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## **Consultation on changes to fees for the Victorian Energy Upgrades program**

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AGL Energy (AGL) welcomes the opportunity to comment on the proposed fee changes for the Victorian Energy Upgrades (VEU) Program.

AGL is one of Australia's largest energy-led multi-service retailers, providing over 4.3 million electricity, gas and telco services to residential, small, and large businesses, and wholesale customers. AGL is committed to meeting the needs of its energy customers both now and through the transition to a net zero emissions future. AGL has been a longstanding participant in the VEU program, and we recognise the value that the VEU brings in reducing greenhouse gas emissions through total demand reduction for energy and the improvement the scheme brings to the energy efficiency of our customers' homes and businesses.

### **Proposed Fee Options**

AGL has considered the three fee models put forward in the Regulatory Impact Statement with AGL's preference being Option 1: Activity-based costing with some modifications to the proposed fee schedule.

We support full cost-reflectivity and horizontal equity for all participants in the VEU program. We believe this approach provides the right balance between industry cost of participation and consumer confidence that market participants are operating within the rules of the system. While we understand that for some smaller prospective Accredited Providers (AP), the higher accreditation fees may marginally increase their upfront costs, it will provide a positive incentive for these new market entrants, which raise the capital to participate in the VEU, to act in good faith, promote the intent of the scheme, and act fairly and reasonably. We consider this will incentivise compliant behaviour at a reasonable cost, and mitigate against inappropriate practices, such as the disposal and provision of refrigerated cabinets to customers who did not want them which the industry witnessed in 2022.

To balance out the high accreditation application cost under Option 1, it may be appropriate to impose late payment fees for accreditation applications. We recommend a marginal reduction to the 'Application for accreditation' and 'annual re-accreditation costs' under this Option, while introducing a fee for 'Late lodgement of applications to renew accreditation'. However, under this option, the late payment fee should be adjusted proportionate to the reduction in the accreditation and re-accreditation costs, rather than imposing the full \$14,184 penalty.



### **Late Payment Fees**

AGL supports the introduction of late payment fees for applications to renew accreditation under all of the proposed fee models. We agree that it will encourage timeliness, accuracy, compliance and better organisation and planning practices to ensure that APs act in good faith and in the best interests of the scheme. Further, we think this approach is more in line with fees better aligning with covering costs incurred. In this instance, a late payment fee should allow for the Essential Services Commission (ESC) to be recompensed for any additional administrative costs it incurs in processing accreditation applications out of cycle or beyond the due date. However, the proposed \$14,184 late payment fee we believe is too high and disproportionate to the aim that it seeks to achieve.

### **Annual Energy Acquisition Statement**

AGL does not support the proposed introduction of fees associated with lodging the annual energy acquisition statement for retailers. This approach is inconsistent with energy efficiency and productivity schemes in other jurisdictions, and we do not consider it fair and equitable for participants to have to pay to meet compliance requirements under a mandatory scheme.

### **Key Performance Indicators**

AGL welcomes the proposal for additional resources for the ESC to administer the VEU scheme and support participants in its efficient operation. AGL considers appropriate resourcing of the Scheme by the ESC should be subject to an independent audit to ensure Victorian consumers continue to receive value for money and the cost of administration does not become excessive and/or outweighs the benefits of the program

Further, AGL recommends the introduction of key performance indicators and quarterly or bi-annual performance indicator reporting for the ESC with respect to customer service performance. This will allow the ESC and the Department to monitor, review and continuously improve the VEU program to promote a smooth and timely customer experience for scheme participants.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at [vkalpakidis@agl.com.au](mailto:vkalpakidis@agl.com.au).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Con Hristodoulidis'.

Con Hristodoulidis

Senior Manager Regulatory Strategy

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