



Draft Decision

Requested Amendments to the Electricity Industry Code Customer Disconnection Provisions

June 2013

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SUBMISSIONS

Public involvement is an important element of the decision-making processes of the Authority. The Authority is releasing this Draft Decision to seek stakeholder views on proposed amendments to the Electricity Industry Code. Submissions are invited from interested parties and the Authority will take account of all submissions received by the due date.

Written submissions should be sent to the address below. While the Authority does not necessarily require submissions in any particular format, it would be appreciated if two printed copies are provided together with an electronic version on disk (Microsoft Word format) or by e-mail. Submissions, comments or inquiries regarding this paper should be directed to:

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The **closing date** for submissions is 14 July 2013.

Confidentiality

In the interests of transparency and to promote informed discussion, the Authority would prefer submissions to be made publicly available wherever this is reasonable. However, if a person making a submission does not want that submission to be public, that person should claim confidentiality in respect of the document (or any part of the document). Claims for confidentiality should be clearly noted on the front page of the submission and the relevant sections of the submission should be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two copies of each version of these submissions (i.e. the complete version and another excising confidential information) could be provided. Again, it would be appreciated if each version could be provided on disk. Where it is unclear why a submission has been marked “confidential”, the status of the submission will be discussed with the person making the submission.

While the Authority will endeavour to identify and protect material claimed as confidential as well as exempt information and information disclosure of which would be contrary to the public interest (within the meaning of the *Right to Information Act 2009 (RTI)*), it cannot guarantee that submissions will not be made publicly available. As stated in s 239 of the *Queensland Competition Authority Act 1997*, the Authority must take all reasonable steps to ensure the information is not disclosed without the person’s consent, provided the Authority believes that disclosure of the information would be likely to damage the person’s commercial activities and that the disclosure of the information would not be in the public interest. Notwithstanding this, there is a possibility that the Authority may be required to reveal confidential information as a result of a RTI request.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at the Brisbane office of the Authority, or on its website at www.qca.org.au. If you experience any difficulty gaining access to documents please contact the office (07) 3222 0555.

Information about the role and current activities of the Authority, including copies of reports, papers and submissions can also be found on the Authority’s website.

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1. INTRODUCTION

On 21 December 2012, the Authority received a request from Energex for certain amendments to be made to the Electricity Industry Code (the Code) - **Attachment 1**. 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 (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 premises 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 Timetable

An indicative timetable for this review is outlined below:

- (a) Consultation Paper released – 22 March 2013;
- (b) Submissions on the Consultation Paper closed – 29 April 2013;
- (c) Draft Decision released – 21 June 2013;
- (d) Submissions on Draft Decision close – 14 July 2013; and
- (e) Final Decision to be released – 23 August 2013.

This timetable may be varied as the process progresses.

1.2 Relevant documents

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

- (a) Energex's MSS Code Change Proposal, which is at **Attachment 1**;
- (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; and
- (c) the current version of Electricity Industry Code, which can be accessed from the Authority's 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. Distribution entities 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 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 per annum. 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.

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.

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 another customer moves into the premises. 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 corresponding customer to charge. As part of the agreement, compensation is usually offered by the distributor in such cases, though this has also been a source of contention between retailers and distributors.

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.

2.2 Current disconnection requirements under the Code

Section 5.7 of the Code requires that a distribution entity 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 to 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 require temporary interruption of the electricity supply for the entire complex in order to disconnect (as well as subsequently reconnect) a single unit, which will inevitably inconvenience 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 current provisions in the Code.

2.3 Proposed amendments to the Code

Energex has 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 has 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

The effect of including sub-clause 5.7.4(a) in the Code would be to allow a distribution entity to fulfil a “remove fuse” standard service order via the use of an MSS disconnection, only where performing the standard service order would result in the disconnection of multiple premises.

Submissions

The Energy Retailers Association of Australia (ERAA) and retailers, including AGL, Origin Energy and Simply Energy, were generally not in favour of the proposal from Energex, mainly because it would expose retailers to a material financial risk of unbilled electricity usage and associated debt recovery costs. Instead, 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. AGL and ERAA suggested that Energex should install a meter

isolation link at every multi-occupancy dwelling to enable Energex to comply with “remove fuse” service orders under the B2B procedures. AGL proposed a rollout of smart meters to all premises that could not be disconnected without affecting other premises as this would enable distributors to perform remote disconnections without interrupting other occupants of the building.

EnergyAustralia also highlighted the financial risks that MSS disconnections pose to retailers and stated that it would ultimately like to see older multi-occupancy dwellings upgraded with individual fusible links. However, EnergyAustralia acknowledged the need to ensure other customers are not impacted when a single occupant is disconnected and suggested that MSS was a common sense approach to disconnecting individual apartments in multi-occupancy dwellings that do not have individual fusible links. Origin Energy acknowledged that these connection characteristics can make disconnection challenging for distributors, but did not support the inclusion of the MSS process in the Code.

AGL, EnergyAustralia and Origin Energy highlighted the need for the continuation of compensation arrangements to deal with instances of unauthorised consumption.

Ergon Energy and the Queensland Council of Social Service (QCOSS) supported Energex’s proposal to include MSS disconnections in the Code. While acknowledging the risks to retailers, QCOSS highlighted the costs to consumers in terms of inconvenience for other customers having their power unnecessarily interrupted and potentially lost wages when move-in consumers have to be present for up to five hours to accommodate an appointment for the distributor to conduct a safety inspection. QCOSS considered the issue of lost wages especially impacts low income earners and casual workers.

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 Energex’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.

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 consumers 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 paper¹ on the move-in move-out process for residential customers in Queensland and sought stakeholder feedback on allowing distributors to charge the disconnection fee approved by the AER.

The Authority considers that charging a fee which 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 Government is yet to decide whether it will allow distributors to start charging for disconnections. Even if it does, it is unlikely that retailers would stop requesting physical disconnections entirely, as some consumers may still opt for a disconnection rather than a final meter read. As a result, any decision by DEWS on removing price caps would not eliminate the issue entirely, making a resolution regarding MSS disconnections necessary.

The Authority’s Position

The Authority agrees 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, the Authority questions the merits of accelerated roll-outs of meter isolation links or smart meters, 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 the Authority can mandate.

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

However, the Authority considers that the benefit of endorsing this commonsense approach should not accrue entirely to Energex, leaving retailers to bear the risk and cost of unbilled energy,

For this reason, the Authority disagrees with the proposal by Energex that it should cease paying any form of compensation to retailers when it carries out an MSS disconnection. Continuing to require some form of compensation to be paid by the retailer will also provide an ongoing incentive for the distributor to install fusible links and reduce the number of MSS disconnections.

¹ Department of Energy and Water Supply *Customer move-in move-out (MIMO) process for residential premises in Queensland*, Discussion Paper, <http://www.energy.qld.gov.au/documents/energy/MIMO-discussion-paper.pdf>

Compensation for unbilled energy

While it might have been preferable for Energex and retailers to continue a voluntary, informal arrangement regarding compensation for unbilled energy, it seems that the parties are now at an impasse on this issue and that a formal resolution is required. As a result, the Authority proposes to enforce the payment of compensation by a distributor to a retailer when it performs an MSS disconnection instead of a “remove fuse” disconnection as requested by the retailer.

One way to do this would be to include in the Code a method for determining the level of compensation to be paid. The Authority considers that this should reflect the method previously agreed between Energex and retailers, as this was an approach reached voluntarily between market participants (even if the manner of its execution was disputed at times). The Authority understands the agreed method required that, upon completion of an MSS disconnection, the distributor did not bill the financially responsible retailer for network charges and paid compensation for energy consumed based on the average monthly regional reference price published by the Australian Energy Market Operator (AEMO). Compensation stopped when the distributor detected significant consumption at the premises and notified the retailer, or when an appropriate service order was received indicating that a customer had occupied the premises.

Mandating compensation according to such a method may result in an accurate compensation payment for each individual instance of unbilled energy use. However, it may result in the same disagreements that have led Energex and retailers to the current impasse over the level of compensation.

A simpler approach would be to require Energex to compensate retailers the same fixed charge for every MSS disconnection it performs. This would eliminate the need to calculate the cost of unbilled energy in every instance and may reduce disputes between Energex and retailers about the level of compensation provided for unbilled energy. As this approach may result in less accurate total levels of compensation to retailers than if compensation is calculated for each MSS disconnection, it would probably require 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.

The Authority does not have a strong preference for either approach and welcomes feedback from stakeholders on which approach would be the most appropriate. However, for the purposes of this Draft Decision, the Authority proposes to include a fixed charge per MSS disconnection.

The Authority has limited information to accurately determine what the average level of unbilled energy per MSS disconnection should be. However, data provided by Energex indicates 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. This equates to \$3.69 per MSS disconnection.

For the purposes of this Draft Decision the Authority proposes to set the compensation charge at \$4 per MSS disconnection, but would welcome further information from Energex and retailers in order to set the charge for the Final Decision (should the Authority decide to pursue this approach to compensation following feedback from stakeholders).

In addition, reflecting the arrangements to date, the Authority considers it appropriate to include a condition to prevent distributors from charging retailers network charges when the premises is supposed to be disconnected via an MSS.

Draft Decision

For the reasons discussed above, the Authority proposes 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.*

10.1 Definitions and Interpretation

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

2.5 Clause 5.7.4(b) - MSS disconnection due to safety

The inclusion of sub-clause 5.7.4(b) in the Code as proposed by Energex would 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. Clause 5.7.4(b) 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 the proposal to allow an MSS disconnection to be performed where distributors could not safely access or operate infrastructure to complete a “remove fuse” disconnection. 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 sub-clause 5.7.4(b) 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.

The Authority's Position

Under the B2B Procedures², 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.

The Authority shares 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 prevented the completion of the “remove fuse” service order. This could lead to a situation where safety issues remain unresolved.

Draft 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, the Authority proposes that sub-clause 5.7.4(b) not be included in the Code.

² [B2B Procedure: Service Order Process V1.8](#) Effective 16 November 2011

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 3.1: Proposed miscellaneous Code changes

<i>Clause</i>	<i>Proposed amendment</i>
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 submissions in response to the consultation paper raised any objections to the miscellaneous amendments proposed by the Authority.

The Authority’s Position

As no objections were raised in response to the consultation paper, the Authority proposes to make these miscellaneous amendments at the same time as those presented in section 2.4.

ATTACHMENT 1: 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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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).

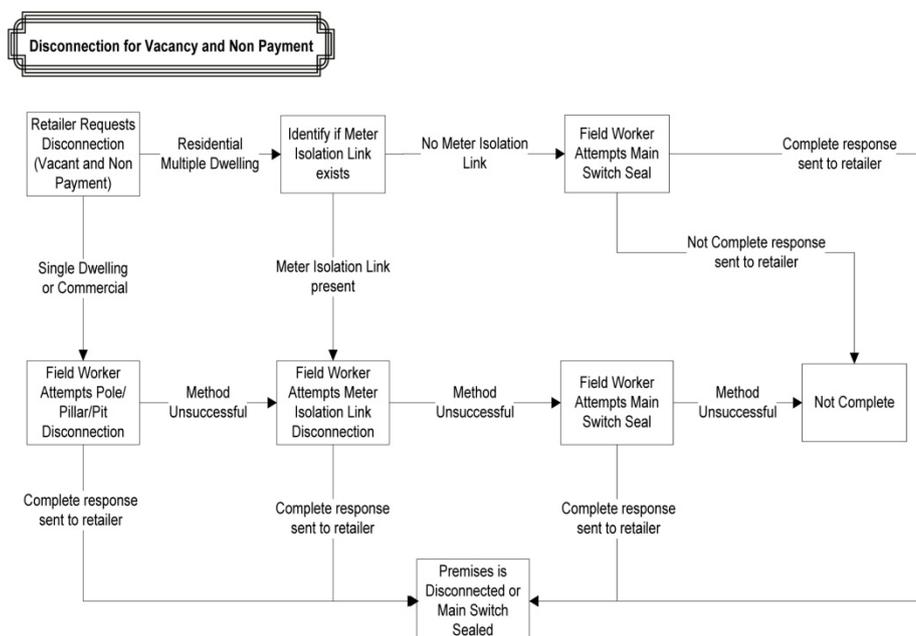




- When a disconnection request is completed, the response sent to the retailer provides information about the type of disconnection performed.
- Where a “remove fuse”, “disconnection at pole top, pillar box or pit” or MIL disconnection is performed, the status of the NMI is “D” for disconnected in the 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.

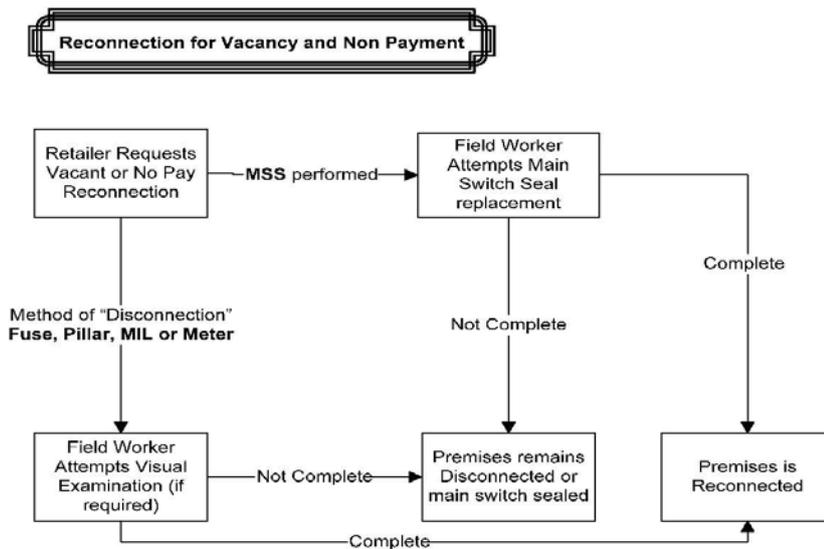


- The Queensland Electrical Safety Office confirmed that Energex does not need to perform a visual examination prior to re-energising a vacant residential premises where a MSS was performed. Energex does perform a visual examination for a business premises where a MSS is performed.
- Reconnection following 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.