

25 May 2021

Victorian Default Offer Variation 2021
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

Online via: <https://engage.vic.gov.au>

Re: Variation to 2021 Victorian Default Offer

I refer to the consultation paper setting out the Essential Services Commission's (commission's) views on next steps for the approach to variation to the current Victorian Default Offer, (VDO), determination.

1st Energy is a non-integrated, second-tier electricity and gas retailer for residential and SME customers. Founded in April 2015, 1st Energy operates throughout the eastern states of Australia including South Australia, New South Wales, Queensland, Tasmania, and Victoria.

1st Energy provides the following points for the commission's consideration:

The commission has proposed the variation takes effect from 01 August 2021. 1st Energy generally supports the proposed date if any resulting change to tariffs can occur from that date. We seek clarity on the application of clause 46AA (7) which allows for a retailer to increase any tariffs charged under a market retail contract with effect from the date one month after the date on which the variation to the VDO price determination takes effect. If the application of this clause requires any resulting tariff change to not occur until 01 September 2021, effectively delaying the pass through of these costs, 1st Energy is concerned that the delay will create a "lumpy" outcome for customers that the commission is seeking to avoid.

As network charges are forecast to increase from 01 July 2021, this would mean we are carrying higher than chargeable costs for two months [REDACTED]. This places additional capital burden on us (and other retailers) in addition to the one-month delay in the setting of the VDO from 1 August 2021.

Based on the Australian Energy Regulator's final determination [REDACTED]. We have also observed Jemena Electricity Network's draft flat residential network tariff is set to increase by 16% [REDACTED].

1st Energy strongly urges the commission to allow existing market offer customers to be varied effective from 1 August 2021 to reduce avoidable financial burden on retailers.

1st Energy considers it to be requisite on the commission to capture a full cost recovery of any network price costs as they represent one third of the costs reflected in the VDO. In the commission's public forum on 20 May 2021 a question was put to the commission as to whether the full 12 months of network price changes will be recovered in the variation to the VDO, over the 11-month period and the representative of the commission's response was "no" as it is "messy" and "immaterial". 1st Energy seeks clarity if this is the commission's position as the financial impact of reducing the cost recovery by one month is significant and not immaterial.

1st Energy is likewise concerned by the complexity in timings, content and messaging that needs to be conveyed to customers due to the multiple communications required to be sent. Our view is simple and clear direction empowers the customer; complexity strangles the customers decision making process. We now have some customers who may receive a feed-in tariff alert, a bill change alert, and an AMI network tariff opt out notification, (of which we are uncertain about the content). Our preference is alignment to the earliest possible date for all notices and we request the commission provide guidance on the content requirements.

1st Energy thanks the commission for the opportunity to provide a submission. For any queries regarding this response, please contact Aneta Graham, Head of Regulatory and Compliance, aneta.graham@1stenergy.com.au 0423 020 067.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Liam Foden', written in a cursive style.

Liam Foden
Managing Director
1st Energy Pty Ltd