

27 August 2015

Slavko Jovanoski
Australian Energy Market Commission
PO Box A2449
Sydney South
NSW 1235

By email: aemc@aemc.gov.au

**RE: Aligning Network and Retail Tariff Structures for Small Customers, Draft Rule Determination,
16 July 2015**

Dear Mr. Jovanoski,

Thank you for the opportunity to comment on this draft rule determination.

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences and needs of energy and water consumers.

CUAC supports the AEMC's decision to not make a draft rule in relation to the *Aligning Network and Retail Tariff Structures for Small Customers* rule change request.

As the rule change proponents suggest, requiring distribution network service providers (DNSPs) to match the structure of a government-mandated standing offer would move risks from retailers to DNSPs. CUAC agrees with the AEMC that this allocation of risk would be inefficient: the costs of managing the risks for consumers on a mandated standing offer would not be reflected in the prices for those consumers alone, but spread over a broader base.

Such an outcome would also run counter to the 2014 *Distribution Network Pricing Arrangements* rule change, which seeks to promote more cost reflective distribution network tariffs.¹ Cost reflective distribution tariffs have several potential benefits for consumers that could be reduced if DNSPs were required to align with requirements imposed on retailers.

¹ We note that the *Distribution Network Pricing Arrangements* rule change was finalised after the *Aligning Network and Retail Tariff Structures for Small Customers* rule change request was submitted.

It is properly a role of retailers to manage supply chain risks on behalf of customers. In a competitive market, retailers should offer a range of products that allow consumers to choose a contract that matches their preferences.

Should a government stipulate that retailers must offer a particular tariff structure to a certain customer class, CUAC is aware of no legislative barriers to that government placing similar requirements on DNSPs. Governments can also use non-legislative methods to influence DNSPs, as the Victorian Government did with the introduction of common form distribution tariff structures for Flexible Pricing. A requirement for DNSPs to match an obligation on retailers might therefore be contrary to the intention of the government; for if the government had wanted an obligation on DNSPs, it could achieve this itself.

For these reasons, CUAC sees no compelling reason for the *Aligning Network and Retail Tariff Structures for Small Customers* rule change to proceed.

Yours sincerely,

A handwritten signature in black ink that reads "M. Jones". The signature is written in a cursive style with a prominent horizontal line above the first name.

Martin Jones
Research and Policy Advocate, CUAC

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