

Manager, MCE Secretariat  
Department of Industry, Tourism and Resources  
GPO Box 9839  
Canberra ACT 2601

16 April 2007

Dear Sir/ Madam,

**Retail Policy Working Group: National Framework for Distribution and Retail Regulation Working Paper 1  
(Working Paper 1)**

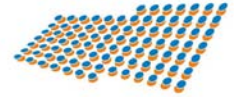
Further to our submission of 8 December 2007, the EA-IPR Retail Partnership (*EA-IPR*) submits our further comments relating to certain aspects of Working Paper 1.

**Retailer obligation to supply small customers**

1. At the outset, EA-IPR queries whether the examination of the incidence of an obligation to supply small customers goes towards any of the objectives set out in clause 2 of the Australian Energy Market Agreement dated 30 June 2004 (*AEMA*). As is noted on pages 18-19 of Working Paper 1, creating an obligation to supply that applies to all retailers is not necessary to achieve the policy objective of ensuring an availability of supply to all customers on reasonable terms and conditions. Nor does creating such an obligation assist in the evaluation objectives and criteria (see page 19), or minimise the burden and cost of regulation.<sup>1</sup> EA-IPR agrees with the proposal in Working Paper 1 that the preferred option is for an obligation to continue to apply only to designated local retailers. However, it is EA-IPR's opinion that such designation should be made by a national rather than jurisdictional body, ideally the AEMC or AER.
2. EA-IPR understands that the policy objective is to ensure an availability of supply to all customers on reasonable terms and conditions. It is EA-IPR's view that since the status quo meets this objective currently, there is no compelling reason to change.
3. Over time, and as markets mature, there is no reason why a fully effective market would exclude some classes of customers as not attractive to any retailer. The retail market in personal finance products is a good example here, where market forces have tailored products suitable for a range of customer ranging from those with very sound financial credentials to those with few financial credentials at all. The role of regulation should be to promote the essential nature of energy and encourage consumers to actively maximise their own welfare by taking advantage of a competitive energy retail market. At some stage in the future, it may be appropriate to repeal a retailer obligation to supply altogether.
4. In the interim, if change must be had, rather than impose an obligation to supply on all retailers (and supposing that the energy markets are still at a stage where an obligation to supply must be allocated to at least one industry participant in each market), EA-IPR would prefer an obligation to supply to only be imposed on sites that EA-IPR has already "won" from the market. This allows second tier retailers to have the operational capacity to service customers moving into the site, without causing undue operational pressure from an unpredicted influx of customers if there were a general obligation to supply. EA-IPR believes that imposing a general obligation to supply on all retailers would create a barrier to entry for new entrants, as new entrants

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<sup>1</sup> See Report of the Taskforce on Reducing Regulatory Burdens on Business *Rethinking Regulation* (January 2006) p. 17-20.



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would be forced to build excessive redundancy into their operational systems (technical, financial and human resources) in the initial stages of business.

5. Whether change is decided to be necessary or otherwise, EA-IPR is in favour of decisions being made at national rather than jurisdictional level, as this reduces complexity and ensures consistency.

EA-IPR would be pleased to elaborate on any aspects of this submission. If any further information is required, please do not hesitate to contact me on (03) 8807 1140.

Yours faithfully,

**Melissa Kirby**  
Legal & Regulatory Manager