



27 August 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged web: <http://www.aemc.gov.au/>

Aligning Network and Retail Tariff Structures rule change – Draft Determination

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Energy Market Commission (AEMC) on the Aligning Network and Retail Tariff Structures rule change.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 37 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The esaa supports the AEMC decision not to make the draft rule. The rule change would have been contrary:

- to the intent of the recent rule on distribution network pricing; and
- to government policies that have progressively deregulated retail pricing.

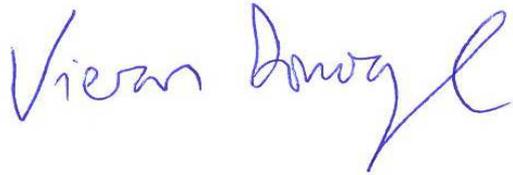
The purpose of the recent network pricing rule change was to ensure that network services are priced in a more cost reflective fashion. If networks were compelled to offer flat tariffs that do not reflect the cost to serve it would undermine network tariff reform.

Retailers may still opt to offer flat tariffs to customers. But, as noted by the AEMC “any additional costs that are incurred by a retailer in providing a specific retail offer are only borne by those consumers that receive that offer.”

If governments are concerned about the retail prices some customers face they should use their energy concessions programs to target assistance, rather than regulating price structures, and in this way smearing costs on all customers. This principle is especially pertinent in the light of increasing competition from distributed technologies such as rooftop PV.

Any questions about our submission should be addressed to Fergus Pope, by email to fergus.pope@esaa.com.au or by telephone on (03) 9205 3107.

Yours sincerely

A handwritten signature in blue ink that reads "Kieran Donoghue". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Kieran Donoghue
General Manager, Policy