SETTING AN EFFICIENT DMO IN A HIGH COST ENVIRONMENT

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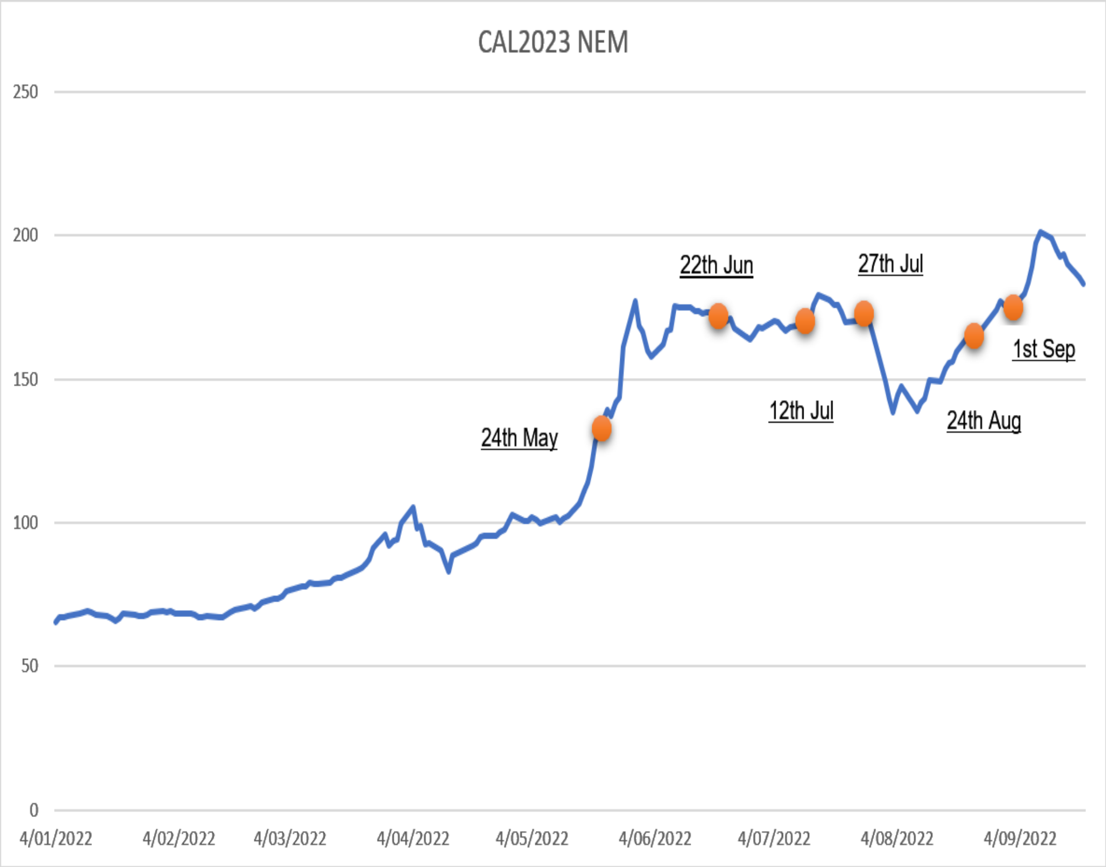
GM CORPORATE AFFAIRS AND RETAIL

Scene setting

NEM future average wholesale prices



Electricity retailer exit NEM:

24 May - Pooled Energy
22 June - Enova Energy
12 July - Power Club
27 July - Mojo Power
24 Aug - Social Energy
1 Sept - Elysian Energy

Gas retailer exit:

31 May - Weston Energy

Key questions

- WEC methodology – is it fit for purpose in a changing market?
- Retail margin – what has changed since May 2022?
- DMO approach – what is the highest and best outcome for customers in setting a regulated price?

WEC methodology

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- Is there a genuine case for change?

- A number of challenges:
    - Liquidity in South Australia
    - Transparency in model remains a problem
    - Options?

- Need to reconsider decision on volatility allowance

Retail Allowance

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- Decision to change approach was made in late May 2022
- Today, there are material variances between the allowance in different network patches
  - E.g. Essential $209, SAPN $110.
- Treatment of the allowance as a ‘buffer’
- Working capital and market confidence

DMO Approach

- DMO is a backstop price, acting as a pseudo market cap
- For vast majority of customers, it does not affect the price they pay
- But as we have seen, the DMO has material impacts on the ability of retailers to perform their function
  - Risk of a poor regulatory decision in volatile market materially higher for retailers than customers

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