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Proposal to delay final decisions for SA Power Networks, Energex, Ergon Energy, Directlink and Jemena Gas Networks

AGL would like comment on the Australian Energy Regulator's (AER) proposal to delay the final 2020-25 network revenue determinations that are currently scheduled to be released on 30 April 2020.

AGL would prefer that the AER release its final decisions on 30 April 2020 in order to ensure that AGL is able to implement its retail price changes on 1 July 2020. However, we note that the AER has suggested some alternative methods to enable new retail prices to be in place for 1 July 2020 if the final revenue determinations are delayed to late May.

These include:

- the AER publishing an allowed network revenue for the first year of the five-year regulatory period (2020-21) by the end of April;
- SA Power Networks and Energex using these published network revenue allowances to develop their annual pricing proposals for 2020-21; and
- the AER working closely and quickly with the impacted network and retail businesses to facilitate the process.

If the AER can formally articulate this process including timelines and can ensure that all stakeholders deliver against the requirements, then AGL has no fundamental issues with the delay.

In order for AGL to implement retail price changes by 1 July 2020, AGL will require the approved network tariffs at the latest by the 5 June 2020. This timeframe would then allow AGL to

- build its retail prices;
- update all systems, including billing, with the new prices; and
- comply with the requirements to provide public notices to customers at least 10 business days prior to price changes and individual communications to customers, at least 5 business days in advance of the price change. Note that the standard delivery times for Australian Post have been increased.

AGL would also highlight the introduction of the retail pricing prohibition by the *Treasury Laws Amendment (Prohibiting Energy Market Misconduct) Act* (PEMM) on 10 June 2020 which could be interpreted as



requiring retailers to use actual (not proposed) network tariffs in retail price changes. In previous years, when there have been delays in network price approval, retailers have based retail prices on proposed network tariffs in order to initiate price changes on 1 July. AGL is concerned this approach may give rise to compliance risks under the new provisions of the PEMM and suggests that in order to mitigate this risk, retailers should be able to consider the actual network tariff changes prior to making final retail pricing decisions.

Consequently, if the AER decides to delay its final network determinations, AGL expects the AER to formally state the required dates for:

- the networks to submit their annual price proposals for 2020-21; and
- the AER to publish the approved network prices.

It would also be highly beneficial if the AER provide timelines around the delayed final network determinations. Numerous retailers, including AGL, have Fixed Benefits Contracts that provide price certainty for customers for 12, 24- and 36-month periods. Retail pricing for these offers relies on understanding current and future network pricing so the final network determinations and indications of future network prices are critical inputs.

AGL would also expect that if there are different revenue outcomes because of the delay, then the appropriate adjustments to the revenue allowances for these businesses in following years are clearly shown, including the likely impact on future network prices.

Yours sincerely

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