

Mr Ron Ben David
Chairman
Essential Services Commission
Level 37
2 Lonsdale Street
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Via email: energy.submissions@esc.vic.gov.au

31 January 2013

Dear Ron

Harmonisation of Energy Retail Codes and Guidelines with the National Energy Customer Framework

Australian Power & Gas (**APG**) welcomes the opportunity to provide comment on the Essential Services Commission (**ESC**) consultation on the harmonisation of Victorian energy retail codes and guidelines with the National Energy Customer Framework (**NECF**). APG commends the ESC for its work to harmonise the existing Energy Retail Code (**ERC**) with the National Energy Retail Rules (**NERR**) as part of its effort to draft ERC Version 11. We understand that it is the intent of the Minister of Energy and Resources to seek a means to transition the Victorian energy market to a NECF-based regulatory framework while it is considering adopting the legislative framework to fully move to NECF.

APG has consistently supported for the adoption of the NECF across the jurisdictions in which it operates. However, APG has concerns with respect to the timing of taking this interim step with competing priorities in Victoria and when the Victorian Government may consider adopting NECF in 1 January 2014. These concerns are expressed below.

Changing the Energy Retail Code ahead of 1 January 2014 NECF commencement

Whilst APG recognises that this proposed harmonisation in Victoria seeks to more closely align the Victorian and NECF regimes and is an interim measure in anticipation of the adoption of the full NECF regulatory framework, APG has reservations in relation to the timing of the adoption of this interim step. In particular, the Victorian Government has expressed it is considering making a transition to NECF on 1 January 2014. To the extent that this is an fair assessment of the Government's intentions, APG seeks clarity as to the benefits of retailers committing resources and finances to adopt these interim changes ahead of additional NECF required changes just six months later. To this end, APG urges the Victorian Government to provide retailers and consumers alike with firm timeframes for its adoption of the NECF regime. Without regulatory certainty it poses great difficulty to retailers in planning and resourcing to ensure any regulatory changes are implemented in the most cost effective and efficient manner. APG also appreciates the ESC's candour in acknowledging that there will be further "ripple effects" in legislation and orders that will be affected by the changes to the ERC. Ironing out such ripple effects may result in further changes to be adopted and additional uncertainty.

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It also cannot be understated the cost to industry for each interim step being taken to progress towards NECF. While some systems changes may not be overly complex to implement as the framework is not widely different than the current ERC, each small change still takes time to implement and test for functionality. Estimates from our Operation team place the costs well in the tens of thousands of dollars for implementation of the draft ERC version 11 and understand that further changes due to the ripple effect or the implementation of NECF in 1 January 2014 will result in additional costs. This costing does not include changes that will need to be made to documentation, contractual terms and the roll out of that documentation.

Timing of implementation if proposed ERC is approved

When the Victorian Government decided in June 2012 to not adopt the NECF for a 1 July 2012 commencement, APG was able to stop implementation of systems changes that were underway for 1 July implementation. In the meeting ESC held with retailers on 2 August 2012, it was clear that amongst the retailers present, each were at a different stage of being able to move to a swift implementation of NECF. While some were already fully compliant, others such as APG were in a mixed status of NECF compliance and compliance with the Victorian framework.

APG is committed to implementing regulatory changes fully with the goal of achieving compliance. To ensure changes are implemented in a compliant manner across the business, APG requires adequate time to plan, test and monitor changes prior to the commencement of any regulatory regime. To this end, APG again highlights that, if adopted, the ESC and Government must provide confirmed timeframes and adequate time for implementation of the required changes. We are concerned that if the final version is released in May for a 1 July commencement, that APG will not have sufficient time for implementation. APG would request that a minimum 3 months be allowed between the release of the final version of the ERC and the expected commencement date. Should the 1 January 2014 target for NECF implementation by Government not hold, APG would urge the ESC to maintain its planned timing for the release of ERC version 11 to be 1 January 2014.

APG is also commencing implementation of its flexible pricing options to be available 1 July 2013 consistent with the Government's commitments around the Advanced Metering Infrastructure (**AMI**) program. We understand that flexible pricing is a high priority of the Government and is a competing priority with the revision of the ERC to also commence 1 July 2013. APG is concerned that each of these priorities will be required to be met on the same timeline and that one of these priorities may not be met to the full extent possible if the implementation timelines were instead more staggered.

APG welcomes the opportunity to discuss its concerns with the ESC at its convenience. Please do not hesitate to contact me on **02 8908 2714** or via email on **hpriest@auspg.com.au**.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Hilary Priest'.

Hilary Priest

Manager Government and Regulatory Affairs