

Joint Implementation Group

Bulletin No. 1

National Energy Customer Framework – Implementation activities

May—July 2011

The Joint Implementation Group (JIG) is co-ordinating the implementation of the National Energy Customer Framework (NECF) by the NECF participating jurisdictions. The JIG is working closely with the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER) to ensure commencement of the NECF on 1 July 2012.

The purpose of this Bulletin is to provide regular information about NECF implementation to energy retail and distribution businesses and to consumer groups.

JIG consultation and liaison

Retailers

During May, representatives from jurisdictions met with most licensed retailers to discuss the process of transitioning from jurisdictional retail licences to the national retailer authorisation regime under the NECF. The JIG will use the information gathered in these meetings to develop consistent statutory support for the transition across the various jurisdictions as part of the process of developing application legislation.

To minimise disruptions associated with this transition, it is important that the JIG holds current and accurate information about the operations of existing retail businesses. In particular, retailers are requested to inform the JIG of any changes, actual or planned, in corporate structure that might affect the authorisation process leading up to NECF start.

Customer representatives

Representatives of the JIG met with the National Consumers Roundtable on Energy in June 2011 to discuss the implementation process and effects on end-use customers.

Implementation issues

Agreed policy principles for transition of existing customer contracts

To ensure an efficient and smooth transition for customers, existing small customer contractual relationships under jurisdictional regimes will continue via savings and transitional arrangements. Customers will not be required to enter into new contracts when the NECF starts.

Each jurisdiction currently has different types of customer contracts and will provide the specific legislative transitional support required to move to NECF contracts. However, to promote consistency, all jurisdictions have agreed to adhere to the following overriding principles:

- that existing customer contracts should be continued (“saved and transitioned”) and become NECF contracts on commencement or as soon as possible afterwards;
- that the transition should, where possible, minimise disruption for customers and existing customer contracts; and
- that rights accrued by customers under existing contracts as at the date of transition to NECF are preserved.

Customer contracts entered into from NECF commencement should be compliant with the requirements of the National Energy Retail Law and Rules.

Savings and transitional provisions may prescribe different arrangements for different classes of contract. For instance, customers on existing jurisdictional standing offer contracts may be transferred to the relevant NECF standing offer, while customers on market contracts that are currently available may continue on those contracts for a time, or be offered a new equivalent contract. Large customer contracts may be left to the parties as to the arrangements going forward.

Each jurisdiction will need to provide a viable and appropriate set of treatments for existing contracts. These are likely to vary according to local circumstances, for example where full retail competition, and hence market contracts, do not exist.

Implementation of the National Connections Frameworks

The JIG has also undertaken an initial examination of the feasibility of implementing the National Connections Frameworks under Chapters 5A of the National Electricity Rules and 12A of the National Gas Rules. The jurisdictions consider that there may be transitional support required for the implementation of these chapters having regard to existing electricity pricing determinations, which may assume the continuation of existing connection charging approaches in setting regulated prices. In this case, consideration is being given to displacing the connection charging requirements of those chapters until the expiry of the pricing determinations. Jurisdictions will take responsibility for discussing the approach to the implementation of these chapters with distributors.

Under the new chapter 5A of the National Electricity Rules, the AER will be required to develop and publish connection charge guidelines to codify how electricity Distribution Network Service Providers (DNSPs) should charge new electricity customers for connections to their networks. The AER has undertaken discussions on various issues related to the new connections charge guideline, and sought comments from jurisdictional representatives, and electricity DNSPs. The AER released a consultation paper on the proposed framework of the guideline in early June.

A public forum to explain the AER's proposed framework and opportunities for stakeholder engagement will be held in mid-July to assist stakeholders in preparing their contribution to the consultation process. As part of this process, the AER will be seeking inputs from its Customer Consultative Group and other major customer groups. Stakeholder responses to the AER's consultation paper will inform the development of a draft guideline, which will be released for consultation later this year.

Electricity Bill Benchmarking

The next phase in the Electricity Bill Benchmarking initiative is the development of the first set of benchmarks based on household size and local area. A contractor will commence work in July to undertake research which will contribute to the development of the benchmark. This will involve surveying approximately 5000 households across Australia to develop a household size algorithm for electricity use and to gather information on other factors that affect energy use such as seasonality, appliance use and energy mix (gas/electric). Additionally, it is expected that the consultant will be contacting electricity distributors to request metering data for customers that have agreed it be provided. It is expected that the consultancy will be completed in October/November this year. Another component underway for the establishment of the benchmarks is the creation of localised zones. In early May 2011, the AER wrote to National Energy Market (NEM) Energy Ministers requesting that each jurisdiction nominate the localised zone/s and their associated postcodes on which the benchmarks in each state will be based.

Jurisdictional activities during May - July 2011

Victoria

Victoria released two discussion papers in April 2011, concerning licensing arrangements for the transmission, generation and distribution sectors following NECF implementation, and regarding the transition of customer contracts. Submissions to these papers have closed and the Department of Primary Industries (DPI) is now determining its approach based on these submissions.

Further consultation papers are expected to be released over the coming two months, and stakeholders will be advised promptly when these are available.

DPI is otherwise in the process of developing drafting instructions for implementation legislation, which will cover the repeal of existing provisions in the *Electricity Industry Act 2000* and *Gas Industry Act 2001*, amendment of provisions, application of the National Energy Retail Law and supplementary provisions where Victoria-specific regulation is considered necessary.

Queensland

The Department of Employment, Economic Development and Innovation (DEEDI) is currently working with the Office of the Queensland Parliamentary Counsel to draft the Queensland Application Act and subordinate instruments that will give effect to the NECF in Queensland.

Throughout the drafting process, DEEDI will continue to liaise with key stakeholders to gather advice and feedback in relation the legislative package including transitional arrangements.

DEEDI officers are in the process of consulting with peak consumer bodies to assist in identifying and developing appropriate communications channels and materials to ensure that key messages reach consumers in the lead up to NECF commencement.

NSW

Representatives from the Department of Industry and Investment's Division of Resources & Energy (the Division) met with NSW retailers to discuss licence transition in late May and early June. The Division has also been working collaboratively with national bodies such as the AER in relation to NSW specific transitional issues such as retail price regulation, customer thresholds and the exemptions regime.

The Division will also undertake further targeted consultation with retailers, distributors, the Energy and Water Ombudsman and other peak bodies in relation to some outstanding implementation issues.

South Australia

During May, the Department of Transport, Energy and Infrastructure conducted a series of meetings with key stakeholders to outline proposed policy positions for NECF implementation in South Australia and invited feedback. The Department is currently considering the issues raised by stakeholders at these meetings and in subsequent submissions.

The Department is preparing drafting instructions for South Australia's implementation legislation, which will cover application of the National Energy Retail Law, and amendments to South Australia's Electricity Act 1996 and Gas Act 1997. The implementation package will be released for public consultation, providing another opportunity for stakeholder feedback.

Tasmania

In Tasmania legal advisers are close to finalising the legislative gap analysis. From this, drafting instructions will commence in mid July 2011 and drafted legislation available for consultation with stakeholders by September 2011. Tasmania is planning to introduce the Application Act and legislative amendments in the Tasmanian Parliament in March 2012.

ACT

The ACT Government's Department of Environment, Climate Change, Energy and Water is reviewing the template NECF legislation for implementation in the ACT. This includes ongoing consultation with all stakeholders. Submissions on NECF implementation were received from ACT stakeholders in April. Meetings with stakeholders discussing these submissions followed in May and June. These submissions are informing the government's approach to implement the NECF including transitioning of contracts, gas and electricity connection frameworks and consumer protections.

AER activities

The AER's program of consultation on key regulatory guidelines and instruments to support the NECF continues. Since May 2010, the AER has released a total of 18 consultation papers, including issues papers, position papers, draft guidelines and instruments. Consultation on these papers has so far included 14 stakeholder forums, using video-conferencing facilities to ensure that stakeholders from all participating jurisdictions are able to engage in these processes.

Since passage of the National Energy Retail (South Australia) Act in March this year, the MCE has confirmed that the AER is able to issue final guidelines prior to the targeted commencement date of 1 July 2012. Final consultation on the AER's approaches to the Retail Law compliance and performance regimes, national retail authorisations and the Retail Pricing Information Guidelines has commenced. Additional papers for final consultation, including retail and network service provider exemptions, and guidelines to support the NECF Retailer of Last Resort (RoLR) regime will be released in the coming months. The AER is committed to finalisation of all Retail Law instruments and guidelines by the end of 2011, to ensure that energy retailers and distributors have adequate time to prepare for the anticipated 1 July 2012 start date.

The JIG and Standing Committee of Officials have announced that the AER will be making a series of decisions prior to 1 July 2012. These decisions include approval of retailers' hardship policies and authorisation of new retailers. A guideline for retailers on the approval proposal for hardship policies has already been completed and published, and, as noted above, the final guideline on authorisations will be finalised shortly.

Work on the development and release of a national retail price comparator service will be a priority for the AER over the next 12 months, and public consultation on the optimal form, content and functionality of the comparator will commence shortly.

AEMO activities

Gas Market: AEMO is completing a gap analysis and identification of business requirements (in consultation with participants) to capture all necessary changes to market systems that need to occur for gas. These changes include the AEMO changes that have been previously captured internally, such as RoLR changes, and the finalised list of changes will include participant driven (B2B) changes.

Electricity Market: AEMO provided secretariat services assisting with facilitation of participant NECF workshops held in May and June 2011. Participants are part way through their review of electricity market system requirements. Participants will raise retail market enhancements as identified to assist meeting their NECF obligations. These enhancements will be scheduled and planned within the NEM retail change management process.

AER & AEMO RoLR Preparations: AEMO continues to work closely with the AER to develop processes and interfaces required for the new RoLR scheme arrangements. AEMO has recently provided information and feedback in relation to the development of the AER's RoLR Plan.

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