Electricity Distribution Code Customer Protections Review

Response to Draft Decision

2 July 2020

1 Summary of Responses to Key Issues and our focus on customers

AusNet Services welcomes the review of the customer protections Electricity Distribution Code (Victoria) (the Code). The review provides an opportunity to modernise the consumer protections provided by Distribution Businesses, thereby ensuring the protections are more relevant and suitable to all Victorian electricity customers. We believe reforms that support good customer outcomes lead to good business outcomes.

The draft decision published by the Essential Services Commission (Commission) focuses on changes to customer protection obligations that support of our rapidly changing energy system and ensure all customers continue to receive a safe and reliable electricity distribution service. Our submission seeks to provide the Commission with evidence on the impacts of the proposed changes on our customers and business and makes recommendations to mitigate adverse impacts and achieve better customer outcomes, including:

- Facilitating distributors' use of electronic customer communications so we can better meet the preferences of the majority of customers for electronic only communications;
- Ensuring updates to the Guaranteed Service Level (GSL) payment scheme reflect customer preferences and do not increase the average price of electricity for all customers, including vulnerable customers; and
- The need for more time to effectively implement the substantive changes to customer protections proposed and longer timeframes to pay customers. Specifically, a later start date for proposed changes to apply and sufficient time to assess and pay GSL payments to customers.

We have a strong commitment to providing our customers with good customer service and superior customer experience. AusNet Services measures customer satisfaction across all three of our networks on an ongoing basis. Through our engagement with the Customer Forum[1] as a part of our Electricity Distribution Pricing Review (EDPR) process, we have also proposed a new incentive scheme to the AER which would give us strong incentives to provide a higher level of customer service. Our focus on customer research revealed the preferences they want us to:

- Make it easier for notifications to be provided in their preferred communications channel (usually SMS but other channels for specific customer groups);
- Pursue reliability improvements for customers experiencing long standing reliability issues; and
- Meet customer expectations that we make GSL payments to eligible customers within a reasonable timeframe.

AusNet Services' recommendations in this submission have incorporated our recent learnings from the extensive coal face engagement and research undertaken to support the Australian first trial of a new process that places customers at the heart of developing and negotiating our expenditure and service plans. During this engagement of 2.5-year period as we prepared our EDPR proposal, we obtained perspectives from over 5,500 of our customers.

We would welcome the opportunity to work with the staff at the Commission and share our data to inform the final decision outcomes that benefit customers will minimising upwards pressure on electricity prices. This collaboration could be done quickly and remotely with video conferencing.

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[1] https://ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum

2 Improving communication to customers affected by outages

2.1 Planned outages notification

AusNet Services conducts a large number of planned outages each year for routine maintenance and safety reasons. These outages enable us to perform major replacement programs and upgrades focused on improved bushfire mitigation and service reliability improvements for communities. Currently, our notifications to customers affected by planned outages are in the form of hard copy letters sent via post, as required by the Code. Where the customer's retailer has provided us with a mobile phone or email address for the outage contact details, we also provide an electronic notification via SMS or email.

Customers have told us that they would like improved communication from us prior to, during and after an outage has occurred. The majority of our customers have a preference for electronic communications rather than mail,[2] and our surveys have found our customers are more likely to have read a notification sent to their phone than a letter sent via mail. Electronic notifications mean less mail delivery resources and less unread letters and envelopes. Changing to electronic communications allows the customer to receive more relevant and up-to-date notifications associated with supply interruptions. This is consistent with the findings by Orima Research engaged by the Commission for this draft decision. In finding only 32% of respondents wanted to be notified by hard copy letter, it can be implied that 68% do not want a letter in the mail when their preferred electronic channel is provided. Meeting the needs of both groups of customers as easily and cost effectively as possible must be a key objective of this regulatory reform.

As well as delivering an improved customer experience, using electronic means to provide outage notifications to customers in lieu of hard copy letters has a number of financial and operational benefits for distribution businesses. Electronic notifications mean less mail delivery resources and fewer unread letters and envelopes.

The draft decision creates a new obligation on distributors to provide electronic notifications to all electronic communication channels (e.g. SMS and email), while maintaining the obligation to send hard copy notifications, and unless and until the customer provides explicit informed consent to receive planned outage notifications via an electronic channel only.

AusNet Services is strongly supportive of draft decision amendments to the Code that expressly allow distributors to notify customers of planned supply interruptions with electronic communications. We agree that life support customers should always receive hard copy notification. However, there are two aspects of the proposed amendments that we consider will increase – rather than decrease – the regulatory and administrative burden on distributors, and will fail to provide the streamlined and tailored experience our customers tells us they expect. These are the requirement to obtain a customer's explicit informed consent to switch to electronic notifications, [3] and the obligation to continue to send hard copy letters until such consent is obtained.[4]

Consent takes two forms:

(1) implied consent, where consent is inferred in the circumstances from the conduct of the individual, and
(2) express consent, where consent is given explicitly, either orally or writing. Explicit informed consent is broadly equivalent to express consent.

The proposed changes require the latter form of consent, which is different to the "consent" requirements of the Electronic Transactions (Victoria) Act on page 16 of the draft decision. It is clear from section 3 of that Act that for its purposes, consent means implied consent. The definition in section 3 reads:

> ***consent*** *includes consent that can reasonably be inferred from the conduct of the person concerned, but does not include consent given subject to conditions unless the conditions are complied with.*

[2] see EDPR 2022-26, Appendix 3D: Deeper Attitude and Perception Survey, August 2018, slide 51.
[3] Draft clause 5.5.2A.
[4] AusNet Services supports the continuation of the obligation to send hard copy letters to life support customers, regardless of whether they also choose to receive electronic outage notifications.

Currently, the Code requires a distributor to provide "written notice" of a planned outage.[5] As the Commission, notes in its draft decision, section 8(1) of the *Electronic Transaction (Victoria) Act 2000* states that an obligation to give information in writing is discharged if the information is given by means of an electronic communication where it is reasonable to expect the information is readily accessible and "the person to whom the information is required to be given consents to the information being given by means of an electronic communication" (emphasis added).

Importantly, the Act defines consent as including "consent that can reasonably be inferred from the conduct of the person concerned, but does not include consent given subject to conditions unless the conditions are complied with." This definition makes it clear that, under the Code as currently drafted, a distributor can rely on implied consent to send electronic planned outage notifications to its customers.

This does not preclude a distributor from obtaining a customer's explicit informed consent, but it does not require them to obtain it - implied consent is sufficient.

Therefore, requiring distributors to obtain explicit informed consent before they can cease sending planned outage notifications by post creates an obligation that is substantially more burdensome than what is currently required by the current Code and the Electronic Transactions (Victoria) Act.

AusNet Services is strongly supportive of the draft decision's stated objective to allow electronic communications to notify customers of planned supply interruptions. In addition, we agree that life support customers should always receive hard copy notification. Furthermore, requiring a distributor to obtain explicit informed consent, as opposed to enabling it by relying on implied consent, before transitioning customers to electronic only notifications would be impractical without wider attitudinal changes. Even if distributors send customers the most eloquent and persuasive sign up information, only a small portion of customers is likely to meaningfully engage and respond to the offer. This is the reality of mass market promotions where people are reluctant to respond to an email, SMS, or letter for lack of interest and concerns for their own IT security. Greater take-up rates could be achieved with a public information campaign and out-bound calls to customers, but this would be more costly and not justified by the incremental benefits, including reduced postage costs.

In addition, explicit informed consent is the standard of consent that the Energy Retail Code requires retailers to adopt when they sign up a new customer to a market offer. Explicit informed consent is the appropriate standard in these circumstances because the transaction creates a binding contractual relationship between the parties. As such, the customer sign-up process is a core part of their business, and retailers have a strong incentive to invest in processes and technology that allow records of consent to be created and maintained. In contrast, distributors have always had a comparatively weaker relationship with their customers (as evidenced by the need for deemed distribution contracts) and so have not been required to manage explicit informed consent as a part of our core business.

The draft decision proposes require retailers to collect and send distributors customer information, including electronic contact details. We support of this proposed change and suggest the further changes below to require retailers to help their customers (and the distributors) by recording which customers consent to receiving electronic outage notifications, as they do for their own billing information. This would promote efficiency and streamlined communications across the supply chain. The additional changes AusNet Services proposes would be complementary to the obligations on retailers already proposed in the draft decision.

[5] Electricity Distribution Code, clause 5.5.1.

For all new or recontracted customers, we consider that leveraging the retailers' professional sign-up processes would be a better, lower cost outcome for Victorian electricity customers. This would require changes to retailers' obligations to ask new customers on sign-up or existing customers when renewing market offers:

- for their preferred notification communications channel for supply interruptions notices;[6] and
- to confirm the customer agrees that if the distributor provides electronic notifications via their preferred method, that they will not receive a written notice in hard copy.

Both distributors and retailers would also be subject to an obligation to update the record of consent if contacted directly by the customer, and to provide evidence of records if requested by the Commission or its auditors.

This approach would enable distributors to easily identify those two thirds of customers who prefer electronic communications instead of a hard copy and avoid the cost of marketing to achieve the same standard of consent each customer gives when contracting with their retailer. Distributors could then focus on providing a safer and more reliable network and meeting our other important customer service obligations.

Furthermore, this suggested change better achieves the Consumer Action Law Centre's recommendation that "wherever known, distributors should use consumer preferences around contact method and timing when communicating the planned outage to households."[7] Finding out those preferences once for the whole energy supply chain is surely preferable to requiring multiple touch points with the customer.

For our existing customers (other than life support customers), we suggest the change to electronic only notifications can be facilitated by relying on section 8(1) of the Electronic Transactions (Victoria) Act and the definition of consent. For the reasons explained above requiring explicit informed consent to cease to receive planned outage notifications is unnecessarily burdensome on both distributors and customers. Alternatively, we would be willing to work with the Commission to update our deemed distribution contract to provide for a multi-stage process of notifications (hard copy and electronic) to customers so as to reassure the Commission about the processes we use to infer a customer's implied consent.

For the avoidance of doubt, AusNet Services agrees with the draft decision's proposal to continue to send hard copy outage notifications to life support customers, even where they are also receiving electronic notifications. It is important not to cease hard copy notifications for this customer group due to the health and safety issues that may arise. We understand that this should allay the concerns set out by retailers and customer advocates at the recent public webinar on its draft decision.

> The proposed change that requires explicit informed consent to the distributor directly before customers transition to electronic only notification is impractical, potentially costly and makes it more difficult for customers to receive their preference. As discussed in our earlier response to the Issues Paper, we recommend the establishment of obligations on retailers to ask customers for digital outage contact details and if the customer prefers this means of notification over a physical written letter. For existing customers, we recommend retaining the existing framework that allows distributors to rely on a customer's implied consent (and not adopting explicit informed consent), or for the Commission to work with distributors to create a multi-stage process of notifications in our deemed contracts to satisfactorily to transition the right customers to electronic notifications.
>
> Life support customers will continue to receive hard copy notifications and electronic communications where those contact details are provided by the retailer.

[6] On page 16 of the draft decision, there is a suggestion that the national business-to-business procedures require retailers to pass on the customer's preferred contact details to the distributor. This is not correct. The B2B Procedure obligation to send preferred contact details only applies to life support notifications and does not apply to customer details notifications.
[7] ESC, Electricity Distribution Code review – customer service standards draft decision, 7 May 2020, page 17.

2.2 Customers can consent to outages without a 4-business day notification

AusNet Services supports of the proposed changes to allow customers to consent to outages without a 4-business day notification. The proposed requirement that customers give their explicit informed consent is appropriate given that our staff are undertaking urgent planned works. Explicit informed consent is commensurate with the level of customer engagement required in these circumstances. These changes improve on similar provisions in the Rule 90 of the National Energy Retail Rules.

2.3 Cancelled supply interruptions notifications

When we conduct planned outages for general maintenance or safety reasons, we have established processes to notify our customers of changes to our scheduled supply interruptions for planned works. In situations where our plans for works changes more than 9 business days before the date of a planned outage, we generally advise customers of cancellations with a hard copy letter and by electronic notification (where mobile phone or email contact details are available). Nonetheless it is often the case, our plans to undertake work based on weather forecasts are sometimes rescheduled or cancelled a few days or sometimes only a few hours before the planned outage.

Electronic notifications are improving customer awareness of these events and enable customers to be better informed of late changes to planned outages. This is improving the satisfaction levels experienced by our customers who welcome electronic notifications.

The draft decision proposes to require distributors to notify customers of cancelled or rescheduled outages in certain circumstances and provide high-level information about the reason for the cancellation. The proposed changes would require the distributors to notify affected customers via text message and email (as relevant) within one hour of the works being cancelled.

While we already provide cancellation notifications to our customers, we are not currently able to provide such notifications for same day cancellations or within one hour of the works being cancelled. Same day cancellations are possible with changes to IT systems, which will take time and are costly to implement. We have concerns with the:

- one-hour timeframe as this would require substantially more process automation adding unnecessary implementation costs;
- one-hour timeframe would also lead to customers receiving notifications during the night as our control centre assesses changing weather conditions; and
- requirement for email and SMS notifications because it could create an adverse customer experience with customers receiving notifications through their non-preferred communication channel.

We suggest a better result for customers is require distributors to notify customers electronically as soon as practicable via the most appropriate electronic communication channel. Setting a hard limit on the time by which a cancellation notification must be sent may result in multiple notifications to customers, as may be the case where a weather event or bushfire develops and our plans evolve.

3 Proposed changes to GSL schemes

3.1 Changes to reliability GSL payment arrangements

The GSL scheme prescribed in the Electricity Distribution Code is a scheme providing customer compensation for the worst served customers in Victoria works in tandem with the national Service Target Performance Incentive Scheme (STPIS) to encourage distributors to improve service reliability.

The draft decision proposes eight notable changes to the current GSL scheme for distributors, with the changes commencing 1 January 2021, including:

(1) A reduction in the supply restoration annual duration thresholds from 20, 30 and 60 hours to 12, 24 and 48 hours, respectively.

(2) A reduction in the low reliability annual frequency thresholds from 8, 12 and 24 events to 5, 10 and 20 events, respectively.

(3) An increase in the supply restoration and low reliability payment rates from $120, $180 and $360 to $130, $190 and $380, respectively.

(4) An increase in the low reliability (momentary interruptions) payment rates from $30 and $40 to $40 and $50, respectively.

(5) The introduction of Major Event Day (MED) payments to replace the low reliability (duration per event) payments.

(6) Aligning the methodology for determining MEDs with the IEEE's 1366-2012 standard, which uses a 2.5 standard deviation beta threshold.

(7) The exclusion from MEDs from contributing to the annual duration and frequency thresholds.

(8) Updating the definition of momentary interruptions to align with the national framework, i.e. a momentary interruption is defined as less than three minutes.

We have significant concerns with the new scheme because:

- It increases the coverage and payouts under the scheme, significantly increasing bills for all our customers. This does not reflect the preferences our customers expressed during our recent EDPR engagement process nor align with the findings of the extensive engagement process undertaken by the AER to establish the Value of Customer Reliability. We note that this does not appear to be the Commission's intent; and
- MED events are by definition outside the control of Distribution Businesses. The introduction of MED payments are at odds with the scheme's intent to only acknowledge the inconvenience customers experience as a result of their distributor not meeting minimum (expected or controllable) service standards.

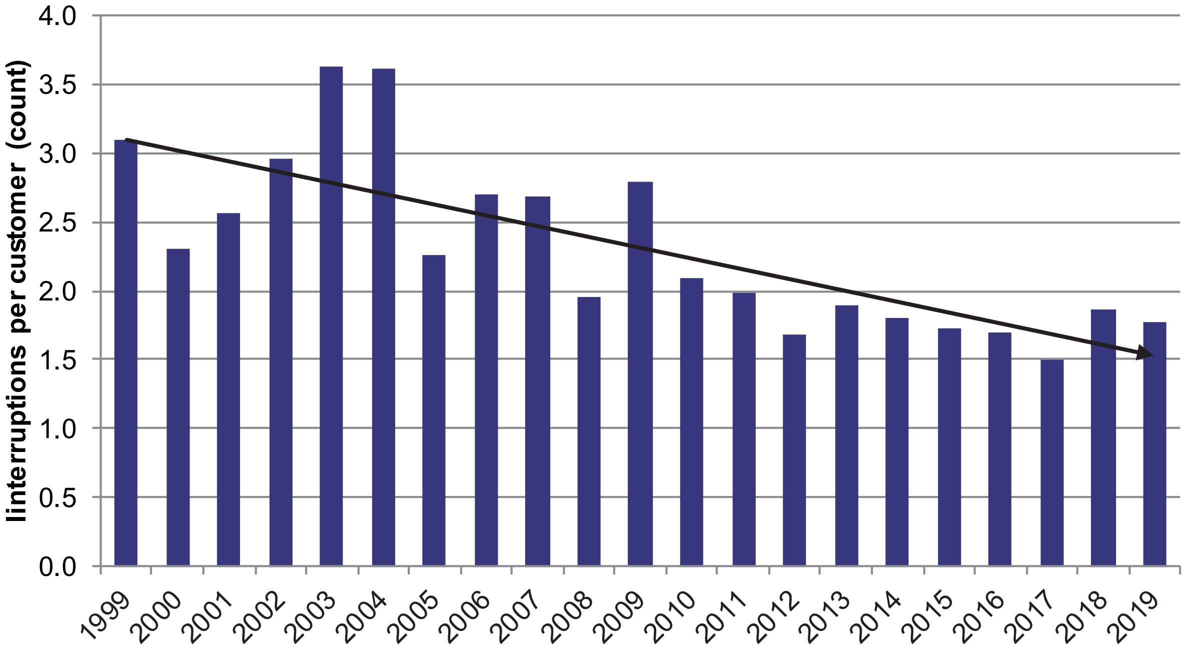
In the following sections, we have:

- described our network reliability improvements;
- provided a quantitative assessment of the draft decision's proposed changes to the GSL scheme;
- assessed how the draft decision's proposed scheme compares to customer preferences and against a best practice scheme design;
- set out our support for excluding Rapid Earth Fault Current Limiters (REFCLs) and Automatic Circuit Reclosers (ACR) on total fire ban days and code red days;
- described the impact of the proposed payment timeframes and recommended a longer timeframe for new connection and late appointment payments.

3.2 AusNet Services' distribution network reliability

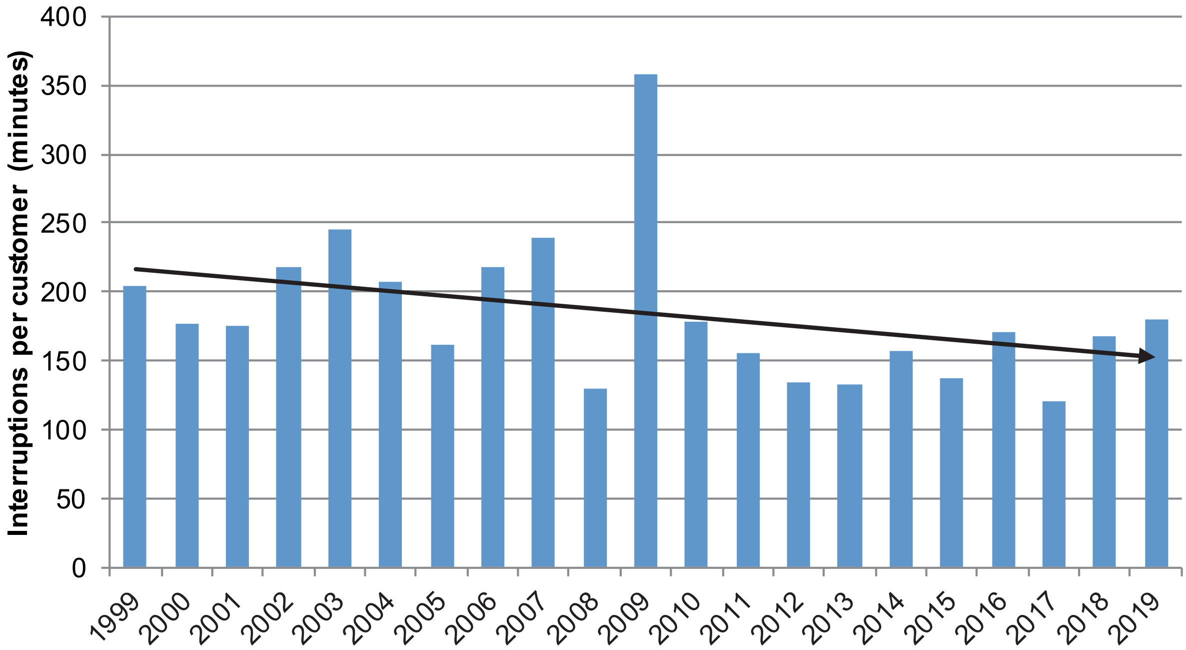
AusNet Services' distribution network reliability has increased materially since privatisation. The number of unplanned interruptions (USAIFI excluding exemptions) has reduced by 50% and the duration by 29% (USAIDI excluding exemptions). See figures 1 and 2 below.

Figure 1: SAIFI performance per customer from 1999 to 2019



Source: AusNet Services.

Figure 2: SAIDI performance per customer from 1999 to 2019



Source: AusNet Services

These improvements have been at every level of the network and not limited to a particular location or customer class.

3.3 A quantitative assessment of the draft decision's proposed GSL scheme

We have assessed the impact of the proposed GSL scheme by developing a quantitative model to assess how the draft decision's proposed scheme would impact our customers' bills. In assessing the quantitative impact of the proposed scheme to our customers, we have:

- developed a model to retrospectively apply the new scheme to our historical data from 2015 to 2019 (the new baseline);
- used our new baseline to forecast our GSL payments for the upcoming regulatory control period from 1 July 2021 to 30 June 2026; and
- estimated changes to our revenue requirement, and therefore customers' bills will change as a result of the proposed GSL scheme.

Our analysis shows that if the proposed GSL scheme applied over the 2015 to 2019 historical period, then we would have paid an average of $12.5 million per year, see the below table. The number of GSL payments corresponds to approximately 10% of our customers being paid, which is significantly greater than the intent of the draft decision's GSL scheme whereby the worst served customers, being those who experience the worst 1% of network performance in a single calendar year, are compensated.

Using our new baseline, we estimate that our forecast GSL costs for the regulatory control period of 2021 to 2026 would increase by 45% from our current EDPR proposal. This represents an increase in our total revenue requirement by 0.7%, or an average of $5.7 increase in each of our customers' bills per year.

Table 1: A quantitative assessment of the Commission's proposed GSL scheme

Category	Thresholds	2015	2016	2017	2018	2019	Average
Number of customers impacted							
Low reliability annual frequency	> 5	32,748	28,434	17,956	43,573	38,215	32,185
	> 10	5,423	3,830	868	4,238	5,523	3,976
	> 20	-	968	-	-	-	194
Supply restoration annual duration	> 12	22,284	21,695	21,227	26,105	25,830	23,428
	> 24	6,798	9,264	4,460	8,561	11,529	8,122
	> 48	119	1,712	230	964	1,949	995
Momentary interruptions	> 24	8,308	9,342	10,590	11,201	8,890	9,666
	> 36	5,690	2,058	1,774	2,838	2,467	2,965
MED payments made		10,664	65,573	6,031	2,249	28,202	22,544
Estimate of unique customers who receive a payment		69,139	107,334	47,430	74,920	92,105	78,186
Total customers		796,216	796,217	796,223	796,221	796,221	796,220
% of total customers		8.68%	13.48%	5.96%	9.41%	11.57%	9.82%
Financial impact							
Low reliability annual frequency	> 5	$4,257,240	$3,696,420	$2,334,280	$5,664,490	$4,967,950	$4,184,076
	> 10	$1,030,370	$727,700	$164,920	$805,220	$1,049,370	$755,516
	> 20	$0	$367,840	$0	$0	$0	$73,568
supply restoration annual duration	> 12	$2,896,920	$2,820,350	$2,759,510	$3,393,650	$3,357,900	$3,045,666
	> 24	$1,291,620	$1,760,160	$847,400	$1,626,590	$2,190,510	$1,543,256
	> 48	$45,220	$650,560	$87,400	$366,320	$740,620	$378,024
Momentary interruptions	> 24	$332,320	$373,680	$423,600	$448,040	$355,600	$386,648
	> 36	$284,500	$102,900	$88,700	$141,900	$123,350	$148,270
MEDs		$959,760	$5,901,570	$542,790	$202,410	$2,538,180	$2,028,942
Total		$11,097,950	$16,401,180	$7,248,600	$12,648,620	$15,323,480	$12,543,966

Source: AusNet Services

We believe the draft decision's qualitative assessment used feeder averages to determine the 1% worst served customers underrepresents forecast GSL payment levels because some of the customers on each feeder experience worse reliability than the average customer on their feeder. That is the customers on the end of the feeders may have worse reliability than customer close to the start of the feeder. Using NMI level data avoids introducing inaccuracies associated with average feeder data into the forecasts. We welcome the opportunity to work with the staff at the Commission and share our NMI level data to inform the final decision outcomes and avoid price rises.

Evidence of customer preferences

Our approach to network planning is based on an economic trade-off between cost and reliability. Victorian distributors invest in improving network reliability to the extent that customers are willing to pay for this improvement. A key parameter underpinning this assessment is the Value of Customer Reliability (VCR). This was most recently estimated by the AER in 18 December 2019, based on a statistically robust survey of 7,426 residential customers.[8] The outcome was a reduction in the VCR since the previous estimate in 2014 (Victoria's VCR decreased from $26.66 to $21.43 per kWh[9]) – indicating that residential customers have a stronger preference for lower prices over improved reliability than 6 years ago. In addition, Victoria's VCR is below average VCR in the National Electricity Market (NEM), which suggests that Victorian customers place a lower value on reliability than the average customer in NEM.

Separately, our customer engagement and research, including with our Customer Forum, during the EDPR 2021-26 process has very clearly demonstrated that affordability is a key concern for our customers.[10]

Our customer engagement and research also showed:

- Customers are quite forgiving on storm damage - most customer feedback after storms on social media is directed at the safety of our crews does not suggest any preference or need for MED payments.
- Customers want us to focus on improving communications.[11]
- Customers in these regions are likely to take into account the level of service when they move there (they have not been surprised by a sudden decline). Therefore, they have made a lifestyle decision and compensation is not warranted.

We also note that ESCOSA recently assessed customers' willingness to pay for network reliability payments using a customer survey of 1,313 responses,[12] and the results showed that customers would like to pay less for these.[13] Additionally, the results showed:

- 52% of customers are willing to pay something;
- 42% of customers are not willing to pay anything; and
- 6% of customers do not know.[14]

On average, South Australian customers expressed a willingness to pay $7 per customer annually for GSL payments, [15] which is substantially less than what our customers are currently paying.

To the extent that South Australian electricity customers have common views with Victorian electricity customers (and the AER VCR study suggests that there is a strong correlation), there would be a reluctance amongst our customers to fund an increase in the GSL payments. Therefore, we recommend that the Commission conducts consumer research to test customers willingness for the enlarged GSL payment scheme in a similar way to which ESCOSA, or alternatively work closely with us and our modelling data to adjust the relevant thresholds to the point there is no price increase for our customers.

[8] AER, Values of Customer Reliability – final decision. December 2019, page 12.
[9] AER, Values of Customer Reliability, Final Report, December 2019, page 16.
[10] AusNet Services, Electricity Distribution Price Review 2022-26, Parts I&II, 31 January 2020, page 42.
[11] AusNet Services, Electricity Distribution Price Review 2022-26, Parts I&II, 31 January 2020, page 46.
[12] Oakley Greenwood and Wallis Group 2018, Economic Assessment of Electricity Distribution Reliability Standard packages, 26 June, p. 78.
[13] ESCOSA, SA Power Networks reliability standards review, final decision, January 2019, page 36-7.
[14] ESCOSA, SA Power Networks reliability standards review, final decision, January 2019, page 37.
[15] Oakley Greenwood and Wallis Group, Economic Assessment of Electricity Distribution Reliability Standard packages, 26 June 2018, page 4.

3.4 Best practice scheme design

Proportionality: An assessment of the quantitative modelling results against the intent

The draft decision sets out the intent for the GSL payment scheme reforms by stating that:

- the GSL payment scheme has been designed to consider the customers who experience the worst service from their distribution network, compared to other customers.
- Since 2001, the Commission considers the worst served customers are those who experience the worst 1% of network performance in a single calendar year.
- The proposed changes are focussed on ensuring customers who receive comparatively poor service are financially recognised.
- The scheme should acknowledge customers who are unlikely to be an investment priority for improved service.[16]

We strongly support these principles, however, the draft decision fails to meet these criteria.

AusNet Services currently makes payments to around 7% of our customers per annum, which is higher than above intent of the GSL scheme. Under the proposed scheme, we estimate that this will increase GSL payments by approximately 10% of our customers per annum. So, we question whether the current thresholds, and by extension the proposed thresholds, are set appropriately to capture the worst served customers who experience the worst 1% of network performance in a calendar year. We believe the proposed reductions in the thresholds would not be welcomed by our customers and the thresholds should remain as they currently are, or increase, as occurred in the recent reform in South Australia discussed earlier.

Increasing GSL payments could crowd out or see the AER cut expenditure on projects that actually deliver value to customers. For example, the trials we are running on Stand Alone Power Supplies in remote and heavily vegetated areas and a specific trial to maintain the electricity supply to Mallacoota during a short-term interruption of its feeder. These customers are on some of the worst served feeders.

Additionally, as section 3.2 of this submission demonstrates, our reliability has continually improved since privatisation. Maintaining the current thresholds would enable our customers to benefit from both these reliability improvements and lower prices.

> Our assessment of the draft decision's proposed GSL scheme changes concludes that proposed changes would significantly increase our customers' bills. Based on the Value of Customer Reliability survey, and our own customer engagement and research, this would not be welcomed by our customers. Unless there is clear customer support for broadening GSL payments, despite the impact on customer bills, the current thresholds should not be changed.

Controllability: Proposed introduction of Major Event Day payments

The MED payments seek to acknowledge customers who experience a sustained interruption over 12 hours on MEDs in situations where events are largely outside the control of the distribution network. The vast majority of events are due to wind storms where wind speeds get above the design standards of the overhead network or natural disaster has destroyed assets such as a flood or a bushfire. Only a small minority are associated with outages on a day where maximum demand breached network capacity.

The proposed MED rate is $90 per event. MED payments are uncapped and there is a potential for customers to receive more from the GSL scheme than they are paying for electricity.

[16] ESC, Electricity Distribution Code review – customer service standards, draft decision, 7 May 2020, page 8, 41, 52.

While we welcome exemptions from making supply restoration payments for major event supply interruptions that are outside of our control, the introduction of obligations to make MED payments is at odds with reliability incentive schemes and expose customers to the risk of higher costs due to environmental factors outside of anyone's control. MEDs (being largely storm related) are outside the control of distributors and are not indicative of underlying network performance. This means a MED payment does not focus on customers who consistently – year on year – receive poor supply reliability and where there are economic, technical, or physical limitations to improve reliability.[17]

Therefore, we do not support making payments to customers for extreme storm weather induced supply interruptions. For the reasons described above this is not consistent with the intent of the GSL scheme. Our customers generally understand that storms can bring down power lines and cause outages and are appreciative of the efforts of our field crews in resolving physical network faults due to storm events. These are unavoidable.

Our customer research has conformed our understanding that customers are more sympathetic when a sustained interruption is due to storms events compared to heatwaves. There are two reasons.

1. Customers rely more on electricity in extreme heat to stay healthy and avoid food spoiling; and
2. Customers appreciate the dedication of our staff in fixing faults shortly after a major storm in wet and hazardous conditions when roads are closed, and other services are also impacted.

AusNet Services acknowledge customer stakeholder concerns in respect to sustained interruptions caused by heatwave events. We note, the heatwave event that impacted the supply for over 94,000 customers across Victoria on 2018 Australia Day, and led distribution businesses to make a one-off payment to 50,000 impacted customers. This aligns with the views expressed at the customer service standards stakeholder workshop on 6 February 2020. With recent improvements in network data from our smart meters, we consider that large heatwave outages are avoidable. Therefore, if a MED payment were applied, it should be limited to heatwave days.

Nevertheless, the setting of the MED payment rate in the final decision should leverage distributors more detailed modelling and data sets that we can make available.

Ambiguity over MED exclusions

The draft decision is ambiguous about whether exclusions from events counting to supply restoration payments extends to all supply interruptions on MEDs or to just those supply interruptions on MEDs where the 12-hour threshold is exceeded. Proposed code amendments in Appendix C of the draft decision refer to excluding events to which clause 6.3A applies. This implies that only supply interruptions above 12-hour threshold on MEDs are to be excluded from contributing towards the annual frequency and duration thresholds. However, draft decision 16 and section 3.4, suggests that all MEDs should be excluded from contributing towards the annual frequency and duration thresholds. We believe the ESC intended to exclude all events to which clause 6.3A(b) applies, hence our above analysis is based on excluding all supply interruptions on MEDs.[18]

Despite the clarification, we have also modelled an alternative scenario, whereby only supply interruptions above 12 hours on MEDs are excluded from contributing towards the annual frequency and duration thresholds. Based on the results of the alternative scenario we estimate:

- if the ESC's proposed scheme applied over the 2015 to 2019 historical period, then we would have paid an average of $16.7 million per year.
- The number of GSL payments would correspond to approximately 13.1% of our customers being paid;
- Our forecast GSL for the regulatory control period of 2021 to 2026 would be $17.9 million per year (an increase of 94% from the GSL payments that we have forecast in our EDPR 2021-26).
- This would increase our total revenue requirement by 1.4%, which corresponds to a $11 per year increase across all customers' bills.

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[17] ESC, Electricity Distribution Code review – customer service standards, draft decision, 7 May 2020, p. 41.
[18] Discussion with staff at the Commission on the 15 June 2020

The results of the alternative scenario show that if the MED exclusions are reduced to those events defined by clause 6.3A(a), then all our customers would experience higher electricity bills increases. For this reason, we recommend the reference to the proposed clause 6.3A in clause 6.3.2 be changed to clause 6.3A(b) in the final decision.

> We would welcome the opportunity to work with the staff at the Commission to develop MED definitions and payments best meet customer expectations, while placing minimal pressure to increase electricity prices.

Nationally Consistent Approach: Move to National Scheme

We note that the AER administers a national GSL scheme. However, where there is a jurisdictional scheme in place, the national scheme does not apply.[19]

In assessing the GSL scheme, the Commission must have regard to the consistency in regulation between States and on a national basis.[20] Due to the draft decision lack of details around the national scheme, we question whether the Commission has given appropriate consideration to this matter.

Given this, we have provided some of our initial thoughts around the national scheme.

Our initial view is that the national scheme could be appropriate to the Victorian context because:

- the intent of the national scheme (i.e. to acknowledge poor service)[21] is similar to the Code review's intent for the GSL scheme;
- it would promote national consistency and improve economic efficiency outcomes;
- simplify the regulatory frameworks and reporting requirements;
- there is no reason to suspect that our Victorian customers' preferences are any different from those in other jurisdictions.

We also note that under the national scheme, the application of GSL parameters can be modified during AER revenue determination processes.[22] This means, the national scheme can also accommodate Victorian customers' preferences, if and when these preferences are warranted.

We encourage the Commission to consider the pros and cons of adopting the national scheme versus its proposed scheme.

3.5 REFCL/ACR GSL payment exemptions

In accordance with Victorian legislation, AusNet Services has deployed substantial numbers of Rapid Earth Fault Current Limiters (REFCLs) to reduce the risk of the ignition of bushfires. Automatic circuit recloser (ACR) also contribute to reducing the risk of bushfire ignition. REFCLs are deployed in areas where the Victorian Government determined the risk posed to the community warrants to significant expenditure. When a REFCL rapidly limits the fault current all customers on the feeder are left without supply until the fault that caused the operation is isolated or otherwise fixed.

We have modelled the net impact of the proposed exemptions on customer GSL payments and found the impact to be small (negative 2.3%) because the some of these are already exempt as a MED exclusion and only 9% of ACR and REFCL operations occur on code red or total fire ban days. We consider the impact of the proposed exemptions on our forecast of GSL payments is largely immaterial, but it does send the right message to

[19] AER, Electricity Distribution Network Service Providers Service Target Performance Incentive Scheme, November 2018, section 6.1(a).

[20] Essential Services Commission Act 2001, section 8A.

[22] AER, Electricity Distribution Network Service Providers Service Target Performance Incentive Scheme, November 2018, section 6.2(b).

[22] AER, Electricity Distribution Network Service Providers Service Target Performance Incentive Scheme, November 2018, section 6.2(b).

customers that the operation of bushfire mitigation technology makes their community safer. Over time, we will work to improve reliability in REFCL areas by re-establishing distribution feeder automation.

We consider that customers not compensated for outages due solely to REFCL or ACR operation on these high-risk days would acknowledge that their outage to keep their community safe.

AusNet Services supports the proposed GSL exemption for outages caused by the operation of fire start prevention technology on code red and total fire ban days, in recognition that the customer impact helps keep Victorians safe from bushfires.

3.6 More time to pay GSL fees

The draft decision proposes that distributors must make GSL payments to customers faster. We support, in principle, paying customers in a more timely manner as it better acknowledges the inconvenience experienced and significantly reduce the risk of not paying a customer that moves out.

We agree with the Commission's requirements that distributors:

- assess customer eligibility on a quarterly basis and make payments within 60 business days for low reliability and supply restoration payments
- make MED payments within 60 business days of the event once the relevant thresholds have been met.

A quarterly payment process would require more resource time spent completing the validation due to shortened timeframes. At present GSL payment calculations are progressively completed throughout the year with an acceleration of activity at year end. Additionally, increased automation and changes to our primary source of data would be required.

However, we disagree with the draft decision that delayed new connection and late appointment payments must be paid within 20 business days. We suggest the 20 business days timeframe is not practical and 60 business days would be more realistic timeframe, because:

- processes to reconcile paperwork returned from the field staff and contractors take some time and when work is done in remote areas this can take two or three days;
- the service order close-out process and changes to AEMO's market systems after a new connection already takes at least a day; and
- we operate monthly billing with retailers and a 20-business day payment requirement would necessitate intramonthly payment and reconciliation cycles for us and the retailers.

Extending the payment timeframe to align with the timeframe for reliability GSL payments would avoid confusion amongst customers.

4 A later implementation date is needed

4.1 More time need to implement the amended Code

The draft decision proposes a commencement date of 1 January 2021, with the GSL payments being managed on a calendar year basis. The Commission's indicative plan is to release its final decision in September 2020, which is only 3 complete months before the proposed commencement of obligations in the amended Code. Three months is an insufficient amount of time to put in place the necessary systems, procedures, reports, and rules to effectively implement, manage, monitor, and make payments under the amended Code.

Three months is not enough time to implement all the proposed changes in the draft decision:

- we would have to make system changes and increase automation to extract the right data to make the updated GSL payments possible and meet the reduced payment timeframe of 60 business days;
- Changes to electronic notification systems are required to inform customers of cancellation to the planned interruption faster and provide the reason of the cancellation (greater automation required for the one hour requirement);
- System changes would be required to comply with changes to consent requirements; and
- More of our staff will be on holidays over the Christmas break, which means we will have fewer staff to implement, manage, monitor and trouble shoot the new systems.

In order to prevent these implementation issues impacting customer service, we recommend that a delay in the commencement date to 1 July 2021. Additionally, it is recommended to manage the GSL scheme on a financial year basis. The advantage of starting 1 July 2021, is that it will align with our STPIS accounting period which will change from a calendar year to financial year. Aligning the dates would reduce the regulatory and cost burden to distributors. The primary reason being both GSL payment and STPIS schemes use the same dataset.

4.2 Transitional issues for GSL payment allowances

The existing scheme requires AusNet Services to pay customers a GSL payment when certain thresholds are met. Our customers fund the GSL payments through a future operational expenditure allowance that we make an EDPR submission to the AER for the next regulatory control period.

5 Other matters

5.1 REFCL testing public announcements

The draft decision includes a requirement for distributors to inform customers of potential for unplanned outages resulting from the testing of Rapid Earth Fault Current Limiting (REFCL) technology via the publication of notices in local or Victorian newspapers and via the publication of a notice on their websites for at least four business days before testing occurs.

Public awareness campaigns

AusNet Services has been undertaking public awareness and education campaigns since the commencement of REFCL deployment with the objective of educating our customers about the REFCL Program and to inform customers of any works that might disrupt them. In addition, our customers are educated about where to find information about unplanned outages and restoration times, including the promotion of our outage tracker so that, in the event of any unplanned outage on our network, they are able to quickly source information.

Our REFCL awareness campaigns include the use of social media, digital interactive billboards in shopping centres, website and other channels. Whilst print media has been used as a channel in previous years, the impact of COVID-19 has resulted in the closure of many local print media outlets. We continue to seek feedback on the effectiveness of, and ways to enhance, our awareness campaigns.

Targeted awareness activities are aligned with REFCL installation and commissioning activities, for example the following digital advertisement was circulated in the Wodonga area on 5 June 2020.

REFCL testing

REFCL technology is being progressively rolled out over several years with the first REFCL network commissioning occurring during 2016 and the final REFCL networks to be commissioned by 1 May 2023.

As part of initial REFCL commissioning activities, the following types of testing are undertaken:

- Stress testing – voltages are elevated on the REFCL networks to identify any assets that are unable to withstand REFCL operations.
- Primary earth fault (PEF) testing – using specialist equipment, faults are introduced onto the network to test that the REFCL protection systems operate as intended.
- Energy Safe Victoria (ESV)-observed compliance testing – following an agreed test plan, PEF testing is performed to demonstrate that the REFCL network performance meets the mandated performance criteria.

On an annual basis, ESV-observed compliance testing is performed on each REFCL network to confirm that the REFCL is continuing to operate at the mandated performance criteria.

To date, AusNet Services has performed over 6,000 REFCL tests. Unplanned outages as a result of this testing have been minimal.

Since the initial stress testing of the first REFCL network in 2016, 10 REFCL networks have been stress tested, some on a number of occasions. At total of 16 unplanned outages as a result of stress testing have occurred, 5 of these events occurring during the very first stress testing on the Woori Yallock network in 2016. Improvements in the identification of assets prone to failure as a result of REFCL operations, together with enhanced asset replacement works, stress-testing related unplanned outages are minimal with the majority of networks experiencing no unplanned outages during stress testing.

Unplanned outages during PEF, initial and annual compliance testing are rare. Having a requirement to notify customers of REFCL testing would add an unnecessary burden and lead to undue community concern about a critical safety program.

Notification period

REFCL testing is subject to weather conditions and, in some cases, in response to non-REFCL related faults on the network or network changes. To introduce a requirement to notify customers of possible outages at least four clear business days ahead of any testing could hinder our ability to perform uninterrupted testing which may lead to delays in the timely implementation of REFCL networks and the increased bushfire safety benefits.

Recommendation

Therefore, the proposed requirement in the draft decision to publish a notice in relevant newspapers and on our website highlighting the potential for unplanned interruptions as a result of initial commissioning and yearly testing would be disproportionate given the risk and could cause undue concern about the implementation of this community safety program. We believe our existing public education campaigns are adequate. They educate customers that the activity of initial testing is more likely to interrupt supply and explain how the technology prevents bushfires and our efforts to restore supply interruptions.

Our recommendation is that the proposed new clause 9.1.15 be removed.

5.2 Solar reporting requirements

The draft decision proposes to require distributors to report the following metrics:

- processing time for pre-approvals;
- number of applications received;
- processing time for final approvals;
- time to complete a meter reconfiguration;
- time to complete a network tariff re-assignment;
- time to notify a retailer of network tariff re-assignment; and
- processing time for the application exemptions.

This proposed reporting obligation only extends to connection applications eligible for the basic connection services Model Standing Offer, and therefore excludes large and complex inverter energy systems.

AusNet Services appreciates the need to demonstrate transparency in the way it to processes connection alteration applications for solar customers. Over the last year, AEMO implemented its DER register in which we lodge new or changed inverter energy system applications from pre-approval to final approvals. Therefore, we believe there is already transparency in respect to the first three metrics.

We undertake meter reconfigurations and network tariff re-assignments following a service order request from the customer's retailer. The B2B Procedures Service Order Process requires meter reconfiguration service orders in 20 business days. However, we normally process correctly formatted requests, that are related to inverter energy systems, within two business days, which is well ahead of the B2B response timeframes. We suggest the proposed reporting requirement for reporting meter reconfigurations and network tariff re-assignments be limited to service orders associated with new or altered inverter energy systems (i.e. solar and battery systems).

It would be impractical to provide a reporting metric for application exemptions without more specification. There are dozens of different exceptional circumstances that could cause exemptions in the first 6 metrics. For example, contradictory information in the customer's paperwork or a retailer's service order. Further, it is the sender who needs to action our response and often we are waiting for updated information.