

AER Default Market Offer Determination 2021-22 Public Forum

2:00pm – 3:30pm 29 October 2020

Held via Webex

Questions submitted by attendees via Sli.do, event code #DMO3Webinar

## Questions and Answers summary

### 1. Anonymous

- Trying to understand how ECA say affordability is an issue (valid) and yet also hold that no discounts is a good thing? Would prefer larger bills even though discounts could help and that there is a DMO that ring fences such items anyway?
- **Response (provided by ECA):**
  - The comments given in our presentation were factual, representing the observations in the St Vincent de Paul Tariff Tracking report of the current situation in NSW. Our position is not that no discounts is a good thing, rather we want to see fair, clear and meaningful discounts. At the end of the day, what matters most to consumers is the price they actually pay.
  - We would like to see a market where energy offers are transparent and easily comparable. The perceived lack of value for money in electricity services combined with low levels of trust and confidence means that consumers find it difficult to engage meaningfully in the energy market.
  - The ACCC Retail Electricity Pricing Inquiry found that retailers' pricing structures were confusing and that retailers had developed a practice of discounting which is opaque and not comparable across the market. Simpler pricing models will help consumers to engage in the market and to choose an offer that best suits their circumstances.

### 2. Anonymous

- Is there concern with the DMO not applying to ENs, given that retailers are pricing above the DMO for this vulnerable segment (retirement villages, etc)?
- **Response:**
  - Under the DMO regulations, retailer customers within embedded networks are excluded from being covered by the DMO price cap.
  - Changing the coverage of the regulations is a policy matter that is outside the scope of the AER's DMO consultation.
  - It would be up to the Commonwealth Government to amend the regulations to extend the DMO price cap to other customer types.
  - We note the Department of Industry, Science, Energy and Resources is planning to review the DMO regulations by next year.

3. David Prins - Etrog Consulting

- Is the indexation approach already decided - or is it open to consultation? If it is already decided, what consultation was undertaken on the decision?
- **Response:**
  - We are open to stakeholders' views, but consider the indexation approach is largely settled.
  - We consulted on alternative approaches in DMO 2, and our view remains they are not as well suited to balancing the DMO policy objectives.
  - For example, a cost-based (or 'bottom-up') approach would require us to estimate the efficient costs of a representative retailer, and make an additional allowance to meet our policy objectives. Given the DMO is not aiming to identify efficient costs, we considered this option was not suitable for our policy objectives.

4. David Prins - Etrog Consulting

- Affordability is a key issue facing consumers. How will that be addressed in the DMO regulatory process?
- **Response:**
  - In setting the DMO price each year we aim to balance the DMO policy objectives – preventing retailers charging unjustifiably high prices, while ensuring retailers can recover their costs, and consumers and retailers have incentives to participate in the market.
  - Our first DMO determination (in 2019) reduced average prices for standing offer customers by \$118 to \$181 per year for residential customers. Our indexation approach has largely maintained these reductions for DMO 2.
  - While the DMO prevents retailers charging standing offer customers excessive prices, it is a 'fall back' price and is not intended to be a low priced offer.

5. Lawrence Irlam, EnergyAustralia

- If we get time for Q&A, re: LRET, if PPAs are considered sunk and not recoverable under retail price caps, is the AER aware of the negative signals this sends to participants who will be expected to enter into long term contracts under wholesale market reform proposals?
- **Response:**
  - The DMO is based on forecasting with the best available information that is representative of the current market situation.
  - The AER will monitor the progress and outcomes of the NEM 2025 project and consider any implications and impacts it may have for the DMO methodology.

6. Anonymous

- Are retailers not providing the AER/ACCC data that they need?
- **Response:**
  - The AER has requested non-cost related data from some retailers. None of these have indicated any problems providing it within our timelines.

7. David Prins - Etrog Consulting

- The meeting was recorded. Will the recording be made available to stakeholders?
- **Response:**
  - While we aren't making a recording of the meeting available, we have published the presentations as well as the questions submitted on the day and the answers provided.