

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 Draft Report on 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) Draft Report on the [Review of the Retail Electricity Form of Price Control](#) (the Draft Report).

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.

The scope of the review

Through this review the ICRC has:

- examined the causes of compositional changes in ActewAGL's customer base, how compositional changes have been dealt with in the ICRC's approach, and implications of compositional changes for the ongoing effectiveness of the form of price control
- considered whether changes are needed to how the network cost pass-through is calculated to make sure the form of price control remains effective. The Draft Report outlines the draft decisions related to the changes of network cost calculation and the proposed implementation timeline.

The ICRC's draft decisions

The ICRC has made two draft decisions in the Draft Report:

1. to amend the methodology for the network cost pass-through so it is consistent with the way the maximum allowed price change is calculated in the Commission's 'tariff basket' formula. This means the calculation will use the same weights—measured using the most recent customer numbers and usage measures—for both years in the network cost calculation.
2. to implement the change during the current regulatory period (2020-24). The Commission intends to implement its decision on amending the cost estimation method in the annual retail electricity price recalibration for 2021–22.

ACTCOSS's response to the draft decisions

ACTCOSS supports the ICRC's draft decision to amend the methodology for the network cost pass-through so that it is consistent with the way maximum allowed price change is calculated.

The ICRC's Issues Paper on the Review of the Retail Electricity Form of Price Control (the Issues Paper) raised the concern that the current approach reduces the stability and predictability of standing offer prices due to significant variation and difference between the ICRC's network cost allowance and the Australian Energy Regulator's (AER) approved network price increase.

Based on the Draft Report and on information provided at the ICRC workshop held on 12 March 2021, ACTCOSS understands that this amendment to the methodology – along with the ICRC's side constraint on individual standing offer tariffs – will improve price stability and predictability for ActewAGL's standing offer customers.

ACTCOSS supports the ICRC's draft decision to implement the decision on the network cost calculation method from the next annual price recalibration (for 2021–22) in the current regulatory period. We support this on the understanding that it will not be detrimental to ActewAGL's residential, not-for-profit, and small business standing offer customers.

ACTCOSS's response to broader issues raised by the review

As we noted at the ICRC workshop on 12 March 2021, ACTCOSS is concerned that while network demand and time-of-use tariffs appear to provide an effective price signal to retailers, the same cannot be said when they are passed through to customers. Our concern – as was highlighted in the ICRC's Electricity Price

Investigation 2020-24 – is that many customers do not adequately understand how these tariffs are calculated or do not even know that they are on such a tariff.

As noted in the Issues Paper, ActewAGL customers with smart meters are now automatically placed on time-of-use tariffs and can opt to move to a retail demand tariff – they cannot choose to remain on or move to a flat tariff. As set out in our [submission](#) on the Issues Paper, ACTCOSS is keen for the ICRC to consider possible protections for smart meter customers in the ACT for whom demand or time-of-use tariffs may not be appropriate or who require additional support to understand how these tariffs work and how to manage their energy usage accordingly.

The ICRC's Issues Paper and the companion Background Paper on Developments in the Electricity Market (the Background Paper) identified several issues impacting on the effectiveness of ActewAGL's regulated tariffs as a safety net for electricity customers in the ACT.

As outlined in our [submission](#) on the Issues Paper, ACTCOSS is keen to continue to engage with the ICRC on questions relating to:

- whether compositional changes among ActewAGL's residential and business standing offer and market offer customers are creating inequitable outcomes under the tariff basket form of price control
- the effectiveness of ActewAGL's regulated tariffs as a safety net for all residential, not-for-profit, and small business electricity customers in the ACT
- whether shifting to a Basic Service Offer and/or a social tariff in the ACT would better ensure customers – especially those on low incomes or experiencing vulnerable circumstances – have safe and reliable access to electricity at a fair and affordable price; and
- what processes are in place to monitor and report on the above issues.

Continued engagement

We thank the ICRC for its ongoing engagement with ACTCOSS on issues impacting on residential, not-for-profit, and small business energy consumers in the ACT – especially those on low incomes or experiencing disadvantage.

If you would like to discuss anything in relation to this submission please contact Mr Geoff Buchanan, Senior Policy Officer (Research and Data) on 02 6202 7222 or via geoff.buchanan@actcoss.org.au.

Yours sincerely

A handwritten signature in black ink that reads "Emma Campbell." The signature is written in a cursive, flowing style.

Dr Emma Campbell
CEO

Email: ceo@actcoss.org.au

29 March 2021