

2 July 2014

Dr Ron Ben-David
Chairperson
Essential Services Commission Victoria
Level 37
2 Lonsdale Street
Melbourne VIC 3000

Email: energy.submissions@esc.vic.gov.au

Dear Dr Ben-David,

RE: Essential Services Commission, Variations to Standing Offer Tariffs Following the Removal of the Carbon Price – Position Paper, June 2014, reference: C/14/8255

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Essential Services Commission Victoria (the Commission) Variations to Standing Offer Tariffs Following the Removal of the Carbon Price – Position Paper (**the Position Paper**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

Under the Competition and Consumer Act 2010 (Cth), the ERAA is not permitted to share or discuss information within the Association in relation to prices and the mechanisms for setting prices. As such, we refer to the individual submissions of our members.

The Position Paper has identified a potential impediment for retailers removing the carbon price from standing offer tariffs. In particular this relates to provisions in the Electricity Industry Act 2000 (EIA) and Gas Industry Act 2001 (GIA) that prohibits retailers from varying standing offer tariffs that have been in effect for less than six months. Such variations cannot take effect until one month after they have been published in the Government Gazette.

The Commission's Preferred Option: One variation permitted outside the parameters of the EIA and GIA

The Position Paper has outlined a preferred option to manage this impediment, which is to allow one variation permitted outside the parameters of the EIA and GIA. The ERAA supports the Commission's approach to "no enforcement action" under the preferred option. This aligns with the approach taken by the Australian Energy Regulator (AER) to exercise its discretion not to pursue enforcement action¹.

¹ Essential Services Commission, Variations to Standing Offer Tariffs Following the Removal of the Carbon Price – Position Paper, June 2014, p.1



The ERAA also supports the Commission's proposal to allow any standing offer tariffs changes to have immediate effect in relation to the one permitted variation.

While this option would allow retailers to vary standing offer tariffs in response to a repeal of the carbon price, the Position Paper is unclear regarding the implications for the subsequent price variation as outlined below.

No enforcement undertaking

Variations in network tariffs

The AER will make network tariff determinations in relation to Victorian distribution businesses to be effective from 1 January 2015. It is therefore important that the Commission's provision for allowing for one variation sits outside the parameters of the EIA and the GIA. This will allow retailers the flexibility to vary their standing offer tariffs in response to the AER's network tariff determination.

We understand that it is the Commission's intent to allow each retailer to adopt the one additional variation at its discretion, so that this may be used either in response to a carbon price repeal, or the subsequent price variation. For example, if a retailer had varied its standing offer tariffs on 1 March 2014, and the carbon price was repealed on 1 August 2014, the retailer would not be operating outside the parameters of the EIA or GIA, if it was to vary its standing offer tariffs in response to the repeal. However, the retailer may also seek to vary its standing offer tariffs again on 1 January 2015 in response to the network pricing determination. We seek confirmation that this subsequent variation may occur without pursuit of enforcement action.

Smart meters notification

The ERAA seeks clarification as to whether the discretion to provide smart meter customers on standing, or market contracts, with 20 business day notification will also attract a no enforcement action approach.

Timing of final decision

Considering that it is expected that royal assent for the removal of the carbon price is to occur in mid-July, the ERAA requests that the Commission's final position be published as soon as a determination is made from this consultation.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia