



## National Gas Amendment (Retailer-Distributor Credit Support Requirements) Rule 2015

### Request for Submissions on Issues Information Notice

**22 October 2015**

#### Request for Submissions

The Australian Energy Market Commission (the AEMC or Commission) invites written submissions and comments from interested parties on issues raised with respect to the retailer insolvency cost pass-through provision rule change request submitted by Jemena Gas Networks (Jemena) for the National Gas Rules (NGR). Details on the issue are set out below.

On 22 October 2015, the Jemena rule change request was consolidated with a rule change request submitted by AGL relating to the retailer distributor credit support requirements in the NGR (henceforth referred to as the NGR consolidated rule change request).<sup>1</sup> On 28 May 2015, the Commission consolidated the Council of Australian Governments (COAG) Energy Council rule change request related to the retailer insolvency cost pass-through provisions in the National Electricity Rules (NER) and AGL's rule change request related to the retailer-distributor credit support requirements in the NER (henceforth referred to as the NER consolidated rule change request).

Furthermore, due to the similar issues involved in the NGR consolidated rule change request and the NER consolidated rule change request, the NGR consolidated rule change request is being considered in a single process with the NER consolidated rule change request, under the "Retailer-Distributor Credit Support Requirements" project.

Given the consultation undertaken to date, and the publication of the Commission's options paper, the primary focus of this information notice is to seek submissions on the issues raised in the Jemena rule change request. Stakeholders may submit any submissions or comments on the issues outlined below either as a submission to this information notice or as part of their submission on the Commission's options paper released as part of the single process being undertaken on the consolidated rule change requests.<sup>2</sup>

Submissions must be received by **26 November 2015** and should be emailed to [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au). Submissions that address the issues outlined in this information notice should cite the reference **GRC0035** on their cover page.

---

<sup>1</sup> The AGL rule change request can be found on the AEMC website under project code GRC0032.

<sup>2</sup> The Commission's option paper can be found on the AEMC's website under project code ERC0183.

## Background

On 25 September 2015, Jemena submitted a rule change request to the AEMC.<sup>3</sup> The rule change request seeks to amend the retailer insolvency cost pass-through provisions in the NGR to allow a distributor to recover its foregone revenue in the event of retailer insolvency. The proposed changes would bring the retailer insolvency cost pass-through provisions in the NGR in line with the changes proposed by the COAG Energy Council related to the retailer insolvency cost pass-through provisions in the NER.

In particular, the rule change request proposes amendments to Rule 531 of the NGR that:

- clarify that the pass-through amount includes both foregone revenue and the cost impacts of retailer insolvency; and
- the Australian Energy Regulator approved pass-through amount is to be reflected in tariffs through the reference tariff variation mechanism pursuant to the distributor's access arrangement regardless of whether or not the access arrangement contemplates or is inconsistent with the pass-through mechanism prescribed in the NGR.<sup>4</sup>

On 22 October 2015, the Commission initiated Jemena's rule change request and consolidated Jemena's rule change request with AGL's rule change request related to amendments to the retailer-distributor credit support requirements for the NGR.<sup>5</sup>

On 28 May 2015, the Commission published a consultation paper in relation to the NER consolidated rule change request and the AGL rule change request related to the retailer-distributor credit support requirements in the NGR. The first round of consultation closed on 2 July 2015. Previously, the Commission had published a consultation paper in relation to the COAG Energy Council's rule change request with the first round of consultation closing on 11 December 2014.<sup>6</sup>

Given the similar issues raised in the NER consolidated rule change request and the NGR consolidated rule change request, and the two previous consultation papers published by the Commission, a consultation paper is not being published in relation to Jemena's rule change request (which forms part of the NGR consolidated rule change request). An options paper was published on 22 October 2015 in relation to the consolidated rule change requests and stakeholders are invited to provide any general comments in relation to Jemena's rule change request as part of their submissions to the options paper.

## Issues related to retailer insolvency cost pass-through provisions in the NGR

To date, consultation on the retailer insolvency cost pass-through provisions has been focused on the provisions in the NER and the operation of the provisions for electricity distributors. Although the changes proposed to the NGR by Jemena in its rule change request align with the changes proposed by the COAG Energy Council in its rule change request, there may be important differences between the operation of the provisions between electricity and gas distributors.

### Question 1: Gas Distributors

**Are there any issues specific to gas distributors that have not been previously raised in relation to the retailer insolvency cost pass-through provisions?**

<sup>3</sup> Jemena's rule change request can be found on the AEMC website.

<sup>4</sup> Jemena's rule change request, p. 3 & 4

<sup>5</sup> The consolidation was approved pursuant to section 300 of the National Gas Law (NGL).

<sup>6</sup> This consultation paper can be found on the AEMC website under project code ERC0172.

