



19 April 2024

Essential Services Commission
Level 8, 570 Burke Street
Melbourne Victoria 3000

By e-mail VDO@esc.vic.gov.au

Victorian Default Offer 2024-25: Draft Decision Paper

Alinta Energy welcomes the opportunity to respond to the Essential Services Commission's draft decision paper on the Victorian Default Offer for 2024-25.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. The VDO plays an important role in determining the level of competition and customer choice for Victorian electricity consumers, while meeting its objectives of protecting customers from unreasonably high standing offer prices while providing a sustainable competitive landscape for retailers.

We comment on specific elements of the draft decision below.

Network costs

We agree with the view that if the Australian Energy Regulator has not approved final network tariffs for the 2024-25 financial year for incorporation into the VDO final decision, that the 2024-25 tariffs submitted by the Victorian distributors for approval be applied instead. Alinta Energy appreciates the Commission is working more closely with the AER on this component of the VDO.

Environmental costs

We support the Commission's intention to include updated trade-weighted average prices for Victorian Energy Efficiency Certificates for the final decision on the VDO.¹ Recent VEEC prices have risen to record levels, and recent changes to the scheme have constrained supply in an environment of rising demand driven by increases in annual targets for Victorian Energy Upgrades scheme.

The draft determination trade-weighted certificate price of \$77.15 is substantially below the current market price. Updating this component of environmental costs to include more recent market prices will maintain the accuracy of the actual environmental costs incurred by retailers.

Retail operating costs

Alinta Energy supports the benchmarking of retail operating costs based on retailers' actual operating costs. We agree with the Commission that this approach:

- Captures changes and improvements in productivity of ROC incurred by retailers;
- Reflects the most up-to-date cost information available; and
- Constitutes the efficient ROC on a customer weighted average basis.

¹ Essential Services Commission (2024), *Victorian Default Offer 2024-25: Draft Decision Paper*, page 25.

We would welcome further discussion of this response with the Commission, please contact David Calder ([REDACTED]) in the first instance.

Yours sincerely

A solid black rectangular box used to redact the signature of Graeme Hamilton.

Graeme Hamilton
General Manager, Regulatory & Government Affairs