2 September 2022

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Dear Warwick

Annual Pricing Process Review

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia appreciates the opportunity to participate in the consultation for the AER's Annual Pricing Process Review (*the review*). We appreciate the AER's consideration for improving the annual pricing process, with the aim of creating efficiencies for distribution networks and the AER, as this will ultimately result in greater adherence to publication date requirements and hopefully reductions in the timeframe it takes for final publication of approved network prices, for both annual updates and at the commencement of a reset period.

EnergyAustralia is understanding of the complexity involved with the pricing process and understands the issues (internal and external) that have historically inhibited both networks and the AER with adhering to the timeframes set for final approval of network prices. We believe the standardisation proposed in the review is a positive addition to the process, that should reduce the likelihood of further non-compliance to timeframes in the future.

However, we believe it is worth considering – either in this review, or a subsequent rule change by the AER – whether the timeframes for final approval of network pricing and the interrelated proceeding timeframes, should be adjusted to provide impacted stakeholders a more reasonable timeframe to incorporate the final prices, e.g. the ESC and AER needing to respectively update the VDO & DMO with the network pricing inputs, and retailers needing to adjust their pricing off both the network inputs and the prices set in the VDO & DMO.

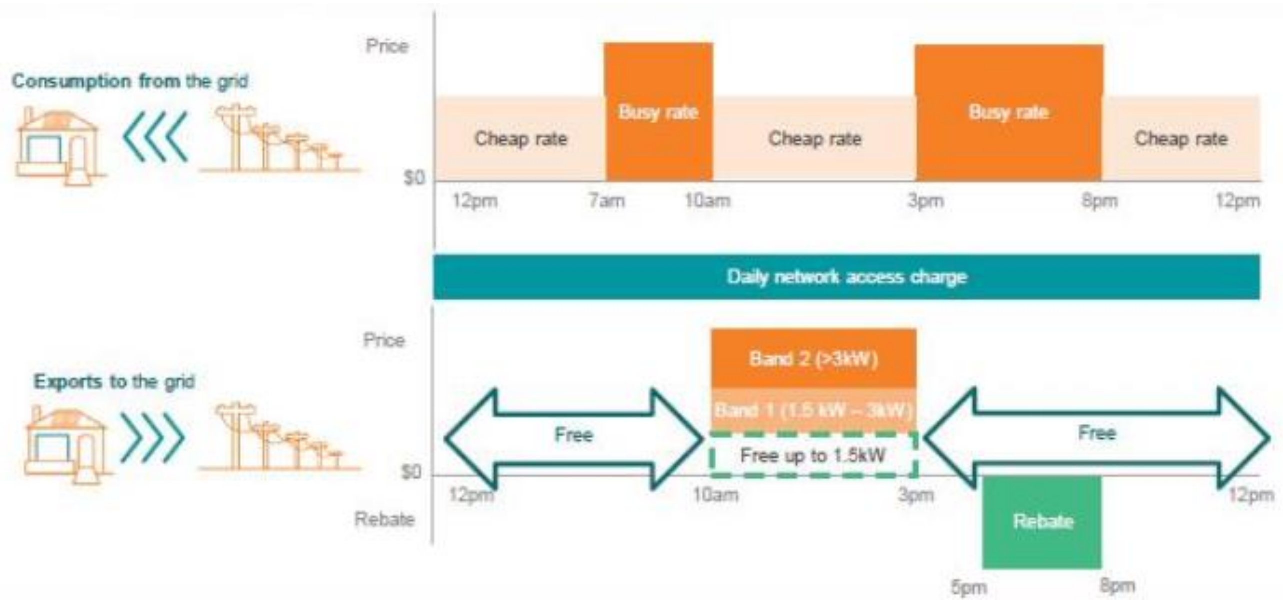
In recent years, particularly following the introduction of the VDO & DMO, network final price approvals have been received later than desired or legislated, and this has resulted in retailers basing their prices off estimations. Ultimately, this has resulted in rushed pricing update processes that make it difficult for retailers to communicate the changes in the best way for customers. Also, when retailers have little time to appreciate the complex changes in costs for each customer cohort, it is difficult to set efficient, smoothed, and easy to understand retail prices. This is an increasing risk with further introductions of complex new time of use, demand and export pricing being rolled out by distributors and is a detriment we must aim to avoid. Customers are already facing heightened cost of living pressures and increased energy prices attributed to the energy transition and this is forecast to continue.

EnergyAustralia suggests that imposing a requirement for network pricing (annual and at the commencement of a new reset period) to be finalised by 1st May each year would provide the appropriate timeframe for stakeholders to incorporate the approved prices and would establish a safeguard against any unexpected delays in the approval process.

The pricing model templates proposed in the review seem appropriate. We believe that there would be benefit from expanding the pricing model template to include an output that aligns with a standardised tariff format. This would enable the AER, retailers, and customers to have a much clearer understanding of how the cost inputs for networks relate to their network tariff.

Additionally, standardisation of network tariffs, will create cost efficiencies for the AER in approving network prices and cost reductions for retailers with a reduction in the range of tariffs offered by distribution networks. With the advent of export pricing, networks are currently designing and developing a diverse range of pricing options, and we request the AER to review some of the proposed tariffs for any substantiation of the need for standardisation in tariff design.

Essential Energy's and EvoEnergy's export/battery tariffs are examples of tariffs that are overly complex, which will result in a lack of appeal to customers and produce significant complexity for retailers being able to adopt or create accompanying retail tariffs to suit. Essential Energy's proposed export tariff (below) includes a demand component based on active kW (not recorded kWh), which retailers have no way of identifying at a customer level and cannot therefore create an accompanying retail tariff for.



Standardisation doesn't need to be overly prescriptive/restrictive and should not impede networks achieving cost reflectivity, it will simply enact guardrails for network tariff design that will restrict the development of tariffs that are incomprehensible by customers, and reduce the complexity for retailers to implement in their billing systems.

Furthermore, standardisation should be expanded to include Jurisdictional Service Charges (JSCs). Where Common Distribution Services and Network Ancillary Services align between networks, a standardisation for the format/content of the JSCs, including the engagement with retailers on any changes, would greatly reduce cost incurred by retailers. EnergyAustralia regularly experiences late delivery of JSC documentation from networks and the information is often confusing, inaccurate, and with key details missing. Despite regularly contacting networks about these issues, some have little interest in making any improvements. In the worst case, EnergyAustralia loses time in configuring JSCs in our systems and cannot provide accurate and timely information to customers when they contact us to arrange works at their site to be carried out by a network company.

We believe these minor standardisation additions, either as additions to the Annual Pricing Process or raised through a subsequent rule change, will have negligible impacts on networks and provide significant cost savings for retailers, which will ultimately result in more attractive retail offerings for customers. We acknowledge the difficulties in making significant changes to the review at this stage of the consultation process, and we appreciate any consideration the AER can provide to our suggestions.

If you would like to discuss this submission, please contact me on [redacted] or [redacted].

Regards

Travis Worsteling

Regulatory Affairs Lead