Queensland Competition Authority

Review of Guaranteed Service Levels to apply in Queensland from 1 July 2025

Final decision

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1 About this review

1.1 What are GSLs?

The Electricity Distribution Network Code (EDNC) requires distribution network service providers (DNSPs) to meet targets for their quality of service to customers. These targets relate to the frequency and duration of customer outages as well as things like the timeliness of connections, reconnections and notices of planned interruptions.

Guaranteed Service Level (GSL) payments acknowledge the inconvenience customers experience when they receive poor reliability or service from their DNSP. They are not intended to provide compensation for loss or inconvenience arising from poor reliability or service performance.

Individual small customers may be eligible for GSL payments when their DNSP fails to meet these targets. The current GSLs and payments are set out in table 1.

Table 1: Queensland GSLs and GSL thresholds and payments, 2020-25

GSL	Threshold	GSL payment
Wrongful disconnection	When a disconnection is wrongful under the electricity legislation ²	\$155
Connection	Connection is not provided by the agreed date	\$62 per day
Reconnection	Reconnection is not provided within the required time	\$62 per day
Appointments	Failure to attend appointments on time	\$62
Planned interruptions	Notice of a planned interruption to supply is not given	\$31 (residential) \$77 (small business)
Reliability - interruption duration	CBD feeder: duration >8 hours Urban or short rural feeder: duration >18 hours Long rural or isolated feeder: duration >24 hours ³	\$124
Reliability – interruption frequency ^a	 Number of interruptions in a financial year— Energex: CBD feeder, 10, urban feeder, 13; short rural feeder, 21 Ergon Energy: urban feeder, 13; short rural, long rural and isolated feeders, 21 	\$124

Annual payment limits: If a DNSP breaches a GSL threshold, they are required to pay the GSL amount to a customer up to an annual limit (cap) of \$496. Payments for wrongful disconnection are uncapped for individual customers.

a A customer is not entitled to more than one interruption frequency GSL payment in a financial year. Source: Electricity Distribution Network Code, clauses 2.3.3 to 2.3.10.

¹ See clause 2.3 of the Electricity Distribution Network Code for more information on these targets.

² 'Electricity legislation' is defined under the Electricity Distribution Network Code, section 6.1, as meaning the *Electricity Act* 1994 (Qld), *Electrical Safety Act* 2002 (Qld), *Electricity National Electricity Scheme (Queensland) Act* 1997 (Qld), *National Energy Retail Law (Queensland) Act* 2014 (Qld) and regulations, standards, codes, protocols and rules made under those Acts.

³ Definitions of 'CBD feeder', 'urban feeder', 'short rural feeder', 'long rural feeder' and 'isolated feeder' are in the Electricity Distribution Network Code, section 6.1.

1.2 Review requirements

1.2.1 Consultation process

The EDNC requires the QCA to review the GSLs and GSL payment amounts to apply at the beginning of each regulatory control period.⁴ The next regulatory control period commences on 1 July 2025. The purpose of this review is to determine whether the current GSL arrangements remain appropriate, or whether any changes should apply from 1 July 2025.

This final decision follows the release of our June 2023 draft decision, after which we received three stakeholder submissions by 1 September 2023 (table 2).⁵

Table 2: Stakeholder submissions

Stakeholder	Submission number
Queensland Consumers Association	1
Australian National University	2
Energy Queensland	3

This report outlines the GSL scheme measures, thresholds, and payment levels to apply for the 2025-30 regulatory control period. As prescribed by the Electricity Regulation 2006 (Qld) (Electricity Regulation), a final marked-up version of the next EDNC (version 5) to apply from 1 July 2025 is available to view on our website.

1.3 Our approach to the review

In addition to the general requirements of the EDNC, we consider the following factors are relevant for our review of the GSL arrangements to apply from 1 July 2025:

- the performance of Energex and Ergon Energy against the GSL requirements
- GSL arrangements in other jurisdictions
- the relevance of the existing GSL parameters and whether there is a need for additional or different measures of performance
- any other matters considered relevant in determining GSL arrangements to apply to Energex and Ergon Energy for the next regulatory period.

These matters are considered in this final decision.

⁴ Electricity Distribution Network Code, section 2.3.19. More information about our previous reviews is available on the QCA website.

⁵ The submissions are available on the QCA website.

2 Guaranteed Service Levels

2.1 Purpose of the scheme

The GSL scheme operates in combination with the Queensland Government's minimum service standards (MSS) set out in a DNSP's distribution authority and the AER's Service Target Performance Incentive Scheme (STPIS). In this framework, the:

- MSS provide for a minimum level of average network reliability
- STPIS encourages reliability improvement, where that can be achieved efficiently
- GSLs acknowledge the inconvenience customers experience when they receive poor reliability or service.

Clause 2.3.10 of the EDNC includes a clear purpose statement for the GSL scheme:

A GSL payment acknowledges the inconvenience a small customer experiences when a distribution entity does not meet a guaranteed service level.

GSL payments are not intended to provide compensation for loss or inconvenience arising from poor reliability or service performance.

2.1.1 Stakeholder submissions

The Queensland Consumers Association considered more research and consultation should occur on a range of issues after this review process is completed, including but not limited to the:

- objectives of the GSL scheme and how such a scheme can best work in combination with other national and Queensland schemes, including the AER's Customer Service Incentive Scheme (CSIS)
- need to not allow Queensland DNSPs to fully recover the cost of GSL payments through regulated network charges.⁶

This position was based on many potential industry changes that are already occurring, or are expected to occur, over the course of the next regulatory period (and beyond) that could be relevant to the GSL scheme.

2.1.2 Decision

Our decision is that the purpose of the GSL scheme remains appropriate.

We note that future reviews of GSL arrangements will enable further consultation to be undertaken on a range of matters, which could result in changes to the objective and design of the GSL scheme.

⁶ Queensland Consumers Association, sub. 1, pp. 1-2.

Further consultation

The CSIS allows the AER to set targets for distributor customer service performance. It is designed to encourage electricity distributors to engage with their customers and provide customer service in accordance with customer preferences. Like the STPIS, distributors may be financially rewarded or penalised depending on how they perform against their customer service targets.⁷

We note that Energy Queensland has engaged with stakeholders as part of its 'Regulatory Determination Project 2025', which has included multiple workshops discussing customer service issues, including the CSIS.⁸

We consider future consultation may be required on the GSL arrangements depending on the interaction of the GSL scheme with other regulatory frameworks, including the CSIS. We consider the best time for this to occur is at the next review of GSL arrangements. We encourage the AER and Energy Queensland to continue their processes that involve significant stakeholder consultation. Should any review processes yield relevant and practical recommendations related to the Queensland GSL scheme, we will consider stakeholder submissions on the matter in the future.

Cost recovery through regulated network charges

Under the AER's framework for revenue regulation, the cost of GSL payments incurred by a DNSP can be recovered through regulated network charges as an operating expense. Any changes to this arrangement would require amendments to the National Electricity Rules, a process which is outside the remit of this review.¹⁰

Nonetheless, we are of the view that not allowing the DNSP to recover costs related to GSL payments through regulated network charges would go beyond the purpose of the GSL scheme—which is to acknowledge the inconvenience customers experience when they receive poor reliability or service from their DNSP. Not allowing DNSPs to recover costs associated with the GSL payments would turn the GSL scheme into a service quality incentive scheme.

Given the existence of the AER's STPIS, we are of the view it is not necessary for customers, or efficient from a regulatory perspective, that the GSL scheme should act as another service quality incentive scheme.

2.2 GSL performance of Energex and Ergon Energy

2.2.1 Energex

Figure 1 presents a breakdown of GSL payments Energex made to customers each year for the period 2018-19 to 2022-23.¹¹ During this time, Energex made 52,998 GSL payments at a total cost of \$6.64 million. Most of the GSL payments made by Energex were for interruption duration (86.2%). Table A1 in Appendix A outlines Energex's GSL payments for the period 2018-19 to 2022-23.

⁷ AER, <u>Explanatory Statement – Customer Service Incentive Scheme</u>, July 2020, p. 4.

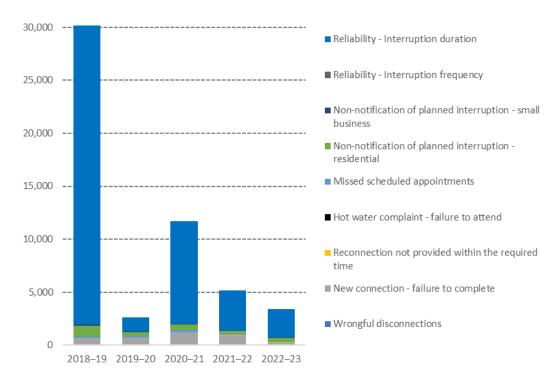
⁸ Talking Energy, <u>Regulatory Determination Project 2025 Talking Energy website</u>, 2023, accessed 16 October 2023.

⁹ Noting that under s. 222A of the Electricity Regulation, any person may ask the QCA to amend the EDNC.

¹⁰ Under clause 6.5.6(c)(1) of the <u>National Electricity Rules</u>, the AER must accept a DNSP's operating cost forecast if it reasonably reflects the costs of achieving certain objectives; one of which is to 'comply with all applicable regulatory obligations or requirements associated with the provision of standard control services' (cl. 6.5.6 (a) (2)).

¹¹ Severe weather events triggered a high number of interruption duration GSL payments in 2018-19.

Figure 1: Number of Energex GSL payments by category, 2018-19 to 2022-23

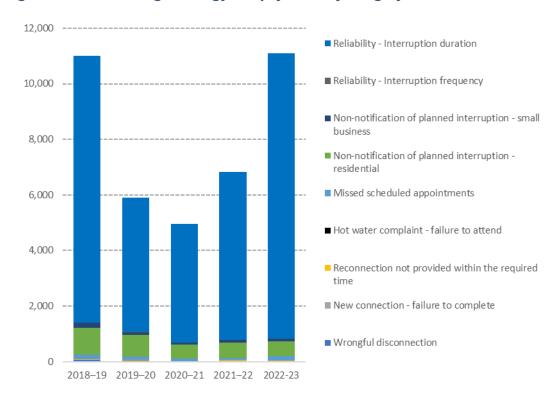


Source: Energy Queensland; QCA analysis.

2.2.2 Ergon Energy

Figure 2 presents a breakdown of GSL payments Ergon Energy made to customers each year for the period 2018-19 to 2022-23. During this time, Ergon Energy made 39,765 GSL payments at a total cost of \$4.4 million. Most of the GSL payments made by Ergon Energy were for interruption duration (88.1 %) – severe weather events triggered a high number of interruption duration GSL payments in 2018-19 and 2022-23 Table A2 in Appendix A outlines Ergon Energy's GSL payments for the period 2018-19 to 2022-23.

Figure 2: Number of Ergon Energy GSL payments by category, 2018-19 to 2022-23



Source: Energy Queensland; QCA analysis.

3 GSL measures, thresholds and payments

3.1 Amount of GSL payments and cap

3.1.1 Code requirements

The EDNC specifies GSL payment levels as per table 3.

Table 3: GSL payment schedule, 1 July 2020 to 30 June 2025

GSL measure	Payment (1 July 2020 - 30 June 2025)
Wrongful disconnections	\$155
Connection	\$62 per day
Reconnection	\$62 per day
Appointments	\$62
Planned interruption – business	\$77
Planned interruption – residential	\$31
Interruption – duration	\$124
Interruption – frequency	\$124
Annual cap	\$496

Source: Electricity Distribution Network Code, clauses 2.3.10 and 2.3.15.

3.1.2 Submissions

The Queensland Consumers Association considered that to maintain the real value, all payment levels should be adjusted for inflation, and the method used should take account of the current above average levels of general price inflation.

Energy Queensland also supported increasing the GSL payments and cap, although it considered we should continue using the same CPI based methodology as used in previous reviews. 12

¹² QCA, Review of guaranteed service levels to apply in Queensland from 1 July 2025, draft decision, July 2023, p. 7.

3.1.3 Decision

Our decision is to maintain the real value of all GSL payments and caps using actual and forecast inflation. We have fixed the payment amounts for the duration of the regulatory period, by setting a mid-period value, thereby ensuring the average nominal GSL payment and cap over the next regulatory period is equal to the real value (as at 1 January 2005).

We have used the inflation forecasting methodology outlined in our 2021 inflation forecasting paper. ¹³ We consider this approach provides the best unbiased forecasting methodology and is superior to the midpoint of the Reserve Bank of Australia (RBA) target range of 2.5 per cent we used to set GSL payments and thresholds in our previous review. This methodology incorporates the following steps:

- Start with nominal values from 1 January 2005.
- Escalate the 2005 nominal values by actual inflation to June 2023.
- Derive CPI forecasts using short-term RBA forecasts for the first two years ahead.
- Derive forecasts up to the fifth year ahead using a linear glide path from the RBA's short-term forecast in year 2 to a rules-based anchor-point forecast in the fifth year ahead.

The anchor point depends on the RBA's second-year inflation forecast (as a proxy for prevailing economic conditions). For example, if the second-year forecast is:

- less than or equal to 2 per cent, the anchor point would be set at 2.25 per cent
- between 2 per cent and 3 per cent, the anchor point would be set at 2.5 per cent
- greater than or equal to 3 per cent, the anchor point would be set at 2.75 per cent. 14

The amendments to GSL payment amounts and clauses 2.3.10 and 2.3.15 of the EDNC are outlined in table 4 and can be viewed in version 5 of the EDNC on our <u>website</u>.

Table 4: GSL payments and cap

GSL parameter	Original GSL payment (January 2005)	Current GSL payments (2020-25)	Next period GSL payments (2025-30)
Wrongful disconnection	\$100	\$155	\$188
Connections	\$40	\$62	\$75
Reconnection	\$40	\$62	\$75
Appointments	\$40	\$62	\$75
Planned interruption – business	\$50	\$77	\$94
Planned interruption – residential	\$20	\$31	\$38
Interruption – duration	\$80	\$124	\$150
Interruption – frequency	\$80	\$124	\$150
Annual cap	\$320	\$496	\$600

Note: Since our draft report, we have updated the escalation calculations to reflect the latest inflation data.

¹³ QCA, *Inflation forecasting*, final position paper, October 2021.

¹⁴ The RBA's second-year (June 2025) inflation forecast in the August statement on monetary policy was 3%.

3.2 Wrongful disconnections

3.2.1 Code requirements

The distributors are required to make a \$155 GSL payment to a customer if they disconnect the customer without being entitled to do so under the electricity legislation, or if they disconnect the wrong premises.

The distributors must also pay \$155 to a customer if they wrongfully disconnect the customer at the request of a retailer, and:

- the wrong premises is disconnected due to an error in the retailer's request
- the retailer does not give the customer a disconnection warning notice where required, in accordance with the electricity legislation.

Wrongful disconnection payments can be claimed on an unlimited basis, as they are not included in the annual cap (\$496) on GSL payments.¹⁵

3.2.2 Submissions

The Queensland Consumers Association considered the decrease in wrongful disconnection GSL events is most likely to have been caused by Covid-19 pandemic related restrictions on disconnecting customers, noting that retailer wrongful disconnection payments in Victoria decreased from 300 in 2018 to 49 in 2022.

The Queensland Consumers Association stated that the GSL payment for wrongful disconnection should be substantially increased and that it should also be paid per day of wrongful disconnection, not per wrongful disconnection.¹⁶

3.2.3 Decision

Our decision is to maintain the existing wrongful disconnection GSL measure, as we have not seen evidence to suggest there is a demonstrable problem with the current GSL measure. Increasing the payment amount and paying it per day of wrongful disconnection would shift the purpose of this GSL payment to be compensatory in nature – which, as discussed in section 2.1 is not the purpose of the GSL scheme.

GSL payment per day

We do not consider a GSL payment made per day of wrongful disconnection is warranted, as there are processes in place to minimise and address the ongoing customer impacts of wrongful disconnection. Relevantly, the timely response of the DNSP to a wrongful disconnection is a contractual obligation under section 14.3 of the DNSP's Deemed Standard Connection Contract.¹⁷ In accordance with this obligation, when the DNSP is notified of a wrongful disconnection, it

¹⁵ Electricity Distribution Network Code, clause 2.3.3.

¹⁶ Queensland Consumers Association, sub. 1, p. 2.

¹⁷ Ergon Energy, <u>Deemed Standard Connection Contract</u>, p. 13, June 2023; Energex, <u>Deemed Standard Connection Contract</u>, p. 13, June 2023.

dispatches a rapid response crew to reconnect the premises as soon as possible. Where a reconnection takes longer than a day, the customer is eligible to file a claim with the DNSP for loss or damage (the value of which can be higher than the wrongful disconnection payment).¹⁸

We consider the current GSL measure reflects the purpose of the Queensland GSL scheme, which is to acknowledge the inconvenience a small customer experiences when a distribution entity does not meet a guaranteed service level.

Impacts of Covid-19 on wrongful disconnection events

We do not consider that the Covid-19 related moratorium on retailer-initiated disconnections is most likely the cause of improved DNSP performance for this GSL measure. ¹⁹ We consider the processes put in place by the DNSPs to improve GSL performance have yielded positive outcomes, which is demonstrated by the number of wrongful disconnection GSL payments steadily decreasing since 2016-17 (table 5). Given the moratorium came into effect in late 2019-20, we do not consider the gradual improvements can be attributed to the moratorium.

Table 5: Wrongful disconnection payments, 2016-17 to 2022-23

Distributor	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Energex	65	37	32	23	15	17	11
Ergon	103	64	53	36	11	23	14

Source: Energex and Ergon GSL reporting, QCA analysis.

3.3 Claiming, making and processing GSL payments

3.3.1 Code requirements

Energex and Ergon Energy must use best endeavours to automatically pay customers when a GSL event occurs. However, if this does not occur, a customer has three months from the date of the GSL event to lodge a claim, or three months from the end of the financial year to claim for an interruption frequency GSL payment claim.²⁰

Payment methods

GSL payments can be made via cheque, electronic funds transfer or any means agreed to with the affected customer.²¹

¹⁸ Energex, Loss or damage claims, Energex website, 2023, viewed 23 November 2023; Ergon Energy, Loss or damage claims, Ergon Energy website, 2023, viewed 23 November 2023.

¹⁹ In March 2020, the AER introduced a <u>statement of expectations</u> outlining its expectations of retailers' dealings with residential and small businesses customers. One of the expectations was that retailers were to not disconnect residential customers in financial stress who were in contact with the retailer about their debt or accessing retailer support, neither were they to disconnect small business customers who were adhering to a payment plan.

²⁰ Electricity Distribution Network Code, clause 2.3.11.

²¹ Electricity Distribution Network Code, clause 2.3.12.

Processing a GSL claim

Energex and Ergon Energy must use best endeavours to process a GSL claim made by a customer within one month of receiving the claim for the following GSLs:

- wrongful disconnection
- connections
- reconnections
- hot water supply
- appointments
- planned interruptions
- interruption duration.²²

For the interruption frequency GSL, the distributors must use best endeavours to process a GSL claim made by a customer within one month of the end of the financial year or one month after receiving the claim, whichever is later.²³

3.3.2 Submissions

Customer awareness of dispute resolution processes

The Queensland Consumers Association questioned the need for clause 2.3.18 of the EDNC, which outlines dispute resolution procedures for GSL events deemed to have been caused by retailers. It also advised us that one of the suggested changes to clause 2.3.18 was because of the absence of any mention of the Energy and Water Ombudsman Queensland (EWOQ) in relation to GSL disputes with the distributor but mention of disputes caused by retailers.²⁴

Alternative payment methods

The Queensland Consumers Association considered the level of non-cashed cheques was likely to increase, highlighting barriers and inconveniences associated with the process. It considered DNSPs should undertake a range of activities to be ready for the eventual phase out of cheques, such as alternate payment method trials.²⁵

Energy Queensland suggested amending the EDNC to integrate capabilities under clause 6B.A2.4 of the National Electricity Rules to facilitate the provisioning of GSL payments via electricity retailers.²⁶

3.3.3 Decision

Customer awareness of dispute resolution processes

Our decision is to not amend or remove clause 2.3.18 of the EDNC. We consider the current suite of relevant legislative requirements provide clear guidance to DNSPs and retailers about their obligations in reference to dispute resolution services.

²² Electricity Distribution Network Code, clause 2.3.14(a).

²³ Electricity Distribution Network Code, clause 2.3.14(b).

²⁴ Queensland Consumers Association, sub. 1, pp.2-3.

²⁵ Queensland Consumers Association, sub. 1, p.3.

²⁶ QCA, Review of guaranteed service levels to apply in Queensland from 1 July 2025, draft decision, p. 11, July 2023.

Section 82(5) of the National Energy Retail Law (Queensland) outlines retailer and distributor obligations for complaints handling:

A retailer or distributor must inform a small customer-

- (a) that, if the customer is not satisfied with the outcome, the customer may make a complaint or take a dispute to the energy ombudsman; and
- (b) of the telephone number and other contact details of the energy ombudsman

Further, both Energex and Ergon Energy have web pages dedicated to GSL information, which outline what GSLs are, how to claim a GSL payment and how to appeal a declined claim.²⁷ We are of the view that this information provides sufficient information to customers about the dispute resolution process.

We are of the view clause 2.3.18 should remain in the EDNC because it serves a different purpose to s. 82(5) of the National Energy Retail Law (Queensland) and the dispute resolution procedures outlined on Energex and Ergon Energy's websites.

Section 82(5) outlines generic complaint handling procedures retailers and DNSPs must abide by, while the Energex and Ergon websites outline procedures for GSL related complaints that involve the DNSPs. However, clause 2.3.18 outlines specific dispute resolution procedures for events where the retailer has caused (or is claimed to have caused) an event giving rise to a GSL payment. As such, we consider clause 2.3.18 complements s. 82(5) and DNSP's dispute resolution webpages by providing clarification on how to progress GSL disputes between a retailer and customer.

Alternative payment methods

Our decision is to maintain the payment provisions in the EDNC for the 2025–30 regulatory control period. We note that clause 2.3.12 already has options for DNSPs to pay GSL payments to customers by means other than a cheque. Moreover, cheques remain a valid form of payment and are administratively simple for Energy Queensland to process. Over 90 per cent of GSL cheques provided between 2020 and 2022 have been cashed.

At this time, we do not consider the issue of uncashed cheques is sufficient to expedite the alignment of clause 6B.A2.4 of the National Electricity Rules to facilitate the provisioning of GSL via electricity retailers. We acknowledge the views held by the Queensland Consumers Association that DNSPs' should undertake work to be ready for the eventual phase out of cheques.

As such, we encourage DNSPs to explore the option of extending existing information-sharing arrangements with retailers. DNSPs already have arrangements with retailers regarding the sharing of customer postal addresses for the purpose of provisioning GSL cheques. Clause 2.3.12 already has options for DNSPs to pay GSL payments to customers by means other than cheque, meaning that the arrangement described would not require further amendments to the EDNC.

We note the sharing of customer banking and identification details can pose a significant cyber security risk. As such, we are of the view the sharing of customer details should only be considered after a thorough assessment of cyber security measures by the DNSP and retailer.

²⁷ Energex, <u>Complaints</u>, Energex website, 2023, viewed 13 November 2023; Ergon Energy, <u>Complaints</u>, Ergon Energy website, viewed 13 November 2023.

After 2030

We are mindful that the planned phasing out of cheques by 2030 will require an appropriate payment alternative to be developed for the 2030-35 regulatory period.²⁸ As discussed, we do not intend to introduce alternative payment methods in the EDNC for the 2025-30 regulatory period. However, having a fit-for-purpose GSL payment process once cheques are phased out is necessary for the GSL scheme to meet its objective.

GSL payments via a customer's retailer

The EDNC could be amended, in accordance with Energy Queensland's submission, to formalise the provisioning of GSL payments via the small customer's retailer. This could involve amending clause 2.3.12 of the EDNC to add reference to the eligible customer's retailer.

A distribution entity must use its best endeavours to pay a GSL payment to a small customer entitled to it by electronic funds transfer, or to the retailer of a small customer entitled to it for credit on the small customer's electricity bill, or any other means agreed with the small customer. [amendments are in bold]

However, developing a workable GSL payment framework involving retailers will require significant input from a broad range of stakeholders to uncover and discuss potential technical, legislative and operational barriers, unintended consequences, and the incidence of regulatory burden on DNSPs and retailers.

Moreover, if retailers are to be used as an intermediary for GSL payments, we consider a framework outlining retailer obligations and timelines for processing GSL payments will need to be developed. As such, consideration will be needed to develop and implement a processing timeframe for retailers to credit GSL payments to a customer account if such an approach is taken.

3.4 Customers with card-operated meters

3.4.1 Code requirements

An eligible card-operated meter customer must make a GSL claim within three months of a GSL event to receive a payment. The distributor is liable to only pay one GSL payment per card-operated meter and can pay via cheque, electronic funds transfer or any means agreed to with the affected customer.²⁹

3.4.2 How Ergon Energy provides GSL payments to customers with card-operated meters

Historically, a lack of accurate data proved challenging to apply GSL payments for card-operated customers. However, due to technological advancements these issues have now been overcome. Ergon Retail now undertakes a manual process for GSL payments to automatically be applied to card-operated meter customers' balances once advised by the DNSP.

²⁸ J Chalmers, Treasurer, *Modernising payment infrastructure by phasing out cheques*, media release, 7 June 2023, Australian Government, accessed 13 June 2023.

²⁹ Electricity Distribution Network Code, clause 2.3.13.

This has been facilitated by the implementation of the 'orange' power card, which is linked to an individual meter–there are currently 5,144 card-operated meters and 5,144 active orange power cards. GSL payments are manually added to the orange power card by Ergon Retail when advised by the DNSP that a payment is owed to a customer, and the customer automatically receives these payments as a credit.³⁰

3.4.3 Submissions

The Australian National University (ANU) considered the proposed amendments to align processes for claiming GSL payments for card-operated meter customers with processes applying to post-paying customers corrected a codified disparity in how small customers access their entitlements.

However, the ANU noted a range of regulatory disparities, which it considered were inconsistent with the reforms proposed under the National Agreement on Closing the Gap targets, to the detriment of card operated meter communities. The ANU considered more detailed public reporting on key metrics for card-operated meter customers was required to inform remedial policymaking.³¹

3.4.4 Decision

Our decision is to amend clause 2.3.13, to formalise the process of Ergon Energy providing automatic GSL payments to an eligible card-operated meter customer. We acknowledge the efforts of Ergon Retail in the roll-out of the orange power card system, which we consider has helped advance energy equity for card-operated meter customers. We have also aligned wording in clause 2.3.13 with that of the manual claim process for grid-connected customers outlined in clause 2.3.11. These amendments can be viewed in the final marked up version 5 of the EDNC on our website.

We acknowledge the ANU's view that the collection and publication of more detailed data relating to card-operated meter communities could enhance the development of quality policy reforms for this group. We encourage the ANU, and all other interested stakeholders, to engage directly with Ergon Network on this matter. However, the remit of this process is to review the GSL measures, thresholds and payment levels that apply to Energex and Ergon Energy. As such, seeking the collection or publication of card-operated meter customer data to further external policy reforms is not within the scope of this review process.

3.5 Other GSL measures

3.5.1 Code requirements

Connections

If a customer is entitled to have their premises connected and has taken all necessary steps, the distributor currently must pay the customer \$62 for each day the customer remains not connected after the agreed date.³²

³⁰ QCA, Review of quaranteed service levels to apply in Queensland from 1 July 2025, draft decision, July 2023, p. 14.

³¹ Australian National University, sub. 2, pp. 2-3.

³² Electricity Distribution Network Code, clause 2.3.4. The Code does not define the 'necessary steps' a customer is to take.

Reconnection

If a customer's premises has been disconnected, and the customer is entitled to be reconnected within specified timeframes and has taken all necessary steps, the distributor currently must pay \$62 per day if the reconnection is made after the agreed date.

In Energex's distribution area, reconnection is generally required on the day of, or one business day after, the customer's request for reconnection.

The same applies for Ergon Energy, except where the premises is supplied by a long rural feeder. In that case, the reconnection is due within 10 business days, or as agreed with the customer.³³

Appointments

If a distributor commits to attending a customer's premise within an agreed timeframe, for the purpose of meter-related or electrical-related activities, and is late or does not attend, it currently must pay \$62 to the customer.

Energex must specify a five-hour window, and Ergon Energy a specific day, during which the appointment will occur. However, the distributor is not liable for a GSL payment if it informs the customer one day in advance that it is unable to meet at the agreed appointment time.³⁴

Planned interruptions

If a distributor does not give at least four business days' notice (or as agreed upon with the customer) for a planned interruption to a customer's electricity supply, it currently must pay \$31 to residential customers and \$77 to small business customers who are affected. This obligation does not apply if the interruption to supply is caused by an emergency situation.³⁵

Reliability

A customer is currently eligible for a single-event interruption duration GSL payment of \$124 from the distributor if the premise is connected to:

- a CBD feeder and experiences an outage of greater than 8 hours
- an urban or short rural feeder and experiences an outage of greater than 18 hours
- a long rural or isolated feeder and experiences an outage of greater than 24 hours. 36

A customer is currently eligible for an interruption frequency GSL payment of \$124 from the distributor if the premise experiences a certain number of outages, of 1 minute or more, within one financial year.³⁷ The thresholds are shown in table 6.

³³ Electricity Distribution Network Code, clause 2.3.5. The Code does not define the 'necessary steps' a customer is to take.

³⁴ Electricity Distribution Network Code, clause 2.3.7.

³⁵ Electricity Distribution Network Code, clause 2.3.8.

³⁶ Electricity Distribution Network Code, clause 2.3.9(a)(i).

³⁷ Electricity Distribution Network Code, clause 2.3.9(a)(ii).

Table 6: Interruption frequency GSL thresholds

Feeder type connecting customers premises	Number of interruptions per year				
CBD feeder	10				
Urban feeder	13				
Short rural feeder	21				
Long rural feeder	21				
Isolated feeder	21				
Customers are only eligible for one payment per financial year for interruption frequency.					

Source: Electricity Distribution Network Code, clause 2.3.9(a)(ii).

Various types of interruptions are excluded from this GSL, including an interruption of one minute or less in duration.³⁸

3.5.2 Submissions

Energy Queensland and the Queensland Consumers Association both supported retaining the existing GSL measures in the scheme for the 2025-30 regulatory period.

Energy Queensland considered the threshold for exempted outages should be changed from 1 minute to 3 minutes, to align it to the AER's service target performance incentive scheme (STPIS). This issue is discussed in more detail in section 4.3.³⁹

3.5.3 Decision

Our decision is that all other GSL measures remain relevant and should be retained in the GSL scheme for the 2025-30 regulatory period. As outlined in table 4, we have increased the current payment levels to maintain their real value.

³⁸ Clause 2.3.9(b) outlines the full list of exclusions for the interruption GSL.

³⁹ QCA, <u>Review of guaranteed service levels to apply in Queensland from 1 July 2025</u>, draft decision, July 2023, p. 16.

4 Other matters for consideration

The matters discussed in this chapter relate to new or emerging issues and recent reforms to customer protection and reliability standards. These matters are:

- stand-alone power systems (SAPS)
- GSLs for embedded-network customers
- maintaining consistency between national and jurisdictional instruments.

4.1 Stand-alone power systems

SAPS can be technically and economically viable options for providing electricity services to some customers. This is typically in circumstances where SAPS are a more cost-effective solution than maintaining a physical connection to the national electricity grid.

Ergon Energy operates 33 SAPS in remote areas of regional Queensland that serve 39 communities. These SAPS are referred to as 'isolated feeders' in the GSL scheme. The thresholds for all applicable GSL measures applying to isolated feeders are currently set at the same level as for the 'long rural feeder' category (see table 1).

Ergon Energy is also currently trialling 'network support SAPS' for some of its remote and fringe of grid customers. Ergon Energy is considering alternatives for individual customers that are supplied in remote areas where load units are comparatively small and their points of application could be widely dispersed.⁴⁰

4.1.1 Australian Energy Market Commission review

The Council of Australian Governments (COAG) Energy Council directed the AEMC to conduct a review of the regulatory arrangements for SAPS. As part of the review, the AEMC considered pathways to removing barriers to DNSPs transitioning grid-connected customers to regulated SAPS, where it was efficient to do so.⁴¹ The AEMC was of the view customers should not be disadvantaged because of being transitioned to a SAPS, and SAPS customers should receive reliability protections equivalent to grid-connected customers.

4.1.2 Stakeholder submissions

Energy Queensland suggested the threshold for new SAPS customers should remain equal to the category they were in before being moved to a SAPS supply. For example, if a customer was in a long-rural category, and was then moved to a SAPS solution, the customer should retain the threshold of the long-rural category. Energy Queensland considered this would promote consistent

⁴⁰ Ergon Energy, <u>Trialling stand-alone power systems</u>, Ergon Energy website, 2023, viewed 10 November 2023.

⁴¹ AEMC, Review of the regulatory frameworks for stand-alone power systems - priority 1, final report, May 2019.

reliability thresholds for customers and reporting requirements aligned with the AER's Distribution Reliability Measures Guideline (DRMG).⁴² On this, the Queensland Consumers Association considered GSL measures should be developed now to cater for situations where customers who were not connected to a long rural feeder are moved to a SAPS.⁴³

4.1.3 Decision

The GSL scheme already applies to the 33 isolated networks established by Ergon Energy in regional Queensland. We consider the current measures, thresholds and payments that apply to these 33 isolated networks are sufficiently meeting the GSL scheme's objective.

Given the similarity between the existing 33 isolated networks and network support SAPS, we consider the current isolated feeder thresholds and payments meet the GSL scheme's objective for customers of network support SAPS.

We note the concerns the Queensland Consumers Association raised regarding the GSL measures that would apply to customers on feeder categories other than long rural who may be shifted to a network support SAPS. At this stage, we have no information to suggest this is occurring or planned by either Energex or Ergon Energy. As such, we do not consider there is an immediate need to develop specific GSL measures or thresholds for customers on other feeder types being shifted to a SAPS supply.

Nonetheless, the EDNC allows the QCA to review GSL measures at any time during the regulatory period. Therefore, if Ergon Energy or Energex indicate plans to shift customers connected to other feeder categories than long rural to a SAPS, we may review the GSL measures that apply to isolated feeder or network support SAPS customers in the future, if we considered it necessary.

4.2 Embedded network GSLs

In apartment blocks, caravan parks or other types of residential complexes, electricity may be provided to occupants through an embedded network. In an embedded network, the building or site has a single metered connection point to the electricity grid. The site owner (or the building manager) owns and runs the embedded network. Electricity is generally bought in bulk (typically at a lower cost than would be available to individual small customers) from an electricity retailer and then distributed (on-sold) to occupants, using the site's internal network. Each occupant usually has a sub-meter installed to measure their electricity use. Occupants are not locked into any agreement with the site owner for electricity and have the right to move to an electricity retailer if they wish. 44

The EDNC and the GSL scheme contained within it do not currently apply to individual occupants within an embedded network. Moreover, clause 2.3.2(b) of the EDNC states that a distribution entity is required to give only one GSL payment per electricity account for each event that gives rise to a GSL payment, regardless of the number of account holders or premises listed on the account affected by the event. The EDNC also states in clause 2.3.2(c) that a small customer is not eligible for a GSL payment for a premises that does not have a meter.

⁴² QCA, <u>Review of guaranteed service levels to apply in Queensland from 1 July 2025</u>, draft decision, July 2023, p. 18.

⁴³ Queensland Consumers Association, sub.1. p. 3.

⁴⁴ Queensland Government, *Electricity for residents of multi-unit complexes*, Queensland Government website, 2023, viewed 5 March 2023.

This means DNSPs are only liable to pay GSL payments to the 'parent' embedded network connection customer, while 'child' customers within the embedded network do not receive GSL payments.

Australian Energy Market Commission review of embedded network regulation

The AEMC published the final report of its update of the regulatory frameworks for embedded networks in June 2019. The AEMC considered 'an embedded network customer should be able to expect similar access to competition and consumer protections as a standard supply customer'.⁴⁵

The AEMC proposed obligating a DNSP to make GSL payments to embedded network child customers if the DNSP is responsible for supply interruptions that breach relevant jurisdictional GSL schemes thresholds. It noted that for the GSL scheme to extend to embedded network customers, it would require each jurisdiction to review their GSL schemes to broaden the application of the scheme. It would also require a DNSP to have visibility of all customers in each embedded network.

The AEMC has proposed a framework that requires all child connections in registered embedded networks to be allocated a National Metering Identifier (NMI) in AEMO's market settlement and transfer solution (MSATS) system. However, this has not been passed into legislation and is not intended to apply to existing embedded networks.

4.2.1 Stakeholder submissions

The Queensland Consumers Association stated it recognised the complexity of this issue; however, it considered work should be undertaken to enable child customers to access GSL payments during the next regulatory period for 'any events indisputably caused by the embedded network provider's DNSP or retailer'. 46

Energy Queensland did not support the implementation of GSLs for customers in an embedded network, noting that DNSPs do not provide connection services to these customers and only have an obligation to the parent meter.⁴⁷

Energy Queensland also stated that it does not receive customer data from any child NMI to facilitate the payment of GSLs to these customers. And if we consider that Energy Queensland should pay a GSL to embedded network customers, this could only operate if the embedded network operator/owner had an obligation to apply for the GSL on behalf of the customer by providing individual customer details to Energy Queensland.⁴⁸

Energy Queensland also cited concerns with the resourcing required at a retailer level to extend 'notice of planned interruption' obligations to child customers.⁴⁹

⁴⁵ AEMC, *Updating the regulatory frameworks for embedded networks*, final report, June 2019, p. 301.

⁴⁶ Queensland Consumers Association, sub. 1, p. 4.

⁴⁷ Energy Queensland, sub. 2, pp. 3-4.

⁴⁸ QCA, Review of guaranteed service levels to apply in Queensland from 1 July 2025, draft decision, July 2023, p. 20.

⁴⁹ Energy Queensland, sub. 4, p. 3.

4.2.2 Decision

Our decision is to not amend the EDNC to include GSL measures for child customers in embedded networks. We consider there are significant unresolved issues to contend with before a GSL scheme applying to child customers in embedded networks could be developed.

While the Queensland Consumers Association would like to see a process developed for the 2025–30 regulatory period to provide GSL payments to child customers, there are significant technical and legislative barriers to achieving this. Energy Queensland does not receive customer data from any child NMI to facilitate the payment of GSLs to these customers, nor does an embedded network service provider (ENSP) have a legislated obligation to apply for the GSL on behalf of the customer by providing individual customer details to Energy Queensland. And if GSL payments were made by the DNSP to the ENSP for disbursement to child meters, there is currently no legislation outlining the ENSP's obligations under such a process.

Having said that, we agree with the principle articulated by the AEMC that embedded network customers should be able to expect similar access to consumer protections as a standard supply customer. However, the AEMC noted, few or no reliability standards or performance incentives apply within embedded networks, and giving effect to the principle of equivalent consumer protections for embedded network customers implies the need for reliability standards to be applied to embedded networks.⁵⁰

This review focuses on the GSL scheme, which under the current EDNC, only applies to the DNSPs and their connected small customers, not to customers within an embedded network, or large customers. Extending the current GSL scheme or developing a new GSL scheme to apply to ENSPs is outside the scope of this review. However, as more ENSPs are registering in Queensland, a review of regulatory arrangements applying to Queensland ENSPs may be warranted in the future. It is our view that the Queensland Government would likely need to initiate and set the terms of reference for such a review.

4.3 Aligning EDNC criteria with the other schemes or requirements

We have considered opportunities for aligning the definitions and exclusions that apply to the GSL scheme with other schemes or requirements to minimise confusion and inefficiencies in both outage management and reporting for the DNSP.

Regulated stand-alone power system exclusion criteria

In August 2022, the AER updated the Distribution Reliability Measures Guideline (DRMG) to give effect to new rules introduced by the AEMC to allow DNSPs to connect new and existing customers to regulated SAPS.⁵¹ Notably, amendments were made to not exclude certain load shedding events when calculating reliability measures for regulated SAPS. Section 3.3 of the latest version of the DRMG was amended to add in the words 'except for a *SAPS feeder*' to the following clauses:

• Except for a SAPS feeder, Load shedding due to a generation shortfall.

⁵⁰ AEMC, *Updating the regulatory frameworks for embedded networks*, final report, June 2019, p. 301.

⁵¹ AEMC, New rules allow distributors to roll out stand-alone power systems in the NEM, media release, 24 February 2022.

- Except for a SAPS feeder, Automatic load shedding due to the operation of under-frequency relays following the occurrence of a power system under-frequency condition.
- Except for a SAPS feeder, Load shedding at the direction of AEMO or a System Operator.⁵²

Regulated SAPS are not subject to network-wide load shedding events. Therefore, amendments to the DRMG reflect that a load shedding event in regulated SAPS could be due to an event within the control of the operator (for example, operator error or equipment maintenance).

Duration threshold for exempted outages

Under 2.3.9(b)(ii), supply interruptions of 1 minute or less are exempt from 'triggering the clock' on GSL reliability measures. This primarily applies to the interruption-frequency annual GSL payment, which customers are eligible for once they reach a prescribed number of interruptions annually (as presented in table 6 of this report). The exempted outage threshold in the AER's service target performance incentive scheme (STPIS) has been amended to now exclude supply interruptions of 3 minutes or less.⁵³

4.3.1 Stakeholder submissions

While Energy Queensland supported the incorporation of regulated SAPS exclusions in clause 2.3.9(b), it clarified that the existing 33 isolated networks it operates are not regulated SAPS. Energy Queensland also noted that the definition of a regulated SAPS does not operate until the regulation is made by a participating jurisdiction, which the Queensland Government is yet to opt-in to.⁵⁴

Energy Queensland considered the threshold for exempted outages should be changed from 1 minute to 3 minutes, to align it to the AER's STPIS. It said the amendment would have an immaterial impact on GSLs paid for interruption duration and number of interruptions, and it considered the alignment of the interruption duration threshold would create a cohesive definition for momentary interruptions across the organisation, inclusive of systems and reporting requirements.⁵⁵

4.3.2 Decision

Our decision is to amend the EDNC to align definitions for the duration threshold for exempted outages. In general, we consider there should be consistency between the definitions and exclusions used if it decreases inefficiencies and removes unnecessary complexity in the DNSPs' reliability obligations and reporting requirements.

Stand-alone power system exclusion criteria

The rule changes the AEMC proposed to allow DNSPs to connect new and existing customers to regulated SAPS applies to new SAPS, where the jurisdiction has opted-in to make the legislative amendments. Existing isolated networks, such as the 33 operated by Ergon Energy, continue to be managed under state and territory legislation. As such the DRMG amendments do not apply to these 33 isolated networks. Given Queensland has yet to opt-in to the regulatory framework the

⁵² AER, <u>Distribution Reliability Measure Guideline</u>, version 2, August 2022.

⁵³ AER, <u>Explanatory statement: Amendment to the Service Target Performance Incentive Scheme</u>, final decision, November 2018, pp. 16-17.

⁵⁴ Energy Queensland, sub. 3, p. 1.

⁵⁵ QCA, Review of guaranteed service levels to apply in Queensland from 1 July 2025, draft decision, July 2023, p. 21.

AEMC proposed, and there are currently no regulated SAPS in Queensland, we do not consider it is appropriate to amend clause 2.3.9(b) at this time.

Nonetheless, we will monitor this issue, noting that if Queensland opts-in to the regulation change, the EDNC allows the QCA to review GSL measures at any time during the regulatory period.

Duration threshold for exempted outages

We consider the change from 1 minute to 3 minutes will have minimal impact on customers, presents a cohesive set of performance targets for Energy Queensland, and has the potential to decrease inefficiencies in Energy Queensland's regulatory reporting and compliance activities.

The 1-minute threshold for exempted outages is a metric primarily used to determine customer eligibility for the annual interruption-frequency GSL measure. The payment of interruption-frequency GSLs has not been a material issue for Energy Queensland recently. We note that Ergon Energy has significantly improved its performance for this GSL measure during the current regulatory period (see table 7).

Table 7: Interruption-frequency payments, 2016-17 to 2022-23

Distributor	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Energex	0	0	1	0	0	0	0
Ergon	143	57	7	20	0	0	0

Source: Energex and Ergon GSL reporting, QCA analysis.

Based on available data, we consider Energy Queensland's assessment that changing the threshold will have an immaterial impact on GSLs paid to be reasonable.

The STPIS was amended in 2018 to increase the duration of what are considered momentary interruptions from 'one minute or less' to 'three minutes or less.' This was consistent with a recommendation from the AEMC, which considered this change would increase the flexibility and options for distribution automation systems, which could reduce the cost of automation systems and reduce the number of sustained interruptions by automatically restoring supply to more customers.⁵⁷

We acknowledge the purpose of the STPIS and GSL scheme are different. Nonetheless, we do not consider it appropriate for investment and operational decisions aimed at improving customer outcomes should trigger an event under the interruption-frequency GSL measure.

We note that the Essential Services Commission of South Australia (ESCOSA) amended the same threshold in the South Australian GSL scheme to align with the STPIS in 2020.⁵⁸ ESCOSA considered the definitional alignment would improve regulatory consistency. We also consider this to be a reasonable assessment and are of the view a cohesive definition of momentary interruptions could potentially decrease inefficiencies in Energex and Ergon Energy's regulatory reporting and compliance activities.

We have amended clause 2.3.9(b)(ii) to reflect this change from 1 minute to 3 minutes, which can be viewed in the final version 5 of the EDNC on our <u>website</u>.

⁵⁶ AER, <u>Explanatory statement: Amendment to the Service Target Performance Incentive Scheme</u>, final decision, November 2018, pp. 16-17.

⁵⁷ AEMC, Review of distribution reliability measures, final report, September 2014, pp. 12-13.

⁵⁸ Essential Services Commission of South Australia, <u>SA Power Networks reliability standards review</u>, final decision, January 2019, p. 32.

Frequency of interruption threshold (number)

The number of interruption-frequency events that must occur before a customer is eligible for this GSL payment are outlined in table 6. Given that we have decided to change the threshold for excluded momentary interruptions from more than 1 minute to more than 3 minutes, we have also considered whether a reduction to the number of interruption-frequency events is appropriate. Our final decision is to maintain the thresholds at their existing levels.

We did not receive stakeholder comments on this matter in response to our draft determination. As discussed above, ESCOSA has aligned the GSL duration threshold for exempted outages with STPIS since 1 July 2020. During that review process, and the latest one to determine the code to apply from 1 July 2025, South Australian stakeholders did not provide comment seeking to lower the current GSL payment threshold of nine annual interruptions.

We would require significant stakeholder engagement to determine appropriate new threshold values before we could amend the threshold for interruption-frequency events that must occur before a customer is eligible for this GSL payment.

Given the lack of stakeholder engagement on this matter in reviews conducted by both the QCA and ESCOSA, we do not consider the frequency threshold has been an issue of concern for stakeholders. Nonetheless, we intend to monitor the customer impacts of this decision, noting that if there is a demonstrable need, the EDNC allows the QCA to review GSL measures at any time during the regulatory period.

Appendix A: Historical GSL payments

The following two tables outline Energex's and Ergon Energy's GSL payments for the period 2018-19 to 2022-23.

The payment amount for each GSL increased from 1 July 2020. Consequently, care should be taken in making comparisons about the value of GSL payments from 2020-21 onwards and in previous years.

Table A1 Energex GSL payments, 2018-19 to 2022-23 (\$)

GSL payment type	2018-19	2019-20	2020-21	2021-22	2022-23
Wrongful disconnection	4,544	3,266	2,299	2,635	1,705
Connection	170,191	197,166	349,203	343,666	57,660
Reconnection	2,394	2,451	2,041	3,472	2,976
Appointments	7,125	5,016	9,761	7,936	6,572
Planned interruption – residential	28,671	10,276	17,417	7,533	11,191
Planned interruption – small business	9,017	3,976	4,845	2,541	4,004
Reliability – interruption duration	3,213,888	153,786	1,204,010	466,240	329,096
Reliability – interruption frequency	114	0	0	0	0
Total	3,435,944	376,051	1,589,576	834,023	413,204

Source: Ergon Energy GSL compliance reports.

Table A2 Ergon Energy GSL payments, 2018-19 to 2022-23 (\$)

GSL payment type	2018-19	2019-20	2020-21	2021-22	2022-23
Wrongful disconnection	7,526	5,112	1,679	3,565	2,170
Connection	513	1,311	853	992	992
Reconnection	5,857	2,620	491	3,224	1,922
Appointments	8,664	5,472	4,962	4,712	11,284
Planned interruption – residential	27,076	22,456	15,535	17,546	16,368
Planned interruption – small business	13,277	5,893	5,076	5,461	7,084
Reliability – interruption duration	1,094,512	551,550	527,054	750,200	1,272,364
Reliability – interruption frequency	798	2,280	0	0	0
Total	1,158,223	596,694	555,650	785,700	1,312,184

Source: Ergon Energy GSL compliance reports.