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

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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?	Simply Energy has experienced significant impacts to cash flow as a result of COVID-19. Material increases to bad and doubtful debt, increased cost to serve, and higher numbers of customers experiencing financial hardship have negatively impacted cash flows. While Simply Energy is unable to forecast the expected duration of these issues, it would be reasonable to assume that the impacts of COVID-19 have not been fully realised at this stage. When there are changes to the Government's Jobkeeper and Jobseeker program, we would expect a follow-on impact to the ability of affected customers to pay for the energy they have consumed. This perspective is supported by consumer research published by Energy Consumers Australia on 24 June 2020.
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?	Existing support schemes, while a welcome first step, are not sufficient to support retailers and their customers through this crisis. The Network Relief Package has proved to be challenging for Simply Energy to engage with from an administrative perspective, furthermore, as we are classed as a 'large retailer' under the Network Relief Package, we have been unable to realise the advantages that the scheme offers to 'small retailers'.
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?	Simply Energy believes that this rule change will allow retailers experiencing cashflow difficulties to better align network payments to customer receipts, which will help smooth out working capital impacts of delays in collections and can potentially decrease borrowing costs. However, support for retailers should not be limited to deferral of charges, which should also be rebated where applicable, enabling retailers to provide end customers experiencing payment difficulties with the bill relief they need.

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.	Simply Energy does not consider that it would be appropriate or necessary to exclude certain classes of retailer from the network charges payment deferral under the proposed rule change. This discrimination against certain classes of retailers will likely create an imbalance in the market and unreasonably places risk against a subset of the energy retail market. Simply Energy notes that this consideration should equally apply for rebates as well as deferrals. If one retailer is eligible to receive a rebate for its customers, regardless of size, the this should be available for all retailers. Failure to apply this approach is one of the deficiencies of the ENA relief package, where some retailers are receiving rebates and others are only receiving payment deferrals (for residential customers).
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? c) What would be an appropriate and efficient process for the verification of information provided by retailers under the approach described in (b) above?	Simply Energy considers that this proposal should not place an onus upon retailers to show they have a legitimate financial need. Experience implementing the ENA relief package shows that the administrative burden required for the deferral of payments itself will challenge retailer systems and processes. A requirement to prove that there is a legitimate financial need to access the proposed deferral mechanism would increase the administrative burden and implementation challenges, further redcing the net benefits of the support.
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)? e) Do stakeholders have views on whether any of the approaches outlined above (or a combination of each) would be preferable?	Simply Energy believes that the proposed deferral mechanism should be open and consistently applied to all retailers without the need to prove financial need. One of the key objectives of this rule change is to deliver customer benefits and since the framework being designed is to directly pass-on the benefits the end customers, it would be unreasonable should this approach be inconsistently applied to various retailers, who would then be compromised in their ability to consistently provide financial support to end customers.

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?	Simply Energy strongly supports extending the proposed mechanism to large and commercial customers in addition to SME customers. Some of Simply Energy's large customers have experienced significant reductions in energy consumption and as a result, Simply Energy has requested demand-resets. In some cases, it took almost three months for networks to reset the demand tariffs, causing significant inconvenience to affected customers. Having an overarching governance framework would provide reassurance to affected customers as well as retailers, supporting accurate responses to customer queries by retailers. Simply Energy considers that NER definitions can remain unchanged.

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?	Simply Energy considers that this is an appropriate timeframe, provided the AER has a mechanism to extend the deferral period should the cash flow impact of COVID-19 extend into 2021.
b) What are the implications (if any) of a six-month deferral period for NSPs, compared to a shorter or longer deferral period?	The implications of a six-month deferral period would be dependent on the economic downturn, which is not predictable at this stage, especially with the jurisdictional-specific easing of COVID-19 restrictions. As such, a longer period for the deferral mechanism would save the industry from running another consultation in future, if required to extend the period. Simply Energy supports a minimum period of 6 months and considers that the new rule should provide a mechanism that enables the AER to extend the deferral period should the cash flow impact of COVID-19 extend into 2021.

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, Simply Energy considers that the AER must have the ability to extend the deferral period if it is considered necessary. Simply Energy understand the AER's "Statement of Expectations of energy businesses: Protecting consumers and the market during COVID-19" contains principles that place obligations on energy retailers, especially around the collection of debt and disconnections. These principles require that energy retailers do not undertake prohibited activities until "at least 31 July 2020". The uncertainty around whether these principles will continue past 31 July 2020 necessitates a mechanism to extend the deferral period in the proposed rule. Simply Energy agrees that any extension should be consulted on, understanding that the AER's statement of expectations is a key consideration in determining whether the deferral period should be extended.

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?	Simply Energy does not have a view on this element of stakeholder feedback.
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?	

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?	The existing process for the ENA relief package would be preferable, given that the majority of retailers, including Simply Energy, have implemented that process. Adopting the existing process will mean that retailers will not be required to expecnd resources and time building additional processes to deliver customer benefits via this relief program.
b) Could the processes agreed between retailers and NSPs for implementing the Network Relief Package also be used to implement the AER's proposal?	The processes agreed between retailers and NSPs have been challenging to implement as bespoke processes were required to be implemented with individual distributors, with material inconsistencies between jurisdictions and fuel-types. The ENA relief package was designed to provide support to SME customers via rebates available to all retailers; the support provided to retailers for residential customers depended on the ENA's vioew of the size of the retailer, which created additional implementation challenges. Simply Energy supports the ENA relief package being used to implement the AER's proposal, provided there is a consistent process across all networks, and extending the program to include gas.
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?	It is feasible that the details of this process be directly agreed between NSPs and retailers, but there are significant challenges in a retail business, operating in multiple jurisdictions, having to negotiate different processes with multiple stakeholders. Simply Energy's preference is a unified approach, described by an independent authority.

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?	Simply Energy does not have a view on this element of stakeholder feedback.
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?	
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?	
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?	