



19 November 2020

Mr Ben Davis, Director
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

By electronic lodgement

Dear Mr Davis

RPR0015 – Review of the Retailer of Last Resort Scheme

Alinta Energy welcomes the opportunity to respond to the Commission's consultation paper on the review of the retailer of last resort scheme.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in the review of RoLR arrangements.

We understand the COVID-19 pandemic has the potential to increase the likelihood of retailer failure. Alinta Energy supports changes to the scheme that reduce barriers to retailer participation as a RoLR, but considers that some of the solutions proposed in the consultation paper require further analysis and consultation.

Retail contracts for RoLR customers

The Commission's proposal to increase participation and competition among RoLR's, by allowing customers to transfer to an appointed RoLR's market offer approved by the AER, may result in unintended consequences for retailers and consumers.

Under the proposal, customers would transfer to the market offer of a RoLR without the requirement for explicit informed consent. While the AER may assess the terms and conditions of a RoLR's market offer, there are likely to be material consequential amendments to the National Energy Consumer Framework required to support this change.

Of further concern is that the proposal may not encourage customers of the failed retailer to engage with the market in a meaningful way if they assume they are on a market offer. The market offer terms and conditions may not be suitable to these customers, who may have a diminished incentive to engage with the market following the failure of their retailer. Before this proposal proceeds, Alinta Energy believes the appetite for the change needs to be understood among potential RoLRs who may (or may not) participate as a result of the reform. If the proposal results in an increase in regulatory burden for prospective RoLRs, it is unlikely to be utilised.

RoLR cost recovery arrangements

Alinta Energy supports recommendations to increase certainty and confidence of cost recovery for RoLRs and agrees such changes would support the participation of additional RoLRs. The existing arrangements present the risk of under recovery of costs for RoLRs to the extent the AER can apply broad discretion to determining the timing and nature of costs that can be recovered.

Change to RoLR notice period

Increasing the notice period will allow the AER greater time to assess and negotiate with a greater number of RoLRs and optimise the allocation of a failed retailer's customers to a greater number of RoLRs. The additional risk of any increase in the notice period for RoLRs exposed to unhedged load should be considered in RoLR cost recovery arrangements.

RoLR plan requirements

Alinta Energy supports the changes proposed in section 2.5.3 of the consultation paper providing the AER with flexibility in relation to RoLR plans.

RoLR arrangements for embedded networks

Expanding the RoLR scheme to embedded networks would provide certainty of continued supply and greater confidence of cost-recovery for parent (authorised) retailers. However, Alinta Energy believes that further analysis is required given the recent changes made by the Commission in its *Updating the regulatory frameworks for embedded networks* review. We agree that some form of RoLR scheme should apply to embedded networks, but would caution against a solution that created disincentives to participate through increased administrative or regulatory burdens.

We welcome further discussion with the Commission in relation to its review of RoLR arrangements. Please contact David Calder on (03) 9675 5359 in the first instance.

Yours sincerely



Graeme Hamilton
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