

Queensland Competition Authority

Final Decision

**Requested Amendments to the Electricity Industry
Code Customer Disconnection Provisions**

November 2013

The QCA wishes to acknowledge the contribution of the following staff to this report:

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EXECUTIVE SUMMARY

On 21 December 2012, the QCA received a request from Energex to amend provisions in the Electricity Industry Code (the Code) related to disconnecting customers.

The Code requires distributors to physically disconnect customers when requested by retailers. However, it is not possible to disconnect single customers in some older multiple-occupancy dwellings without disconnecting the entire building.

To avoid this situation, Energex disconnects customers by turning off the premises main switch and covering it with a meter switch seal (MSS). This represents a breach of the Code and exposes retailers to unbilled energy costs if customers remove the seal and re-energise the premises themselves.

Initially, retailers agreed to the use of MSS disconnections, provided that Energex compensated them for unbilled energy and did not bill them for network charges while an MSS was in place.

While all parties agreed to these arrangements, the QCA was willing to take a pragmatic approach to enforcing the Code. However, these arrangements have been the subject of ongoing dispute between Energex and retailers.

Under Energex's proposal, an MSS disconnection would be treated like a physical disconnection under the Code if it avoided the need to disconnect other customers. Energex also proposed to cease compensating retailers for unbilled electricity in these circumstances.

On balance, we consider an MSS disconnection to be the best practical solution to the problem of disconnecting individual customers in multi-occupancy dwellings where other customers would otherwise be affected. However, we consider the benefit of codifying this commonsense approach should not accrue entirely to Energex, leaving retailers to bear the risk and cost of unbilled energy. As a result, we disagree with Energex that it should cease paying any form of compensation to retailers when it carries out an MSS disconnection.

Our final decision is to include a new clause in the proposed (version 14) of the Code to:

- (a) allow distributors to complete standard disconnection service orders with an MSS disconnection to prevent multiple premises being disconnected
- (b) codify the existing negotiated arrangements, whereby distributors compensate retailers for unbilled energy costs and do not bill them for network charges when distributors use MSS disconnections
- (c) prevent retailers from charging customers for retail services during the period they are receiving compensation.

Energex also proposed a sub-clause be added to the Code to allow MSS disconnections for safety reasons. Given there are already provisions in place to address safety concerns, and the lack of support for this proposal in submissions, we have not proposed including a safety-related sub-clause.

In addition to the amendments requested by Energex, we have also decided to include a number of miscellaneous amendments in the proposed Code that correct references and other minor errors, and remove sections of the Code that are redundant.

1 INTRODUCTION

On 21 December 2012, the QCA received a request from Energex for certain amendments to be made to the Code (see **Appendix A**). The requested amendments relate to a long-running issue concerning the Code requirements in relation to the disconnection (also called de-energisation) of customers.

Clause 5.7 of the Code requires a distributor such as Energex to complete a standard service order, in this case a disconnection request, within a set timeframe after receiving a valid request from a retailer.

Energex considers that the current provisions of the Code cause certain practical issues when applied to some older multi-occupancy dwellings and the changes it is seeking are aimed at addressing those practical issues. Energex states that the proposed changes are the result of extensive and protracted negotiations between retailers and itself to establish a practical solution to performing disconnections in older electrical installations.

1.1 Industry Code change process

Where a proposed change to an industry code is major, may be controversial or materially affect someone's interests, there are minimum requirements set out under the *Electricity Act 1994* and the *Electricity Regulation 2006* that must be fulfilled before an industry code can be amended. At a minimum this legislation requires the QCA to:

- (a) publish an interim consultation notice and accept submissions
- (b) publish a draft decision and accept submissions
- (c) publish a final decision proposing amendments to the industry code
- (d) have the amended industry code approved by the Minister responsible for energy
- (e) publish a notice in the government gazette.

We released an interim consultation notice in March 2013 and a draft decision in June 2013. Given the technical nature of disconnection processes, and that the use of MSS disconnections has been controversial for a number of years, we released a further consultation paper in September 2013 on the wording of the proposed Code amendments.

1.2 Relevant documents

The following references provide important information the QCA is required to consider when proposing to amend the Code:

- (a) Energex's MSS Code Change Proposal, which is at **Appendix A**
- (b) the *Electricity Act 1994* and the *Electricity Regulation 2006*, which can be accessed from the website of the Office of the Queensland Parliamentary Counsel at www.legislation.qld.gov.au
- (c) the current version of the *Electricity Industry Code*, which can be accessed from our website at www.qca.org.au.

2 ENERGEX REQUESTED AMENDMENTS TO THE CODE

The electricity industry is comprised of three main entities: retailers, distributors and generators. Retailers deal directly with electricity customers, handling customer service, billing and purchasing electricity from generators on behalf of their customers. Distributors are responsible for activities such as reading meters, connecting and disconnecting premises and maintaining the distribution network.

The Code governs the relationship between electricity retailers and distributors, to ensure that requests for service from retailers (referred to as service orders) are met in a timely fashion by distributors. Clause 5.7 of the Code specifies the criteria and timeframes that distributors must meet when fulfilling a service order request.

The service order request relevant to this proposal to amend the Code is where retailers request that distributors physically disconnect specific premises from receiving electricity, called a “remove fuse” disconnection. This type of service order is usually raised where the customer is vacating the premises, or where the customer has failed to pay their electricity account.

2.1 Meter switch seal (MSS) disconnections

On 1 July 2007, full retail contestability (FRC) was introduced in Queensland. The introduction of new retailers caused a significant increase in the number of disconnection and reconnection service order requests. Prior to the introduction of FRC, Energex performed approximately 4,000 disconnections a year. In the second year of FRC (2008-09) Energex received approximately 178,000 disconnection requests. This increase in disconnection requests led to Energex failing to meet its required timeframes under the Code.

To address this situation, Energex devised an alternative means of disconnection called a meter switch seal (MSS) disconnection. An MSS disconnection involves the master power switch being turned off in the meter box of the premises. The switch is then sealed with a sticker advising that it should only be removed by authorised Energex personnel. Performing an MSS disconnection meant Energex took less time and personnel to complete each disconnection request.

However, the use of MSS disconnection exposes retailers to financial risk. When a premises is vacated, the existing retailer remains financially responsible for any charges associated with that connection until the connection is transferred to another retailer. Where an MSS disconnection is performed, it is possible for a customer to restore the electricity supply by removing the MSS sticker and turning the main switch on. If the customer does this without notifying a retailer, the financially responsible retailer would be liable for the electricity use, but have no customer to charge.

To avoid this financial risk, retailers routinely request a “remove fuse” disconnection be performed. This requires Energex to remove a fusible link in the electricity supply, eliminating the risk that the customer may commence consuming electricity without notifying a retailer. Where this type of disconnection is performed, only electrical technicians can restore power to the connection. This process is more costly for the distributor and, in some cases, can require the temporary disconnection of multiple customers to enable the electrical technician to remove a single fusible link safely.

While completing an MSS disconnection was not strictly in accordance with the Code, retailers agreed to the use of MSS disconnections in certain circumstances as a temporary measure. As part of this agreement, compensation is currently offered by the distributor in such cases,

although the amount of compensation has been a source of contention between retailers and distributors. Stakeholders did not provide us with formal documentation. However, based on discussions with Energex and retailers, we understand that, from the date an MSS disconnection is performed until Energex completes a service order re-energising the premises, or notifies the existing retailer that significant electricity consumption has occurred at the property:

- (a) Energex does not bill retailers for network charges
- (b) Energex compensates retailers for any electricity consumed at the average regional reference price published by the Australian Energy Market Operator (AEMO).

2.2 Current disconnection requirements under the Code

Section 5.7 of the Code requires a distribution entity to complete a valid service order within five days (for a CBD or short rural connection) or 10 days (for a long rural or isolated connection). Alternatively, the service order can be completed on a date agreed with the retailer.

Current electrical standards require that all multi-occupancy dwellings have individual fusible links installed for each apartment. These links allow distributors to disconnect individual apartments, and fulfil a “remove fuse” service order, without affecting the electricity supply to other apartments in the complex.

However, some older multi-occupancy dwellings (blocks of units/flats) were not built to the current standard, and distributors must temporarily disconnect the entire complex in order to disconnect (as well as subsequently reconnect) a single unit, which inconveniences other residents. Use of MSS disconnections to disconnect apartments in older complexes avoids this problem.

However, disconnecting a premises through an MSS in response to a retailer requested “remove fuse” service order constitutes a breach of the Code.

2.3 Proposed amendments to the Code

Energex requested that an additional clause, 5.7.4, be inserted in the Code. The proposed additional clause contains two sub-clauses and reads as follows:

5.7.4 Requirement to Complete Disconnection Service Order Requests

A distribution entity is deemed to complete a standard disconnection service order (regardless of requested ServiceOrderSubType) if it employs the method of Turn off Main Switch and Sticker at a premises if:

- (a) Completing the standard service order for disconnection in accordance with the specified ServiceOrderSubType would result in the temporary disconnection of multiple premises; or*
- (b) The distribution entity is unable to safely access or operate the relevant infrastructure to complete the disconnection in accordance with the specified ServiceOrderSubType.*

Under the Energex proposal, an MSS disconnection would be a valid method of completing a “remove fuse” service order for disconnection of dwellings that would require disconnection of other customers. Energex also proposed to cease compensating retailers for unbilled electricity in these circumstances.

2.4 Clause 5.7.4(a) - MSS disconnection for multi-occupancy dwellings

Including sub-clause 5.7.4(a) in the Code would allow a distributor to fulfil a “remove fuse” standard service order using an MSS, but only where performing the standard service order would result in the disconnection of multiple premises.

In the draft decision, we proposed to include this clause in the Code, with two additional sub-clauses (see **Appendix B**). These sub clauses would ensure that a distributor could not charge a retailer for network tariffs while an MSS was in place (clause 5.7.4(a)(i)) and would require distributors to pay retailers \$4 as compensation for electricity used during the period of disconnection (clause 5.7.4(a)(ii)).

Submissions

Suitability of MSS disconnections

The Energy Retailers Association of Australia (ERAA) and retailers, including AGL, QEnergy and Simply Energy, were generally not in favour of the proposal from Energen, as MSS disconnections expose retailers to financial risks in the form of unbilled electricity use and associated debt recovery costs. QEnergy acknowledged that, while the current provisions in the Code were not satisfactory for any party, they did provide some incentive for the distribution businesses to rectify these ongoing issues.

Energen Australia acknowledged the need to ensure other customers are not impacted when a single occupant is disconnected and suggested that MSS disconnection was a common sense approach to disconnecting individual apartments in multi-occupancy dwellings that do not have individual fusible links. Origin Energy also acknowledged that, in the short-term, MSS disconnections are likely to be the only viable solution.

Retailers almost unanimously supported technical measures, such as the installation of meter isolation links or smart meters in multi-occupancy dwellings, to enable Energen to comply with “remove fuse” service orders without affecting other residents, as their preferred long-term solution. Energen agreed that, ultimately, these issues will only be resolved when infrastructure in multi-occupancy dwellings are brought into line with requirements under the Queensland Electricity Connection and Metering Manual.

ERAA and AGL suggested that it is a distributor’s responsibility to comply with the Code and to resolve any technical issues preventing it from doing so. Origin Energy acknowledged that the QCA is not able to mandate technical solutions.

Ergon Energy and the Queensland Council of Social Service (QCOSS) supported the inclusion of MSS disconnections in the Code. While acknowledging the risks to retailers, QCOSS highlighted the costs to customers when their power was unnecessarily interrupted, including potentially lost wages when customers have to be present for up to five hours to allow the distributor to conduct a required safety inspection. QCOSS suggested that lost wages impacted low income earners and casual workers most heavily.

Simply Energy expressed concern over the safety impact of MSS disconnections on life support customers, due to the disconnection of multiple premises. However, MSS disconnections specifically avoid the necessity to disconnect multiple premises and the Code amendment proposal would not impact the existing provisions catering for life support customers.

Ergon Energy considered Energen’s proposal would provide a suitable compromise in situations where physical disconnection would affect multiple premises and would assist in meeting the

objective of the Code through the provision of reliable supply of energy to customers which would otherwise be affected.

Compensation for unbilled electricity

AGL, EnergyAustralia, Lumo, Origin Energy and QEnergy highlighted the need for compensation arrangements to deal with instances of unauthorised consumption where MSS disconnections had been performed. AGL and Lumo Energy supported compensation arrangements being made a formal requirement in the Code, while Origin Energy preferred voluntary arrangements be negotiated between retailers and Energex. However, if these could not be negotiated in the short-term, Origin was in favour of formal compensation requirements being included in the Code.

Retailers did not support a flat rate of compensation for each MSS disconnection performed as proposed in the draft decision. AGL argued that a flat fee did not account for the varying lengths of time during which premises remain unoccupied or the fluctuating costs of energy. QEnergy considered the \$4 compensation rate to be inadequate for business customers. Lumo Energy highlighted that compensation based on prevailing wholesale electricity costs would best reflect current and future costs.

AGL and QEnergy supported compensation based on the negotiated arrangements discussed in section 2.1, which compensates retailers based on the average regional reference price published by the Australian Energy Market Operator. Origin Energy argued that compensation should include market fees and other costs.

Origin and AGL agreed with the inclusion of clause 5.7.4(a)(i) to ensure distributors did not bill retailers for network charges resulting from unauthorised electricity use associated with an MSS disconnection. AGL suggested minor changes to ensure network charges would not be applied retrospectively.

AGL argued that MSS disconnections should only be allowed where a customer was moving out of the premises. AGL suggested that using a disconnection method that could be reversed by a customer was inappropriate in cases where the customer was being disconnected for illegal use or for non-payment of their bill.

Energex did not support any requirement for distributors to compensate retailers where an MSS disconnection was performed. Energex reasoned that retailers could choose to absorb or pass these costs on to customers, whereas any mandatory compensation paid by distributors would be passed through to all customers. However, Energex stated that it was largely supportive of the draft decision, and that compensation costs would be negligible.

Context for considering the approach to MSS disconnections

Exposure to unbilled electricity use is relatively rare in other jurisdictions, due primarily to their electrical safety regulations. In Queensland, the requirement to install individual isolation links was implemented in 2005. In other jurisdictions, this requirement was introduced decades earlier, meaning there are significantly fewer properties without this feature.

The situation in Queensland is further complicated because Schedule 8 of the *Electricity Regulation 2006* prevents distributors from charging the disconnection fee approved by the Australian Energy Regulator (AER) (\$56.08 for Energex in 2013-14) that would otherwise apply to a disconnection request. As retailers are not charged by distributors for physically disconnecting customers on move-out, they routinely request a “remove fuse” disconnection in order to eliminate their exposure to unbilled electricity. In other jurisdictions, distributors are able to charge for disconnections, and these charges are routinely passed on to customers by

retailers. This discourages the retailer from requesting a physical disconnection and requests for a final meter read are much more common.

The Department of Energy and Water Supply (DEWS) released a discussion paper and a subsequent supplementary paper¹ on the move-in move-out process for residential customers in Queensland. The supplementary paper proposes a number of reforms, including the amendment of Schedule 8 of the *Electricity Regulation 2006* to allow distributors to charge retailers the disconnection fee approved by the Australian Energy Regulator.

We consider charging a fee that reflects the economic cost of de-energising premises would likely result in fewer requests for “remove fuse” service orders generally, and would therefore reduce the number of instances in which Energex makes an MSS disconnection in response to retailers’ requests for a physical disconnection.

The proposal to allow distributors to start charging for disconnections is not Government policy at this point. Even if this policy were to be implemented by the Queensland Government, it is unlikely that retailers would stop requesting physical disconnections entirely, as despite the additional cost, some retailers may request a disconnection rather than a final meter read to minimise unbilled energy risk. As the removal of price caps would not eliminate the issue entirely, a resolution on MSS disconnections is necessary.

QCA position

Suitability of MSS disconnections

We agree with the view put in a number of submissions that cutting power to all customers in a multi-occupancy dwelling in order to disconnect a single customer within that premises is neither efficient nor desirable. It involves significant costs to Energex as well as potentially significant costs and inconvenience to customers.

The ongoing installation of meter isolation links and smart meters will gradually reduce this problem. Under the current requirements of the *Electrical Safety Act 2002* and *Electrical Safety Regulation 2002*, where changes are made to electrical switchboards, meter isolation links must be installed so that each customer can be individually disconnected. The gradual uptake of time-of-use tariff options will also require the installation of smart meters.

However, the nature of these processes means that it may take some time before all multi-occupancy dwellings have meter isolation links. Nevertheless, we question the merits of accelerated roll-outs of meter isolation links or smart meters to address this issue, as proposed by the ERAA and AGL, because this would impose potentially significant costs on customers for the sake of avoiding relatively modest costs of unbilled energy. In any case, the installation of meter isolation links and smart meters is not something we can mandate, as noted by Origin Energy.

We acknowledge AGL's comment that MSS disconnections are less effective in dealing with customers who are using electricity illegally or who have not paid their electricity bill. However, as already discussed, cutting power to all customers in a multi-occupancy dwelling in order to disconnect a single customer within that premises under any circumstances imposes significant costs and inconvenience to customers. While these cases may involve higher rates of customers reconnecting themselves, the issue of unauthorised use of electricity is essentially the same as in other cases and will be considered in the following section which deals with

¹ *Move in move out - supplementary paper*, Department of Energy and Water Supply, distributed by email, 17 July 2013

compensation. On this basis, we will not limit the use of MSS disconnections to situations where customers are moving out of the premises.

On balance, we consider an MSS disconnection as proposed by Energex to be the best practical solution to the problem of disconnecting individual customers in multi-occupancy dwellings that do not have individual fusible links.

However, we consider the benefit of codifying this commonsense approach should not accrue entirely to Energex, leaving retailers to bear the risk and cost of unbilled energy. We considered the point made by Energex regarding the ability of retailers to absorb these costs. However, as with most other retail costs, unbilled electricity costs incurred by retailers would likely be passed on to customers in the form of higher prices. Also, as noted by retailers, continuing to require some form of compensation to be paid to retailers is likely to provide an ongoing incentive for distributors to install fusible links and reduce the number of MSS disconnections. For these reasons, we disagree with the proposal by Energex that it should cease paying any form of compensation to retailers when it carries out an MSS disconnection.

Compensation for unbilled energy

We agree with Origin Energy that it would be preferable for Energex and retailers to continue voluntary, informal arrangements regarding compensation for unbilled energy. However, this has been an ongoing issue since April 2008. At the time, the QCA was prepared to be pragmatic about enforcing the Code if all parties were prepared to agree on alternative arrangements.

Energex developed a remedial plan and advised us in March 2009 that agreement had been reached with retailers on all aspects of the plan, including compensation arrangements. However, we were advised by retailers in July 2011 they no longer supported the arrangements and once again sought the QCA's intervention.

In response to the retailers' concerns, Energex recommenced negotiations. In August 2012, we were informed by Energex that an agreement had been reached with retailers on all matters, and proposed a Code change to formalise the matter. Retailer submissions to the interim consultation notice indicated that some areas of disagreement between the parties remained.

Neither Energex nor any retailer informed the QCA of any new agreement on a compensation method. As a result, it seems that the parties continue to be at an impasse on this issue and that a formal resolution is required.

In the draft decision we proposed a simple approach, whereby Energex would be required to pay retailers a fixed \$4 charge for every MSS disconnection it performs². This would have eliminated the need to calculate the cost of unbilled energy in every instance and may have reduced disputes between Energex and retailers about the level of compensation provided for unbilled energy. We noted that this approach would result in less accurate levels of compensation to retailers than if compensation was calculated individually for each MSS disconnection, and would have required that the charge be adjusted from time-to-time to reflect changing energy costs and other factors that may influence the cost of unbilled energy. For these reasons we did not have a strong preference for either approach and welcomed feedback from stakeholders on which approach would be the most appropriate.

² The \$4 charge was calculated based on data provided by Energex which indicated that that it performed 29,000 MSS disconnections in the first nine months of 2012-13, and paid \$107,000 in compensation for unbilled energy to retailers.

While a fixed fee would have advantages in terms of simplicity, we note retailers' concerns that it would not reflect the variability of the unbilled electricity costs they incur. Retailers generally preferred the approach they had voluntarily agreed to with Energex because it accounted for the length of time over which unbilled electricity is consumed, the level of consumption, and the prevailing wholesale electricity price.

Having considered submissions, we agree that the current negotiated arrangements have some clear advantages over the fixed \$4 fee, in that they would:

- (a) better reflect the variability of costs faced by retailers in individual cases
- (b) remain reflective of costs into the future, which would eliminate the need to update the Code as costs change
- (c) provide an incentive for distributors to pay closer attention to consumption at sites where MSS disconnections are in place, as they will be liable for the energy consumed.

For these reasons we agree the current negotiated arrangements should be included in the Code rather than the fixed \$4 fee proposed in the draft decision.

We acknowledge Origin Energy's request for market fees and other costs to be included as part of compensation arrangements. However, these costs are likely to be relatively small and accounting for them would add considerable complexity to the current arrangements. Given that no other retailer raised them as an issue, we decided not to include them in the Code change.

Regarding charging for network services when MSS disconnections are used, we agree with AGL that recovery of network charges should only occur from the moment that significant electricity consumption is detected, or when a re-energisation service order is completed.

As stakeholders did not provide any formal documentation on the negotiated arrangements, and these have been a source of disagreement for some time, we released a further consultation paper on the wording of these final Code amendments (see **Appendix C**) to ensure all stakeholders agreed they accurately reflect the compensation arrangements in place between retailers and Energex.

Submissions to the further consultation paper agreed our proposed wording was consistent with the negotiated arrangements between Energex and retailers.

Retailers requested that Energex notify them of significant consumption at a premises where an MSS disconnection has been used. We consider this to be reasonable and have changed the Code amendments accordingly.

Retailers also indicated that they will have to make billing system changes, in order to comply with the clause restricting them from charging customers for the period they receive compensation from distributors, and that this will take time to complete. However, Energex is providing compensation to retailers on the basis that retailers do not have a customer to bill for electricity use. Retailers should not be "double dipping" by accepting compensation from Energex as well as charging customers, and their billing systems should already reflect this.

Two submissions questioned if the use of MSS disconnections would affect the treatment of illegal use by a customer. As the Code amendment only relates to how a disconnection can be performed, it does not affect how retailers and distributors deal with instances of illegal use.

Based on the reasons outlined above, our final decision is to include a new clause in the proposed Code to:

- (a) allow distributors to complete standard disconnection service orders with an MSS disconnection to prevent multiple premises being disconnected
- (b) to codify the negotiated arrangements whereby distributors compensate retailers for unbilled energy costs when distributors complete MSS disconnections
- (c) to prevent retailers from charging customers for retail services during the period they are receiving compensation.

Final Decision

For the reasons discussed above, the QCA's final decision is to include the following clause and associated definitions in the proposed Code.

5.7.4 Requirement to Complete Disconnection Service Order Requests

(a) If completing a *standard service order* for disconnection (regardless of requested *ServiceOrderSubType*) would result in the temporary disconnection of multiple *premises*, a distribution entity is deemed to complete the service order if it employs the method of *turn off main switch and sticker* at the *premises*.

(b) If a disconnection referred to in paragraph (a) arises because a *small customer* is vacating the *premises*, the distribution entity:

(i) will not charge the *financially responsible Market Participant* for network tariffs relating to the *premises* during the *compensation period*; and

(ii) must pay the *financially responsible Market Participant* compensation calculated by multiplying the volume of consumption recorded at the *premises* during the *compensation period* by the average monthly regional reference price as published by the *Australian Energy Market Operator* for the month in which the *compensation period* ends.

(c) A *retail entity* may not charge a *small customer* for *customer retail services* for a disconnected *premises* during the *compensation period*.

10.1 Definitions and Interpretation

compensation period in relation to clause 5.7.4 is the period commencing on the date the *turn off main switch and sticker* disconnection is completed for a *premises* a *small customer* is vacating and ends on the earliest of:

(a) the date the meter for the *premises* is read and 11kWh of energy or greater has been consumed at the *premises*, provided the distribution entity notifies the financially responsible Market Participant via email or another mutually agreed format within a reasonable time following the meter read;

(b) the date the meter for the *premises* is read after the *distribution entity* is notified the NMI has transferred to another financially responsible Market Participant; or

(c) the date the meter for the *premises* is read as part of a *distribution entity* completing a service order type of "re-energisation" for the *premises*.

financially responsible Market Participant has the meaning given in the *National Electricity Rules*.

ServiceOrderSubType has the meaning given in the B2B Procedures: Service Order Process established under Clause 7.2A.3 of the *National Electricity Rules*.

turn off main switch and sticker has the meaning given in the B2B Procedures: Service Order Process established under Clause 7.2A.3 of the *National Electricity Rules*.

2.5 MSS disconnection due to safety

Energex also proposed the inclusion of a sub-clause in the Code to allow a distributor to perform an MSS disconnection in circumstances where a “remove fuse” disconnection would be unsafe, or the distributor is unable to safely access the connection to complete the disconnection.

Under the existing provisions, where the completion of a service order would be genuinely unsafe, the distributor is not obliged to complete the service order at that time. In these circumstances the distributor may return the exception code “unsafe” in the B2B system, indicating to market participants that the service order was not completed due to a safety issue. The sub-clause proposed by Energex would provide the option in such cases of completing the service order via an MSS disconnection, without returning the “unsafe” exception code. From a market participant perspective, there would be no “unsafe” code returned and no indication that there was a safety or access issue with the premises.

Submissions

Retailers were generally not in favour of Energex's proposal to allow an MSS disconnection to be performed where distributors could not safely access or operate infrastructure to complete a “remove fuse” disconnection and supported our draft decision to reject the proposal.

AGL and ERAA considered that a change to the Code to allow MSS disconnections in cases of safety was unnecessary, as the B2B procedures already allowed for distributors to not complete a service order for safety reasons. Origin Energy was not in favour of MSS disconnections being included in the Code under any circumstances, as this would be normalising an anomaly specific to the Queensland market.

EnergyAustralia considered that the B2B procedures already catered for issues of safety and access, and that retailers relied on the information sent back through the B2B system regarding why a physical disconnection could not be performed to resolve any issues regarding safety or lack of access. Similarly, ERAA highlighted that the amendment could potentially result in potentially unsafe installations not being reported to market participants.

EnergyAustralia also argued that MSS disconnections lower costs for distributors, and that the introduction of the proposed sub-clause would be open to abuse by distributors seeking to minimise disconnection costs. Origin Energy was concerned that retailers have no influence over the application of the MSS process or the ability to scrutinise its application.

QCA position

Under the B2B Procedures³, a distributor may return the exception code “unsafe” in circumstances where it deems the completion of a service order request to be unsafe. In cases where the distributor cannot safely access infrastructure to perform the disconnection, or is unable to complete the disconnection for other safety reasons, the distributor would not perform the disconnection, leaving the premises energised, and would return a service order status of “not completed” to the customer’s retailer. This provides retailers with an indication that there may be an issue at a premises, and allows them to ensure issues are corrected by the resident or distributor as appropriate.

3 *B2B Procedure: Service Order Process V1.8* Effective 16 November 2011

We share the concern raised in submissions that this latter part of Energex's proposal would record a service order as completed where safety or access issues may have prevented the completion of the "remove fuse" service order. This could lead to a situation where safety issues remain unresolved.

Final Decision

Given the provisions already in place to address safety concerns regarding disconnections, and in light of the potential safety issues that may arise if MSS disconnections are made in unsafe circumstances, we have decided not to include the safety-related sub-clause proposed by Energex in the proposed Code.

3 MISCELLANEOUS AMENDMENTS

A recent review of the Code and its appendices identified a number of minor “house-keeping” matters that need to be addressed at some stage. Most relate to removing sections of the Code which are redundant and correcting references. These changes are not anticipated to make any difference to the day-to-day operation of the Code.

Table 1: Proposed miscellaneous Code changes

| Clause | Proposed amendment |
|---------------------|---------------------------------------------------------------------------------------|
| 2.6.1(b) | Remove redundant clause |
| 3.1(a) | Replace incorrect reference to clause 3.2(d) with clause 3.3 |
| 3.1(b) | Correct reference to include clause 3.9 |
| 3.1(c) | Remove redundant clause |
| 7.1.1(b) | Remove redundant clause |
| 9.4.3(o) | Correct case in reference to subclause (c) |
| Definition | Remove redundant definitions “network management plan” and “summer preparedness plan” |
| Annexure A - 4.4(b) | Remove redundant footnote |
| Annexure B - 4.5(b) | Remove redundant footnote |

Submissions

No stakeholders objected to the miscellaneous amendments proposed in the draft decision.

Final Decision

As no objections were raised by stakeholders, we have decided to include amendments presented in Table 1 in the proposed Code.

GLOSSARY OF ACRONYMS AND TERMS

A

AEMO The Australian Energy Market Operator

B

B2B The Business to Business procedure that governs the processing of service orders

C

CBD central business district

the Code The Electricity Industry Code

D

DEWS The Department of Energy and Water Supply (Queensland)

E

ERAA Energy Retailers Association of Australia

F

FRC full retail contestability

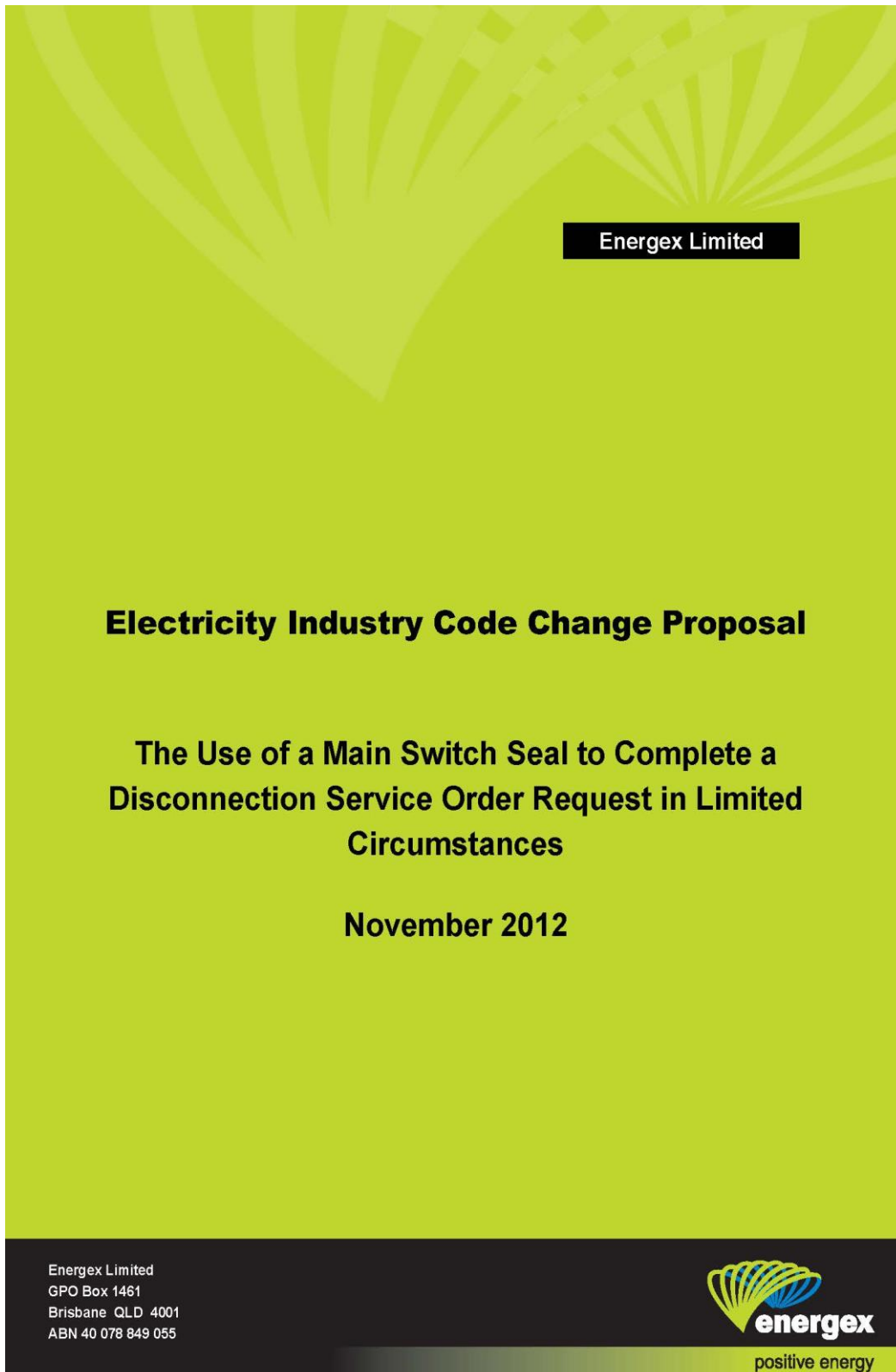
M

MSS meter switch seal

Q

QCOSS Queensland Council of Social Service

Appendix A: Energex Requested Code Change




Energex Limited

Electricity Industry Code Change Proposal

**The Use of a Main Switch Seal to Complete a
Disconnection Service Order Request in Limited
Circumstances**

November 2012

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energex
positive energy



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1 Introduction

Energex is requesting the Queensland Competition Authority (QCA) to amend the Queensland Electricity Industry Code (EIC) to formalise the use of a main switch seal (MSS) as a valid method of completing a disconnection service order request in the following limited circumstances where:

1. electrical limitations exist such that Energex cannot safely disconnect a premises at a multiple occupancy complex (either residential or business) without interrupting the supply of electricity to other customers; or
2. due to an inability to safely access or operate the relevant infrastructure Energex cannot disconnect a premises as requested by the retailer.

Energex believes that this change proposal furthers the EIC objective as it promotes the efficient use of electricity services for the long term interests of Queensland customers with regard to quality and reliability of supply. This EIC change proposal seeks to formalise Energex's current practice of performing a MSS where a disconnection requested by the retailer cannot be performed without unfavourable outcomes for other customers at multiple occupancy complexes or due to an inability to safely access the relevant disconnection infrastructure. Customers at multiple occupancy complexes will continue to benefit with uninterrupted supply of electricity regardless of the number of disconnections and reconnections that occur at that complex.

This EIC change proposal is a request made pursuant to section 222A of the *Electricity Regulation 2006* (Electricity Regulation). The Electricity Regulation allows any person to ask the QCA to amend the EIC in a stated way providing the proposal is in the way the QCA reasonably requires, and justifies how it meets the code objective. Energex considers that this EIC change proposal is consistent with the intended subject matter of industry codes as contemplated by *the Electricity Act 1994* and reflected in the EIC.

This document is structured as follows:

- Section 2: Background to the EIC change proposal;
- Section 3: Regulatory Framework;
- Section 4: Energex's current disconnection and reconnection processes;
- Section 5: Outline of the EIC change proposal and application;
- Section 6: High Level Impacts for customers, retailers and distributors;
- Section 7: Contribution to the EIC Objective and Implications if not endorsed;
- Section 8: Other Considerations; and
- Section 9: Proposed drafting to support the EIC change proposal.

In this proposal Energex uses the term "disconnection" consistent with the EIC. In the Australian Energy Market Operator's B2B Procedures: Service Order Process the request is termed a "de-energisation".



2 Background to the EIC Change Proposal

Following the sale of Energex's retail arm and the introduction of Full Retail Competition (FRC), the volume of disconnection requests received by Energex increased significantly. Retailers request disconnection, at no explicit cost to either the retailer or the customer due to the application of Schedule 8, *Electricity Regulations 2006*, to mitigate the risk of unbilled energy consumption. Prior to the retail sale and introduction of FRC, Energex performed approximately 4,000 disconnections in 2006/07, compared with 178,000 disconnection requests received in 2008/09. This significant step change in the volume of requested disconnections resulted in Energex experiencing, at that time, some difficulty in meeting the five business day timeframe to perform a disconnection as prescribed under the EIC.

To remedy this situation, Energex agreed with retailers in late 2008, in consultation with the QCA, the use of a MSS to bring Energex's disconnection performance in line with EIC requirements. In addition Energex agreed to implement system changes to ensure that Energex was providing appropriate B2B responses and agreed a compensation framework with retailers for the risk of unbilled energy. In late 2008, the Queensland Electrical Safety Office was consulted and confirmed that Energex's MSS process, developed to meet EIC timeframes, complied with the Queensland *Electrical Safety Regulations 2002*. Due to the significant volume of requests, the MSS response was used widely from late 2008 to 2010, regardless of the premises type or type of disconnection that could be performed at that premises.

Having addressed the disconnection timeframe performance issue by 2010, Energex actively sought to reduce the number of MSS, increasing the proportion of completed disconnections using other methods (i.e. remove fuse or disconnection at pole top, pillar box or pit) from 64 percent in 2009/10 to 71 percent in 2011/12. This involved a significant resourcing task to establish and retain a pool of electrically qualified contractors able to perform these types of disconnection and the subsequent reconnection.

Furthermore, Energex's performance in terms of completion rates for all disconnection types improved from 63 percent in 2009/10 to 76% in 2011/12. The B2B Procedure: Service Order Process outlines a number of reasons why service orders may not be completed including "Unable to Access". Distribution network service providers' (DNSP) disconnection completion rates were the subject of an Australian Energy Regulator (AER) compliance review for 2009/10 and 2010/11. Based on the AER's findings outlined in its "Wholesale Markets: Quarterly Compliance Report – July-September 2011" released in October 2011, Energex understands its incompleteness rates attributed to access issues were comparable to other DNSPs. However, as per this proposal, due to electrical infrastructure legacy issues and to a much lesser extent the ability to safely access or operate the relevant infrastructure, Energex will need to continue to perform MSS indefinitely.

Queensland's electrical infrastructure configuration was determined by previous electrical standards and limits the ability of Energex to perform requested types of disconnections specifically at multiple occupancy complexes. The majority of these complexes have no individual fuse or Meter Isolation Link (MIL) to allow disconnection of only the relevant premises at that complex. Rather, to disconnect a premises at a multiple occupancy complex in accordance with retailers' requests would invariably require the temporary interruption of supply to all other premises at that complex for both the disconnection and reconnection. This would be the case for 94% of customers at multiple occupancy complexes (both residential and commercial). This would require Energex to provide all potentially affected customers with two business days' notice of a planned interruption as required under the EIC, resulting in unreasonable customer outcomes and additional and inefficient costs being borne by Energex.



These infrastructure limitations have always existed and Energex and Ergon Energy have sought to alleviate this by amending the Queensland Electricity Connection and Metering Manual (QECMM) to require the installation of a Metering Isolation Link (MIL) at new premises. The EIC requires distributors, retailers and customers to comply with the QECMM. MILs are considered part of the customer's electrical infrastructure and as such are installed at the customer's expense. The QECMM requirements have been in place since 2005 for multiple occupancy complexes and 2010 for detached, single dwellings. While detached, single complexes already have a separate fuse, the requirement to install a MIL is driven by safety in that it allows electrical contractors to more easily disconnect where work is being performed. The presence of a MIL facilitates disconnection by the methods requested by retailers at multiple occupancy complexes.

MILs are also required to be installed where a switchboard or electrical meter is replaced or significantly altered, which occurs for instance, where metering for solar photovoltaic (PV) cells is installed at a premises. As at the end of October 2012, approximately 14 percent of all premises have solar PV cells installed of which the vast majority of these are detached, single dwellings. As such the take-up of solar PVs has not resulted in greater infiltration of MILs at multiple occupancy complexes.

In mid 2011 AGL and Origin raised issues with the QCA in regard to Energex's disconnection process, despite performance improvements since 2008. Energex understands that these retailers sought the QCA's involvement to ensure Energex complies with the requirements of the EIC and the B2B market rules. Energex has advised retailers on many occasions of the infrastructure limitations that legitimately prevent the types of disconnections requested being performed in many instances. However the retailers still expressed their dissatisfaction with Energex's MSS process.



3 Regulatory Framework

Energex's disconnection and reconnection processes are governed by the EIC and the B2B Procedures: Service Order Processes. Service order requests such as disconnections and reconnections are managed through B2B communications between retailers and distributors. As prescribed by the EIC, distributors must complete a disconnection service order request within five business days and a reconnection service order request on the same business day providing the request is received by 1pm, otherwise, the next business day. Under clause 2.6 of B2B Procedures: Service Order Process, the service provider must use reasonable endeavours to complete the work, taking into account any special instructions and appointment details contained in the Service Order Request. Note that the MSS approach is described in Figure 1 of the B2B Procedures: Service Order Process (referred to as "turn off main switch and sticker").

Energex believes that its current disconnection and reconnection process including the use of a MSS, complies with the regulatory framework on the basis that Energex:

1. uses reasonable endeavours to ensure that all service orders are completed in the manner requested by the retailer; and
2. completed 99.75% of disconnection requests within the EIC timeframe for 2011/12 as reported to the QCA in quarterly service order reports; and
3. completed 99.6% of reconnection requests within the EIC specified timeframes for 2011/12 as reported to the QCA in quarterly service order reports.



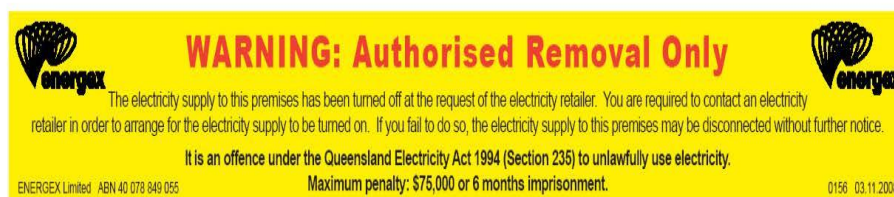
4 Disconnection and Reconnection Processes

4.1 Disconnection Process

Energex's current disconnection process is based on the type of disconnection that can be performed at the relevant premises. Energex has recently enhanced its disconnection process by undertaking an audit of MILs for residential premises to ensure that where a MIL exists Energex performs a remove fuse disconnection. As the MIL is owned by the customer, Energex has incurred costs to collect and retain information about the customer's electrical assets to ensure that wherever possible all disconnection requests are performed as requested. Based on this audit, Energex has identified that there are approximately 6 percent of premises at multiple occupancy complexes with a MIL installed, however this is expected to improve over time given increasing number of new builds and upgrades to switchboards and meters.

Figure 1 below illustrates Energex's current process when a disconnection request is received from a retailer. This process applies to all disconnections relating to residential and commercial premises for vacancy and no pay. Energex notes the following with respect to disconnection requests:

- The majority of disconnection requests by retailers relate to either the premises being vacated or the failure of the customer to pay their electricity bill;
- Almost all disconnection requests received from retailers have a sub-type "remove fuse", with residual requests having a sub-type "disconnection at pole top, pillar box or pit".
- Where a disconnection request is received with no sub-type, Energex assigns a "disconnection at pole top, pillar box or pit" sub-type.
- Energex uses best endeavours to perform the disconnection as requested in the service order request. However, Energex's disconnection process provides for a hierarchical structure whereby a "remove fuse" or "disconnection at pole top, pillar box or pit" is attempted in the first instance, followed by a MIL disconnection (which is equivalent to a "remove fuse" disconnection), and finally a MSS if limitations exist that prevent performing the disconnection as requested. Energex understands that where access or operational issues exist such that the disconnection method requested cannot be performed safely but a MSS can, retailers would prefer that a MSS is completed rather than no action being taken and a "non-complete" B2B response being sent to the retailer.
- A MSS involves turning off the customer's main switch, placing a yellow sticker (seal) over the switch warning of the penalties of removing the sticker, and reading the meter (note below).

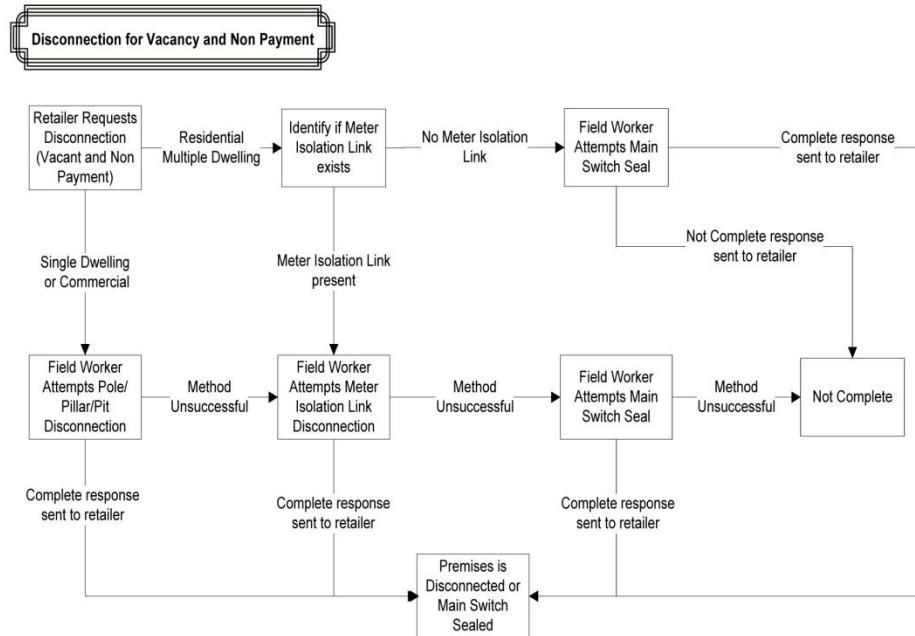




- When a disconnection request is completed, the response sent to the retailer provides information about the type of disconnection performed.
- Where a “remove fuse”, “disconnection at pole top, pillar box or pit” or MIL disconnection is performed, the status of the NMI is “D” for disconnected in the Market Settlement and Transfer Solutions (MSATS) system. Where a MSS is performed the status of the NMI remains “A” for active. This allows Energex to determine that action to be taken in response to a reconnection request. Energex considers a MIL disconnection is equivalent to a “remove fuse” method of disconnection.
- The distributor may not be able to complete the work for legitimate reasons as recognised under the B2B Procedures: Service Order Process which provides for a number of exception codes such as “Unable to Access” or “Customer on Site”.
- Figure 1 does not outline current compensation payment arrangements to retailers where a MSS is employed as agreed in late 2008. Compensation is provided when consumption occurs between the time of the MSS and when Energex believes a new customer has taken responsibility for a premises.



Figure 1



Where the capability exists to perform the disconnection method as requested by the retailers (i.e. “remove fuse”) but for the inability to safely access or operate the relevant infrastructure Energex applies a MSS. In this situation, Energex could return a non-complete service order response to the retailer. However, as displayed in figure 1, Energex will perform a MSS if possible where no other disconnection method is available. Energex considers that in applying this approach it is using reasonable endeavours to complete the work.

4.2 Reconnection Process

Figure 2 outlines Energex’s current reconnection process. As prescribed by the EIC, distributors must complete a reconnection service order on the same business day providing the request is received by 1pm, otherwise, by the next business day. Energex notes the following with respect to reconnection process:

- The majority of reconnection service order requests following disconnection for vacancy have no service order subtype, while reconnection service order requests following disconnection for no pay typically have a service order subtype of “After Disconnection for Non-Payment.”
- Where a “remove fuse” or “disconnection at pole top, pillar box or pit” is performed, Energex is required to perform a visual examination of the premises prior to reconnection in accordance with section 152 of the *Electrical Safety Regulation 2002*. This involves the customer arranging a five hour appointment window to allow access to the premises.

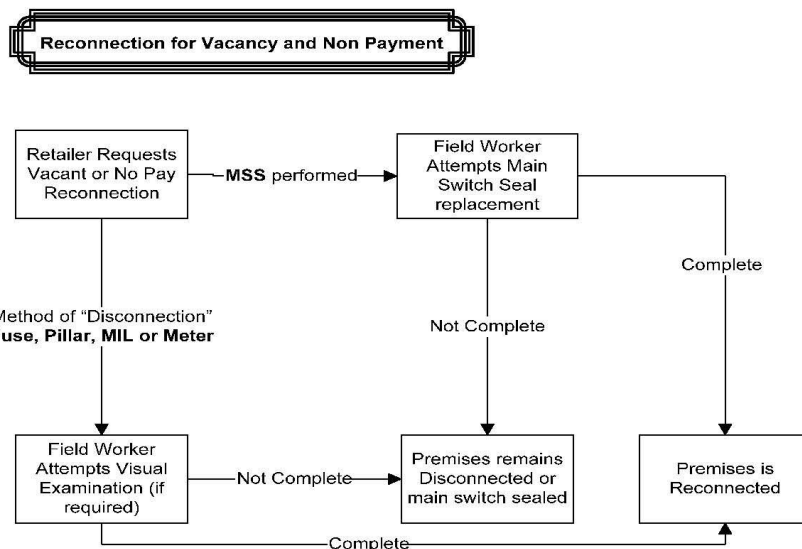


- The Queensland Electrical Safety Office confirmed that Energex does not need to perform a visual examination prior to re-energising a vacant residential premises where a MSS was performed. Energex does perform a visual examination for a business premises where a MSS is performed.
- Reconnection following a MSS involves Energex attending the premises, removing the yellow sticker (seal), applying the green sticker (seal), and reading the meter. The customer's main switch remains in the off position. This reconnection does not require Energex to perform a visual examination; rather, a card is left for the customer with instructions on performing the visual examination themselves before turning on their main switch.



- Where a reconnection is requested following a “remove fuse” disconnection or “disconnection at pole top, pillar box or pit” for no pay, Energex does not perform a visual examination in accordance with the *Electrical Safety Regulation 2002*.

Figure 2





5 Outline of Change Proposal and Application

Energex considers its current disconnection practices meet the requirements of the EIC and the B2B Procedures. In particular, Energex considers that it uses best endeavours to perform work as requested, given that where a disconnection can be performed by the “remove fuse” or “disconnection at pole top, pillar box or pit” method as requested, this is the disconnection method employed. The only exception under Energex’s current disconnection process is where these methods of disconnection would result in temporary interruptions of supply to other customers or cannot be performed due to an inability to safely access or operate the relevant infrastructure.

Energex wishes to formalise, for the avoidance of doubt, the use of a MSS under the EIC in these limited circumstances. The limited circumstances are where a disconnection method requested cannot be performed without adverse impacts on other customers or due to safety issues.

As part of this proposal to formalise the use of a MSS Energex will maintain contemporary information regarding customers’ assets to inform Energex as to the type of disconnection that can be performed. This EIC change proposal involves no change to the current disconnection and reconnection processes (as outlined in figures 1 and 2 of this proposal) with the exception of ceasing the compensation arrangements for MSS disconnections.

Given the intended widespread use of MSS from late 2008, Energex agreed to compensate retailers for unbilled electricity where a MSS has been performed, from the time the MSS occurred to when Energex considers a new customer has taken responsibility for the premises. If, as a result of this rule change, the EIC recognises MSS as a valid response to a disconnection request under limited circumstances, it is Energex’s intention to cease compensation arrangements.

However, Energex recognises it has a continued role to play in limiting unbilled energy consumption, through the provision of information to customers at their premises and notifying retailers where a significant amount of energy has been consumed at the premises where a MSS has been performed. Energex is willing to continue to work with retailers to minimise this risk. However, Energex is not ultimately liable for this consumption providing all reasonable endeavours have been taken to perform a disconnection as requested and a valid response has been actioned.

5.1 Application of the Change Proposal

The EIC change will apply in Queensland where a disconnection is requested by a retailer:

- and an individual connection point does not exist for the relevant premises regardless of the type of customer (i.e. commercial and residential) and the reason for disconnection (i.e. for vacancy and no pay); or
- where a distributor is unable to safely access or operate the relevant infrastructure.

Energex understands that MSS is primarily used in South East Queensland.

Where a disconnection is initiated by the distributor for safety reasons, the disconnection will always be performed using the “remove fuse” or “disconnection at pole top, pillar box or pit” methods. Energex will temporarily interrupt supply to other customers to disconnect for safety reasons. In these circumstances Energex is not required to provide notice of a planned interruption. These volumes are relatively small compared with the disconnection volumes initiated by retailers and represent approximately two percent of completed disconnections.



6 High Level Impacts

As this EIC change proposal seeks to formalise the use of a MSS as part of Energex's current disconnection process, Energex does not consider that there will be any impacts for customers. That is, customers at multiple occupancy complexes, other than those subject to the disconnection request, will continue to have uninterrupted supply of electricity regardless of the number of disconnections and reconnections that occur at that complex. There will be no impact for Energex which will continue to use best endeavours to disconnect as requested in the B2B service order request, recognising that where safe access and operational issues exist, Energex may perform a MSS. As part of this proposal Energex intends to cease the current compensation arrangements with retailers, as performing a MSS in limited circumstances will be considered as a valid response to a disconnection request. This will have a negligible impact on retailers.



7 Contribution to EIC Objective and Implications if not Endorsed

The EIC objective, as set out in clause 1.1 of the EIC is:

....to promote efficient investment in, and efficient use of, electricity services for the long-term interests of Queensland customers about:

- (a) price, quality, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the Queensland electricity system.

This EIC change proposal meets the EIC objective, as it seeks to ensure the ongoing quality and reliability of supply to customers, namely those located in multiple occupancy complexes. These customers are entitled to uninterrupted supply irrespective of their electrical infrastructure and implications for performing disconnections and reconnections for individual premises at multiple occupancy complexes.

Allowing the use of a MSS where safe access and operation of relevant disconnection infrastructure is not provided meets the EIC objectives as it provides for efficient use of electricity services; the disconnection request is completed safely and prevents further potential costs being incurred associated with the rescheduling of the disconnection including the making of appointments with customers.

Alternatives to a MSS and the EIC Objective

If this EIC change proposal is not endorsed, the requirement to disconnect premises as requested would involve frequent temporary planned interruptions of supply at multiple occupancy complexes. Under the EIC, Energex is required to give at least two business days' notification to small customers of a planned interruption except in the case of emergencies. In the event of a disconnection at a multiple occupancy complex, Energex would have to take the following actions:

- Provide two days notice to the whole complex of the disconnection;
- Remove fuse to disconnect the whole complex;
- Remove fuse to disconnect the individual unit/apartment/business; and
- Re-instate fuse to reconnect the remaining units/apartments/businesses.

This disconnection process takes approximately 30 minutes. Note that a similar process is required to reconnect the relevant premises at a multiple occupancy complex such that supply to all premises is again interrupted for approximately 30 minutes. Given that some multiple occupancy complexes have hundreds of apartments, residents could regularly have their supply interrupted which in Energex's opinion would result in unreasonable customer outcomes.

The EIC prescribes reconnection timeframes as the same business day if the reconnection request is received by 1pm, or the next business day if the reconnection request is received after 1pm. If completing the reconnection request involves the temporary interruption of supply to other customers, there appears inconsistency in the regulatory obligations with respect to meeting the EIC service order timeframes, and the EIC requirement of providing two business days' notice of a planned interruption. Additional reconnection costs of approximately \$850,000 per annum would also be incurred by Energex due to having to perform visual examinations for all reconnections in accordance



with the *Electrical Safety Regulations 2002* rather than for reconnections relating to non-MSS disconnections only.

Energex would incur additional administrative costs in managing the planned interruptions requirements. Undertaking a visual examination prior to reconnection also requires customers to make a five hour window appointment at considerable inconvenience. The customer must be on site for the visual examination as access is required to the inside of the premises to inspect all power points and light switches and any structure on the property that has electricity. Energex does not consider that such an approach would promote the EIC objective given the customer inconvenience and additional costs likely to be incurred by Energex.

An alternative which would allow Energex to disconnect as per the retailers' request at multiple occupancy complexes without interrupting supply is through a retrospective roll-out of MILs at such complexes. As a MIL is the customer's asset, the customer would have to incur the cost of the MIL and its installation. Given that customers would bear these additional costs and the benefits would accrue to the customers' retailers, Energex does not consider that this approach to be in the best interest of the customer and thereby does not further the EIC objective.



8 Other Considerations

8.1 Further Change to Energex's Disconnection Process

Energex also highlights to the QCA that it intends to make a subsequent change to its disconnection process in 2013. Currently the premises/NMI is assigned "D" for de-energised in the MSATS system where a "remove fuse" disconnection and "disconnection at pole top, pillar box or pit" is performed. Whereas when a MSS is performed, the premises/NMI continues to be assigned an "A" for active status. This assignment was driven by a need to identify premises that require a visual inspection at the time of reconnection and facilitate the compensation arrangements. Energex understands that the retailers prefer all premises/NMIs being assigned "D" regardless of the type of disconnection performed and intends to make system changes next year to facilitate this. Following these system changes, premises which require a visual inspection on reconnection will be identified via the type of disconnection performed. Retailers will have visibility of this when initiating reconnection service order requests.

8.2 Department of Energy & Water Supply (DEWS) Discussion Paper on Customer Move-In Move-Out (MIMO) Process

DEWS released a discussion paper on the residential customer MIMO process in Queensland in July 2012. This paper discusses cost, efficiency and customer convenience issues associated with the current residential MIMO process. Two alternative options are considered by the paper:

- the removal of schedule 8 price cap for disconnection resulting in MIMO situations (option 1); and
- change the EIC to prevent retailers from raising a service order request for disconnection for a period of time after the move-out customer's final meter read is performed (option 2).

Energex supported a qualified option 1. Energex's submission noted the use of a MSS where infrastructure limitations exist. While the potential MIMO process changes may reduce the volume of disconnections, this does not lessen the need for this EIC change and the use of MSS in the limited circumstances described in this proposal. Energex also notes its intention to cease paying compensation to retailers, on the basis that paying compensation in these circumstances differentiates between valid disconnection request responses. This was outlined in Energex's submission to DEWS.



9 Drafting EIC Changes

Inclusion of 5.7.4

5.7.4 Requirement to Complete Disconnection Service Order Requests

A distribution entity is deemed to complete a standard disconnection service order (regardless of requested *ServiceOrderSubType*) if it employs the method of Turn off Main Switch and Sticker at a premises if:

- Completing the standard service order for disconnection in accordance with the specified *ServiceOrderSubType* would result in the temporary disconnection of multiple premises; or
- The distribution entity is unable to safely access or operate the relevant infrastructure to complete the disconnection in accordance with the specified *ServiceOrderSubType*.

Inclusion at 10.1.1 Definitions

ServiceOrderSubType has the meaning given in the *B2B Procedures (service order process)* as applicable to Queensland.

Appendix B: DRAFT DECISION PROPOSED CODE CHANGE

In our draft decision, we proposed to include the following clause in the Code to address the issue of unbilled energy costs when distributors complete MSS disconnections.

5.7.4 Requirement to Complete Disconnection Service Order Requests

A distribution entity is deemed to complete a standard disconnection service order (regardless of requested ServiceOrderSubType) if it employs the method of Turn off Main Switch and Sticker at a premises if:

(a) Completing the standard service order for disconnection in accordance with the specified ServiceOrderSubType would result in the temporary disconnection of multiple premises; provided:

(i) the distribution entity does not bill the financially responsible market participant for network tariffs until the distributor notifies the financially responsible market participant that a significant amount of energy is being consumed at the premises, or receives a service order type of “re-energisation” for the premises; and

(ii) the distribution entity pays the financially responsible market participant \$4 as compensation for any electricity that may be consumed at the premises during the period of disconnection.

Appendix C: Further Consultation Paper Proposed Code Change

In our further consultation paper we proposed the following wording for the new clause in the Code to:

- (a) allow distributors to complete standard disconnection service orders with an MSS disconnection to prevent multiple premises being disconnected
- (b) to codify the previous compensation arrangements to compensate retailers for unbilled energy costs when distributors complete MSS disconnections
- (c) to prevent retailers from charging customers for retail services during the period they are receiving compensation.

5.7.4 Requirement to Complete Disconnection Service Order Requests

(a) If completing a *standard service order* for disconnection (regardless of requested *ServiceOrderSubType*) would result in the temporary disconnection of multiple *premises*, a *distribution entity* is deemed to complete the service order if it employs the method of *turn off main switch and sticker* at the *premises* provided that, where a customer is vacating the *premises*, the *distribution entity*:

(i) does not charge the *financially responsible Market Participant* for network tariffs relating to the *premises* during the *compensation period*; and

(ii) pays the *financially responsible Market Participant* compensation calculated by multiplying the volume of consumption recorded at the *premises* during the *compensation period* by the average monthly regional reference price as published by the *Australian Energy Market Operator* for the month in which the *compensation period* ends.

(b) A *retail entity* may not charge a *small customer* for customer *retail services* for a disconnected *premises* during the *compensation period*.

10.1 Definitions and Interpretation

compensation period in relation to clause 5.7.4 is the period commencing on the date the *turn off main switch and sticker* disconnection is completed for a *premises* a *small customer* is vacating and ends the date the *distribution entity* notifies the *financially responsible Market Participant* that more than 11kWh of energy has been consumed at the *premises*, is notified the NMI has transferred to another *retail entity*, or receives and completes a service order type of “re-energisation” for the *premises*.

financially responsible Market Participant has the meaning given in the *National Electricity Rules*.

ServiceOrderSubType has the meaning given in the B2B Procedures: Service Order Process established under Clause 7.2A.3 of the *National Electricity Rules*.

turn off main switch and sticker has the meaning given in the B2B Procedures: Service Order Process established under Clause 7.2A.3 of the *National Electricity Rules*.