

12 February 2013

Peter Allport
Chair
Retail Advisory Group

Dear Peter

Retail Advisory Group recommendation on establishing a process to manage retailer default situations

On behalf of the Electricity Authority Board, I want to thank you and the members of the Retail Advisory Group (RAG) for your report and recommendations on establishing a process to manage retailer default situations. The RAG has made significant steps toward achieving a solution to an issue that has been considered by the electricity sector for many years.

The Board considers that the RAG proposal represents a sound basis for establishing an efficient approach for managing retailer default situations. The Authority will use the RAG recommendations to prepare draft amendments to the Electricity Industry Participation Code 2010 (Code), and draft guidelines, to give effect to a process for managing retailer default situations. The Authority intends consulting on the proposed Code amendments and draft guidelines in the near future.

The Board has one concern about the RAG proposal that will be investigated further through the consultation. Specifically the Board sees a potential risk for the Authority to be held responsible for the financial health of retailers that are allocated customers during the proposed retailer default process. Further, the Board would also like to consider, through the consultation process, if there are alternative approaches to the mandatory allocation of customers, such as an auction or tender approach.

The Authority does not intend establishing a technical working group to assist Authority staff to develop draft guidelines for managing a retailer default. Instead, the Authority will seek feedback from participants and others on the draft Code and draft guidelines through workshops. The Authority considers that workshops will allow interested parties to contribute to the development of the arrangements, but in a shorter timeframe, and more cost effectively, than if a working group were established.

Again, please accept my thanks for the RAG's efforts in developing a proposal for managing retailer default situations that has received wide support from consumers and participants.

Yours sincerely

A handwritten signature in blue ink that reads "Carl Hansen". The signature is written in a cursive style with a large initial "C" and a stylized "H".

Carl Hansen
Chief Executive