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By email (and for publication)

Dear energy industry stakeholder

### **Wholesale market intervention compensation costs**

I am writing with regard to mechanisms that licensed electricity retailers in Victoria may use to recover costs incurred due to wholesale market interventions in June 2022, that are or will become payable to the Australian Energy Market Operator (AEMO).

I have received inquiries from individual retailers about these issues, and for the sake of transparency, would like to communicate my views on this issue to industry more broadly.

### **Market retail contract customers**

Some market contracts will permit a retailers' costs of the wholesale market interventions in June 2022, namely a retailer's payments to AEMO, to be passed through to small customers as an 'additional retail charge'. In relation to small customers on a market retail contract (as defined in the Energy Retail Code of Practice (ERCOP)), fair and reasonable amounts may be passed through by retailers to small customers in accordance with the requirements of clause 77 where a customer has entered into a contract providing for such charges.

What is fair and reasonable will depend on the related costs incurred by the retailer. The commission will monitor any additional retail charges imposed on small customers on market retail contracts. Retailers must retain records in relation to any additional retail charges imposed as a consequence of the wholesale market interventions (pursuant to standard electricity licence condition 13.1). I would expect those records to clearly demonstrate that the imposition of any additional retail charges is fair and reasonable having regard to the related costs resulting from the wholesale market interventions that have been incurred by the retailer. I would also expect those records to demonstrate the charges are consistent with the relevant contract term permitting the charge, including demonstrating how the amount of any charge has been calculated by reference to the sale and supply of electricity at the particular supply address.

We acknowledge that the approach of individual retailers to imposing any additional retail charges on their small customers under clause 77 will likely vary. In all cases, clause 63(1) requires that a retailer must prepare a bill so that small customers can easily verify that their bill conforms to their contract – this requires transparency in the event of any additional retail charges attributable to the wholesale market interventions in June 2022.

### **Victorian Default Offer customers**

For customers on the Victorian Default Offer (VDO) (as defined in the ERCOP) the commission will monitor developments in the compensation process (including the materiality of confirmed payments and their timing) and consider the implications for the Victorian Default Offer. Costs associated with the June 2022 wholesale market interventions cannot be passed through to VDO customers in the current financial year (2022-23) unless the commission were to make a decision to vary its 2022-23 VDO price determination pursuant to clause 13 of Order in Council made under section 13 of the *Electricity Industry Act 2000* dated 30 May 2019. No such decision has been made at this time.

Yours sincerely



Sarah Sheppard

**Executive Director, Energy**

