



EnergyAustralia

EnergyAustralia Pty Ltd

ABN 99 086 014 968
Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

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Richard Owens
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically: www.aemc.com.au

Reference ERC0175

Dear Mr Owens

AEMC Draft Rule Determination- Aligning Network and Retail Structures for Small Customers

1. Introduction

EnergyAustralia welcomes the opportunity to comment on the Draft Rule Determination titled Aligning Network and Retail Structures for Small Customers. We are one of Australia's largest energy companies, providing electricity and gas to over 2.5 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

2. Background

This rule change, proposed by the COAG Energy Council, was intended to allow small customers with interval meters to choose to be supplied electricity under a flat standard retail tariff. However its application is subject to a jurisdiction imposing an obligation of a prescribed tariff structure (flat) on retailers for the standing offer. It also assumes that distributors will not offer a flat tariff structure for this customer category going forward.

3. Draft Rule Determination

EnergyAustralia was not supportive of the rule change and fully supports the Australian Energy Market Commission's (AEMC) Draft Determination to reject the rule change. We are of the view that the competitive market will ensure that retailers present efficient prices to customers and that the proposed regulatory provision, to require distribution network service providers to make available network tariff structures that align with that of the retail standing offer, are not necessary.

We agree with the AEMC's assessment that this rule change was proposed in June 2014 prior to the Distribution Network Pricing arrangements rule change process which has now

established improved processes for new network pricing structures. Distributors are now required to widely consult on and produce Tariff Structure Statements which facilitate retailer input and provide advance notice of new network tariff structures.

4. Summary

As the AEMC notes in its Draft Rule Determination retailers are best placed to manage the commercial risks associated with network and retail tariff misalignment. The new rules developed under the 2014 Distribution Network Pricing Arrangements rule change have provided retailers with additional risk management tools that can support a minimal risk approach that also provides efficient pricing for small customers.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager