



19 August 2011

(Attention Sarah McDowell)

General Manager – Markets Branch
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Email: AERInquiry@aer.gov.au

Dear Sir or Madam:

Draft Australian Energy Regulator Retailer of Last Resort framework

ActewAGL Retail welcomes the opportunity to provide comment on the Draft Australian Energy Regulator's (AER) Retailer of Last Resort (RoLR) package.

ActewAGL participated in the AER's Public RoLR Forum on 13 July 2011 and values the detail and explanations that were provided at the event.

ActewAGL Retail's Utility Services License (issued by the ICRC), currently stipulates that ActewAGL Retail must act as RoLR in the ACT, which it has done since 1998. The AER notes that *'in the short term it is likely that existing retailers carrying out the RoLR role will become the default RoLRs within their jurisdictions'*¹. ActewAGL expects that it will continue with this responsibility from the proposed NECF implementation date of 1 July 2012, and will seek a longer term appointment as RoLR under NECF.

The AER has stated that it will *'review default RoLR arrangements every three years, or outside the three year review period wherever the AER identifies that there has been a material change to a retailer or the market affecting a retailer's ability to act as a default retailer'*². ActewAGL supports the AER's intention to review RoLR arrangements at regular intervals, however as noted above, can confirm that ActewAGL has effectively operated as RoLR since 1998.

The AER has communicated an intention to undertake RoLR exercises, and ActewAGL understands that the first has been scheduled for March 2012. The AER has proposed that the RoLR exercise be a desk top exercise to be undertaken on a periodic basis.

¹ Notice of draft instruments, p11

² Notice of draft instruments, p12

ActewAGL supports the AER's proposal general, however would welcome additional detail as to what the RoLR exercise will entail. More specifically, ActewAGL proposes that rather than limiting this to a desktop review, that there may be merit in holistically testing RoLR plans by including testing of systems, processes and procedures.

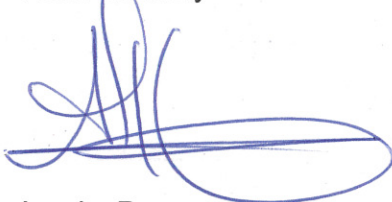
ActewAGL has noted that under the RoLR scheme, that costs which are recoverable are those which are 'reasonable'³, and that RoLRs will be required to quantify and verify costs in line with the provisions of the Retail Law. ActewAGL agrees with the AER's position that RoLR events and cost recovery must not result in price shock for customers (especially those in hardship).

ActewAGL suggests though that it would be useful if additional detail was available with regard to cost recovery in order to provide participants with an increased level of direction and certainty. ActewAGL is pleased to note that the AER has confirmed that it "*will not generally impose limits on the magnitude of costs or classes of costs which are recoverable under a RoLR scheme*"⁴.

The Draft RoLR event questions and answers factsheet currently states that with regard to standing offer tariffs, that "*in every state and territory, except for Victoria, these tariffs have been approved by the Government*"⁵. ActewAGL would like to draw the AER's attention to the fact that Retail pricing for gas supply in the ACT is fully contestable. The ACT gas supply market was opened to competition in January 2002. Accordingly, ActewAGL suggests that the fact sheet be amended to reflect these arrangements in the ACT.

If you have any questions regarding this submission, please contact Rachael Turner, Manager Business Projects on telephone: (02) 6248 3655 or email: rachael.turner@actewagl.com.au.

Yours sincerely



Ayesha Razzaq
General Manager Retail

³ s.166(7)(a) National Energy Retail Law

⁴ Notice of draft instruments, p40

⁵ Draft Retailer of Last Resort Plan, p28