

Ms Anne Pearson
AEMC Senior Director
Australian Energy Market Commission

Lodged online

20 October 2015

Marjorie Black House
47 King William Road
Unley SA 5061

P. 08 8305 4222
F. 08 8272 9500
E. sacoss@sacoss.org.au
www.sacoss.org.au

ABN 93 197 662 296

Dear Ms Pearson,

SACOSS and St Vincent de Paul thank the Commission for the opportunity to comment on the Options Paper on the Retailer-Distributor Credit Support Requirements Rule Change Proposal.

We understand this Rule Change Proposal hinges on the risks associated with retailer default and commend the AEMC for considering the AGL, COAG Energy Council and Jemena Proposals in a consolidated rule change request. We believe the principles underlying the request will have a critical bearing on the final decision, given the wide disparity of approaches to the risk issues and the varied interests of stakeholders and how they are differently impacted by different arrangements.

We note the principles as set out in the AEMC consultation paper:

- the rule allocates appropriate risks to the parties that have the information, ability and incentives to best manage each risk in order to minimise the long-term costs to consumers;
- the rule takes into account the risk of retailer default and the impact of default;
- the rule takes into account the trade-off between flexibility and regulatory certainty;
- the rule takes into account the potential impact on barriers to entry and competition for retail businesses; and
- the rule takes into account the impact on customers from changes in network revenue as a result of the revenue and pricing principles.

We support the above principles with the addition of two considerations:

- the rule takes into account which parties bear the risk and gives consideration to allocation of risk on that basis;
- the rule minimises significant price impacts on customers in both the ongoing costs and post default scenarios.

We believe that these two additional principles are important considerations in determining the appropriate mechanism for dealing with retailer default. They consider placing the risk at the feet of the parties who have a duty to manage that risk and they ensure that customers are not unfairly impacted by the management of foreseeable risks.

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,

Jo De Silva
Senior Policy Officer, SACOSS

Gavin Dufty
Manager Policy and Research, St Vincent de Paul