

12 April 2022

Essential Services Commission
Level 8, 570 Bourke St
Melbourne VIC 3000

Lodged via Engage Victoria

Dear Commissioners,

Re: Victorian Default Offer from 1 July 2022 – draft decision

Simply Energy welcomes the opportunity to provide feedback on the Essential Services Commission's (Commission) draft decision on the Victorian Default Offer (VDO) price determination to apply from 1 July 2022.

Simply Energy is a leading energy retailer with approximately 730,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

While Simply Energy understands the reasons behind the introduction of the VDO, Simply Energy does not support price regulation in competitive markets.

Simply Energy supports the Commission's proposal to use largely the same methodology as it has in recent VDO price determinations. There has not been evidence presented that would justify significant changes to the current VDO methodology at this stage.

As we have noted in previous submissions, the quick turnaround between VDO price determinations in recent years has meant that the Commission has not been able to undertake a fulsome review of whether its VDO methodology has resulted in VDO prices that have met the policy objectives. Simply Energy proposes that the Commission undertake this review during the 2023-24 VDO price determination. The Commission should only consider significant changes to the VDO methodology if it can demonstrate that the VDO price and methodology are no longer fit-for-purpose and are not meeting the policy objectives.

With that being said, Simply Energy is supportive of the minor updates to the methodology that the Commission has proposed in its draft decision. The Commission has made reasonable updates that reflect the most recently available data.

Simply Energy supports the proposal to use the three most recent years of data in the wholesale cost methodology. Simply Energy considers that demand patterns have changed significantly in recent years due to the record levels of investment in rooftop solar in Victoria. This update to the wholesale cost methodology will lead to more accurate wholesale cost forecasts.

Simply Energy also supports the proposal to update the metering cost approach to use customer-weighted average costs instead of the costs of the cheapest meter configuration. The reasoning provided in the draft determination is sensible and we consider it is appropriate that the VDO cost stack is reflective of the efficient costs occurring in the market.

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive style with a large, prominent initial "J".

James Barton
General Manager, Regulation
Simply Energy