



EnergyAustralia

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Dear Ms Blake

Variations to Standing Offer Tariffs Following the Removal of the Carbon Price – Position Paper

EnergyAustralia appreciates the opportunity to comment on the Variation to Standing Offer Tariffs Following the Removal of the Carbon Price Position Paper (the Paper).

EnergyAustralia is one of Australia's largest energy companies, providing gas and electricity to over 2.7 million residential and business customers. EnergyAustralia owns and operates a multi-billion dollar portfolio of energy generation and storage facilities across Australia including coal, gas and wind assets with control of over 5,500 MW of generation in the National Electricity Market.

The current uncertainty surrounding the future of the carbon price is a cause of concern for retailers and EnergyAustralia appreciates moves from the ESC to explore options for flexibility within the regulatory regime to reduce the risk faced by retailers and to allow consumers to experience the benefit of price decreases if the carbon price is repealed.

The Paper focuses on consumer outcomes and seeks to ensure that retailers will be able to immediately pass on any price decrease which occurs as a result of carbon repeal. As EnergyAustralia is not currently in a situation where we would be prevented by the EIA and GIA from amending our Standing Offer Tariff, we are more concerned about the ability to alter our tariff to reflect network price changes from 1 January 2015 following a change to reflect carbon repeal at some point after 1 July 2014. We understand that the preferred option will allow for this however we are seeking clarity around this. We further understand that the majority of retailers will be in a similar position to EnergyAustralia in this regard.

The ability to potentially revise prices less than six months after they are changed to reflect legislative amendments regarding the carbon price is an equally significant consumer welfare issue as retailers will otherwise be required to absorb network charges for a period after 1 July 2015 and consequently will price this in advance and which will negate some of the downward price movement which should occur as a result of carbon repeal.

Although the issue outlined with regard to standing offer tariffs is of critical importance, EnergyAustralia considers that there are other regulatory hurdles which will prevent customers from receive the full and immediate benefit of any price change as a result of carbon repeal.

The preferred options allows for the immediate billing of a standing offer tariff which reflects the carbon exclusive cost of supply. This will however only benefit a very small segment of customers, namely those on standing offer tariffs who do not have a smart meter. The majority of Victorians who have smart meters installed will not be able to benefit immediately due to the element of clause 26.4(b) which requires retailers to provide smart meter customers with 20 days notification prior to a price variation.

EnergyAustralia has previously argued for the removal of this aspect of 26.4(b) on the basis that the circumstances in which it had its genesis, namely a 2005 price determination which stated *“To facilitate the rollout of interval meters, the Commission has also permitted mandatory reassignment of customers to an interval meter tariffs. Arrangements have been set in place to ensure that customers are informed on the changes prior to any reassignment occurring”*¹ no longer applies due a policy shift whereby there will no longer be mandatory reassignments as part of the AMI rollout. Given that this provision now stands in the way of positive consumer outcomes, we feel vindicated in our calls for outcomes based regulation which addresses a specific market failure rather than the imposition of regulation to address unsubstantiated issues.

In order to allow consumers to fully benefit from the removal of the carbon price, we request that the ESC grant relief from the requirement to comply with 26.4(b) of the Energy Retail Code and strongly consider it’s removal based on the fact that the initial driver for this provision no longer exists.

If you wish to discuss any aspect of this submission, please contact on joe.kremzer@energyaustralia.com.au or via telephone of (03)8628 1731.

Regards



Joe Kremzer
Regulatory Manager

¹ Essential Services Commission Victoria *Electricity Distribution Price Review 2006-10, October 2005 Price Determination as amended in accordance with a decision of the Appeal Panel dated 17 February 2006, Final Decision Volume 1.*