

Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 161
CIVIC SQUARE ACT 2608

Via email: icrc@act.gov.au

Dear Commissioner Dimasi

Submission to Issues Paper on the Review of the Retail Electricity Form of Price Control

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to respond to the Independent Competition and Regulatory Commission's (ICRC) Issues Paper on the Review of the Retail Electricity Form of Price Control (the Issues Paper).

ACTCOSS represents not-for-profit community organisations and advocates for social justice in the ACT. In partnership with Care Financial Counselling Service, ACTCOSS leads the ACT Energised Consumers Project which is co-funded by Energy Consumers Australia (ECA) and the ACT Government. Through this project ACTCOSS advocates for residential, not-for-profit, and small business energy consumers in the ACT.

As stated in the Issues Paper, the ICRC 'is responsible for regulating retail electricity prices faced by small customers on ActewAGL's standing offer tariffs'.¹ Importantly, it notes that these 'standing offers are default offers that provide a safety net for those customers who do not shop around for unregulated market offers'.²

ACTCOSS believes that electricity price regulation in the ACT is critical to ensuring energy consumers – especially those on low-income and/or experiencing vulnerable circumstances – can easily access affordable, dependable, and clean energy as an essential service. ACTCOSS is keen to ensure that regulation – including the retail electricity form of price control – delivers an effective safety net for all ACT residential and small business electricity

¹ ICRC, *Issues paper: review of the retail electricity form of price control*, Report 13 of 2020, ICRC, Canberra, 2020, p. 13, <<https://www.icrc.act.gov.au/energy/review-of-the-form-of-electricity-price-control>>.

² *ibid.*

customers – regardless of their retailer – as the electricity market undergoes significant change both locally and nationally.

Please find below responses to each of the questions raised in the Issues Paper.

1. Do stakeholders have any comments on the trends in the wholesale market discussed above, including whether they are expected to continue?

The Issues Paper and the ICRC's companion Background Paper on Developments in the Electricity Market (the Background Paper) provide a useful overview. They note decreases in wholesale electricity prices over the past few years due to the increased supply of renewable energy.³ While it is hoped that this trend continues, we understand that significant challenges remain in transitioning to 100% renewable electricity across the National Electricity Market (NEM).

The Background Paper highlights reliability, integration, and security challenges and the longer-term strategies are aimed at addressing them as part of a smooth energy market transition. As a member of the National Consumer Roundtable on Energy, ACTCOSS has engaged in consultations on the Australian Energy Market Operator's (AEMO) Integrated System Plan, the Energy Security Board's (ESB) Post-2025 Market Design Project, and the Coordination of Generation and Transmission Investment (COGATI) review being undertaken by the Australian Energy Market Commission (AEMC).

As part of a national collective of energy consumer advocates, ACTCOSS is keen to ensure that everyone has the right to access affordable, dependable, and clean energy in any future market design.⁴ This is especially the case in regards to managing the overlap between wholesale and retail markets through the integration distributed energy resources (DER) (e.g. rooftop solar panels) and the potential development of 'two-sided markets' – that is, 'where households and businesses would be both the consumers and producers of electricity, able to sell the electricity

³ ICRC, *Background paper: developments in the electricity market*, Report 14 of 2020, ICRC, Canberra, 2020, <<https://www.icrc.act.gov.au/energy/review-of-the-form-of-electricity-price-control>>.

⁴ ACOSS, *Joint submission: ESB post-2025 market design consultation paper*, ACOSS, Sydney, 2020, p. 31 <<https://www.acoss.org.au/wp-content/uploads/2020/11/Joint-ACOSS-submission-to-ESB-post-2025-market-design-Final-26102020.pdf>>.

they generate or the demand they reduce to lower their energy costs'.⁵

2. Do stakeholders have any comments on the compositional changes in the retail market? In particular, do stakeholders expect to continue seeing consumers move from standing offers to market offers, and from flat rate tariffs to time of use and demand tariffs?

ACTCOSS expects to see an increasing number of ACT energy consumers move from standing offers to market offers, and from flat tariffs to time-of-use and demand tariffs. This trend is already under way and we believe it will continue and possibly accelerate over coming years due to three key drivers.

First, we expect more customers to move from standing offers to market offers due in part to the ACT Government's commitment to implement recommendations made by the ICRC in its *Retail electricity price investigation 2020–24* that:

1. A reference bill amount should be developed to provide ACT consumers with a common point of comparison for assessing electricity offers. The reference bill should be based on existing regulated standing offer prices.
2. The ACT Government should consider imposing a new regulatory obligation on retailers to regularly notify their customers if they have a better offer and ask customers to call them for information. This new regulatory obligation should be implemented with a new regulatory obligation establishing a Clear Advice Entitlement to help ensure that consumers have information they need to make an informed decision.⁶

Under the *Parliamentary and Governing Agreement for the 10th ACT Legislative Assembly*, the ACT Government has committed to implement these recommendations by 2021.⁷

⁵ ESB, Post-2025 Electricity Market Design Project website, Two-sided markets, 2020, <<https://esb-post2025-market-design.aemc.gov.au/#message5>>.

⁶ ICRC, *Retail electricity price investigation 2020-24, Final Report*, Report 9 of 2020, ICRC, Canberra, June 2020, <<https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24>>.

⁷ ACT Government, *Parliamentary and Governing Agreement, 10th Legislative Assembly, Australian Capital Territory*, ACT Government, Canberra, 2020, <

Second, we expect to see more customers move to market offers as more customers switch electricity retailer – primarily from ActewAGL to another retailer. We expect that switching retailers will be further supported and encouraged through the ACT Government’s implementation of the ICRC’s recommendations which are aimed at improving the transparency and comparability of electricity offers in the ACT. Increased use – and usefulness – of the Australian Government’s *Energy Made Easy* energy market comparison website should also support more customers to switch between retailers and/or offers.

The tables below show that over the past five years ActewAGL’s market share of residential electricity customers has decreased from 92.7% to 79.2%. The number of ActewAGL customers on market contracts increased from 18.6% to 57.1% for residential customers and from 13.8% to 25.6% for small business customers. Among other electricity retailers in the ACT, almost all residential customers are on market offers – ranging from 96.3% to 100.0% in 2019-20. A continuing trend of ActewAGL customers switching to other retailers is expected to see an increase in customers on market offers.

In 2019-20, the ACT continued to have the lowest rate of switching between retailers in electricity, but the highest rate of switching within retailers from standing to market contracts.⁸

Table 1 ActewAGL’s market share and customers on market contracts, Residential and Small business electricity customers, 2015-16 to 2019-20⁹

Year	ActewAGL market share - Residential	ActewAGL market contracts - Residential	ActewAGL market share – Small business	ActewAGL market contracts – Small business
2015-16	92.7%	18.6%	84.9%	13.8%

https://www.cmtedd.act.gov.au/_data/assets/pdf_file/0003/1654077/Parliamentary-Agreement-for-the-10th-Legislative-Assembly.pdf.

⁸ AER, *Annual retail market report 2019-20*, AER, Melbourne, 2020, p. 31, <<https://www.aer.gov.au/retail-markets/performance-reporting/annual-retail-markets-report-2019-20>>.

⁹ AER, *Retail energy market performance update for Quarter 4, 2019–20*, Schedule 2 – Q4 2019-20 Retail Performance Data, AER, Melbourne, 2020, Quarterly indicators s2.1.ai & s.2.ai, S2.6 Res Elec Cust#s & Mkt Contr, <<https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-4-2019-20>>.

Year	ActewAGL market share - Residential	ActewAGL market contracts - Residential	ActewAGL market share – Small business	ActewAGL market contracts – Small business
2016-17	90.7%	13.0%	84.0%	15.9%
2017-18	88.3%	31.6%	82.6%	15.4%
2018-19	81.9%	40.7%	81.0%	19.5%
2019-20	79.2%	57.1%	80.1%	25.6%

Table 2 ACT electricity retailers' market share and customers on market contracts, Residential and Small business electricity customers, 2019-20¹⁰

Electricity retailer	Market share - Residential	Market contracts - Residential	Market share – Small business	Market contracts – Small business
ActewAGL	79.2%	57.1%	80.1%	25.6%
Energy Locals	0.5%	99.5%	0.0%	100.0%
Energy Australia	4.3%	96.7%	2.9%	93.9%
ERM Power	-	-	0.4%	86.0%
Momentum Energy	0.0%	0.0%	0.0%	0.0%
Next Business Energy	-	-	0.9%	93.0%
Origin Energy	15.8%	96.3%	15.1%	89.9%
Power Club	0.0%	100.0%	0.0%	0.0%
Powerdirect	-	-	0.3%	92.7%

¹⁰ *ibid.*

Electricity retailer	Market share - Residential	Market contracts - Residential	Market share – Small business	Market contracts – Small business
Red Energy	0.2%	99.7%	0.2%	100.0%
Simply Energy	0.0%	100.0%	0.1%	100.0%
ACT Total	100.0%	65.3%	100.0%	38.5%

The Issues Paper describes how the ICRC uses a ‘tariff basket’ form of price control:

ActewAGL’s basket of standing offer tariffs (regulated tariffs) contains different standing offers available to residential and small business customers ... In the 2020-21 financial year, ActewAGL’s basket of regulated tariff has 16 such tariffs (in total for residential and business customers), each with a different set of charges and/or pricing structure ... The Commission regulates ActewAGL’s standing offer prices by determining the maximum allowable percentage price change that ActewAGL can apply across its ‘basket’ of standing offer tariffs from one year to the next.¹¹

This is contrasted with an individual price cap form of price control, where the regulator sets the maximum level of individual prices or tariffs. The ICRC’s tariff basket form of price control does, however, include ‘a side constraint to ensure that the weighted average price increase of any single tariff does not differ too much from the maximum allowed percentage change’.¹²

In the final report of its *Electricity Price Investigation 2020-24*, the ICRC noted that while ‘the regulated standing offer rates only apply to ActewAGL customers [they] influence the prices of other market rates due to the dominance of ActewAGL’s regulated tariffs

¹¹ ICRC, *Issues Paper*, op. cit., p. 13.

¹² *ibid*, p. 15.

in the retail electricity market'.¹³ It follows that as ActewAGL's dominance declines, the influence of ActewAGL's regulated standing offer tariffs on the prices of other market rates will be diminished. As a result, they would also fail to provide an effective safety net – directly or indirectly – for all ACT residential and small business customers regardless of their electricity retailer.

Fundamentally, the onus should not be on consumers to regularly switch offers and/or retailers to get an affordable, fair price for an essential service like electricity. It is critical to ensure that default offers provide a safety net for all residential and small business customers in the ACT regardless of their retailer. As part of the ACT Energised Consumers Project, ACTCOSS has previously recommended that the ACT Government consider the development of a Basic Service Offer (BSO) that would determine a fair and affordable price for electricity which all retailers would be required to offer to customers as a default.¹⁴ A BSO would play a similar role to that played by the AER's Default Market Offer (DMO) in NSW, south-east Queensland and South Australia, and the Victorian Government's Victorian Default Offer (VDO).

We value the ICRC's active engagement with ACTCOSS on these issues to date, and we are keen to continue to engage with the ICRC to ensure that ACT energy consumers – especially those on low incomes and/or in vulnerable circumstances – are guaranteed access to affordable, dependable, and clean energy.

ACTCOSS recommends that the ICRC review the impact of ActewAGL's declining market share and the declining proportion of ActewAGL standing offer customers on the effectiveness of regulated ActewAGL standing offers as default offers that provide a safety net for all residential and small business electricity customers in the ACT.

ACTCOSS recommends that, in consultation with stakeholders, the ICRC and ACT Government determine what alternative approach would provide the best price protection for ACT electricity customers. This should include consideration of:

¹³ ICRC, *Retail electricity price investigation 2020-24*, Final Report, Report 9 of 2020, ICRC, Canberra, June 2020, p. 101, <<https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24>>.

¹⁴ ACT Energised Consumers Project Partners, *Submission: ICRC Retail Electricity Price Investigation 2020-24 Draft Report*, ACTCOSS, Canberra, 2020, <<https://www.actcoss.org.au/publications/advocacy-publications/submission-icrc-retail-electricity-price-investigation-2020-24>>.

- *developing a Basic Service Offer (BSO) for ACT electricity customers whereby the ICRC would determine what is a fair and affordable price for electricity, and all electricity retailers would be required to offer the BSO to everyone*
- *developing a social tariff for households at risk of energy hardship that would ensure they had equitable access to electricity at an affordable price in relation to their level of income.*

Third, we expect more customers to move – or to be moved – from flat-rate (or single rate) tariffs¹⁵ to time-of-use¹⁶ and demand tariffs¹⁷ due to the ongoing rollout of smart meters under the national *Power of Choice* reforms¹⁸ as well as the increasing installation of rooftop solar panels and other DER (e.g., batteries and electric vehicles).

Under the *Power of Choice* reforms all new electricity meters will be smart meters, while the installation of solar panels also requires installation of a smart meter. In 2019-20, 17,302 smart meters (Type 4 or 4A) were installed in the ACT.¹⁹ In the two-year period from November 2018 to October 2020, the number of smart meters (Type 4 and 4A) installations in the ACT increased by

¹⁵ With a single rate (or flat rate) tariff plan there are no peak or off-peak periods. This means that you pay the same rate whatever time of the day you use energy. The rate is usually lower than the peak rates of a time-of-use tariff. <<https://www.energymadeeasy.gov.au/article/electricity-tariffs>>.

¹⁶ A time-of-use tariff means that the price of electricity changes at different times of the day. The types of rates available are: Peak – this is when electricity costs the most. Peak rates usually apply in the evenings from Monday to Friday; Off-peak – this is when electricity is cheapest. Off-peak rates usually apply overnight and on Saturday and Sunday; Shoulder – this is when electricity costs a bit less than peak. Shoulder rates usually apply in-between peak and off-peak periods. <<https://www.energymadeeasy.gov.au/article/electricity-tariffs>>.

¹⁷ Plans with demand charges will have the usual usage and supply charges, but will have demand charges added on top. Instead of measuring your usage over time, demand (measured in kilowatts or kW) is a measure of how intensely you use electricity at a point in time. Therefore, your demand will be high when you have many appliances on at the same time. Different retailers have different ways of applying demand charges. <<https://www.energymadeeasy.gov.au/article/electricity-tariffs>>.

¹⁸ Australian Energy Market Operator (AEMO), *Power of Choice* website, 2020, <<https://aemo.com.au/en/initiatives/major-programs/past-major-programs/nem-power-of-choice>>.

¹⁹ AER, *Retail energy market performance update for Quarter 4, 2019–20*, Schedule 2 – Q4 2019-20 Retail Performance Data, AER, Melbourne, 2020, Quarterly indicators s2.7 Meter installation, <<https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-4-2019-20>>.

33,094 (305%) – from 10,833 to 43,927.²⁰ From 2018-19 to 2019-20 the total number of solar customers receiving tariffs in the ACT increased by 26% from 24,964 (13.6%) to 31,422 (16.0%).²¹

Evoenergy operates and maintains the electricity network in the ACT – it is a distribution network service provider, in contrast to ActewAGL which is an electricity retailer for customers on Evoenergy's electricity network.

The ICRC notes that:

Evoenergy automatically assigns consumers to network demand tariffs if they have a smart meter (irrespective of their retailer or retail tariff) ... The demand network tariff and time-of-use network tariff imposed by Evoenergy have higher network charges during peak periods to send a signal to retailers that they should encourage its customers to be mindful of their electricity usage in that period.²²

Electricity retailers can choose whether they apply Evoenergy's network demand tariffs to their customers through their retail tariffs.

The ICRC notes that:

... until recently, ActewAGL customers with a smart meter were automatically placed on a retail demand tariff and had an option to switch to a time-of-use tariff; they were not able to access flat rate tariffs ... ActewAGL changed its tariff assignment policy from 1 July 2020, and customers with smart meters are now automatically placed on time-of-use tariffs and can opt to move to a retail demand tariff.²³

²⁰ Data provided to ACTCOSS by ACT Environment, Planning and Sustainable Development Directorate, email, 24 November 2020.

²¹ Australian Energy Regulatory (AER), *Retail energy market performance update for Quarter 4, 2019–20*, Schedule 2 – Q4 2019-20 Retail Performance Data, AER, Melbourne, 2020, Quarterly indicators s2.9 Solar Tariffs – Gov & Retailer, <<https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-4-2019-20>>.

²² ICRC, *Issues Paper*, op. cit., p. 11.

²³ *ibid*, p. 9.

The ICRC notes that other ACT electricity retailers – Origin Energy and Energy Australia – ‘offer flat rate retail tariffs to smart meter customers despite customers’ underlying network tariffs being demand or time-of-use network tariffs’.²⁴

ACTCOSS is concerned that ActewAGL’s tariff assignment policy may put some smart meter customers at risk of higher energy costs – especially those on low income and/or experiencing barriers to shifting their energy usage. Our concern is that demand tariffs and time-of-use tariffs may not be the most appropriate or most affordable option for some customers who may be better off on a flat-rate tariff. Under ActewAGL’s tariff assignment policy they do not have this option.

Recent observations by the regulator, ombudsman, and dominant retailer in the ACT suggest a need for much greater attention to the impacts of demand and time-of-use tariffs on electricity customers as smart meters continue to be rolled out in the ACT. A survey conducted as part of the ICRC’s *Retail Electricity Price Investigation 2020-24* suggested that ‘customers on ActewAGL’s demand tariff do not understand how the demand tariff works and are unaware that they can ask to change to a different tariff type’.²⁵ The ACT Civil and Administrative Tribunal (ACAT) noted ‘difficulties in understanding different tariff structures available to customers with different meter types, including customers with roof-top solar panels’.²⁶ ActewAGL noted that ‘the AER’s Energy Made Easy website does not incorporate cost reflective tariffs, such as demand tariffs, for electricity offer comparison purposes’.²⁷

It is critical that customers on demand tariffs and time-of-use tariffs can easily compare retailer offers, understand how they are being charged for their electricity usage, and reasonably adjust their energy usage patterns. These tariffs may require behavioural change by households to shift the time(s) of the day and/or week they consume electricity so they can avoid higher charges. This can be challenging for some households due to a range of factors. For households experiencing such challenges, demand tariffs or time-of-use tariffs might increase the cost and/or reduce the

²⁴ *ibid*, p. 11.

²⁵ *ibid*, p. 91.

²⁶ *ibid*, p. 95.

²⁷ *ibid*, p. 122.

predictability of their electricity bills, meaning a flat-rate tariff might be more suitable.

Fundamentally, the onus should not be on consumers to comprehend and compare different tariff structures – some of which require behavioural change – to access electricity at a fair and affordable price. This is another reason why it is critical to ensure that the regulation of the retail electricity market in the ACT is fit-for-purpose and provides an effective safety net for all residential and small business customers.

ACTCOSS has recently supported a call for the Australian Energy Market Commission (AEMC) to initiate a review (in collaboration with consumer groups, networks, retailers, and the Australian Energy Regulator (AER)) of the impact of consumption tariff reform on customers, in particular vulnerable consumers within the next 12 months. This review would identify additional actions needed to be undertaken by retailers, improve consumer protections, and support improving choice and control via complementary measures.

ACTCOSS recommends that the ICRC reviews the impact of tariff reforms on the effectiveness of regulated ActewAGL standing offers as default offers that provide a safety net for residential and small business electricity customers in the ACT, especially those on low income and/or experiencing vulnerable circumstances.

ACTCOSS recommends the introduction of protections for vulnerable smart meter customers in the ACT for whom demand tariffs or time-of-use tariffs may not be appropriate and who do not have access to a flat-rate tariff under ActewAGL's tariff assignment policy.

3. Are there any other changes in Australian energy markets that are likely to have implications for the current review?

The scope of this ICRC review is:

to examine the causes of compositional changes in ActewAGL's customer base, how compositional changes are dealt with in the Commission's approach, and implications of compositional

*changes for the ongoing effectiveness of the form of price control.*²⁸

A specific focus of this review is to ‘consider whether changes are needed to how the network cost pass-through is calculated to make sure the form of price control remains effective’.²⁹ However, as indicated above, we see the need for a broader examination of the implications of compositional changes for the ongoing effectiveness of the regulation of retail electricity prices in the ACT – especially as this relates to providing an effective safety net through regulated default offers.

ACTCOSS values the attention that the ICRC pays to changes in the electricity market (locally and nationally) and to regulatory developments in other jurisdictions. The ICRC’s *Electricity Price Investigation 2020-24* included a valuable and timely opportunity to examine relevant regulatory developments in other jurisdictions – namely the AER’s Default Market Offer (DMO) and the Victorian Government’s Victorian Default Offer (VDO).

The transition from fossil gas in the ACT as part of achieving the legislated target of net zero emissions in the ACT by 2045 is likely to have significant implications for the local electricity network. We expect that the capacity of the electricity network will need to be increased significantly as fossil gas is phased out. Alongside the integration of DER into the electricity network, this is likely to require significant capital expenditure, thus adding to future network costs.

As the electricity market undergoes significant change both locally and nationally, ACTCOSS is keen to remain engaged with the ICRC and the ACT Government on how best to regulate the retail electricity market in the long-term interests of consumers in the ACT. We are especially interested in exploring regulatory approaches to consumer vulnerability in the ACT.³⁰

ACTCOSS would welcome further discussion with the ICRC about processes, timeframes, and thresholds for determining if and/or when the regulation of ActewAGL’s standing offer tariffs is no longer an effective means of providing a safety net for residential

²⁸ ICRC, *Issues paper*, op. cit., p. 2.

²⁹ *ibid.*

³⁰ See, for example: E O’Neill, *Exploring regulatory approaches to consumer vulnerability*, A report for the Australian Energy Regulator, Consumer Policy Research Centre, Melbourne, 2020, <<https://cprc.org.au/projects/exploring-regulatory-approaches-to-consumer-vulnerability/>>.

and small business consumers in the ACT, especially those on low income and/or experiencing vulnerable circumstances.

4. Do stakeholders have any comments on the implications of having different calculation methods for network costs compared to the maximum allowable price increase?

A specific focus of this review is to determine whether the ICRC needs to change how the network cost pass-through is calculated to make sure the form of price control remains effective.

The ICRC's pricing model used to determine ActewAGL's regulated standing offer tariffs is composed broadly of:

- wholesale costs (the costs associated with purchasing electricity from the wholesale market, representing 44 per cent of total costs)
- network costs (the cost of transmitting and distributing electricity from generators to consumers, representing 43 per cent of total costs)
- retail costs (costs faced by retailers in providing services to customers and the retail margin, representing 13 per cent of total costs).³¹

As part of determining the maximum allowable price increase in ActewAGL's basket of standing offer tariffs the ICRC calculates how network costs will be passed through to ActewAGL standing offer customers.

The ICRC observed that 'the increase in the network cost pass-through amount corresponding to ActewAGL's regulated tariffs for 2020-21 (5.4 per cent) was significantly higher than the AER approved network price increase for Evoenergy's corresponding regulated tariffs (2.0 per cent)'. The ICRC states that this 'difference reflected a change in the mix of network charges incurred by ActewAGL, which had come about because of a change in the mix of consumers on standing offers'.³²

³¹ ICRC, *Issues Paper*, op. cit., p. 1.

³² *ibid*, p. 2.

The ICRC goes on to describe how,

The change in the customer mix had resulted from an increase in customers, especially residential customers, changing retailers or moving from a standing offer to a market offer. This caused the proportion of standing offer customers on tariffs with relatively low network costs (i.e. residential tariffs) to fall and the proportion of customers with high network costs (i.e. business tariffs) to rise ... the network cost increase reflected a change in the mix of standing offer business customers ... [There] was a higher proportion of standing offer business customers on more expensive network tariffs. For example, the number of standing offer customers on the business demand tariff (a tariff with a relatively high weighted average network cost) had increased as smart meters are installed. In contrast, the number of customers on all other business tariffs had decreased.³³

In 2019-20, 42.9% of ActewAGL's residential electricity customers were on standard offer contracts compared to 74.4% of small business customers.³⁴

ACTCOSS is concerned that way the network cost pass-through amount is calculated as part of the ICRC's tariff basket form of price control may not be equitable, especially across residential and business customers. The Issues Paper seems to indicate that residential electricity customers on ActewAGL's standing offer tariffs may be being made worse off due to the higher network costs of business standing offer tariffs pushing up prices across the tariff basket.

This also raises a concern that the current approach reduces the stability and predictability of standing offers for ActewAGL's residential and small business electricity customers due to significant variation and difference between the ICRC's network

³³ *ibid*, p. 18.

³⁴ Australian Energy Regulatory (AER), *Retail energy market performance update for Quarter 4, 2019–20*, Schedule 2 – Q4 2019-20 Retail Performance Data, AER, Melbourne, 2020, Quarterly indicators s2.1 s2.2 s2.6 Types of contracts, <<https://www.aer.gov.au/retail-markets/performance-reporting/retail-energy-market-performance-update-for-quarter-4-2019-20>>.

pass-through amount for ActewAGL and the AER's approved network price increase for Evoenergy.

ACTCOSS values the ICRC's commitment to considering of community impact as part of its pricing principles – including equity for low-income households and ensuring customers can adjust to changes in tariffs and prices.

ACTCOSS recommends the ICRC further examine how compositional change among ActewAGL's residential and business standing offer and market offer customers with a view to identifying and addressing any equity issues. This is in line with the ICRC's consideration of social impact of its decisions under s20(2) of the Independent Competition and Regulatory Commission Act 1997.

ACTCOSS recommends that the ICRC review whether the tariff basket form of price control and the weighted average network cost calculation are fit-for-purpose in determining default offers that provide a safety net for all residential and small business electricity customers that is equitable, affordable, and stable.

5. Are there any other comments that stakeholders would like to make?

We commend the ICRC for identifying network cost pass-through as an issue in need of investigation and for making it a reset principle to review the form of price control. We appreciate the ICRC's examination of the implications of compositional changes for the ongoing effectiveness of the retail electricity form of price control through this review.

We appreciate the ICRC's ongoing engagement with ACTCOSS. We appreciate the ICRC's invitation for ACTCOSS to make a submission on the Issues Paper and to participate in the workshop with stakeholders on the form of price control review held on 17 November 2020. We would be interested in participating in a second workshop following the release of the draft report.

If you would like to discuss anything in relation to this submission please contact [REDACTED] [REDACTED]) on [REDACTED] or via [REDACTED].

Yours sincerely

[REDACTED]

[REDACTED]

CEO

Email: [REDACTED]

15 December 2020