

10 September 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online: www.aemc.gov.au

Dear Mr Pierce,

RE: Multiple Trading Relationships Consultation Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) *Multiple Trading Relationships Consultation Paper* (the Consultation Paper).

The ERAA represents the organisations providing electricity and gas to over 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 does not support the rule change proposal. There would be significant costs to industry in both implementing and operating under the proposed Multiple Trading Relationships (MTR) arrangements. Retailers who choose not to offer MTR-dependent products and services to their customers cannot avoid these costs, as they cannot stop an existing customer from taking up such an offer with another retailer. Further, the transactional nature of the operational costs expected to be incurred mean that these costs are unlikely to reduce with customer uptake of MTR-arrangements.

At the same time, the ERAA is unable to identify material benefits that may be realised by implementing the model put forward by the Australian Energy Market Operator (AEMO). The ERAA notes that the existing regulatory framework is able to accommodate multiple retailers at a customer's premises which is envisaged by the rule change request on a user-pays basis. This is supported by the KPMG and Energeia modelling and analysis that accompanying the Consultation Paper. The KPMG analysis finds that the MTR model proposed by AEMO is not a prerequisite for most services that have been identified as enabling the key benefits of the proposal. The Energeia analysis finds that the costs to individual customers seeking to enter an MTR arrangement are not materially lower than the current option of installation of a second connection point. The ERAA is not aware of any analysis undertaken demonstrating that customers are interested in contracting with more than one retailer in line with the proposed arrangements.

The ERAA believes the MTR rule change proposal does not promote competition on a competitively neutral basis. The AEMC has accurately noted that the introduction of MTR will ensure consumer protections are applicable through the 'first retailer' and it will facilitate competition for new energy services. The AEMC must focus their assessment of MTR's ability to facilitate competition and promote consumer protection on the authorised participants who are in the market (i.e. those who will be the financially responsible market



participant). We note that MTR does not mandate “behind the meter” energy service providers, therefore any competition and consumer protection assessment cannot be included as they are not subject to the same regulation as market facing energy service providers (retailers). On this basis, MTR does not support competitive neutrality, nor does it strengthen consumer protections for the customer.

An additional issue identified by the ERAA relates to the mandatory nature of the adoption of systems to support the rule change proposal. The ERAA believes retailers could voluntarily choose to adapt their systems to support the MTR model put forward by AEMO. Where a customer chooses to have a second retailer under a subtractive metering model, the ‘first retailer’ will be required to implement system changes to support the customer’s choice, which is not a decision of the individual retailer. There are also implementation and operational issues with the adoption of MTR, including but not limited to amendments to jurisdictional and safety regulations, managing customer concessions, network billing, customer classification and retailer of last resort obligations.

There are a number of energy market reforms and rule change processes currently underway following the Power of Choice review and final report. The ERAA firmly believes that appropriate prioritisation of this work is essential to ensuring that the objectives of the Power of Choice review can be delivered in an efficient and considered manner. We believe the work to expand competition in metering and related services and embedded networks should be completed as a priority and be the focus of the AEMC and other market bodies and participants. The ERAA suggests that this rule change should not be made and should the need for MTR occur in the future, the rule change proposal or an alternative rule can be reconsidered.

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,

A handwritten signature in blue ink, appearing to read 'Alex Fraser', with a horizontal line underneath.

Alex Fraser
Interim CEO
Energy Retailers Association of Australia