



22 December 2016

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Via online submission

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Australian Energy Market Commission
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ERC0183 & GRC0032: Retailer-Distributor Credit Support Requirements

Jemena welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC's**) draft determination on the retailer-distributor credit support requirements rule change for gas and electricity.

Jemena owns and operates the Jemena Gas Network (**JGN**) in NSW and the Jemena Electricity Network (**JEN**) in north-west Melbourne. JGN and JEN deliver gas and electricity to approximately 1.3 million and 330,000 homes and businesses respectively. We, therefore, we have a strong interest in this draft determination.

Jemena supports key elements of the draft determination

Jemena considers that an effective and efficient framework to manage the risk of retailer default is one that:

- Underpins the efficient management of credit risks at least cost to customers
- Supports network businesses performing services under the expectation of being paid at a point in the future—where the duration of any temporarily unpaid charges can be efficiently managed.

The draft determination addresses these issues by removing the relevant materiality threshold, confirming that distributors can pass through unpaid charges and ensuring there are mechanisms for any approved pass through to be incorporated into tariffs.

Incentive for greater retailer risk appetite should be addressed

By reducing the instances in which distributors can request credit support (to late payment only), the draft determination means retailers would be one-step further removed from the consequences of their failure. This could have implications for their risk appetite, with the additional risks being born by all customers.

In addition, in previous instances of retailer failure, seeking credit support following a late payment has been a mostly futile exercise, with distributors having no remedy under the National Electricity Rules or National Gas Rules:

- For non-timely receipt of credit support, or
- To trigger a retailer of last resort (**ROLR**) event.

In combination, this could increase the risk of retailer insolvency and delay triggering a ROLR event. Any delay increases the costs to customers.

Jemena notes the AEMC view that retailers already have incentives to minimise the risk of default and that enforcement options are out of scope of this rule change. However, Jemena considers that customers would be better protected from potentially riskier retailer behaviour by credit support arrangements that provide greater incentives on retailers to manage their default risk. Therefore, we support the issues raised and suggested amendments within the Energy Networks Australia submission.

If you wish to discuss the submission, please contact Chris Stewart on (02) 9867 7000 or at christopher.stewart@jemena.com.au.

Yours sincerely



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