

25 June 2020

Mr. John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street,
Sydney NSW 2000.
201 Elizabeth Street Sydney NSW, 2000

AEMC Consultation: National Electricity Amendment (Deferral of Network Charges) Rule 2020

Submitted online: www.aemc.gov.au/contact-us/lodge-submission. **Your reference** – erc0302

Dear Mr. Pierce

Thank you for the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC) consultation on the National Electricity Amendment (Deferral Of Network Charges) Rule 2020.

Next Business Energy P/L (NBE) is a 100% Australian owned and operated electricity retailer. NBE is focussed on providing competitively priced electricity to businesses in Victoria, New South Wales, South Australia, Queensland, and the Australian Capital Territory.

Next Business Energy is supportive of the implementation of a Deferral of Network Charge Rule to assist retailers manage their cashflows. NBE does not consider that the ability to defer Network Charges is something a retailer must qualify for, as this is merely a deferral of payment, not a request for charges to be waived. Next Business Energy similarly does not request its customers to qualify for the payment deferrals being requested and are expected to be applied.

NBE considers that this COVID-19 pandemic is one that could not have been foreseen when a retailer applied for its licence, and that the Statement of Expectations, issued by the AER is, in effect a Force Majeure event forcing retailers to extend payment terms and stop normal collection activities for the duration of the emergency. NBE also expects that the impact on retailer cashflows may not be fully realised until after January 2021, when the impact of withdrawal of government assistance packages will begin to impact businesses and residents.

Please find attached our completed comments table.

Should you require any further information regarding this submission, please do not hesitate to contact Andrew Mair, Manager Regulatory and Compliance on 0419 388 283 or via email at andrew@nextbusinessenergy.com.au

Yours sincerely



David Hayes
Chief Executive Officer

www.nextbusinessenergy.com.au

ATTACHMENT 1

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper. Stakeholders are also encouraged to provide evidence to support claims where possible.

SUBMITTER DETAILS

ORGANISATION: Next Business Energy P/L

CONTACT NAME: Andrew Mair

EMAIL: Andrew@nextbusinessenergy.com.au

PHONE: 0419388283

CHAPTER 4 – SECTION 4.1 – THE PROBLEM - IMPACT OF COVID-19 ON THE RETAIL ELECTRICITY MARKET

Question 1 – Impact of COVID-19 on retailers

<p>a) What is the expected impact of COVID-19 on retailers' cash flows? How material is this impact? How long are these cash flow impacts expected to last?</p>	<p>Next Business Energy (NBE) expects that cashflows will be impacted moderately. Business Customer usage has reduced, but not as significantly as was first forecast, as government interventions has kept businesses operating. Few businesses went into "hibernation". Next Business Energy expects these conditions to continue for the next 6 to 12 months, depending how/when government interventions are wound up, and when restrictions on businesses are lifted. Next Business Energy expects that when Job Keeper/Saver programs are withdrawn that retailers will see a spike in insolvencies and business closures.</p>
<p>b) In the absence of the proposed rule change, what options are available to retailers to manage the cash flow impacts of COVID-19? Are existing support schemes that have been announced, including the Network Relief Package, sufficient to assist retailers to manage these impacts? If not, what are the areas where further assistance is needed?</p>	<p>In the absence of this rule change, and with the current prohibition on disconnection of premises there remain few levers that retailers can use to impact cashflows, where customers are slow or refuse to pay. While the Network Relief Packages are welcome, they are not particularly useful to a retailer such as NBE with most of our customers being small to medium business customers. In addition, most business customers elected to continue to operate using the Job Keeper initiative, continuing their usage at near normal levels and therefore not qualifying for Network Relief. This has also meant that Businesses have not closed, which means that we cannot close or write off accounts, and apply for network relief.</p> <p>NBE believes that the AER Statement of Expectations needs to be amended to allow retailers to disconnect businesses that are not paying payments, but are using energy, as well as Occupier accounts where there is usage, but no payment/contract.</p> <p>NBE considers that the impact of the COVID-19 emergency, on retailers' systems (reporting); bad-debt; extended payment terms to business customers; and increase in Hardship cases should be explicitly factored into the Default Market Offer price calculations for the 21-22 period.</p>
<p>c) What are the expected impacts of the proposed rule change on any cash flow issues currently being experienced by retailers as a result of COVID-19?</p>	<p>NBE considers that the proposed change would potentially assist a retailer to a moderate degree with cashflow issues, however, as the payments are only deferred any retailer would need to ensure that they are able to make the payment as well as their normal network payment at the end of the deferral period.</p>

CHAPTER 4 – SECTION 4.2.1 – ELIGIBILITY TO DEFER PAYMENT OF NETWORK CHARGES

Question 2 – Retailer eligibility

<p>a) Is it appropriate and/or necessary to expressly exclude certain classes of retailer from deferring the payment of network charges under the proposed rule change? If so, please provide reasoning to support your position.</p>	<p>NBE does not consider that it is appropriate to exclude any retailer or class of retailer from this rule change.</p>
<p>b) If the onus is placed on retailers to show they have a legitimate financial need to access the proposed deferral mechanism, what eligibility criteria should apply?</p>	<p>While NBE does not consider that there should be any requirement for retailers to prove their legitimate financial need, NBE recommends such a process for authorisation should be timely, strictly confidential, and centralised, confer minimal cost, and use information that is already available within retailers businesses.</p>
<p>c) What would be an appropriate and efficient process for the verification of information provided by retailers under the approach described in (b) above?</p>	<p>NBE recommends that the AER should manage such a process, and then provide the 'certification' to all distributors. This certification should not be published but supplied directly to a nominated distributor contact.</p>
<p>d) Do stakeholders have views on how the deferral mechanism could be designed to incentivise only those retailers that legitimately require immediate financial support due to COVID-19 to access this mechanism (including allowing DNSPs to charge interest on deferred payments)?</p>	<p>NBE does not consider that there is a need to incentivise retailers, as the fact that the payment is only deferred, and would be required to be repaid in a month, where they will also be repaying their "normal" network payment, and stressing that month's cashflow.</p>
<p>e) Do stakeholders have views on whether any of the approaches outlined above (or a combination of each) would be preferable?</p>	<p>NBE does not consider any of the approaches outlined to be preferable.</p>

Question 3 – Customer eligibility

a) Do stakeholders have views on the types of customers that should be captured by the proposed deferral mechanism and how these customers can be clearly defined in the NER? Is it appropriate and/or necessary for this mechanism to include large commercial and industrial customers?	NBE considers that all customers less than 100whh per annum should be eligible under the proposed rule. NBE also believes that and that there should be a mechanism for “large” sites to be included if they are in an industry that has been recognised as being particularly impacted by the COVID-19 pandemic (airlines, restaurants, clubs etc.).
---	---

CHAPTER 4 – SECTION 4.2.2 – DEFERRAL TIMEFRAME AND TERMS

Question 4 – Length of deferral period

a) Is a six-month deferral of the payment of network charges an appropriate timeframe, having regard to the potential cash flow impacts of COVID-19 on the retail electricity market in the second half of 2020? Alternatively, would a shorter deferral timeframe be sufficient to allow retailers to overcome the financial pressures posed by the current environment?	The current proposed six-month deferral may not be appropriate, as the economic impact of the removal of government support schemes (in September 2020) and social distancing measures may not become apparent until 3 rd quarter 2021. NBE does not consider that a shorter deferral period is appropriate.
b) What are the implications (if any) of a six-month deferral period for NSPs, compared to a shorter or longer deferral period?	No comment

Question 5 – Extension of deferral period

a) Is it appropriate and/or necessary for the AER to have the ability to extend the deferral period if this is considered necessary? If so, what conditions, considerations and/or consultation requirements should reasonably apply to the exercise of this power?

Yes – as NBE commented in Question 4a, the economic impact of the removal of government support schemes (in September 2020) and social distancing measures may not become apparent until 3rd quarter 2021.

CHAPTER 4 – SECTION 4.2.3 – DEFERRAL OF PAYMENTS BETWEEN DNSPS AND TNSPS

Question 6 – Deferral of payment of transmission network charges

a) Is it necessary and/or appropriate for DNSPs to be able to defer the payment of transmission charges to TNSPs under the proposed deferral mechanism? To what extent would this change the overall impact of the proposal on DNSPs? What would the impact of this approach be on TNSPs?	No comment
b) Do stakeholders have views on how the deferral of payments from DNSPs to TNSPs would be implemented in practice? What issues would need to be addressed in the regulatory framework to facilitate this?	No comment

CHAPTER 4 – SECTION 4.3 – PRACTICAL IMPLEMENTATION OF PAYMENT DEFERRALS

Question 7 – Process for deferring payment of network charges

a) Do stakeholders have views on appropriate processes which could be adopted to facilitate the proposed payment deferrals in an expedient manner?	NBE believes that the most effective process to adopt, would be use of the current network remittance disputes process for a retailer to 'dispute' those charges as is appropriate.
b) Could the processes agreed between retailers and NSPs for implementing the Network Relief Package also be used to implement the AER's proposal?	Yes.
c) If the details of this process are not prescribed in the NER, what alternative approaches would ensure that the payment deferrals could be administered in a transparent, consistent and efficient manner? Is it feasible for the details of this process to be directly agreed between NSPs and retailers?	If not prescribed in the NER, NBE would recommend that a guideline be drafted by the AER and quickly published.

CHAPTER 4 – SECTION 4.4 – IMPACT ON NSPS

Question 8 – Impact of proposed deferral mechanism on NSPs

a) Would a six-month deferral of the payment of network charges present a material financial risk to NSPs? If so, are there ways of addressing or reducing these risks through the design of the deferral mechanism?	No comment
b) Do NSPs have views on whether, in practice, the annual pricing proposal process would allow NSPs to recover any deferred revenue in the following regulatory year as described above? Are there any issues that may arise in seeking to utilise this process for this purpose?	No comment
c) Do stakeholders have views on whether NSPs should be reimbursed for direct costs incurred as a result of the deferred payments and, if so, what would be the best mechanism for achieving this?	No comment
d) If NSPs were to be reimbursed for their efficient costs (as well as recovering their total regulated revenue), do NSPs consider there would be any residual risk to their business arising from the deferral of network charges?	No comment