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15 January 2025

Dear Mr Fox,

**Draft Decision Ergon Energy and Energex Electricity Distribution
Determinations 2025 to 2030 (1 July 2025 to 30 June 2030)**

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission on the Australian Energy Regulator's ('AER') *Draft Decision Ergon Energy and Energex Electricity Distribution Determinations 2025 to 2030 (1 July 2025 to 30 June 2030)* (the Ergon and Energex Drafts).

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The Ergon and Energex Drafts

The AER writes in both the Ergon and Energex Drafts that:

*"Two key elements of our draft decision are to require the default tariff assignments for small customers to have a time-of-use structure rather than demand-based structure, and to offer a time-of-use tariff for business customers with peaky demand but low consumption. We consider these changes better comply with the NER pricing principles (for the default tariffs) and better contribute to the achievement of the NEO (for the time-of-use business tariff), particularly the achievement of jurisdictional targets for emissions reduction."*¹

The AEC supports the approach taken by the AER. Billing energy retailers with a highly complex and often volatile network pricing structure creates a mismatch between the retail customer's flat tariff, or a more complex tariff if they obtain EIC, that increases the risk retailers face in pricing their products. This has the likely effect of driving up prices overall, creating a negative customer experience and still providing no mitigating benefit for managing network peak demand in any practical way.

The AER writes in both the Energex and Ergon Drafts that:

Network costs and price signals are charged directly to retailers who then pass these costs on to end-use customers in their retail offers. A retailer may choose to pass on the network price signals exactly or repackage them into their retail offers (including flat rate retail offers). Cost reflective network tariffs should not inhibit consumer choice over retail tariff structures. Customers should have access to a range of retail tariff structures across different retailers, including because

¹ See AER (2024) Draft Decision - Overview - Ergon Energy - 2025-30 Distribution revenue proposal - September 2024 at <https://www.aer.gov.au/documents/aer-draft-decision-overview-ergon-energy-2025-30-distribution-revenue-proposal-september-2024> p.vii

distributors typically offer at least two cost reflective tariffs structures for small customers, and because retail tariffs are not required to reflect the structure of the underlying network tariff.

The AEC agrees that consumer choice must remain the priority. It is not plausible to determine network demands and expect retailers to align consumers to them; the consumer must retain the right to choose from a suite of retail tariffs that meet their own needs. We do not suggest abandoning efficiency and utilisation objectives, and from an AEC perspective a practical solution here would be for retailers and networks to work together to develop an actionable network tariff retailers can translate into a customer product they too can understand.

Workable outcomes

To the greatest extent, the regulatory bargain is between the distribution business and the AER, with both retailers and their customers relying heavily on the AER for workable outcomes. That said, there is a good example of network stakeholder engagement in the most recent Victorian Tariff Structure Statements consultations and the proposals reflect an outworking of genuine consultation, recognising that all parties did not get all they wanted. Relatedly, the network objectives were able to be met without overly complicated pricing structures.

Any questions about this submission should be addressed to David Markham at

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Yours sincerely,

David Markham

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Australian Energy Council