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Essential Services
Commission of South Australia
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National Energy Retail Law Review Methodology for Review Issues Paper

Alinta Energy (**Alinta**) welcomes the opportunity to make a submission to the Essential Services Commission of South Australia (**Commission**) on the Methodology for Review Issues Paper (**Issues Paper**) for the review of the National Energy Retail Law (**NERL**).

Alinta is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta has over 2500MW of generation facilities in Australia (and New Zealand), and a growing customer base of approximately 750,000 retail energy customers in Western Australia and across the National Electricity Market (**NEM**).

Alinta notes the legislative provisions under the NERL which grants the Commission two review functions to:

- conduct a review of the operation of the NERL after 1 February 2015 (**NERL Review**); and
- report to the Minister on prices for the sale of energy available to a small customer under the NERL on an annual basis (**Ministerial Pricing Report**).

In conducting its review the Commission faces the challenge of ensuring its approach is efficient and able to be based on accurate, consistent and transparent data. The accuracy and validity of the review will be impacted where there is a failure in this regard. On that basis the Commission must ensure that as far as possible, data provision be based on the reporting metrics already in use by retailers. This also allows for a retrospective historical review of indicators in determining the performance of the market pre and post the adoption of the National Energy Consumer Framework (**NECF**).

The inclusion of new and additional reporting metrics needs careful consideration to ensure the inclusion provides quantifiable value in making an assessment and further that all retailers are able to collect and report on additional metrics in a consistent manner.

We also note the focus of the issues paper is on retail businesses, the NERL applies equally to the distribution companies and as such the Commission must ensure any review includes an appropriate review of the network companies.

In determining consumer benefit from the introduction of the NERL and the NECF particularly in relation to redistributed benefit from efficiency gains linked to affordability and pricing, the methodology adopted by the Commission needs to account for other cost of living pressures. Cost of living pressures that exist outside energy have the resulting effect of consumers further prioritising their income in other areas and away from meeting their financial obligations in relation to their energy supply. The wider issue of cost of living across the provision of all supplies and services needs to be considered when forming a view on the economic consumer benefit that has been delivered via the NERL and the NECF.



alintaenergy

Our detailed comments on the Issues Paper are contained in the following submission. Should you wish to discuss any aspect of our submission I may be contacted on (02) 9372 2653 or via email: shaun.ruddy@alintaenergy.com.au

Yours sincerely

Shaun Ruddy
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National Energy Retail Law Issues Paper “Methodology for Review”

Proposed Metrics

The Issues Paper poses the question on the most appropriate metrics to be used to form the basis of a quantitative assessment of customer protections under the NECF. In determining the most appropriate metrics the key consideration is clarity around the metrics to be reported. Clarity ensures there is consistency across retailers in terms of the data being reported. Any subjectivity or ambiguity around the data required permits differing interpretations which can create inconsistency and has the effect of lessening the validity of the report.

The Commission should seek to ensure clarity of the reporting metrics used so that all retailers are reporting consistent data. In considering the proposed metrics as outlined in the Issues Paper we seek clarification on the use of "concession recipients" as a metric. Concession schemes are determined by the government of the day, while retailers have responsibility for aspects of administration and delivery of the policy only. A consumer's access to a concession is not determined by the retailer, and therefore the "concessions recipients" metric is of limited value, if any, to the Commission in its review of the NERL. If the intent is to use the metric to determine affordability then we question this use and the validity of its inclusion in the review. The number of concession recipients is simply a representation of the number of people within the jurisdiction who have access to the relevant government concession scheme at a particular point in time.

Additionally the Commission needs to provide clear and additional explanation and guidance on what is meant by "instalment plans" as a proposed metric. It is assumed the Commission is referring to instalment plans offered to consumers who may be experiencing financial stress and not those offered as part of a market product offer. Again this points to the issue of clarity and transparency in reporting.

Increased Efficiencies

The Issues Paper proposes to review the level of efficiency brought to the market following the adoption of the NERL and the NECF. Alinta favours a nationally consistent regulatory framework as it delivers numerous market efficiencies, however until such time as we see all jurisdiction adopt the NERL and NECF not all efficiencies will not be realised. Further to adoption, where jurisdictions continue to seek to introduce or maintain derogations it erodes any efficiencies and ultimately consumer benefit.

In the current environment it remains unclear as to when Victoria and Queensland will adopt the NECF. The existing lack of national adoption impacts the level of market efficiency and we would caution the Commission in attempting to undertake an efficiency review where full adoption has not occurred or has not been in place for a sufficient period of time, as such an assessment is likely to result in an inaccurate assessment of the efficiency and potential gains that are likely to be realised when the remaining jurisdictions adopt the NECF.

Price Information

We note the Commission has proposed two options for the review of pricing in the Issues Paper. The Commission as a first point of reference should seek to use publicly available data and for the sake of efficiency, seek to use data sets already in use by retailers to meet existing reporting obligations. The introduction of the NECF and the subsequent publishing obligations placed on retailers including the "Energy Made Easy" website mean there is extensive pricing information publically available. Where data cannot be obtained from publicly available information then the Commission could request retailers complete the information gaps.