

08 March 2018

The Chair  
Energy Security Board  
c/o COAG Energy Council Secretariat  
Department of the Environment and Energy  
GPO Box 787  
CANBERRA ACT 2601

Sent via email to: [info@esb.org.au](mailto:info@esb.org.au)

Dear Energy Security Board,

**Re: Energy Security Board National Energy Guarantee Consultation**

1st Energy thanks the Energy Security Board for the opportunity to comment in respect of the Energy Security Board National Energy Guarantee Consultation.

1st Energy is a privately-owned, non-integrated, electricity retailer currently supplying over 20,000 residential and small business customers across Victoria, New South Wales and Queensland.

We strongly support, and were a signatory to, the positions outlined in the National Energy Guarantee joint submission prepared by ERM Power, LPE, Win Connect, Blue NRG, Energy Locals, Next Business Energy, CovaU, Click Energy and GloBird.

As set out in the joint submission the National Energy Guarantee must ensure investment in the right infrastructure in the right locations, and be based on well-forecasted reliability gaps and emissions targets, to ensure reliable, secure and affordable electricity. It must not however create major market disruptions, undermine competition, damage market liquidity or reduce price transparency in achieving its goals, as these will all add cost to already-burdened energy consumers.

Outside of the joint submission, 1st Energy would like to raise an additional concern for consideration should the Energy Security Board proceed with the current National Energy Guarantee proposal.

The current proposal to place reliability obligations on all retailers will result in perverse outcomes for those smaller retailers bringing competition to the market and price pressure on the major players. It creates an imbalance in market power between new entrant retailers and established vertically integrated retailers, which will create both structural and strategic barriers to competition. New entrant retailers will be discouraged from entering or continuing to participate in the market.

In particular, new entrant retailers are disadvantaged when the parties who can assist them meet their reliability obligation are also through vertical integration their direct competitors. The reliability requirement places a prohibitive cost impost on a new entrant which is disproportionate to their relative ability to acquire over-the-counter contracts in the market.

A way forward, for consideration by the Energy Security Board, could be to only apply the reliability rules once a retailer has achieved a minimum threshold. We would suggest that the obligation to meet the reliability requirements should only apply once a retailer has been supplying more than 100,000 customers for five years. This would allow a new entrant retailer to reach the required size to fairly and prudently compete against the large retailers while supporting the aim of the provision of reliable, secure and affordable electricity.

1st Energy thanks the Energy Security Board for the opportunity to provide a response to the inquiry and welcomes the opportunity to participate in any ensuing discussions.

For any queries regarding this response, please contact Liam Foden, Managing Director, [liam.foden@1stenergy.com.au](mailto:liam.foden@1stenergy.com.au).

Yours sincerely

Liam Foden  
Managing Director  
1st Energy Pty Ltd