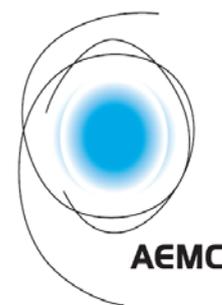


Retailer-distributor credit support requirements – Rule Change Request Section 108A (NEL) / section 320 (NGL)



Purpose

The Commission is required under section 108A of the National Electricity Law (NEL) and section 320 of the National Gas Law (NGL) to publicly report on rules not made within 12 months of the publication of the notification of the commencement of the rule change process.

Background

On 20 March 2014, the Council of Australian Governments Energy Council (COAG Energy Council) submitted to the Commission a rule change request to amend the retailer insolvency cost-pass through provisions in the National Electricity Rules (NER). On 30 October 2014, the Commission published a notice under section 95 of the NEL commencing the rule change process.

On 19 January 2015, AGL submitted two rule change requests to the Commission. The rule change requests seek to amend the retailer-distributor credit support requirements in the NER and the National Gas Rules (NGR). On 28 May 2015, the Commission published a notice under section 95 of the NEL and section 303 of the NGL commencing the rule change processes. In addition, on 28 May 2015, the Commission published a notice under section 93 of the NEL consolidating the COAG Energy Council rule change request and the AGL rule change request related to the NER.

On 25 September 2015, Jemena Gas Networks (NSW) submitted a rule change request to the Commission to amend the retailer insolvency cost-pass through provisions in the NGR. On 22 October 2015, the Commission published a notice under section 303 of the NGL commencing the rule change process. In addition, on 22 October 2015, the Commission published a notice under section 300 of the NGL consolidating the Jemena Gas Networks (NSW) rule change request and the AGL rule change request related to the NGR.

Both consolidated rule change requests are being examined together in a single process.

Reasons for the rule determination not being made within 12 months

On 19 February 2015, under section 107 of the NEL the Commission extended the timeframe for making a draft determination on the COAG Energy Council rule change to allow the similar issues raised in this rule change request to be considered with the rule change requests submitted by AGL.

Under section 107 of the NEL and 317 of the NGL, the Commission has twice extended the timeframe for making a draft determination due to the detailed and complex nature of the rule change requests.

On initiation of the rule change process, the Commission extended the time for making a draft rule determination to 18 February 2016. The Commission considered the extension necessary as:

Retailer-distributor credit support requirements – Rule Change Request

Section 108A (NEL) / section 320 (NGL)

- The issues raised by the rule change requests are complex and require substantial consideration and modelling to adequately assess the issues raised in the rule change requests;
- The AGL rule change requests were consolidated with the retailer insolvency cost pass-through provision rule change request given the similarity of the subject matter but the consolidation resulted in additional complexity in relation to the interaction between the credit support provisions and the retailer insolvency cost pass-through provisions;;
- The Commission prepared and published an options paper which examined four broad options and included the modelling of the on-going and post-default costs for the various options;
- The options paper allowed the Commission to assess the various options and seek stakeholder input on the options, and their practical implications for distributors and retailers.
- The rule change requests require a broad assessment of the issues raised and the development of principles in determining an efficient rule to address the issues raised.

On 18 February 2016, the Commission extended the time for making a draft determination to 28 July 2016. The Commission considered that an extension was necessary as:

- The Commission published an options paper but further work was required to develop detailed design of some options to allow a proper assessment of the rule change requests by the Commission;
- The Commission prepared a detailed design of a retailer default fund which included a consideration of the appropriate fund size, how contributions would be determined and collected, governance of the retailer default fund and the claims process for distributor if a retailer default were to occur;
- The Commission determined it was necessary to undertake the detailed design work so it could properly assess the retailer default fund and the other options being considered by the Commission;
- Stakeholder workshops were held on the detailed design of the retailer default fund so that the Commission could gather feedback on the design to inform its assessment of the retailer default fund and the options being considered in relation to the rule change requests;

A draft determination will be published under section 99 of the NEL and section 308 of the NGL.

Expected timing for final determination

Based on the requirements in the NEL and NGL, the Commission is currently scheduled to publish a final rule determination on 3 November 2016.