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[REDACTED]

**Sherine Al Shallah**

Project Leader

Australian Energy Market Commission

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

**3 April 2019**

Dear Sherine Al Shallah

**Updating the Regulatory Frameworks for Embedded Networks, Draft Report**

Further to our submission made on 15 March 2019, we would like to provide some information to the Australian Energy Market Commission (**Commission**) to support its consideration of the risks associated with the proposed recommendation that retailers and distributors should not be allowed disconnect parent connection points.

Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 223 and 268 of the National Energy Retail Law. Where the information has been omitted, it has been blackened.

We appreciate the Commission's analysis that if a parent connection point were de-energised, all customers at child connection points within the embedded network, as well as any customers in a pancaked embedded network, would also be de-energised which would create an adverse customer outcome under the proposed new regulatory framework. This concern has led the Commission to recommend a broad prohibition on retailers and distributors disconnecting parent connection points (except for reasons relating to health and safety, emergency and/or the directions of a relevant authority). The Commission has suggested that the commercial risks associated with the proposed prohibition would need to be managed by retailers, which would be required to pursue avenues other than de-energisation to resolve the situation.

[REDACTED], NEM retailers at the parent connection point would be financially exposed in circumstances where the off-market retailers does not pay amounts owing and/or subsequently fails. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

We support the Commission's proposal that in circumstances where an off-market retail fails, the default Retailer of Last Resort (**RoLR**) for an off-market connection point would be the NEM retailer at the parent connection point and, where that retailer becomes a failed retailer, the AER would appoint a default retailer. We agree with the Commission that extending the RoLR scheme to off-market customers in embedded networks will provide necessary protection for the off-market customer while also providing some protection to the NEM retailer at the parent connection point in such circumstances.

Nevertheless, we would also encourage the Commission to consider whether further financial safeguards may be justified to assist NEM retailers in managing the commercial risks associated with non-payment by off-market retailers to NEM retailers. While extending the RoLR scheme will assist in managing future payments in circumstances involving failed off-market retailers, NEM retailers may still be required to pursue court action for the recovery of payments owed by off-market retailers. Civil proceedings for the recovery of payments from off-market retailers could be further complicated by circumstances where an off-market retailer goes into liquidation. As an unsecured creditor, there is a substantial risk that the NEM retailer may be unable to recoup the payments owed by the liquidated off-market retailer. Accordingly, we would recommend the following additional safeguards:

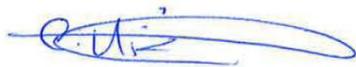
- Owner corporations of embedded networks be required to guarantee payments due and payable by off-market retailers to NEM retailers (by counter-signing agreements).
- Off-market retailers be required to underwrite some form of prudential fund or insurance against the failure of off-market retailers.
- Off-market retailers be required to provide up front credit support or pre-payment to the NEM retailer.

██████████, lack of information on end customers, as well as privacy rights also restrict a NEM retailer's ability to contact the end customer directly in circumstances where there is a risk of non-supply. In our view, the end customer and owner corporation would benefit from advance notification from the NEM retailer where there has been a sustained period of non-payment. We recommend that after a period exceeding 3 months of non-payment by the off-market retailer, NEM retailers be authorised to contact end customers and the owner corporation in relation to the non-payment and supply risk.

We would welcome the opportunity to discuss these matters further with the Commission, as well as the other key elements of the proposed regulatory framework. ██████████

Should you have any questions in relation to this submission, please contact Kurt Winter, Regulatory Strategy Manager, on 03 8633 7204 or [KWinter@agl.com.au](mailto:KWinter@agl.com.au).

Yours sincerely



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**Senior Regulatory Strategy Manager**

