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Kerri Heron
Level 37/2 Lonsdale Street
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By email: elecindicators@esc.vic.gov.au

Dear Kerri

1. Introduction

EnergyAustralia appreciates the opportunity to comment on the Review of Energy Retail Performance Indicators – Staff Consultation Paper, December 2012 (Consultation Paper). As a major electricity and gas retailer with 2.7 million customers across the NEM, EnergyAustralia is supportive of moves to align regulatory frameworks in order to realise efficiencies and deliver savings to customers. Given commitments from the South Australian and New South Wales Governments that those states will transition to the National Energy Customer Framework (NECF) during 2013, it is appropriate that the Essential Services Commission (the Commission) takes this opportunity to align the reporting requirements faced by retailers that operate in multiple jurisdictions.

EnergyAustralia is concerned however, about any changes which would result in a reporting arrangement which is not fully aligned with either the current Victorian reporting framework or the NECF requirements. We strongly argue that an "all or nothing" approach is the only way to ensure that there are no negative outcomes.

EnergyAustralia supports the Commission's intention to reduce the reporting burden on retailers and ensure the integrity of data, however has a number of concerns around

- Alignment with NECF;
- The proposed timing of changes;
- Specific indicator issues; and
- Reduced reliability arising from definitional changes.

The consequences of NECF Delay

Since the Victorian Government's decision to delay the adoption of the National Energy Customer Framework, EnergyAustralia and other retailers have faced significant issues and costs associated with the requirement to comply with a number of regulatory and reporting regimes. Although this issue had existed prior to 1 July 2012 due to the existence of the state based schemes, it was a business as usual arrangement that industry had come to terms with and had expected to end with the full scale introduction of NECF from 1 July 2012.

The decision of various state governments to delay NECF within weeks of its planned implementation had a considerable impact on retailers. The industry had committed significant resources to ensuring compliance with the new customer protections and reporting requirements. In principle, EnergyAustralia welcomes moves to align the current reporting arrangements with NECF. However, anything less than complete adoption of NECF reporting requirements is likely to resulting in further costs to retailers and ultimately consumers, and also would not materially change the status quo.

Although the review seeks to reduce the administrative burden which has arisen as a result of the misaligned reporting schemes, retailers have generally been able to adapt and have established methods of meeting their various reporting responsibilities. Amendments to the Victorian requirements at this time would disturb the internal arrangements that most retailers have to manage this issue

EnergyAustralia is further concerned about proposals for some changes to take immediate effect. This will result in systems issues as it will require retrospective changes to the way that data is captured. It will also lead to considerable uncertainty given that under existing arrangements the indicators for the period 1 July to 31 December 2012 are currently due on 28 January 2013. Retailers who do not submit prior to this date may be in breach of regulatory requirements if they rely on a decision to grant an extension being made in March as indicated in the Consultation Paper. EnergyAustralia urges the Commission to defer making any changes to the current reporting requirements until January 2014 in order to mitigate the risk of non-compliance. Ideally, the Commission would commit to mirroring the NECF reporting obligations from 2014 if the national framework is not in place in Victoria by this time.

Further, EnergyAustralia notes the Commission's comment *that many of the changes proposed present significant risks, such as the way in which regulated entities capture and report the data to the Commission or the ability to compare data historically*.[1] Although aspects are inconsistent with the national framework, the current Victorian reporting regime is understood by businesses that were licenced in Victoria prior to 1 July 2012, which means that the figures provided by retailers are consistent and are therefore meaningful and a full reflection of the Victorian energy market.

2. Full/Partial Alignment

It was costly for EnergyAustralia to commit funds and resources to implementing the NECF in all NEM jurisdictions. The decision by various states to delay NECF implementation resulted in a requirement to revert to previous systems and processes. These included the tools used to meet reporting requirements.

EnergyAustralia relies on system generated reports to gather statistical indicators. Where reporting requirements change, even if only slightly, it will generally result in a requirement to develop new reports rather than simply change one aspect of an existing report. This will result in considerable development costs. In light of this EnergyAustralia discourages any move towards an interim reporting regime and hasa strong preference to maintain the status quo or adopt the NECF requirements in their entirety.

Although the decision to delay NECF was in itself costly and led to a significant amount of customer confusion, EnergyAustralia is now in a position where it is able to switch between the existing state based and the NECF reporting requirements in their entirety with relative ease. Attempting to do so in a piecemeal fashion, as would be required by the proposed amendments is considerably more resource intensive. We are concerned that the Commission's proposal does not align completely with NECF and will consequently require additional development that was outside the scope of the original work that was done in preparation for NECF. Given that the Victorian Government has expressed that it is still committed to transitioning to the national regime at a point in the future, another round of changes will be required when this transition occurs. For these reasons, EnergyAustralia

[1] Essential Services Commission 2012, *Review of Energy Retail Performance Indicators – Staff Consultation Paper*, December 2012, p3

strongly prefers an "all or nothing" approach whereby the Victoria reporting regime mirrors the AER requirements exactly, or does not change from the current set of requirements.

3. Timing of Changes

Timing for 2012 Data

The Staff Consultation Paper indicates that the Commission may require some of the minor changes to be made immediately and will potentially allow retailers additional time to submit their KPI reports for the period 1 July 2012 to 31 December 2012. EnergyAustralia is unsure whether this requirement correctly reflects the Commission's intent as the paper further states that the Commission will make a decision in March 2013, two months after the KPI's for that period are due to be submitted under the current arrangements.

We are concerned that retailers who delay submission of the KPI's due on 28 January on the basis of the Consultation Paper may be in breach of a licence condition from that date until the Commission makes a final decision. Further, there remains a risk that the final decision may not reflect the consultation paper and an extension may not be granted. EnergyAustralia would require firm decision from the Commission prior to 28 January 2013 before it would delay submitting its data for the period 1 July to 31 December 2012.

Alignment of full year data

Although EnergyAustralia agrees with the Commission's position that an entire year's data under the same reporting requirements is desirable, it notes that the deadline for submission of July to December 2012 data is fast approaching. Under current regulatory arrangements EnergyAustralia is required to provide data for this period by January 28 meaning that any changes can only be implemented for the second half of the financial year. This is inconsistent with the Commission's preferred outcome. EnergyAustralia urges the Commission to consider delaying implementation of any changes and committing to move toward fully NECF aligned reporting (including the provision of quarterly rather than monthly data) from 1 January 2014 if the Victoria has not adopted NECF by that time.

4. Specific Indicator Issues

EnergyAustralia envisages that some of the indictors proposed for inclusion are unnecessary and or potentially cost prohibitive.

New entrants into a retailer's hardship program

The inclusion of this indicator is unnecessary as the data would be available if the Commission were simply to adopt with the AER indicators without alteration. Although EnergyAustralia agrees that this is a useful indicator, it can be easily derived from other data provided.

AER indicator S4.5 requires retailers to provide the number of new entrants to the hardship scheme disaggregated by debt levels. The Commission will be able to derive a total new entrants figure by summing the figures in each of the various debt bands. This would be a cheaper and simpler solution than requiring each retailer to amend their reports to provide this new indicator.

Period End Reporting

EnergyAustralia is concerned that the Commission does not fully appreciate the complexities involved in amending statistical reports. One of the key differences between the proposed reporting regime and the AER's requirements is the time period for indicators. Although the Commission is seeking to align many of the indicators, the AER requirements refer to "as at end of reporting period" figures whereas the Commission is seeking figures as at the end of each month in the reporting period. EnergyAustralia appreciates that the Commission is only seeking this information twice a year in contrast with the AER's four times however the requirement to report each month's data will require system changes. These changes have not yet been costed, however any expenditure on a transitional step such as this is inefficient.

5. Reliability of Data

Although the Commission is seeking to align some minor differences of interpretation with the NECF, all retailers who have been active in the Victorian market prior to 1 July 2012 are intimately familiar with the current reporting requirement. Similarly, as all retailers undertook programs to prepare for the commencement of NECF, the subtle differences in reporting arrangements were noted. In light of this, EnergyAustralia considers that the most appropriate manner to ensure that the Commission is provided with accurate and useful data is to ensure that the Victorian reporting arrangements in the future continue to mirror one of the schemes that retailers are familiar with – i.e. an "all or nothing" approach. The proposed amendments bring together the two schemes but will not necessarily enhance the quality of data provided.

6. Summary

EnergyAustralia appreciates efforts by the Commission to reduce uncertainty and to seek to address differences between the current reporting arrangements and those which will exist following Victoria's transition to the NECF. We are however concerned that changes at this point in time will see retailers face additional costs on top of those already incurred as a result of "rolling back" NECF preparation to allow continued compliance with the Victorian reporting requirements. EnergyAustralia recommends that the Commission do not implement changes at this time but instead commits to the introducing full NECF reporting from 1 Jan 2014 if the national framework has not already commenced in Victoria.

If you would like to contact me about this submission, please call me on (03) 8628 1242.

Yours sincerely

Joe Kremzer
Regulatory Manager