

27 August 2015

John Pierce
Chairman,
Australian Energy Market Commission,
PO Box A2449
Sydney South, NSW 1235

National Electricity Amendment
(Aligning Network and Retail Tariff Structures for Small Customers)
Rule 2015

Dear Mr Pierce

The Energy Networks Association welcomes the Australian Energy Market Commission (AEMC) decision not to make a draft rule in relation to the above rule change request.

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

There are three particularly significant aspects of the AEMC's Draft Determination which the ENA expressly supports.

In its earlier submission, the ENA expressed its view that this Rule change request has been effectively superseded by more comprehensive changes to the distribution network pricing arrangements within the National Electricity Rules (NER) which have been in effect since 1 December 2014. ENA welcomes the AEMC's assessment that the 2014 Distribution Network Pricing Arrangements Rule change established appropriate mechanisms for managing the impacts on consumers of the transition to cost-reflective tariffs.

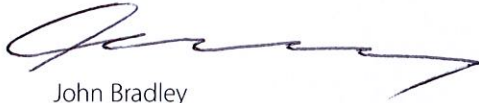
ENA concurs with the AEMC's view that the Rule change request would have the effect of allowing some customers to avoid facing the costs of their use of network services, and to have those costs recovered in higher prices paid by all customers. It is therefore inconsistent with the network pricing objective in the NER that a customers' network tariff should reflect the efficient cost of providing services to that customer.

In the current environment, in which distribution networks are transitioning their customers to more-cost-reflective network pricing, ENA shares the AEMC's view that retailers have a number of tools to help them manage the risk of misalignment between the structure of the network tariff and the structure of the retail tariff. For customers that choose a flat rate or inclining block tariff, retailers can charge those customers a higher usage rate (a premium) to cover the risk that the retailer could under-recover the amount charged by the network in respect of those customers.

In this context, ENA is working closely with the Energy Retailers Association of Australia (ERAA) to address potential barriers to the pass through of the network tariff into the retail tariff, so that the needs of those customers who could prefer a price signal are met. At this point in time, ENA is seeking collaborative approaches with retailers to the pass through of the network tariff rather than a regulatory solution. Other potential options for sending customers a price signal through the retail tariff, such as offering demand management to a portfolio of customers for peak load reduction, could also be explored in this process. Further details on the shared work program to facilitate the smooth and effective implementation of network tariff reform are provided in the Network Tariff Reform – May 2015 Workshop Summary Report released on 20 August 2015 (available from <http://www.ena.asn.au/publications>).

If you have any questions regarding this submission or ENA's work program on the implementation of network tariff reform please contact Lynne Gallagher on 02 6272 1515 or by email on lgallagher@ena.asn.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Bradley', with a long horizontal flourish extending to the right.

John Bradley

Chief Executive Officer