ACT Retail Electricity Price Investigation 2020–24

ActewAGL Retail submission to the Independent Competition and Regulatory Commission Draft Decision

20 March 2020

ActewAGL

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Glossary

Term	Definition
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
ASX	Australian Securities Exchange
CARC	Customer Acquisition and Retention Costs
CPI	Consumer Price Index
CTS	Cost to Serve
DMO	Default Market Offer
DUOS	Distribution use of system
EEIS	Energy Efficiency Improvement Scheme
EME	Energy Made Easy
EPC	Energy Purchase Cost
ESC	Victorian Essential Services Commission
FiT	Feed-in Tariff
ICRC	Independent Competition and Regulatory Commission
LGC	Large-scale Generation Certificates
LRET	Large-scale Renewable Energy Target
MWh	Megawatt hour
NEM	National Electricity Market
NSW	New South Wales
OTTER	Office of The Tasmanian Economic Regulator
ROC	Retail Operating Cost
SRES	Small-scale Renewable Energy Scheme
STC	Small-scale Technology Certificates
WACC	Weighted Average Cost of Capital
VDO	Victorian Default Offer

Key points

ActewAGL Retail (hereafter 'ActewAGL') welcomes the opportunity to provide a submission on the Independent Competition and Regulatory Commission (hereafter 'Commission') Draft Decision for the Retail Price Investigation, 2020-24.

Regulatory Approach

ActewAGL supports most elements of the Commission's proposed regulatory approach, however, recommends an alternative method to application the side constraint.

A **side constraint** imposed at the tariff class level would retain the Commission's objective of restricting price movements to provide stability, yet provide sufficient flexibility for ActewAGL to set prices in a cost reflective manner.

Electricity Pricing Model

ActewAGL also supports most of the Commission's proposed methodology for the regulated pricing model. There are four model inputs to which an alternative approach is proposed.

The regulated pricing model must include all efficient and essential costs associated with the provision of electricity services to customers, which includes **smart meter costs**. Electricity metering is an essential cost incurred in the provision of electricity services. Thus, regardless of the meter type and responsibility, all metering costs (capital, operating and maintenance) must be included in the regulated pricing model.

The **retail operating cost** and customer acquisition and retention cost allowances provided for in the Commission's Draft Decision, are below the range of allowances used by other regulators. The current indexation method of determining retail operating cost and customer acquisition and retention cost allowances, does not reflect the increased level of competition in the ACT.

The **retail margin** of 5.3 per cent allowed in the Draft Decision does not reflect a benchmarking approach, and falls below both recent regulatory decisions and Frontier's base case.

The holding cost of certificates used to calculate **national green scheme costs** should be based on the efficient retailers' WACC, rather than the cost of debt.

Transparency and Comparability

ActewAGL supports the implementation of a **reference bill** based on regulated standing offer prices, set by ActewAGL and approved by the Commission. ActewAGL recommends that the framework for an ACT reference bill be aligned with the AER's approach to the Default Market Offer. To be a meaningful point of comparison for ACT electricity offers, the reference bill should include all efficient costs, including smart metering costs.

ActewAGL recognises the value in a **best offer notification**. Notifying standing offer customers of the best generally available market offer[1] efficiently achieves the intended outcome of the Commission's draft recommendation. This approach is timely to implement, cost effective and practical (compared to a more personalised notification).

[1] ACT retailers to identify standing offer customers' existing electricity plan, and notify them of the market offer with the same underlying tariff structure.

Executive Summary

On 4 February 2020, the Commission released the Draft Decision on the price investigation to determine a Price Direction for the supply of electricity to small customers from 1 July 2020 to 30 June 2024[2]. This submission presents ActewAGL's view on the matters raised in the Commission's Draft Decision, with a summary on each of the issues tabled below.

Table 1: Summary of ActewAGL's position

Issue	Draft Decision	ActewAGL response	Section Reference
Length of regulatory period	Four years.	Agree.	2
Form of price control	Weighted average price change with 2 percentage point upper bound side constraint.	Alternative approach proposed: side constraint imposed at the tariff class level.	2
Annual recalibrations	Annual recalibrations of parameters in cost index model.	Agree.	2
Cost pass-throughs	No change.	Agree.	2
Smart meter costs	Excluded from the regulated pricing model.	Alternative approach proposed: smart meter costs to be included in pricing model.	3
Energy Purchase Cost	Mixed derivative approach using heuristic that reflects ACT load profile. Contract prices based on 23-month average of ASX forward price. Most recent five calendar year observed AEMO data for load profile and spot price.	Agree.	3
Volatility allowance	Based on allowance estimated by the ESC for VDO.	Agree.	3
LRET & SRES costs	Publicly available LGC and STC spot prices averaged over 11-month period and allowance for holding costs based on cost of debt.	Alternative approach proposed: using WACC (i.e. debt and equity financing).	3
Energy losses	Maintain current approach.	Agree.	3
NEM fees	Based on AEMO annual Final Budget and fees report.	Agree.	3
Network costs	Maintain the current approach of passing through the network costs determined by the AER.	Agree.	3
Retail operating costs	Continue the current approach of adjusting retail operating costs by CPI, and converting to a MWh allowance at each annual recalibration.	Alternative approach proposed: base allowance on relevant benchmarks including CARC.	3

[2] ICRC 2019, Standing offer prices for the supply of electricity to small customers from 1 July 2020, September. Available here: https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24

Issue	Draft Decision	ActewAGL response	Section Reference
EEIS	Maintain the current methodology for estimation and prudence and efficiency assessment.	Agree.	3
Retail margin	Maintain the current retail margin of 5.3 per cent.	Alternative approach proposed: use 6.04 percent based on relevant benchmarks.	3
Reference bill	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.	ActewAGL supports the implementation of a reference bill based on regulated standing offer prices set by ActewAGL, and approved by the Commission.	4
Notification of best offer	A new regulatory obligation on retailers to regularly notify their customers whether they are on the best offer and how much can be saved by switching, taking account of the customers' circumstances.	ActewAGL recognises the value in a best offer notification. Notifying standing offer customers of the best generally available offer efficiently achieves the intended outcome of the draft recommendation.	4

1 Introduction

ActewAGL Retail (hereafter 'ActewAGL') welcomes the opportunity to provide a submission on the Independent Competition and Regulatory Commission's (hereafter 'Commission's') Draft Decision for the price investigation to determine a Price Direction for the supply of electricity to small ACT customers from 1 July 2020. [3] The Draft Decision follows the Commission's Issues Paper[4] released on 2 September 2019, which ActewAGL responded to on 4 November 2019.

This submission presents ActewAGL's view on the matters raised in the Commission's Draft Decision and is structured as follows:

- Section 2 sets out ActewAGL's views on the Commission's proposed regulatory approach.
- Section 3 provides ActewAGL's response to the Commission's draft decision relating to the pricing model and inputs.
- Section 4 presents responses related to transparency and comparability of electricity offers in the ACT. This section refers to the two draft recommendations made to the ACT Government in the Commission's Draft Decision.

[3] ICRC 2019, Standing offer prices for the supply of electricity to small customers from 1 July 2020, September. Available here: https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24
[4] ICRC 2019, Standing offer prices for the supply of electricity to small customers from 1 July 2020, September. Available here: https://www.icrc.act.gov.au/energy/electricity/retail-electricity-prices-2020-24

2 Regulatory Approach

The Commission's proposed regulatory approach involves the following key elements:

- A four year regulatory period, as specified in the terms of reference[5].
- A weighted average price increase form of control, with a two percentage point upper bound side constraint to be applied to individual charges.
- Annual recalibrations of the retail electricity pricing model, as specified in the terms of reference[6].
- No change to the current pass-through criteria[7].

ActewAGL supports the majority of the Commission's proposed regulatory approach, however, recommends an alternative approach to the application of the side constraint.

A side constraint imposed at the tariff class level would retain the Commission's objective of restricting price movements to provide stability, yet provide the necessary flexibility for ActewAGL to set prices in a cost reflective manner.

2.1 Side constraint: Background

The Draft Decision proposes to introduce a restriction whereby individual charges for a regulated standing offer tariff, must not exceed two percentage points above the regulated weighted average price change. The Commission's Draft Decision notes that in past years, ActewAGL has changed a number of individual tariff charges by more than the regulated weighted average price change. ActewAGL proposes an alternative approach to the introduction of a side constraint to ensure it promotes efficient outcomes, consistent with the ICRC Act[8].

The weighted average price cap is designed to provide the regulated retailer with the flexibility to set individual tariffs above or below the weighted average price change, to reflect market circumstances including customer demand and changes in costs. The Commission acknowledges this in its Draft Decision:

> *The Commission considers that ActewAGL should retain discretion to set individual tariffs in the regulated tariff basket[9].*

However, the Draft Decision proposes a side constraint that imposes a maximum increase of two percentage points above the weighted average price change to the individual components of regulated tariffs. In ActewAGL's view, such a side constraint will result in inefficient outcomes and is inconsistent with the approach used by other regulators. The following subsection sets out an alternative application of a side constraint, that intends to produce efficient outcomes, aligned with the application used by other regulators.

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[5] Independent Competition and Regulatory Commission (Price Direction for the Supply of Electricity to Certain Small Customers on Standard Retail Contracts) Terms of Reference Determination 2019. Available at: https://www.legislation.act.gov.au/View/di/2019-72/current/PDF/2019-72.PDF

[6] Ibid

[7] ActewAGL will supply the Commission an application to pass-through Power of Choice costs when customer load data for the 12 months to 31 March 2020 is available. ActewAGL will supply the Commission standing offer customer number and energy sales data for the 12 months to 31 March, as requested by the Commission in its data request to ActewAGL.

[8] Legislation ACT 2018, Independent Competition and Regulatory Commission Act 1997, Chief Minister, Treasury and Economic Development Directorate, ACT Government, Canberra.

[9] Ibid, p. 8.

2.2 Side constraint: Alternative approach

An alternative approach to imposing the two percentage point side constraint on individual tariff charges, is to impose the restriction at the tariff class / customer segment level. In a practical sense, this means that the combined average price change of all residential prices, must be less than two percentage points above the regulated annual price change. The same restriction would apply to commercial prices.

Approach used by other regulators

The proposed approach described above is consistent with the approach applied by the Australian Energy Regulator (AER). Specifically, the AER imposes a side constraint on distribution network businesses, not at the individual tariff level, but at the tariff class level (for example, the residential tariff class). This provides network businesses with the flexibility to set individual tariffs within each tariff class. Further, the side constraint imposed by the AER applies only to the distribution use of system (DUOS) component of network electricity charges, not total network charges, providing further flexibility for network businesses to set individual tariff charges.

The Commission references the Essential Services Commission's (ESC's) decision for water as a relevant regulatory precedent. Water and sewerage businesses are regulated monopolies and have few tariff options for their customers. ActewAGL is operating in a competitive market and has a suite of tariff options suited to customers with different consumption profiles. The variation in consumption profiles means that costs are incurred and allocated differently. As such, tariffs should reflect the underlying costs imposed by customers to ensure efficiency.

Concerns about Commission's proposed approach

A side constraint applied as outlined in the Commission's Draft Decision would prevent ActewAGL from setting tariffs that reflect changes in costs. The key concerns with respect to this approach are set out below.

1. **Prevents ActewAGL passing through some changes in network costs.** Evoenergy is encouraged by the AER (and required by the National Electricity Rules) to set cost reflective network tariffs. In 2019/20, Evoenergy increased the peak period maximum demand component of its network residential demand tariff by eight per cent[10]. ActewAGL reflected this price change directly through its retail standing offer prices. Therefore, the demand component of ActewAGL's Smart Meter Home Demand Tariff was set equal to Evoenergy's network charge, increasing by eight per cent, even though the regulated weighted average price change was 0.85 per cent. The Commission's proposed side constraint would prevent ActewAGL passing on such changes in network charges, which are designed to reflect underlying network costs. Further, network charges do not change uniformly across tariff classes but can vary significantly across residential and business tariffs. The Commission's side constraint would prevent ActewAGL from reflecting these differences in its retail standing offer prices.

2. **Prevents ActewAGL passing on some changes in retail costs.** Some costs faced by ActewAGL, such as the Energy Purchase Cost (EPC), are fully variable with respect to usage and are therefore recovered largely through variable charges. Similarly, other costs are largely fixed and recovered via fixed charges. From year to year, individual costs within the pricing model change in different ways. The weighted average price change reflects the net effect of these changes. If the Commission's proposed side constraint were imposed, it would prevent ActewAGL passing on changes in costs through individual tariff charges.

3. **Prevents cost reflective pricing**. The Commission's proposed approach would prevent ActewAGL from setting standing offer prices to reflect the cost of supplying electricity to small ACT customers. For example, tariffs such as controlled load tariffs and the shoulder and off-peak components of Time-of-Use (TOU) tariffs are considerably more sensitive to changes in the EPC than the pricing model in its entirety. Thus, applying a side constraint as proposed

[10] Evoenergy 2019, Evoenergy 2019/20 Network Pricing Proposal, p.38

would potentially prevent ActewAGL from reflecting the actual cost in an economically efficient manner.

The proposed side constraint is also an impediment to the introduction of some new tariffs. For example, if a tariff for customers in embedded networks were introduced (as part of the regulated standing offers), it would be considerably different in structure to the regulated pricing model, making the application of the proposed side constraint unworkable. For example, around 40 per cent of the pricing model is attributable to network charges, yet an embedded network tariff would exclude network charges as retailers are prevented from charging network charges to customers in an embedded network[11].

2.3 Side constraint: ActewAGL's recommendation

For the reasons outlined above, it is ActewAGL's view that the Commission's proposal to implement a two percentage point upper bound side constraint on individual charges is overly restrictive and will result in inefficient outcomes, inconsistent with the ICRC Act. Rather, a side constraint imposed at the tariff class level would retain the Commission's objective of restricting price movements to provide stability, yet provide the necessary flexibility to set prices in a cost reflective manner.

[11] AER 2018, 'Making offers to embedded network customers: the process and role of retailers', Australian Energy Regulator, Melbourne

3 Pricing model

ActewAGL supports most of the Commission's proposed methodology for the regulated electricity pricing model inputs. However, there are four inputs to which ActewAGL proposes an alternative approach, namely the treatment of smart meter costs, retail operating costs, the retail margin and the estimation of holding costs for green schemes. Each of these are discussed in turn below.

3.1 Smart meter costs

The regulated pricing model must include all efficient and essential costs associated with the provision of electricity services to small ACT customers.

Electricity metering is an essential cost incurred in the provision of electricity services. Thus, regardless of the meter type and responsibility, all metering costs (capital, operating and maintenance) must be included in the regulated pricing model.

ActewAGL does not support the approach to the treatment of smart meter (Type 4 meter) costs outlined in the Commission's Draft Decision, which is to continue to exclude smart meter costs from the regulated pricing model. Given that electricity metering is an essential cost incurred in the provision of electricity services, it must be included in the regulated pricing model.

Under Power of Choice (PoC), the responsibility for metering shifted from distribution businesses to retail businesses. Since that time, an inconsistent approach has been taken to the recovery of metering costs. Metering provided by distributors has been included in the regulated pricing model through network costs and allocated across the regulated ACT customer base, while metering provided by retailers (through Metering Coordinators) has been excluded from the regulated pricing model. This exclusion has led ActewAGL to add smart meter charges to the supply charge of electricity plans taken up by customers with smart meters installed. This inconsistent approach to metering cost recovery has caused confusion amongst customers, and this complexity will be compounded as reference bills and best offer notifications are potentially introduced.

ActewAGL considers that smart meters should be included in the pricing model for the following reasons, which are explored in more detail below.

1. Smart meter costs are an **essential cost incurred in the provision of electricity services**.
2. There is an **established regulatory precedent** to include smart meters as a regulated cost.
3. Smart meter costs must be included in the pricing model for **effective operation of a reference bill**.
4. The inclusion of smart meters in the pricing model **promotes fairness and equity**.

Essential cost of providing a regulated service

The regulated pricing model must include all efficient costs associated with providing electricity services to customers. This is set out in the ICRC Act Part 4 Section 20 (Point 2)[12] which states that, in making a decision under subsection (1), the commission must have regard to … (e) the cost of providing the regulated services.

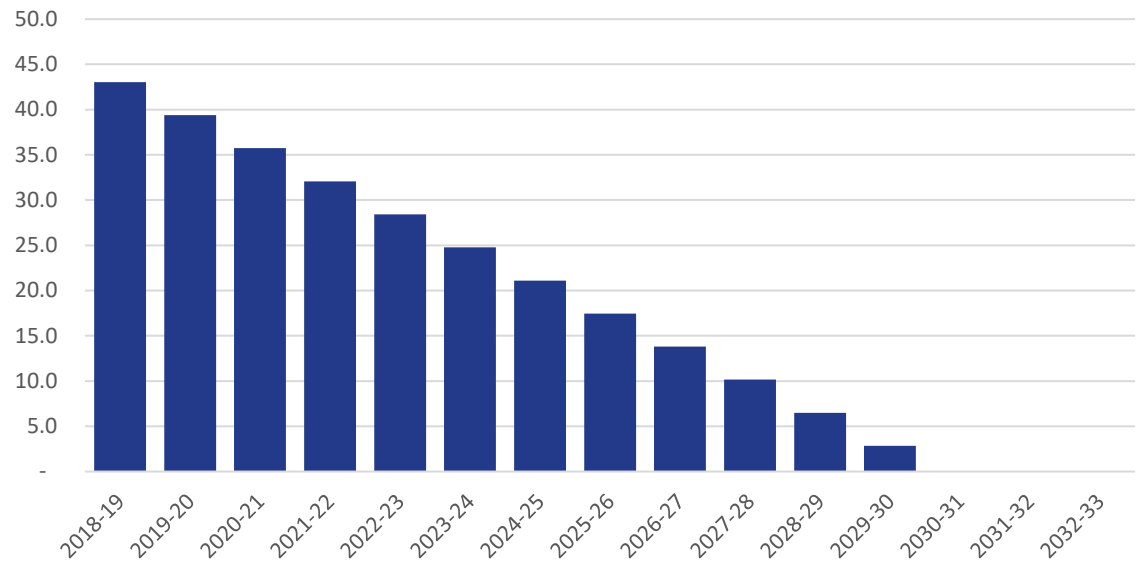
Under the PoC reforms, the AEMC implemented a number of rule changes including *Expanding competition in metering and related services*[13]. This rule change shifted the responsibility for metering

[12] Legislation ACT 2018, Independent Competition and Regulatory Commission Act 1997, Chief Minister, Treasury and Economic Development Directorate, ACT Government, Canberra
[13] AEMC 2015, Expanding competition in metering and related services, Australian Energy Market Commission, Sydney

from distribution businesses to retail businesses. It also dictated that all new and replacement meters installed from 1 December 2017 must be smart meters. Retailers are now required to arrange the installation of smart meters through an accredited Metering Coordinator, rather than a distribution business. Therefore, smart metering is now an unavoidable cost for all retail businesses. The treatment of these costs must be consistent with the approach used for the recovery of metering provided by distribution businesses. Thus, the cost of smart meters must be included in the regulated pricing model.

Given that all new and replacement meter installations must be smart meters, eventually all existing meters will be replaced with a smart meter. Evoenergy's stock of meters are forecast to be fully depreciated by 2031/32 by which time Evoenergy will cease charging retailers for metering. As more smart meters are installed in the ACT, Evoenergy's metering costs will decline. The reduction in the value of Evoenergy's meters (from which metering charges are derived) is depicted in Figure 1 below. If the Commission's current approach remains in place, in time, the pricing model will exclude all metering costs.

Figure 1: Evoenergy's metering Regulated Asset Base, 2019-20 to 2032-33 ($m real 2018–19)



Source: AER 2019

Given that all ACT customers will eventually have a smart meter installed, the Commission's current approach will eventually exclude all metering costs from the regulated pricing model.

Established regulatory precedent

The Commission's Draft Decision to exclude smart metering costs from the regulated pricing model on the basis of cost-reflectivity, and equity and fairness[14] is inconsistent with regulatory precedent set by the AER, the Office of the Tasmanian Economic Regulator (OTTER) and the ACT Government.

AER regulatory precedent

In its regulation of network metering pricing, the AER treats Type 5 and Type 6 metering costs on a postage stamp basis. That is, a uniform price for meters is charged by the distributor to retailers. All residential meters are read quarterly and ActewAGL is charged one price. This is despite the fact that

[14] ICRC 2020, Retail electricity price investigation 2020–24 Draft Report: Report 2 of 2020, February 2020, Independent Competition and Regulatory Commission, Canberra

the underlying cost of providing metering services that vary considerably depending on the model of meter installed.

A consistent approach to metering would enable ActewAGL to return to offering a single version of each standing offer, regardless of meter type.

OTTER regulatory precedent

The approach utilised by the OTTER is the approach ActewAGL considers most appropriate for the pass-through of smart meter costs in the ACT. This methodology allows Aurora Energy (Tasmanian retailer) to pass-through costs of smart meters from Metering Coordinators[15] in the regulated pricing model in a uniform manner, keeping electricity tariffs simple for customers.

ActewAGL supports the method employed by OTTER which involves multiplying the number of new and replacement smart meters forecast to be rolled out (by tariff) during the period, by the estimated weighted average meter charge by tariff (based on mix of meter types installed) and forecast billing days for the period. OTTER considers this approach to be reasonable[16].

ACT Government precedent

The Commission's Draft Decision to exclude smart meter costs on the basis of cross subsidisation is inconsistent with the treatment of other components of the regulated pricing model.

The current pricing model contains a degree of cross-subsidisation to recover costs associated with schemes such as the Energy Efficiency Incentive Scheme (EEIS) and ACT Feed-in Tariffs (FiT). EEIS costs are recovered from all ActewAGL small customers, with an average ACT residential customer[17] paying approximately $26[18] per year for the provision of EEIS services. However, not all of these customers access goods and services provided under the EEIS program. Similarly, costs associated with the ACT Government FiT scheme are recovered from the ACT customer base, yet only those with embedded generation receive benefit from the scheme.

The exclusion of smart meters from the pricing model is inconsistent with regulatory precedent set by the AER, OTTER and ACT Government schemes.

Effective operation of a reference bill

The cost of smart meters must be included in the regulated pricing model to enable ACT customers to meaningfully compare their electricity offer with the proposed ACT reference bill. Given that the proposed reference bill is to be set using ActewAGL's standing offers, a continuation of the current approach to smart meter costs will mean the reference bill does not reflect the full cost of supplying electricity to small ACT customers.

If the Draft Decision to exclude smart meter costs from the regulated pricing model remains unchanged, there are two potential outcomes with regards to the reference bill. The nature of these outcomes will depend on whether the reference bill is implemented as a price cap or purely as a point of reference in the market. Both options are considered below.

Option 1: ACT Government introduces a reference bill as a price cap

If the ACT Government introduces a reference bill as a price cap based on the ActewAGL regulated standing offers, ActewAGL will not be able to recover the cost of smart meters as it will have no means by which to pass these costs onto customers. As a result, ActewAGL's regulated retail margin (currently

[15] Aurora Energy 2019, Pricing proposal for period 4 of the 2016 standing offer price determination 1 July 2019 – 30 June 2020, Aurora Energy , Hobart
[16] OTTER 2019, Decision paper on standing offer electricity prices to apply from 1 July 2019, Office of the Tasmanian Economic Regulator, Hobart.
[17] In this example, an average ACT customer is assumed to consume 6,500 kWh per year.
[18] Based on an indicative customer using 6,500 kWh a year, and the Commission's approved 2019–20 EEIS cost

5.3 per cent) will effectively be reduced as funds previously earned as “margin”, will be diverted to address costs imposed on ActewAGL by Metering Coordinators for the provision of smart metering services. As smart meter penetration increases substantially over the next few years, this cost will have a material financial impact.

Option 2: ACT Government introduces a reference bill purely as a point of reference in the market

If the ACT Government introduces a reference bill as a reference point in the market, then ActewAGL will be able to pass smart meter costs to customers. However, this would result in standing offer customers with a smart meter paying more than the reference bill (because smart meter costs would be excluded from the reference bill).

For ACT customers who are required to install a smart meter (through new connections, meter failures and meters reaching end of life), the reference bill (under this option) will become less relevant. To address this, the Commission may need to set an additional set of reference bills which include the cost of smart meters, so that customers with smart meters have a meaningful point of comparison. This will effectively double the number of reference bills. The need to have multiple points of reference to accommodate customers with and without smart meters, would diminish the usefulness of a reference bill, adding to the level of complexity and therefore the potential for community confusion around electricity pricing.

ActewAGL is supportive of a reference bill that is based on ActewAGL’s standing offers that recovers all efficient costs including smart meter costs. This would ensure a reference bill could be implemented efficiently, provide a simple point of comparison, and create a substantially better outcome for ACT electricity customers.

> If smart meters continue to be excluded from the pricing model, ActewAGL’s standing offers, and therefore the annual reference bill, will not reflect the full cost of supplying electricity to small ACT customers.

Most other retailers spread the cost of smart meters across their customer bases. Therefore, smart meters must be included in the pricing model to enable customers to make a meaningful comparison. If the current approach remains in place, offers between ACT retailers will not be comparable given the different treatment of metering, which currently depends on the type of meter a customer has installed.

Fairness and Equity

The Commission’s Draft Decision to exclude smart metering costs from the pricing model has implications for low income households, who may need to install a smart meter due to factors outside of their control. (As previously noted, the PoC reforms determined that all new and replacement meter installations in the ACT are to be smart meters, including meters that have failed or are identified as needing replacement.) As the cost of a smart meter is unavoidable in these circumstances (and the cost of a smart meter is higher than Type 5 or 6 meters), low income households do not have the opportunity to plan or budget for this additional cost. Including smart meter costs in the pricing model, will allow smart meter costs to be spread across the ACT customer base, reducing this burden on low income households. The AER applies a similar approach to Type 5 and Type 6 metering costs, so that each customer segment is generally charged the same for metering (i.e. a postage stamp basis).

Additionally, under the current arrangement, low income households (that do not require meter replacement) are likely to delay requesting a smart meter to avoid any increased cost. This inhibits their ability to receive the benefits provided by the installation of a smart meter, including access to more detailed usage data and a greater choice of tariffs. The inclusion of smart meter costs in the regulated pricing model would enable more low income households to access these benefits, thereby promoting fairness and equity (rather than detracting from it).

If smart meter costs were included in the pricing model from 1 July 2020, the additional cost to all ActewAGL customers is estimated to be approximately $5 per year. Thus, it is appropriate to include smart meters in the pricing model from 1 July 2020, when the additional cost is relatively low, rather than delaying the inclusion of smart meters until the next regulatory period when the additional cost to ACT customers will be materially higher (due to the increased number of smart meters installed in the ACT). The annual cost per customer will continue to increase up to the point of saturation (when all ACT customers have a smart meter installed). The impact of delaying the inclusion of smart meters into the pricing model will be greater for low income households.

In its Draft Decision, the Commission made an observation that ActewAGL does not 'smear' smart meter costs in its market offers. The Commission concludes that since ActewAGL does not use this approach, the issue of smart meter costs is 'immaterial'[19]. ActewAGL would like to clarify that the majority of ActewAGL's market offers reflect the structure of standing offer tariffs. This was a decision by ActewAGL to provide simplicity and transparency for ACT customers. The structure of ActewAGL's market offers was established prior to the introduction of PoC, when the standing offer tariffs reflected the full efficient costs (including metering) incurred by the incumbent retailer.

As the cost of a smart meter is unavoidable, many low income households may not have the opportunity to plan or budget for the increased cost associated with smart meters. The inclusion of smart meter costs in the pricing model will allow these costs to be allocated across the ACT customer base, thereby reducing the burden on low income households.

It is appropriate to include smart meters in the pricing model from 1 July 2020 when the cost of smart meters across the ACT customer base is relatively low. Delaying the inclusion of smart meters will result in a relatively higher additional cost to ACT customers (due to the continued increase in smart meter installations).

3.2 Retail operating costs

The retail operating cost and customer acquisition and retention cost allowances provided for in the Commission's Draft Decision, are below the range of allowances used by other regulators. The current indexation method of determining retail operating cost and customer acquisition and retention cost allowances, does not reflect the increase in competition in the ACT.

ActewAGL does not support the Commission's approach to determining the Retail Operating Cost (ROC) allowance nor the exclusion of a specific allowance for customer acquisition and retention costs (CARC). This is because it does not reflect the increase in competition in the ACT electricity market in recent years. These matters are explored in more detail below.

1. The **ROC and CARC should reflect the increased competition** in the ACT electricity market.
2. **Applying ROC to the ActewAGL customer base** should include fixed and variable components.

ROC and CARC should reflect the increased competition

Competition in the ACT electricity market has increased substantially over time and remains strong. This is evidenced by the substantial increase in customers churning to alternative retailers, and the significant increase in customers switching from standing to market offers with their current electricity retailer. This change in customer behaviour, driven by new and existing retailers increasing their focus

[19] ICRC 2020, Retail electricity price investigation 2020–24 Draft report, Report 2 of 2020, February 2020, Independent Competition and Regulatory Commission, Canberra

on the ACT market, results in additional costs being experienced by all retailers as they look to attract and retain customers.

The Commission references the ACCC's Inquiry into the National Electricity Market,[20] which states that the level of a retailer's CARC is closely correlated to the level of switching in the market. Specifically, it states that the level of CARC is lower in jurisdictions with low switching rates compared to those with high switching rates. Choosing to exclude a specific CARC allowance, is at odds with recommendations from other regulators and external consultants, and indicates that the Commission continues to view the ACT retail electricity market as having little to no competition.

ActewAGL also notes that there has been no change in the indexation methodology since 2003, when competition in the ACT was limited. Over the last 24 months, the competitive environment in the ACT electricity market has changed considerably. This has not been reflected in the ROC allowance.

If CARC is accounted for in the ROC allowance, then the Commission's ROC allowance is below the range of allowances used by other regulators. The Commission does not state what proportion of the $128 per customer allowance is attributable to reasonable acquisition and retention costs. ActewAGL requests the Commission outline the proportion attributable to CARC in its final decision.

As summarised in ActewAGL's response to the Issues Paper, the relevant ROC and CARC benchmarks lie between $166 and $178 based on recent regulatory decisions, including the ESC's final decision on the VDO which included a combined ROC and CARC allowance of $172 per customer, based on a modest CARC allowance. In ActewAGL's view, the Commission's proposed combined ROC and CARC allowance does not reflect the significant increase in the level of competition experienced in the ACT retail electricity market, nor the smaller scale of the ACT electricity market.

Applying ROC to the ActewAGL customer base

Further exacerbating the Commission's relatively low estimate of ROC and CARC, is the implicit assumption that retail operating costs are fully variable with respect to customer volumes. The majority of retail operating costs are fixed and therefore not avoided when a customer leaves ActewAGL. The Commission's methodology for calculating ROC within the pricing model is becoming increasingly unsustainable as competition continues to intensify. The movement of customers from standing offers to market offers (or to other retailers) does not reduce ActewAGL's retail operating costs on a linear basis, which is the assumption in the Commission's ROC methodology.

As an alternative approach, ActewAGL suggests substituting the use of a dollar per customer amount (currently set at $128 per customer), with a total cost amount. For simplicity this could be set at $128 per customer, multiplied by the number of current ActewAGL customers as a base. This cost could then be split between fixed costs and variable costs to reflect the true composition of the costs of operating the hypothetically efficient ACT electricity retailer. The fixed costs should remain the same reflecting that these costs are independent of the number of customers. Variable costs could reflect the change in the number of standing offer customers each year. Both fixed and variable costs should then be indexed each year to reflect the rate of change in CPI. This method would more accurately reflect the retail operating costs of the hypothetically efficient retailer.

[20] ACCC 2018, Restoring electricity affordability and Australia's competitive advantage: Retail electricity pricing inquiry – final report, ACCC, Melbourne

3.3 Retail margin

The retail margin of 5.3 per cent allowed in the Draft Decision does not reflect a benchmarking approach and falls below both recent regulatory decisions and Frontier Economics's base case.

ActewAGL does not consider that the Commission's proposed approach of maintaining a retail margin of 5.3 per cent is consistent with its own stated methodology. The Commission states that it has adopted a benchmarking approach to determining the retail margin. As set out in ActewAGL's response to the Issues Paper[21], the retail margin used in recent regulatory decisions suggests an appropriate margin is 6.04 per cent in ex-ante terms. Frontier's base case expected returns approach results in a margin of 5.71 per cent in ex-ante terms.

The Commission's Final Decision for the 2017–20 regulatory period was to reduce the retail margin from 6.04 per cent to 5.3 per cent. This was due to significant cost increases, including for wholesale energy[22]. The 5.3 per cent margin was determined by fixing the margin ActewAGL earns in dollar terms at around $13/MWh. Under this approach the margin earned by ActewAGL in dollar terms does not vary as operating costs, operating risk and capital requirements change. Maintaining a low retail margin on the basis that other costs, such as the EPC, remain higher than previous Commission decisions does not justify the use of a retail margin below relevant benchmarks.

The Commission's 2017 Draft Decision indicated, in relation to the reduction in the retail margin, that it "is intended to be symmetric so that the proposed adjustment, if warranted by reference to likely changes in the components of the retail margin, would operate in the same fashion if other costs declined materially"[23]. This however has not been reflected in the Commission's Draft Decision for 2020-24.

ActewAGL therefore proposes that the retail margin be returned to the margin employed by the Commission during the 2014–17 regulatory period, which was 6.04 per cent.

3.4 National green scheme costs

The holding cost of certificates, used to calculate national green scheme costs, should be based on the efficient retailers' weighted average cost of capital (WACC), rather than the cost of debt.

ActewAGL does not support the proposed methodology to calculate the cost of national green schemes (LRET and SRES) as set out in the Commission's Draft Decision. The Commission has based the holding cost of certificates on the cost of debt, rather than the WACC. The benchmark cost of capital for the hypothetical efficient ACT electricity retailer is a weighted average of both debt and equity financing, not debt alone. The Commission should use the WACC parameters from its water and sewerage decision[24], except for the equity beta. For equity beta, ActewAGL proposes that the same value should be adopted as the ESC used in the VDO decision (i.e. an equity beta of 1.00).

[21] ActewAGL, ACT Retail electricity price investigation: 2020-24 – ActewAGL submission to the ICRC, 11 October 2019. Available at: https://www.icrc.act.gov.au/__data/assets/pdf_file/0006/1440924/Submission-3-ActewAGL-Retail.pdf
[22] ICRC 2017, Standing offer prices for the supply of electricity to small customers from 1 July 2017, Independent Competition and Regulatory Commission, Canberra
[23] ICRC 2017, Standing offer prices for the supply of electricity to small customers from 1 July 2017, Independent Competition and Regulatory Commission, Canberra
[24] ICRC 2018, Final report: Regulated water and sewerage services prices 2018-23, Report 1 of 2018, May 2018, ICRC, Canberra

4 Transparency and Comparability

As part of its price investigation for the 2020–24 regulatory period, the Commission has undertaken an investigation into the transparency and comparability of electricity offers in the ACT. The Commission has sought input on this issue from retailers, consumer groups and consumers. ActewAGL supports the review of transparency and comparability of electricity offers in the ACT and provided early feedback to the Commission in its response to the issues paper. As a result of the review process, the Commission has made the following draft recommendations to the ACT Government.

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 electricity prices.
2. The ACT Government should consider imposing a new regulatory obligation on retailers to regularly notify their customers whether they are on the best offer and how much can be saved by switching, taking account of the customer's circumstances.

ActewAGL's response to the Commission's two draft recommendations to the ACT Government are set out below in sections 4.1 and 4.2, respectively.

4.1 Reference bill

ActewAGL position

The first draft recommendation in the Commission's draft decision is to develop a reference bill to provide ACT consumers with a common point of comparison for assessing electricity offers, with the reference bill being based on existing regulated standing offer electricity prices.

ActewAGL supports the implementation of a reference bill based on regulated standing offer prices, set by ActewAGL and approved by the Commission.

For clarity, Figure 2 presents the process by which ActewAGL understands that a reference bill would be set each year. The first step in the process to set the annual reference bill would be triggered by the Commission's Final Decision, released during early June each year. Following the release of the Commission's Final Decision, ActewAGL would set standing offer prices and submit those to the Commission for review. After standing offer prices are approved, the Commission would then calculate an average bill amount for the selected standing offer tariffs that are set as reference bills. This calculation would involve an assumption about the average consumption of a residential and small business ACT customer.

Figure 2: Process to set ACT Reference Bill

Note: "ICRC" refers to the Independent Competition and Regulatory Commission.

Considerations for implementation

To meet the objective of improving the transparency and comparability of electricity offers for small ACT customers, there are several implementation issues to be considered.

Implementation of an ACT Reference Bill

ActewAGL recommends a reference bill **framework** that aligns with the AER's approach to the Default Market Offer (DMO):

- use the same tariff types as those in the DMO; and
- use annual bill amounts (rather than individual charges) to set the reference price.

To be a meaningful point of comparison for ACT electricity offers, the reference bill should include all **efficient costs**, including smart metering costs.

Framework

ActewAGL considers that a practical framework for the ACT reference bill may be similar to the framework utilised in NSW for the DMO. A similar framework to that used by the AER for the DMO would align the ACT with most NEM jurisdictions (except Victoria and regional Queensland). In particular, it would align the ACT approach to that used in NSW – the adjacent jurisdiction to the ACT.[25] ActewAGL recommends that a reference bill be based on the following standing offers:

- ActewAGL Home Plan;
- ActewAGL Home Plan (with controlled load);
- ActewAGL TOU Plan;
- ActewAGL TOU Plan (with controlled load); and
- ActewAGL Business Plan.

By way of example, hypothetical reference bills are calculated in Table 2 below, using 2019/20 standing offer prices and consumption assumptions based on average customer profiles used in the AER's DMO for the Essential Energy's distribution zone.

The hypothetical reference bill amounts (in Table 2) include smart meter costs. If smart meter costs continue to be excluded from the pricing model, a second set of reference bills would need to be set, adding complexity for customers using the reference bill to compare offers (see section 3.1). The exclusion of smart meter costs from the reference bill would also deviate from the approach used by the AER to set the DMO.

Table 2 Hypothetical Reference Bills ($, 2019/20)

Standing offer	Annual bill
Home Plan	1,671
Home Plan with controlled load	2,042
Home TOU	1,652
Home TOU with controlled load	2,023
Business Plan	6,806

Note: Hypothetical reference bill amounts are based on 2019/20 prices and use consumption assumptions applied to calculate the DMO in Essential Energy's distribution area. These calculations include smart meter costs, and includes GST.

[25] For this reason, all calculations in Section 4 are based on the AER's consumption assumption used in the Essential Energy distribution zone (i.e. the closest distribution zone to the ACT).

The above five tariffs are appropriate for a reference bill due to the following reasons:

- Widely adopted tariffs by ACT customers – 92 per cent of residential customers are on the Home and TOU Plans and 72 per cent of small business customers are on the Business Plan (based on data from 2018/19);
- Simple tariff structures – this enables the tariffs to be easily compared. ActewAGL considers that more complex tariff structures such as demand tariffs, are not appropriate to be used as a point of reference; and
- Commonality with AER's DMO design – this approach will align the ACT with the approach adopted by the AER and applied to most NEM jurisdictions. Given that most ACT retailers also operate in NSW (where the DMO was introduced on 1 July 2019), they will be familiar with the process to implement reference bills based on these tariffs.

Efficient Cost Base

When the AER introduced the DMO, it identified three policy objectives, one of which was "allowing retailers to recover the efficient costs of providing services".[26] The ACT reference bill would benefit from the same policy objective. As explained in section 3 above, metering costs associated with Type 5 and Type 6 meters are currently included in the regulated pricing model, however smart meter (Type 4) costs are excluded. Given that smart meters will continue being rolled out in the ACT (as per PoC legislation[27]), all metering costs need to be included in the reference bill to ensure retailers are able to recover all efficient costs. Further, the inclusion of smart meter costs in the reference bill will enable customers associated with any ACT retailer to more accurately compare the reference bill to their own electricity offer, as each retailers approach to recovering smart meter costs will then be consistent.

The continuation of the current approach (i.e. smart meters remain excluded from the pricing model) will otherwise result in a requirement for two sets of reference bills – one set for customers with smart meters installed, and another set for customers without smart meters installed. This will add complexity for customers using the reference bill as a point of comparison. Table 3 sets out the hypothetical experience of a customer with a smart meter making a comparison between their standing offer Home Plan and the reference bill.

As shown in Table 3, one version of the reference bill (excluding smart meter costs) will show that the customer's annual bill is expected to be 7 per cent higher than the reference bill. The second version of the reference bill (including smart meter costs) will show that this customers' bill is the same as the reference bill. This is likely to lead to confusion among ACT customers. A simpler approach is to enable retailers to recover the efficient cost of providing electricity services (which includes smart meter costs), and therefore facilitate the introduction of only one set of the reference bills.

[26] AER 2019, Default Market Offer Price, Draft Determination, February 2019, page 41. A
[27] AEMC 2015, Expanding competition in metering and related services, Australian Energy Market Commission, Sydney

Table 3 Customer (with a smart meter) experience – reference bill

	Annual bill
Reference bill excluding smart meter costs	
Reference bill (Home Plan)	1,556
Home Plan	1,671
Outcome	*"7 per cent higher than the reference bill"*
Reference bill including smart meter costs	
Reference bill (Home Plan)	1,671
Home Plan	1,671
Outcome	*"same as the reference bill"*

Note: Hypothetical reference bill amounts are based on 2019/20 prices and use consumption assumptions applied to calculate the DMO in Essential Energy's distribution area. These calculations include smart meter costs, and includes GST.

As discussed in Section 3.1, an ACT reference bill may be implemented as a cap or simply as a point of reference (not an explicit cap). Whichever option is implemented, the inclusion of smart meters in the reference bill will ensure that retailers are able to recover all efficient costs.

Features of an ACT Reference Bill

Table 4 below summarises the key features and specifications of the recommended approach to the introduction of a reference bill in the ACT.

Table 4 Features of a reference bill (ACT)

Feature	Specification
Calculation of the reference bill	**Reference bill calculated using ActewAGL's standing offer prices** (based on the Commission's Final Decision).
Tariff selection	**Simple, common tariffs** used as reference bills. Residential flat and time-of-use tariffs (with and without controlled load); business block tariff.
Efficient costs	**All efficient retail costs** (including smart meters) are to be included in the reference bill.

4.2 Best offer notification

The second draft recommendation in the Commission's draft decision is to introduce a requirement for retailers to "… regularly notify customers of whether they are on the best offer and how much can be saved by switching, taking account of the customers' circumstances".[28]

ActewAGL recognises the value in a best offer notification. Notifying standing offer customers of the best generally available market offer efficiently achieves the intended outcome of the draft recommendation.

ActewAGL notes that the introduction of a best offer notification in the ACT will potentially dampen the recent surge in competition in the ACT electricity market. This is because customers will be notified of a cheaper electricity plan (for their existing tariff type) offered by their existing retailer, which may reduce customers' willingness to 'shop around' for electricity plans offered by alternative retailers. This may also limit innovation in retailers' pricing plans.

This following subsections set out the way in which a best offer notification may be defined, and practically and economically implemented in the ACT.

Best offer definition

To meet the objective of improving transparency of ACT electricity offers, a 'best offer' must be well defined. In order to define a 'best offer' that is suitable for the ACT, ActewAGL has closely reviewed the approach adopted in Victoria, and identified the key differences between the Victorian and ACT electricity markets.

The ESC in Victoria recently introduced a regulatory obligation for retailers to inform customers of their best offer on a quarterly basis. The approach in Victoria requires retailers to calculate each small customers' best offer, and the associated saving that could be achieved by switching to the best offer. The customers' best offer and potential savings are calculated using the customers' past 12 months of consumption data. This information is available to retailers in Victoria because smart meters (which record detailed customer usage data) have been rolled out on mass, providing access to detailed usage data. The customer is informed of the saving that could be achieved by switching if it is above a "minimum threshold" which is currently set at $22 (including GST) per year.[28]

In the ACT, smart meters are only gradually being rolled out (for new connections and replacements for faulty meters). Thus, the opportunity to provide a best offer notification based on individual customers' usage profile is limited. In addition, the provision of a personalised best offer notifications for customers would require substantial changes to operating systems. The materially significant cost associated with these system changes is expected to outweigh the marginal benefit that customers would experience, compared to a notification of the best generally available market offer. The extent of these costs may lead ActewAGL to apply for a cost pass through.

A practical and cost effective approach to introducing a best offer notification for the ACT is to notify standing offer customers of the best generally available market offer[29]. This approach means that ACT retailers would identify each standing offer customers' existing electricity plan, and notify them of the market offer with the same underlying tariff structure. This means that a customer on flat tariff (i.e. a supply and usage charge) would be notified of their retailers' unconditional market offer version of that flat tariff.

The notification would only be applied to ACT customers with standing offers, because those on market offers already receive a discounted bill. Market offer customers also already receive regulated communication such as rollover letters and benefit change notifications.

This recommended approach removes the issue of determining whether a customer has an electricity meter that is capable of supporting the best generally available market offer.[30] This is because the customer is notified of the market offer that has the same underlying tariff structure as their existing standing offer.

In the ACT, there is no need for a minimum savings threshold (as applied in Victoria). The $22 minimum savings threshold applied in Victoria is based on the maximum exit fee retailers may charge[31]. However, ActewAGL, as the incumbent retailer in the ACT, does not charge an exit fee and therefore a minimum saving threshold is not required.

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[28] Essential Services Commission, *Building trust through new customer entitlements in the retail energy market*, 30 October 2018, page 67. Available at: https://www.esc.vic.gov.au/sites/default/files/documents/building-trust-through-new-customer-entitlements-in-the-retail-energy-market-retail-markets-review-final-decision-20181030_0.pdf

[29] The market offer that correlates with their current standing offer.

[30] For example, a customer with a type 6 accumulation meter is not able to be assigned to tariffs with demand charges because type 6 meters is not capable of reading data for demand charges.

[31] Essential Services Commission, *Building trust through new customer entitlements in the retail energy market*, 30 October 2018, p.67. Available at: https://www.esc.vic.gov.au/sites/default/files/documents/building-trust-through-new-customer-entitlements-in-the-retail-energy-market-retail-markets-review-final-decision-20181030_0.pdf

The best offer notification would be based on standalone electricity offers that are not bundled with gas offers. This will enable customers with and without gas to receive a notification of the best electricity-only market offer that is generally available.

ActewAGL's annual prices are set to reflect the cost of providing electricity to customers over a 12 month period, and therefore imposes a condition prohibiting customers from switching between tariff types on the basis of seasonal changes. This condition also aligns with the restriction on tariff changes imposed by Evoenergy. To maintain cost reflectivity, ActewAGL intends to maintain the condition. The notification of the customers' best generally available market offer will enable customers to switch from their existing standing offer to the market offer that has the same underlying tariff structure, reducing the need to implement this above condition.

It is recommended that the best offer notification exclude value-based and multi-year market offers. Value-based offers include offers that provide the customer with non-financial rewards such as subscriptions, frequent flyer points or appliances. Multi-year offers are those that fix prices over longer than a 12 month period. Value-based and multi-year market offers are not comparable to standing offers and therefore should be excluded from the best offer notification mechanism.

Table 5 provides examples of how the approach would operate in practice.

Table 5 Examples of best offer notifications

	Customer's current plan	Best offer notification
Customer A	Standing offer – Home Plan	Market offer – Home 20%
Customer B	Standing offer – Home TOU	Market offer – Home TOU 20%

As shown in Table 5, customer A, who is on the standing offer Home Plan would be notified that the best generally available version of the Home Plan (to which they are currently assigned) is the "Market offer – Home 20%". This market offer provides a 20 per cent discount off the usage charge in the "Standing offer – Home Plan". Similarly, Customer B on the "Standing offer Home TOU" plan would be notified that the market offer version of that plan would be a cheaper alternative.

This approach practically and cost-effectively achieves the intended outcome of the draft recommendation. It is practical because it can be implemented in a timely manner using existing data. A more personalised best offer notification approach, requires access to customer usage data that is only available for customers with smart meters installed. It is a cost effective way to introduce a best offer notification in the ACT, because the system changes required are less complex than a personalised best offer notification.

For clarity, this approach will be referred to as the 'best offer notification' in the remainder of this submission.

Best offer definition:

Notify ACT customers on standing offers of the best generally available market offer[32].

Savings calculation

The Commission's Draft Decision recommends that the amount saved by a customer switching to the best offer should be included on the customers' bill. In keeping with the practical approach outlined above, ActewAGL recommends that the savings calculation be based on the profile of a typical/average residential and small business customer. This average customer profile could be based on the same consumption assumption used in the calculation of the reference bill. Retailers would compare the

[32] ACT retailers to identify standing offer customers' existing electricity plan, and notify them of the market offer with the same underlying tariff structure.

annual bill amount (assuming an average consumption profile) of the customer's current standing and best market offer. This amount will reflect the potential saving that a typical/average customer may achieve if they switch from their current offer to the best offer notified on their bill.

Table 6 below expands on the customer profiles shown in Table 5 showing that both customers A and B could expect to save $233 per year (assuming average consumption profiles) if they switched to the best offer notified.

Table 6 Examples of best offer notifications with expected saving

	Customer's current plan	Best offer notification	Expected saving
Customer A	Standing offer – Home Plan	Market offer – Home 20%	$233
Customer B	Standing offer – Home TOU	Market offer – Home TOU 20%	$233

Note: The calculated 'expected saving' are based on 2019/20 prices (including GST) and assume customers have a smart meter installed.

The ACT Government currently offers a Utilities Concession.[33] Eligible customers can apply for these concessions through their electricity retailer. Given that the concession can be applied to any ACT electricity plan, the best offer savings calculation should be independent of any concession payment that may be applied.

Advantages of this approach

The advantages of applying the recommended approach to the best offer notification in the ACT are as follows:

- Available to all ACT standing offer customers, irrespective of the historical consumption data available to the retailer; and
- Timely implementation, cost effective and practical (compared to a more personalised notification) because the approach does not rely on individual customers' past data, and the system changes required can be made relatively simply.

Table 7 below summarises the key features and specifications of the best offer notification in the ACT recommended by ActewAGL. Some of these features have been informed by the review of the Victorian best offer obligation.

[33] ACT Revenue Office 2020, Utilities Concession, ACT Government, Canberra

Table 7 Features of best offer notifications (ACT)

Feature	Specification
Consumption data	**No historical consumption data required.** Notifies standing offer customers of their best generally available market offer (for their existing tariff type). The potential savings calculation is based on an average consumption assumption.
Minimum savings threshold	**No minimum savings threshold.** No minimum threshold required before notifying customers of their best offer because ActewAGL does not charge an exit fee.
Application of concession payments	**Concession payments are excluded in the savings calculation.** Concessions can be applied to any ACT electricity offer.
Discounted offers	**The best offer can only be an unconditional offer.**
Expected savings	Calculated as the **difference between the standing and market offer** using an average customer profile (aligned to the reference bill).
Electricity only	The best offer would be selected from the retailers' **electricity-only offers**.
Notification timing	**Quarterly bills.**
Value-based/multi-year offers	**Value-based and multi-year offers are excluded from the best offer** notification to avoid complexity.

ActewAGL considers that informing ACT standing offer customers of the best generally available market offer which correlates to their existing standing offer, is a practical and economical approach to notifying customers of the best offer.

Applications in other jurisdictions

The Commission has outlined that retailers in NSW are required to inform some residential customers of the most appropriate offer for their circumstances, under the NSW Social Programs Code. Currently ActewAGL accommodates for these rules in the NSW market through basic manual processes. This is only possible given the relatively small number of customers, tariffs and offer combinations in NSW that these changes affect. These processes are inadequate to comply with the Commission's draft recommendation. As a result, ActewAGL would need to make significant system and process changes and would be required to prepare a pass-through application under the provision of a regulatory change event.

4.3 Awareness of Energy Made Easy website

ActewAGL notes the Commission's encouragement of retailers to regularly notify their customers that they can visit the Energy Made Easy (EME) website to check whether better offers are available from other retailers. ActewAGL already prominently displays links on the ActewAGL website to Basic Plan Information Documents for all versions of generally available market offers. This allows customers to compare pricing information and annual bill amounts for ActewAGL's plans. Existing regulated pieces of communication, such as Benefit Change Notifications, already include prominent references to the EME service.


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