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**National Energy Consumer Framework – Second Exposure draft**

Country Energy welcomes the opportunity to provide comment to the Ministerial Council on Energy's (MCE) Standing Committee of Officials (SCO) in response to its National Energy Customer Framework: Second Exposure Draft (NECF2).

As an active participant in both the New South Wales gas market and the National Electricity Market (NEM), Country Energy broadly supports the MCE's objective of developing a nationally consistent framework for the provision of energy services. Country Energy acknowledges the considerable work undertaken by SCO to date in seeking to meet this objective.

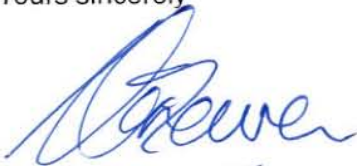
While the SCO has acknowledged the concerns of industry at the Stakeholder Workshop held in Melbourne on 3 and 4 February 2010 in relation to the timeframe for implementation, Country Energy would encourage SCO to develop and release a timetable clearly outlining the additional steps that will be undertaken between now and NECF finalisation.

Rather than providing a clause by clause commentary on the drafting of NECF2, this submission focuses on a series of key issues – the satisfactory resolution of which will be critical to the effective and efficient operation of the NECF framework.

Country Energy also supports the submission on NECF2 that has been provided by the Energy Networks Association.

If you have any questions in relation to this submission please contact Natalie Lindsay on 02 6589 8419.

Yours sincerely

A handwritten signature in blue ink, appearing to read "B. Frewen".

Bill Frewen  
**Executive General Manager Customer & Corporate Affairs**

Att. 1

# **Country Energy's Response to the *National Energy Customer Framework: Second Exposure Draft (NECF2)***

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February 2010

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# 1 INTRODUCTION

Country Energy welcomes the opportunity to provide comment to the Ministerial Council on Energy's (MCE) Standing Committee of Officials (SCO) in response to its National Energy Customer Framework: Second Exposure Draft (NECF2).

Country Energy is a leading Australian energy business owned by the NSW Government, with around 4,200 employees serving more than 800,000 customers. Country Energy operates Australia's largest electricity network spanning 95 per cent of New South Wales and provides reticulated natural gas to more than 25,000 customers in southern New South Wales. Country Energy also offers retail electricity in six states and territories.

This submission is provided by Country Energy in its capacity as an: electricity distributor; electricity retailer; gas distributor; and gas retailer.

As an active participant in both the New South Wales gas market and the National Electricity Market (NEM), Country Energy broadly supports the MCE's objective of developing a nationally consistent framework for the provision of energy services. Country Energy acknowledges the considerable work undertaken by SCO to date in seeking to meet this objective.

However, while many of the concerns raised in Country Energy's submission<sup>1</sup>, and by industry as a whole, in response to the NECF: First Exposure Draft (NECF1) have been addressed in NECF2:

- A number of major concerns have not been addressed, although the basis for their rejection remains unclear, for example, concerns regarding the practical application of the proposed 'clarifying statement' to the National Energy Retail Objective (NERO); and
- New issues have emerged with the significant reworking of the regulatory framework that has occurred between NECF1 and NECF2, including the introduction into NECF2 of previously unseen arrangements for customer connections, Retailer of Last Resort (ROLR) and small claims compensation.

This emphasises the need for:

- A greater degree of clarity as to the policy positions that have been reached by SCO on each key area and SCO's supporting rationale. The Explanatory Memorandum accompanying NECF2 is currently inadequate in this regard;
- Additional consultation on a number of key issues, including ROLR, retailer and distributor support arrangements and small claims management. Given the importance of ensuring that NECF is both workable and capable of implementation in a timely manner with minimal costs, it is not acceptable to suggest that NECF2 will represent the final opportunity for stakeholders to provide comment, particularly for those areas where there has been a significant change in content between NECF1 and NECF2; and
- Release of a Third Exposure Draft for limited consultation, prior to entry into the South Australian parliament. This is critical to ensure that there are no 'show stoppers' in terms of NECF's effective operation and to provide the regulatory certainty required to support the significant body of development work that needs to occur prior to commencement (e.g. transitional arrangements, new or amended market procedures and guidelines, and participant system and process changes).

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<sup>1</sup> Country Energy, Submission on the National Customer Energy Framework – First Exposure Draft, 25 June 2009.

While SCO acknowledged some of these concerns at the Stakeholder Workshop held in Melbourne on 3 and 4 February 2010, Country Energy would encourage SCO to develop and release a timetable clearly outlining the additional steps that will be undertaken between now and NECF finalisation.

Country Energy also supports the submission on NECF2 that has been provided by the Energy Networks Association.

## **2 APPROACH AND STRUCTURE**

Rather than providing a clause by clause commentary on the drafting of NECF2, this submission focuses on a series of key issues – the satisfactory resolution of which will be critical to the effective and efficient operation of the NECF framework.

The key issues identified by Country Energy for SCO's consideration are:

- Section 3 – Customer classification and reclassification.
- Section 4 – Customer contracts.
- Section 5 – ROLR.
- Section 6 – Small Claims Compensation Regime.
- Section 7 – Retailer credit support.
- Section 8 – Indemnity and liability.
- Section 9 – Derogations and transitional.
- Section 10 – Embedded networks and on-supply arrangements.
- Section 11 – Connection framework and connection charges.

Country Energy would welcome the opportunity to provide further detail regarding these key issues or this submission generally, should SCO require.

### 3 CUSTOMER CLASSIFICATION AND RECLASSIFICATION

#### 3.1 Interaction with Market Classifications

Distributors are currently required by market procedures to classify premises based on consumption, rather than customer 'type'. The current NECF2 therefore introduces a risk of inconsistency between the basis of classification under market procedures and the requirements for classification and reclassification under NECF2. In particular:

- The classification of all residential customers as small customers (i.e. regardless of consumption) under NECF2, is inconsistent with the classification of premises as 'small' or 'large' under market procedures; and
- The classification of business customers into 'small market' and 'non small market' under NECF2 does not appear to be supported by an equivalent consumption based classification under market procedures.

Country Energy considers that a lack of alignment between these classification methodologies will potentially increase the volume of data that participants are required to create, maintain and transfer, leading to increased costs to participants.

Data management is currently an area of considerable expense for distributors and Country Energy considers that the efficiency of data management under NECF2 should be reconsidered by SCO prior to finalisation of the package.

#### 3.2 Application to Natural Gas

Country Energy does not consider that sufficient regard has been given to the reality of the gas distribution and retailing markets. Systems and processes for the exchange of customer and premises data, and associated transactions between distributors and retailers, are largely undeveloped in the gas markets.

The current drafting of NECF2 introduces a risk, in particular through the potential establishment of a common electricity and gas framework for the classification and reclassification of customers, that the adoption of a system architecture for the transfer of customer and premises data will be required in the gas industry which is comparable to that currently applying in the electricity industry.

This may inadvertently impose an automated and semi-automated system solution on gas industry participants in circumstances where the costs of requiring these systems are not outweighed by the benefits, e.g. due to low volumes of market or business to business transactions. Gas is a fuel of choice, and any cost impost will lead to gas being less attractive against alternative fuels.

Country Energy would support a clear policy statement from SCO on this issue, to assist in guiding any future development by AEMO and industry of procedures to support the regulatory framework for customer classification and reclassification.

#### 3.3 Detailed Comments on Drafting – Customer Classification and Reclassification

Detailed comments in relation to customer classification and reclassification are outlined below.

Section	Subject Matter	Comment
108	Retailer classification of customers	This section requires the distributor to keep a record of the customer's classification as 'residential' or 'business'. It is assumed that this is for the purpose of the distributor subsequently classifying business customers as 'small market offer' or 'not small market offer', under section 109 of the NERR. Given that distributors are currently required to classify all NMs associated with a premises on the basis of consumption, clarification is

		required as to how 'large' residential customers (i.e. those consuming >= 100 MWhs or 1TJ are to be classified in market systems).
NERR, section 110	Distributor reclassification of business customers	It is suggested that the obligation for the distributor to advise the customer directly of the reclassification should be limited to circumstances of customer-initiated reclassification. In other circumstances, the retailer should be required to notify the customer of the reclassification as the distributor may not be in possession of the appropriate customer details.
NERR, section 111	Distributor classification and reclassification - requirements	It should be clarified that the distributor may choose not to accept the information provided by the customer or the customer's retailer if the distributor believes that the information provided is not an appropriate reflection of likely usage at the premises and instead, apply the average usage of a comparable customer or an estimation derived in accordance with accepted industry practice.

## 4 CUSTOMER CONTRACTS

Country Energy supports the changes that have been made to the contractual architecture between NECF1 and NECF2 to simplify the delivery of services by distributors and retailers to customers.

While supportive of the establishment of a direct contractual relationship between the distributor and customer, Country Energy considers it should be explicitly acknowledged at a policy level by SCO that the majority of customer communications will (and should) continue to be raised directly with the retailer. This would play an important role in guiding:

- The allocation of roles and responsibilities under national procedures required to support the streamlined service delivery to customers, including B2B procedures; and
- Investment in systems and resources to meet legislative and regulatory obligations, particularly with respect to service order management and call centre capability.

### 4.1 Detailed Comments on Drafting – Customer Contracts

Proposed specific amendments related to the issue of contracts are outlined below.

Section	Subject Matter	Comment
NERL, section 205	Standing offer prices	<p>Country Energy notes that sub-section (5) limits variations to standing offer prices to once every 6 months. There is therefore a risk that this restriction will fail to capture periodic changes in underlying network tariffs and charges and the outcomes of jurisdictional retail pricing determinations.</p> <p>It is possible that, as a consequence, retailers may be unable to pass through these variations, whether such variation results in an increase or decrease to the price paid by the consumer. Country Energy considers that Section 205 should be amended to exclude the application of sub-section (5) with respect to:</p> <ul style="list-style-type: none"> <li>• Variations to network charges payable by the customer via the retailer; and</li> <li>• Retail pricing determinations or restructures.</li> </ul> <p>This would be consistent with section 649(4) of the NERL, which provides that section 205(5) does not apply to a retailer in respect of a variation of its standing offer prices as a result of a ROLR cost recovery scheme.</p>
NERL, section 223	No or defective explicit informed consent	Country Energy considers that the principle governing the recovery of energy charges in circumstances of no or defective explicit informed consent should be that the customer is no worse off than it would have

Section	Subject Matter	Comment
		<p>been if the transaction had not occurred. It notes that it is currently unclear whether sub-sections (3)-(5) adhere to this principle. In particular:</p> <ul style="list-style-type: none"> <li>• (3) refers to “energy supplied”, while (4) and (5) refer to “charges... for the sale and supply of energy”. It is unclear whether the intention is to preclude the recovery of both energy and network charges, or energy charges alone;</li> <li>• It is difficult to see how the proposed regime of payment to the original retailer and set-off under (5) will be workable in practice. In particular: <ul style="list-style-type: none"> <li>– Whether it is intended for the customer (and the associated financial responsibility for energy consumed) to be retrospectively transferred to the original retailer; and</li> <li>– Whether the costs of managing an off-market settlement between the original and new retailer with respect to a small customer may ultimately outweigh any financial benefit to the original retailer; and</li> </ul> </li> <li>• (5)(c) suggests the original retailer will have a right to recovery for loss or damage under section 1306 of the NERL as a breach of the conduct provisions. It is noted however that no conduct provisions have been nominated in either the NERL or the Regulations at this time (refer to Schedule 2 of the Regulations).</li> </ul> <p>Country Energy believes that this process should be simplified to require the new retailer and original retailer to cooperate to ensure that the customer is transferred back to the original retailer and for the original retailer to have a right of recovery against the new retailer for any loss it has suffered.</p>
NERL, section 231	Payment plans	<p>The distinction between customers experiencing “hardship” and customers experiencing “financial payment difficulties” is unclear, creating the risk of retailers applying differing interpretations under their hardship policies, adversely impacting:</p> <ul style="list-style-type: none"> <li>• The practical application of those policies to customers; and</li> <li>• Measurement and reporting against the hardship indicators, including any resulting benchmarking or comparative analysis.</li> </ul> <p>Further to this, Country Energy considers that:</p> <ul style="list-style-type: none"> <li>• “Hardship” should be defined in a way that can be clearly understood by retailers, the AER (when approving hardship policies), customers and customer representatives. This may either be by reference to: <ul style="list-style-type: none"> <li>– The nature of the payment difficulties that are being experienced, e.g. sustained for hardship vs temporary for other payment difficulties; or</li> <li>– In a mechanistic and readily measurable fashion, e.g. the need to manage payment difficulties through the establishment of an instalment plan of more than 9 months in duration or more than 3 instalments.</li> </ul> </li> </ul>

Section	Subject Matter	Comment
		<p>Under any definition, informal extensions of time to pay and agreed payments by instalments in circumstances of an undercharge should be expressly excluded.</p> <ul style="list-style-type: none"> <li>The reference to “small customers” in sub-section (2) should be amended to “residential customers”. This would be consistent with the definition of “payment plan” and its intended coverage as expressed in sub-section (1), i.e. “hardship customers” and “other residential customers”.</li> </ul>
NERL, section 314	Negotiated connection contracts	<p>Country Energy considers that the requirement under sub-section (2) for a distributor to provide an explanation of the “implications” of the differences between the terms and conditions of the proposed negotiated connection contract and the deemed standard connection contract is excessively onerous and is in the nature of legal or technical advice that should be independently obtained by the customer.</p> <p>Country Energy considers that sub-section (b)(ii) should be removed.</p>
NERR, section 205	Security Deposits	<p>For Country Energy to calculate interest on security deposits would require significant system work as the requirement states the deposit and interest must be reversed together. In addition as most deposits are for \$180 the administrative costs and system change costs would appear to outweigh any benefit to the customer.</p>

## 5 RETAILER OF LAST RESORT

Country Energy supports the development of a national ROLR scheme supported by cost recovery arrangements.

There are however a number of issues that are not addressed within the scope of the scheme as currently defined under the NERL and NERR, and upon which clarity is required:

- Monitoring and sanctions to support the maintenance of accurate customer and premises records. In Country Energy’s experience, success of the ROLR regime will rest heavily on the ability of distributors to access accurate data once a ROLR event occurs, or to rely upon the accuracy of the customer and site details previously provided by a failed retailer; and
- The allocation of financial responsibility and associated rights of recovery for transactions in progress, including customer transfers and service orders in progress. Country Energy notes that these issues have not been addressed under NECF2 and have been expressly excluded from the development of ROLR Procedures currently being undertaken by AEMO.

### 5.1 Detailed Comments on Drafting – ROLR

Proposed specific amendments related to ROLR are outlined below.

Section	Subject Matter	Comment
NERL, 602	Definitions	<p>There is a risk that sub-section (f) of the definition of ‘ROLR event’ or ‘actual ROLR event’ is too broadly phrased and may capture circumstances where a retailer ceases to supply energy to customers as a consequence of a sale or corporate restructure, e.g. where its participant identifier is changed or transferred to another party.</p>
NERL, 604	Criteria for ROLR registration	<p>When applying the ROLR criteria, the AER should have regard to the retailer’s ability to continue to service its existing customers efficiently and to manage the financial risks associated with its existing customer load, if it is appointed as a ROLR.</p> <p>The ROLR criteria should be amended to clarify that the retailer’s existing customers, customer profile and customer load will be taken into account when undertaking this assessment.</p>

Section	Subject Matter	Comment
NERL, 605	Appointment and registration as a ROLR	<p>The scheme provides that the AER may appoint a retailer as a default retailer even though the retailer does not satisfy some or all of the requirements of the ROLR criteria.</p> <p>Country Energy is concerned that the ability for the AER to appoint a ROLR in these circumstances exposes the ROLR to unreasonable financial and operational risk and masks a more serious issue regarding the market's effective operation.</p> <p>Country Energy believes that any default ROLR must satisfy the 'financial resources criterion' outlined in 604 of the NERL.</p>
NERL, 608	Designation of registered ROLRs	<p>Country Energy does not believe that an expression of interest (EOI) process for designated ROLRs could ever successfully run in circumstances where an actual ROLR event has occurred.</p> <p>There is the need for certainty in circumstances of a ROLR event as to the parties that have responsibility for the management of customers and the receipt of data. Wherever possible, ROLR 'roles' should be specified in advance of an event.</p>
NERL, 609	Criteria for ROLR designation	<p>Consistent with the comment above on 605 of the NERL, Country Energy is concerned that the ability for the AER to appoint a registered ROLR as a designated ROLR although the retailer does not satisfy some or all of the ROLR criteria, exposes the ROLR to unreasonable financial and operational risk and masks a more serious issue regarding the market's effective operation.</p> <p>Country Energy believes that any designated ROLR must satisfy the 'financial resources criterion' outlined in 604 of the NERL.</p>
NERL, 620	Breaches of ROLR Procedures	<p>Country Energy believes that it is an inappropriate extension of AEMO's role and power to permit it to investigate and determine whether a breach has occurred and to direct a party suspected of a breach to take specified measures.</p> <p>AEMO's role should be limited to reporting a suspected breach of the ROLR Procedures to the AER for investigation and determination.</p>
NERL, 622	Contractual arrangements for sale of energy to large customers	<p>Country Energy believes that there is the need for increased certainty as to the manner in which 'actual wholesale energy costs' should be determined. In particular, it is unclear how these costs are required to be evidenced, by whom and at what point in time relative to the issuing of bills to large ROLR customers.</p> <p>There is the need for a clear methodology to be established under the NERL for determining the energy cost component, e.g. pool price pass through or an average of the pool price in the particular regions for the particular month in which the event occurred.</p>
NERL, 648 and 649 NERR, Chapter 11, Division 4	ROLR cost recovery scheme	<p>It is understood that the ROLR cost recovery scheme is intended to permit</p> <ul style="list-style-type: none"> <li>• Retailers to recover the costs of participation in the ROLR scheme (ex-ante and ex-post) from distributors based on a ROLR cost recovery scheme distributor payment determination; and</li> <li>• In turn, distributors will be permitted to recover these costs from customers via all retailers.</li> </ul> <p>The operation of this scheme is unclear, including:</p> <ul style="list-style-type: none"> <li>• The manner in which the distributor's distribution determination and prices will be re-opened to account for the outcome of the cost recovery scheme distributor payment determination;</li> <li>• The customers from whom it is intended that ROLR scheme costs will be recovered, e.g. all customers or only specific classes of customers identified in the cost recovery scheme distributor payment</li> </ul>

Section	Subject Matter	Comment
		<p>determination; and</p> <ul style="list-style-type: none"> <li>The disciplines that will be placed on retailers to ensure that costs claimed are reasonably incurred.</li> </ul> <p>SCO should document the cost recovery scheme's intended operation and release this publicly for discussion and comment.</p> <p>In addition, Country Energy notes that distributors appear to be constrained in the recovery of costs by only permitting a cost-pass through in circumstances of a ROLR event. That is, unlike a retailer, a distributor is unable to recover costs associated with its general participation under the ROLR scheme. A general principle should be applied that the distributor will be left 'whole' as a consequence of its participation in the ROLR scheme.</p>

## 6 SMALL CLAIMS COMPENSATION REGIME

Country Energy considers that:

- The ability for jurisdictions to elect to apply the Small Claims Compensation Regime through the development of a jurisdictional instrument should be explicitly set out in NERL, i.e. the 'opt-in' nature of the regime should be clarified;
- Acceptable parameters such as maximum, median and minimum amounts (which determine the discretionary and mandatory ranges) and the number of claims that define a repeat claimant that will be accepted by the AER should be set out in a policy statement by the MCE, to guide individual jurisdictions when applying the regime;
- Customer gaming issues should be mitigated where practicable; and
- Distributors should be allowed to recover the cost of claims paid to customers through their regulatory determinations.

### 6.1 Detailed Comments on Drafting – Small Claims Compensation

Detailed comments related to small claims compensation are outlined below.

Section	Subject Matter	Comment
NERL, 701	Small compensation claims regime	<p>Although there has been a policy statement by MCE that signals its intention for the Small Compensation Claims Regime to be applied to only those jurisdictions that elect to do so<sup>2</sup>, the draft Rules do not explicitly provide for this arrangement.</p> <p>Ambiguity as to the intended operation of the scheme results. For example, sections 705-707 the NERL provide that the AER may make a determination on maximum, minimum and median amounts if they are not prescribed by a jurisdictional instrument. Without clarification, this may suggest that if a jurisdictional instrument does not exist, and therefore maximum, median and minimum amounts are not prescribed by the jurisdiction, the AER is permitted to make a determination on these amounts. This would result in the AER effectively imposing the scheme on the jurisdiction.</p>

<sup>2</sup> Ministerial Council on Energy Standing Committee of Officials, National Energy Customer Framework Second Exposure Draft Explanatory Material, November 2009, page 10.

Section	Subject Matter	Comment
		<p>It is recommended that the policy intent outlined by the MCE be extended explicitly into the NERL, for example, in a manner similar to the 'opt-in' arrangements applies to the use of prepayment meter systems under section 237 of the NERL. That is:</p> <ul style="list-style-type: none"> <li>• A Small Compensation Claims Regime will only apply in jurisdictions where its implementation is imposed under subsection (2).</li> <li>• A local instrument of a participating jurisdiction may impose a Small Compensation Claims Regime on distributors within that jurisdiction.</li> <li>• A local instrument may be amended or revoked by a later local instrument of the jurisdiction concerned.</li> <li>• A local instrument referred to in this section must (in addition to any requirements of the law of the jurisdiction concerned) be published in the South Australian Government Gazette.</li> </ul> <p>Additionally, sections 705-707 of the NERL should explicitly state that the AER may only make a determination in relation to amounts where it is not specified by a jurisdiction and the scheme applies in that jurisdiction.</p>
NERL, 705 - 707	Maximum, minimum and median amounts	<p>NECF2 lacks of clarity around the definitions for minimum, median and maximum amounts and therefore the scope of the scheme. Given this lack of clarity, the impacts for distributors of the regime cannot be adequately assessed.</p> <p>As a general principle, the amount of the caps on both mandatory and discretionary ranges should be proportional to the level of discretion that can be applied by distributors when assessing claims.</p> <p>That is, where distributors are permitted no or limited discretion in assessing appropriateness and validity of claims (i.e. the mandatory range) the sum that is required to be paid to customers should be relatively small. Country Energy suggests that \$100 would represent an appropriate upper limit for the mandatory range (or the median amount).</p> <p>In the discretionary range, the maximum amount will be influenced by the distributor's discretion to carry out its own assessment of a claim and to reduce or reject the claim if necessary. Nonetheless SCO's guidance on what it envisages might be an acceptable maximum level would be of assistance to an assessment of the regime's impact and the number of claims that it is expected to capture.</p>
NERL, 708	Repeat claimant	<p>Country Energy expresses concern that the number of claims constituting a 'repeat claimant' (i.e. the repeated claims maximum number) has not been specified in the NERL and has been left for the AER to determine from time to time. The likely effectiveness of the repeat claimant provisions are difficult to assess in the absence of this information.</p>
712	Making a claim	<p>Country Energy believes that the amount claims should be for:</p> <ul style="list-style-type: none"> <li>• The cost of repairing the property to substantially the same functionality and appearance; or</li> <li>• The cost of replacing the property with property of substantially the same age, functionality and appearance, with such claim for replacement only being permitted in circumstance where the property is unable to be replaced.</li> </ul> <p>In addition, a customer should only be permitted to make a claim for repair or replacement in circumstances where the property conforms to the Australian Standards.</p>

Section	Subject Matter	Comment
General	Cost recovery	Existing compensation claim arrangements allow Country Energy the ability to assess claims and determine the amounts that should be appropriately paid. The proposed regime necessarily removes much of Country Energy's existing discretion as well as making the claims process more formal and therefore more administratively intensive for both Country Energy and the customer. It is proposed that a mechanism for cost recovery of claims be implemented into the framework and that it is explicitly stated that costs of the regime will be allowed under a distributor's regulatory determination.

## 7 CREDIT SUPPORT

Country Energy supports SCO's amendments to the architecture of the credit support regime between NECF1 and NECF2. In particular, it supports:

- Inclusion of the credit support regime as new chapters in the NER and NGR; and
- Removal of the requirement for the AER to develop Credit Support Guidelines in favour of a calculation mechanism in the Rules.

While Country Energy acknowledges that some retailers have historically expressed concerns that the requirement to provide credit support has acted as a barrier to entry, it is unclear whether SCO has in fact had these assertions independently tested and weighed this against the very real impact of retailer failure on the market's integrity. Recent retailer failures only serve to emphasise the importance of ensuring that the framework results in the provision of adequate levels of credit support, both initially and on an on-going basis.

Further to this, Country Energy expresses concerns regarding:

- The proposed basis for calculating the amount of credit support that a retailer is required to provide. The methodology proposed is unclear and worked examples should be provided by SCO as a matter of urgency, in advance of the workshop to discuss this issue that has been proposed for early March. Country Energy's analysis of the formula is that it substantially reduces the amount of credit support required from a retailer compared to the current arrangements in place;
- The lack of effective enforcement mechanisms against a retailer who fails to provide credit support initially or fails to maintain its credit support at the required level. While the inclusion of the credit support arrangements in the Rules is a positive step in terms of enforcement, Country Energy considers that the provision of (a) Initial credit support should be a precondition to retailer authorisation; and (b) credit support (including top-up) should be a civil penalty provision, or alternatively, a conduct provision.

Country Energy supports the replacement of the methodology for calculating retailer credit support proposed in NECF2 with the commonly understood methodology that currently applies in the majority of NEM jurisdictions. That is:

- A requirement for a retailer with a credit rating of BBB or below (or equivalent) to provide the distributor with credit support. Country Energy also supports (a) The concept of a graduated credit allowance percentage to this level, with a '0' percentage allowance at or below BBB or where no credit rating exists; and (b) an increased use of the Dun & Bradstreet Dynamic Risk Score by retailers, particularly when they initially enter the market, as this may provide increased coverage for those retailers who have yet to acquire a formal credit rating.
- A requirement for the retailer to provide credit support equal to 120 days of charges reasonably estimated by the distributor to be incurred by the retailer from the date of the request. This would apply to the calculation of both initial and any 'top up' of the credit support.

Country Energy is particularly concerned with the application of the proposed credit support arrangements to the recent ROLR event in NSW. Country Energy has calculated that it will not be able to request credit support from a retailer of that credit risk under the proposed arrangements. This is clearly not a satisfactory out-working of the proposed arrangements.

Country Energy would prefer for any credit support to be paid at the start of the relationship between the retailer and distributor. Under the Corporations Act, payments can be 'clawed back' as preferential payments for up to 6 months prior to an entity becoming insolvent. This may include payments made under a credit support arrangement. It should be noted that when a retailer's credit worthiness falls below a BBB threshold, it can be a strong indicator of financial difficulty, and as such, insolvency may follow closely behind. If credit support was requested at that point in time, any benefit could be reduced under preferential payments.

## 7.1 Detailed Comments on Drafting – Credit Support

Detailed comments in relation to credit support are set out in the table below.

Section	Subject Matter	Comment
NER, 6B.4 NGR, Part 21	Linkages to Revenue	<p>It is inappropriate to attempt to link the level of credit support to be provided by a retailer to the perceived risk posed by the retailer to the distributor's revenue. This methodology suggests that jurisdictions believe that it is acceptable for distributors, and ultimately customers, to bear the risk of retailer failure and the non-payment of network charges.</p> <p>Country Energy supports the replacement of the existing methodology for calculating retailer credit support proposed in NECF2 with the commonly accepted methodology that currently applies in the majority of NEM jurisdictions. That is:</p> <ul style="list-style-type: none"> <li>• A requirement for a retailer with a credit rating of BBB or below (or equivalent) to provide the distributor with credit support. Country Energy supports: <ul style="list-style-type: none"> <li>– The concept of a graduated credit allowance percentage to this level, with a '0' percentage allowance at or below BBB or where no credit rating exists; and</li> <li>– An increased use of the Dun &amp; Bradstreet Dynamic Risk Score by retailers, particularly when they initially enter the market, as this may provide increased coverage for those retailers who have yet to acquire a formal credit rating.</li> </ul> </li> <li>• A requirement for the retailer to provide credit support equal to 90 days of charges reasonably estimated by the distributor to be incurred by the retailer from the date of the request. This would apply to the calculation of both initial and any 'top up' of the credit support.</li> </ul>
NER, 6B.5.3 NGR, 117	Determining a retailer's DSCL	Worked examples should be provided to illustrate how the DSCL is to be calculated.
NER, 6B.6.1 NGR, 118	Calculating retailer Credit Allowance (CA)	Worked examples should be provided to illustrate how the CA is to be calculated.
NER, 6B.6.2 NGR, 119	Distributor's Maximum Credit Allowance (MCA)	Worked examples should be provided to illustrate how the MCA is to be calculated.
NER,	Credit rating for	The credit rating should be:

Section	Subject Matter	Comment
6B.6.3 NGR, 120	retailer	<ul style="list-style-type: none"> <li>Supported by documentary evidence. That is, it would be inadequate for the retailer to merely “advise” the distributor of its credit rating; and</li> <li>Evidenced on a periodic basis. It is suggested that: <ul style="list-style-type: none"> <li>The credit rating should be reconfirmed by the retailer to the distributor every 6 months; and</li> <li>There should be an express obligation on the retailer to advise the distributor immediately upon becoming aware of a change in its credit rating.</li> </ul> </li> </ul>
NER, 6B.6.5 NGR, 122	Where no credit allowance will be extended	The exemption in sub-section (b) should only apply in circumstances where the dispute is a “genuine dispute” raised in accordance with the procedures for disputing a statement of charges under the Rules (i.e. under 6B.3.3 of the NER or 110 of the NGR) or as agreed between the parties pursuant to a jurisdictional or national B2B Network Billing Specification.
NER, 6B.7.1 NGR, 123	Retailer to provide credit support	The provision of credit support by a retailer should be a civil penalty provision for the purposes of section 6 of the Regulations.
NER, 6B.7.4 NGR, 126	Credit support disputes	Credit support disputes should be subject to the Chapter 8 dispute resolution process and should not be treated as an access dispute under Part 10 of the NEL or Part 6 of the NGL.
NER, 6B.8.3 NGR, 122	Application of credit support	<p>The distributor should not be required to provide the retailer with 3 days notice prior to any application of the credit support. A notice period would only serve to undermine the concept of having a bank guarantee that can be applied in lieu of payment and creates an opportunity for a retailer to raise a dispute, other than a genuine dispute.</p> <p>Consistent with the comment on 6B.6.5 of the NER and 122 of the NGR, the exemption in sub-section (b) should only apply in circumstances where the dispute is a “genuine dispute” raised in accordance with the procedures for disputing a statement of charges under the Rules (i.e. under 6B.3.3 of the NER or 110 of the NGR) or as agreed between the parties pursuant to a jurisdictional or national B2B Network Billing Specification.</p>
NER, 6B.8.6 NGR, 132	Unauthorised payments	This section should be amended to provide that the distributor is not penalised by a requirement to pay interest on an unauthorised amount if the credit support was paid to the distributor as a consequence of fault on behalf of the issuer. In these circumstances, the retailer should pursue its rights of recovery against the issuer of the credit support.
Schedule 1	Table – Calculating credit allowance percentage	No credit allowance percentage should be applied to a credit rating of BBB or below (or equivalent). That is, the percentage allowed should be “0”. The table in Schedule 1 should also include a line item for an “unrated retailer” and an accompanying credit allowance percentage of “0”.

## 8 INDEMNITY AND LIABILITY

Country Energy has two key concerns with the proposed framework for indemnity and liability under NECF. These are:

- The proposal to exclude liability arising from negligence from the statutory immunity from liability; and

- The inclusion of a distributor and retailer cross-indemnity with respect to shared customers.

These issues are discussed in turn below.

### **8.1 Immunity for partial or total failure to supply**

Section 1501 of the NERL provides that a retailer or distributor may incur civil monetary liability for a partial or total failure to supply energy where the failure is due to an act or omission done or made in bad faith or through negligence.

Country Energy notes that the exclusion of immunity for negligence is a material change for industry in New South Wales. While uncapped liability for negligence may represent the 'status quo' in some jurisdictions, it is understood to be largely untested in practice. This raises concerns regarding the financial impact for distributors (and ultimately end-use customers) should there be an event involving a large number of claims.

It is incumbent upon SCO to ensure that NECF2 does not create or impose liabilities or obligations that cannot be appropriately managed by participants. Issues regarding access to insurance or of the need to rely on self-insurance, should be the subject of further analysis and consultation. This analysis should also consider the impact of introducing a cap on liability, both as it effects industry in managing its exposure and customers in obtaining compensation.

It is understood that SCO's rationale for excluding immunity for negligence is to ensure that there is an appropriate level of accountability on industry, in particular, on distributors. It should be recognised however that a number of mechanisms already exist which serve to provide behavioural and financial incentives and which are monitored and reported against on an ongoing basis. These mechanisms include minimum service standards, Service Target Performance Incentive Schemes and Guaranteed Service Levels.

Country Energy also considers that the exclusion from immunity for partial or total failures of supply due to negligence in section 1501 of the NERL should be capped, with the level of the cap to be determined following further analysis and discussion between SCO, distributors, retailers and other key stakeholders.

### **8.2 Cross-indemnity**

Country Energy queries the necessity of including the distributor and retailer cross-indemnity provision for shared customers under section 1502 of the NERL. The benefit of this provision is unclear as:

- It would be open to the shared customer to pursue court action against either the distributor or the retailer as the appropriate party, as a consequence of the triangular (i.e. direct) contractual relationship that exists; and
- It is difficult to see in what circumstances a court would hold one party liable for the acts or omissions of the other party, particularly when it would be open for the other party to be joined to the action.

The scope of the indemnity is also unclear. Sub-section (1)(a) and (2)(a) suggest that the other party may be held liable for all loss or damage suffered by the customer, regardless of whether that party would have been directly liable to the customer (i.e. it assumes liability when applying the indemnity). This may result in perverse incentives for parties when defending or settling customer claims. The cross-indemnity provision in section 1502 of the NERL should be removed.

### **8.3 Detailed Comments on Drafting – Indemnity and Liability**

Detailed comments in relation to indemnity and liability are set out in the table below.

Section	Subject Matter	Comment
NERL, section 1501	Immunity in relation to failure to supply	Uncapped liability for negligence for partial or total failures of supply raises concerns regarding the financial impact for distributors (and ultimately end-use customers) should there be an event involving a large number of claims. It is incumbent upon SCO to ensure that NECF2 does not create or impose liabilities or obligations that cannot be appropriately managed by participants. Further to this, the exclusion from immunity should be capped, with the level of the cap to be determined following further analysis and discussion between SCO, distributors, retailers and other key stakeholders. In setting the level of the cap, consideration should be given to the ability of distributors to acquire competitively priced insurance or of the need to rely on self-insurance.
NERL, section 1502	Distributor-retailer mutual indemnity	This benefit of the distributor – retailer mutual indemnity and its scope is unclear. In particular, it is difficult to see in what circumstances a court would hold one party liable for the acts or omissions of the other party when it would be open for the other party to be joined to the action. Section 1502 should be deleted.

## 9 DEROGATIONS AND TRANSITIONALS

Clarification by SCO is required as to the nature and the scope of the regulatory arrangements that will apply to support transitional arrangements and derogations under NECF2.

While the Explanatory Material states that jurisdictional transitional materials will be prepared individually by jurisdictions<sup>3</sup>, the following is unclear:

- The role of jurisdictional Application Acts (section 103 of the NERL) relative to the National Energy Regulations (Regulations) (section 1102 NERL), in the transition from jurisdictional energy legislation to the national framework. For example, it is unclear whether jurisdictional Application Acts can be amended on an ongoing basis to modify transitional arrangements;
- Whether a transitional arrangement applying to a specific participant or class of participants is appropriate subject matter for the Application Acts or Regulations; and
- Whether SCO intends to introduce provisions to permit jurisdictional and participant derogations, equivalent to the derogation regime that exists currently within the National Electricity Law (i.e. has this been classified as a ‘transitional’ issue and therefore yet to be developed). Even in circumstances where it is envisaged that ‘exemptions’ from compliance with NECF2 can be granted by a jurisdiction under the jurisdiction’s Application Act (on an ongoing basis), the rationale for not permitting participant derogations is unclear.

Further to this, if it is intended to limit the Regulations to transitional issues of common application across all jurisdictions (i.e. similar to the NEL Regulations), then these should be the subject of public consultation through SCO. At this stage, it is unclear if, and when, this is to occur. Part 10 of the NERL should also be amended to include a regime that permits both jurisdictional and participant derogations – equivalent to 91(3) of the NEL (jurisdictional derogations) and equivalent to 91(5) of the NEL (participant derogations).

### 9.1 Detailed Comments on Drafting – Derogations and Transitionals

Detailed comments in relation to derogations and transitionals are set out in the table below.

<sup>3</sup> Ministerial Council on Energy Standing Committee of Officials, National Energy Customer Framework Second Exposure Draft Explanatory Material, November 2009, page 6.

Section	Subject Matter	Comment
NERL, Part 10	Derogations	<p>Part 10 of the NERL should be amended to include a regime that permits both jurisdictional and participant derogations - equivalent to 91(3) of the NEL (jurisdictional derogations) and equivalent to 91(5) of the NEL (participant derogations). Specifically, the NERL should provide for the following:</p> <ul style="list-style-type: none"> <li>• The AEMC must have regard to certain matters in relation to the making of derogations, this includes having regard as to whether the derogation provides for the orderly transfer of the regulation from a jurisdictional to a national arrangement;</li> <li>• A Minister, in consultation with Ministers of other jurisdictions, may request that the AEMC make a jurisdictional derogation for a jurisdiction;</li> <li>• A person or a participant under the NER may request the AEMC to make a participant derogation that relates to that person or a class of person of which that person is a member;</li> <li>• A request for a participant derogation must specify a date on which the derogation will expire, whilst a jurisdictional derogation may specify such a date;</li> <li>• The AEMC must make a draft Rule determination before make a final Rule determination and must have regard to certain matters;</li> <li>• The AEMC must make a final Rule determination and must have regard to certain matters; and</li> <li>• The AEMC must not make a derogation unless that derogation specifies a date on which it will expire for participant derogation or a jurisdictional derogation where an expiry date is specified.</li> </ul>
NERL, section 1102	Specific regulation-making power	Clarification is required as to the process that will be followed in developing Regulations of a transitional nature under NECF. This should include issues of timing relative to the introduction of the NECF package into the South Australian Parliament and the consultation processes that will be applied by SCO.

## 10 EMBEDDED NETWORKS AND ON-SUPPLY ARRANGEMENTS

While Country Energy supports the proposed exempt seller regime under Part 5, Division 6 of the NERL, the NECF2 package provided no guidance on the nature of the retail sale arrangements intended to be captured. As a consequence, it is unclear how existing jurisdictional arrangements for exempt sale, such as on-supply, will be treated by the AER when exercising its exempt selling function and power.

Country Energy believes that amendments to Part 5, Division 6 of the NERL are required to expressly require recognition of existing jurisdictional policies with respect to exempt selling. These amendments would be in addition to any transitional arrangements for existing exempt selling arrangements that a jurisdiction may wish to address through its Application Act.

### 10.1 Detailed Comments on Drafting - Embedded Networks

Detailed comments in relation to embedded networks are set out in the table below.

Section	Subject Matter	Comment
NERL, section 528	Manner in which AER performs functions or powers	<p>Country Energy has two concerns with the basis upon which it is proposed that the AER will perform an exempt selling regulatory function or power:</p> <ul style="list-style-type: none"> <li>• There is a lack of recognition in the policy principles of the existing jurisdictional treatment of exempt sellers and exempt customers. The policy principles under (1) should therefore be amended to include the following: <ul style="list-style-type: none"> <li>- The basis upon which the exempt sellers have sold energy to customers in the past; and</li> <li>- The basis upon which exempt customers have been sold energy in the past.</li> </ul> </li> <li>• The requirement under sub-section (1)(b) for exempt customers (as far as practicable) to be afforded the right to a choice of retailer in the same way as comparable retail customers in the same jurisdictions appears to incorrectly assume that competition is currently available to these customers. The creation of embedded networks and the extension of competition to 'customers' within those networks is currently a matter for jurisdictional policy, with differing application across the NEM. It is suggested that policy principle (1)(b) should be amended to provide: <p style="text-align: center;">“exempt customers should, where practicable, be afforded the right to a choice of retailer where that choice is consistent with policy applying in the same jurisdiction.”</p> <p>These changes will assist in facilitating an orderly transition from the varying exempt selling arrangements that currently apply at jurisdictional level, to a national framework.</p> </li> </ul>
NERL, section 531	AER Retailer Authorisation Guidelines	The obligation on the AER to make guidelines under sub-section (1) should be worded consistently with 532(1) of the NERL, that is: “The AER must, in accordance with the Rules, develop and maintain guidelines (AER Retailer Authorisation Guidelines) in accordance with the retail consultation procedure”.

## 11 CONNECTION FRAMEWORK AND CHARGES

Country Energy is concerned that the proposed process of offer and acceptance for connection services will result in an increased administrative burden and costs for distributors as well as a less streamlined connection process than that experienced currently by the majority of customers.

The arrangements set out in 5A.B.2 of the National Electricity (Retail Connection) Amendment Rules 2010 for Basic Connection Services appear workable. Country Energy has concerns, however, in relation to the processes and arrangements for Standard Connection Services and Negotiated Connection Services.

Standard Connection Services appears to be drafted to deal with all connection applications that are neither “basic” nor “negotiated”. They would therefore cover all non-negotiated connections where a customer requires the construction of connection assets by either Country Energy or an Accredited Service Provider.

While these types of connections are common, the requirement for Country Energy to draft a proposed standing offer which covers the timing and charging arrangements for these connection works, implies that the works required for these customers are standard for each class of customer. This is not the case. In practice, connection agreements between customers and Country Energy are specific to the customer’s

requirements. It is therefore possible that the proposed standing offer to be approved by the AER will need to be very general in nature in order not to inhibit the connection process.

Country Energy has concerns about the third type of connection service, being the Negotiated Connection Service, and in particular the requirement of 5A.C.3(a)(2) which requires that each party must provide the other with all information reasonably required to allow each party to negotiate on an informed basis.

The current drafting of the Rules suggests that any customer may elect to turn either a basic connection service or a standard connection service into a negotiated service at the customer's discretion. It appears logical therefore that customers would seek to use the proposed standing offer as a first step in the process of seeking connection, and then, if this is not suitably commercially advantageous to their connection, elect to convert the connection to a negotiated service and triggering information seeking powers under 5A.C.3(a)(2) which are bounded only by "reasonableness". Country Energy is concerned that the opportunities for these types of strategies may unnecessarily delay connections processes.

With respect to connection charges, Country Energy supports the notion of a capital contributions guideline and the broad principles set out in the NECF2. It is concerned however that the proposed arrangements do not appear to have sufficient regard for:

- The fact that connection works may not be undertaken by the distributor, and for the service classification processes in 6.2.1 and 6.2.2 of the NER. This has implications for the provisions of 5A.E.3(c)(6)(i) which requires that the Guideline must set out "*the amount of a refund of connection asset charges when a new customer or non-registered embedded generator connects, within 7 years after the connection was established, to an extension asset previously dedicated to the exclusive use of the customer or nonregistered embedded generator who paid the connection asset charges*". Where Country Energy has not received the contribution, and has no idea what the customer paid for the asset, it would be impossible for Country Energy to calculate the amount of the reimbursement. The DNSP simply must be relieved from this requirement in the Rules;
- The range of arrangements in place across Australia in relation to modifications or augmentations of upstream assets required as a consequence of a new connection. Where a new connection causes upstream augmentations to occur, it will be very complicated for DNSPs to deal with later reclassifications of these works from dedicated assets to part of the shared network. Country Energy's view is that upstream augmentations should be exempt from the reimbursement scheme and considered more carefully by the MCE before being finalised; and
- The classification of services as alternative control under Chapter 6 of the NER and where the full cost of connection is to be paid by the customer up-front. In a situation where connection charges have been funded by the customer, the costs of augmentation works dedicated to that customer may not be covered through DUoS charges as set out in 5A.E.1(2) of the NER. Instead, these could either be recovered by directly charging the customer as an alternative control service or by some other charging arrangement classified as a standard control service under 6.2.1 and 6.2.2 of the Rules. This could be clarified by removing the references to DUoS and replacing it with a link to the service classification framework in Chapter 6 of the NER.

### **11.1 Detailed Comments on Drafting - Connection Frameworks and Contributions**

Detailed comments in relation to connection frameworks are set out in the table below.

Section	Subject Matter	Comment
NER, 5A.B.2, 5A.B.4 and 5A.F.5 NGR, 119C and 119W	Basic and standard connection services Carrying out of connection work	<p>There is a requirement for the distributor to specify the time within which the work is to be commenced in the terms and conditions of the basic and standing offer. This is supported by an obligation for the distributor to use its best endeavours to ensure that the connection work is carried out within the applicable time limits fixed by the relevant contract.</p> <p>Country Energy queries the ability of a distributor to reasonably specify a timeframe for the commencement of work in circumstances where connection works are contestable and carried out by a third party. It should be clarified that the completion of these works can be specified as a precondition to the application of timeframes.</p>
NER, 5A.B.5 NGR, 119F	Approval of standing offer	<p>Country Energy believes that, consistent with the approval of basic connection services under 5A.B.3 of the NER and 119D of the NGR, the AER should be required to have regard to the following additional factors when deciding whether to approve a standing offer for standard connection services:</p> <ul style="list-style-type: none"> <li>• The basis upon which the distributor has provided the relevant services in the past; and</li> <li>• The geographical characteristics of the area served by the relevant distribution network.</li> </ul> <p>This would assist in ensuring that distributors with a geographic spread of customers are able to utilise the flexibility offered by the standard connection offer to more fully capture the majority of their customer base, i.e. given that only one basic connection service can be specified.</p>
NER, 5A.C.1 NGR, 119I	Negotiation of connection	<p>A goal of the connections framework should be to reduce the number of negotiated connection contracts, thereby reducing the administrative burden and associated costs.</p> <p>Country Energy therefore questions the ability of customers to elect to negotiate their connection services in circumstances where the connection applied for falls within the specification of a basic or standard connection contract. AER approval of these contracts should provide the necessary comfort that their terms and conditions are fair and reasonable and that the connection charges are consistent with the connection charge principles – these are in fact explicit grounds for AER approval.</p>
NER, 5A.D.2 NGR, 119Q	Preliminary enquiry	<p>The requirement for a distributor to provide the enquirer with the information necessary to make an informed application within 5 business days should not apply in circumstances where the enquirer has requested a written reply or asks for specific advice about the enquirer's particular situation.</p> <p>In these circumstances, the distributor should be required to respond in a reasonable period, having regard to the nature of the information requested.</p>
NER, 5A.E.1 NGR, 119M	Connection charge principles	<p>Country Energy understands that:</p> <ul style="list-style-type: none"> <li>• Large customers and non-registered embedded generators will make a capital contribution for extension and augmentation and must indemnify the distributor for dedicated connection assets;</li> <li>• Small customers and micro embedded generators will make a capital contribution for extension and must indemnify the distributor for</li> </ul>

Section	Subject Matter	Comment
		<p>dedicated connection assets. Augmentation is recovered through DUoS; and</p> <ul style="list-style-type: none"> <li>A connection charge paid to a gas distributor is taken to be a capital contribution. Connection charges are paid to the distributor by the customer's retailer.</li> </ul> <p>Country Energy is unclear how the proposed arrangements work in the NSW environment for electricity distribution where connection works are funded by the customer and in some cases are not undertaken by Country Energy at all. It is suggested that this matter be clarified.</p> <p>Country Energy is also concerned that the connection charge principles do not have appropriate regard for connection services which are classified as alternative control services under Chapter 6 of the NER (e.g. modify connection at customer request) and where the full cost of connection is to be paid by the customer up-front.</p> <p>In a situation where connection charges have been funded by the customer and upstream augmentation is directly attributable to a customer, the costs of augmentation may not be covered through DUoS charges as set out in 5A.E.1(2) and could be covered by other charging arrangements which are either standard or alternative control services under Chapter 6 of the NER.</p> <p>Country Energy's strong view is that contributions towards upstream augmentations should be exempted from the reimbursement scheme until further analysis has been undertaken.</p>
NER, 5A.E.1 NGR, 119M	Connection charge principles	Country Energy considers that the connection charge principles must have regard for connection services which are classified as alternative control services under Chapter 6 of the Rules and where the full cost of connection is to be paid by the customer up-front. It is not clear how it is currently being taken into account or how it is proposed to be taken into account in the design of the framework.
NER, 5A.E.3 NGR, 119M 1190	Connection charge guidelines – reimbursement regime	<p>Country Energy understands that NECF2 provides for a 7 year reimbursement regime where a connection asset ceases to be dedicated to a customer's or non-registered EG's exclusive use, and that SCO is still investigating the potential for a reimbursement scheme for gas.</p> <p>As with the contributions framework, Country Energy considers that the reimbursement scheme must have regard for the NSW jurisdictional arrangements. In NSW, where connection works are contestable, Country Energy may not have sufficient information on the cost of connection assets that have been funded by the customer and built by a third party.</p> <p>Country Energy is concerned that the NECF2 reimbursement regime provisions will result in an increased administrative burden and costs for distributors. Further, Country Energy notes that the refund principles may not be workable in situations where connection services are alternative control services (and therefore not included in DUoS) and an asset becomes part of the shared network through additional connections.</p> <p>Country Energy is particularly concerned about the future prospect of a reimbursement scheme for gas distribution. Such a move would require careful consideration as the drivers and processes for gas and electricity distribution connections are different, as gas is a fuel of choice and does</p>

Section	Subject Matter	Comment
NER, 5A.E.3 NGR, 119M 1190	Connection charge guidelines	<p>not have 100% penetration on line of main. Country Energy would be pleased to work with SCO to further investigate this issue.</p> <p>Country Energy understands that the purpose of the Connection Charge Guidelines is to ensure that charges are 'fair' taking into account the distributor's 'reasonable costs' of providing connection services and 'quantifiable benefits' to the distributor arising from the new connection or connection alteration. Country Energy agrees with these principles.</p> <p>As noted previously, Country Energy considers that the AER should, in developing a Guideline, be required to have regard for the service classification in place within that jurisdiction, existing capital contribution regimes and service contestability arrangements. Country Energy also notes that the current drafting appears to assume that prices will be consumption based, e.g. rather than demand based, when this may not be the case in all jurisdictions.</p>
NER, 5A.F.2 NGR, 119T	Acceptance of offer	<p>Country Energy is concerned that the proposed process of offer and acceptance for basic and standard connection services will result in an increased administrative burden and costs for distributors as well as a less streamlined connection process than that experienced currently by the majority of customers.</p> <p>The expedited process for connection should apply as the default arrangement for basic and standard connection services, i.e. this should be structured as an 'opt-out', rather than an 'opt-in' arrangement, supported by appropriate obligations on the distributor to ensure that the customer is aware of its ability to pursue a more formal offer and acceptance arrangement.</p>