

9 April 2009

Chris Pattas
General Manager
Network Regulation South
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Via email: aer inquiry@ aer.gov.au

Dear Mr Pattas

The St Vincent de Paul Society Victoria (**SVDP**) welcome the opportunity to make a submission to the Australian Energy Regulator's (**AER**) Draft Decision on *Interval Meters Reassignment Requirements (draft decision)*.

SVDP Victoria has approximately 8000 members and volunteers in Victoria (40,000 nationally). The society assists approximately half a million individuals annually across Victoria (over 1.5 million nationally). Of this, a significant number are based in the non metropolitan area. SVDP also delivers a number of community support services including: aged care facilities, housing services, youth services and disability services.

Our comments on the draft decision pertain to defining Time of Use (**TOU**) tariffs, customer notice of tariff reassignment and rebalancing constraints.

Defining TOU tariffs

We continue to contend that the AER should specify what a TOU tariff is in this context. As detailed in our previous submission, we believe that the AER must further define what a TOU tariff is to provide clarity to customers, retailers and networks about the scope of the potential tariff reassignment. In the draft decision (p 12) the AER notes that:

“the price determination already defines a TOU tariff as a tariff that has varying component for the time that consumption occurs. This may include critical peak pricing or peak and off-peak tariffs. However the design of those tariffs is at the discretion of the distributor under the weighted average tariff basket control applied in Victoria. Therefore, the AER considers it is unnecessary to further define a TOU tariff”.

However it remains unclear whether the proposed tariff reassignment requirements will apply to other types of pricing/tariff structures enabled by interval meter data but are not necessarily TOU tariffs. Examples of pricing/tariff structures we question as to whether they can be defined as TOU tariffs include:

- Demand tariffs (currently used by some Victorian networks)
- Direct Load Control (currently being trialed in South Australia)
- Seasonal tariffs
- Various forms of feed-in tariffs (offered as a network augmentation strategy)

We would welcome a clarification from the AER on this issue.

Notification period

We support the AER's draft decision requiring networks to give 45 days notice of a tariff reassignment to retailers and that retailer must inform customers within 10 business days of any tariff changes arising from this reassignment - effectively giving customers 35 days to respond to these changes. We believe the proposed timelines are sufficient to allow customers and other retailers to seek and make different retail offers in response to TOU tariff reassignments. However, we regard the 45 and 35 days notices as a minimum, and we would strongly oppose any shortening of either of these two notice periods.

Rebalancing constrains

We understand that price changes will need to comply with the rebalancing constraints within the price controls. For the 2006-10 regulatory period the distribution businesses are limited to an average increase in tariffs for each customer class at CPI+2. However we believe that the AER needs to review the effectiveness of these side constraint provisions in delivering the intended outcomes when applied to tariff reassignments in an interval meter context.

If the rebalancing constraints continue to be set at CPI+2 per cent, price increases may be significantly higher for customers on single rate tariffs (i.e. the majority of Victorian dual fuel households) transferred to a TOU tariffs. While the reassignments need to comply with the rebalancing constraints, the potential cost increases for these households would be significant (at the extreme a 25% increase) due to their low off-peak load (assuming gas hot water and space heating). These households will therefore effectively be consigned to a higher peak rate with little or no ability to keep costs down by accessing off-peak electricity.

We realise that the setting of side constraints are outside the scope of this draft decision, but we wish to flag this as an important issue for the price review as the AER's decision in relation to the reassignment requirements may warrant a considerable change to the side constraints applied to the next set of price controls.

Please do not hesitate to contact Gavin Dufty (03 9895 5816) or May Johnston (0403983817) should you have any questions about the above.

Yours sincerely,

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