



Submission to the
Queensland Competition Authority
on ENERGEX's FRC Cost Pass-through
Application

April 2007

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1. INTRODUCTION

1.1 Purpose

The purpose of this submission is to provide an Origin Energy ("Origin") response to the Queensland Competition Authority ("QCA") in relation to ENERGEX's application for the pass-through of costs relating to the introduction of full retail competition ("FRC") in Queensland.

1.2 Background

On 7 March 2007, the QCA released a public version of ENERGEX's FRC cost pass-through application for consultation with market participants and consumers. ENERGEX submitted this application in response to a decision made by the Queensland Government in September 2005 to introduce FRC for electricity customers from July 2007. The decision to introduce FRC was based on an independent report produced by GHD Consultancy ("GHD"), which found that the benefits (\$679M) of introducing electricity FRC significantly outweighed the costs (\$55M) over a five year period¹.

Origin understands that ENERGEX's FRC cost pass-through application:

- is seeking to recover \$48.9M in prescribed DUoS and non-DUoS costs incurred up to and including the 2007/08 financial year; and
- will submit a further application to the QCA for the remainder of the costs (ie \$68.2M) sought for the 2008/09 and 2009/10 financial years.

This submission addresses ENERGEX's application and is divided into three sections. This first section makes a number of general comments about ENERGEX's application and highlights some concerns for Origin. The remainder of the submission addresses the application in further detail. Specifically, section 2 covers the proposed FRC implementation and operational costs and section 3 covers the proposed non-DUoS costs.

1.3 General Comments

The introduction of electricity FRC into Queensland on 1 July 2007 is welcomed by Origin as it will maximise competition and bring choice of retailer to consumers. It should also drive innovation and synergies as Queensland aligns systems and processes across jurisdictional borders. The success of FRC is however reliant on the benefits that can be realised by consumers and the benefits are restrained by the costs that are attributable to the introduction of FRC.

Origin acknowledges and is supportive of ENERGEX's right to a reasonable recovery of FRC expenses and with their intent to ensure that adequate investment in FRC systems, people and processes are undertaken such that the business is able to sufficiently respond to and manage the increased level of activity in the market with the introduction of FRC². However, the level of recoverable investment should be limited to the incremental costs that are directly attributable to and are required for ensuring the efficient operation of a competitive market.

Origin is of the view that the recovery of FRC costs by ENERGEX should be limited to only those that are:

¹ GHD, *Full Retail Competition - Cost Benefit Analysis, Report to Queensland Treasury*, May 2005.

² ENERGEX, *FRC Cost Pass-through Application - February 2007*, p5.

- Directly attributable to the activities and tasks pursuant to FRC; and
- Directly attributable to meeting the obligations that arise as a consequence of the legal and regulatory framework for FRC.

The pass-through of FRC costs in this application should not include:

- Any costs associated with the sale of Sun Retail Pty Ltd (now trading as Origin Energy) and the separation of the retail business from the network business. These costs are appropriately recovered from the proceeds of the sale and it would be effectively “double dipping” if they were also recovered in the FRC cost allowance;
- Expenditure that would have been incurred by ENERGEX in any event (ie day to day business processes or replacement of billing systems); or
- General business improvement costs.

It is also assumed that the proposed costs are only the actual costs that will be incurred by ENERGEX up to and including the 2007/08 financial years and are not forecast costs.

As a more general point, it is essential for the QCA when reviewing these costs to ensure there is no duplication between capex and opex expenditures approved as part of the pricing determination and those associated specifically and uniquely with FRC implementation.

Separating these costs, to identify the true incremental costs of FRC requires detailed analysis of discrete cost elements by the QCA. We are most concerned about the lack of time available to the QCA to take this thorough and forensic approach to these claims in time for the 2007/08 pricing period. Origin thus is keen to be involved in any consideration of alternatives for the QCA.

1.3.1 Transparency of Information

There is a lack of transparent data available to Origin to adequately assess the merits of the quantum of ENERGEX’s claim for the recovery of FRC costs and the degree to which these costs are a function of FRC and not either the sale process or business upgrades. For example, there:

- is a lump sum for SPARQ ICT implementation costs, however there is no transparent cost allocation for elements such as B2B, service orders, overheads or hardware; and
- there appears to be a shifting of costs from DUoS to non-DUoS (ie re-energisations and de-energisations) and from departments within ENERGEX. However, it is not evident to Origin that ENERGEX has made corresponding account adjustments for the movement of these responsibilities.

This information asymmetry makes it difficult to provide cogent comments on the exact cost elements of ENERGEX’s submission. Given the lack of supporting data, Origin can only make a ‘test-of-reasonableness’ judgement and question the validity of elements of ENERGEX’s cost application.

1.3.2 Legal and Regulatory Framework

Origin is of the view that ENERGEX is overstating the legal and regulatory framework changes that will occur with the commencement of FRC. The majority of the relevant instruments (ie contracts, ring-fencing guidelines) are already in place and there should only be a need to enhance current systems and processes to take account of changes that have arisen because of the introduction of FRC.

The aim of the Queensland Government in developing the market framework for FRC has been to design a framework that reflects current practices as much as possible and where rules were not in place, to adopt the rules developed for the South Australian competitive market³. Given the adoption of the South Australian model, there has been an ability to duplicate the rules and procedures that have already been developed for that state.

Origin makes the following comments about the framework and functions as raised by ENERGEX on p8 of its application:

- **NMI Discovery/Standing Data/Transfer Management** - Origin agrees with ENERGEX that these functional elements are required and enhancements are needed to take into account increased levels of customer churn. However, it should be noted that:
 - ENERGEX is already carrying out these functions for large contestable customers in Queensland; and
 - Systems and process are managed at a national level by National Electricity Market Management Company (NEMMCO) through Market Settlement and Transfer Solution (MSATS). There should only be a requirement on ENERGEX to ensure that the data uploaded into MSATS is current and in the correct format.
- **Service Orders/B2B** - Origin agrees that these requirements are new and adequate systems and processes need to be in place to manage the flow of information between businesses.
- **Energy Data Management** - Origin agrees that there will be some increased compliance requirements with regards to the management of data given that there will be multiple retailers operating in the market.
- **Network Billing** - While Origin acknowledges that ENERGEX will incur costs in developing systems and process for the purpose of itemising network bills on the basis of individual NMIs, Origin does not believe the full costs associated with this element should be recoverable. ENERGEX has had a requirement to calculate customers' individual network charges for many years. However, it has only been the relationship between ENERGEX and its incumbent retailer that has allowed it to not fulfil this requirement. This is not a requirement that has solely been brought about as a result of FRC.

For instance, in other jurisdictions such as Victoria, network prices based on charging at the individual customer level were well in place before either electricity or gas FRC. Similarly, the Queensland gas industry has been charging on an individual customer basis for smaller customers since 2001 (the first Access Arrangement period). In our view, the shift to calculating individual network charges is an example of an action that has been driven by the reform process in general rather than FRC in particular.

- **Trouble Call** - The Co-ordination Agreement states that a retailer must refer any fault calls to the network and a retailer is not to respond to such calls unless certain circumstances are met⁴. This is current practice for the network business as a retailer has never responded to network outage calls. This is further supported by ENERGEX's statement in table 1 of its application which states that there is a need to "*formalise existing procedures for handling network emergencies and trouble calls*"⁵. Origin would thus argue that given that ENERGEX already has emergency and loss of supply phone numbers and deals with outage calls, that these costs are not a direct function of FRC and any proposed increase in costs in this regard should be disregarded.

³ Energy Competition Committee, Electricity Full Retail Competition - Proposed Policy Positions, February 2006, p6.

⁴ Queensland Default Coordination Agreement, October 2006, section 5.

⁵ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p8

- **Ring-Fencing** - Origin notes that ENERGEX assumes ring-fencing costs to ensure that the *“new and amended ENERGEX data, system and processes continue to comply with the Authority’s ring-fencing guidelines”*⁶. Origin does not support the claim for ring fencing costs for the following reasons:
 - *Current Practice* - ENERGEX is already currently operating under ring-fencing guidelines and costs for monitoring and enforcing these guidelines are already being recovered through DUoS. GHD, in its report, also took the view that as ring-fencing *“requirements designed by the QCA existed in Queensland prior to the introduction of FRC, no expenses should be included in any FRC cost assessment”*⁷. Origin concurs with this view.
 - *Reduced Obligations* - the ring-fencing obligations should significantly reduce with the separation of the retail business as the premises for which much of the ring fencing guidelines were set up on has been removed. Therefore, it would be expected that there would be a significant reduction in the costs associated with ring-fencing.
- **Agreements** - ENERGEX has referred to the following Agreements:
 - *Standard Connection Contract* - the Queensland Government has set the Standard Connection Contract and it is an attachment to the Electricity Industry Code. The Standard Connection Contract has been adopted based on South Australia. Origin thus questions the costs involved in preparing this contract?
 - *Coordination Agreement* - This is a standard agreement that has been negotiated between the network, retailers and the Government. ENERGEX is operating under a similar Interim Coordination Agreement at the moment with Origin and AGL and it is not envisaged that the obligations will significantly increase with the introduction of FRC.
- **ICT Systems and Compliance** - It is agreed that enhancement to systems will be required to ensure compliance with the regulatory and legal framework for FRC. However, only incremental costs should be considered as part of ENERGEX’s cost pass-through application and system and process enhancement costs resulting from the sale should be excluded.
- **Metering** - the metering arrangements for customers consuming less than 100MWh per annum will not change with the commencement of FRC. Regardless of whether the customer is market or non-market, the customer will have meters read and settled as accumulation meters. One would thus not expect to see a significant increase in costs related to metering. Origin accepts that some metering costs may be incurred by ENERGEX as a result of the sale, but these are not specific to FRC.

1.3.3 Churn Rates

ENERGEX states in its submission that *“churn rates in the Queensland FRC market are expected to be significantly higher than the southern states, requiring greater system automation”*⁸. However, they have provided no indication of the churn rates that have been used to develop system and process requirements. It is not transparent as to whether churn rates have been over estimated and therefore system build and resource requirements have been over estimated.

⁶ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p8.

⁷ GHD, *Full Retail Competition - Cost Benefit Analysis, Report to Queensland Treasury*, May 2005, p22.

⁸ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p1.

Origin believes that the churn rates used by ENERGEX to develop its FRC requirements should be publicly released so that an assessment of the appropriateness of these figures can be undertaken by market participants and the QCA.

In particular, we highlight that both the South Australian and Victorian markets experienced very high churn rates by international standards and we question the basis for claiming even higher rates in ENERGEX's area, or more fundamentally, why additional automation is required. There is a point well below the South Australian and Victorian churn rates where manual processes must be replaced by fully automated processes. ENERGEX therefore needs to provide some practical examples of investments it would make in automation that other states have not. Moreover, we would expect that (if this is the case), ENERGEX can demonstrate enhanced efficiencies in future years.

1.3.4 Regulatory Benchmarks

Origin notes that ENERGEX makes reference to regulatory benchmarks in terms of the costs associated with the introduction of FRC and the costs that have been recovered by other distributors⁹. Origin questions the validity of this data given:

- the lack of publicly available data in this regard; and
- the costs presented not corresponding with our understanding of the costs that were recovered by other distributors.

For example, Figure 2 of the application has the Victorian Gas Distribution businesses obtaining approximately \$90 a customer for over 2.2 million customers¹⁰. Origin understands that there are only approximately 1.5 million gas customers spread across 3 distributors (approximately 500,000 each)¹¹. Origin requests that this information be sourced and provided to market participants to fully assess these benchmarked costs, particularly given the economies of scale for ENERGEX relative to each of the three Victorian gas distributors and the unique gas market operating and settlement environment in Victoria.

In addition, Origin is of the view that the ENERGEX network business should be able to achieve substantial cost savings in comparison to the southern states examples, given:

- the NEM is working towards a national framework and there has been a move to streamline processes and procedures. For example, businesses in the southern states commenced FRC on manual processes in relation to business-to-business processes. There is now a national B2B Process and automated systems have lead to significant cost savings for the businesses; and
- that Queensland is one of the last states to introduce FRC and it is understood that Queensland is adopting the systems and processes that had already been developed by the southern states, particularly South Australia. Therefore, time and resources dedicated to developing solutions for the Queensland market should be reduced.

Origin believes that the QCA should carry out an independent benchmarking study with other Regulators to fully understand the variances and circumstances in which these costs were approved.

⁹ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p11.

¹⁰ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p111.

¹¹ Essential Services Commission of Victoria, *Gas Full Retail Competition - Annual Adjustment of prices, Fees and Charges, Final Determination*, 23 November 2006.

1.3.5 Market Prices for Services

Given that ENERGEX is a monopoly service provider and ENERGEX owns SPARQ and Service Essentials, Origin questions whether a competitive tender process was undertaken with regards to the costs of providing the services?

Origin would urge the QCA to look at the breakdown of the costs and to benchmark the implementation and operational costs against industry standards.

2. PROPOSED IMPLEMENTATION AND OPERATIONAL COSTS

Origin is concerned with the quantum of capital and operating costs that ENERGEX is claiming will be incurred as a result of FRC. We would urge the QCA to publicly release more detailed cost data so that a thorough assessment of the 'reasonableness' of the costs can be undertaken.

Outlined below are some specific comments with regards to these proposed costs.

2.1 IMPLEMENTATION COSTS

2.1.1 SPARQ (ICT) costs

As mentioned in section 1.3.2 of this submission, there is no transparency as to how system costs were derived and whether these costs are justified. Given this, Origin requests the QCA to consider the following when assessing the proposed ICT system costs:

- **Independent assessment already conducted** - It is understood that ENERGEX presented a similar cost submission to the Queensland Government as part of the assessment of the benefits and costs of FRC. GHD, the Government's consultant, performed extensive consultation with ENERGEX and Ergon Energy and found that the majority of the costs submitted by the businesses were not warranted. GHD concluded in its report that the combined costs of FRC for ENERGEX and Ergon Energy was \$50M over a five year period¹². \$35M¹³ was related to implementation costs and \$15M to operating costs. Another \$5M in costs were allocated to national system costs and Government related costs. These costs are significantly different to those proposed by ENERGEX.
- **Breakdown in costs** - There should be a clear breakdown of system costs and these costs should be individually benchmarked and justified. For example, the Information Exchange Committee (IEC), an industry body which governs the B2B Procedures, conducted an industry survey to gain an understanding of the costs associated with implementing the B2B Procedures. Although cost estimates ranged, the IEC found that the average cost of implementing B2B systems and processes for a distribution business was \$1,967,000¹⁴. This sort of benchmarking of costs should be conducted for each of the individual categories.
- **Cost of Systems** - ENERGEX's application states that SPARQ will be paid for *"its services as an annuity over five years from the date the assets become operational"*¹⁵.

¹² GHD, *Full Retail Competition - Cost Benefit Analysis*, Report to Queensland Treasury, May 2005, p6.

¹³ These costs were based on independent quotes provided by SPARQ to the Queensland Government. GHD, *Full Retail Competition - Cost Benefit Analysis*, Report to Queensland Treasury, May 2005, p43

¹⁴ Information Exchange Committee, *B2B Tranche 1: Post Implementation Report, version 1.1*, p10.

¹⁵ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p9.

It is not clear whether the five years is from July 2007 or an earlier date. If the systems do not become operational until 1 July 2007, it would appear that the total costs to consumers will be approximately \$50M (ie \$9.5M x 5 years). This means that an additional \$20M will be sought to be recovered in the next regulatory determination period. Origin thus questions what cost of capital has been assumed in this assessment as the costs appear extremely high? Origin would urge the QCA to benchmark these costs against other capital costs for similar FRC systems.

- **Replacing systems** - It is understood that ENERGEX's billing system, FACOM, required replacing regardless of FRC as the system was approximately 30 years old. Origin understands that system enhancements would have been required for network billing and Origin is of the view that only these incremental costs should be included as part of ENERGEX's FRC cost application.
- **Scalability of Systems** - ENERGEX has stated that given the high level of expected churn, new automated systems are required. Origin would argue that systems are scalable and therefore only the incremental cost impacts of churn should be included in the actual costs. In the alternate, the longer term efficiency savings of automation should be built into the forecast opex.

2.1.2 Process Improvement Costs

Origin notes that ENERGEX has identified the need to amend 112 existing processes and to develop 118 new processes¹⁶. Origin questions how process improvements correlate with costs?

Origin submits that general process improvements should not be included as FRC related costs. ENERGEX needs to be able to clearly demonstrate that the process improvement costs are purely FRC related and therefore should be included. Origin would expect efficiencies to be gained through general business improvement and thus there should be a corresponding fall in future operating costs because of this process. However, given that there is no visibility to the costs, it is unclear whether this has occurred.

2.1.3 Corporate Communications

Origin notes that there is a proposed corporate communications cost of \$580,000 up to and including the 2007/08 financial year. Origin questions ENERGEX's claim for these costs given that there is no mandate for the network business to carry out any form of communication with customers? This appears to be a voluntary act on behalf of ENERGEX and Origin does not believe that these are justifiable costs.

Origin is aware that ENERGEX did a letter box drop to inform customers of the differences between the distribution business and the retail businesses, however Origin understands that this was driven as part of the sale process and not FRC. Similarly, while Services Essentials is performing a number of functions with respect to FRC related communications with customers, it is doing this on behalf of the retailers (and Government) and is funded accordingly.

¹⁶ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p1.

2.2 OPERATIONAL COSTS

2.2.1 ENERGEX's Operational Costs

Origin is concerned at the quantum of the proposed operational and implementation labour costs. It appears that ENERGEX will be employing an additional 150 staff¹⁷ that are incremental to the staff currently employed by ENERGEX. This seems extremely inefficient given the significant investment that ENERGEX is seeking to make in FRC ICT projects to automate systems. We assume for instance, that the direct system development labour costs have been capitalised within the capex claim, so additional staff would be employed on more standard clerical functions. As systems are implemented, one would assume that manual processes should reduce and thus operating costs should fall. Although systems are being written off over a five year period, we assume that the large majority of the functionalities will be operational on 1 July 2007. Thus, we would assume that FRC related labour costs would be minimal from the commencement of FRC. We encourage the QCA to seek benchmarks from other network jurisdictions to assess the appropriateness of these claims.

It should also be noted that there should be no change to the management of franchise customers that remain in ENERGEX's distribution area. With the sale of Sun Retail to Origin Energy, it has been agreed with ENERGEX that franchise customers will remain in FACOM (ie ENERGEX's billing engine) for the next 12 months. For the 2007/08 financial year, it should thus be business as usual for the large majority of customers. Given this, one would not expect to see such a large jump in required resources. Origin is of the view that costs should align with the reality of the systems and processes and only relate to FRC.

2.2.2 Metering Dynamics

Origin seeks clarification as to the increase in operational costs with regards to Metering Dynamics. We understand that additional resources will be need to answer queries about data, however we can not see how over an additional \$2M of resources per year is required, particularly with automation of information. Such costs should also be tested against equivalent cost categories in other jurisdictions.

3 PROPOSED NON-DUOS CHARGES

Origin has found it difficult to determine how the costs for non-DUoS services have been allocated. However, we understand that ENERGEX is seeking the pass-through of the following non-DUoS costs:

- \$7.24M in new prescribed non-DUoS services for de-energisations and re-energisations; and
- \$6.04M in other prescribed non-DUoS services. These costs are incremental costs and relate to existing prescribed non-DUoS services which include special meter reads, supply abolishment and meter investigation.

While Origin acknowledges that ENERGEX is seeking a revenue allocation for these non-DUoS services so that prices can be set, it is difficult to determine the validity of these costs without seeing the prices and how they are determined. Origin requests that the QCA release the proposed prices for consultation so that market participants can individually assess how these costs relate to prices.

¹⁷ In 2007/08, wages for internal and external labour equates to approximately \$10,665,000. These costs are set out in Table 2 of ENERGEX's application. Using a clerical FTE cost of \$70,000 per annum, it would equate to approximately 150 new employees.

3.1 New De-energisation and Re-energisation Services

De-energisation and re-energisations services are not new services provided by ENERGEX. These services are provided for all franchise customers and ENERGEX deals with numerous retailers in this regard for current large contestable customers in Queensland. There are thus processes and procedures already in place to deal with and manage these sorts of service orders. However, Origin does agree that there will need to be improvements made to the systems and resources to deal with a fully competitive market.

Origin notes that ENERGEX's application states that *"Prior to FRC,...de-energisation and re-energisation was provided by ENERGEX Retail..."*¹⁸. While Origin agrees that ENERGEX Retail was the only retailer able to raise these types of service orders for mass market customers, it is understood that ENERGEX was conducting the work on behalf of the retail arm. That is, ENERGEX was managing and arranging for the re-energisation and de-energisation service orders on behalf of ENERGEX Retail. With regards to the costs associated with the services, Origin understands that ENERGEX Retail was being allocated the contractor costs for the services (ie electrical contractor to disconnect a customer), however the full internal operational costs were not allocated to the retail arm.

This situation is somewhat supported by ENERGEX's statement in its application that the network business had to *"determine the difference between the full costs of delivering the prescribed non-DUoS services and the level of operating and maintenance costs already incurred within ENERGEX"*¹⁹ in order to set the price for non-DuoS services. Origin seeks confirmation that costs in relation to these services are not already being recovered through current DUoS prices given that ENERGEX is already performing these services.

If ENERGEX is currently receiving recovery of some of these costs in DUoS, then there needs to be account adjustments to move allocated revenue from DUoS to prescribed non-DUoS services for re-energisations and de-energisations. For example, if the cost of performing the re-energisation and de-energisation services is \$15M and ENERGEX is already recovering \$10M in DUoS, then the \$10M needs to be removed from DUoS and reallocated to non-DUoS. The prices for the services would then be determined based on the \$15M allocated to non-DUoS to ensure that cost reflective prices are set.

In relation to the quantum of revenue which ENERGEX is seeking to pass-through to consumers for re-energisation and de-energisations, Origin wishes to highlight the following points:

- **Number of Service Orders** - If we assume that each of these services cost \$80, then it appears that ENERGEX believes that they will be required to perform approximately 90,000 re-energisation and de-energisation service orders. These numbers appear extremely high given that it is estimated that in 2005/06, ENERGEX only performed between 10,000-20,000 de-energisation and re-energisations for its retail arm²⁰. It should also be noted that the mere transfer of customers between retailers is not in itself a driver of the number of de-energisations and re-energisations.
- **Fee for Services** - Currently, the fees associated with re-energisation and de-energisation are regulated by the Queensland Government and are not at a cost reflective rate. The move to cost reflective prices is likely to decrease the number of these types of service orders as the costs associated with de-energising a customer for debt is likely to outweigh the benefits. A de-energisation will only place a customer in further financial hardship and thus the probability of recovering monies is reduced.
- **Increase in Regulatory Obligations** - The regulatory obligations related to de-energisation will increase with the commencement of FRC. For example, retailers will

¹⁸ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p15.

¹⁹ ENERGEX, *FRC Cost Pass-through Application - February 2007*, p21.

²⁰ Sun Retail, *Retail Authority 2005-06 Annual Report to the Regulator*.

not be able to arrange for a disconnection of a customer that they know has difficulty in paying their bills unless the retailer contacts the customer and provides them with certain options. These increased obligations incentivise retailers not to de-energise customers and to only use de-energisations as a last resort means. Therefore, it is expected that the number of these service order requests will fall.

- **Times to Complete Service Orders** - It should be noted that the times allocated to ENERGEX to complete re-energisation and de-energisation service orders are significantly longer than other distributors have in other states. For example, ENERGEX has up to 6 business days²¹ in its CBD locations to complete a de-energisation service order, while distributors in the other states are required to complete them within the following times:
 - 1 business day in South Australia, but can be up to 3 business days depending on certain circumstances;
 - 2 business days in New South Wales and Victoria;
 - 3 business days in Australian Capital Territory²²;

Given that ENERGEX has a significant lead time to arrange de-energisations, Origin does not expect to see an increase in labour costs to perform these services.

Origin would urge the QCA to consider the above issues prior to approving any new non-DUoS revenue allocation for re-energisation and de-energisation service orders.

3.2 Other Non-DUoS Costs

Origin notes that ENERGEX is seeking to pass-through approximately \$6.04M in 2007/08 for additional operating costs related non-DUoS services that are currently prescribed. There is little explanation with regards to what these costs are related to and Origin seeks the release of more detailed cost data to fully assess the merits of the proposed costs.

Origin does however note that the application states that the other non-DUoS costs are related to services which *"will normally be requested and delivered through business to business (B2B) service order requests"*. Origin understands that some B2B costs may be being sought to be recovered under DUoS costs, so there is a need to ensure that there is a clear cost allocation between DUoS and non-Duos services.

Specific Prices for Non-DUoS Services

As stated above, Origin would urge the QCA to release the proposed non-DUoS prices submitted by ENERGEX to the QCA for consultation with market participants and consumers. Currently, a number of the non-DUoS prices have been set by the Regulator and Origin believes that a transparent price setting process should occur given the move from regulated fees to cost reflective non-DUoS pricing.

²¹ Queensland Government, *Electricity Industry Code - Draft 5*, p82.

²² NEMMCO, *B2B Procedures - Service Order Process*, p49.