

09 April 2020



Mark Feather
General Manager
Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Sent via email to: DMO@aer.gov.au

Re: Submissions - on COVID-19 implications for DMO

I refer to your notification dated 01 April 2020 inviting stakeholders to provide views on what COVID-19 impacts should be taken into account when determining the retail electricity default market offer (DMO) prices to apply from 01 July 2020 to 30 June 2021 and provide thanks to the Australian Energy Regulator (AER) for the opportunity to provide a further submission.

1st Energy is fully committed to supporting our customers and the community impacted by COVID-19 through this unprecedented event. We are focused on the ability of our customers to remain viable through this period and have developed assistance plans internally and in compliance with jurisdictional guidelines.

1st Energy recognises the complex task of determining the DMO during a time of crisis when all businesses are impacted. We request that the AER maintain its position as set out in ACIL Allen Consulting "Default Market Offer: Estimating Wholesale Energy And Environmental Costs: Phase 2: Application Of Methodology For 2020-21" report February 2020 which sets out the application of methodology for the 2020-21 Draft Determination with an understanding that a prudent retailer will have been incentivised to hedge its exposure to the spot market based on the inputs and outcomes of this report.

As a direct result of COVID-19, it is expected that the ability for many companies and individuals to pay their energy bills will be significantly reduced, compounded with disproportionately higher household energy usage whilst more people follow the stay at home direction. Whilst it is too soon to quantify the outcome, we expect our bad debt position to increase exponentially. Accordingly, we request an uplift in the DMO bad debt calculation to allow for customers impacted by COVID-19. We anticipate bad debt to surge, in line with unemployment numbers and customers accessing Government assistance measures.

Lastly, we are strongly concerned that retailers will carry the majority of the risk throughout this event and this is further evidenced by the COVID-19 Network Relief Package which provides limited assistance to a cohort of customers through provision of a targeted network rebate, but perversely requires a retailer to waive an entire bill without providing coverage or consideration for the remainder of the bill. To date, there has been no relief offered for wholesale energy or environmental costs.



1st Energy thanks the AER for the opportunity to provide a submission. For any queries regarding this response, please contact Aneta Graham, Head of Regulatory and Compliance, 03 7001 3724, aneta.graham@1stenergy.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Liam Foden", set against a light blue rectangular background.

Liam Foden
Managing Director
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