth directive to establish a Default Market Offer, it is our position that the proposed timeframes and consultation processes are insufficient for a reform of this nature. The data and research used to justify this cherry-picked recommendation, appear not to give reasonable consideration to alternative business models, and how they will be affected.

The cost of such implementation, where these changes impact small retailers, should also be considered. Retailers who have not previously developed benchmarking or discount models may be forced to undertake a vast rebuild of their customised billing platforms.

LPE would appreciate further consultation and genuine consideration of our concerns through the draft consultation process.

We look forward to your feedback on our position.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Ben Chester', is written over a horizontal line.

Ben Chester  
COO Director