



10/03/2020

Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

Dear Essential Services Commission,

Mondo welcomes the opportunity to respond to the consultation paper on the *Maximum prices for embedded networks and other exempt sellers review*. Mondo provides a variety of contracted transmission and distribution services, including grid connections for new generators, battery energy storage systems and aggregation of distributed energy resources.

We support ensuring there is a benchmark offer for customers to be able to compare their energy offer against and believe there is a role for a default flat tariff being available to residential customers that don't wish to actively engage with their energy provider. However, Mondo does have some specific concerns with potential unintended consequences of a blanket maximum price for all energy services under the embedded networks and other exempt sellers framework. This is primarily because this framework covers a broad range of exempt activities, ranging from new apartment buildings and rural community energy projects, through to behind-the-meter commercial power purchase agreements. With such a range of activities covered, Mondo believes it is important that flexibility is maintained for customers to opt into innovative products that may provide greater benefit (lower overall costs) and allow them to satisfy other objectives, for example sustainability or resilience.

Mondo's two specific areas of concern relate to how offers are compared and the customer size for which the maximum price would apply. Firstly, it is not clear how the comparison between the Victorian Default Offer (VDO) and other innovative offers (that may not take the form of a flat energy tariff) should occur. As the maximum offer is lowered to a more competitive level the mechanism used to compare offers becomes more important. Whereas once it might have been clear that an offer of a different structure (i.e. Time-of-Use) was still better for a customer than a flat energy based standing offer. When comparing against the VDO the exact consumption profile of a customer and the variability in that profile are likely to play an important role in determining which offer is in fact the lowest cost to the customer. While we understand that this issue exists in some form with the current standing offer of the local area retailer forming the maximum price within the current framework. We would appreciate if the Essential

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Services Commission could consider how this comparison should occur in practice when developing its draft decision.

Secondly, the size up to which customers supplied under the Multiple Activities Exemption would be covered by the proposed maximum price cap. Our reading of the current framework is that this proposal covers small commercial/retail customers with consumption less than 160MWh per annum. In our experience, the sophistication and ability of customers to interpret and enter into energy agreements that best meet their needs increases significantly as their energy use increases. Therefore, there may be merit in considering a sliding scale, with the maximum price cap applying up to 40MWh per annum, the customer having an ability to consent to waiving the price cap between 40MWh and 160MWh per annum and then no price cap applying above 160MWh per annum.

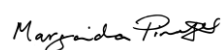
To highlight these issues and how innovative products more generally might be impacted we have included the following example. An exempt seller may wish to offer customers a 24/7 100% renewable firm Power Purchase Agreement (PPA) utilising behind the meter solar and battery assets. In this case currently, it is likely that this product would be priced at a cost above that of the VDO, reflective of the use of local battery storage to provide 24/7 supply. It may also not necessarily be offered on the basis of a purely flat energy-based tariff, as the pricing of the PPA can be designed to suit the customers business cash-flow and maximise financial savings.

The product may be in the customer's interests, as the customer may value the other benefits the offer brings - such as being 100% renewable, providing energy independence or the ability for backup electricity - and they may prefer this model of supply over a standard offer. However, the application of the VDO as a maximum price could impose a barrier to this type of energy supply and customer choice. In this situation, we believe it may be more appropriate for the customer to use the VDO as a clear comparison point to compare new innovative products against, rather than as a maximum price that acts to limit the range of products that can be offered to customers covered by the exempt sellers framework.

We understand the challenge the Essential Services Commission has with a framework that covers such a diverse range of customer product offerings. It is important that in protecting those customers that need protection, larger customers are not prevented from taking up innovative product offerings that work for them. This is especially true given that smaller service providers covered by the multiple activities exemption of the exempt sellers framework have a strong need to compete for customers and are likely to represent the innovative end of the sector. Reducing the ability of this area of the market to be able to innovate on what it offers its customers is likely to have flow on impacts, as large incumbent providers feel less pressure to innovate on their product offering.

Mondo hopes that the comments contained in this submission are of assistance to the Essential Services Commission in its deliberations on this review. Please do not hesitate to contact Adam White, our Network Lead (adam.white@mondo.com.au or 03 9695 6423), if you have any questions in relation to this submission.

Yours sincerely,



Margarida Pimentel

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