

**Discussion Paper:
Proposed amendments to the Electricity
Industry Code regarding customer claims for
Guaranteed Service Level payments**

**Response
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positive energy

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1. Introduction

ENERGEX Limited (ENERGEX) welcomes the opportunity to respond to the Queensland Competition Authority's (Authority) Discussion Paper on the *Proposed amendments to the Electricity Industry Code regarding customer claims for Guaranteed Service Level (GSL) payments* (Discussion Paper) released 22 May 2009.

The Discussion Paper outlines the following amendments to the Electricity Industry Code (Code) proposing:

- (i) a definitive timeframe of 1 month within which a distributor must process a small customer's GSL claim;
- (ii) extending the period to 3 months for a small customer to claim a GSL payment; and
- (iii) full automation of all types of GSL payments.

ENERGEX appreciates the importance of GSLs and understands the Authority's position at improving the process for payment of GSLs. In this regard ENERGEX is supportive of amendments (i) and (ii) above.

However, in this response ENERGEX raises technical and practical issues that constrain ENERGEX's ability to implement amendment (iii) pertaining to the standardisation of clause 2.5.11(a-c) of the Code, so that for all types of GSL payments, a distributor must use best endeavours to automatically give a GSL payment.

In addition ENERGEX considers that further consultation on this matter is required in accordance with Chapter 10 Part 1A of the Electricity Regulation 2006.

2. Full automation of all GSL payments

A significant concern with the requirement to automatically process a GSL payment for a failure to notify for planned interruptions or supply interruptions pertains to the ability of ENERGEX's current systems to confidently and automatically identify a particular customer or customers affected.

In order to implement this proposed Code change, ENERGEX would need to align and integrate its market systems with network outage and planned interruption systems. It is also important to note that such changes were not required or contemplated as part of Full Retail Competition (FRC) system upgrades.

ENERGEX also notes that only Western Australia and Australian Capital Territory currently apply an explicit GSL for planned interruptions, and then the onus is on the customer to claim the GSL. As such, from a cost benefit perspective, ENERGEX believes further consultation and consideration is required on this matter.

3. Accuracy of customer data

An unfortunate feature of the market information systems held by distributors in an FRC environment is the reliance on retailers for timely and accurate customer data. It is not uncommon for retailers to take up to eight weeks or more to respond to a request by ENERGEX for account holder details. Expanding the requirement to use best endeavours to automatically process all GSL types will further increase the administrative workload on ENERGEX in following up with retailers for accurate information.

ENERGEX wishes to bring to the Authority's attention that the result of customer data inaccuracies means, that at times, ENERGEX may not be in a position to automatically process accurate payments. As such, ENERGEX requests that because customer information is provided by a third party, clause 2.5.14 of the Code should read as follows:

*A distribution entity must **use best endeavours** to process a claim for a GSL payment within one month*

4. Clarification of Frequency Interruption GSLs

ENERGEX seeks clarification from the Authority as to the interpretation of clause 2.5.9(a)(ii). The current drafting could be interpreted that the GSL attaches to a small customer who has experienced a set number of interruptions in a financial year, even if experienced across a number of premises.

ENERGEX believes that the drafting of clause 2.5.9(a) (ii) should be amended to provide:

- (i) that the interruption frequency GSL attaches to the premises not the customer, similar to the framework that applies to the comparable GSL in South Australia; and
- (ii) eligibility for an interruption frequency GSL payment is within 1 month of the end of the relevant financial year, not '*once the small customer experiences the relevant number of interruptions...*'.

5. Cost Recovery

ENERGEX is concerned as to how the implementation costs would be funded and recovered. ENERGEX requests that the Authority give consideration in the timing of such a decision to provide ENERGEX with the opportunity to include the forecast costs for changes in the 2010-11 year in the revised Regulatory Proposal to the AER.

6. Code Consultation Process

In the Discussion Paper, the Authority has indicated that the Paper constitutes a final consultation notice for the purposes of section 222L(3) of the Regulation. The Authority is of the view that it is not necessary to conduct more than one round of consultation on the proposals outlined 'as the issues contained in this Discussion

Paper followed directly from those already discussed and decided in the Authority's review of the MSS and GSL arrangements¹

As the Discussion Paper highlights 'There were two remaining proposals for change which [the Authority] considered had merit but which had not been subject to the required level of consultation as they had been raised in the latest stages of the review.'²

However, the Discussion Paper highlights three amendments proposed as outlined in Section 1 of this response. The first two of these proposals accord with the two amendments identified in the *Final Decision Review of Electricity Distribution Network Minimum Service Standards and Guaranteed Service Levels to apply in Queensland from 1 July 2010* (Final Decision).

ENERGEX does not believe that the standardisation of the claims process so as to make all types of GSL payments the subject of an 'automatic' payment is one which was discussed or decided in the Final Decision. Nor is it apparent that it was recommended by any of the submissions made with respect to that Final Decision (including the submission by QCOSS). As discussed, this has potential for significant impact for ENERGEX, both operationally and financially, and warrants further and timely consultation before the Authority makes a final decision on this Code change.

The Final Decision itself indicated that 'The proposed amendments will clarify the time in which distributors have to process claims for GSL payments lodged by customers and extend the time presently available for customers to lodge valid claims for GSL payments'.³ The Final Decision went on to say '.... the Authority is of the view that an additional round of consultation would be required on these two proposed amendments as they were not flagged in the amendments proposed at the time of the Draft Decision'.⁴

QCOSS' recommendations as found on page 12 of its submission do not include any recommendation as to a change as to the types of payments which should be 'automatic' as opposed to those which must be the subject of a claim. This is contrary to the statement by the Authority that each of the three proposed amendments were 'suggestions made by QCOSS'⁵.

Whilst QCOSS does refer to automatic payments, the reference is in the context of highlighting an issue as to whether customers have sufficient awareness that they are entitled to compensation. QCOSS was of the view that lack of awareness was compounded by a requirement that the customers make a claim within a particular time period. .

Indeed, making all GSL events the subject of an automatic payment does not address the concern that QCOSS raised. This is evident if one considers that even if the requirement to effect the payment is automatic, QCOSS' concern was that in circumstances where ENERGEX in fact does not make the payment, the customer may be unaware of its entitlement to make a claim.

¹ Discussion Paper page 1.

² Discussion Paper page 1.

³ Final Decision page 18.

⁴ Final Decision page 18.

⁵ Discussion Paper page 5 – paragraph 2.5.

In short, making all GSL events the subject of an automatic payment was not recommended by QCOSS, does not address the issue of concern that QCOSS highlighted in its submission, was not flagged by the Authority in its Final Decision, and is not the subject of any discussion in the Discussion Paper as to its merits.

The Code distinguishes between those GSL events which are the subject of automatic payments and those which were not and was presumably drafted that way because it was thought to be appropriate to make that distinction. Nowhere in the Final Decision or in the Discussion Paper is any analysis undertaken as to, whether the reasons for the distinction remain valid, merit retention, merit a change at this time, or the impact of such a change (either for customers or distributors).

ENERGEX has commenced identifying the impacts of such a change but is yet to be able to quantify the operational and financial impact of such changes. Consequently, ENERGEX requests a further period during which information as to those operational and financial impacts for both customers and distributors can be considered by the Authority, before a decision is made to amend the Code as proposed by the Discussion Paper.

7. SUMMARY

ENERGEX strongly supports the GSL regime and is committed to processing GSL payments in an efficient and accurate manner. ENERGEX is supportive of the proposed Code amendments to provide for a definitive timeframe of 1 month within which a distributor must process a small customer's GSL claim, and extending the period to 3 months for a small customer to claim a GSL payment. For reasons outlined in this response, ENERGEX considers that further consultation is required on the proposed Code amendment for the automation of payments for all GSL types to fully assess the merits and impact of this proposal and in accordance with Chapter 10 of the Electricity Regulations 2006.