AEMC

ATTACHMENT 1

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper. Stakeholders are also encouraged to provide evidence to support claims where possible.

SUBMITTER DETAILS

ORGANISATION:	Locality Planning Energy
CONTACT NAME:	Emma Mills
EMAIL:	emills@localityenergy.com.au
PHONE:	1800040168

CHAPTER 4 – SECTION 4.1 – THE PROBLEM - IMPACT OF COVID-19 ON THE RETAIL ELECTRICITY MARKET

Question 1 – Impact of COVID-19 on retailers	
a) What is the expected impact of COVID-19 on retailers' cash flows? How material is this impact? How long are these cash flow impacts expected to last?	• Unquantifiable at this point of time but estimate that this will be extremely material. • Expected to increase further, due to more customers abusing the non-disconnection rule and therefore avoiding repayment of their debts by not contacting their retailer. • Impacts are expected to last for several more months. • Customers having the ability to amass debts and then transfer to another retailer is having an equally negative impact on retailer cashflows. With the current Statement of Expectations in force, retailers have no power to collect these closed account debts.
b) In the absence of the proposed rule change, what options are available to retailers to manage the cash flow impacts of COVID-19? Are existing support schemes that have been announced, including the Network Relief Package, sufficient to assist retailers to manage these impacts? If not, what are the areas where further assistance is needed?	• Being able to disconnect helped the cash flow previously, however, since this option has been temporarily removed, customers are abusing the system and retailers are left with their debts. • The Utility Relief Package for customers helped the retailers on a short-term basis. • Customers must be reminded that bills must be paid regardless. If the AER invested in TV advertisement that encouraged those who can pay to do so, or to at least contact their retailers for assistance, this could have an impact on the number of customers who contact us for support. • Assistance is required for retailers with customers accumulating debt and then transferring to another retailer, leaving that debt behind, which currently cannot be recovered. It would be beneficial if those customers, who refuse to contact their retailer or create a payment plan, were able to be disconnected or threatened with disconnection. As there is currently a moratorium on a retailer’s ability to register debt or disconnect, an option would be that the debt could be transferred to the new retailer or that the existence of a debt is registered with them, reducing exposure.
c) What are the expected impacts of the proposed rule change on any cash flow issues currently being experienced by retailers as a result of COVID-19?	• Administration cost outweighs the benefits. • Interest on deferral is not beneficial as this is will result in a higher level of debt for retailers to repay.

CHAPTER 4 – SECTION 4.2.1 – ELIGIBILITY TO DEFER PAYMENT OF NETWORK CHARGES

Question 2 – Retailer eligibility	
a) Is it appropriate and/or necessary to expressly exclude certain classes of retailer from deferring the payment of network charges under the proposed rule change? If so, please provide reasoning to support your position.	Some classes of retailers, i.e. smaller retailers, may require additional support compared to larger vertically integrated retailers.
b) If the onus is placed on retailers to show they have a legitimate financial need to access the proposed deferral mechanism, what eligibility criteria should apply?	Value of overdue debt vs revenue, customer count and usage volumes.
c) What would be an appropriate and efficient process for the verification of information provided by retailers under the approach described in (b) above?	This would be dependent on the eligibility criteria.
d) Do stakeholders have views on how the deferral mechanism could be designed to incentivise only those retailers that legitimately require immediate financial support due to COVID-19 to access this mechanism (including allowing DNSPs to charge interest on deferred payments)?	• The possibility of charging interest is one of the primary reasons we as a retailer are not interested in deferral. • We view "Incentivise" as is used in this case is actually an additional financial burden. • If interest is charged on deferral, would retailers then be allowed to pass on this interest to their customers? Retailers do not currently charge interest on deferred debt, so why would retailers be charged? • Instead of deferring the network charges, a percentage of the invoice could be withheld for a set period, ideally at least 12 months – allowing the retailer to be able to wait repayment of debt by customers as market conditions gradually return to "normal". This would provide the required cashflow relief until incoming cash resumes as "normal". • As per 2b), retailers could be assessed using a combination of overdue debt, revenue, customer numbers and volume and then base the deferral percentage on this calculation. The percentage versus retailer could be on a sliding scale. This should identify those most disadvantaged by Covid19.

e) Do stakeholders have views on whether any of the approaches outlined above (or a combination of each) would be preferable?	Keep it simple. Once qualifying criteria is set, the percentage of DNSP invoices to be deferred does not require an additional administration burden, it is set for a period of time (12 months) then revisited on a quarterly basis to see if they still qualify for relief.

Question 3 – Customer eligibility	
a) Do stakeholders have views on the types of customers that should be captured by the proposed deferral mechanism and how these customers can be clearly defined in the NER? Is it appropriate and/or necessary for this mechanism to include large commercial and industrial customers?	We believe you should not calculate deferral on a NMI or customer type level, this will increase the administrative burden. Set the qualifying criteria, then place a percentage of the DNSP's invoice that is to be deferred. Ensure strong qualifying criteria is established, so only those who require support get it.

CHAPTER 4 – SECTION 4.2.2 – DEFERRAL TIMEFRAME AND TERMS

Question 4 – Length of deferral period	
a) Is a six-month deferral of the payment of network charges an appropriate timeframe, having regard to the potential cash flow impacts of COVID-19 on the retail electricity market in the second half of 2020? Alternatively, would a shorter deferral timeframe be sufficient to allow retailers to overcome the financial pressures posed by the current environment?	• If the deferral was applied now (June), the time the network charges fall due would be during the cash heavy season (Summer) for retailers. • The longer the deferral, the more beneficial it would be, as retailers don't know when customers will be able to pay their accounts on full and on time, thus improving retailer cash flow. • 12 months would be the preferred timeframe.
b) What are the implications (if any) of a six-month deferral period for NSPs, compared to a shorter or longer deferral period?	As above

Question 5 – Extension of deferral period	
a) Is it appropriate and/or necessary for the AER to have the ability to extend the deferral period if this is considered necessary? If so, what conditions, considerations and/or consultation requirements should reasonably apply to the exercise of this power?	• Yes, dependent on the criteria established at the beginning. Criteria should be based on retailer's cashflow health. • Once market conditions resume to "normal" and retailers are permitted to disconnect those who refuse to communicate then we would expect cashflow to improve.

CHAPTER 4 – SECTION 4.2.3 – DEFERRAL OF PAYMENTS BETWEEN DNSPS AND TNSPS

Question 6 – Deferral of payment of transmission network charges

a) Is it necessary and/or appropriate for DNSPs to be able to defer the payment of transmission charges to TNSPs under the proposed deferral mechanism? To what extent would this change the overall impact of the proposal on DNSPs? What would the impact of this approach be on TNSPs?	• Yes, the cost impacts need to be spread between DNSP, TNSP, generators and retailers. This burden currently is with retailers only.
b) Do stakeholders have views on how the deferral of payments from DNSPs to TNSPs would be implemented in practice? What issues would need to be addressed in the regulatory framework to facilitate this?	• As mentioned above, a percentage of invoices could be withheld, dependent on the financial situation of the retailer, DNSP, TNSP, etc.

CHAPTER 4 – SECTION 4.3 – PRACTICAL IMPLEMENTATION OF PAYMENT DEFERRALS

Question 7 – Process for deferring payment of network charges	
a) Do stakeholders have views on appropriate processes which could be adopted to facilitate the proposed payment deferrals in an expedient manner?	No
b) Could the processes agreed between retailers and NSPs for implementing the Network Relief Package also be used to implement the AER's proposal?	Not fully aware of those processes.
c) If the details of this process are not prescribed in the NER, what alternative approaches would ensure that the payment deferrals could be administered in a transparent, consistent and efficient manner? Is it feasible for the details of this process to be directly agreed between NSPs and retailers?	As above

CHAPTER 4 – SECTION 4.4 – IMPACT ON NSPS

Question 8 – Impact of proposed deferral mechanism on NSPs	
a) Would a six-month deferral of the payment of network charges present a material financial risk to NSPs? If so, are there ways of addressing or reducing these risks through the design of the deferral mechanism?	N/A
b) Do NSPs have views on whether, in practice, the annual pricing proposal process would allow NSPs to recover any deferred revenue in the following regulatory year as described above? Are there any issues that may arise in seeking to utilise this process for this purpose?	N/A
c) Do stakeholders have views on whether NSPs should be reimbursed for direct costs incurred as a result of the deferred payments and, if so, what would be the best mechanism for achieving this?	N/A
d) If NSPs were to be reimbursed for their efficient costs (as well as recovering their total regulated revenue), do NSPs consider there would be any residual risk to their business arising from the deferral of network charges?	N/A