

24 June 2020



Mitchell Shannon
Australian Energy Market Commission

Via email.

Dear Mr Shannon,

Submission regarding deferral of network charges rule change request

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation on a rule change request to allow the deferral of network charges due to the impacts of the COVID-19 pandemic.

PIAC broadly supports the Australian Energy Regulator's (AER) rule change request. We are aware of the widespread and unprecedented impact the COVID-19 pandemic is having on the community and economy and its consequences for people's ability to afford their energy bills in coming months.

PIAC agrees the unprecedented impact of the COVID-19 pandemic on many households' finances, and the additional expectations set out by the AER mean retailers are facing exceptional pressures, which they may struggle to manage. Data from the AER's retail market COVID-19 dashboard suggests the pandemic's impact on retailers' solvency has been limited so far and that multiple retailer failure is not an immediate risk. Currently, however, extraordinary government supports are in place that are likely keeping numbers of customers in hardship and other support programs low. As these supports are scheduled to end in coming months, more widespread inability to pay energy bills may arise, heightening the risk of multiple retailer failure. We therefore agree with the AER's assessment that the pandemic could impact retailers' revenues through the second half of 2020.

In PIAC's view, the number of retailers currently in the market has not brought a diversity of offerings to energy consumers, has not resulted in efficient and fair prices for many energy consumers, and has not effectively spread risk. Some retailers were failing to meet their minimum requirements for hardship customers and disconnections prior to the pandemic. In light of this, PIAC does not consider preserving the existing level

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of retail competition an end in itself, nor the avoidance of triggering Retailer of Last Resort.

PIAC considers the focus should be on supporting hardship customers directly to afford their energy bills, avoid debt accumulation and harmful energy rationing, rather than on assisting retailers to manage impacts on their business. In particular, PIAC and a number of other community and consumer organisations have advocated for a federally funded bill relief scheme to help people afford their energy during the crisis.

We do not consider it is appropriate to exclude customers from network charge deferral assistance who were in a hardship program or were on a payment plan, instalment arrangement or deferred debt arrangement prior to March 2020. Many of the people struggling prior to the pandemic would have had their situation worsened by the crisis and should not be excluded from assistance purely on this basis.

PIAC is concerned deferring network charges may result in customers paying more for networks in the long run if the proposed rule impacts distributor's credit rating or debt costs, or undermines investment certainty in network assets. To mitigate this risk, we support allowing networks to recover the efficient costs they may incur as a result of the payment deferrals, for example by requiring retailers pay interest on the deferred charges.

We support limiting access to network charge deferral to retailers that have a demonstrable need for this support as a direct result of the COVID-19 pandemic.

We welcome the opportunity to discuss this matter in further detail with the AEMC.

Yours sincerely

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