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1 February 2008

By Email: [Submissions@aemc.gov.au](mailto:Submissions@aemc.gov.au)

Dr John Tamblyn  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Dr Tamblyn



**Retail Competition Review – Second Draft Report**

United Energy Distribution (UED) and Multinet welcome the opportunity to provide comments on the Commission's Second Draft Report on the Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in Victoria.

We note the Commission's conclusion that there is effective competition in the retail supply of both electricity and gas in Victoria and hence the Commission's recommendation to remove retail price regulation for residential customers from 1 January 2009.

The Second Draft Report is specifically seeking stakeholder views on the advantages/disadvantages for the two preferred New Connection Obligation models:

- The host retailer model - the New Connection Obligation is assigned to each host retailer for all relevant premises in the retailer's former franchise area in Victoria; and
- The distributor tender model – the relevant distributor tenders out to interested retailers the right to provide the New Connection Obligation. Any revenue obtained by distributors from this tender process could be taken into account during the distributor pricing determination process.

The report notes that there is no regulatory prohibition on a new retailer supplying and selling energy to new connections as long as the retailer meets the market and regulatory requirements. The report also states that the status quo is the host retailer model although the concept of a host retailer is becoming increasingly irrelevant due to the amount of customer switching.

UED and Multinet are not aware of any systemic failure that is preventing customers from choosing their retailer of choice in these new connection situations:

- There is a commercial driver on the retailers to sign up any new customer connections when they are cold called;
- In both gas and electricity customers are able to choose second tier retailers immediately; and
- Where a customer does not know who to call they are directed to the ESC's website that lists the retailers.

Hence the New Connection Obligation model would only be used in a minor number of cases. On this basis it is preferable to align this New Connection Obligation with the Retailer of Last Resort obligation and to adopt the host retailer model.

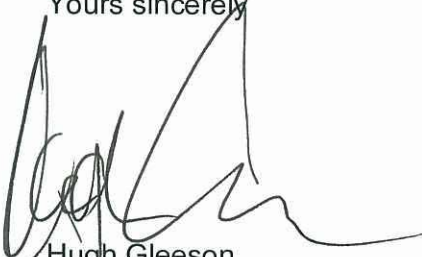
In the rare case where a customer is unable to gain connection/energisation via any retailers in the market, we consider that it is unlikely that a distributor tender model would have any significant advantages. The tender model would require a clear/transparent process to be established to ensure that all interested retailers had a fair chance and the time taken for a tender process to run would only serve to delay customer connection. The tender process places an administrative burden on the distributors for no apparent benefit to consumers.

Retailers decide on their tariff offering (for example peak, off peak etc) and metering configuration requirements. It may be problematic for the distributor where these aspects are unknown/undecided as to what exactly is being tendered. Under the distributor tender model, is there an obligation on the customer to go with the retailer who won the tender? If there is such an obligation, the distributor model appears to override the customer's explicit informed consent to a retail contract.

The report suggests that the distributor tender model would offer more equitable allocation of responsibilities between retailers and would also lower the impacts on market entry for new retailers. However, no empirical evidence is provided to indicate that new connections are skewed to the host retailers above their market share to warrant a move away from the status quo.

Should you have any further questions on the above please feel free to contact Verity Watson on (03) 8544 9447.

Yours sincerely



Hugh Gleeson  
**Chief Executive Officer**