

## **CHAPTER 6B**



## Chapter 6B Retail markets

### Part A Retail support

#### Division 1 – Application and definitions

##### 6B.A1.1 Application of this Part

This Part:

- (a) applies to a *Distribution Network Service Provider* and a *retailer* who have *shared customers*; and
- (b) applies to the exclusion of Part J of Chapter 6 to a *Market Customer* who is a *retailer*; and
- (c) prevails over any inconsistent provisions in a distribution determination.

##### 6B.A1.2 Definitions

In this Part:

**customer connection service** has the same meaning as in the *NERL*.

**date of issue** of a *statement of charges* means the date on which the *Distribution Network Service Provider* sends the statement to the *retailer*.

**default rate** means the *bank bill rate* (as in force from time to time) plus two percentage points per annum.

**due date for payment** means 10 *business days* from the *date of issue* specified on a *statement of charges*.

**network charges** means charges that a *Distribution Network Service Provider* is entitled to claim for *customer connection services* in respect of *shared customers* under these *Rules*.

**retail billing period** means a calendar month or any other period agreed between a *Distribution Network Service Provider* and a *retailer*.

**shared customer** has the same meaning as in the *NERL*.

**statement of charges**—see clause 6B.A2.4.

## Division 2      Billing and payment rules

### 6B.A2.1    Obligation to pay

Subject to this Part, a *retailer* must pay to a *Distribution Network Service Provider* the *network charges* payable in respect of each *shared customer* by the *due date for payment*.

**Note:**

This clause is a conduct provision for the purpose of the NEL.

### 6B.A2.2    Direct customer billing and energy-only contracts

- (a) Where a *Distribution Network Service Provider* and a *shared customer* agree that the *customer* will be responsible for paying *network charges* directly to the *Distribution Network Service Provider* (a **direct billing arrangement**), the *Distribution Network Service Provider* may issue a bill to that *customer* for any or all of the *customer connection services* provided to that *customer's* premises.
- (b) The *Distribution Network Service Provider* must notify the *retailer* of the *direct* billing arrangement as soon as reasonably practicable after commencement of the agreement.
- (c) A *retailer* has no liability to pay *network charges* that have been, or are to be, billed to the *shared customer* under a *direct* billing arrangement.
- (d) Where a *retailer* and a *shared customer* enter into a contract for the sale of electricity only, the *retailer* must notify the relevant *Distribution Network Service Provider* as soon as reasonably practicable after commencement of the contract.

### 6B.A2.3    Calculating network charges

*Network charges* must be calculated in accordance with these *Rules* and a *Distribution Network Service Provider's* distribution determination.

### 6B.A2.4    Statement of charges

- (a) A *Distribution Network Service Provider* must provide a statement of *network charges* (a **statement of charges**) to a *retailer* as agreed between the parties but no later than the 10th *business day* of the *retail billing period* next following the *retail billing period* to which the charges relate.
- (b) The *statement of charges* must include:
  - (1) the *network charges*, separately identified, in respect of each *shared customer's* premises for which *metering data* was received, or a service request was completed, during that *retail billing period*;

- (2) the *date of issue* of the *statement of charges*, and the *due date for payment*;
- (3) where applicable, the *metering data* for each *shared customer's* premises;
- (4) any adjustments to *network charges* from previous *retail billing periods*; and

**Note:**

See clause 6B.A3.1.

- (5) where applicable, any credits for GSL payments that the *Distribution Network Service Provider* is required to make in respect of a *shared customer's* premises.
- (c) Subject to these *Rules* and the *Retail Market Procedures*, the format of the *statement of charges* must be as agreed between the *retailer* and *Distribution Network Service Provider* or, in default of agreement, as reasonably determined by the *Distribution Network Service Provider*.
  - (d) In this rule:

**GSL payment** means a payment by a *Distribution Network Service Provider* in respect of non-compliance with a *distribution service* standard or *distribution reliability* standard.

**service request** means a request by a *retailer* to a *Distribution Network Service Provider* for a *customer connection service*.

### **6B.A2.5 Time and manner of payment**

- (a) Subject to clause 6B.A3.3(c), a *retailer* must, by the *due date for payment*, pay the full amount specified in a *statement of charges* without set-off.
- (b) Payment must be made into the *Distribution Network Service Provider's* nominated bank account.

## **Division 3 Matters incidental to billing and payment**

### **6B.A3.1 Adjustment of network charges**

- (a) If a *retailer* is not permitted to recover *network charges* from a *shared customer* under the *NERL* or the *NERR*, then neither is the *Distribution Network Service Provider* permitted to recover those charges from the *retailer*.
- (b) Subject to paragraph (a), *network charges* contained in a *statement of charges* may be adjusted to account for any error in, or correction or substitution of:

- (1) *metering data*; or
  - (2) any other amount or factor that affects the calculation of the *network charges*.
- (c) An adjustment under paragraph (b) may be made by a *Distribution Network Service Provider* by including, in a subsequent *statement of charges*, the amount required to be paid by, or credited to, the *retailer* together with an explanation of the adjustment.

**Note:**

See also clause 6B.A3.3.

### 6B.A3.2 Tariff reassignment

- (a) *A retailer*:
  - (1) must, if a *shared customer* informs the *retailer* of a *change* in use of electricity consumption at the *customer's* premises as a result of which the *retailer* reasonably considers that the existing tariff applying to the *customer* should no longer apply; and
  - (2) may, for any other reason, but not more than once in any 12 *month* period in respect of the same premises,  
  
request the *Distribution Network Service Provider* to review the tariff to which the *customer* is assigned.
- (b) The request is to include:
  - (1) the reasons for the request; and
  - (2) any relevant information provided by the *customer*; and
  - (3) the tariff proposed by the *retailer*.
- (c) On receipt of the request, the *Distribution Network Service Provider* must decide whether the tariff should be *changed*.
- (d) The *Distribution Network Service Provider* must inform the *retailer* of its decision and, if the decision is not to *change* the tariff or to assign a tariff other than that proposed by the *retailer*, the *Distribution Network Service Provider* must also inform the *retailer* of its reasons for the decision.
- (e) If the *Distribution Network Service Provider* decides to *change* the tariff, it must make the *change* in accordance with:
  - (1) the requirements of the *NERL* and the *NERR*;
  - (2) any provisions of the *Distribution Network Service Provider's* distribution determination governing the assignment or re-assignment of *retail customers* to tariffs; and

**Note:**

See clause 6.18.4.

- (3) the *Rules* and the *Retail Market Procedures*.

### 6B.A3.3 Disputed statements of charges

If a *retailer* disputes an amount (the **disputed amount**) set out in a *statement of charges*, the following provisions apply:

- (a) The *retailer* must give written notice to the *Distribution Network Service Provider* of the disputed amount and the reasons for disputing payment.

**Note:**

A *retailer* may also give notice pursuant to this clause if it seeks an adjustment under clause 6B.A3.1 or where it disputes an adjustment made under that clause.

- (b) Payment by the *retailer* of all or part of an amount set out in a *statement of charges* does not affect the right of the *retailer* to dispute the amount.
- (c) If the *retailer* has given notice under paragraph (a) and payment of the charges to which the statement relates has not yet been made, the *retailer* must pay the *Distribution Network Service Provider* by the *due date for payment* (unless the *Distribution Network Service Provider* agrees otherwise) the greater of:
- (1) the undisputed component of the *statement of charges*; or
  - (2) 80% of the total amount due under the disputed *statement of charges*;
- (d) The *retailer* must, if the dispute is not resolved by agreement of the parties within 10 *business days* after the date the *retailer* gave notice under paragraph (a), immediately submit the dispute for resolution or determination in accordance with Chapter 8.
- (e) If the *retailer* fails to submit the dispute for resolution or determination in accordance with paragraph (d), the *Distribution Network Service Provider* may submit the dispute for resolution or determination in accordance with Chapter 8.
- (f) Subject to any determination of the *DRP*, if following resolution or determination of the dispute in accordance with Chapter 8, the amount due to the *Distribution Network Service Provider* is:
- (1) more than the amount already paid by the *retailer*, the *retailer* must pay the difference to the *Distribution Network Service Provider* within 3 *business days* of the resolution or determination of the dispute, together with interest on the amount of the difference at the *default rate* for each *day* from the original *due date for payment* to the actual date of payment; or

- (2) less than the amount already paid by the *retailer*, the *Distribution Network Service Provider* must pay the difference to the *retailer* within 3 *business days* of the resolution or determination of the dispute, together with interest on the amount of the difference at the *default rate* for each *day* from the date the *retailer* made the overpayment to the *Distribution Network Service Provider* to the actual date of repayment of the amount of the excess by the *Distribution Network Service Provider*.

#### 6B.A3.4 Interest

If requested, a *Distribution Network Service Provider* and a *retailer* must pay interest at the *default rate* on any amount due to the other under this Chapter that remains unpaid after the *due date for payment*, until the date on which that amount is paid in full.

#### 6B.A3.5 Notification of changes to charges

- (a) A *Distribution Network Service Provider* must notify a *retailer* of:
  - (1) any proposed *changes* in the *Distribution Network Service Provider's* price lists under Chapter 6 (**preliminary information**) no later than 2 *business days* after the date on which the *changes* are notified to the *AER* under these *Rules*; and
  - (2) any *changes* in the *Distribution Network Service Provider's* price lists approved by the *AER* no later than 2 *business days* after the date on which the *AER* notifies the *Distribution Network Service Provider* of the approval; and
  - (3) any *change* in the level of a *network charge* (other than a *network tariff*) as soon as reasonably practicable after the *Distribution Network Service Provider* becomes aware of that *change* and, if the *change* requires the approval of the *AER* under these *Rules*, no later than 2 *business days* after the *AER* advises the *Distribution Network Service Provider* that the *change* (or the resulting charge) is approved by the *AER*.
- (b) A *retailer* must treat preliminary information notified under paragraph (a)(1) as *confidential information*.
- (c) A *Distribution Network Service Provider* has no liability where proposed *changes* contained in preliminary information provided under paragraph (a)(1) are subsequently not approved, or are modified, by the *AER*.

## Part B Credit support regime

### Note:

The *credit support* rules set out in Part B are conduct provisions for the purpose of the NEL.



## Division 1            Application and definitions

### 6B.B1.1    Application of Part B

This Part B (to be known as the **credit support rules**) applies to a *Distribution Network Service Provider* and a *retailer*:

- (a) in respect of *shared customers*;
- (b) in respect of charges for services for which the *retailer* pays the *Distribution Network Service Provider* in arrears in accordance with a *statement of charges* under clause 6B.A2.4.

### 6B.B1.2    Definitions

In this Part:

**credit allowance**—see clause 6B.B3.1

**date of issue** has the meaning given in clause 6B.A1.2.

**default rate** has the meaning given in clause 6B.A1.2.

**due date for payment** has the meaning given in clause 6B.A1.2.

**maximum credit allowance**—see clause 6B.B3.2.

**network charges** has the meaning given in clause 6B.A1.2.

**network charges liability** (or *NCL*)—see clause 6B.B2.3.

**required credit support amount** means the amount by which the *network charges liability* exceeds the *credit allowance* of the *retailer*.

**shared customer** has the meaning given in clause 6B.A1.2.

**statement of charges**—see clause 6B.A2.4.

## Division 2            Requirements for credit support

### 6B.B2.1    Distribution Network Service Provider may require credit support

- (a) A *Distribution Network Service Provider* may require a *retailer* to provide *credit support*, but only in accordance with the *credit support rules*.
- (b) A *Distribution Network Service Provider* may only require a *retailer* to provide *credit support* up to the *required credit support amount*.

### 6B.B2.2    Determining required credit support amount

- (a) A *Distribution Network Service Provider* must calculate the amount by which the *network charges liability* of a *retailer* exceeds the *credit*

*allowance of that retailer, to determine the required credit support amount, in accordance with the credit support rules.*

- (b) *A Distribution Network Service Provider must include in a request to a retailer for credit support, a statement setting out the basis upon which the Distribution Network Service Provider has determined the required credit support amount.*

### 6B.B2.3 Determining a retailer's NCL

- (a) *A Distribution Network Service Provider must estimate the amount of a retailer's average billed and unbilled network charges liability in accordance with the following formula:*

$$NCL = \sum NCLc$$

where NCLc means the forecast *network charges* (determined as an average daily amount for a *retail billing period*) relating to those *shared customers* of the *retailer* for which the maximum *days outstanding (MDO)* is the same, multiplied by that MDO where MDO for those *customers* is calculated as:

$$MDO = FCCP/2 + RBP/2 + IPPL$$

where

FCCP (final customer consumption period) is the number of *days* in the average period of consumption covered in a *statement of charges* issued by the *Distribution Network Service Provider* to the *retailer* in respect of those *customers'* consumption of electricity; and

RBP (*retail billing period*) is the number of *days* in the *retail billing period* applicable to the *retailer*; and

IPPL (invoice preparation and payment lag) is the number of *days* between the end of a *retail billing period* covered by a *statement of charges* and the *date of issue* of the statement, plus the number of *days* allowed for payment of the *network charges* by the *retailer*.

- (b) *A Distribution Network Service Provider must estimate the network charges liability of a retailer:*
  - (1) *as at the date the Distribution Network Service Provider requests credit support from the retailer; or*
  - (2) *on the date the Distribution Network Service Provider recalculates the required credit support amount under the credit support rules.*

## Division 3                    Determining credit allowance for a retailer

### 6B.B3.1    Calculating retailer credit allowance

- (a) A *Distribution Network Service Provider* must determine a *retailer's credit allowance* as set out in this Division.
- (b) A *retailer's credit allowance* is calculated as follows:

$$CA = MCA \times CA\%$$

where;

CA means the *credit allowance* for a *retailer*;

MCA means the *maximum credit allowance* for that *Distribution Network Service Provider* – see clause 6B.B3.2;

CA% (the **credit allowance percentage** for a *retailer*) is the figure expressed as the applicable percentage in the Table in Schedule 6B.1 (which corresponds to the credit rating applicable to the *retailer*) or, where either clause 6B.B3.3 or clause 6B.B3.5 applies, is zero.

### 6B.B3.2    Distribution Network Service Provider's maximum credit allowance

- (a) For the purpose of determining a *retailer's credit allowance*, a *Distribution Network Service Provider* must calculate its *maximum credit allowance* as follows:

$$MCA = TARC \times 25\%$$

where:

MCA means the *maximum credit allowance* for that *Distribution Network Service Provider*;

TARC or total annual retailer charges means the total annual amount of *network charges* billed by the *Distribution Network Service Provider* to all *retailers* as most recently reported by the *Distribution Network Service Provider* to the AER.

- (b) A *Distribution Network Service Provider* must report the TARC to the AER, and the AER must *publish* on its website the TARC for each *Distribution Network Service Provider*.

### 6B.B3.3    Credit rating for retailer

- (a) In determining a *retailer's credit allowance*, a *Distribution Network Service Provider* may use a credit rating advised by the *retailer*.

- (b) Unless the *retailer* provides its guarantor's credit rating under clause 6B.B3.4, a *retailer* must advise a *Distribution Network Service Provider* of its credit rating which may be:
  - (1) a Standard & Poor's, Fitch or Moody's credit rating; or
  - (2) where a *retailer* does not have such a rating, a Dun and Bradstreet dynamic risk score.
- (c) A *retailer* must advise a *Distribution Network Service Provider* of any *change* to its credit rating immediately on becoming aware of that *change*.
- (d) A *Distribution Network Service Provider* may obtain relevant credit rating information about a *retailer* and monitor ongoing *changes* to the *retailer's* credit rating.
- (e) If a *retailer* does not have a credit rating of the type described in paragraph (b) then its *credit allowance* percentage is zero.

#### **6B.B3.4 Calculating credit allowance where guarantor**

- (a) This clause applies in determining a *retailer's credit allowance* where a person (the **guarantor**) provides the *Distribution Network Service Provider* with an unconditional written guarantee of the *retailer's* financial obligations to the *Distribution Network Service Provider*.
- (b) A *retailer* relying on a guarantor must advise a *Distribution Network Service Provider* of its guarantor's credit rating, which may be:
  - (1) a Standard & Poor's, Fitch or Moody's credit rating; or
  - (2) where a guarantor does not have such a rating, a Dun and Bradstreet dynamic risk score.
- (c) A *retailer* must advise a *Distribution Network Service Provider* of any *change* to the credit rating of its guarantor immediately on becoming aware of that *change*.
- (d) A *Distribution Network Service Provider* may obtain relevant credit rating information about a *retailer's* guarantor and monitor any ongoing *changes* to the guarantor's credit rating.
- (e) If the guarantor of a *retailer* provides a guarantee to more than one *retailer*, the guarantor must advise the *Distribution Network Service Provider*:
  - (1) as to how the guarantor's *credit allowance* is divided among the *retailers* on behalf of whom the guarantor provides a guarantee; and
  - (2) the proportion of the guarantor's *credit allowance* allocated to the *retailer*; and

the guarantor's *credit allowance* must be calculated in accordance with clause 6B.B3.1 as though the guarantor were a *retailer*.

#### **6B.B3.5 When no credit allowance will be extended to a retailer**

- (a) No *credit allowance* will be granted to a *retailer* if, at the *time* of the *Distribution Network Service Provider's* request, any of the following apply:
  - (1) within the previous 12 *months*, the *retailer* has failed to pay in full:
    - (i) the charges contained in 3 *statements of charges* by the *due date for payment*; or
    - (ii) the charges contained in 2 consecutive *statements of charges* by the *due date for payment*; or
    - (iii) the charges contained in 1 *statement of charges* within 25 *business days* of the *due date for payment*; or
  - (2) *AEMO* makes a claim on any *credit support* held by *AEMO* in respect of the *retailer's* obligations to *AEMO* under these *Rules*.
- (b) If the *retailer* fails to pay charges contained in a *statement of charges*, but the charges are disputed, and the *retailer* has complied with the requirements of clause 6B.A3.3 in respect of the dispute, the *retailer* will not be considered in default in payment of the disputed charges.
- (c) A *retailer* must notify a *Distribution Network Service Provider* within 1 *business day* if it is not to be granted any *credit allowance* because of the operation of paragraph (a)(2).

### **Division 4 Provision of credit support by retailers**

#### **6B.B4.1 Retailer to provide credit support**

- (a) A *retailer* must, on request by a *Distribution Network Service Provider*, provide *credit support* to a *Distribution Network Service Provider* in accordance with the *credit support* rules.
- (b) The *credit support* provided by a *retailer* must be:
  - (1) for an amount requested by the *Distribution Network Service Provider*, not exceeding the *required credit support amount* calculated in accordance with the *credit support* rules; and
  - (2) provided within 10 *business days* of the *Distribution Network Service Provider's* request; and
  - (3) an acceptable form of *credit support* in favour of the *Distribution Network Service Provider* (see clause 6B.7.2).

### **6B.B4.2 Acceptable form of credit support**

- (a) A *retailer* required to provide *credit support* under these *Rules* must provide the *credit support* in an acceptable form.
- (b) An acceptable form of *credit support* is:
  - (1) a form of *credit support* that the *retailer* agrees to provide, and the *Distribution Network Service Provider* agrees to accept; or
  - (2) an undertaking:
    - (i) substantially in the form set out in Schedule 6B.2; and
    - (ii) issued by a financial institution acceptable to the *Distribution Network Service Provider*.

### **6B.B4.3 Provision of credit support where dispute arises**

- (a) A *retailer* must provide *credit support* requested by a *Distribution Network Service Provider* by the due date even though;
  - (1) the *retailer* disputes the *Distribution Network Service Provider's* entitlement to the *credit support* (in whole or in part); and
  - (2) the dispute remains unresolved.
- (b) Where a *DRP* determines that a *Distribution Network Service Provider* was not entitled to the *credit support* provided by the *retailer* in whole or in part, the *Distribution Network Service Provider* must:
  - (1) reimburse the *retailer* for any costs incurred to procure the *credit support* (including the costs of funding any cash collateral provided to the issuer of *credit support*), in excess of the costs that the *retailer* would have incurred if the correct amount had been requested; and
  - (2) pay the *retailer* interest at the *default rate* on the amount of those excess costs.

## **Division 5 Other Rules relating to credit support**

### **6B.B5.1 Top up of credit support**

- (a) A *retailer* must ensure that at all *times* the aggregate undrawn amount of the *credit support* is not less than the amount requested by a *Distribution Network Service Provider* in accordance with clause 6B.B2.1, adjusted as required in accordance with a request under paragraph (b).
- (b) If at any *time* the aggregate amount of uncalled *credit support* held by a *Distribution Network Service Provider* is less than 90% of the *required credit support amount*, the *Distribution Network Service Provider* may require a *retailer* to increase the amount of the *credit support* to an amount

not exceeding the *required credit support amount*, and the *retailer* must comply with that requirement within 10 *business days*.

#### **6B.B5.2 Reduction of credit support**

If the aggregate amount of uncalled *credit support* held by a *Distribution Network Service Provider* is more than 110% of the *required credit support amount*, the *Distribution Network Service Provider* must on request by a *retailer* and in conjunction with the *retailer*, do all things necessary to reduce the aggregate amount of uncalled *credit support* held by the *Distribution Network Service Provider* to the *required credit support amount*.

#### **6B.B5.3 Application of credit support**

A *Distribution Network Service Provider* may only apply or draw on the *credit support* if:

- (1) the *Distribution Network Service Provider* has given not less than 3 *business days* notice to a *retailer* that it intends to apply or draw on the *credit support* in respect of an amount due and payable by the *retailer* to the *Distribution Network Service Provider*, and that amount remains *outstanding*; and
- (2) there is no unresolved dispute under clause 6B.A3.3 about the *retailer's* liability to pay that amount.

#### **6B.B5.4 Return of credit support**

- (a) This clause applies if:
  - (1) a *Distribution Network Service Provider* and a *retailer* no longer have any *shared customers*; or
  - (2) the *required credit support amount* of a *retailer* is zero.
- (b) A *Distribution Network Service Provider* must pay, cancel or return to a *retailer* as appropriate, any balance of *credit support outstanding* after payment of all amounts owing by the *retailer* to the *Distribution Network Service Provider*.

#### **6B.B5.5 Other retailer obligations**

- (a) A *retailer* must not take any steps to restrain (by injunction or otherwise):
  - (1) an issuer of *credit support* from paying out, or otherwise satisfying, a claim properly made by the *Distribution Network Service Provider* under the terms of the *credit support*; or
  - (2) the *Distribution Network Service Provider* from making a claim on the *credit support* in accordance with the *credit support* rules; or

- (3) the *Distribution Network Service Provider* using the money obtained by calling on the *credit support*.
- (b) A *Distribution Network Service Provider* may disclose to its financiers, the *AER* or *AEMO* that it has required or called on *credit support provided* by the *retailer* under the *credit support* rules.

## Schedule 6B.1

(Clause 6B.B3.1)

### Credit support allowance percentages

Standard and Poor's / Fitch Rating	Moody's Rating	Dun and Bradstreet dynamic risk score	Credit allowance (% of Maximum)
AAA	Aaa		100.0%
AA+, AA, AA-	Aa1, Aa2, Aa3	Minimal	100.0%
A+, A, A-	A1, A2, A3	Very Low	100.0%
BBB+	Baa1	Low	52.9%
BBB	Baa2	Average	37.5%
BBB-	Baa3		22.0%
BB+	Ba1		17.0%
BB	Ba2	Moderate	11.0%
BB-	Ba3	High	6.7%
B+	B1	Very High	3.3%
B	B2		1.4%
B-	B3	Severe	0.9%
CCC/CC	Caa, Ca, C		0.3%



## Schedule 6B.2

### Prescribed form of unconditional undertaking for credit support

(Clause 6B.B4.2)

In this deed:

- (a) ABC Ltd (ACN ... ..) is the *retailer*; and
- (b) DEF Ltd (ACN ... ..) is the *Distribution Network Service Provider*; and
- (c) GHI Ltd (ACN ... ..) is the Financial Institution.

The Financial Institution unconditionally undertakes to pay, on demand by the *Distribution Network Service Provider*, to the *Distribution Network Service Provider* any sum or sums up to a maximum aggregate of \$.....

The payment or payments are to be made forthwith and unconditionally, without reference to the *retailer*, and despite any instruction from the *retailer* not to make the payment or payments.

A demand for payment under this deed is to be made on behalf of the *Distribution Network Service Provider* by .....[*name of person authorised to act on behalf of the Distribution Network Service Provider*]

This deed is terminated if:

- (a) the *Distribution Network Service Provider* notifies the Financial Institution that it no longer requires the Financial Institution's undertaking; or
- (b) the Financial Institution pays to the *Distribution Network Service Provider* a sum or sums amounting to its maximum aggregate liability under this deed; or
- (c) the parties agree to terminate it.

Executed as a deed at ..... this ..... day of ..... 20.....