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Dear Mr Hall

### **Review of Ergon Energy's Minimalist Transitioning Approach - 2010**

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide a submission to the Queensland Competition Authority's (QCA) *Consultation Paper: Review of Ergon Energy's Minimalist Transitioning Approach – 2010* (Consultation Paper), pursuant to clause 6.8.1(d) of the Electricity Industry Code (EIC).

Information sought from Ergon Energy as detailed in the Consultation Paper as well as Ergon Energy's responses are as follows:

***The Authority invites Ergon Energy to submit its views on whether the MTA arrangements should remain in force. The Authority also requests Ergon Energy to include the following information as part of its submission to the Authority:***

- (a) Ergon Energy's performance in the current review period in maintaining its minimum capability requirements prescribed under the MTA provisions as set out in clause 6.8 of the Code.***
- (b) Whether Ergon Energy has been required to respond to a large volume of NMI requests beyond that set out in clauses 6.8.2 and 6.8.3 of the Code. In particular, has Ergon Energy instituted any practices described in clauses 6.8.2(b) and 6.8.2(c), and 6.8.3(b) and 6.8.3(c)?***

For the 2010 review period (1 April 2009 to 31 March 2010, inclusive) Ergon Energy continued to perform well in maintaining its minimum capability requirements prescribed under the Minimalist Transitioning Approach (MTA) provisions as set out in clause 6.8 of the EIC.

Retailer activity in Ergon Energy's distribution area since the commencement of Full Retail Competition (FRC) in the form of National Metering Identifier (NMI) Discovery and NMI Create requests has been minimal. Both the total and maximum daily number of requests received have been, and continue to remain, consistent with the forecast low churn volumes that supported initial implementation of the MTA. In particular:

- At no stage during the 2010 review period, or since the commencement of FRC has the number of NMI Discovery requests exceeded the minimum required capability of 150, on any given business day. Therefore it has not been necessary for Ergon Energy to institute the actions (or a combination thereof) specified in clauses 6.8.2(b) or 6.8.2(c) of the EIC.
- On only eight occasions during the 2010 review period did the number of NMI Create requests exceed the minimum required capability of 40, on any given business day. On these occasions, Ergon Energy temporarily increased its available resources for processing the NMI Create requests in accordance with clause 6.8.3(b)(i) of the EIC, by drawing on additional staff from within its Service Transaction Centre. This ensured that all NMI Create requests were processed within the required timeframes. It has not been necessary for Ergon Energy to institute the actions (or a combination thereof) specified in clause 6.8.3(c).

**(c) *Ergon Energy's view on its ability over the next 12 months to meet retailer requests within the timeframes allowed under the MTA provisions.***

Ergon Energy supports the continuation of the transitional arrangements in their current form and believes that over the next 12 months it can continue to meet retailer requests within the timeframes allowed under the MTA provisions in the EIC based on the following grounds:

- there have been no regulatory or policy changes by the Queensland Government (e.g. to the Community Service Obligation) or the QCA (e.g. to the level of the Notified Prices) that have resulted, or are expected to result, in a material increase in the volume of customer churn in Ergon Energy's distribution area. That is, the delivered cost of energy is expected to remain higher than the Notified Prices, for the majority of Ergon Energy's customers.

In the absence of such change, the level of retailer activity in Ergon Energy's distribution area experienced to date under FRC is not forecast to materially increase in the near future;

- the timing of Ergon Energy's response to retailer requests does not compromise the timeliness of customer transfers between retailers as there may be a lag in the transfer completing, to align with a meter reading at the customer's premises (whether on the Next Scheduled Read date or, from 1 July 2010, a special read for an in situ transfer); and
- there is a requirement under clause 4.9.6(q) of the EIC for retailers to include the NMI and NMI checksum for the premises on a customer's bill, thereby reducing the need for a prospective retailer to undertake a Stage 1 NMI Discovery (whether under the MTA or directly in the Market Settlement and Transfer Solution (MSATS) system).

**(d) *Ergon Energy's view on any perceived benefits and likely cost implications for its business, retailers and customers should the MTA provisions cease to apply.***

Under the MTA arrangements, Ergon Energy is able to rely on a combination of manual and semi-automated systems and processes to meet its standing data needs and those of retailers.

Should the MTA provisions cease to apply then this would likely require Ergon Energy to fully automate its systems in order for it to comply with the more stringent timeframe requirements of clause 6.4 of the EIC. This would result in faster processing and response times for NMI Discovery and NMI Create requests because instead of being completed within 2 business days, as is currently the case, requests would have to be completed in one business day.

However, the costs for Ergon Energy moving to 'Full Capability' (i.e. a fully automated approach) remains significant, including in terms of the integration of Ergon Energy systems to the MSATS interface, the initial population of data in MSATS and the ongoing management of data.

The level of expenditure that would be required on personnel, systems and processes is not warranted by the level of requests anticipated to be received in the medium-term.

Furthermore, this cost would ultimately have to be passed onto customers in the form of higher distribution use of system charges.

Ergon Energy believes that its manual and semi-automated response to NMI Discovery and NMI Create requests under the MTA does not create a barrier to entry for retailers in its distribution area and that it continues to be the most cost effective and appropriate solution.

Ergon Energy recognises that the MTA is an interim measure until such time as churn volumes reach the limitations of manual and semi automated systems and processes. Ergon Energy does not however consider that there is adequate justification at this time for moving from the MTA to a significantly more expensive automated approach for the management of standing data and supports the retention of the MTA in its current form.

If you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact me on (07) 4092 9813.

Yours sincerely



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