Queensland Government
Department of
Natural Resources, Mines and Energy

18 June 2020

Mr Benn Barr
Chief Executive
Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2000
By online submission

Dear Mr Barr

Consultation paper: Deferral of Network Charges

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER's) proposed rule change for retailers to defer payment of network charges for a six month period to 31 December 2020.

The Queensland Department of Natural Resources, Mines and Energy (DNRME) appreciates the difficulties that retailers may face during this difficult period. However, I am concerned that the proposed rule is too broad, transfers costs and risks to the networks and that importantly, no early consideration has been given to the value of amending the existing Retailer of Last Resort (RoLR) provisions to better support customers.

DNRME urges the Australian Energy Market Commission (AEMC) and other market bodies to work with COAG Energy Council members to address design issues with the RoLR framework identified by the AER, including providing faster and easier access to market offers by RoLR customers. These amendments would be time-limited and could form part of the Energy Council's toolkit to respond to continuing economic issues arising from COVID-19.

While there appears to be limited evidence of the impact of COVID-19 on retailers, the consultation on the proposed rule change may provide additional clarity. However, I can confirm that early discussions with some large (Tier 1) retailers operating in Queensland suggest that while initially there was a spike from customers seeking information or hardship support, these numbers have lowered. Commonwealth and Queensland Government initiatives have significantly helped to support customers experiencing financial difficulties. Of note, the Queensland Government Utility Bill rebate of $200 for residential and $500 for small customers as a direct rebate on electricity bills has provided immediate support to Queenslanders. However, I do note that issues may arise again for retailers when a number of these initiatives conclude in August/September this year.

Should the AEMC proceed with the rule change, it is critical that any significant risks be mitigated by:

- strictly restricting which retailers can access deferrals; and
- time limiting application of the rule, so the implications and evidence can be assessed.

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DNRME recommends that Tier 1 and government-owned retailers (either partly or wholly) be excluded from the rule change. These businesses should have sufficient financial backing to address customer non-payment issues within a reasonable period. Further, should the proposed rule proceed, the Queensland Government will manage deferral of payment arrangements between the publicly owned distribution and transmission networks.

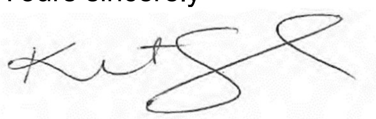
Equally, it is critical that the proposed rule is only available to those remaining retailers that legitimately require immediate financial support due to COVID-19 and are unable to access support via other avenues. The approach set out in the New Zealand Electricity Industry Participation Code – particularly obligations on retailers to establish they were financially sound prior to COVID-19, have been materially impacted as a result of COVID-19 and cannot recover this impact through other facilities or support from shareholders – appears reasonable to achieve this end.

DNRME would also support a maximum six month deferral period. The period seems reasonable as it provides support to businesses that will likely still be in recovery in the second half of 2020. However, it must be stressed that the longer the deferral period, the less likely retailers accessing the arrangements will be able to repay monies owed, exacerbating pressure not only on those retailers, but also generators and network businesses who rely on a steady and financially secure energy sector.

DNRME does not support the approach whereby the AER would have the ability to extend the deferral period if this is considered necessary. We would expect that any extension would require a new rule change which could be largely developed before the initial six months has expired. If a further six months is required, then broader government response may be needed.

Should you have any further enquiries, please contact myself or Ms Gayle Leaver, Executive Director, Consumer Innovation, DNRME via email at: Gayle.Leaver@dnrme.qld.gov.au or on telephone (07) 3166 0170.

Yours sincerely



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