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Dear Mr Henry

Review of Ergon Energy's Minimalist Transitioning Approach

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to respond to the Queensland Competition Authority's (QCA) 2009 annual review of the application of the Minimalist Transitioning Approach (MTA) to Ergon Energy, pursuant to clause 6.8.1(d) of the Electricity Industry Code (EIC).

Ergon Energy believes that it can continue to fully meet retailers' and customers' needs under the MTA and supports its continued operation in its current form on the following grounds:

- Retailer activity in Ergon Energy's distribution area since the commencement of FRC in the form of 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 2009 review period (1 April 2008 to 31 March 2009), or since the commencement of FRC has the number of NMI Discovery requests exceeded the minimum required capability of 150, on any given day. It has not been necessary therefore for Ergon Energy to institute the actions (or a combination thereof) specified in clauses 6.8.2(b) of the EIC;
 - On only one occasion during the 2009 review period has the number of NMI Create requests exceeded the minimum required capability of 40, on any given day. On this occasion, Ergon Energy increased its available resources 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 initiated within the required timeframes.
- 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:

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Page 1 of 2

- Retailer activity and the volume of customer churn in Ergon Energy's distribution area has been low as a consequence of the delivered cost of energy being higher than the Notified Prices, for the majority of Ergon Energy's customers;
- The timing of Ergon Energy's response to retailer requests does not compromise the timeliness of customer transfers between retailers as, with limited exception, transfers of in situ customers in Queensland occur on the Next Scheduled Read Date, pursuant to clause 6.6(c) of the EIC. There may therefore be a lag in the transfer completing of up to three months, to align with the meter reading cycle; 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);
- There have been no regulatory or policy changes by 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. 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; and
- Ergon Energy continues to rely on a combination of manual and semi-automated systems and processes to meet its standing data needs. The costs for Ergon Energy moving to 'Full Capability' (i.e. a fully automated approach) therefore remain significant, including in terms of the integration of Ergon Energy systems to the MSATS interface and the initial population of data in MSATS and its ongoing management. 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.

Ergon Energy recognises that the MTA is an interim solution 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 contact Mrs Jenny Doyle, Manager Regulatory Affairs – Tariff Strategy on (07) 4092 9813.

Yours sincerely



Ian McLeod
Chief Executive