

22 December 2010

Mr Tom Leuner  
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Australian Energy Regulator  
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**Melbourne VIC 3001**

via website: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Leuner

### **AER – Retailer of last resort cost recovery scheme – Issues paper - ENA Submission**

Thank you for the opportunity to contribute to the development of the AER – Retailer of last resort cost recovery scheme – Issues paper - November 2010.

We understand that this paper is primarily focussed on retailers and we note the text on page 2 of the paper - "This paper does not address the recovery of any unpaid network charges from a failed retailer to a distributor. These charges are not recovered through a RoLR costs recovery scheme approved by the AER under the Retail Law. The NECF proposes separate pass through arrangements for the recovery of unpaid network charges under the national Electricity Rules and National Gas Rules."

However we wish to provide the following comments on Question 2 in the Issues paper. While the scheme is for retailer cost recovery the importance of distributors in the operation of the scheme need to be taken into account in the scheme design.

#### **Comments**

Q2. Are there any additional factors that the AER should consider?

To reflect the critical role of distributors in the RoLR process and ensure a reasonable distribution of charges between impacted customers and the broader customer base, it is suggested that additional factors should be included under 4.2 Principles for assessing RoLR cost recovery schemes.

#### **Additional factors:**

##### **1. "Distributors and the RoLR should be kept financially whole."**

This factor gives recognition to the regulatory environment in which distributors operate and ensure that the scheme is as simple as possible for distributors and that all costs incurred in relation to providing cost recovery for retailers can be fully reimbursed to distributors. Distributors should only be required to make

payments to the RoLR once they have received the required additional network revenue (as approved by the AER). Otherwise distributor pass through arrangements would need to include a time value of money component for the RoLR so that they remain financially whole.

- 2. “The approach should provide a reasonable balance between the costs paid by the failed retailer’s customers and costs recovered from the broader customer base from the distributor”.**

We would be concerned if the Guidelines utilised the distributor as the sole or major cost recovery mechanism. Consideration should be given to the tariff or other financial advantages which the failed retailer’s customers have achieved in their period as a customer of the failed retailer, and ensure that these customers support a reasonable component of the costs of the RoLR event.

The inclusion of these additional factors in section 4.2 of the Issues paper will assist to provide an improved outcome for questions 18-22 in section 6.3.

The ENA recognises the work put into the Issues paper by the AER and appreciates the opportunity to contribute to its development. If you have any questions please contact Jim Bain on 02 6272 1516.

Yours sincerely



Andrew Blyth  
**Chief Executive**