

SP AusNet Submission
AER regarding RoLR Plan

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About SP AusNet

SP AusNet is a major energy network business that owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria, Australia. These assets include:

- A 6,574 kilometre electricity transmission network indirectly servicing all electricity consumers across Victoria;
- An electricity distribution network delivering electricity to approximately 575,000 customer connection points in an area of more than 80,000 square kilometres of eastern Victoria; and
- A gas distribution network delivering gas to approximately 504,000 customer supply points in an area of more than 60,000 square kilometres in central and western Victoria.

SP AusNet's purpose is to provide our customers with superior network and energy solutions. The SP AusNet corporate values are :

- **Safety:** is our way of life. Protect and respect our people and our community.
- **Passion:** to bring energy and excitement to what we do. Be innovative by continually applying creative solutions to problems.
- **Teamwork:** to support, respect and trust each other. Continually learn and share ideas and knowledge.
- **Integrity:** to act with honesty and to practise the highest ethical standards.
- **Excellence:** to take pride and ownership in what we do. Deliver results and continually strive for the highest quality.

For more information visit: www.sp-ausnet.com.au

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SP AusNet is supportive of the move to a national RoLR scheme although we have concerns as expressed in consultation comments with respect to some aspects of the RoLR framework in the NECF.

In the submission below we have restricted our comments to matters associated with the AER implementation of the framework through the AER's RoLR scheme.

These comments concentrate on the following aspects:

- Establishing a practical and workable scheme, with clear obligations and documentation well integrated with AEMO procedures,
- Ensuring that the RoLR cost recovery scheme recognises the desirability of costs of retailer failure being kept within the retail sector and the need for impacts on distributors to be minimised.

RoLR plan development

1. ESC template as basis of AER RoLR plan

The ESC RoLR Manual is a reasonable basis around which to base the AER's plan document

The AER have identified a number of the differences between the basis of the ESC's Manual and the RoLR aspects which the AER must take into account in their Scheme.

The following are the additional matters SP AusNet believe that the AER should also consider in the development of the national Scheme:

- i) Better integration of the AER scheme with the AEMO Procedures. SP AusNet has provided more details with respect to this matter in Item 2 below. This increased integration should be more feasible now, compared with the ESC's efforts, as there will be only three documents involved (AER plan plus the AEMO national electricity process plus the AEMO Victorian gas process)
- ii) Better identification of participant actions. Refer item 2 below. The ESC Manual expects a number of touch-points during a RoLR event between the Participants and the ESC. SP AusNet consider that the requirement for at least some of these should be re-assessed by the AER with the view to reducing the potential "distractions" to the operational processes in the participant businesses.
- iii) It should be noted that the ESC Manual (and the associated AEMO gas RoLR gas process) does not specifically cover the RoLR event situation for a first tier failure in gas.
- iv) The AER has identified that the AEMO RoLR process documentation has moved on since the ESC Manual was produced. However even when drafted there were some mismatches between the Manual and the AEMO procedures eg the Manual only expected provision of contact data from AEMO or DB if this was not forthcoming from the failed retailer.

2. AER RoLR scheme document considerations

SP AusNet believe that the AER should consider the following matters when developing the AER RoLR Scheme documentation:

2.1. Single document from a Participant's viewpoint

Once the RoLR Notice for a RoLR event has been issued, the industry involved businesses (ROLRs and distributors) face a period of intensive operational resource involvement to manage the data provision and data handling. Further this must be carried out for processes with which only limited operation experience is likely to be in place. It is important therefore that the industry documentation for such an event is clear and concise. There are hence strong drivers for the industry process obligations for such an event to be contained in the one document with common time schedule details, etc.

SP AusNet consider therefore that any obligations AER consider are necessary on participants, or any routine AER requests on participants during the progress of a RoLR event, should be integrated into the AEMO process documents.

2.2. Data and retailer obligations and impact on customers not a key measure of the AEMO RoLR procedures

Whilst the AEMO documents provide a good basis for the industry RoLR processes they lack a focus on the key outcomes of limiting impacts on customers, but rather concentrate on the industry processes somewhat in isolation. Increased emphasis on the key measurables with respect to customer impact would better integrate these into the required regulatory outcomes.

2.3. Clear definition of AER industry expectations

SP AusNet made the following comments on the draft ESC Manual and consider that these comments are relevant to any similar aspects of the AER's scheme documentation:

General Comment:

There are a number of items on the ESC checklist where a Participant "confirms" or "advises" or "notifies" the ESC ROLR Contact Officer of a matter. SP AusNet consider that the wording in these instances should be clear as to whether:

- the Participant is expected to actively make contact with the ESC ROLR Contact Officer (Participant push), or
- respond to a request for details from the ESC ROLR Contact Officer (ESC pull)

In each of these items one or other of the two approaches may be appropriate. Where the ESC expects Participant push, this should be clear as this needs to go into the Participants' ROLR co-ordinators "checklist of things to do". However there are down sides in these ALL being Participant push:

- The ESC ROLR Contact Officer may be deluged with contact calls from Participants when the ESC ROLR Contact Officer may be better employed following up those Participants with issues.
- The need to report frequently to the ESC may divert the Participants ROLR co-ordinators from more important aspects of the ROLR event
- If all aspects are Participant push there is no recognition of relative importance of different aspects and milestones of the process
- If an item is Participant push then there needs to be some detail of the specific information that the ESC expect to be provided with at that point in the ROLR program.

To reduce the loading on Participants thru what will be a relatively hectic time, an exception reporting approach may be a compromise for some items; ie only report when data is not received as expected not when it is received.

3. RoLR plan participants

SP AusNet consider that the question of “which parties should be “RoLR Participants ?” should be a natural fallout from the development of the RoLR process plan as part of the AER scheme development. If the process considerations show a clear role for the party in the RoLR event and the associated processes, then they must be a RoLR plan participant.

4. Trade Sale events

The AER consultation documents make no statements regarding Trade Sales even though there are some aspects of a RoLR event which will be applicable to a Trade Sale event, in particular one which is “forced” on a failing retailer in financial stress where the customer “re-allocation/transfer” is done without customer notice and on a single date on the basis of substitute metering data.

Whilst a number of aspects of the sale process may proceed more easily than a RoLR event, because of a level of co-operation between the two retailers involved, there are aspects of the process which would appear to require regulatory oversight. In particular customer impacts of a change of retailer without notice and on the basis of a substituted read rather than an actual read, and the reliance on the distributor generating and providing these substituted reads.

SP AusNet believe therefore that the AER RoLR Plan should include relevant coverage of a Trade Sale event.

5. Customer contact and billing data

There are a number of aspects of the provision of the required customer contact and billing data to the RoLR which should be considered by the AER:

- i) There are two fundamental reasons that a customer’s retailer is obliged to provide the distributor with customer contact details:
 - a) as a basis of customer contact for outage notices, defect notices, emergency operational contact, customer contact obligations eg currently charter and the emergency response information, life support, etc. This is more applicable for electricity than gas, and more subject to scrutiny in electricity than gas
 - b) for RoLR support

However the distributor has no fundamental requirement for details of energy support scheme qualifications, nor details of payment schemes, etc, which are necessary for an understanding of the billing requirements for a customer. Whilst the RoLR requires these details for establishing billing arrangements, to add these details to the distributors’ customer databases and to the Customer and Site Details Notification (CSDN) process for RoLR support would be an expensive exercise. Vic Gas agreed on the alternate approach of AEMO rather than the distributor being the data custodian for RoLR support.

- ii) AEMO and industry are currently undertaking a review of the CSDN process and associated process document for electricity. This is a result of a failure of the current process to deliver reliable and accurate data to distributors and ultimately to ROLRs. As a result of this review the fundamental basis, or at least details, of the current process could change. Currently the review is of electricity only although potentially some issues, particularly with respect to quality and useability of the data, are similar.
- iii) As noted by the AER, AEMO is the recognised “data custodian” for customer contact and billing data for VicGas, however they are only provided non host retailer contact data – hence data to support a host retailer failure will not be available through this mechanism under the current AEMO RoLR model in the Retail Market Procedure.

- iv) AER statements with respect to data held by electricity distributors is somewhat conflicting; it is stated that the data “can provide ...enough information to establish customer accounts” but that this data “do not indicate whether customers are participating in hardship programs or have instalment arrangements”. Distributors also do not hold energy support scheme qualifications and other details and hence do not hold all the required data for retail billing and ongoing support of the failed retailer’s customers.

Further as noted in ii) above, the contact data provided by retailers has proven to be inadequate to ensure delivery to a proportion of customers.

AEMO do not undertake any useability validations of the contact and billing data provided as the data custodian for VicGas and hence there is every possibility that this data also will not allow proper contact details for a potentially sizable minority of customers.

- v) AER incorrectly state that electricity retailers under the ESC Manual are obliged to provide contact data to distributors. The obligation for electricity (and gas) Retailers to provide data to the distributor is not through the ESC’s RoLR plan/manual; but rather through the UoSA (and for gas the access agreements and the T&Cs) and this is applicable to all retailers not just second tier.
- vi) AER has stated that “there is no provision under the national RoLR scheme for the regular transfer of customer data between retailers and a data custodian”, and that therefore “...it is unlikely that AER will be able to do so in the context of its RoLR plan”. In gas the obligation for the non host retailers to provide contact and customer data to AEMO is via the [Gas] Retailer Market Procedure, not directly from the NGR. Hence whilst this fundamental obligation probably does belong in the Rules, pragmatically a similar obligation could be applied in electricity through the use of an AEMO procedure, most likely the B2B Procedure, and the relevant Rules (NERR?) modified later to reinforce this fundamental obligation.
- vii) AER should consider the need for both contact details provision mechanisms potentially ie
- a) failed retailer or the “insolvency official” (as paid service to the RoLR) provide details including energy support scheme qualifications and details of payment schemes etc.
 - b) distributors provide details for up to date information as the data going to AEMO is potentially up to one month behind at the time of a RoLR event. Further whilst only limited validation is currently done by AEMO, certainly not content and usability, notionally a distributor will have performed some level of reasonability checks on contact data received. Refer comment above regarding quality issues.

Potential approach would be:

- i) AEMO is data custodian with monthly data from all retailers and including energy support scheme qualifications and details of payment schemes etc. However data is not fully validated ie data counts etc only.
- ii) Distributor is data custodian with fundamental contact details only but with data reasonableness and completeness validation and periodic reconciliation.

Final arrangement however will have dependencies on the results of the AEMO CSDN review.

6. Communication leading to RoLR notice

Whereas there is a clear obligation under the NRL Section 150 for AEMO and retailers to advise AER of circumstances which could indicate a potential RoLR event , it is likely to be

the distributor who will provide the first indication of retailer financial stress. Non payment or late payment of network bills is likely to be the first sign of cash flow issues because, whilst AEMO has an extremely rigorous credit support scheme through the market prudentials arrangements, the MCE has not provided the distributor with the same rigorous credit protection. Distributor payment issues had a significant impact on the RoLR event involving Jackgreen, and distributors had significant payment issues with that retailer.

Retailer payment issues would be reported to the AER as a notice under Section 130 which provides powers for the AER to investigate and seek financial information from the defaulting retailer. Although not entirely clear in the NRL, this could lead to the AER taking action under Section 204, and potentially under Part 13 regarding Enforcement or Part 5 Division 5 regarding Revocation of retailer authorisation.

The MCE, whilst rejecting the distributors' requests for a more rigorous enforcement mechanism for retailer payment issues, did state that:

“Adequate alternative protections to mitigate risk are available, including powers for the AER under the RoLR regime to make enquires of a retailer that has materially defaulted on its obligations to pay network charges or provide credit support”

Thus the AER Scheme should recognise this potential communication and the resultant AER actions. For example in diagram A the communication path between the AER and Distributors should clearly be two way.

7. Communication after the RoLR notice

7.1. Distributor communication

As stated in Section 1 above the ESC's Manual includes a number of contact/reporting points between the industry and the ESC including a number of such points between the ESC and distributors.

As further stated in Section 1 and 2 some of these communications are not clearly defined and a number could probably be eliminated.

This is a matter for the AER to determine how much “hands-on” involvement it considers appropriate following the issue of the RoLR notice, however at the moment Diagram B indicates that the AER does not expect any direct feedback from distributors.

Given that the notification of customers is a key outcome sought by the AER from the RoLR Scheme and that this notification may be entirely dependant on the distributors' actions, it would appear to be appropriate that the delivery of this contact data should be a key RoLR monitoring milestone.

7.2. Customer communication

SP AusNet makes no comment on whether the proposed obligation on the RoLR regarding providing customer letters within two week is reasonable or not. However we wish to point out that, as with a number of the actions and obligation in the period post the RoLR notice, there are independencies with prior actions and obligations. The RoLR actions to load and validate contact details and then send letters to their new customers is dependant on getting this information from the failed retailer and AEMO for gas, and from the failed retailer and the LNSP(s) for electricity. For electricity the AEMO/industry RoLR Processes document obliges the LNSP to provide the contact details within 4 business days. Further these actions are in turn dependant on earlier prior actions eg getting the list of connection points for each RoLR from AEMO.

Hence when AER are considering timing obligations these interdependencies must be taken into account. For example in considering the time period for retailer contact with large

customers (p19 of the RoLR plan development Issues Paper), the RoLR's obligation should be from the receipt of the appropriate and correct contact details.

7.3. Contact details

When managing a RoLR event, positive contact with the correct person(s) in each business is essential. Timely reaction within businesses is critical to achieving the relatively tight timeframes for the various participant actions, and if critical messages are not received by the right person(s) valuable time can be lost.

The ESC's RoLR Manual attempted to include RoLR contact persons and their contact details. The industry (electricity and gas (at least in Victoria)) however have established contact lists for various market functions and the AER scheme would be better served by utilising this existing arrangement for recording industry contact details. AER should work with AEMO and industry to ensure that these contact details fulfil the requirements of the AER scheme.

Note: AEMO and industry are currently considering rationalisation, standardisation, and more detailed documentation of the current contact lists.

8. Large customers v's small

There are some aspects of the Law regarding RoLR which have differential actions depending on whether the customer is a "large customer" or a "small customer". These terms as used in the NECF do not relate to current market terms allocated to customer size and classification, but rather are new definitions specifically for the NECF.

As such the industry has not established in systems and within industry processes, the capability to determine and allocate these classifications, nor to provide differential processes dependant on the different classifications. It is unlikely that the necessary process design, documentation, and implementation will be in place until well into 2012.

Hence any consideration in the AER RoLR scheme of those NECF RoLR obligations dependant on large/small customer allocation will need to be pragmatic about the manner and rigour with which the industry will be able to differentiate between these categories of customers until after system changes are in service.

9. Detailed comments on the Appendices regarding communication requirements

There are a number of inconsistencies and uncertainties in the wording used to define the "proposed timeframe". For better clarity of this critical aspect of the scheme the following revisions should be made:

- i) For certainty of understanding the use of the term "midday" should be used consistently rather than "12 pm"
- ii) The following (or similar) timeframe obligation is set for a number of communications:

"Within 2 hours of the notice issue or if the event occurs after 4pm by midday the following business day."

As written this wording would appear to loose potentially up to two hours of action time the next business day. Better wording would be:

"Within 2 hours of the notice issue or if the event occurs after 4pm as soon as possible the following business day and no later than 11am". This ensures that obligation is to take advantage of business start-ups before 9am.

- iii) The following (or similar) timeframe obligation is set for a number of communications:

“2 to 7 days of the AER giving the RoLR notice” or
 “7 to 21 days of the AER giving the RoLR notice”

This seems to state that the communication must not be sent any earlier than the first nominated period, eg 7 days in the second example, even if the involved party has the data to use as the basis of the communication. Is this the intended obligation?

Cost recovery scheme

10. Issues with distributor based recovery mechanism

The cash flow cost of capital impact on distributors required to meet a lump sum RoLR costs payment could be quite high. RoLR costs could be potentially more than \$50 per customer based on the ESC analysis of potential RoLR costs and including some allowance for worse than average market conditions. This could be even higher if the failed retailer also has significant gas customer exposure on the distributor’s network.

For SP AusNet this could amount to \$15 million of additional funds that need to be sourced by SP AusNet if a scheme based on a cost recovery mechanism for RoLR retail costs relying entirely on distributors was put in place. This unanticipated funding to support the retail sector is likely to be relatively expensive compared to the cost of capital for planned network related expenditure. Further these RoLR funding requirements have a high potential to affect the credit rating of the distributor which could significantly increase the financing costs for network capital initiatives.

Also there are a series of impacts, and real but less quantifiable costs of this unanticipated funding which are associated with SP AusNet being a publicly owned and listed company. Distribution companies are classed as infrastructure investments. Shareholders investing in this class of investments are seeking stable, predictable investments with steady cash flows with minimal risk. Having unpredictable, insurance company like funding obligations imposed on the business is likely to impact on shareholders’ perceptions of the company and they will seek out alternative infrastructure investment with reduced levels of risk. This will result in downwards pressure on share prices and further compound the pressure on the cost of capital for other initiatives.

Thus there are significant downsides to a distributor-based cost recovery approach which moves the burden of RoLR financing costs from retailers to distributors. This essentially undermines the principle of cost reflective pricing by shifting cost risk from the competitive retail market sector where the cost has arisen, to the regulated distribution sections which has no role in influencing retail market costs and benefits.

Whilst SP AusNet understands that the MCE through the Retail Law has given the AER access to a distributor based cost recovery approach, utilising distributors to cover retail segment costs is not consistent with current industry cost recovery mechanisms which are largely segmented between the two sectors. The AER should be very circumspect in utilising such an approach.

The model developed by the ESC and utilised in Victoria of an up front fee paid by the failed retailer’s customers should be the benchmark for consideration of the cost recovery mechanism by the AER, as it retains the cost recovery within the retail sector.

11. Failed retailer customer payments

The AER has overlooked what SP AusNet considers is an important factor to be taken into account when deciding on the cost recovery mechanism.

Whereas the AER have recognised that pushing all the costs of a retailer failure onto customers of the failed retailer could potentially impact on consumer confidence in small start up retailers, the AER has failed to consider that customers who have decided on this cheaper retailer have had the financial advantage in lower tariffs for the period they have been with their chosen lower price retailer. Further customers making this decision, whilst they could not anticipate their chosen retailer failing, should have had some understanding that retailers compete in a competitive market where cheaper prices may often mean lower profit margins and therefore lower service offerings.

Hence, whilst recognising that these lower prices from “discount” retailers have potentially imposed downward pressure on all retailer tariffs and produced a market benefit to all retail customers, it could be argued that the failed retailer’s customers should meet at least a reasonable proportion of the RoLR event costs. It would be reasonable that they meet at least the “normally expected” costs which would be incurred with average market prices ie consistent with the fee expected in the ESC RoLR costs model. If the broader customer base is going to contribute at all, it should be to cover the higher than expected costs associated with abnormally high market prices.

12. Further recovery option

The AER have identified some of the issues associated with a RoLR retailer tariff based cost recovery mechanism. The major disadvantage as stated by the AER of using a RoLR retailer tariff based approach is that it would appear that, whether the increased tariff is charged only to the RoLR’s newly acquired customers from the failed retailer, or across the RoLR’s whole customer base (an option not considered by the AER?!), the RoLR’s tariffs will be potentially perceived to be higher than other retailers, and customers will transfer away.

However, an alternate approach which overcomes this issue, but also removes the need for the distributor to undertake unscheduled funding of costs to support the retail market exists. In this alternative:

- the AER’s RoLR cost recovery decision would still identify the RoLR costs (for which the RoLR(s) would already have had to raise capital)
- the retailer continues to carry the RoLR costs (rather than getting a lump sum payment from the distributor)
- the distributor recovers the RoLR costs (including the RoLR’s cost of capital) via distribution tariff increases to all retailers and hence all customers, and
- the distributor then pays the RoLR this component of the network tariff hence reducing the lump sum over a period.

This appears to overcome the major issue of customer perception of the RoLR’s tariff compared to other retailers, as all retailers will pass on the distributors’ tariff increase, but eliminates the lump sum capital cost hit on distributors.

13. Principles for assessing RoLR cost recovery schemes

SP AusNet considers that the following addition factors are required:

- i) Whilst the AER list of factors to be considered with respect to a RoLR cost recovery scheme includes the item:

“The approach should not compromise the financial position of the RoLR and

this does not fully recognise the need for the recovery mechanism to fully recognise the time value of money and other potential financial costs, and does not recognise the financial impacts on the distributors.

An additional factor similar to that below is required:

“Distributors and the RoLR should be kept financially whole.”

ii) Whilst one of the AER factors includes the concept that the approach must “provide relatively stable and fair prices for RoLR customers”, this statement alone does not recognise that if the RoLR customers do not carry the costs of RoLR then the broader customer base must do so. This may require them to pay unfair price increases. Better recognition of the need for a balanced approach would be provided by an additional factor similar to below:

“The approach should provide a reasonable balance between the costs paid by the failed retailer’s customers and costs recovered from the broader customer base via the distributor”.

As argued in 11 above consideration should be given to the tariff or other financial advantages which the failed retailer’s customers have achieved in their period as a customer of the failed retailer, and ensure that these customers support a reasonable component of the costs of the RoLR event.

14. Distributor cost recovery approach area

If it is determined that a portion of the RoLR costs are to be recovered from the broader customer base, then the logic for imposing these costs would be that all customers benefit from retail competition and the risk of a retailer failure is part of the cost of gaining that benefit.

On that basis all customers in the market should logically share this cost equally. This is more clearly the case now where the Authorisation of retailers is undertaken by the AER and is consistent across all Jurisdictions.

15. Default RoLR capability development

The current uncertainty regarding the jurisdictional take-up timetable of the NECF extends to the RoLR provisions, however the AER should note that the earliest usage of the cost recovery scheme may not be associated with a RoLR event but may relate to a Default RoLR(s)’ claim for recovery of its capability establishment costs. A clear cost recovery mechanism must therefore be in place from day 1 of any jurisdictional take-up of the NECF RoLR regime.

16. Failed retailer Service Orders in progress

The NECF does not provide any specific guidance with respect to the situation of service orders which have been requested by the failed retailer and that are in progress at the time of the RoLR event. Further the RoLR Section of the AEMO VicGas Retail market Procedures¹ and the AEMO electricity RoLR Processes document do not place an obligation on the distributor to complete service orders. These documents only require the distributor to provide the RoLR with a list of service orders in progress.

Hence there is no clear regulatory statement of what action the distributor must take with respect to these failed retailer service orders in progress. In particular for service orders which can be cancelled (ie field works not committed), there is no obligation for the distributor to continue any of these service orders.

Whilst as part of the NECF regime “a retailer insolvency event”² is now included in the NER and NGL definition of a pass through event, the latent uncertainty of this recovery method is

¹ The AEMO VicGas Gas Interface Protocol does suggest that most SO will proceed however this is short of a firm obligation. And further the VicGas RoLR process is only applicable to a retailer failure up to 100 000 customers; not a large retailer failure.

² SP AusNet are assuming that the definition of “a retailer insolvency event” is broad enough to include any RoLR event eg one generated by an AER revocation of accreditation

likely to drive a distributor to cancel many failed retailer service orders where the recovery of costs from the failed retailer is problematic.

This would impact customers expecting the service which is the focus of the service order. The AER could add more certainty to the process by making it clear in the RoLR scheme that such service orders should be completed and clearly state that this is on the basis that the AER would allow the reasonable costs of these not recovered from the failed retailer to be claimed under the extended distributor pass through provisions.

RoLR Registrations and Appointments

17. RoLR allocation

In the NECF, MCE have given the AER access to optional arrangements for the appointment of RoLRs other than on a RoLR per distribution area basis which is the current approach in jurisdictional RoLR schemes.

However, if the AER chooses a complex allocation method for a RoLR event, then this complexity will impact on a number of the operational processes associated with the event and potentially complicates and confuses communications with customers, and between the RoLR(s) and AEMO and distributors, and between RoLRs and the failed retailer.

Having potentially two or more RoLRs with whom the distributor must provide data and communicate with regard to data issues and customer services will add a degree of complication into an “emergency” process when any impact on resources would be best avoided. Further, establishing before the event working arrangements with a known RoLR is likely to smooth any subsequent RoLR events. Discussion of actual RoLR event issues with a pre-allocated RoLR likewise is likely to improve subsequent events. This one-on-one relationship is much less likely to occur where there are potentially a number of registered RoLRs who may be the allocated RoLR in a RoLR event.

This complexity will likely slow the process and has the potential to increase the level of rework in the industry with resulting further customer impacts. The cost and timing pressures of utilising multiple RoLRs is difficult to quantify in a way which could be compared with potential cost savings of having “competitive” RoLR selection. However ultimately the success of a RoLR event will be measured, not by the distributed cost to customers of the event, but rather by the level of impact on the customers involved with respect to poor customer contact, poor or multiple billing, lost services orders, etc, and hence simplicity should be a strong driver of the RoLR processes.

The ESC in Victoria has consulted on RoLR allocation criteria and has agreed on distribution network area allocation of a RoLR including for VicGas where host retailer and network areas do not correspond. Any deviation from this distribution network area allocation of a RoLR will increase the costs of a RoLR event and increase risk of potential customer impacts.

18. Non default RoLR capabilities

SP AusNet have some concerns regarding the potential impacts of a registered non-default (ie “additional”) RoLR not being able to recover RoLR capability development costs. Whilst SP AusNet is not looking to add multiple increments to our tariffs to cover the pass through of a multitude of registered RoLRs’ costs, we would be concerned if retailers are registered as potential RoLRs, and because they have no recovery mechanism for their costs (at least not before the event when they gain extra customers), they do not establish the necessary systems and processes to handle RoLR obligations.

This could involve these RoLRs mishandling RoLR data and processes and hence impacting distributors by further stretching distributor resources during such an event.

We consider therefore that the AER must have rigorous and detailed requirements in place to ensure that the criteria of Law Section 123 regarding organisational and technical capability are met.