

13 December 2013

NERL Review: Issues Paper
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By email: escosa@escosa.sa.gov.au

Dear Sir/Madam,

RE: NERL Review: Issues Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide feedback in response to the *NERL Review: Issues Paper* (the Issues Paper) to the Essential Services Commission of South Australia (the Commission).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA favours a national approach to energy policy and regulation rather than individual state based initiatives. Legislative and regulatory inconsistencies across state borders increase the administrative and compliance costs for energy retailers. Through lengthy and extensive consultations, the National Energy Consumer Framework (NECF) was developed into a comprehensive package which could offer many benefits as a streamlined, nationally consistent framework. The NECF has endeavored to minimise jurisdictional inconsistencies by developing a national market with nationally consistent regulations. The ERAA supported the introduction of the NECF in the ACT, NSW, Tasmania and South Australia, and continues to advocate for its introduction in Queensland and Victoria.

The ERAA notes that the Commission has been requested to:

“focus on the impact of the National Energy Retail Law on consumers of energy and whether the implementation of the Law has—
(a) resulted in increased efficiencies; or
(b) adversely affected customer protection in pursuit of national consistency, and may address such other matters as the Commission thinks fit.”¹

Whilst recognising this terms of reference, an assessment of the impact of the NECF in the two years since its introduction is different to a longer-term cost-benefit analysis. Whilst this progression to a national approach may require investments from retailers to facilitate this change, the efficiencies achieved in the medium and long-term through a common approach will make this transition worthwhile. This view is supported in the Issues Paper, with the Commission stating that “such efficiencies...may not be demonstrated (at least to their full potential) in the timeframe of the NERL Review.”² The ERAA recommends that the Commission clearly notes this distinction in future stages of the NERL Review.

¹ Section 30, National Energy Retail Law (South Australia) Act 2011.

² ESCOSA (2013), *NERL Review – Issues Paper Methodology for Review*, p.8



In the Commission's assessment of the impact of the National Energy Retail Law (NERL), the Issues Paper acknowledges that "The NERL, and associated National Energy Retail Rules (NERR), broadly reflect the protections contained in the previously operating customer protection framework established by the Commission (e.g. Energy Retail Code, Energy Marketing Code, Energy Customer Transfer and Consent Code, Energy Price Disclosure Code and the Energy Prepayment Meter System Code)."³ This suggests that changes to the introduction of the NERL may have had a minor impact on consumer protection metrics when compared to the impact of other external factors to these metrics. For example, the number of disconnections for nonpayment may be influenced by increases to electricity bills as a result of rising network prices, which has no correlation to changes in the NERL.

The Issues Paper suggests that a review of the competitiveness of the retail energy market is required to assess the impact of the NERL on consumers of energy. To achieve this, the Commission proposes to begin collection of pricing information from retailers. A reinstatement of extensive annual reporting obligations would result in increased costs for retailers. The ERAA does not believe that this change would provide sufficient benefits to justify these costs. Any potential reintroduction of price monitoring in South Australia should be based on a carefully considered cost-benefit analysis, and is a separate policy decision for Government. Should the Commission wish to utilise pricing data to perform this review, a more proportionate approach would be to make use of current publicly available sources.

The ERAA notes that the Issues Paper has a strong focus on retail businesses. As the NERL applies to both retailers and distributors, the Commission should consider the impact the NERL's introduction may have had on distributors operating in South Australia.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia

³ ESCOSA (2013), *NERL Review – Issues Paper Methodology for Review*, p.5