



27 April 2020

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By e-mail: AERInquiry@aer.gov.au

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

Alinta Energy welcomes the opportunity to respond to the AER's proposal to delay issuing final decisions on network revenue determinations for SA Power Networks, Energex, Ergon, Directlink and Jemena Gas Networks.

We appreciate the AER has a preference to apply the most recent short term CPI forecast issued by the Reserve Bank to incorporate an accurate reflection of economic circumstances affecting the determinations. While we are supportive of this intent, there are a number of practical issues that impact on electricity and gas retailers that arise from a delay in final decisions on network revenue determinations. These concerns are discussed below.

Determination of the Default Market Offer

Alinta Energy notes that the AER will make a determination on its Default Market Offer on 1 May 2020, ahead of any delayed final decisions on network revenue. The DMO needs to take into account cost movements in network prices, but this may not be reflected accurately depending on the final network revenue determinations. We acknowledge the approach adopted by the AER in section 3.4.3 of its DMO price determination on the application of network prices, however, our position remains that the AER apply the most accurate forecasts available when making its determination on the DMO.

Retailer processes and timing of price changes

Retailers intending to make 1 July pricing decisions must either delay decision making or will need to make decisions without full information if network decisions are not available. All retailers must vary standing tariffs on 1 July, and whilst the DMO determines the movement of the reference revenue bill (for electricity), without network tariff schedules it is difficult for retailers to determine how to shift fixed and variable components of their tariffs to reflect underlying cost drivers.

From a process and timing perspective, retailers need to make final pricing decisions by the end of May in order to meet internal downstream activities and satisfy compliance with advance notice provisions. A delay in final network tariffs will create material price risk and uncertainty for retailers. Adopting a standard of one month between finalisation of network costs and application of the DMO would be consistent with the application of the Victorian

Default Offer. Alinta Energy supports any approach that increases consistency and certainty in this regard.

Alinta Energy would welcome any engagement with the AER on its network determinations and the impact of this on setting retail prices from 1 July 2020. Please contact [REDACTED] (Manager, Regulatory Strategy) on [REDACTED] the first instance.

Yours sincerely,

Graeme Hamilton

General Manager, Government and Regulatory Affairs