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Kimberlee McKay  
Director  
Utilities Commission  
GPO Box 915  
Darwin NT 0801

By email: [Kimberlee.mckay@nt.gov.au](mailto:Kimberlee.mckay@nt.gov.au)

Dear Ms McKay

### **Electricity Retail Supply Code review – Issues Paper**

I thank you for the opportunity for Territory Generation (TGen) to comment on the *Electricity Retail Supply (ERS) Code Review – Issues Paper* (the Issues Paper).

TGen responds to Questions 1 and 2 – Relevance and effectiveness of the *ERS Code* together with responses to Questions 3, 4 and 5 – Credit Support Requirements.

#### **Question 1:**

In general, is the ERS Code still relevant for the Territory's electricity supply industry? Why?

#### **TGen response:**

Yes. Prior to 2011, the Territory's electricity supply regulatory framework did not contain any specific requirements to facilitate retail supply activities between electricity entities. The Utilities Commission made the *ERS Code* in 2011 to address the gap and provide electricity entities certainty about the rules and obligations associated with retail supply activities.

The *National Energy Retail Rules (NERR)* govern the sale and supply of electricity and natural gas from retailers and distributors to customers in NSW, Queensland, South Australia and the ACT but not in the Northern Territory. The *ERS Code* provides some customer protections and provides electricity entities certainty about the rules and obligations associated with retail supply activities.

As stated in the Utilities Commission's issues paper, the Office of Sustainable Energy is undertaking an analysis of an appropriate customer protection framework for the Territory including consideration of the Commission's recommendations in its 2019-20 Energy Retail review and previous reviews. The report is yet to be released. It will take time for the creation and implementation of a suitable new energy framework for the Territory.

The ERS Code remains relevant until it is replaced by a new framework.

#### **Question 2:**

Are there any matters that should be removed or added to the *ERS Code* to make it more relevant and/or effective given the current state of the Northern Territory electricity industry?

#### **TGen response:**

Yes. Suitable amendments need to be made to the *ERS Code* in the area of Credit Support Requirements. This is addressed fully by TGen in its responses to Questions 3, 4 and 5 below.

**Question 3:**

Should the *ERS Code* include a clause to allow generators to request a retailer to provide credit support if they have poor payment history, even if they have an acceptable credit rating as defined in the *ERS Code*? Why?

**TGen response:**

TGen believes that a generator should be allowed to request a retailer to provide credit support if they have a poor payment history. Although the current mechanism of linking a requirement for credit support to the credit rating of a retailer is reasonable for the establishment of a trading relationship, it bears no reflection to the actual performance of the retailer in settling their accounts in a timely manner. As such a retailer with an acceptably strong credit rating so as to not require credit support arrangements who in practice does not settle their debts presents an unmanageable credit risk to the generator.

TGen agrees with the proposed amendments verbatim in the Issues Paper with respect to the Credit Support provisions. TGen further submits that the Commission's position is supported in the *national energy framework* which includes retailer-distributor credit support requirements, to provide a mechanism for distributors to manage the risk of retailer default. Under that framework, in relation to electricity and gas, a distributor may request credit support from a retailer in certain circumstances.

**Question 4:**

If the answer to question 3 is yes, should the definition of 'poor payment history' be similar to that defined in the *national energy framework's* retailer distributor credit support requirements? If not, how should it be defined?

**TGen response:**

Yes.

**Question 5:**

If the answer to question 3 is yes, is a credit support amount equal to the amount of the last statement of charges that triggered the request for credit support appropriate? If not, how should the credit amount be determined?

**TGen response:**

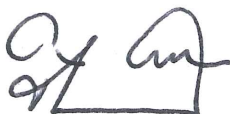
Yes.

**Submissions in conclusion**

TGen is pleased that the ERS Code review is being undertaken and that TGen had the opportunity to provide this submission.

Should you require any further information on this matter, or require any clarification, please do not hesitate to contact Hieu Nguyen, General Counsel and Company Secretary on 08 7979 2509 or at [hieu.nguyen@territorygeneration.com.au](mailto:hieu.nguyen@territorygeneration.com.au).

Yours sincerely



Gerhard Laubscher  
**Chief Executive Officer**

30 August 2021