

14 November 2008



Manager MCE Secretariat  
Department of Resources, Energy and Tourism  
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Dear Sir / Madam

### **Response to Retailer of Last Resort Draft Consultancy Report**

ENERGEX Limited (ENERGEX) welcomes the opportunity to respond to the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) draft consultancy report on the development of an appropriate national policy framework for a Retailer of Last Resort (RoLR) scheme. ENERGEX provides this response as a Distribution Network Service Provider (DNSP).

The following comments are in relation to the proposed base set of arrangements and include a number of questions ENERGEX has in relation to the operation of the RoLR scheme.

#### *Notifying the market of a RoLR event*

It is proposed that the Australian Energy Regulator (AER) should be required to develop RoLR management plans that include specific details of contact people and communications procedures to be followed once a RoLR event has been triggered. ENERGEX considers the detail and procedure of the notification to the market of a RoLR event is vital and it is important that DNSPs be involved in the development of such management plans as an interested party.

Following a RoLR event in Queensland, while NEMMCO published a suspension notice on its website, ENERGEX was formally notified by a telephone call from the jurisdictional regulator. ENERGEX suggests that the RoLR framework include a requirement for the AER or market operator to formally notify the market once a RoLR event has been triggered.

#### *RoLR's Performance Security with a DNSP*

ENERGEX notes that with a RoLR taking on a number of new customers, this will lead to an increase in the RoLR's network bill and as such, it would be necessary for the DNSP to be able to request an increase in the RoLR's performance security or undertaking applicable to that RoLR.

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### *Commercial Parameters*

The draft consultancy report proposes a mechanism to allow for the ex post recovery of additional costs incurred by the RoLR, that would operate in a similar manner to the cost pass through arrangements currently applied by DNSPs. Once these costs are approved, it is proposed that these costs would be recovered via a levy on the DNSP, who in turn would pass that cost through to its customers as a cost pass through event associated with a regulatory obligation. In order to facilitate this arrangement, the National Electricity Rules would need to allow the RoLR to levy a charge on a DNSP.

ENERGEX has a number of questions in relation to the levy and requests that further operational details are provided. In particular, there is no acknowledgement of the costs, which may be incurred by the DNSP as a result of the RoLR event.

### *Transfer Process*

ENERGEX agrees that the national RoLR framework should set out how the customers and their data would be transferred to the RoLR. It has been proposed that rather than develop a new information repository system, the most cost effective approach would be to enforce the existing B2B procedures to ensure that DNSPs hold up-to-date data that could be provided to the RoLR.

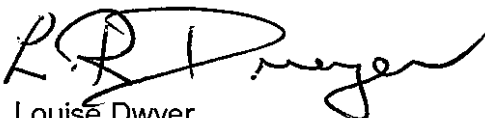
ENERGEX agrees that the current B2B procedures need to be better enforced as the customer records that a DNSP holds are reliable only to the extent to which the retailer has provided information via the B2B process. As such, ENEREX has concerns about the potential liability and responsibility issues that could result if the defaulting retailer had not sent a notification to update the customer's details before the RoLR event.

Another issue ENEREX would like to have confirmed with regards to the transfer process, is whether NEMMCO (or the market operator) will make a bulk update of the retailer record in MSATs. Alternatively, would ENEREX (as the DNSP) receive standard transfer notifications or be expected to update our systems independently?

In summary, ENEREX agrees that the overarching objective of the RoLR scheme should be to protect customers and the integrity of the relevant wholesale market.

ENERGEX believes that further consultation on the operational details is required once the framework is established. In this respect, ENEREX looks forward to the release of SCO's Policy Response. If the MCE has any further questions in relation to ENEREX's submission, please do not hesitate to contact me on (07) 3407 4161.

Yours sincerely



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