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## **Default Market Offer prices 2024-25: Draft determination**

Alinta Energy welcomes the opportunity to respond to the Australian Energy Regulator's draft determination on the Default Market Offer prices for 2024-25 (DMO 6).

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. We have been at the forefront of driving retail competition and delivering substantial benefits to energy consumers. We address components of the DMO and the AER's draft determination below.

### **Wholesale energy costs**

#### Net system load profile

In relation to wholesale energy costs, Alinta Energy supports the use of a blended profile, but does not support the approach taken to calculate the NSLP for the Energex and SA Power Networks distribution areas. Taking the midpoint of wholesale market outcomes between the ACIL Allen approach and that applied by the Australian Energy Market Operator, while a compromise, does not reflect the shape of the NSLP. As the AER acknowledges, the non-adjusted (AEMO) NSLP does not "reflect the underlying load shape, nor the settlement approach that is likely to be used in the future"<sup>1</sup>. Given the importance of using accurate data on the underlying WEC, it should reflect the realities of consumption profiles.

#### Treatment of solar exports

The AER's determination to exclude solar exports from the load profile is based on the view that retailers adopt strategies to "flatten their respective loads that cannot be accounted for in the wholesale cost methodology."<sup>2</sup>

It is further claimed that retailers do this through load shifting measures that include the use of "batteries, demand management, hot water and electric vehicle charging orchestration and other 'solar soaking; strategies'.<sup>3</sup> While this may be the case, such mitigation strategies are limited in scale and are not so widespread as to eliminate the impact of solar exports, given the sheer number of solar PV systems now installed at small customer locations (particularly residential households).

Alinta Energy agrees that the AER would need to account for counter strategies to the impact of solar exports on the shape of the profile against which a representative retailer would hedge to determine the

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<sup>1</sup> AER (2024), op. cit., page 26.

<sup>2</sup> AER (2024), op. cit., page 29.

<sup>3</sup> Ibid.

WEC. However, regardless of the impact of these counterstrategies, they do not fundamentally alter the impact of solar exports. The strategies and initiatives described by the AER impact a small minority of solar exports and are far from ubiquitous and excluding solar exports does not reflect the shape of the load facing retailers.

#### Use of the 75<sup>th</sup> percentile of wholesale market outcomes

Alinta Energy remains of the view that the 95<sup>th</sup> percentile of wholesale market modelled cost outcomes most accurately reflects the risk facing retailers hedging against risk in the National Electricity Market. We recommend that the AER undertake further modelling to review the current setting.

### **Network costs**

#### Blending of flat and TOU network tariffs

Alinta Energy appreciates the complexity involved in blending flat and time of use network tariffs as part of determining network costs for residential and small business customers. We note the implications of controlled load consumption being included in AEMO data and the potential for this to distort attempts to develop blended network costs.

The AER's decision to continue to monitor network costs differences for network tariff types is appropriate.

#### NSW DNSP revenue reset and NSW Roadmap costs

Alinta Energy supports the final DMO 6 determination being based on network tariffs approved in mid-May 2024. We note that NSW Electricity Infrastructure Roadmap costs will be recovered through network prices, with these costs now incorporated.

### **Environmental costs**

Alinta Energy supports the AER's approach to determining environmental costs. We agree that state jurisdictions are best placed to determine the costs of legacy environmental initiatives (such as the legacy feed-in tariffs in Queensland and South Australia, due to end in 2028).

### **Retail costs**

#### Bad and doubtful debts

Alinta Energy supports the use of Australian Competition and Consumer Commission Electricity Inquiry cost data as the basis for determining bad and doubtful debt costs. We also support greater granularity by network area and jurisdiction. This improves the accuracy of the DMO and reflects local market conditions for retailers operating in those areas.

#### Smart metering costs

Given the AER's intent to use historic installation data ahead of the confirmation of legacy meter replacement programs under the *Accelerating Smart Meter Deployment* rule change, Alinta Energy supports updating the historic data and notes the current information request to retailers distributed in early April 2024 to support this. Furthermore, we support the application of a capital cost allowance per meter to recognise the shortfall between actual and projected installations for DMO 6, again in anticipation of processes that will be developed from the rule change, such as the LMRPs.

### **Retail margin and competition allowance**

Alinta Energy does not support the separation of the competition allowance from the retail margin. In the retail energy market, as in all regulated markets, predictability in regulator decision-making is critical for

driving business investment. In this case, the parameters under which the competition allowance would be applied are unclear.

We would welcome further discussion of this response with the AER, please contact David Calder ([David.Calder@alintaenergy.com.au](mailto:David.Calder@alintaenergy.com.au)) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G. Hamilton', is positioned above the printed name.

**Graeme Hamilton**  
General Manager, Regulatory & Government Affairs