

15 February 2007

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**ETSA Utilities Response to Working Paper 2**  
**Connection and UOS Arrangements**

ETSA Utilities is the electricity distributor in South Australia. We have participated with the Energy Networks Association (ENA) in the development of the industry response to Working Paper 2.

Our key position on the proposed Connection and UOS Arrangements is that we would prefer to see the existing contracts and rights retained. Electricity distribution is not a greenfield situation in South Australia. Contracts are in place today between customers, retailers and the distributor which are working effectively. If new contracts have to be put into place because of the other framework issues, we would assume that the Australian Energy Regulator would approve (without debate) a new contract that mimicked the existing arrangements. We do not agree that a national default arrangement should be the model for moving forward. This position is in line with that submitted by the ENA.

These contracts have taken significant effort to instal, and significant effort to educate customers on. In NSW and Queensland, most customers have a stapled distributor/retailer to deal with. South Australia lead the way in Australia in separating distribution and retail (since January 2000) and it has been a significant effort by regulators, distributors and retailers to educate the public (and the media) on which sector is responsible for what activity. To undertake any new contractual relationship between customers/ retailers and distributors could result in a public apathy and a deterioration in public confidence in the electricity sector. We cannot see the net benefit of such changes in South Australia.

We have three separate matters that might impact South Australia, perhaps in a more unique manner than other jurisdictions.

1. GSL Payments. It is not clear under the modified linear arrangements as to how GSL payments will flow through to customers. In South Australia, a high value has been placed on prompt delivery to affected customers. ETSA Utilities has this responsibility. We have improved the quality of customer information on our systems

(with the help of retailers) although there is at least a week's lag in getting information. If it is proposed that these payments are to be made through the retailer, then there will be double-handling and a greater delay in customers receiving GSL cheques. We would prefer to see the distributor continue to liaise directly with customers on this matter and to retain the sole responsibility for this matter.

2. New Connections. Currently, new customers (and their electrician) can deal with ETSA Utilities when arranging new connections. They can deal through a retailer but that is less effective where there are local design/extension/special requirements to deal with. It is essential that the distributor cannot energise a new connection unless a retailer has been agreed for that connection. However, that requirement should not prevent a customer dealing with the distributor on other customer-specific connection matters. In South Australia, the retailer carries no responsibility for new connection charges (eg capital contributions). Such matters are undertaken by the customer and distributor. We ask that the existing arrangements continue.
3. Retailer Failure. Under the modified linear arrangement, it is possible that ETSA Utilities will have an increased bad debt exposure. In the event of retailer failure, it is possible that the distributor will not be able to recover all of the network charges paid by customers to the failed retailer. These payments may be legally required to be used by a liquidator to pay other debtors (NEMMCO, generators). Under the existing triangular arrangement the distributor has less risk as the contractual path is clearer. We would prefer to retain the existing arrangements. Failing that, greater prudential requirements of retailers will be required.

If we can assist further on these matters, please contact me. Alternately, please call James Bennett (Manager Regulation) on 08 8404 5261.

**Lew Owens**  
**Chief Executive Officer**  
**ETSA Utilities**

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