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Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
Sydney NSW 2000

Email: submissions@aemc.gov.au

Dear Dr Tamblyn

**Review of the Effectiveness of Competition in
Electricity and Gas Retail Markets in Victoria.**

Thank you for the opportunity to comment on the Second Draft Report – Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in Victoria, released on the 19 December 2007.

CitiPower and Powercor Australia (Powercor) are Victorian electricity distributors who are registered by NEMMCO as Network Service Providers.

CitiPower and Powercor note the view expressed by the Commission that “the obligation to offer to supply and sell energy on reasonable terms and conditions to residential customers should continue to apply following the removal of retail price regulation”

Flowing from this view, the Commission discusses the issue of the designated retailer to fulfil this obligation for new connections and seeks comment primarily on two options:

- host retailer model
- distributor tender model

Under the distributor tender model, the Commission's preferred option, it is proposed that the distributor would call for tenders from interested retailers to purchase the right to be obliged to supply and sell energy on reasonable terms and conditions.

CitiPower and Powercor acknowledge that the concept of the host retailer fulfilling this obligation is less relevant due to the high number of customer switching, however, before pursuing the distributor tender model further the Commission should satisfy itself that there is at least a reasonable chance that there is sufficient interest among retailers to acquire such an obligation or the process will incur unnecessary administration costs.

The Commission should also consider the possibility that there will be no retailer participation in the auction leaving the obligation uncertain unless there is a fallback contingency such as the local retailer.

CitiPower and Powercor have observed that in some cases customers requiring a new connection are encouraged by a prospective retailer to arrange the initial connection through the local retailer and subsequently transfer when the connection point has been established in the market systems. The reason for this is not clear, but it may be an indication of limited interest in participating in the tender process.

Please do not hesitate to give me a call on (03) 9683 42982 or email to rherrmann@powercor.com.au if you require any further information in relation to this matter.

Yours sincerely

Rolf Herrmann
Manager regulation