

Response to the Office of Energy
Electricity Market Review
Issues Paper



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The following comments are made in addition to the previous submission that was made by Alinta.

Review of Electricity Tariff Arrangements

3. Comments are sought on the approach of treating network costs as a pass through in setting tariffs.

Alinta Sales Pty Ltd (Alinta) is of the opinion that changes in network charges should be treated as a direct pass through to consumers. This is the best way to ensure that tariffs charged to customers are cost reflective.

5. Comments are sought on a pass through approach for the costs of greenhouse gas mitigation measures.

Alinta supports the pass through approach for the costs of greenhouse gas mitigation measures. This would provide an accurate way of ensuring actual costs associated with compliance with greenhouse gas related legislation is reflected to customers.

Tariffs for Larger Consumers

Alinta does not support the suggestion that a rate review mechanism, as utilised by other industries in international industries, be established to allow customers to seek independent assessment of prices offered. The resources required to establish such a mechanism would be significant. The mechanism would also be open to abuse by customers seeking reviews as a matter of fact. In turn retailers would have to build into their tariffs the cost of such reviews, leading to higher prices than would otherwise be necessary. Alinta believes that the competition in the market place should be sufficient protection for large customers to obtain reasonable prices.

23. Are the current customer protection measures sufficient to address possible negative impacts on small use customers as a result of electricity FRC? What further measures are required?

The Code of Conduct for the supply of electricity to small use customers was recently reviewed by industry and consumer representatives and Alinta is of the view that this code provides adequate consumer protection measures in a FRC environment.

24. Are any additional measures required to facilitate the increased rate of customer churn that is to be expected with the move to a fully competitive retail market?

Alinta would be seeking changes to the Customer Transfer Code and the lifting of existing daily limits of customer transfers as the current limit of 20 transfers per day would be impractical in a residential FRC market.

26. There are currently no requirements to prevent a customer from transferring between retailers, even though they may have outstanding debts to a former retailer. Should affected retailers have recourse to additional debt recovery avenues to recover such outstanding payments?

Alinta notes the comments received from the issues paper of August 2007 and is opposed to the introduction of any metering arrangements or threshold amounts for debts involved in customer transfers. Such measures may prove costly in regard to metering and system requirements, yet ineffective.

Alinta is of the view that to implement such measures is not consistent with the existing deregulated gas retail market and if debt is a factor in customer transfer for the electricity market, then this would be viewed as a potential barrier to entry.

28. What are the implications if interval meters are not rolled out with a move to FRC introduction requiring the use of deemed profiles? What implications would deemed profiling have for the operation of the WEM and the retail electricity market? What issues could arise with the use of deemed profiling to facilitate customer transfers?

With the use of profiling some averaging across customer classes will obviously occur. This will implicitly lead to cross subsidies between consumers in the same profile group, paying the same tariff as the tariff would be cost reflective for the average profile rather than the individual actual profile. However, it is Alinta's view that introduction of electricity FRC should not be held up by any delay in introducing interval metering.

Alinta can see no particular issues with the operation of the WEM if a profiling solution were to be introduced as such a solution would indeed be a proxy to having all customers interval metered.

36. Comments are sought on the differences in the costs and benefits of a roll-out of smart meters in Western Australia. In particular comments are sought on:

(c) whether a distributor or retailer led roll out for smart meters is appropriate, and whether metering services should be contestable.

Alinta is firmly of the view that the management of any roll out for smart metering should be the responsibility of the distributor and retailers should not be involved in this level of metering arrangements.

To have retailers involved adds considerable complexity and additional system requirements for all parties in a FRC environment. These factors should be considered and more detailed information sought from other markets as part of reviewing this option.

Alinta supports making metering services contestable.

37. Comments are sought regarding implementation issues for Western Australia if a policy decision is made supporting an electricity smart meter roll out.

As outlined previously Alinta considers that the roll-out of smart meters is a separate issue to the introduction of FRC and the two matters may need to be considered in isolation depending on proposed timeframes.

A major factor in any planned roll out however to be taken into consideration is the issue of metering and billing systems operated by retailers. Alinta would have to completely review its existing metering and billing system to manage such a change and is unable to provide any estimates of time or cost at this stage, however from a cost perspective it is anticipated that the total cost would be significant.