



29 May 2015

Essential Services Commission of SA
GPO Box 2605
Adelaide SA 5001

E-mail: escosa@escosa.sa.gov.au

Attention: Mike Phillipson

Dear Mr Phillipson,

Review of the NECF in South Australia

AGL Energy Limited (AGL) acknowledges the Commissions statutory obligation to conduct a review of the operation of the National Energy Retail Law (NERL) in South Australia. AGL understands that the Commission has sought the views of stakeholders directly in forums organised for that purpose, and that the Commission has already collected considerable participant observations of the post implementation performance of the NERL from which to inform its decisions.

Background

The NERL establishes the National Energy Customer Framework (NECF), which commenced operation in South Australia on 1 February 2013. The NECF was implemented in South Australia to improve retailer efficiency, and to maintain high standards of customer protection in the key areas of connection, billing, collections and disconnection.

Specific customer benefits of the NECF

AGL's experience is that the introduction of consistent and improved NECF hardship program requirements in South Australia has created better visibility of who are the customers experiencing chronic payment difficulty. In particular, the reporting requirements under NECF have improved customer experience in this regard.

The experience of chronic difficulties in making ends meet, including payment of utilities bills, are most often unrelated to the consumer protection framework, and more likely a function of other matters, such as increases in regulated network charges.

Monitoring of other economic shocks is also important so as to see what impact factory closures etc. have had on customers in terms of any movement in the number of hardship customers or disconnections.

Specific Industry benefits of the NECF

Most Retailers now acknowledge that the NECF is unlikely to ever be uniform in operation across all jurisdictions, but nonetheless the NECF serves to reduce any potential differences. Thus the introduction of the NECF has led to a degree of stability, because changing the rules in any NECF jurisdiction requires consideration by all participant States.

Retailers benefit when this results in long term stability of the rules; this stability means that resources can be more predictably allocated to address operational and technical compliance requirements.

- > Being selected as a member of the Dow Jones Sustainability Index
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

AGL continues to advocate for the commencement of the NECF in all NEM jurisdictions and where it is adopted, minimal derogations. Inconsistencies in regulation between jurisdictions increase the administrative and compliance burden for retailers and erodes the many benefits a national, streamlined framework provides the industry.

South Australian derogations

The efficiencies envisaged by the NECF are to some extent negated by jurisdictional derogations. There are two inconsistencies created by the South Australian derogations which do not provide material benefits for consumers:

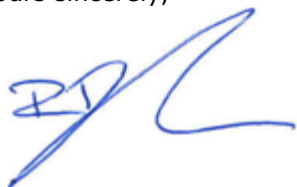
1. Small business derogation: Whilst the contracts, billing requirements and default pricing are different for small and larger business customers, the threshold at which these differences occur is also different between States. The greater problem with this approach is that it creates different regulatory reporting obligations between States, and makes a comparison of performance between States difficult.
2. Call response: South Australia continues to require retailers to maintain discrete call answering performance standards by derogation, adding to retailers' regulatory burden despite no material benefit for consumers.

Review of Competition

AGL supports the Commission's view that there is no need for the Commission to undertake analysis of competition in addition to that already being conducted by the Australian Energy Market Commission (AEMC). The AEMC's 2014 Competition Review found that competition is effective in the South Australian market, with low barriers to entry, and the AEMC expects competition to continue to evolve. The AEMC's findings should provide the Commission with confidence regarding the level of competition in South Australia since the commencement of NECF.

Should you have any questions in relation to this submission, please contact myself on (03) 8633 6125 or David Markham, Senior Regulatory Adviser on (03) 8633 6510 or at david.markham@agl.com.au.

Yours sincerely,



Rebecca Brigham
Manager Retail Markets Regulation

- > Being selected as a member of the Dow Jones Sustainability Index
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series