



EnergyAustralia

8 November 2018

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
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Dear Mr Pattas

Preliminary Framework and Approach for AusNet Services, CitiPower, Jemena, Powercor and United Energy for the regulatory control period commencing 1 January 2021

EnergyAustralia welcomes the opportunity to make this submission to the AER's Preliminary Framework and Approach for the Victorian electricity distributors for the regulatory control period commencing 1 January 2021. We are one of Australia's largest energy companies, with over 2.6 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

EnergyAustralia supports the AER's preliminary framework and approach for Victorian distributors for the 2021-2025 regulatory control period. We note, the AER is considering revising the framework and approach to reflect rule changes and the development of new incentive schemes and regulatory guidelines that will apply to the Victorian distributors. We support this approach and encourage the AER to aim for consistency with terminology and harmonisation across jurisdictions where possible. The AER's proposal to apply the Distribution Service Classification Guideline and Exempt Assets Guidelines in making the final framework is a sensible approach. This is a sensible approach for future proofing any potential changes if metering contestability is adopted in Victoria. This approach should also be extended more broadly to the AER's decisions on service classifications to encourage cost efficiencies.

Service Delivery

EnergyAustralia currently retails in 10 different electricity distribution areas over four jurisdictions, and subsequently deals with 10 different organisations to deliver energy to customers. It is essential for seamless service delivery and customer experience that our IT systems and processes interface seamlessly with distributors for steps in the service delivery process where B2B transactions between retailer and distributor are needed. This requires significant IT and operational planning and investment, including to train and communicate to front of house staff. When changes are made to a distributor's systems or processes, there is little bargaining power, and in instances, notice, given to market participants and retailers to make the necessary changes to their systems. This often results in rushed, inefficient and

costly implementation of IT changes on the retailer's end. This cost then ultimately gets passed on to customers through the retailer's final charges. EnergyAustralia broadly supports any regulation or oversight of the service aspect of distributors' and their service delivery process.

Our remaining comments relate to specific service classifications.

Service Classifications

EnergyAustralia supports the classification of negotiated connections as a standard control service. Classifying it as a direct control service will allow the future benefits and cost of any augmentation to be shared by all customers. The AER has said in 1.3.2 of the Framework and Approach paper that "*customers have limited negotiating power in determining the price and other terms and conditions on which the distributors provide these services. These factors contribute to the view that the Victorian distributors possess significant market power in providing ancillary services*", and we consider that it is appropriate for regulatory oversight to be applied to the negotiation process. Negotiated connections often are complex and high value contracts requiring investment certainty, and the regulatory oversight accorded to it as a standard control service is appropriate.

We also support the inclusion of bulk supply point metering as a common distribution service that is recovered through (NUoS) Network Use of System charges. Conceptually, this is consistent with the global settlement¹ rule change currently underway by the AEMC which will remove the concept of a local retailer.

"Recoverable works to fix damage to the network caused by a customer or third party – damage following a person's act or omission" have been classified as direct control. As this applies to Type 5 and 6 meters owned by the distributor and not contestable metering, appropriate consideration should be given to cost recovery for contestable meters that have been damaged in the process.

We also consider that the classification of the provision of training to third parties for network related access, including training and authorisation for operating Service Protection Devices, more commonly known as the network fuse, is appropriate as an alternative control service.

The classification of Type 5 and 6 services as an alternative control service where the distributor remains responsible also includes the Current Transformer (CT) load control device. This classification is appropriate as the distributor owns the CT currently. However, consideration should be given as to what occurs when a meter gets exchanged, and whether, when the customer (or a third party) gets gifted the asset, it is compliant or has proof of testing/compliance. It might be appropriate for the AER to consider regulatory oversight of the "gifting" of these assets and subsequent cost recovery.

We agree and support the AER's approach that where it is the customer's fault for a wasted truck visit, it should be charged through NUoS. While classifying it as an Alternative Control Service might appear to be more cost reflective and efficient theoretically, in practice, it is difficult for a customer (particularly a vulnerable customer) to tell the cause of a supply outage, and might lead to situations where a customer is reluctant to alert the distributor to a loss of supply. This might inadvertently lead to safety issues caused by situations where a customer attempts to reconnect supply. There are also administrative costs and complexities

¹ <https://www.aemc.gov.au/rule-changes/global-settlement-and-market-reconciliation>

involved in passing on an alternative control service fee which the customer has not "requested" per se.

If you would like to discuss this submission please contact Shawn Tan on (03) 8628 1512 or at shawn.tan@energyaustralia.gov.au.

Yours sincerely

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Acting Industry Regulation Leader