

12 October 2012

Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Dear Commissioners

Market Arrangements for Electric Vehicles and the Power of Choice

Simply Energy welcomes the opportunity to comment on the Australian Energy Markets Commission's (AEMC's) Power of Choice and Electric Vehicles reports. We support the submission that has been provided by the Energy Retailers' Association of Australia (ERAA) and wish the AEMC to consider that submission a component of this submission.

Simply Energy is far less supportive of the Draft Advice contained in the Electric Vehicles report than the Power of Choice Draft Advice. We urge the AEMC to undertake a proper and thorough cost-benefit analysis of the metering arrangements set out in the Electric Vehicle Draft Advice as Simply Energy believes they are high cost and will lead to customer confusion. We believe that there are much more cost effective solutions to delivering electric vehicles to those customers who want them but the AEMC has failed to give consideration to these more cost-effective solutions.

Simply Energy is also strongly opposed to having another retailer disconnect the power that we are supplying our customers under an agreed contract. Not only does this impose significant non-compliance risks upon us through no decision of our own but it is also unfair to the customer who may be up to date with their payments against the contract they have with Simply Energy.

Despite some concerns that we have raised with the specifics of some of the proposals, Simply Energy is generally supportive of the direction that the Power of Choice report has taken. We welcome the initiative to make retailers the Responsible Person for metering services down to the residential level as this will drive efficiency and innovation into the delivery of metering services to customers. However, we believe that much more work and consultation with the industry is required to understand the practical implementation of the report's recommendations, particularly around the provision of information to consumers and the implementation of efficient and flexible pricing options.

While broadly supportive of the Power of Choice report, we are opposed to the model for demand side participation in the wholesale market put forward in the Draft Advice. It increases financial risks for retailers and creates inefficient price signals that could distort long term investment signals.

This submission is divided into two parts. Part A has Simply Energy's response to the Draft Advice on Electricity and Natural Gas Vehicles, and Part B addresses the Power of Choice Draft Advice.

If you have any questions concerning this submission, please contact me on (03) 8807 1132.

Yours sincerely

Dianne Shields
Senior Regulatory Manager

PART A: ENERGY MARKET ARRANGEMENTS FOR ELECTRIC AND NATURAL GAS VEHICLES

Simply Energy has restricted its comments against the Electric Vehicles report to chapters 3 and 4 — metering arrangements to facilitate electric vehicles; and the licensing of electric vehicle providers. Our concerns with the Draft Advice are as follows:

- Simply Energy does not support the parent-child metering arrangements proposed in the paper as it is high cost, complex and unlikely to be supported by customers
- The AEMC has not demonstrated that there are net benefits in the metering arrangements it has proposed and has failed to consider more cost-effective solutions available. A thorough cost-benefit analysis of the metering arrangements proposed in the Draft Advice must be undertaken to test and demonstrate that they are the most cost-effective way of delivering electric vehicle technologies.
- Simply Energy supports the AEMC’s view that Electric Vehicle charging is the sale of electricity and as such should be subject to an authorisation and thus the National Energy Consumer Framework.
- Simply Energy strongly opposes having another retailer disconnect the power that we are supplying our customers under an agreed contract.
- Simply Energy strongly opposes the AEMC’s Draft Advice that ‘bundled’ service providers may be exempt from the need to obtain a licence to sell energy. The proposal undermines the concept of electricity as an essential service and instead narrows the definition of what constitutes that service. It creates a strong incentive to establish retailing business models that avoid the need for a licence.

The following table sets out our comments against the specific questions contained in the report.

Chapter 3 — NEM Metering Arrangements to Facilitate Consumer Choice and Efficient Charging
<p>Do you agree that changing the definition of connection point and supply point in the NER should facilitate separate metering of loads (or generation)? Does the creation of this new definition produce any unintended consequences? Please provide reasons.</p>
<p>Simply Energy does not have an ‘in-principle’ concern regarding the AEMC’s proposed change to the definitions of connection point and supply point in the Rules. However, at the appropriate stage, we would welcome the opportunity to review the drafting of the Rule changes to ensure that the integrity of the Rules is maintained.</p>
<p>Do you agree that our proposals address existing issues with parent/child metering arrangements? If so, how should these arrangements be specified in the NER? Please provide reasons.</p>
<p>Simply Energy does not support the parent-child metering arrangement set out in the paper. The model will be costly for customers, create confusion and potentially end up cross-subsidising a particular business model that wants subsidised entry into the market. There is a high risk that customers will be left worse off:</p> <ul style="list-style-type: none"> • Confused and disenchanted by the fact they need to purchase and pay the installation costs of a second meter when they already have an operating meter; • Confused and disenchanted if they find that to get an electric vehicle they may also have to purchase and pay the installation costs of a replacement parent meter so that the meter types align; • Confused over who to contact if they wish to make a complaint as they will have two retailers; • Disenchanted by having to receive two electricity bills every billing period whereas they are likely to prefer only one; • Higher overall bills because they have to pay for two lots of meter servicing costs, two lots of retail overheads, and higher retailer regulatory costs as regulators and Ombudsman schemes expand to

handle the additional workload;

- Higher disconnection/connection fees if customers move premises as they now have to have two meters disconnected/connected and pay separate disconnection/connection fees for each meter;
- Increased levels of retailer operating costs as the volume of service orders in the market increases because the number of meters in the market has effectively doubled.

It is unclear why the AEMC has not considered more cost effective ways of delivering electric vehicles to the market that involve no change in metering arrangements. One example Simply Energy can suggest is to incorporate electric vehicles into energy efficiency schemes, such as the VEET and REES. This alternative approach would have multiple benefits:

- Existing retailers would have an incentive to engage with electric vehicle providers because it helps retailers meet their energy efficiency obligations.
- It avoids the need for customers to purchase a second meter and avoids the confusion and additional costs arising from the AEMC's proposed model.
- It creates an incentive for the development and delivery of more energy-efficient EV models into the market because these would earn higher credits under the energy efficiency schemes.

Another more cost effective and very simple solution would be to place a regulatory obligation on retailers to engage with electric vehicle providers and facilitate the necessary infrastructure where the customer has informed their retailer that they wish to take delivery of that service. Again, this would avoid all the additional cost, complexity and confusion created by having two meters and two retailers at a premise.

Simply Energy urges the AEMC to consider all the available solutions to delivering electric vehicles into the market. At the very least, a thorough cost-benefit analysis of the metering arrangements proposed in the Draft Advice must be undertaken to test and demonstrate that they are the most cost-effective way of delivering electric vehicle technologies.

Do you agree that having one Responsible Person for multi-element meters is the efficient solution? Are there any other issues with multi-element meters that we should address?

Simply Energy is more supportive of this model as the EV supply can be managed separately to the main supply to the premises. As highlighted in the ERAA's Market Driven Rollout of Smart Meters paper, there are a number of issues that must be worked through prior to the implementation of this model.

Do you agree that our recommendations address existing uncertainties with respect to metering in embedded networks? Please provide reasons

Simply Energy has no specific comments on this model and refers the AEMC to the ERAA's submission.

Do you agree that our recommendations will enable two or more FRMPs to operate effectively at a connection point? Please provide reasons. In the event that one FRMP wishes to disconnect a consumer, do you agree that a FRMP should have the power to disconnect the consumer's total load, which includes the load from the other FRMP? Or do you think that each part of the load should be able to be disconnected independent of the other FRMP?

Simply Energy strongly opposes this recommendation and believes it is unworkable given the legal and regulatory obligations retailers have to their customers.

In practice, the AEMC's recommendation means that Simply Energy's customer may be up to date on their payments against Simply Energy bills but an electric vehicle provider (or some other retailer) could disconnect

this supply without the knowledge or approval of Simply Energy. This places Simply Energy in an untenable situation:

- First, it would irreparably damage the reputation that Simply Energy had with that customer and with customers in the broader market.
- Second, it would mean that Simply Energy had defaulted on the contract that it had with the customer exposing Simply Energy to legal action under Australian contract law.
- Third, it would expose Simply Energy to enforcement action by the Australian Competition and Consumer Commission under the Australian Competition and Consumer Law.
- Fourth, it would expose Simply Energy to enforcement action by national or state regulators under prevailing energy-specific customer protection regulations. Not only would this expose Simply Energy to financial penalties but it could ultimately lead to the loss of Simply Energy's licence to operate.
- Fifth, it would also expose Simply Energy to wrongful disconnection payments under the Victorian wrongful disconnection payments scheme.

Simply Energy would incur this fall out through no action or decision of its own but from a decision made by another party over which Simply Energy has no control.

The AEMC is attempting to solve a problem of its own creation caused by the parent-child metering arrangements it proposes at a property. If the AEMC gave due weight to alternative, more cost-effective solutions that required no change in existing metering arrangements, then this issue would not arise.

The AEMC either needs to re-think its advice on how disconnection works at a site where there are two retailers or propose a significant re-write of the existing consumer protection requirements so that they align with the AEMC's Draft Advice.

Chapter 4: NEM Arrangements to Facilitate Consumer Choice

Do you consider the AER should be required to specify how it will determine whether a bundled service provider is selling a good or service that constitutes a legal sale of electricity, eg through a guideline?

Simply Energy strongly opposes the AEMC's Draft Advice in relation to 'bundled' service providers. The proposal introduces the possibility that bundling services up with the supply of electricity may exempt a party from having to obtain a retail licence and thus avoid all the obligations that come with being given the privilege to retail to electricity customers. We have the following concerns with the AEMC's proposal for allowing an exemption for bundled service providers:

- It undermines the concept of electricity as an essential service and instead narrows the definition of what constitutes that service. If the power supplied to an electric vehicle is not considered essential because it is bundled with a car and a range of other services, then maybe the power supplied to televisions, for example, should not be considered essential because that power has been bundled with the supply of the television.
- It creates a strong incentive to establish retailing business models that avoid the need for a licence. Service providers would look to bundle anything into their sales product if they thought it would allow them to avoid the need for a licence. Establishing criteria for determining what is exempt as the AEMC suggests only provides service providers with a guide to the type of business model they should set up to avoid the need for a licence.

We are also concerned that it may be creating a situation where an unlicensed bundled service provider could

potentially disconnect the power that a licensed retailer is supplying to its customers but it is the licensed retailer that bears the compliance and enforcement risk of the bundled service provider's decision. This cannot be allowed to eventuate in the market.

The AEMC needs to remove the concept of a bundled service provider obtaining an exemption from the requirement to hold a licence from its Draft Advice. The supply of electricity should be a licensed activity regardless of whether it is sold with other services and products.

Do you agree that the AER should review its retail exemptions framework to clarify the status of EV charging at commercial EV charging stations where onselling occurs? Please provide reasons.

Simply Energy strongly disagrees with this proposal. Deciding upon which entities should be given the responsibility for supplying an essential service is a policy-making role. As the policy-making body of the national market, the AEMC should not be shirking its responsibilities in this area by attempting to derogate this responsibility to the AER.

The AEMC needs to review the issue seriously, focussing on the provision of electricity as an essential service regardless of which appliance is consuming that supply. Simply Energy insists that the AEMC engage effectively with the industry and consumer representatives on this issue.

PART B: POWER OF CHOICE DRAFT ADVICE

Simply Energy is broadly supportive of the direction the Power of Choice report has taken:

- With some reservations noted below, we are supportive of the recommendations made in regard to facilitating consumer access to electricity consumption information (chapter 2). However, we caution the AEMC that its recommendations must align with the broader range of regulatory obligations retailers must observe particularly Australian privacy laws. The AEMC will need to review some of its recommendations to ensure that this alignment occurs.
- We are broadly supportive of the recommendations made in relation to engaging with consumers to provide DSP products and services (chapter 3). We note that the Energy Networks Association (ENA) and ERAA recently agreed to a set of protocols around how retailers and distributors interact with customers on DSP products and services. Drawing on these protocols may assist the AEMC in strengthening its Draft Advice in this area.
- Simply Energy's response to the AEMC's proposals in relation to enabling technologies for DSP (chapter 4) is mixed.
 - We disagree with the inclusion of a minimum functionality specification in the NER. It stifles innovation and runs the risk of locking in a specific technology.
 - We are broadly supportive of the AEMC's proposal for an accelerated rollout of smart meters to large residential and small business. However, not all of the AEMC's proposals are fully developed and they require consideration by the industry to ensure that all issues are addressed prior to these recommendations being implemented.
 - We strongly oppose the separation of the retail energy supply contract from the metering services contract. It is unnecessary and may prevent a retailer from meeting their obligations under Chapter 7 of the Rules to ensure that the meter at a site is operational and recording data accurately.
- Simply Energy does not support the model for demand side participation in the wholesale market set out in the paper (chapter 5).
- Simply Energy broadly supports the recommendations on efficient and flexible pricing options (chapter 6) but notes a need for extensive cross-industry input into how the recommendations are operationalized as well as further clarity from the AEMC on the alignment between time varying network tariffs and the tariffs that retailers are permitted to charge.

The following table sets out our comments against the specific questions contained in the report.

Chapter 2 — Facilitating Consumer Access to Electricity Consumption Information
What should be the minimum standard form and structure of energy and metering data supplied to consumers (or their agents)? Should these arrangements differentiate between consumer sectors (ie industrial/ commercial and residential)
<p>Simply Energy recommends that the AEMC work with industry to develop an industry-wide format and structure for data provision. It is important that this discussion is held with industry to ensure that what data format and structure is recommended is deliverable by the industry without imposing undue costs.</p> <p>The data available does not typically differ between consumer sectors and thus there should be no difference between sectors.</p>

When do you think it is appropriate for a retailer (or responsible party) to charge a fee for supplying energy and metering data to consumers or their agents?

Simply Energy supports the AEMC's recommendations but disagrees with the use of the term 'reasonable' as it amounts to price regulation. The Draft Advice is not specific on what market failure the AEMC believes exists that retailers' fees must be regulated to ensure they are 'reasonable'. Nor does the AEMC specify who would determine what a 'reasonable' fee is. Simply Energy believes that there is sufficient competition in the market to protect customers from monopolistic pricing and the term 'reasonable' should be removed from the AEMC's recommendation.

We propose that changes are made to Chapter 7.7 (a) of the NER to enable agents, acting on behalf of consumers, to access consumers' energy and metering data directly from a retailer. This would include requirements on a retailer to provide consumers' energy and metering data to an authorised consumer's agent (third party), following explicit informed consent.

Simply Energy believes this proposal is unworkable. Australian Privacy Laws mean that Simply Energy will only provide account information to the nominated account holder following receipt of the account holder's consent. Concerns over breaching Privacy Laws mean that we will not provide this data to any other third person, regardless of whether this third person is a spouse, their children or an agent acting on behalf of the account holder.

If adopted, the AEMC's proposal will create a legal conflict for retailers between Australian Privacy Laws and Chapter 7 of the Rules.

We propose that changes are made to the NER to require AEMO to publish market information on representative consumer sector load profiles. Do you agree that general market information should be published on consumer segment load profiles to inform the development of DSP products and services to consumers?

Simply Energy does not understand the point of publishing this data as the information appears fairly useless. This in itself would not be an issue for Simply Energy. However, we are concerned that AEMO fees will increase to fund the delivery of this information but the 'third parties' who the AEMC intends would use this information avoid this cost.

Simply Energy has no concerns with AEMO producing this information but those who use it should pay some form of fee to cover AEMO's costs.

Is AEMO the appropriate body to publish such information, or should each DNSP be required to provide such information particularly where data will be at the feeder level where accumulation meters are installed?

If someone must produce this information, then we would prefer AEMO publish the data but it should not be provided free of charge. Those who access and use the data should be required to pay some form of fee to cover AEMO's costs.

<p>Chapter 3 — Engaging with Consumers to Provide DSP Products and Services</p>
<p>We recommend that the NECF is clarified to make it clear what arrangements apply to third parties providing “DSP energy services”. This should involve establishing criteria either in the NECF or the AER guidelines on retail exemptions. The criteria could include the circumstances where accreditation (or exemptions) of parties is required and the relevant provisions of the NECF that would apply (ie marketing rules, and the relevant enforcement and monitoring provisions).</p>
<p>Simply Energy strongly supports this recommendation. For reasons, the AEMC may refer to the submission Simply Energy supplied in response to the Directions Paper.</p>
<p>What specific criteria could be used to determine whether elements of the NECF (ie marketing code) apply to third parties providing DSP energy services to consumers? That is, beyond Australian Consumer Law?</p>
<p>Please refer to the ERAA’s submission</p>
<p>What requirements should be in place for these third parties? For example, what should be the form of authorisations/accreditations?</p>
<p>Please refer to the ERAA’s submission</p>
<p>We recommend that the NER and NECF are clarified to outline the conditions when a distribution network business can engage directly with consumers to offer DSP network management services. This may involve establishing appropriate guidelines/process for the AER to apply and outlining which elements of the NECF apply.</p>
<p>Simply Energy notes that the ENA and ERAA have workshopped how these arrangements could work. The ERAA’s submission in response to the Draft Advice provides an overview of the outcomes agreed between the ENA and ERAA. We refer the AEMC to the ERAA’s submission.</p>
<p>Do you agree that existing rules and guidelines should be amended to clearly outline the circumstances when distribution businesses are able to directly contract with residential and small consumers to deliver DSP network management services/programs?</p>
<p>Simply Energy agrees with this proposal and believes that clear and robust ring-fencing arrangements be established to ensure distribution businesses are not able to use their regulated revenue streams to cross-subsidise the delivery of DSP services that could be delivered by the competitive market. If these activities are not properly ring-fenced, it has the potential to undercut the competitive market and restrict the choice available to customers.</p> <p>Existing Rules and Guidelines were developed prior to the emergence of the new products and services that new technologies are offering to the market and Simply Energy believes that these Rules and Guidelines should be reviewed to ensure that they remain appropriate.</p>
<p>Appropriate arrangements should be placed on retailers to ensure that consumers are appropriately informed of the DSP options available to them</p>
<p>Simply Energy does not understand this statement and, in the absence of further clarity, strongly opposes it. The way that DSP options are communicated to customers and sold in the retail market is a significant issue for the industry that requires further consideration. In the first instance, we refer the AEMC to the ERAA’s submission which highlights the approach to delivering DSP to the market that was agreed to by the ENA and ERAA.</p>

Chapter 4 — Enabling Technologies for DSP

We recommend that a new minimum functionality specification is included into the NER for all future new meters installed for residential and small businesses consumers. That specification should include, interval read capability and remote communications.

Simply Energy disagrees with the inclusion of a minimum functionality specification in the NER. It will stifle innovation in the functionalities that metering is able to deliver because it will lock in specific technologies. It is important to remember that different customers will want different functionalities through their meter. Locking in a specific functionality means that the functionalities imbedded in the NER will be the only functionalities available to customers.

Simply Energy is also unclear on what market failure exists in the market that a functional meter specification requires regulation.

Should the minimum functionality specification for meters be limited to only those functions required to record interval consumption and have remote communication? Alternatively, should the minimum functionality include some, or all, of the additional functions specified in the SMI Minimum Functionality Specification?

Refer to comments above

We recommend that:

- the installation of meters consistent with the proposed minimum functionality specification to be required in certain situations (eg refurbishment, new connections, replacements).
- Such metering must also be installed on an accelerated basis for large residential and small business consumers whose annual consumption a defined threshold.

Simply Energy is generally supportive of the AEMC's recommendations, particularly the move toward making retailers the Responsible Person for metering services down to the residential level. This recommendation will lead to the delivery of more efficient and innovative metering services for all customer types.

One concern for Simply Energy is the approach to 'large' residential and small business customers who would be provided with smart metering on an accelerated basis. We understand that the AEMC is taking this approach to ensure that customers who consume large amount of power, particularly those with an electric vehicle, pay the true cost of their usage.

The recommendation poses two key concerns for Simply Energy:

1. Having smart meters forced upon certain customer types or segments risks repeating the mistakes of the Victorian smart meter roll out.
2. The AEMC is not clear on whether retailers will have the right to pass through time-varying network prices to these customers without obtaining the customers' explicit informed consent. The AEMC does not address this issue in its report but it is a key risk for the success of the AEMC's recommendation.

We don't believe that these issues are insolvable but they require further work and consideration by the industry to ensure that these issues are addressed prior to these recommendations being implemented.

Reforms to the current metering arrangements are necessary to promote investment in better metering technology and promote consumer choice. We put forward a model where metering services are open to competition and can be provided to residential and small business consumers by any approved metering service provider.

- If new arrangements are implemented, then we advise that governments should consider removing the possibility of a mandated roll-out of smart meters.

Simply Energy supports the AEMC's recommendations

Does the separation of the provision of metering services from retail energy contracts remove the need for meter churn when a consumer changes retailer? Does this cause any unforeseen difficulties or create any material risk? Are there any alternative approaches to reducing the need for meter churn?

The AEMC still appears confused over how the market provision of metering services works where there is retail contestability. As discussed in the ERAA's paper on a market-driven rollout of smart meters, even though a customer may churn retailer, there is no reason for the meter infrastructure, meter provider or meter data provider to churn. In effect, the only thing that will change where a customer switches retailer is the person who send the customer their bill.

There is no need to complicate arrangements in the market by separating out the metering contract from the energy supply contract. With an appropriate regulatory framework that supports a market driven roll out of smart meters, retailers will organise the meter arrangements at a customer site through contractual arrangement with the necessary metering provider and meter data provider that is already at that site. The customer's new retailer will ensure that the switch to a new retailer is as seamless and least cost as possible otherwise the retailer will not win that customer. There is no reason for the customer to know anything about their meter, who provides it or who reads it.

Simply Energy also notes that the AEMC's recommendation to separate out the contracts does not work in the context of the retailer carrying the prudential liability from the entire market. The AEMC's proposal effectively separates the meter services contract from the retailer responsible for ensuring the accuracy of that meter installation to enable settlements in the market. The retailer must be able to control the meter provider and meter data provider at a site to ensure that the meter is functioning and that the meter data is accurate to the standard expected under Chapter 7 of the Rules. Separation of these two roles means that retailers cannot fulfil their obligations under Chapter 7.

Simply Energy urges the AEMC dispense with this recommendation and to again review the paper on a market driven roll out prepared by the ERAA.

Are there sufficient potential metering services providers to facilitate a contestable roll out of AMI? Does the proposed model mitigate all the material risks of a contestable roll out? If not, should a monopoly roll out be adopted?

There are sufficient metering services providers available in the market with which retailers can contract and increased activity by retailers to roll out smart meters will attract other providers into the market increasing this supply.

The AEMC's proposed model increases the material risks of a contestable roll out because it appears to separate the retailer from the metering services contract.

What should the exit fee when a consumer upgrades its meter from one provided by the local distribution business? Is the proposed fixed 30% of the cost of a replaced meter appropriate?

Simply Energy refers the AEMC to the ERAA's paper on a market driven roll out of smart meters where this issue was addressed. It is important that any exit fees charged by a distributor represents the fair value of that meter otherwise it creates a barrier to competition because the customer ends up paying twice for metering infrastructure.

In Simply Energy's view, there should be no exit fees for meters that are more than 15 years old as distributors have been able to recover the full value of these assets under their regulated revenue stream and the value should be written down to zero.

Does the option of a government mandating an AMI roll out within its jurisdiction act as a strong disincentive to a commercial roll out? Should the ability for these governments to mandate an AMI roll out be removed from the NEL?

Simply Energy strongly supports the removal of government mandates of AMI roll outs from the NEL. The potential that governments could undermine the competitive market and mandate a rollout acts as a major disincentive to retailers taking the initiative in this space. It increases investment uncertainty and financial risk for a retailer that may elect to market smart meters as a commercial proposition.

Chapter 5 — Demand side participation in wholesale electricity and ancillary services markets

Simply Energy does not support the model for demand side participation in the wholesale market put forward in the Draft Advice. It increases the financial risk carried by existing retailers, increases contracting prices and creates inefficient price signals distorting long term investment in the market.

Simply Energy's refers the AEMC to the submission provided by International Power GDF Suez. Simply Energy supports the views expressed therein.

Chapter 6 — Efficient and flexible pricing options

We recommend that governments and industry work together to educate consumers and provide them with the information they need to understand both the system wide benefits and potential individual gains from time varying tariffs.

Simply Energy supports this recommendation

To manage the impacts on vulnerable consumers we recommend that:

- Arrangements are put in place for consumers, which may have a limited capacity to respond, to remain on a retail tariff which has a flat network component, and would have the option to choose a time varying tariff.
- Government programs target advice and assistance to these consumers to help manage their consumption.
- Governments review their energy concession schemes so that they are appropriately targeted.

Simply Energy supports these recommendations.

The transition to better price signals in the NEM should be done in a gradual phased approach. We propose that this can be achieved through:

- Focusing only on introducing time varying prices for the network tariff component of consumer bills.

Retailers would be free to decide how to include the relevant network tariff into their retail offers; and

- **Segmenting residential and small business consumers into three different consumption bands and applying time varying network tariffs in different ways. This would work as:**
 - For large consumers (band 1), the relevant network tariff component of the retail price must be time varying. This would require these consumers to have a meter that can be read on an interval basis.
 - Medium to large consumers (band 2) with an interval meter would transition to a retail price which includes a time varying network tariff component. These consumers would have the option of a flat network tariff.
 - Small to medium consumers (band 3) would remain on a flat network tariff. These consumers would have the option to select a retail offer which includes a time varying network tariff, if they so choose.

Simply Energy broadly supports these recommendations but notes that there will need to be a significant amount of cross-industry input into how this recommendation is operationalized. For example, the Draft Advice is unclear whether retailers will be able to mandatorily reassign customers to a time varying retail tariff if the network tariff changes to time-varying. As noted previously, the Draft Advice does not address how the need for retailers to obtain the explicit informed consent of a customer will be dealt with when implementing this recommendation. The AEMC must address this issue, otherwise the recommendation will have no meaning because large users will choose to remain on the flat rate retail tariff and thus avoid the time varying price signals. It also places retailers in an untenable situation as they incur time varying network tariff costs but can only pass on a flat rate retail tariff.

Do stakeholders agree with our approach for phasing in cost-reflective pricing? If not, how can the policy be improved to transition to cost-reflective pricing?

Simply Energy is supportive on the condition that retailers are not left absorbing time varying network tariff that they cannot pass on to consumers under existing commercial agreements with the customer.

Have we identified the main issues with transitioning to cost reflective pricing? If not, what other issues need to be considered?

As noted, the AEMC has not addressed the requirement for retailers to obtain a customer's explicit informed consent to move them to a time varying retail tariff that matches a time varying network tariff.

How should consumption thresholds be determined?

Simply Energy is of the view that the thresholds should be set through another consultation process that examines a number of methodologies and allows the industry time to consider which will work best for the industry and for consumers.

We recommend that:

- The distribution network pricing rules in the NER are amended so that distribution network businesses have sufficient guidance to set efficient and flexible network tariff structures that support DSP.
- A new provision is included in the rules which require distribution network businesses to consult with consumer groups and retailers on their proposed tariff structures each year.

Simply Energy supports these recommendations

We seek stakeholder comments on appropriate pricing principles for distribution businesses and the appropriate time period for stakeholder consultation on distribution network pricing proposals.

Simply Energy recommends that the AEMC adopt the proposal being put forward by the Independent Pricing and Regulatory Tribunal (IPART) on the consultation and time periods around when distribution prices become available each year.

We recommend that once a residential and small business consumer has a meter with interval read capability, that consumer's consumption should be settled in the wholesale market using the interval data and not the net system load profile. This will be the case irrespective of whether the consumer has reverted to a flat retail tariff.

Simply Energy does not understand this recommendation as this is what already occurs in the NEM.