

Essential Services Commission
Level 37, 2 Lonsdale St
MELBOURNE VIC 3000

Lodged online:

2 July 2021

VDO - Amendment to the 2021 Price Determination

The Australian Energy Council (the '**AEC**') welcomes the opportunity to make a submission to the Essential Services Commission (the '**ESC**') on its *Amendment to the 2021 Victorian Default Offer (VDO) price determination* (the '**Draft Decision**').

The AEC is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC supports the Draft Decision to vary the 2021 VDO to factor in increased network prices. As noted by the ESC, these changes are material, and deferring the changes until the 2022 VDO is not acceptable.

The Draft Decision raises a number of key policy issues that the AEC will focus on. Our members will provide further guidance on the technical application of the VDO and the price determination itself. Of particular importance is how the ESC will ensure that retailers are able to recover increased network costs not recovered in the months of July and August 2021.

The AEC does not have a clear preference on the methodology the ESC takes to recover the July and August network costs, provided they are recovered in this financial year.

With regard to the quantum of the under-recovery, the AEC notes that winter consumption is usually higher than spring consumption, meaning it is likely that network costs incurred in July and August be higher than two-twelfths of the annual network costs. In order to mitigate this, the ESC should utilise consumption profiles to assess the additional allowance that will be added to a future VDO.

The AEC supports the ESC's Draft Decision to amend the usage profiles for the new two rate tariff. These changes are more reflective of actual consumption patterns, and will result in a fairer price for consumers.

Consumer messaging

The AEC encourages the ESC to avoid comparing the amended 2021 VDO with the 2020 VDO. Rather than comparing against the current 2021 VDO, the Draft Decision makes reference to an overall price decrease when compared against the 2020 VDO. Table 2 of the Draft Decision is an example of this, and one that in a final determination is likely to be picked up in the media and by consumers as reflective of the impacts of this decision. While technically accurate, the AEC is concerned that this table is misleading, given the

pertinent information for customers currently on the VDO is that their prices will be increasing as a result of this change.

For any questions about our submission please contact me by email at ben.barnes@energycouncil.com.au or on (03) 9205 3115.

Yours sincerely,

A handwritten signature in black ink, appearing to be the initials 'B.B.' or a stylized 'B' followed by a flourish.

Ben Barnes
General Manager, Retail Policy