

31 August 2022

Mr Warwick Anderson
General Manager – Network Pricing
Australian Energy Regulator

Submitted via email: AERPricing@aer.gov.au

Dear Warwick

Australian Energy Regulator (AER) Annual Pricing Process Review Position Paper - Stage 2

Thank-you for the opportunity to provide a submission in response to the consultation paper titled “Annual Pricing Process Review Position Paper – Stage 2”.

Momentum Energy Pty Ltd (Momentum) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest producer of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers.

1. Regulated Retail Pricing VDO and DMO

We note that this is Stage 2 of the review process and support the outcomes of Stage 1 which formalises the networks’ pre-lodgement engagement process and standardised network pricing model templates. These changes should assist in achieving a more streamlined and timely delivery of final network prices that are fundamental for retailers to comply with annual reviews to the Victorian Default Offer (VDO) and Default Market Offer (DMO) prices. Moreover, final network prices are also a primary¹ input to any adjustments to a retailers’ market offer prices and must be referenced to both the VDO and DMO prices.

Our key objective with regard to this submission is to highlight the importance of timely approvals of final network prices to allow us to comply with our regulated annual retail pricing obligations under the VDO and DMO. Momentum is of the view that retailers should be provided with final network prices by no later than **mid-April** every year for both the first year after a network determination and for intra years during network determinations. This allows a short period for regulators to finalise DMO and VDO prices after which retailers can commence their re-pricing functions. The mid-April date should be a firm date and not

¹ Network prices account for approximately 40-50% of retail prices.

subject to delays caused by either networks or the AER. We note that delays have caused slippage in the final approval date of past network pricing decisions which made it challenging for retailers to comply with regulatory timing obligations in respect of price variations for customers.

Regulated electricity pricing was introduced under the VDO and DMO in July 2019 whereby standing offer prices are capped under the DMO and regulated under the VDO. Since this change retailers can no longer rely upon draft network prices as an input for changes to retail prices. In 2022, all network prices were not finalised until 13 May which resulted in the VDO and DMO being finalised on 24 May and 26 May respectively. This provided insufficient lead time for retail prices to be developed, approved and notified to consumers within the regulated time frame. It is now crucial for retailers to include final network prices for both regulated and market offers as there is no true up mechanism in regulated pricing and to ensure market offers are relevant and competitive.

Below we have set out an indicative timeline of the retail functions required to develop new VDO and DMO prices as well as any changes to market offer prices that usually occur at this time.

2. Proposed Retail Price Variation Timeline for VDO and DMO

The timeline below indicates the discrete activities that Momentum undertakes following the receipt of final network prices in order to develop amended prices for the VDO and DMO as well as adjustments to market offers.

Retail Price Variation Timeline - VDO and DMO Approval											
Proposed Price Variation Timeline											
		*Mid Apr	Week 0	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8
No.	Milestones		May				Jun				*Jul
1	*Approval of Final Network tariffs										
2	*Notification of Final Approved VDO & DMO - Starting point for retail pricing										
3	Digest, analyse, approve and prepare retail prices for new and existing customers (incl. system deployment)										
4	Testing deemed Best Offer messagers based on new offers and rates										
5	Mail house testing with actual customer data and new tariffs										
6	Market offer (NECF States only) and Standing Offer mail out staggered to minimise call centre volume										
7	*Minimum 1 week postage (Time allowed for Auspost to deliver letters to the customers)								QLD	ALL OTHER	
8	*Minimum 5 business days notification requirement (10 business days for Energex QLD)								QLD	ALL OTHER	
9	*Prepare and load standing and market offers to EME & VIC Energy Compare (incl. external channels and website etc);										
10	*Price Variation Go - Live										

Milestones marked with * reflect regulatory timing obligations

Details of specific milestones are explained below:

- Milestone 3 - Retailer pricing experts need to assess all new network tariff prices for a broad range of customer types and annual consumptions, create retail prices understanding the impacts to customers, competition and retail revenue. These prices must be discussed and approved by retail management as they are fundamental to the future revenue requirements of the business.
- Milestone 4 - The Best Offer on Bills obligation in Victoria and soon to be introduced into other jurisdictions creates additional bill testing and system changes as amended tariffs need to be re-tested in all consumption ranges to ensure the messaging remains correct.
- Milestone 6 - In order to minimise call centre volumes customer price change notifications are released in stages across our customer base.
- Milestone 8 - Retailers are required to give customers' 5 business days' notice of any price change in most jurisdictions and 10 business days in QLD. Postal delivery times must also be considered.
- Milestone 9 - All standing and market offer prices must be prepared and advised to the Energy Made Easy and Victorian Energy Compare comparator websites.

As most of these activities are managed by a small team of discrete specialist pricing staff it is difficult to find and allocate additional resources to these activities in the event that there are delays in the approval of final network prices and or VDO and DMO determinations. Therefore, any delay results in our employees being put under increased pressure to complete the price variation process within a shortened time frame.

3. Summary

Momentum believes that the AER is best placed to determine if and what rule changes are required to ensure retailers are provided with final network prices by no later than mid-April every year. It is not appropriate to continue with the current arrangements because any delay in the pricing process related to networks or the AER results in a reduction in the time and increased pressure for retailers to develop and deliver amended prices to consumers within the regulated time frames.

We look forward to appropriate amendments being made to ensure that pricing adjustments are finalised and communicated to retailers in a timely manner. Should you require any further information regarding this submission, please don't hesitate to contact me on [REDACTED] or email [REDACTED].

Yours sincerely

[Signed]

Randall Brown
Head of Regulatory Affairs