

Maximum prices for embedded networks and other exempt sellers

Decision Instrument

22 July 2020

An appropriate citation for this paper is:

Essential Services Commission 2020, Maximum prices for embedded networks and other exempt sellers: Decision Instrument, 22 July

Copyright notice

© Essential Services Commission, 2020



This work, Maximum prices for embedded networks and other exempt sellers, is licensed under a Creative Commons Attribution 4.0 licence [creativecommons.org/licenses/by/4.0/]. You are free to re-use the work under that licence, on the condition that you credit the Essential Services Commission as author, indicate if changes were made and comply with the other licence terms.

The licence does not apply to any brand logo, images or photographs within the publication.

Contents

Introduction	3
Definitions	4
Citation	4
Application period	4
Application	4
Maximum flat prices - small customers	5
Maximum annual bill - small customers	6
Amendment or revocation of price decision	6

Introduction

This maximum price decision instrument is formulated by the Commission under clauses 10 of the General Exemption Order 2017 (exemption order), an Order in Council dated 15 November 2017 (and amended on 30 May 2019 and 9 July 2019) made under section 17 of the Electricity Industry Act 2000 (EI Act).

The purpose and reasons for the making of this decision are as fully set out in the decision document published by the Commission on its website and cited as 'Essential Services Commission 2020, Maximum prices for embedded networks and other exempt sellers: Final decision, 22 July 2020'. In summary, this decision regulates for each distribution zone in Victoria:

- a) the maximum flat prices that an exempt seller may charge its customers; and
- b) the maximum annual bill (as formulated below) that an exempt seller may charge its customers.

It does so to extend to small customers of exempt sellers the principal features of the simple, trusted and reasonably priced electricity option, known as the 'Victorian Default Offer', that safeguards consumers who are unable or unwilling to engage in the electricity retail market.

Definitions

Terms defined in the exemption order have the same meanings in this decision, and the following terms have the following meanings:

- ‘exempt seller’ means a person who sells or supplies electricity without a licence pursuant to an exemption conferred by the GEO;
- ‘flat tariff’ means a tariff that does not vary according to the amount of electricity supplied;
- ‘price’ means the total price per kilowatt hour at which electricity and all services related to the provision of electricity is sold or supplied by the exempt seller (within the meaning in clauses 10 and 18 of the GEO);
- ‘small customer’ means a customer of an exempt seller with a level of electricity consumption that would attract the application of the VDO if that customer were the customer of a licensed retailer;
- ‘VDO’ means the Victorian Default Offer under the VDO Price Determination;
- ‘VDO Price Determination’ means, from time to time, the current determination of that name made by the Commission under section 13 of the EI Act.

Citation

This decision instrument is to be cited as the ‘Maximum prices for embedded networks and other exempt sellers – decision instrument’.

Application period

This decision takes effect on and from 1 September 2020 and has effect subject to amendment or revocation by the commission.

Application

This decision applies only to domestic and small business customers (consuming up to 40 megawatt hours (MWh) per annum) for the following exemption category or customer type under the GEO (set out in the table below).¹

¹ For exemption categories / circumstances not listed see clause 27 of the exemption order. These other categories are not covered by this maximum pricing decision.

Exemption category	Description
VR1	Persons selling metered electricity to 10 or more small commercial/retail customers within the limits of a site that they own, occupy, or operate.
VD1	Persons selling metered electricity to fewer than 10 small commercial/retail customers within the limits of a site that they own, occupy, or operate.
VR2	Persons selling metered electricity to 10 or more residential customers within the limits of a site that they own, occupy, or operate, excluding sales to residents of retirement villages, caravan parks, holiday parks, residential land lease parks and manufactured home estates.
VD2	Persons selling metered electricity to fewer than 10 residential customers within the limits of a site that they own, occupy, or operate (excluding retirement villages, caravan parks, holiday parks, residential land lease parks, and manufactured home estates).
VR3	Retirement villages selling metered electricity to residential customers within the limits of a site that they own, occupy, or operate.
VD3	Persons selling metered electricity to occupants of holiday accommodation on a short-term basis (excluding caravan parks, holiday parks, residential land lease parks, and manufactured home estates).
VR4	Persons selling metered electricity in all caravan parks, holidays parks, residential land lease parks, and manufactured home estates.
VD7	Government agencies selling metered electricity to non-residential customers for purposes that are ancillary to their primary functions or objectives under the laws under which they are established.

Maximum flat prices - small customers

Subject to this decision, a retailer must not charge a small customer a price that is higher than the amount of the then applicable VDO maximum flat tariff (for a customer with or without a controlled load, as applicable), that is applicable according to whether the customer is a domestic customer or a small business customer under the VDO Price Determination and according to the distribution zone of the customer's supply point.

The 'then applicable VDO maximum flat tariff' is the amount in Australian dollars per day (\$/day) or Australian dollars per kilowatt hour (\$/kWh) set out in the VDO Price Determination in force for the

period under the VDO Price Determination that includes the period to which the exempt seller is applying a price to its customer.

Maximum annual bill - small customers

Subject to this decision, an exempt seller must not charge a small customer who is on:

- c) a tariff that is not a flat tariff; or
- d) any combination of a flat tariff and a tariff that is not a flat tariff,

a total annual electricity price that is higher than the amount of the then applicable VDO compliant maximum annual bill amount, as applicable according to whether the customer is a domestic customer or a small business customer under the VDO Price Determination and according to the distribution zone of the customer's supply point.

The 'then applicable VDO compliant maximum annual bill amount' is the amount in Australian dollars per year (\$/year) set out in the VDO Price Determination in force for the period under the VDO Price Determination that includes the period to which the exempt seller is applying a tariff to its customer.

In calculating compliance with this requirement, the exempt seller must (except as set out below) apply the rules in the VDO Price Determination, including those for identified tariff types and for the methods of establishing a 'representative profile of customer usage' where those identified tariff types do not apply.² However, the provisions of the VDO Price Determination concerning publication do not apply to exempt sellers. In addition:

- the option of establishing a representative profile of customer usage is subject to the exempt seller's compliance with clauses 8 and 9 of the GEO
- particulars of the representative profile of customer usage must be made available on request to the commission or a customer
- the exempt seller must not vary the representative profile of customer usage more than once in a 365-day period without approval of the commission
- the exempt seller must comply with any incidental requirements of the commission as published by the commission on its website.

Amendment or revocation of price decision

The commission may vary this price decision, by way of amendment or revocation by a further decision. If proposing to make a new decision, we would consult exempt sellers and other relevant stakeholders, having regard to our Charter of Consultation and Regulatory Practice unless we

² Clause 5 of the current VDO Price Determination.

consider the proposed amendment is not sufficiently material or consultation on the matter is likely to be impracticable. We would give adequate notice of any changes to the affected exempt sellers if the variation would require the exempt sellers to vary their prices.