

26 May 2015

Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

AER Retail Pricing Information Guidelines - 2015

Dear Ms Proudfoot,

The Energy Networks Association appreciates the opportunity to make a brief submission on an important aspect of the Amended Retail Pricing Information Guidelines 2015 (the Guidelines).

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

A significant numbers of consumers use an Energy Price Fact Sheet to understand information on retail offers and to switch plans, according to research undertaken for the Australian Energy Regulator (AER). Given that this is the case ENA supports the changes to the Guidelines that will make Energy Price Fact Sheets easier for consumers to access and use.

It is ENA's view that it is necessary for the changes to the Guidelines should go further to take into account new cost-reflective network pricing. Changes to the National Electricity Rules (NER) which came into effect on 1 December 2014 require that network pricing that complies with the network pricing objective and the distribution pricing principles be introduced no later than 2017. It is appropriate that changes are made now to the Guidelines at a time when networks are engaged with customers on proposed tariff structures, and there is a focus on assisting customers to make informed choices, rather than postponing amendments to a later date.

Currently the pricing information requirements as they apply to retail electricity offers are limited to disclosing the fixed charge (in cents per day) and the usage charge (in cents per kilowatt hour). However, if some networks introduce demand charges (in cents per kilowatt) it is likely that retailers will seek to structure their tariffs to reflect this demand component. There is no provision for disclosing a demand charge in the pricing information requirements within the Guidelines. The unintended consequence of not including provision for a demand charge in the pricing information requirements is that the demand component of a network charge cannot be directly disclosed in retail offers and ultimately retail bills, but will by necessity be "bundled" together with the usage charge. Customers will therefore not receive a network price signal, frustrating the purpose of the cost-reflective network pricing requirements in the NER and resulting in the continuation of unfair cross-subsidies and higher electricity bills in the future.

Networks are currently in the process of developing cost-reflective tariffs in consultation with customers and retailers. Some network businesses are already offering "three part tariffs" consisting of a fixed charge, an energy charge and a demand charge or trialing such tariffs with retailers. For example South Australia Power Networks and United Energy both have optional tariffs from 1 July 2015 that include a demand charge.

Given that cost-reflective network tariffs will become more widespread from 2017 onwards for those customers with an interval or smart meter, ENA proposes that the draft Guidelines be further amended to allow for demand charges as part of the pricing information provided on retail offers and retail bills. ENA understands that this may also have implications for the pricing information required for the AER's comparator website *Energy Made Easy* which allows customers to compare retail offers. ENA is available to assist the AER in developing the pricing information requirements in the Guidelines to include demand charges and to ensure that there is clear and simple language and consistent terminology to describe demand charges in retail offers.

If you would like clarification or further detail on this issue you can contact me on 02 6272 1555 or jbradley@ena.asn.au or Lynne Gallagher on 02 6272 1515 or lgallagher@ena.asn.au.

Yours sincerely,



John Bradley
Chief Executive Officer