

23 July 2020



Mr Mitchell Shannon  
Australian Energy Market Commission (AEMC)  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Shannon

**URGENT RULE PROPOSAL: DEFERRAL OF NETWORK CHARGES (ERC0302)**

Endeavour Energy appreciates the opportunity to respond to the AEMC's directions paper on the AER's urgent rule change proposal; *National Electricity Amendment (Deferral of Network Charges) Rule 2020*. We support the brief extension to the period of time for making the final determination to 6 August 2020 given the complexity of the issues raised and to allow for further consultation prior to implementation.

**We support the proposed positions outlined by the AEMC**

Supporting customers remains our priority during these times and we continue to take steps to deliver on our commitments to customers facing hardship. We note the majority of issues raised by Endeavour Energy in its initial submission, have been acknowledged and addressed by the AEMC in the directions paper. Specifically, the following changes have been made:

- the exclusion of Retailer of Last Resort (RoLR) retailers and government-owned retailers from being eligible to access the proposed deferral mechanism;
- retailers can only defer payment of network charges for residential and small business customers on hardship arrangements, payment plans or deferred debt arrangements;
- the payment deferrals only apply to standard control services;
- the deferrals will only be able to be claimed for a period of six months and will defer payment for a six-month period;
- retailers will be required to pay interest on any deferred network charges at a rate of 3% p.a., noting the AEMC expects retailers not to pass through these costs to customers; and
- DNSPs will be able to defer the payment of the corresponding TUOS charges.

These changes represent an improved mechanism that better directs support to retailers with the potential to be under financial stress and the short-term risks that poses to retail market competition. The changes are likely to allow retailers to continue to support vulnerable customers (as covered by the AER's Statement of Expectations) without exposing networks to undue financial stress.

The proposed rule drafting would further benefit from:

- clarifying the application of the National Energy Retail Law (NERL) definition of small customer will apply as *the NERL has been implemented* by each jurisdiction with some differences. The proposed drafting refers to the NERL prior to jurisdictional adjustments.

- allowing for networks and retailers to implement processes to be compliant with the rule change as soon as reasonably practicable rather than within 5 business days. The latter may be difficult, particularly for those who have not participated in the Network Relief Package (NRP). Retailers could back-date bills if implementation challenges arise without delaying support.
- we understand the rationale for extending support to customers beyond only those who entered hardship arrangements from March 2020 onwards. However, we question whether the deferral mechanism should also be extended to customers on payment plans and deferred debt arrangements for the reasons set out in our initial response. We remain of the view that customers on hardship arrangements are likely to be the most financially vulnerable class of customers.
- whilst the deferred network charge interest rate has been set using a median inflation adjusted WACC it may not provide a strong incentive for the reasons outlined in our response to the consultation paper. We suggest further consideration is given to a higher interest rate.

If you have any queries or wish to discuss our submission further please contact Patrick Duffy, Regulatory Strategy Manager at Endeavour Energy on (02) 9853 4375 or via email at [patrick.duffy@endeavourenergy.com.au](mailto:patrick.duffy@endeavourenergy.com.au).

Yours sincerely



**Rod Howard**  
Deputy Chief Executive Officer