

9 April 2020

Mr Mark Feather
General Manager, Policy and Performance
Australian Energy Regulator
GPO Box 520, Melbourne VIC 3001

Submission – AER’s letter to stakeholders regarding COVID-19 implications for the DMO

Thank-you for the opportunity to provide a submission in response to the AER’s letter to stakeholders regarding COVID-19 implications for the DMO.

Momentum Energy Pty Ltd (Momentum) is an energy retailer owned and operated entirely within Australia. Momentum is owned by Hydro Tasmania; Australia’s largest producer of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to consumers in Victoria, New South Wales, South Australia, Queensland, the ACT, and on the Bass Strait Islands. We offer competitive rates to both residential and business customers, and provide a range of innovative energy products and services, including the retail of natural gas in Victoria.

As the AER has acknowledged, the COVID-19 pandemic will undoubtedly impact electricity users and retailers in a variety of ways, and the extent of this impact will continue to reveal itself over time. Momentum will take this opportunity to share its insights on the current state of affairs, which we assume will reflect trends across the industry. However, we preface this with the fact that we are not yet in a position to provide quantified analysis on the pandemic’s effect on energy prices or consumption patterns.

Momentum expects significant changes to the way households consume energy. As a consequence, the average customer consumption levels in 2020-21 will likely be materially different to the levels predicted by the AER. Given the purpose of the average consumption profile is to provide consumers with a yardstick by which to compare their own behaviour, Momentum anticipates a potential problem. Namely, the fact that a change in customer consumption could potentially have a profound effect on Time of Use (TOU) tariffs, to the extent that they become misleading. There are also potential consequences for the calculation of the flat tariff, however we hold greater concern for the fate of the TOU tariff.

Customers on TOU tariffs have not previously had access to the DMO. Understanding how one’s own consumption compares to the average consumption level can be challenging for consumers at the best of times. This issue would be even more challenging for customers on TOU tariffs, as both their total consumption level and usage patterns may differ from the AER’s determined average. It is for this reason that Momentum submits the introduction of a DMO for TOU tariffs is likely to cause confusion rather than the intended simplification. Although we fully support equitable access to the DMO, it may be prudent to delay its introduction for TOU tariffs by 12 months or until household consumption patterns have returned to normal.

Momentum considers this the most pressing issue for the upcoming DMO determination. Whilst we are conscious that debt and customer service calls will likely increase due to widespread financial difficulty and demand for assistance, we are unable to quantify the potential impact at this time. We simply ask that the AER exercise a degree of additional conservatism when calculating retailer ‘cost to serve’ and margin, and granting reasonable additional allowances where appropriate.

Momentum would like to acknowledge that the AER's task of setting a suitable rate for this period will be considerably challenging. The additional costs incurred by retailers will need to be balanced against the concern of causing additional hardship to customers impacted by the pandemic. We suggest that the AER include relatively modest allowances for these costs in the 2020-21 determination, and if further material costs to retailers arise that they be included in future DMO determinations.

At this point, Momentum is primarily concerned with supporting our customers through this challenging time. We believe this will be achieved by focusing our resources on providing a reliable and supportive customer experience. Maintaining the status quo for TOU customers would be helpful in supporting us to achieve this goal.

If you require any further information with regard to this submission, please contact me via email at joe.kremzer@momentum.com.au or call 0413 266 081.

Yours sincerely

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