11 January 2019

Sebastian Roberts
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via email: Evoenergy2019-24@aer.gov.au

Dear Mr Roberts

ActewAGL Retail (AAR) welcomes the opportunity to provide a submission on the Australian Energy Regulator's (AER) draft decision on Evoenergy's distribution determination for the 2019–2024 regulatory control period.

AAR is an electricity, gas and solar retailer based in the Australian Capital Territory (ACT). As the local retailer, a vast majority of AAR's small electricity customers are connected to Evoenergy's distribution system.

AAR is generally supportive of the AERs' draft decision and it is pleasing to note that Evoenergy has made significant progress in improving its efficiency during the current 2014-19 regulatory control period[1]. Energy affordability for customers has been a key concern for AAR over the recent years. Evoenergy improving its operational efficiency and implementing tariff reforms are just some of the key measures that will help address the energy affordability issue, which has attracted considerable attention from the Commonwealth Government and the media. Whilst implementing tariff reform is crucial to making energy markets work better for customers, they need support to transition to more cost reflective pricing. This is an important customer consideration, which has been acknowledged in the AER's draft decision[2].

AAR notes the AER's draft decision to slightly amend Evoenergy's proposed trigger for tariff reassignment, by adding a 12-month delay for end of life meter replacements[3]. The AER considered that including this delay for end of life meter replacements will assist retailers in managing customer impacts on users who have not initiated a change to their circumstances. The AER also considered that this period of delay will provide retailers load profile information which will better inform them on the retail tariff options suitable for these customers.

AAR has concerns about the proposed amendment because of the following reasons:

- The 12-month delay goes against the spirit of applying cost-reflective pricing to customers once a smart meter has been installed, which is one of the key objectives under the Power of Choice reforms. It impedes end of life meter replacement customers from realising the full benefits of their smart meter during the first 12 months, with reduced potential to take advantage of cost reflective tariffs;

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[1] AER Draft decision – Evoenergy distribution determination 2014-19 (Sept 2018), p9
[2] AER Draft decision – Evoenergy distribution determination 2014-19 (Sept 2018), p8
[3] AER Draft decision – Evoenergy distribution determination 2014-19 (Sept 2018), Attachment 18 pp 17-18

- It increases the complexity of tariff reassignment, by adding another step in the transition to cost-reflective tariffs for end of life replacement meters (and not others), making the process more difficult for customers to understand;
- It creates an additional, more complex, process for AAR to manage, which is different to the current simpler process of assigning all customers who receive a smart meter to the demand tariff (with the option to opt-out to a TOU tariff). Additional training for AAR contact centre staff will be required to manage customer expectations, especially for end of life meter replacement customers who might be confused or frustrated about not achieving the full benefit of a smart meter during the 12-month delay period. AAR will also need to develop communication processes required to manage changes to customer tariffs after expiry of the 12-month period, which customers may find confusing or unexpected since it is not temporarily connected to a change in their circumstances; and
- AAR will still need to recover the cost of a smart meter from customers regardless of which current tariff they are on during the 12-month delay period. This may result in higher charges for customers once the cost of the smart meter has been added to their existing tariff. However, despite paying for their smart meter, customers will have reduced potential to take advantage of their smart meter through the more cost reflective tariffs during the initial 12-month period.

AAR is of the opinion that the AER's draft decision to add a 12-month delay for reassigning tariffs for end of life meter replacements won't increase benefits to customers but will result in additional administration costs and complexity for AAR that will need to be passed through to customers. AAR has already in place a number of initiatives to help customers transition to cost reflective tariffs. For example, AAR has implemented a tariff comparison tool on its website to help customers compare the demand and TOU tariffs so they can choose their preferred retail tariff. Customers can also choose to opt-out from the demand tariff to the TOU tariff.

AAR requests the AER to reconsider their position about adding a 12-month delay for tariff reassignment for end of life meter replacements for the reasons outlined in the above. In addition, it is AAR's strong view that there should be consistent outcomes for all customers regardless of the circumstances in which a smart meter has been installed, as this aligns more closely to the cost reflective pricing principle.

Should you have any questions in relation to this submission please contact Russell Forster, Manager Pricing and Market Development, at russell.forster@actewagl.com.au.

Yours sincerely

Ayesha Razzaq
General Manager Retail