



ENERGY & WATER
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Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

26 April 2018

Dear Mr Pattas

**Submission to the Australian Energy Regulator (AER):
SA Power Networks 2020 Regulatory Determination Framework and Approach**

The Energy and Water Ombudsman (SA) Limited (“EWOSA”) welcomes the opportunity to comment on the Australian Energy Regulator’s Preliminary Framework and Approach Paper for the *SA Power Networks 2020 Regulatory Determination*.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We support the new grouping of distribution services provided by SA Power Networks and the service classifications applying to them in the AER’s preliminary position. The changes to the classifying of metering services are appropriate, given the introduction of contestability in metering services from 1 December 2017. We also agree with the reclassification of non-standard connection services and public lighting as alternative control services, as well as the classification of ancillary services as alternative control services.

Reclassifying some distribution services – which were previously classified as negotiated distribution services – as alternative control services brings these services firmly within the regulatory control of the AER. We believe this is appropriate for many of the reasons outlined in the Framework and Approach Paper. In addition, this classification reduces the scope for new business models to develop in the absence of customer protections being sufficiently considered.

The experience with metering contestability in South Australia suggests that when distribution services are opened up to competition without customer protections being considered as much as they should be, some energy consumers can be made worse off. In particular, some energy consumers have been without power due to delays in installing new advanced meters and others have missed out on the benefits of generating solar power due to delays in installing solar meters.

EWOSA has received a significant and rising number of complaints associated with the introduction of metering contestability as a result. In December 2017, there were 17 metering contestability complaints. By March 2018, metering contestability complaints reached 160. Over the first four months of metering contestability, EWOSA received around 350 complaints.

Reflecting these problems, the Commonwealth Government's Minister for the Environment and Energy has submitted a rule change request to the Australian Energy Market Commission to provide protection to customers by introducing a rule that would specify timeframes for the provision of new meters. Ideally, such changes to the National Electricity Rules and/or National Energy Retail Rules would occur when contestability is introduced for services that were previously provided by distribution businesses.

Regarding the forms of control to apply to the services provided by SA Power Networks, we support revenue caps for direct control services and pricing caps for alternative control services. The application of pricing caps for alternative control services would provide certainty for both customers and SA Power Networks, compared to such services being classified as negotiated distribution services. It would particularly reduce the potential for SA Power Networks to charge monopoly prices for a service compared to charging efficient prices, as intended by the AER pricing caps.

We support the proposed approach to applying the various incentive schemes operated by the AER to SA Power Networks, including the likely revised Service Target Performance Incentive Scheme. It is important to note that the Essential Services Commission of South Australia is reviewing the service and reliability standards, as well as the Guaranteed Service Level payments scheme, that would apply to SA Power Networks for the 2020-25 regulatory period.

We also support the proposed application of the Expenditure Forecast Assessment Guideline and the ongoing use of the forecast depreciation approach for rolling forward the Regulatory Asset Base for the start of the next regulatory period.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



Antony Clarke
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