

Electricity Distribution Code review – customer service standards

Draft decision

7 May 2020

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Executive summary

The Electricity Distribution Code (the code) contains protections for customers as they use and interact with the electricity network. These protections provide customers with information about distributor obligations regarding planned or unplanned outages customers may experience. Distributors are also required to provide customers with information to assist with making informed choices about their connection with the network. The code also requires distributors to make monetary payments to customers experiencing poor levels of service from the network – this is called the guaranteed service level scheme.

Several independent reviews have raised the need to consider the type and levels of customer protections in the code, and for the Essential Services Commission (the commission) to make changes where appropriate.¹

New customer protections

The proposed reforms in this draft decision will address issues raised by stakeholders including:

- ensuring retailers collect customer contact details, including electronic details, and provide them to distributors in a timely way
- modernising the communication methods distributors can use to notify customers about planned outages
- bolstering protections for life support customers about planned outages
- giving distributors flexibility to interrupt supply at short notice subject to explicit informed consent and record keeping obligations
- ensuring customers are notified when planned outages are cancelled in many circumstances
- improving information for customers and the Victorian community about planned and unplanned outages
- modernising and updating our guaranteed service level scheme in line with community expectations.

¹ Department of Environment, Land Water and Planning: Post Event Review – Power outage 28 and 29 January 2018, Independent Review of Victoria's Electricity, Gas Network Safety Framework, December 2017 and Essential Service Commission - Electricity connection process review 2018.

Our proposed package of rules will:

- enhance the provision of relevant and timely information to customers
- ensure life support customers are afforded higher levels of protection where appropriate
- facilitate better information exchange between retailers, distributors and ultimately with customers.

The proposed rules will also modernise our guaranteed service level scheme to:

- ensure it remains fit for purpose and captures customers who receive the poorest service from their distributor
- update the value of payments and payment thresholds
- ensure customers receive timely payments
- harmonise, to the extent we consider appropriate, with the Australian Energy Regulator's exclusions.

New reporting requirements

Our proposed reporting reforms will require distributors to report to us on:

- the time it takes to process embedded generation applications and connect solar and battery systems
- all guaranteed service level data they currently provide to the Australian Energy Regulator.

This data will help understand the service performance of distributors and inform us on whether further reform may be required.

Commencement

We expect the reforms to come into effect from 1 November 2020 for electricity retailers and 1 January 2021 for electricity distributors. However, we are conscious of the current coronavirus pandemic and its impacts on the energy industry and the Victorian community. Accordingly, we will continue to monitor the situation and re-evaluate the commencement of these proposed reforms as needed. We also welcome stakeholder feedback on our proposed commencement timeframes.

Implementing new customer service standards

In developing these proposed reforms, we have considered the customer outcomes we intend to deliver and the impact on electricity distributors and retailers.

We have focused on implementing reforms in a manner that promotes positive consumer outcomes and maximises customer coverage, while considering how these may be implemented by distributors and retailers.

Executive summary

We have also heard through our consultation with distributors and retailers that the proposed changes will require negligible capital expenditure and involve minimal ongoing operational costs. We have heard that distributors already communicate with many of their customers via electronic methods. Also, the proposed changes to the guaranteed service level payments, particularly making payments timelier, is expected to require small additional administrative resources, potentially up to a couple of full-time equivalent staff members.

We have considered these small additional costs with respect to the positive impacts the reforms intend to deliver for customers and the wider Victorian community. We have also considered the potential efficiency gains and cost savings the proposed reforms can deliver distributors and ultimately customers, including:

- the ability for distributors to notify customers about planned outages electronically, saving on postal, staff resourcing and other administrative costs
- the flexibility distributors will have to interrupt supply without giving four business days' written notice if certain conditions are satisfied, in turn reducing costs of having crews and works rescheduled.

We welcome stakeholder feedback on the changes we have proposed, including on the potential costs and benefits of the reforms.

Consultation on our review

In developing these proposed reforms, we have consulted extensively with stakeholders through workshops, one-on-one meetings, and from formal feedback to our approach paper and issues paper.

In December 2018, we hosted a forum where a range of different stakeholders contributed and informed us of their areas of interest regarding the code. Following the forum, we released an approach paper in April 2019 to signal to stakeholders how we intended to proceed with our reviews of the technical and customer service standards, and a wider code review work program.²

In August 2019, we released an issues paper on the technical and customer service standards. We received 21 written submissions from electricity distributors, retailers, consumer organisations, a peak business body, the Energy and Water Ombudsman (Victoria), members of the public and other interested stakeholders.³ We also held a Victorian energy open forum where we discussed options to modernise the code with stakeholders from all areas of the energy sector.

² Essential Services Commission, Electricity Distribution Code Review: Approach paper, April 2019.

³ Essential Services Commission, Electricity Distribution Code Review: Issues Paper, August 2019.

In September 2019, we held two regional workshops in Ballarat and Traralgon and invited members of the community to attend. We received valuable feedback from those who attended.

We would like to thank stakeholders for their involvement and contributions to the process so far.

Who the new rules will apply to

Our proposed reforms for outage communications and the guaranteed service level scheme will apply only to licensed distributors. Licensed electricity retailers will also be required to collect and disclose customer information to distributors and make timely guaranteed service level payments.

Wider review of codes including the Electricity Distribution Code

This draft decision specifically addresses the review of the customer service standards in the code. In April 2020, we released our final decision on the technical standards in the code.⁴

However, stakeholder submissions to our issues paper also raised several other matters for the commission to consider. These matters largely fell outside the scope of the technical and customer service standards project streams. We will be considering these areas in our work program from 2020-21 onwards, as we will be conducting a wider review of the commission's energy-related codes, which include the Electricity Distribution Code.

Monitoring outcomes from the new framework

Our Victorian energy market report outlines retailers' and distributors' performance against a series of measures.⁵ These measures indicate, at a high level, the experiences of customers in the Victorian energy market. We will use this reporting process to monitor the outcomes of these latest reforms.

We also conduct regular audits to see whether retailers and distributors are complying with the energy rules. Over time, we adjust our audit focus areas for retailers and distributors, which may include audits in relation to compliance with new rules we have implemented.

We generally undertake a review of the guaranteed service level scheme on a five-yearly basis to align with the Australian Energy Regulator's price determination periods. We will consider reviewing the guaranteed service level scheme prior to the next price determination period

⁴ Essential Services Commission, Electricity Distribution Code review – Technical standards: Final decision, April 2020.

⁵ Essential Services Commission, Victorian energy market report available at: <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.

commencing in 2026. However, if distributors' data and reporting to the commission indicates areas of concern for the commission, we may revisit the guaranteed service level scheme sooner.

Overview of our draft decisions

A summary of our draft decisions is outlined in tables 1-4 below. Our detailed draft decisions are set out in the following chapters:

- planned and unplanned outage communications (chapter 2)
- guaranteed service level scheme (chapter 3)
- reporting (chapter 4).
- commencement (chapter 5)

Table 1 Draft decisions relating to planned and unplanned outage communications

Draft decision	Summary of our proposal
1	<p>Improving the methods of notification for planned outages</p> <p>Retailers will be required to collect customer information, including electronic and other contact details, and provide it to electricity distributors in a timely manner.</p> <p>We propose to modernise how customers can be notified of planned outages by allowing distributors to notify customers electronically, while having stronger protections for life support customers. We also propose to bolster customer protections by requiring distributors to obtain customers' explicit informed consent for electronic only notifications, keep records and remind customers of planned outages in some circumstances.</p> <p>Customers will be able to revert to hard copy notifications.</p>
2	<p>Clearer responsibilities to customers when planning for outages</p> <p>We do not propose to adopt rule 90 in the National Energy Retail Rules (relating to planned supply outage with less than 4 business days' written notice) in full. We propose to retain the current requirements for distributors to give at least four business days' notice for planned outages unless explicit informed consent of all affected customers is obtained and recorded by a distributor.</p>
3	<p>Notifying customers of cancelled or rescheduled outages</p> <p>We propose to require distributors to:</p> <ul style="list-style-type: none"> • notify customers of cancelled or rescheduled outages in particular circumstances • provide a high-level reason indicating why a planned outage was cancelled, for example due to extreme weather.

	<p>Disclosing the reasons behind planned outages</p> <p>We propose to require distributors to provide information to customers about:</p>
4	<ul style="list-style-type: none"> the reason for the planned outage, at a high level the potential for the outage to be cancelled, including for reasons outside the distributor’s control such as extreme weather.
	<p>Informing local communities of possible outages when testing bushfire safety technology</p>
5	<p>We propose to require distributors to notify local communities via notices in local or state newspapers and websites before distributors test their bushfire safety technology.</p>
	<p>Notifying government departments about sustained outages</p>
6	<p>We propose to update the references to the ‘Department of Health’ and the ‘Department of Human Services’ in clause 5.7 of the code to the ‘Department of Health and Human Services’.</p>

Table 2 Draft decisions relating to the guaranteed service level scheme

Draft decision	Summary of proposal
	<p>Updating annual duration and frequency thresholds</p>
7	<p>We propose to update the duration and frequency thresholds to reflect the removal of outages on major event days from counting toward duration or frequency payments. This will ensure customers who experience the poorest network performance are still recognised by the guaranteed service level scheme. The new thresholds will be:</p> <ul style="list-style-type: none"> 12-hour, 24-hour and 48-hour thresholds for the annual duration payments 5, 10 or 20 sustained outages per year for the frequency payments.
	<p>Updating momentary and sustained interruption thresholds</p>
8	<p>We propose to update the definitions of sustained and momentary interruptions to align with the national framework where a momentary interruption is defined as less than three minutes and a sustained interruption is more than three minutes.</p>
	<p>Updating payment amounts for low reliability and supply restoration</p>
9	<p>We propose to adjust the guaranteed service level performance payment levels by the change in the value of customer reliability measure since our last review in 2015, and in line with consumer price index changes. The proposed payment levels are:</p> <ul style="list-style-type: none"> \$130 for the 12-hour supply restoration duration payment \$190 for the 24-hour supply restoration duration payment \$380 for the 48-hour supply restoration duration payment

- \$130 for the five interruptions low reliability **frequency** payment
- \$190 for the 10 interruptions low reliability **frequency** payment
- \$380 for the 20 interruptions low reliability **frequency** payment
- \$40 for the 24 low reliability **momentary interruptions** payment
- \$50 for the 36 low reliability **momentary interruptions** payment.

The duration, frequency and momentary interruption payments will be paid in incremental amounts as each threshold is met.

Updating payments for supply restoration single interruptions

We propose to:

- 10
- remove the restriction of customers only having access to either the supply restoration payment for single interruptions or annual duration payment
 - revise the supply restoration single interruption payment to cover circumstances where a customer has been without supply for 12 hours or more on a major event day.

The major event day payment will be \$90 where a customer experiences an outage greater than 12 hours.

Updating payments for late or missed appointments

- 11
- We propose to update the late or missed appointment payment from \$30 to \$35.

Updating payments for delayed new connections

12

We propose to strengthen and clarify when delayed connection guaranteed service level payments must be made to customers. Customers will be eligible for a payment:

- where a customer and distributor have agreed to a date for the new connection, or
- if no date is agreed, then payments begin after 10 business days.

Ensuring customers receive guaranteed service level payments in a timely manner

We propose to change the low reliability and supply restoration – duration, frequency and momentary interruption – payments from annual payments to progressive accumulation payments. Distributors will need to assess customer eligibility on a quarterly basis and make payments within 60 business days.

- 13
- Major event day payments (formerly single interruption supply restoration payments) must be paid within 60 business days following the event.

Delayed new connection and late appointment payments must be paid within 20 business days.

If a distributor makes a payment through the customer’s retailer, the retailer must apply the payment to the customer’s account within two business days.

Application of the guaranteed service level scheme	
14	<p>We propose to restrict the guaranteed service level scheme to customers who have, or should have, advanced metering infrastructure (smart meters).</p> <p>Guaranteed service level payments will be linked to customers' supply addresses rather than individual customers.</p>
Excluding the operation of bushfire safety technology	
15	<p>We propose to exclude outage events from the guaranteed service level scheme where the outage is caused by the operation of bushfire safety equipment and automatic circuit reclosers on total fire ban days and code red days.</p> <p>We do not propose to exclude outages caused by testing of bushfire safety equipment.</p>
Major event days – new calculation and exclusion	
16	<p>We propose to:</p> <ul style="list-style-type: none"> align the methodology for determining major event days with the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard, used by the Australian Energy Regulator and in other Australian jurisdictions automatically exclude supply interruptions that occur on major event days from contributing toward the low reliability and supply restoration payment thresholds.
Harmonisation of exclusions with the national scheme	
17	<p>We propose to harmonise certain Victorian exclusions with the exclusions Australian Energy Regulator's Service Performance Target Incentive Scheme.</p>

Table 3 Draft decision relating to reporting

Draft decision	Summary of our proposal
18 and 19	<p>New reporting requirements</p> <p>We propose to require distributors to start reporting to us on:</p> <ul style="list-style-type: none"> the time taken to process embedded generators (solar systems and batteries) applications, including inspections, meter replacement/reconfiguration and network tariff re-assignment guaranteed service level payments across all categories in the same way distributors currently report to the Australian Energy Regulator.

Table 4 Draft decision relating to commencement of new framework

Draft decision	Summary of our proposal
Proposed implementation timings	
20	We propose the code amendments giving effect to our final decisions will take effect from 1 November 2020 for electricity retailers and 1 January 2021 for electricity distributors.

Timeline for review

The key dates relating to this draft decision are:

- 7 May 2020 – draft decision released
- Early June 2020 – stakeholder workshop on the draft decision (subject to stakeholder interest and conducted online)
- 2 July 2020 – submissions to draft decision close.

How to make a submission

We are seeking feedback on our draft decision. Submissions should be made by **5.00 pm on 2 July 2020**.

To make a submission on this paper please go to Engage Victoria's website:

<https://engage.vic.gov.au/electricity-distribution-code-review>.

If this presents an issue please email us at edc.review@esc.vic.gov.au to discuss other options for making a submission. All submissions come under the commission's submissions policy.

Submissions will be published on the commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify which information is sensitive or confidential.

Enquiries about the Electricity Distribution Code review can be sent to: edc.review@esc.vic.gov.au

1. Context for this draft decision

Our code review work program so far

We commenced the Electricity Distribution Code (the code) review in late 2018. Prior to this in August 2018, we concluded a separate review that enabled the operation of bushfire safety technology being rolled out by distributors.⁶ This was in response to new bushfire safety regulations.

We are also continuing work on the electricity connections project. The connections project has a governance committee with terms of reference that meets bi-monthly. The minutes of these meetings are published on our website. We will be continuing that work separate to this customer service standards project stream.⁷

Consultation to identify priorities and reforms

In developing these proposed reforms, we have consulted extensively with stakeholders through workshops, one-on-one meetings, an approach paper and an issues paper.

In December 2018, we hosted a forum where a range of different stakeholders contributed and informed us of their areas of interest regarding the code.

We released an approach paper in April 2019 to signal to stakeholders how we intended to proceed with our reviews of the technical and customer service standards, and a wider code review work program.⁸

In August 2019, we released an issues paper on the technical and customer service standards.⁹ We asked stakeholders about a range of matters (see appendix A for a full list of questions), including the following key areas:

- the guaranteed service level scheme
- planned outage notification and information requirements

⁶ Essential Services Commission, Voltage standards review 2018, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-policies-and-manuals/electricity-distribution-code/voltage-standards-review-2018>.

⁷ Essential Services Commission, Improving electricity connections for new developments, available at: <https://www.esc.vic.gov.au/electricity-and-gas/information-consumers/improving-electricity-connections-new-developments#tabs-container1>.

⁸ Essential Services Commission, Electricity Distribution Code Review: Approach paper, April 2019.

⁹ Essential Services Commission, Electricity Distribution Code Review: Issues paper, August 2019.

- technical standards relating to voltage, harmonics, frequency management in micro grids and standalone power systems, power factor, negative sequence, aggregation for embedded generators, and synchronous generators
- customer protections relating to exempt persons selling electricity in embedded networks
- electricity connection delays.

We received 21 written submissions from electricity distributors, energy retailers, consumer organisations, a peak business body, the Energy and Water Ombudsman (Victoria), members of the public and other interested stakeholders (see appendix B for a list of stakeholder submissions). We also held a Victorian energy open forum in August 2019 where we discussed options to modernise the code with stakeholders from all areas of the energy sector.¹⁰

In September 2019, we held two regional workshops in Ballarat and Traralgon and invited members of the community to attend. We received valuable feedback from those who attended.

We would like to thank stakeholders for their involvement and contributions to the process so far.

Technical standards project stream

In December 2019, we released our draft decision relating to updating the technical standards in the code.¹¹ We received seven submissions. In April 2020, following consultation, we released our final decision.¹²

Customer service standards project stream

On 6 February 2020, we held a workshop to discuss staff reflections on stakeholders' submissions to the issues paper. We also discussed options to reform the rules relating to the guaranteed service level scheme and planned outage notifications. We received useful feedback and thank stakeholders for attending.

We have also had many one-on-one meetings with stakeholders to discuss their submissions and options on how to implement possible and new customer service standards.

We have now released this draft decision on updating the customer services standards in the code which primarily focuses on updating the guaranteed service level scheme and modernising

¹⁰ Essential Services Commission, Victorian energy open forum 2019, available at: <https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/victorian-energy-open-forum-2019>.

¹¹ Essential Services Commission, Electricity Distribution Code review – Technical standards: Draft decision, December 2019.

¹² Essential Services Commission, Electricity Distribution Code review – Technical standards: Final decision, April 2020.

communications regarding planned outages. We have also proposed new reporting obligations for distributors and some new requirements for electricity retailers.

Strengthening life support customer protections

We released our final decision on strengthening the protections for life support customers on 5 December 2019 and transitional arrangements came into effect in the Electricity Distribution Code from 2 January 2020.¹³ The full electricity life support customer protection framework came into effect on 2 February 2020. The new framework strengthens and clarifies the roles and responsibilities of energy businesses and customers to ensure that life support registers are up-to-date, and customers are protected.

Back-billing

In February 2020, we released our back-billing draft decision. The draft decision proposed to reduce retailers' ability to back-bill customers from nine months to four months. The proposed four-month period also applies to distributors' ability to recover undercharged network charges from retailers. Submissions closed on 27 March 2020. We received 16 stakeholder submissions. We expect the new rules to come into effect on 1 January 2021.

Further reviews from 2020–21

This draft decision addresses the review of customer service standards in the code. Stakeholder submissions to our issues paper raised several other matters for us to consider. These matters largely fell outside the scope of the technical and customer service standards project streams. Accordingly, we have deferred consideration of these areas to our wider code review from 2020–21 onwards.

From 2020–21, we will continue our wider review of the code to address any remaining matters that arise but remain unresolved this year. This review will also consider the emergence of any further business models or new technologies that may create inconsistencies with the code.

¹³ Essential Services Commission, Strengthening protections for life support customers: Final Decision, December 2019.

2. Planned and unplanned outage communications

2.1. Overview

Distributors are currently required to notify and communicate with customers who will experience a power outage as a result of planned works by a distributor – this is often referred to as a planned outage. This helps customers prepare for the outage, for example, by organising back-up generators or making other arrangements.

Some planned outages are cancelled or rescheduled by distributors despite customers being notified beforehand. When this occurs, customers may have already made other arrangements in anticipation of the planned outage, and customers could have avoided this inconvenience if their distributor had notified them about the cancelled works.

2.2. Our proposed reforms

This chapter provides an overview of the existing requirements in the code, and our proposed reforms to improve distributors' communication to customers particularly relating to outages. In summary, we have proposed the following changes:

- modernise and improve the methods of notification for planned outages
- clarify distributor responsibilities to customers when planning outages
- customers must be notified about cancelled or rescheduled planned outages in many circumstances
- distributors need to disclose the reasons behind planned outages and cancellations
- distributors must inform local communities when testing bushfire safety equipment.

These proposed reforms apply only to licensed distributors and electricity retailers.

Improving the methods of notification for planned outages

We propose to:

- require retailers to collect customer information, including electronic contact details, and provide it to distributors in a timely way
- require retailers to provide all existing customers' contact information, including electronic contact details (where known), to distributors within 60 business days of the new rules coming into effect
- allow distributors to use electronic only notification of planned outages when they have obtained a customer's explicit informed consent

- introduce stronger protections for life support customers, who must still be notified with a hard copy notification in addition to any known electronic communication channels
- require distributors, where they use electronic notification, to notify customers through all known channels, i.e. text message and email
- require distributors to send a reminder notification via all known electronic channels one business day prior to the planned outage
- require distributors to retain records of a customer's explicit informed consent allowing the use of electronic only notifications
- allow customers to revert to hard copy notifications.

Clearer responsibilities to customers when planning for outages

We propose to:

- retain the current requirements for distributors to give at least four business days' notice for planned outages, unless a distributor obtains and records the explicit informed consent of all affected customers
- allow distributors to obtain all affected customers' explicit informed consent to interrupt electricity supply with less than four business days' notice (we are not proposing to adopt rule 90 in the National Energy Retail Rules in full)
- require distributors to keep records of customers' explicit informed consent where they have not provided at least four business days' written notice.

We also propose distributors to provide high-level information to customers about the reason for the planned outage when notifying customers. This should include information about the possibility that the planned works will be cancelled or rescheduled due to events outside the control of the distributor such as extreme weather.

Notifying customers of cancelled or rescheduled outages

We propose 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.

Informing customers of possible outages when testing bushfire safety technology

We propose to require distributors to publish notices in local or Victorian newspapers to notify local communities about the potential for unplanned outages resulting from testing of bushfire safety technology. Distributors will also be required to post a notice on their websites at least four business days before the testing occurs.

Notifying government departments about sustained outages

We propose to update the outdated references to the Department of Health and Department of Human Services in relation to the requirement for distributors to notify the government about long unplanned outages.

2.3. Improving the methods of notification for planned outages

Draft decision 1

We propose to require retailers to collect customer information, including electronic and other contact details, and provide it to electricity distributors. This requirement will be on a transaction by transaction basis from the latter of being advised by the customer or becoming the financially responsible retailer for the customer's premises. Retailers will also be required to provide all existing customers' contact information, including electronic contact details, to distributors within 60 business days of the new rules coming into effect. Retailers will be required to provide any updated customer information to distributors.

Distributors can choose to notify customers of planned outages via either a hard copy or electronic only notification. Distributors must notify life support customers with a hard copy notification and electronic notification if they know a customer's mobile phone number and/or email address. Where a distributor has a customer's electronic contact details, but the customer has not consented to receiving only electronic notifications, distributors will be required to also alert the customer to the planned outage through these known electronic channels.

Where distributors use electronic notification, they must do so by all known channels, i.e. text message and email. Also, distributors will be required to send a reminder notification via all known electronic channels one business day prior to the planned outage.

Distributors will be required to obtain the customer's explicit informed consent – and record that consent – if they want to only notify a customer of a planned outage through electronic channels.

We will also allow customers who have elected to receive electronic notifications to revert to hard copy notifications.

Context

The code currently requires distributors to provide written notification to customers who will be affected by a planned outage, at least four business days before the supply interruption occurs.

We understand that distributors generally take 'written notification' to mean the notification must be hard copy notice physically delivered to affected customers' premises.

In our issues paper, we asked stakeholders about their views on the form of notifications and whether distributors should be required to engage with customers who will be affected by a planned outage.

Relevant legislation

In Victoria, there are requirements under section 8 of the Electronic Transactions (Victoria) Act 2000.¹⁴ In summary, the Act requires persons giving information in writing to reasonably expect that the information would be readily accessible and useable for future reference, and that the person receiving the information has consented to receiving it electronically. The Act specifies that giving, serving or sending a notification is 'giving information' for the purposes of section 8 of the Act.

Accordingly, distributors are able to provide planned outage notifications electronically but are required to obtain customer consent in order to do so.

Collecting customer details

We understand use of system agreements between retailers and distributors require retailers to collect customer information, including contact details, and provide it to distributors. We have heard that the quality of the information provided to distributors can be flawed and sometimes unreliable. Additionally, under these agreements, retailers are not currently required to pass on customer email addresses and are only required to provide one phone number, which may or may not be a mobile phone number.

We understand there are also requirements in the customer details notification processes administered by the Australian Energy Market Operator. These business-to-business procedures include retailers passing on customers' email addresses to distributors where it is the customer's preferred contact method.

¹⁴ Appendix D of this draft decision paper contains the relevant extract of the Act.

Stakeholder feedback

Stakeholders generally agreed distributors should be able to notify customers of planned outage by electronic communication channels such as text message and email. Submissions also said distributors should not be restricted to just one form of communication.

The Consumer Action Law Centre said:

“Consumers expect adequate notification of planned disruption to their essential electricity supply. Wherever known, distributors should use consumers preferences around contact method and timing when communicating the planned outage to households.”¹⁵

CitiPower, Powercor and United Energy supported requiring retailers to provide distributors with more customer information:

“Retailers must be required to provide us with all contact details, including email addresses, for their customer...Retailers currently provide us with limited customer details.

Email communication would enable a greater amount of information to be shared by the distributor with the customer relating to an outage, including links to relevant webpages where additional information may be provided...Formalising this as an obligation on retailers would also give retailers additional comfort that they are clearly permitted to provide us with such information under relevant privacy and confidentiality laws and obligations.”¹⁶

CitiPower, Powercor and United Energy also provided a literature study to provide further evidence that customers have a dynamic set of preferences for their preferred method of communication:

“Recent market research in Victoria, New South Wales and South Australia (and offshore) has confirmed the overriding preference for mobile, IVR, website and social media updates (supplemented by call centre contact as needed) during unplanned outages. An initial SMS providing brief details of a planned interruption (also preferred by many customers) is ideally supplemented by an email notification and/or telephone call. Some vulnerable customers (but not all) still prefer or need postal advice of a planned outage prior to the event.”

¹⁵ Consumer Action Law Centre, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

¹⁶ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

The Victorian Chamber of Commerce and Industry supported the supplementation of written notifications:

“While written notice should be provided, as currently required by the code, this should be supplemented by other forms of communication such as phone, apps, SMS to ensure that businesses are able to make arrangements for an outage in a timely manner.”¹⁷

Customer survey results

We engaged Orima Research to conduct an independent Victorian customer survey on behalf of the commission. The survey was designed to provide us with an indication of customer preferences around planned outages. Respondents were able to select multiple answers to this question. The survey found that:

- 32 per cent of respondents wanted to be notified by letter in the mail
- 51 per cent of respondents wanted to be notified by email
- 59 per cent of respondents wanted to be notified by text message
- 7 per cent of respondents wanted to be notified through a mobile phone app.

Draft decision

We recognise the benefits of improving distributor methods for notifying customers of planned outages, and we will support these modern and electronic notification methods with more appropriate requirements for distributors. We consider electronic notifications to be a cost-efficient and quick way for distributors to communicate with their customers.

We also recognise the importance of further requirements on retailers to collect and provide distributors with customer information, which will assist distributors to communicate with their customers. We propose to require retailers to collect customers' information including electronic contact details and provide these to distributors in a timely way. These obligations will apply when a customer advises their retailer of their details or once the retailer becomes the financially responsible retailer for the customer's premises. There are also requirements for retailers to pass on updated customer contact details as they occur and periodically.

We also propose to require retailers to provide all existing customers' contact details, including electronic communication details (where known), to distributors within 60 business days of the new

¹⁷ Victorian Chamber of Commerce and Industry, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

rules coming into effect. This will ensure distributors have better contact information for their customers.

We consider the provision of 'written notice' in the code allows for electronic communication, but only if there is consent given by the customer as required by relevant legislation. We therefore propose to clarify and strengthen the rules regarding distributors using electronic communication channels to notify customers of planned outages. This includes requiring distributors to obtain and record customers' explicit informed consent where a distributor seeks to electronically notify customers of planned outages instead of the hard copy notice requirement. We also think it is important for customers to have the option to revert to hard copy notifications at any time by advising their distributor.

Distributors will be required to electronically advise customers who receive hard copy notifications about planned outages where a distributor has the relevant contact details. This will apply to both life support customers and other customers who have not given explicit informed consent to only receive notification via electronic channels. We note that as these customers have not provided explicit consent to receiving electronic only notifications, an electronic notification would not be taken to be given under the Act and accordingly, the electronic courtesy notification does not fulfil a distributor's obligations under clause five of the code.

We consider life support customers should be notified with a hard copy notification and by way of electronic notification if the distributor has their email address and/or mobile phone number. The potential harm caused to a life support customer who does not know about a planned outage could be large. Vulnerable customers may still need or desire to receive hard copy notification, as noted in the literature review provided by CitiPower, Powercor and United Energy.¹⁸ Further, distributors have demonstrated that they have previously breached their notification obligations, such as the matters considered by the commission in 2019 which resulted in penalty notices totalling \$350,000.¹⁹ Accordingly, we consider it appropriate to incorporate a higher level of protection for life support customers in the proposed rules.

We also consider that reminding customers of a planned outage one business day prior to the works occurring will improve customers' experience and provide an additional back stop in case a customer overlooked, or did not receive, the initial email and/or text message notification.

¹⁸CitiPower, Powercor and United Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

¹⁹ The commission's planned outage notification penalty notices are available at: <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/electricity-and-gas-company-penalty-notices#tabs-container2>.

We understand from our consultation that distributors will not be required to implement costly IT system upgrades to accommodate communicating with customers through electronic methods, as distributors are operating these systems already.

2.4. Clearer responsibilities to customers when planning for outages

Draft decision 2

We propose to retain the current requirements for distributors to give at least four business days' notice for planned outages unless explicit informed consent of all affected customers is obtained and recorded by a distributor.

We do not propose to adopt rule 90 in the National Energy Retail Rules in full. We only propose to allow distributors to obtain all affected customers' explicit informed consent to interrupt electricity supply with less than four business days' notice. Distributors will be required to keep records of customers' explicit informed consent to bring forward the outage.

We do not propose to require distributors to consult with customers about planned outages.

Context

Currently, distributors must provide affected customers with at least four business days' written notice of a planned outage. As discussed in section 2.3, we are proposing to allow for customers to be notified via electronic means if certain conditions are satisfied.

Victoria has different planned outage notification requirements compared with the requirements in rule 90 of the National Energy Retail Rules. In summary, the national rules allow distributors to:

- obtain affected customers' explicit consent to bypass the requirement to provide at least four business days' notice, or
- obtain affected customers' explicit consent and provide a five-business day window of when the outage will occur (distributors must not use this notification requirement for life support customers).

90 Distributor planned interruptions

(1) Planned interruption arrangements

A distributor may arrange a distributor planned interruption by:

- (a) giving the affected customer the notice under subrule (1B); or
- (b) other than in the circumstances described in paragraph (c), obtaining the affected customer's explicit consent to the interruption occurring:
 - (i) on any date within a date range of 5 business days; or
 - (ii) on a specified date,

in which case subrule (1A) applies

(c) where a person residing at the premises requires life support equipment, obtaining the affected customer's explicit consent to the interruption occurring on a specified date, in which case subrule (1A) applies.

(1A) Record of consent

If the distributor obtains the consent of the affected customer pursuant to subrule (1)(b) or (c):

- (a) the distributor must retain the record of consent for a period of at least 2 years in a format and including such information to enable the distributor to answer enquiries from the customer relating to the consent; and
- (b) subrules (1B) and (2) regarding planned *interruption* notices will not apply.

(1B) Notice to be given

If the distributor has not obtained an affected customer's consent to the *distributor planned interruption* occurring within a date range or on a specified date in accordance with subrule (1) (as applicable), the distributor must notify each affected customer by any appropriate means of the *interruption* at least 4 business days before the date of the *interruption*.

(2) Contents of notification

The notification must:

- (a) specify the expected date, time and duration of the *interruption*; and
- (b) include a 24-hour telephone number for enquiries (the charge for which is no more than the cost of a local call); and
- (c) include a statement that any enquiries regarding *distributor planned interruptions* are to be directed to the distributor.

Stakeholder feedback

Some distributors called for us to adopt rule 90 of the National Energy Retail Rules in Victoria.

Jemena said:

“Jemena proposes clause 5.5.1 of the Code, relating to planned interruptions, be modified to include Rule 90 of the National Energy Retail Rules (NERR). We believe adopting the whole Rule 90 in the Code would lead improvements to the timeliness of connection because it allows a distributor to obtain explicit consent to the interruption occurring on any date within a date range of 5 business days or a specified date from the affected customer. It would avoid delays to connection services.”²⁰

CitiPower, Powercor and United suggested there are benefits for customers if they can consent to an outage occurring without the four business days’ minimum written notification:

“...Rule 90 should be adopted such that all customers can benefit. Such a provision may provide a better experience for customers who, instead of having to make alternative arrangements during a possible long planned outage, could experience a shorter outage. For example, a customer may experience a short interruption at a specified time when the work crews arrive on site. This would be of great benefit to customers who have made special arrangements in order for the planned outage to proceed, particularly commercial customers who are often required to close their business or hire generators...”

Further, CitiPower, Powercor and United Energy indicated there could be lower impact on affected customers and the community if rule 90 was adopted. CitiPower, Powercor and United Energy also considered that adopting rule 90 of the National Energy Retail Rules would allow better flexibility, lower its costs and ultimately lower network tariffs for customers.²¹

Similarly, Jemena said that the current obligations are incurring costs, delays and complaints:

“In 2018, we provided the 4-days’ notice of supply interruption to 201 customers out of approximately 9,000 new basic connection jobs and rescheduled those connections... In addition to the delays and complaints, we are incurring additional costs of rescheduling the connection jobs and wasted service truck visits to the job sites.”

²⁰ Jemena, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

²¹ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

The Energy and Water Ombudsman (Victoria) suggested providing notices in a more dynamic manner, where an initial notification is sent prior to the planned outage and is followed up by the current four business days' notification.²²

The Consumer Action Law Centre suggested customers should be consulted with about planned outage. It also suggested a similar approach of providing multiple methods of communication and staggering those communications.²³ Red Energy and Lumo Energy also called for customers to be consulted ahead of planned outages.²⁴

In relation to notifying customers, including life support customers, residential, business, retail and commercial customers about planned outages, Jemena said:

“Jemena’s notification process for residential customers is via a planned card drop to the affected premises. Life support customers are notified via a card drop and personal contact and via door knock. If no one answers the door, a card is left under the door in addition to that left in the letterbox. Commercial/industrial/retail customers are advised of an upcoming interruption before receiving a card drop. We ensure the card is given to the customer personally where practical – otherwise a card is left at the premises.”²⁵

The Victorian Chamber of Commerce and Industry suggested that four business days may not be enough time for businesses to prepare for a planned outage.²⁶

Customer survey results

Through the independent customer survey undertaken by Orima Research, on behalf of the commission, respondents indicated different preferences about how much notice they would want ahead of a planned outage:

- 39 per cent of respondents wanted between one and three business days' notice
- 44 per cent of respondents wanted between four and seven business days' notice
- 14 per cent of respondents wanted between 10 and 14 business days' notice.

²² Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

²³ Consumer Action Law Centre, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

²⁴ Red Energy and Lumo Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

²⁵ Jemena, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

²⁶ Victorian Chamber of Commerce and Industry, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

However, business respondents had slightly different preferences:

- 30 per cent of respondents wanted between one and three business days' notice
- 44 per cent of respondents wanted between four and seven business days' notice
- 17 per cent of respondents wanted between 10 and 14 business days' notice.

Draft decision

We propose to retain the current notification timeframe requirements as we consider the minimum four business days' written notice provides enough time for most customers to make alternative arrangements. We note that the customer survey results indicate that the current timeframe also aligns with many community members' expectations.

However, we understand there are a large range of customer expectations and circumstances regarding planned outages, particularly for business customers who can suffer significant inconvenience due to planned outages. We also understand there could be efficiency gains and improved customer experience if distributors were able to obtain the explicit informed consent of all affected customers to bring forward a planned outage and not provide at least four business days' notice.

Accordingly, we propose to allow distributors to obtain explicit informed consent to interrupt supply without a requirement to provide at least four business days' written notice. We consider this will increase distributors' flexibility and improve customers' experience of planned outages where appropriate. However, we do not propose to adopt the other provisions in rule 90 of the National Energy Retail Rules. Specifically, we do not consider that providing affected customers with a five-business day outage window will lead to positive customer experiences.

Lastly, we do not consider it is practical to require distributors to consult with customers to determine a mutually convenient time or date for a planned outage to occur. We understand some stakeholder views about keeping customers informed and getting their input regarding planned outages is important. However, if we were to require this for all planned outages, it would place a large regulatory burden on distributors and would likely drive up costs for all customers.

We understand, through our consultation with distributors, that when a planned outage will affect a critical load such as a hospital, consultation is conducted well before the planned outage occurs. We consider that this approach strikes the right balance between consultation with critical load customers and the volume of planned outages that need to occur on the network.

2.5. Notifying customers of cancelled or rescheduled planned outages

Draft decision 3

We propose to require distributors to notify customers of cancelled or rescheduled outages in the following circumstances:

- if the distributor has customers' electronic contact details, it must notify affected customers via text message and email (as relevant) within one hour of the works being cancelled, if the cancellation of the works occurs during or prior to the planned outage time window, or
- if the distributor does not have customers' electronic contact details, it must notify affected customers via hard copy notification if the cancellation of the works occurs more than five business days ahead of its scheduled start.

We also propose to require distributors to provide a high-level reason why the planned outage was cancelled, for example, due to extreme weather.

Context

The code sets out specific requirements where distributors must notify customers about a planned outage. This enables customers to prepare for a planned outage, so they can implement contingency plans such as organising back-up generators or planning to be elsewhere while the works are undertaken.

However, some planned outages are cancelled or rescheduled by distributors, despite customers being notified of the outage beforehand. We understand this generally occurs when there is an extreme weather event, or where another health and safety issue occurs. When this happens, customers may have already made financial outlays for back-up generation or planned to close a business for the duration of the planned outage. As a result, some stakeholders suggested that distributors should notify customers if a planned outage is cancelled or rescheduled to help mitigate financial impacts and inconvenience.

Stakeholder feedback

We asked stakeholders in our issues paper about whether we should require distributors to notify customers of planned outage cancellations.

Submissions from distributors highlighted that where possible, they will notify customers of cancelled outages, or rescheduled outages.²⁷ A range of stakeholders, such as EnergyAustralia, the Victorian Chamber of Commerce and Industry, Red Energy and Lumo Energy, the Energy and Water Ombudsman (Victoria), and Consumer Action Law Centre supported introducing obligations on distributors to notify customers of cancelled planned outage works:

“It is reasonable to require a distributor to notify customers that a planned outage has been cancelled, and we would agree that there should be an obligation on this. We would expect that there is still some allowance for distributors in situations outside of their control, such as extreme weather events.”²⁸

“Given the costs of business disruptions associated with planned outages, the Victorian Chamber supports the introduction of a new obligation to notify customers of a cancelled or rescheduled planned outage. Early notification of changes to planned outages can help mitigate costs to business.”²⁹

“...there have been many instances where planned outages have been cancelled without proper notification leading to instances where consumers “may have already spent money to organise back-up generators, and these costs could have been avoided”. The failure to notify consumers of a cancellation may lead to financial loss but is also a poor experience for consumers.”³⁰

“...distributors should be required to notify customers in such scenarios. Customers should also be informed of the reason for cancellation or rescheduling. Transparency like this is respectful of the inconvenience caused to consumers and is likely to build trust. This proposed obligation should also cover scenarios like when planned disruptions are for shorter periods of time than initially notified.”³¹

²⁷ CitiPower, Powercor, United Energy, AusNet Services, submissions to submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

²⁸ EnergyAustralia, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

²⁹ Victorian Chamber of Commerce and Industry, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

³⁰ Red Energy and Lumo Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

³¹ Consumer Action Law Centre, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

AusNet Services said it already notifies customers of cancelled works when the outage is postponed more than nine business days before the outage was expected to occur.³² AGL did not support a requirement for distributors to notify customers of cancelled outages and questioned the practicality of doing so.³³

CitiPower, Powercor and United Energy said they already electronically notify customers where practical but did not consider that an explicit obligation is required. Further, CitiPower, Powercor and United Energy said they do not consider a new express obligation should be included in the code because:

- digital communications are not currently recognised as a valid form of written communication
- some customers may opt out of digital communications
- there will be increased costs for sending hard copy notifications
- many planned outages are cancelled during the scheduled outage time.³⁴

Jemena said it notifies customers of cancelled works in some circumstances but did not indicate support for a requirement in the code to do so.³⁵

Customer survey results

The independent customer survey undertaken by Orima Research, on behalf of the commission, showed very strong support to require distributors to notify customers about cancelled planned outages:

- 95 per cent of residential respondents wanted to be notified
- 99 per cent of business respondents wanted to be notified.

Interestingly, 65 per cent of residential respondents said they prepared for a planned outage, while 62 per cent of business respondents said they prepared for an outage.

Draft decision

We propose to require distributors to notify customers of cancelled planned outages in certain circumstances and by certain methods. Our proposed reforms to require retailers to obtain and

³² AusNet Services, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

³³ AGL, Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

³⁴ CitiPower, Powercor and United Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

³⁵ Jemena, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

disclose customer contact information, including electronic details, will underpin the effective implementation of this reform by increasing distributors' ability to communicate with their customers electronically.

We consider that customers expect to be notified of planned outage cancellations. We do not think including this new obligation will affect distributors' ability to innovate or improve the ways they communicate with their customers. Our proposed reforms are only minimum standards. Distributors can choose to offer levels of service higher than those prescribed in the code. However, we acknowledge that distributors may not have all the customer information to contact customers electronically to give timely notice of cancellations.

Therefore, we propose that where possible, distributors must notify customers of cancellations or rescheduling of planned outages. Specifically:

- if the distributor has the customer's electronic contact details, it must notify affected customers via text message and/or email within one hour of the cancellation, if the cancellation of the works occurs during or prior to the planned outage time window, or
- if the distributor does not have the customer's electronic contact details, it must notify affected customers via hard copy notification if the cancellation of the works occurs more than five business days ahead of its scheduled start.

We consider this approach strikes the right balance between notifying customers about a cancelled outage in a timely manner and not introducing burdensome and costly obligations on distributors. We note distributors have indicated that cancellations generally occur immediately prior to, or during, the works. Therefore, in practice, distributors will often only need to notify customers electronically. We also note distributors highlighted in their submissions that they already electronically communicate with a significant proportion of their customer bases, including regarding outage cancellations.³⁶

This proposed reform, along with our proposal to allow distributors to notify customers of planned outages, will enable distributors to potentially notify customers of cancelled works and reschedule works simultaneously if a distributor elects to do so. We consider this will create a better customer experience and allow distributors to more quickly reschedule their works.

³⁶ CitiPower, Powercor and United Energy, submission to submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

2.6. Disclosing the reasons behind planned outages

Draft decision 4

We propose to require distributors to provide high-level information to customers about the reason for the planned outage.

We also propose to require distributors to provide information to customers about the potential for the outage to be cancelled, including for reasons outside the distributor's control such as extreme weather.

Context

The current rules only require distributors to advise customers of the expected date, time and duration of the planned interruption, and to provide customers with a 24-hour emergency telephone number. Distributors are also required to use their best endeavours to restore supply as quickly as possible.

Currently, there are no obligations in the code for distributors to advise customers about the reason for a planned outage or to notify customers about the potential for planned outage works to be cancelled. This can lead to customer dissatisfaction and a lack of transparency about the interruption to an essential service.

Stakeholder feedback

In our issues paper, we asked stakeholders if we should require distributors to notify customers of cancelled or rescheduled outages. This question led to several stakeholders calling for additional information to be included on planned outage notifications, such as the reason for a planned outage.

The Energy and Water Ombudsman (Victoria) said:

“...the Code could also require a brief explanation as to why the planned outage is occurring. In our experience, customers are more accepting of interruptions to their energy supply when they are given context for the outage.”³⁷

³⁷ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

EnergyAustralia said:

“...there should be consideration on obligations for distributors to warn customers that the planned outage may be cancelled if there are extreme weather events forecast.”³⁸

The Consumer Action Law Centre said:

“Consumers should also be informed of the reason for the outage and have the ability to request a change in timing or compensation (at the expense of the responsible party) where works requested and paid for by another consumer (like relocation of cables underground) are not critical to the network.”³⁹

Customer survey results

The independent customer survey undertaken by Orima Research, on behalf of the commission, found that 61 per cent of residential respondents wanted to know the reason for the planned outage, while 55 per cent of business respondents wanted to know the cause.

Other results from residential respondents found that:

- 90 per cent wanted to know the **date** of the outage
- 91 per cent wanted to know the **time** of the outage
- 89 per cent wanted to know the **length** of the outage
- 32 per cent wanted a **telephone number** for enquiries.

Respondents could select multiple answers to this question. Results for business respondents were similar.

Draft decision

We propose to require distributors to provide customers with high-level information about the reason for the planned outage and about the potential for the works to be cancelled or rescheduled. This information is in addition to the existing code requirements and will be minimum requirements. We do not propose to prescribe the exact information distributors provide customers.

Planned outages can cause significant disruption and inconvenience to customers. Accordingly, we agree with the Energy and Water Ombudsman (Victoria) that customers are more likely to

³⁸ EnergyAustralia, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

³⁹ Consumer Action Law Centre, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

accept an interruption to their supply if they are provided with some context about the reason for the outage. We also agree with EnergyAustralia that customers should be warned about the possibility that the planned works may be cancelled, particularly due to circumstances outside the control of the distributor such as extreme weather. We consider this requirement will complement our proposed reform to require distributors to notify customers of cancelled works in most instances.

2.7. Informing customers of possible outages when testing bushfire safety equipment

Draft decision 5

We propose to require distributors to advise customers and the community before they undertake testing of rapid earth fault current limiter equipment as required by bushfire safety regulations:

- notices must be published in local or Victorian newspapers and on the distributor's website at least four business days before the testing occurs
- notices must include the date and times of the testing and what customers need to do if they experience an outage, including where they can find outage information and the estimated restoration time.

Context

Distributors are required to conduct testing on bushfire safety technology.⁴⁰ The section of the network being tested puts the network under a higher level of stress than normal, which may result in a supply outage.

We consider there is benefit from informing customers of the upcoming testing, the potential for unplanned outages as a result of the testing, and information about what to do if there is an outage event, including information about the estimated time of restoration.

We understand that testing occurs at the substation level and can affect a significant number of customers. However, if an outage occurs, it is likely to be at a localised level and only affect a small number of customers. We consider it is impractical to send notifications to all customers who

⁴⁰ Section 7 of the Electricity Safety Bushfire Mitigation Regulations 2013.

may potentially be impacted by an outage. On balance, we consider that a requirement for distributors to inform the local community through media and their websites is appropriate.

Draft decision

We propose to require distributors to publish details in local or Victorian newspapers and on their websites about:

- when the testing they will undertake will occur
- the potential for unplanned outages as a result of the tests
- what to do in the event of an outage, including where customers can access outage information and the estimated time of restoration.

2.8. Notifying government departments during sustained unplanned outages

Draft decision 6

We propose to update the references to the 'Department of Health' and the 'Department of Human Services' in clause 5.7 of the code to the 'Department of Health and Human Services'.

Context

Currently, the code refers to two Victorian Government departments. These departments were amalgamated in recent years. Therefore, the current references in the code are out of date.

Draft decision

We will update the references to the 'Department of Health' and the 'Department of Human Services' to the 'Department of Health and Human Services'.

3. Guaranteed Service Level scheme

3.1. Overview

This chapter provides an overview of the guaranteed service level scheme and the changes we propose to make to the scheme. The chapter sets out:

- an explanation of the guaranteed service level scheme, including a brief history of the scheme
- the principles we considered when proposing changes to the scheme
- the relationship between the guaranteed service level scheme and the Australian Energy Regulator’s revenue determinations for Victorian electricity distributors.

We propose to update and focus the guaranteed service level scheme to address the worst served customers in Victoria.

We have updated the scheme so that:

- it remains fit for purpose and captures customers who receive the poorest service from their distributor
- the value of payments accounts for updated network performance data and changes to the value customers place on reliability
- customers receive timely payments.

The low reliability and supply restoration payments will increase by approximately seven per cent using this approach. Table 5 shows the current guaranteed service level payments and the proposed guaranteed service level payments.

Table 5 Current and proposed performance guaranteed service level payment values

Current guaranteed service level type	Current guaranteed service level amount	Proposed guaranteed service level type	Proposed guaranteed service level amount
Low reliability – annual duration	20 hours off supply: \$120 30 hours off supply: \$180 60 hours off supply: \$360	Low reliability – annual duration	12 hours off supply: \$130 24 hours off supply: additional \$60 (\$190 in total) 48 hours off supply: additional \$190 (\$380 in total)

Current guaranteed service level type	Current guaranteed service level amount	Proposed guaranteed service level type	Proposed guaranteed service level amount
Low reliability – frequency	8 unplanned interruptions: \$120	Low reliability – annual frequency	5 unplanned interruptions: \$130
	12 unplanned interruptions: \$180		10 unplanned interruptions: additional \$60 (\$190 in total)
	24 unplanned interruptions: \$360		20 unplanned interruptions: additional \$190 (\$380 in total)
Low reliability – momentary interruptions	24 unplanned interruptions: \$30	Low reliability – momentary interruptions	24 unplanned interruptions: \$40
	36 unplanned interruptions: \$40		36 unplanned interruptions: \$50 (\$90 in total)
Supply restoration – single interruption	12 hours or more (urban): \$80	Major event day	12 hours or more: \$90
	18 hours or more (regional/rural): \$80		
Late appointments	\$30	Late appointments	\$35
Delayed new connections	\$70 per day, capped at \$350	Delayed new connections	\$80 per day, capped at \$400

3.2. What is the guaranteed service level scheme?

The guaranteed service level scheme seeks to acknowledge the inconvenience customers experience when their distributor does not meet minimum service standards. The scheme requires distributors to provide customers with financial recognition in areas such as unplanned supply outages and poor service. The current scheme requires a distributor to pay a customer in instances where a level of service is worse than the thresholds we set. These payments are generally made by a distributor to the customer’s retailer. The customer’s retailer then applies the guaranteed service level payment to the customer’s account. The requirements relating to guaranteed service levels are set out in section six of the code.

The guaranteed service level scheme has evolved over time to seek alignment with community expectations and changes to regulatory responsibilities. It has expanded from direct customer interactions to the overall customer experience.

The guaranteed service level scheme currently has six different categories of payments:

- **Low reliability and supply restoration.** These three payments seek to acknowledge customers where there may be limited opportunities for improvement due to physical, technical and economic constraints. These payments include annual duration payments (supply restoration), annual momentary payments and annual frequency payments (both low reliability).
- **Supply restoration – single interruption.** These payments are designed to recognise the inconvenience from lengthy sustained outages experienced by customers. Currently, the payment occurs if urban or rural customers experience outages lasting 12 or 18 hours or more from a single event, respectively. However, if the customer has received an annual duration payment (outages in a calendar year accumulating more than 20 hours) they will not receive a supply restoration single interruption payment. These payments were introduced in 2016.
- **Late or missed appointments.** These payments intend to hold distributors accountable for being punctual for appointments made with customers.
- **Delayed new connections.** These payments are made to customers where a distributor has not completed and energised a new electricity connection by the date agreed between the customer and the distributor.

Each of these payments directly relate to the services distributors provide customers and aim to achieve part of the overall purpose of the guaranteed service level scheme. Each payment captures an observable part of the service that a customer can see and articulate as a part of their energy experience.

A brief history of the guaranteed service level scheme

The guaranteed service level scheme was introduced when the entire Victorian electricity network was operated by the State Electricity Commission of Victoria, and originally focused on appointments and connections only.

In 2001, the scheme was expanded to recognise poor reliability and was one part of the regulatory framework for distributors that we administered. During that time, the commission also reviewed and determined distribution price controls. This has been the responsibility of the Australian Energy Regulator since 2009. This meant the amount paid to customers by distributors through the guaranteed service level scheme directly affected the revenue distributors could receive – also referred to as the incentive regime.

As part of our review of distribution pricing for 2006-10, we reviewed and clarified the guaranteed service level scheme consistent with five principles:

- guaranteed service level payments for reliability should target those customers with the worst reliability

- there may be physical, technical and economic limitations to improve the reliability for particular customers. Where there are reliability limitations, the guaranteed service level payments are an acknowledgement to these customers that this may be the case
- guaranteed service level payments should reflect, where possible, variations in customers' willingness to pay based on their current level of service
- the distributors' systems must be able to identify the customers to whom payments are to be made and ensure that the payments are made
- the administrative costs of the guaranteed service level payment scheme must not exceed the benefits of the scheme.

In 2009, parts of the regulatory framework for distributors changed from the commission to the Australian Energy Regulator. The Australian Energy Regulator now has the responsibility for determining the allowable revenues that distributors receive to operate their business, known as the revenue framework. We still retain the responsibility for setting the guaranteed service level service standards.

How the Victorian guaranteed service level scheme interacts with national regulations

The current economic regulatory framework for distributors is overseen by the Australian Energy Regulator, which is responsible for determining how much revenue distributors can receive to operate their business. As part of this framework, the Australian Energy Regulator administers an incentive scheme that penalises or rewards distributors' performance – known as the Service Target Performance Incentive Scheme.⁴¹ This scheme intends to incentivise distributors to invest efficiently in the network – if a distributor can deliver a regulated level of service at a lower cost than was expected, it is able to retain the savings and receive a revenue bonus.

However, we have retained the non-economic parts of the regulatory framework, including administration of a guaranteed service level scheme for Victorian customers. The Victorian guaranteed service level scheme and the national Service Target Performance Incentive Scheme differs as follows:

- The **incentive scheme** covers all customers using the electricity grid, by incentivising efficient investment in the network. But it does not provide for a penalty or reward for addressing performance in the worst parts of the network.

⁴¹ Electricity distribution network service providers, Service target performance incentive scheme version 2.0, Australian Energy Regulator, November 2018.

- The **guaranteed service level scheme** focuses specifically on recognising and providing a financial gesture to customers who are experiencing the worst service from their distributor compared to other customers.

Any payments made to customers as part of the guaranteed service level scheme are recovered from customers within the same distribution network. This is because Victoria's guaranteed service level scheme is a jurisdictional cost that the Australian Energy Regulator allows distributors to pass through to customers.

Some stakeholder submissions, such as those from Red Energy and Lumo Energy, and AusNet Services, said they understand that the Victorian guaranteed service level scheme cannot provide an incentive to improve service for customers who receive poor supply reliability.⁴² However, stakeholders such as the Energy and Water Ombudsman (Victoria) expressed issues with the guaranteed service level payments in not being able to directly incentive distributors' investment in the network.⁴³

We understand that the Australian Energy Regulator is considering introducing a Customer Service Incentive Scheme, aimed at rewarding good service and penalising poor service.⁴⁴ We understand that the final decision for the scheme should be released soon⁴⁵ and is designed to incentivise distributors in providing customer service that aligns with their customer's preferences.⁴⁶ We consider it is important to retain our guaranteed service level scheme, as it provides important customer protections to those who experience poor service, unique to the needs of Victorian customers.

The 'worst served customers'

The guaranteed service level scheme has been designed to consider the customers who experience the worst service from their distribution network, compared to others.

Since 2001, we have considered the 'worst served customers' are those who experience the worst one per cent of network performance in a single calendar year. The worst served customers can

⁴² Red and Lumo Energy, and AusNet Services, submissions to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁴³ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁴⁴ Small Scale Incentive Scheme for Customer Service Issues Paper, Australian Energy Regulator, July 2019.

⁴⁵ Australian Energy Regulator, Customer Service Incentive Scheme Guideline, viewed 11 March 2020: <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/customer-service-incentive-scheme>.

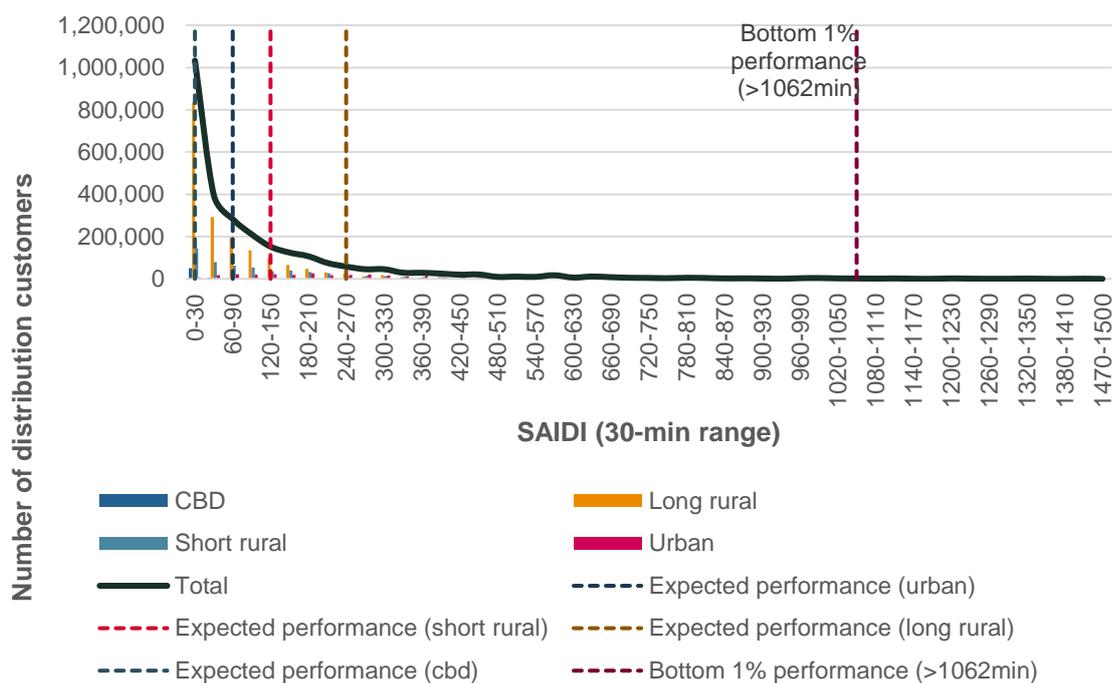
⁴⁶ Australian Energy Regulator, Customer Service Incentive Scheme – Draft, page 1, December 2019.

change on an annual basis. This is because this cohort of customers may not only include customers who continuously experience poor service but may also capture customers who experience a single sustained outage due to major events such as extreme weather. Our focus on the worst served customers in the context of the guaranteed service level scheme is to ensure that customers who receive comparatively poor service are financially recognised. It should be noted that there is no specific payment to customers who experience ongoing poor service, but these customers are likely to receive a guaranteed service level payment every year.

On average, a customer can expect to experience up to 100 minutes of supply outages per year. 90 per cent of customers experience no more than 5.5 hours of outages per year. Based on the performance of the entire Victorian network between 2014 to 2018, figure 1 indicates that:

- over 85 per cent of Victorian customers experience between zero and four hours' worth of outages in a year
- but customers receiving the worst one percent of network performance experience at least 18 hours of outages in a year.⁴⁷

Figure 1 Average number of customers affected per 30-minute System Average Interruption Duration Index window



Source: Australian Energy Regulator, Victorian distributor regulatory information notices 2014 to 2018

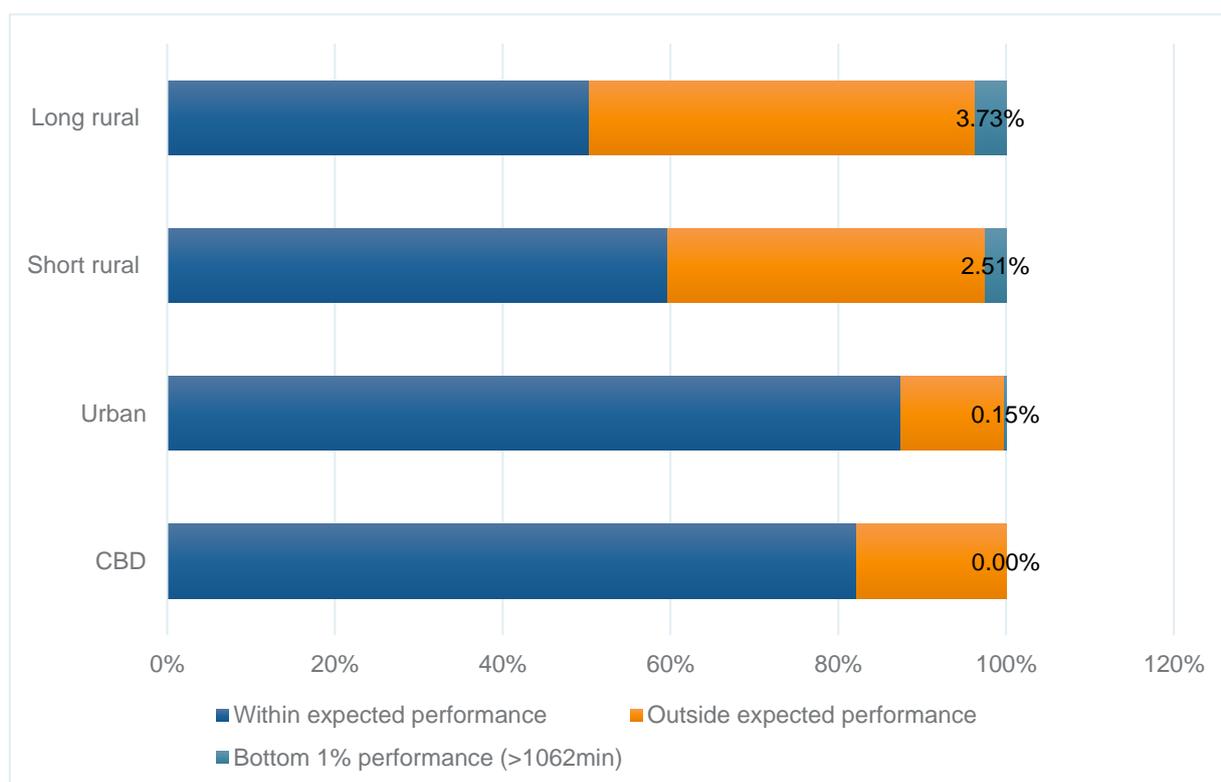
⁴⁷ This includes outages caused on the transmission network or outages caused by generators

Most customers are receiving service that is within the performance targets set by the Australian Energy Regulator.⁴⁸ Generally, customers in urbanised parts of the network have good service due to the nature of the network in those areas.

Customers who are further away from a city or township are more likely to experience poor service due to the nature of the network in their area. Remote, coastal and forested areas may also experience more frequent and sustained interruptions due to the environment in those parts of the network and the difficulty in servicing those areas.

Supply reliability guaranteed service level payments are generally made to customers who live in regional and rural areas of Victoria. This is mainly due to the type of electricity lines servicing customers in those regions and the geographic conditions in proximity to the electricity lines. As figure 3 demonstrates, 91 per cent of worst served customers are being served by a rural feeder.

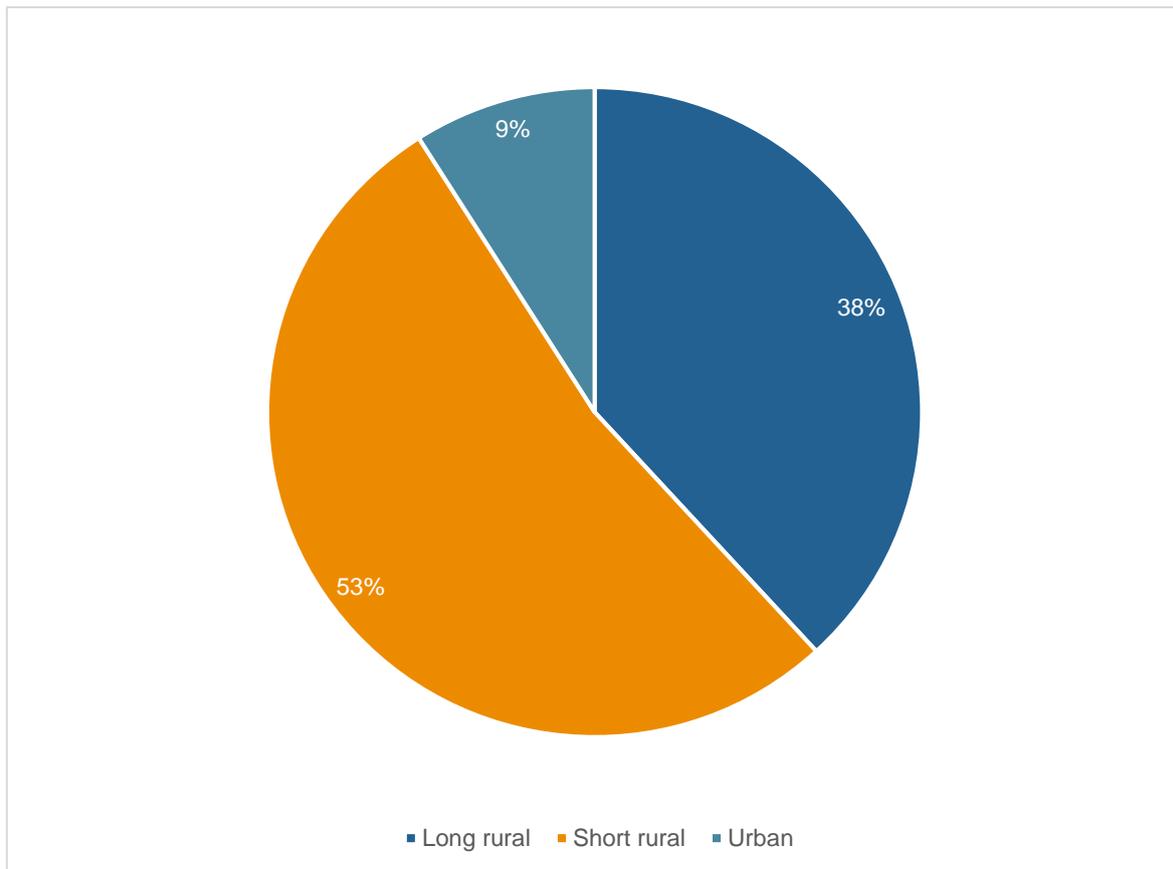
Figure 2 Distribution customers proportion within expected performance per feeder classification



Source: Australian Energy Regulator, Victorian distributor regulatory information notices 2014 to 2018

⁴⁸ These performance targets are being used as proxies for what is considered good service. Electricity distribution network service providers, Service target performance incentive scheme version 2.0, Australian Energy Regulator, November 2018.

Figure 3 Worst one percent of performance by feeder classification – including all exclusions



Source: Australian Energy Regulator, Victorian distributor regulatory information notices 2014 to 2018

We will continue to target the guaranteed service level scheme at the worst served customers in Victoria, particularly given these customers receive particularly poor service compared to customers in other areas of the network. We will continue to aim the guaranteed service level scheme at customers' most recent experience rather than based on historic network performance.

Key principles informing changes to the guaranteed service level scheme

In our issues paper, we considered five principles as part of our review of the guaranteed service level scheme. These were adapted and updated from the principles we first used in our 2005 review of the guaranteed service level scheme.

The key principles underlying the scheme and proposed changes are described in table 6.

Table 6 Key principles underlying the guaranteed service level scheme

Principle	Description
1. The scheme should target customers who receive the worst service	The scheme should target customers who experience the worst service compared to other customers. For example, delays with supply restoration and low reliability.
2. The scheme should acknowledge customers who are unlikely to be an investment priority for improved service	The scheme should focus on customers who consistently – year on year – receive poor supply reliability and where there are economic, technical or physical limitations to improve reliability.
3. The scheme payments should reflect, where possible, the value customers have for supply reliability	The scheme should ensure that payments reflect the value customers place on the provision of electricity and the level of service.
4. The scheme must be practical and possible for distributors to implement	The scheme should be able to be readily applied by distributors and it should be easy for distributors to make payments.
5. The administrative costs of proposed changes should be considered	When considering changes to the scheme, the commission will also consider the costs of administering the scheme to ensure that the costs do not exceed the benefits.

3.3. Updating payments and thresholds for low reliability and supply restoration

We considered whether the thresholds for payments were reflective of community expectations when reviewing the payments for low reliability and supply restoration. We have also considered the historical performance of the network in terms of reliability.

We have also updated payment thresholds relating to:

- how long outages are experienced (the duration threshold)
- the number of times a customer experiences an outage (the frequency threshold).

Updating annual duration and frequency thresholds

Draft decision 7

We intend to set the guaranteed service level thresholds by taking a five-year average of the distributor high voltage feeder level data at the worst one percent. This information is obtained from the regulatory information notices submitted by Victoria’s electricity distributors to the Australian Energy Regulator.

We propose to update the duration and frequency thresholds to reflect the removal of outages on major event days and all exclusions from counting toward duration or frequency payments. This will ensure customers who experience the poorest network performance are still recognised by the guaranteed service level scheme.

The new thresholds will be:

- 12-hour, 24-hour and 48-hour thresholds for the annual duration payments
- five, 10 or 20 sustained outages per year for the frequency payments.

In 2001, we introduced the original frequency guaranteed service level payments which were for nine outages and 15 outages per calendar year. The current annual duration thresholds were established in 2005 which were for 20 hours, 30 hours and 60 hours of outages. In 2015, we re-assessed the thresholds and determined that they were still appropriate for supply outages.⁴⁹

In our 2015 review, there were concerns that with the rollout of the government's Powerline Bushfire Safety Program may impact network performance and have a flow on effect on the guaranteed service level thresholds.⁵⁰ Some stakeholders said this was an issue to consider due to the roll out of the bushfire safety technology in the distribution networks.

We understand that currently, 17 out of 45 prescribed sites have rolled out the bushfire safety technology throughout Victoria, primarily in the Powercor and AusNet Services distribution regions.⁵¹ The rollout of the bushfire safety technology is still underway and is anticipated to take several years to complete. Therefore, it is too soon to understand the overall affect the technology will have on wider network performance throughout the state.

⁴⁹ Essential Services Commission, Review of the Victorian electricity distributors' Guaranteed Service Level payment scheme, Final decision, December 2015.

⁵⁰ Department of Environment, Land, Water and Planning, Powerline Bushfire Safety Program: <https://www.energy.vic.gov.au/safety-and-emergencies/powerline-bushfire-safety-program>

⁵¹ Powercor: <https://www.powercor.com.au/safety/bushfire-mitigation-program/rapid-earth-fault-current-limiter/>, AusNet Services: <https://www.ausnetservices.com.au/en/Misc-Pages/Links/About-Us/Publications>.

Draft decision

We propose to update the guaranteed service level thresholds as illustrated in table 7.

Table 7 Current and proposed guaranteed service level thresholds

Guaranteed service level payment	Current thresholds	Proposed thresholds
Supply restoration – annual duration	<ul style="list-style-type: none">• 20 hours off supply• 30 hours off supply• 60 hours off supply	<ul style="list-style-type: none">• 12 hours off supply• 24 hours off supply• 48 hours off supply
Low reliability – frequency	<ul style="list-style-type: none">• 8 unplanned interruptions• 12 unplanned interruptions• 24 unplanned interruptions	<ul style="list-style-type: none">• 5 unplanned interruptions• 10 unplanned interruptions• 20 unplanned interruptions

In our 2015 review, we considered whether an adjustment should be made to the thresholds to reflect the integration of the bushfire safety technology into the network. We have re-considered this matter, but we do not believe an adjustment should be made for a potential impact. At this stage, it is difficult to gauge how large or small the impact could be with the technology only partially rolled out and in the absence of data to demonstrate its impact on the wider network. We propose to base the guaranteed service level thresholds on publicly available historic network performance over the last five years, while excluding outages on major event days and other existing exclusions covered in our guaranteed service level scheme.

As mentioned in section 3.4, we are proposing to introduce a new payment to address poor performance on major event days. Therefore, to avoid double counting outage events, major event days will automatically be excluded from the calculation of all annual guaranteed service level payments. We consider this better reflects the purpose of these payments – underlying annual performance.

We propose that the methodology for calculating the performance thresholds will:

- use the last available five years' worth of feeder level data provided in the Regulated Information Notices published annually by the distributors as a part of the Australian Energy Regulator's national framework:⁵²

⁵² Australian Energy Regulator, Regulatory Information Notices, tab 3.6.8.

- we will use the Unplanned System Average Interruption Duration Index (USAIDI) per feeder for the duration thresholds and Unplanned System Average Interruption Frequency Index (USAIFI) for the frequency thresholds, and
 - exclude all major event days and other applicable exclusions from the calculations
- take a five-year average of each feeder and calculate the performance for all networks across Victoria
 - calculate the worst one percent of performance for the entire state (the 99th percentile)
 - round to the nearest hour for the duration thresholds and the nearest whole number for frequency thresholds.

According to the currently available data, this approach would capture approximately one percent of customers across the network with around 90 per cent being regional and rural customers and the rest being urban customers.

Updating momentary and sustained interruption thresholds

Draft decision 8

We propose to update the definitions of sustained and momentary interruptions to align with the national framework where a momentary interruption is defined as less than three minutes and a sustained interruption is more than three minutes.

Victoria is the only state in Australia that includes a momentary interruption payment in the guaranteed service level scheme. However, momentary interruptions are defined differently in the national and Victorian regulatory frameworks. In Victoria, momentary interruptions are classified as when a supply outage lasts less than one minute. In the national framework, these are defined as when an outage lasts less than three minutes.

In response to our issues paper, AusNet Services said the definition of momentary interruptions should be harmonised:

“The current inconsistency in the momentary interruption definition means Victorian DBs need to maintain two different reporting processes for the same metric. Harmonising would be more efficient.”⁵³

⁵³ AusNet Services, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

Jemena also called for the definition to be updated and added:

“...the duration of interruption in the term ‘sustained interruption’ be changed from ‘longer than one minute’ to ‘longer than three minutes’ so that it aligns with the national definition of MIAIFe.”⁵⁴

Draft decision

While we note that guaranteed service level payment for momentary interruptions is not large, it addresses a reliability issue that customers, particularly business customers, experience. Momentary interruptions could cause disruption and issues for some business customers because momentary power loss could affect equipment that these customers rely on to operate their business. We consider the payment itself should be retained and considered as part of the service bundle distributors provide to customers.

We propose to update the definitions of momentary and sustained interruptions to align with the national framework. This means that momentary interruptions will increase from one minute to three minutes. Sustained interruptions will increase from more than one minute to more than three minutes. We consider it is important to harmonise with the national approach as it will ensure consistent approaches for distributors when reporting data to the Australian Energy Regulator and us.

As we are proposing to align with the national framework definitions of momentary and sustained interruptions, there is no data we can use to calculate new momentary outage thresholds. Therefore, we will retain the current thresholds.

Updating payment amounts for low reliability and supply restoration

Draft decision 9

We propose to adjust the guaranteed service level performance payment levels by the change in the value of customer reliability measure between 2014 and 2019.

The proposed payment levels are:

- \$130 for the 12-hour annual duration or five interruptions frequency payment
- \$190 for the 24-hour annual duration or 10 interruptions frequency payment

⁵⁴ Jemena, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

- \$380 for the 48-hour annual duration or 20 interruptions frequency payment
- \$40 for 24 momentary interruptions payment
- \$50 for 36 momentary interruptions payment.

To incorporate the changes to payment timeliness, the payments will be made as follows:

- \$130 for 12-hour annual duration and five interruptions frequency payment
- an additional \$60 when 24 hours or 10 interruptions is reached (\$190 in total)
- an additional \$190 when 48 hours or 20 interruptions is reached (\$380 in total).

In our previous guaranteed service level scheme reviews, payment levels have been informed by the value of customer reliability. This measure conducts a wide-ranging public survey to reflect the value customers place on reliable electricity supply in different outage scenarios. It is a highly informative and useful input in determining the benefits for regulatory and network investment decision-making.

A reliable electricity supply requires investment by distributors, which is in turn paid for by electricity customers. The trade-off between reliability and affordability is a major consideration for distributors as to whether to invest in certain parts of the network. The value of customer reliability measure assists distributors with understanding customers' willingness to pay for network upgrades and augmentation compared with customers' desire for an affordable electricity supply.

There have been several studies to calculate the value of customer reliability measure.⁵⁵ We have used the results for Victorian customers. The studies have found varied results regarding what customers are prepared to pay and the value they place on a reliable electricity supply. We consider the different results are largely dependent on the different methodologies used and the timing of the studies.

As the studies noted, any input from a customer in the study reflects their most recent electricity experience. Participants whose most recent experience has been a reliable supply relative to their long-term experience may undervalue reliability and therefore do not support additional network upgrades to improve reliability. Conversely, participants who had a recent poor reliability

⁵⁵ The 1997 study was conducted by Monash University. The 2002 and 2007 studies were conducted by CRA International Pty Ltd. All three studies were commissioned by VENCORP, whose responsibilities were transferred to the Australian Energy Market Operator in 2009.

experience relative to their long-term experience may tend to overvalue reliability and therefore support additional network upgrades, the costs of which are borne by customers.

Draft decision

We propose to update the guaranteed service level payments by applying the change in the consumer price index and the change in the value of customer reliability measure since the last review of the guaranteed service level scheme.

The last review updated the change in value between 2001 and 2015 that had previously not been accounted for in the prior two reviews in 2005 and 2010. We will update the payment values for the change between the 2014 study and the 2019 study. We do not consider it appropriate to use earlier studies as they do not reflect the current customer experience. We also propose to apply the change in consumer price index since the last review to ensure the payment values reflect their worth in today’s dollars. This will reflect the change since the guaranteed service level payments were last updated in 2015.

Our proposed methodology is as follows:

- convert all the value of customer reliability measures into September 2019 dollars
- calculate the change between the 2014 and 2019 value of customer reliability studies
- calculate the change in consumer price index between June 2015 and September 2019
- add the two percentages together and apply it to the current guaranteed service level payments
- round up to the nearest \$10.

The performance payments will increase by approximately seven per cent using this approach. Table 8 shows the current guaranteed service level payments and the proposed guaranteed service level payments.

Table 8 Current and proposed performance guaranteed service level payment values

Current guaranteed service level type	Current guaranteed service level amount	Proposed guaranteed service level type	Proposed guaranteed service level amount
Supply restoration – annual duration	<ul style="list-style-type: none"> • 20 hours off supply: \$120 • 30 hours off supply: \$180 • 60 hours off supply: \$360 	Supply restoration – annual duration	<ul style="list-style-type: none"> • 12 hours off supply: \$130 • 24 hours off supply: additional \$60 (\$190 in total)

			<ul style="list-style-type: none"> • 48 hours off supply: additional \$190 (\$380 in total)
<p>Low reliability – annual frequency</p> <ul style="list-style-type: none"> • 8 unplanned interruptions: \$120 • 12 unplanned interruptions: \$180 • 24 unplanned interruptions: \$360 		<p>Low reliability - annual frequency</p> <ul style="list-style-type: none"> • 5 unplanned interruptions: \$130 • 10 unplanned interruptions: additional \$60 (\$190 in total) • 20 unplanned interruptions: additional \$190 (\$380 in total) 	
<p>Low reliability – momentary interruptions</p> <ul style="list-style-type: none"> • 24 unplanned interruptions • 36 unplanned interruptions 		<p>Low reliability – momentary interruptions</p> <ul style="list-style-type: none"> 24 unplanned interruptions: \$40 36 unplanned interruptions: \$50 (\$90 in total) 	

3.4. Updating payments for supply restoration single interruptions

Draft decision 10

We propose to:

- remove the restriction of customers only having access to either the supply restoration payment for single interruptions or annual duration payment
- revise the supply restoration single interruption payment to cover circumstances where a customer has been without supply for 12 hours or more on a major event day.

The major event day payment will be \$90 where a customer experiences an outage greater than 12 hours.

In our issues paper, we asked if customers should have access to both the supply restoration annual duration payment and single interruption payment.

Major event day

A 'major event day' is an industry term used to indicate abnormal performance in supply reliability due to events outside of control of the distributor such as extreme weather and storms.

The annual duration and frequency payments relate to a customer's experience of a distributor's underlying annual performance. Historically and currently, the single interruption restoration payment acknowledged the inconvenience a customer experiences from a single, large interruption. Another way to think of these payments is that annual duration and frequency payments reflect long-term network planning, while single interruption payments reflect a distributor's response to a short-term supply outage event.

We have now revised the single interruption payment to cover circumstances where a customer is without supply for 12 hours or more on a day determined to be a major event day. The way a major event day is determined will be subject to our proposed approach to adopt a new standard (see section 3.9).

We first introduced the single interruption payment in 2001⁵⁶ when we decided reliability affected customers and should be covered by the guaranteed service level scheme.⁵⁷ The single interruption payment threshold was set to be four times the network average interruption duration. We considered that this represented a reasonable maximum restoration time.

In 2005, we removed the single interruption payment and had an annual duration supply restoration payment as there were very few interruptions longer than 12 hours. Accordingly, we considered it more appropriate to use an annual measure to capture that part of distributors' performance.

In 2015, we reintroduced a single interruption payment as we had concerns that customers were experiencing long single interruptions. We also considered the single interruption payment would directly incentivise distributors to avoid these sustained interruptions.⁵⁸ As a secondary

⁵⁶ Office of the Regulator-General, Victoria, Electricity Distribution Price Determination 2001-2005 Volume I Statement of Purpose and Reasons, September 2000, page 28.

⁵⁷ The first version of the scheme did not cover low reliability or supply restoration. It only covered connections, appointments, and timely and courteous service.

⁵⁸ Essential Services Commission, Review of the Victorian electricity distributors' Guaranteed Service Level payment scheme, Final decision, December 2015, page 38.

consideration, we noted the introduction of the payment would also better align with the national guaranteed service level scheme.

2018 Australia Day weekend outages

During the 2018 Australia Day heatwave event, over 94,000 Victorian electricity customers lost power at some point and for varying durations. Victoria's electricity distributors acknowledged not meeting community expectations on providing for supply reliability and the length of time taken to restore supply:

“We are sympathetic to people who lost power on that Sunday and importantly we recognise the inconvenience and discomfort this has caused our customers, particularly those who were without power for a sustained period of time.”⁵⁹

Further, Victorian electricity distributors provided approximately 50,000 customers with a one-off payment as goodwill gesture to recognise the inconvenience experienced.⁶⁰ We understand most of these payments were not required by the guaranteed service level scheme as the single interruption threshold had not been met. However, the outages counted towards the annual duration payment threshold.

Stakeholder feedback

Some stakeholders said it was important for customers to have access to supply restoration payments for both annual duration and single interruptions. However, AusNet Services supported the current arrangement and highlighted that allowing customers access to both payments could cause challenges:

“In terms of economic theory, paying customers for a supply interruption with a long restoration, having that same supply interruption contribute to a low reliability is inefficient. However, separating these circumstances from our GSL calculations would be difficult, and it would be complicated to explain to customers calling us to inquire about their expected GSL payment.”⁶¹

⁵⁹ United Energy media release available at: <https://www.unitedenergy.com.au/electricity-network-businesses-announce-one-off-heat-relief-package/>.

⁶⁰ Department of Environment, Land, Water and Planning Post Event Review, Power Outages 28 & 29 January 2018 available at: <https://www.energy.vic.gov.au/safety-and-emergencies/past-energy-emergencies>. The goodwill gesture payments ranged from \$80 to \$180.

⁶¹ AusNet Services, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

CitiPower, Powercor and United Energy also did not support customers having access to both payments.⁶² Conversely, Renew said:

“In our view, both types of payment for poor service need to be recognised and compensated; and compensation for an extended outage should be paid in a timely manner.”⁶³

The Energy and Water Ombudsman (Victoria) supported customer eligibility for both payments:

“...these payments are both necessary...in our experience with customers...guaranteed service level payments do work to partly mollify the discontent that can arise as a result of unreliable energy supply.”⁶⁴

Draft decision

We propose to redesign the single interruption payment so it only applies to significant supply interruptions on major event days that are greater than 12 hours. We have removed the distinction between urban and rural outages as our view is that customers’ expectations about sustained outages would not vary depending on their location.

We consider this approach should meet customer expectations and improve the value customers place on the guaranteed service level scheme. The 12-hour threshold captures approximately one percent of customers who are likely to be without supply on a major event day.

As per table 9 below, the value for the major event day payment has been updated to be \$90 for supply restoration after 12 hours. This is based on a similar methodology described in section 3.3 that applies to low reliability and supply restoration payments.

⁶² CitiPower, Powercor and United Energy, submission to Essential Services ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁶³ Renew, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁶⁴ Energy and Water Ombudsman (Victoria), submission to Essential Services ‘Electricity Distribution Code Review’ issues paper, August 2019.

Table 9 Current and proposed guaranteed service level payment values for supply restoration on major event days

Current guaranteed service level type	Current guaranteed service level amount	Proposed guaranteed service level type	Proposed guaranteed service level amount
Supply restoration – single interruption	<ul style="list-style-type: none"> 12 hours or more (urban): \$80 18 hours or more (regional/rural): \$80 	Major event day	12 hours or more: \$90

We acknowledge that many large supply outages occur on major event days and it is generally expected that on these days a distributor’s resources are stretched. Accordingly, we propose to automatically exclude major event days from the low reliability (frequency and momentary interruptions) and supply restoration duration payments. By doing so, we avoid double counting a customer’s experience while still addressing all forms of distributors’ reliability performance and a customer’s subsequent experience.

If a customer experiences an outage on a day which is not a major event day, the outage will automatically count toward the low reliability and supply restoration duration payment thresholds. For example, the 2018 Australian Day weekend outages would not be classified as a major event day. However, the length of those outages would be accounted for as part of the supply restoration annual duration payments.

3.5. Updating payments for late or missed appointments

Draft decision 11

We propose to adjust the guaranteed service level payment values for appointments using a distribution price index we have developed. The payment will increase from \$30 to \$35 for late or missed appointments.

Context

Currently, if a distributor is more than 15 minutes late to an appointment with a customer, it is required to make a \$30 payment to the customer. Customers are generally provided with a four-hour window when the distributor will attend the appointment. If the distributor misses that four-hour window by more than 15 minutes, the payment is applicable. We understand distributors generally make these payments to customers within several weeks of the scheduled appointment.

Guaranteed service level scheme

Stakeholder feedback

In the issues paper, we asked stakeholders if there were any payments we should consider removing from the scheme. CitiPower, Power and United Energy suggested that the missed or late appointments payment should be removed:

“The original clause was introduced when there were a wide range of instances where distributors would make appointments with customers. The key interactions the clause targeted were for special meter reading activities related to energisation of sites, specifically fuse inserts/re-inserts. Since then distributors have deployed smart meters to most customers and utilise a remote re/de-energisation process incorporating a final read.”⁶⁵

Energy Makeovers noted that the large increase of solar photovoltaic panel installations on homes and businesses means that distributors are increasingly attending appointments with customers to complete the commissioning and connection of new solar systems to the grid:

“An ever-increasing level of customer interaction with distribution businesses is occurring in relation to the connection of renewable embedded generation such as behind-the-meter installation of solar and/or storage systems. However, there are few if any specific customer service obligations and/or service level requirements for Distribution Businesses relating to the connection of renewable embedded generation and storage.”⁶⁶

Draft decision

We agree that the original reason for the guaranteed service level payment has been partly dealt with through the roll out of smart meters. However, we think it should remain because the payment still has value in recognising that a customer’s service expectation was not met by their distributor. We note that customers and distributors still have appointments for solar installations, meter replacements, supply upgrades and alterations.

Further, the Victorian Government’s Solar Homes Program aims to roll out over 770,000 additional solar systems and 10,000 battery systems throughout the state over the coming decade.⁶⁷ This is

⁶⁵ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁶⁶ Energy Makeovers, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁶⁷ Minister for Solar Homes, media release, 28 August 2019: <https://www.premier.vic.gov.au/more-rebates-more-savings-and-a-safer-solar-industry/>.

likely to result in many appointments and customers should be recognised if their distributor is late or fails to attend the appointment.

Additionally, there have been very few payments in recent times. On average there have been 13 appointments per calendar year over the last three years.⁶⁸ We also consider that:

- the cost of retaining the payment is low
- there is no new expenditure being incurred by continuing the payment (other than the payments themselves)
- there are no significant savings for customers by removing it from the guaranteed service level scheme.

Accordingly, we will retain the guaranteed service level payment to customers when a distributor is late to, or misses, an appointment.

Updating payment amounts for late attendance

In 2015, we updated the customer service payments as part of the guaranteed service level scheme review. We did this using a distribution price index that we developed and which considered the X-factors⁶⁹ that applied to distributors' regulatory determinations from 2001 to 2015.⁷⁰ We also included the consumer price index that applied over the same period in our formulation of the distribution price index.⁷¹

We propose to update the late appointment and delayed connection guaranteed service level payments using the same approach for the years since our last review (2016-2020).

Our proposed methodology is as follows:

- use the X-factors from the distributors as set in the Australian Energy Regulator's 2016-20 regulatory price determinations
- calculate a simple average of the X-factor based on the revenue requirements set out in the Australian Energy Regulator's 2016-20 price determinations

⁶⁸ Australian Energy Regulator, regulatory information notices, 2016-2018, tab 3.6.9.

⁶⁹ The X-factor is the change in the annual revenue requirements taking into account demand forecasts, required expenditure needed to meet service targets and distributors' capital financing requirements.

⁷⁰ Prior to 2015, these payment levels had not been changed since the guaranteed service level scheme's inception in 2001.

⁷¹ Essential Services Commission, Review of the Victorian electricity distributors' Guaranteed Service Level payment scheme, Final decision, December 2015.

- add the change in the consumer price index (June 2015-September 2019) to the average X-factor to calculate the distribution price index
- apply the distribution price index to the current non-performance guaranteed service level payments and round up to the nearest \$5.

This proposed methodology also applies to delayed new connections (section 3.6).

Using this methodology, the proposed updated payment amount is \$35 for missed appointments.

3.6. Updating payments for delayed new connections

Draft decision 12

We propose to strengthen and clarify when delayed connection guaranteed service level payments must be made to customers. Customers will be eligible for a payment:

- where a customer and distributor have agreed to a date for the new connection, or
- if no date is agreed, then payments begin after 10 business days.

The proposed payment will increase from \$70 per day (capped at \$350) to \$80 per day (capped at \$400).

Context

As part of our 2005 review final decision, we clarified that a guaranteed service level should apply for delayed connections:

“Where a connection request has been made to the distributor by a customer or their representative, and no date for connection has been agreed between the distributor and the customer or their representative, the distributor must connect the supply address within 10 business days.”⁷²

Currently, clause 2.2 of the code specifies that a distributor must use its best endeavours to connect a customer on an agreed date or if no date is agreed, within 10 business days.

However, clause 6.2 of the code only provides for a guaranteed service level payment to be made to a customer when their distributor does not provide a connection by the agreed date. We

⁷² Essential Services Commission, Electricity Distribution Price Review 2006-10, Price Determination Final Decision Volume 1 Statement of Purpose and Reasons, October 2005, page 76.

understand that some distributors have interpreted this to mean no guaranteed service level payment is required if there is no explicitly agreed date between the customer and the distributor.

Stakeholder feedback

The Energy and Water Ombudsman (Victoria) said:

“While some matters, such as voltage variation and unplanned outages, can be beyond the control of distributors the provision of new connections should not be – yet remains a significant cause of consumer complaint.”

The Energy and Water Ombudsman (Victoria) also provided data about customer complaints in 2018-19:

“...we received 3,366 distribution related complaints...by far the most common sub-issue was [new connection delays], which accounted for 491 cases – or approximately 14.5% of all distribution cases.”⁷³

Draft decision

We will strengthen the delayed new connection payment as we consider it to be an important customer protection. We propose to make it explicit that customers are eligible for payments in the event their distributor fails to make the connection within 10 business days or by the agreed date.

We consider the high prevalence of customer dissatisfaction and complaints to the Energy and Water Ombudsman (Victoria) about delayed connections requires the rules to be clarified and strengthened.

Updating payment amounts for delayed connections

We propose to change delayed connection payment values by the distribution price index, which is based on distribution charges, as per the methodology previously described for late appointments (see section 3.5).

Table 10 Current and proposed delayed new connection payments

Current payment	Proposed payment
\$70 per day, capped at \$350	\$80 per day, capped at \$400

⁷³ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

3.7. Ensuring customers receive guaranteed service level payments in a timely manner

Draft decision 14

We propose that:

- the annual payment categories will become accumulation payments where:
 - a distributor must assess whether a customer has reached a guaranteed service level threshold at the end of each quarter
 - if a customer has reached a guaranteed service level threshold, the distributor must make the payment within 60 business days of each quarterly assessment
- major event day payments (currently known as single interruption supply restoration payments) must be made by a distributor within 60 business days of the event once the relevant threshold has been met
- late appointment and delayed new connection payments must be made by a distributor within 20 business days once the relevant thresholds have been met
- retailers must apply payments to a customer's account within two business days if the distributor makes the payment through the customer's retailer.

Context

Currently, guaranteed service level payments must be paid by the distributor 'as soon as practicable' after the obligation is triggered. We have identified three issues with the current approach:

- a customer may not receive a payment for over a year after experiencing the poor service, such as summer supply outages⁷⁴
- customers have no certainty of when a guaranteed service level payment will be made by a distributor, and
- there are no existing requirements for retailers to apply guaranteed service level payments to customer bills in a timely way.

⁷⁴ This scenario could occur where a customer experienced outages early in the year and reached an annual duration or frequency guaranteed service level threshold. This is because distributors generally make these payments in the first quarter of the next calendar year following an outage. Retailers then take further time to apply payments to customer accounts.

We recognise that the long time between the customers experiencing an outage and receiving appropriate payments would not meet customer expectations. We also note that in other states, guaranteed service level payments are required to be made in a timelier manner compared to Victoria, as shown in table 11.

Table 11 Timeliness of guaranteed service level payments in other jurisdictions

New South Wales	Queensland	South Australia	Tasmania
<p>Essential Energy identifies eligible small customers in most instances and makes guaranteed service level payments to small customers by way of a cheque in the mail.</p> <p>Any payments that are to be made in accordance with the service levels outlined in the guaranteed service level scheme will be done so within one month of receiving a customer's claim.⁷⁵</p> <p>Ausgrid⁷⁶ and Endeavour Energy⁷⁷ require customers to make claims and endeavour to finalise these within one month.</p>	<p>Energex and Ergon Energy use their best endeavours to automatically make guaranteed service level payments to customers as required by the Queensland Competition Authority. However, customers may make a claim for a guaranteed service level payment within three months of the event giving rise to the claim.</p> <p>Guaranteed service level claims relating to reliability interruption frequency guaranteed service levels must be made within three months from the end of the financial year.⁷⁸</p>	<p>SA Power Networks makes guaranteed service level payments automatically and within three months for a supply outage duration event under clause 2.3.1 of the Electricity Distribution Code.</p> <p>Supply frequency guaranteed service level payments are required to be made in the quarter following the end of the regulatory year (30 June).⁷⁹</p>	<p>TasNetworks automatically makes guaranteed service level payments to customers and aims to do so within 12 weeks of the last power outage that qualified a customer for a payment.⁸⁰</p>

⁷⁵ Essential Energy, Guaranteed Service Level Scheme, accessed 15 February 2020, available at: <https://www.essentialenergy.com.au/about-us/customer-and-regulatory-information/guaranteed-service-level-scheme>.

⁷⁶ Ausgrid Your Rights and Guaranteed Service Levels, accessed 15 February 2020, available at: <https://www.ausgrid.com.au/Your-energy-use/Guaranteed-service-levels>.

⁷⁷ Endeavour Energy, accessed 15 February 2020, available at: www.endeavourenergy.com.au.

⁷⁸ Energex, Guaranteed Service Level Scheme, accessed 15 February 2020, available at: <https://www.energex.com.au/about-us/our-commitment/to-our-customers/guaranteed-service-levels>. Ergon Energy Network Guaranteed Service Levels, accessed 15 February 2020, available at: <https://www.ergon.com.au/network/help-and-support/our-commitment/network-guaranteed-service-levels>.

⁷⁹ SA Power Networks, Guaranteed Service Level payment, accessed 15 February 2020, available at: <https://www.sapowernetworks.com.au/outages/make-a-claim/guaranteed-service-level-payment/>.

⁸⁰ TasNetworks, Our power supply guarantee, accessed 15 February 2020, available at: <https://www.tasnetworks.com.au/power-outages/Our-power-supply-guarantee>.

Stakeholder feedback

Stakeholder views on this topic were varied. Submissions from consumer groups, the Energy and Water Ombudsman (Victoria) and a retailer suggested that guaranteed service level payments should be timelier, as long outages can cause costs and inconvenience to customers.⁸¹ However, distributors raised some concerns.

The Energy and Water Ombudsman (Victoria) said that payments should be paid by distributors once certain thresholds were met. The ombudsman further highlighted that due to the delay of the payments, some customers who experienced the poor service may not receive the payment if they have moved premises, as the payments are linked to the meter and supply address and not to individual customers.⁸²

The Consumer Action Law Centre called for a similar approach to that suggested by the Energy and Water Ombudsman (Victoria) and further added that customers should receive payments within a short period.⁸³

AusNet Services also supported customers receiving payments in more a timely way. However, it also said that a requirement for retailers to pass payments onto customers was needed.⁸⁴

CitiPower, Powercor and United Energy said they currently make late appointment and delayed connection payments as soon as possible via the customer's retailer. However, they added that it would be difficult to impose a timeframe due to manual validation processes. They also supported an obligation for retailers to quickly apply payments to customer accounts.⁸⁵

Red Energy and Lumo Energy also supported time-bound measures for payments as the current requirements do not meet customers' expectations.⁸⁶

⁸¹ Energy and Water Ombudsman (Victoria), Renew, Red Energy and Lumo Energy, Consumer Action Law Centre, submissions to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁸² Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁸³ Consumer Action Law Centre, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁸⁴ AusNet Services, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁸⁵ CitiPower, Powercor and United Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁸⁶ Red Energy and Lumo Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

As part of this review, we consulted distributors to see if a staggered and progressive approach to payments would be practical. All distributors indicated they could implement the approach, however, there were questions as to whether there would be a net benefit to customers considering the increased administrative cost distributors would incur.

We also discussed an alternative approach at our stakeholder workshop on 6 February 2020.⁸⁷ Under the approach discussed, as each accumulation threshold is met, an additional payment would be made to customers while still retaining a cap on the annual performance category. This approach would work in a similar way to the delayed connection payments, where an additional amount is paid for each day that a connection is delayed, but the total payments made are capped at five days.

Draft decision

We propose to introduce new rules to ensure customers receive annual and non-annual guaranteed service level payments in a timelier manner. This will provide greater certainty for customers and reduce the time taken to receive a guaranteed service level payment.

Distributors' timeframes

We propose that the low reliability frequency and momentary interruption payments, and the supply restoration duration payments, must be made within 60 business days of the guaranteed service level thresholds being met following distributors' quarterly eligibility assessments.

Distributors will be required to pay late or missed appointment and delayed connection payments within 20 business days of the event.

Major event day payments must be made within 60 business days of the event occurring.

Retailers' timeframes

We agree with stakeholders who called for time-bound obligations to also be placed on retailers to apply payments to customers' bills. Therefore, we propose to require retailers to apply payments to customer accounts within two business days of receiving a payment from a distributor.

⁸⁷ Essential Services Commission, Electricity Distribution Code review - customer service standards stakeholder workshop slides, February 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review>

Data validation and identifying eligible customers

Through our consultation with stakeholders, we concluded that making payments under our proposed timeframes would allow distributors enough opportunity to validate outage data to accurately confirm which customers were eligible for payments. We consider our proposed timeframes for the various payments provide enough time for distributors to apply for an exemption from the requirement to make a payment. Further, our proposed timeframes largely align with other jurisdictional guaranteed service level schemes. Distributors also have access to more granular data from smart meters and should therefore be able to use that information to assist with identifying customers who are eligible for payments.

We note some distributors raised the time needed to audit data used for the Australian Energy Regulator's Regulatory Information Notice requirements. We do not require the data to be audited as a part of our framework and so do not see this as an impediment to distributors making timely guaranteed service level payments to customers.

3.8. Application of the guaranteed service level scheme

Draft decision 14

We propose to restrict the guaranteed service level scheme to customers who have, or should have, advanced metering infrastructure (smart meters) as defined by the Electricity Industry Act and the relevant Advanced Metering Infrastructure Order in Council.

We propose to change the payment of guaranteed service levels from the current code definition of 'customer' to 'supply address'. This will link guaranteed service level payments to the customer's supply address rather than to individual customers.

Scheme to only apply to residential, small and medium business customers

In Victoria, electricity distributors over the last decade have completed a roll out of the smart meter program for almost all eligible residential and business customers. Distributors were required by Victorian legislation to install smart meters for customers who had an annual consumption less than 160MWh. This annual consumption threshold was set in an Order in Council.⁸⁸

During our consultation, we considered the guaranteed service level scheme could be restricted to customers who use less than 160MWh per annum. However, some stakeholders raised concerns that new and current residential or business customers would not be able to receive a guaranteed

⁸⁸ Advanced Metering Infrastructure Order in Council 2008, s314, 25 November 2008.

service level payment until their distributor had at least one year's worth of consumption data. Additionally, it was unclear how this approach would impact customers who had incidentally consumed more than the 160MWh allowance in any 12-month period.

We consider it has always been the intent of the guaranteed service level scheme to only address residential, small and medium businesses who are impacted by the poor performance of their electricity distributor. In our 2001 guaranteed service level scheme review, we indicated that guaranteed service levels did not need to be paid to customers who had an annual usage profile above 160MWh.⁸⁹ However, this was not specified in the code at the time.

Stakeholder feedback

In its submission, the Victorian Chamber of Commerce and Industry noted:

“The level of payments are [sic] low (ranging from \$30 to \$360) and unlikely to provide meaningful compensation to businesses for low service levels or outages or even compensate for the administrative cost of applying.”

The Victorian Chamber of Commerce and Industry also suggested changes to the guaranteed service level scheme:

“The Victorian Chamber would support changes to the scheme to both provide more meaningful compensation to business for poor service levels, reflecting costs actually incurred, and to provide meaningful incentives for distributors to improve service levels.”⁹⁰

Draft decision

We propose to limit the guaranteed service level scheme to residential and business customers who have, or should have, a smart meter.

This approach will ensure the guaranteed service level scheme is targeted at electricity customers who benefit the most from receiving financial payments for the poor service they have experienced.

In our current scheme, large customers using more than 160MWh per year are eligible for guaranteed service level scheme payments. We agree that these payments are small for large customers, but we note that the guaranteed service level scheme is not intended to be a

⁸⁹ Office of the Regulator-General, Victoria, Electricity Distribution Price Determination 2001-2005 Volume I Statement of Purpose and Reasons, September 2000, page 241.

⁹⁰ The Victorian Chamber of Commerce and Industry, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

compensation scheme. The code requires business customers to take reasonable steps to minimise loss and damage as a result of outages and other events.

Therefore, we propose to limit the guaranteed service level scheme to customers whose annual usage is less than 160MWh. This also means that residential, small and medium business customers will not subsidise payments made to large electricity customers.

Linking guaranteed service level payments to supply addresses

Currently, the code requires distributors to make guaranteed service level payments to customers. Distributors can do this by either directly paying the customer or through the customer's retailer.

We understand that distributors currently make payments through a customer's retailer, as the retailer is better placed because of its billing systems and arrangements with customers.

However, the current drafting of the code would require a distributor to make payment to a customer even if they had vacated a property. In this instance, it is unlikely that the distributor could locate the customer to make the payment.

In South Australia, payments are linked to the customer's supply address. In South Australia, when a particular property experiences outages that makes it eligible for a payment, the distributor automatically makes the payment to the customer occupying the premises within three months.

Draft decision

We propose to link guaranteed service level payments to supply addresses rather than individual customers. This will ensure distributors can fulfil their regulatory obligations and the code does not place a large regulatory burden on distributors in attempting to make payments to customers who have vacated a property. This change, coupled with our proposed reform to ensure customers receive timelier payments, will mean more customers who experience outages will be financially recognised than under the existing framework.

3.9. Proposed exclusions to the guaranteed service level scheme

Draft decision 15

We propose to exclude supply outage events from the guaranteed service level scheme where the outage is caused by the operation of:

- automatic circuit reclosers on total fire ban days and code red days in particular fire districts
- bushfire safety technology called rapid earth fault current limiters on total fire ban days and code red days in particular fire districts.

We do not propose to exclude supply outages caused by the normal operation of:

- automatic circuit reclosers or rapid earth fault current limiters on days other than total fire ban days and code red days
- bushfire safety technology undergoing testing.

Draft decision 16

We propose to:

- align the methodology for determining major event days with the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard, used by the Australian Energy Regulator and in other Australian jurisdictions
- automatically exclude supply interruptions that occur on major event days from contributing toward the low reliability and supply restoration payment thresholds.

Draft decision 17

We propose to harmonise certain Victorian exclusions with the exclusion Australian Energy Regulator's Service Performance Target Incentive Scheme.

In our issues paper, we asked stakeholders whether there are any outage scenarios that should be included or excluded from the guaranteed service level scheme.

There are currently several conditions that automatically exclude distributors from making guaranteed service level payments. These generally relate to the cause of the outage being outside a distributor's control, but also include:

- planned interruptions
- interruptions requested by the customer
- situations where customers ask for power not to be restored during an unplanned interruption
- if the customer has planned for an interruption in order to receive assistance or repairs from their distributor.

A distributor can also apply to us for an exclusion from making a guaranteed service level payment. The conditions of these events include:

- load shedding due to a shortfall in generation (excluding network support for embedded generation), under frequency causing automatic load shedding, or where the Australian Energy Market Operator directs the distributor to undertake load shedding
- interruptions caused by the transmission network or shared assets where the distributor is not responsible for that asset

Guaranteed service level scheme

- interruptions on a day where the number of interruptions exceeds a System Average Interruption Frequency Index threshold
- where prior approval has been obtained from the commission, load shedding happens due to a demand response initiative.

The Australian Energy Regulator has recently reviewed the exclusions in its scheme.⁹¹

Excluding planned outages

The Consumer Action Law Centre said some customers are experiencing many planned interruptions and that no exclusion for these outages should apply:

“The exclusion should not apply where the customer is simply notified of an interruption. Mere notification should not be assumed to be agreement; nor should the exemption apply where an excessive amount of planned outages occur over a period of time.”⁹²

Planned outages are necessary to ensure the network can be maintained and managed to ensure its safe and efficient operation. This also helps ensure a high level of performance over the long term for electricity customers. At times, there are parts of the network that require more regular maintenance than normal. This may mean customers could experience multiple outages in a short period of time.

We require that the duration of all planned interruptions is minimised to limit the disruption to customers by obligating distributors to use their best endeavours to restore supply as quickly as possible. The alternative of not maintaining and augmenting the network through planned interruptions may put customers’ supply at risk and compromise the safety and efficient operation of the wider network. Further, setting a threshold for what would be considered an excessive number of outages would be difficult due to the dynamic nature of electricity networks. Accordingly, we do not propose to change the current exclusions regarding planned outages.

Further, because of the impracticality of getting all customers to agree to a date and time for a planned outage, and the cost associated with doing it for every planned outage, we do not propose to require distributors to consult with customers prior to a planned outage. As discussed in section 2.4, many distributors already take additional steps to notify life support, business and commercial customers ahead of planned outages and further in advance than the minimum four business days.

⁹¹ Australian Energy Regulator, Explanatory statement Final decision, Amendment to the Service Target Performance Incentive Scheme (STPIS), Establishing a new Distribution Reliability Measures Guideline (DRMG), November 2018.

⁹² Consumer Action Law Centre, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

Excluding the operation of bushfire safety technology

In 2016, Victoria's bushfire safety regulations were amended to require distributors to increase the safety standards of their networks in order to reduce bushfire risks. This reform mandated the roll out of bushfire mitigation equipment. Victoria's distributors have started installing this bushfire safety equipment known as rapid earth fault current limiters across the state. This safety technology is a type of equipment which is usually installed at distribution zone substations in areas of high bushfire risk.

The Electricity Safety Act 1998 and supporting regulations also prescribe the distributors' obligation with bushfire safety technology, such as rapid earth fault current limiters and automatic circuit reclosers, in the management of bushfires.⁹³

To reduce bushfire risk, rapid earth fault current limiters are designed to respond when an abnormal scenario occurs on the network. For example, rapid earth fault current limiters operate to rapidly reduce the potential of an electrical spark occurring when a power line fails and contacts with the ground or an object. In accordance with the Electricity Safety Act 1998 and supporting regulations, distributors are also required to demonstrate that the bushfire safety technology is operational and works correctly. We understand distributors do this on an annual basis.

Total fire ban and code red days

Total fire ban days are declared under Section 40 of the Country Fire Authority Act 1958. The Country Fire Authority decides whether to declare the fire ban by taking into consideration various information such as the Bureau of Meteorology's forecast of the fire danger index. When these days are declared, distributors set their bushfire safety technology to the highest operating setting.

Code red days are declared by the Emergency Management Commissioner. These days are the highest-level fire danger rating in Victoria and signify the potential for catastrophic grassfires and bushfires.

Total fire bans and code red days are declared by district – there are nine total fire ban districts across Victoria. A total fire ban can also be declared for the whole state of Victoria.

⁹³ Electricity Safety (Bushfire Mitigation) Regulations 2013.

Stakeholder feedback

During our issues paper consultation, distributors suggested the operation of rapid earth fault current limiters should be excluded from the guaranteed service level scheme. These exclusions could include when the technology is under normal operation and when testing is undertaken.

AusNet Services said:

“AusNet Services recommends a new GSL exemption for outages caused solely by the REFCL operation, in recognition that the customer impact is part of the price paid to keep Victorians safe from bushfires.”⁹⁴

CitiPower, Powercor and United Energy also noted the potential for outages due to the operation of the technology, however, suggested that exemptions should only apply in certain circumstances:

“On total fire ban days, there is a heightened focus on safety, and the preservation of human life and assets. The community expects distributors to ensure safety is prioritised on these days. Distributors should not be penalised for extended outage durations that result from operating the network in line with our safety obligations on high fire risk days.”⁹⁵

Draft decision

We propose to exclude outages caused by rapid earth fault current limiters and automatic circuit reclosers on code red days or when a total fire ban is declared for particular districts.⁹⁶ We consider this is a balanced approach due to the requirements for distributors to have bushfire safety technology operating at the maximum settings on these high-risk days.

We do not consider the testing of rapid earth fault current limiters should be excluded from the guaranteed service level scheme. We acknowledge that testing is required by bushfire safety regulations. However, distributors can control when they test the technology and how they respond to any resultant outcomes. This could include taking measures such as ensuring that the distributor undertakes appropriate asset and vegetation management, as well as having appropriately resourced and equipped personnel to promptly restore supply.

⁹⁴ AusNet Services, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁹⁵ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁹⁶ Total fire bans and code red days are declared by district – there are nine total fire ban districts across Victoria. A total fire ban can also be declared for the whole state of Victoria.

Additionally, it is expected that customers will not know the difference between an outage caused by the testing of the bushfire safety technology, or an outage caused by another issue.

We also consider it important that local communities should be notified of the potential for unplanned outages due to annual testing of the bushfire safety technology. Accordingly, distributors will be required to publish information in local or state newspaper, and on their websites, at least four business days prior to testing the technology. This is discussed further in section 2.7.

Excluding major event days

A major difference between Victoria's guaranteed service level exclusion criteria and other jurisdictional guaranteed service level schemes is the exclusion for abnormal events, such as extreme weather that causes mass supply outages. These events are commonly referred to as 'major event days'.

Major event days are currently excluded from guaranteed service level schemes in all jurisdictions outside of Victoria. Victoria retains a tailored framework where a major event day is determined by the number of interruptions that occur on the day. Other jurisdictions calculate a major event day by the duration of an outage, based on the United States standard - Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 (IEEE standard).⁹⁷

In 2005, we set the supply interruption frequency threshold because we considered it better reflected when a distributor's resources were at capacity. At the time, it was expected that large scale outage events would be likely to occur every five years. However, through our consultation, distributors have informed us that the threshold is being exceeded less regularly. Further, we have seen that distributors' resources have been stretched on days that would have been considered major event days under the IEEE standard, but were not under the Victorian approach.

Stakeholder feedback

Distributors indicated their preference to harmonise Victoria's regulatory approach with the IEEE standard used in the Australian Energy Regulator's Service Target Performance Incentive Scheme.

⁹⁷ The development of the standard was the culmination of a significant amount of research in the United States on the use of statistical criteria for exclusions of reliability for supply reporting. The US Institute of Electronics Engineers IEEE Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard aims to capture 2.6 major event days per year.

Jemena said:

“A MED [Major Event Day] is one of the exclusions specified in the Code and STPIS. However, in the Code, the MED threshold is set as a SAIFI measure, while the STPIS sets a SAIDI measure. Jemena proposes the Commission adopts the SAIDI measure for determining MEDs to be consistent across the National Electricity Market.”⁹⁸

CitiPower, Powercor and United Energy also suggested harmonising with the Australian Energy Regulator’s approach to calculating major event days.⁹⁹

AusNet Services highlighted the potential incompatibility between its upgraded network and the commission’s current way of determining major event days:

“We also suggest updating to the statistically based calculation of thresholds for Major Event Days. These thresholds were determined at a time before AusNet Services implemented significant network and automation technology upgrades, and no longer represent our performance levels.”¹⁰⁰

Draft decision

We propose to adopt the IEEE standard. We consider there could be benefits in harmonising with other jurisdictions by adopting this statistical standard used by the Australian Energy Regulator. The current exclusion in the Victorian framework is out of date and does not reflect the significant network and technology upgrades distributors have implemented that should have resulted in better performance levels.

However, we also recognise that moving to the IEEE standard could result in some customers receiving fewer supply restoration duration payments. Although this would result in a cost reduction for customers more broadly, it may mean some customers who receive supply interruptions may not be eligible for the guaranteed service level payments they would otherwise have received under our current framework. To address this issue, we are proposing to re-define the single interruption restoration payment to capture distributors’ performance on major event days (see section 3.4).

⁹⁸ Jemena, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

⁹⁹ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

¹⁰⁰ AusNet Services, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

Adopting certain exclusions in line with the national guaranteed service level scheme

The Australian Energy Regulator’s Service Target Performance Incentive Scheme contains a range of exclusions that can apply to a distributor’s performance.

Some stakeholders suggested there was merit in harmonising with the Australian Energy Regulator’s exclusions. CitiPower, Powercor and United Energy said:

“The current GSL exclusions should be aligned with the exclusion categories contained in the STPIS, as per the Distribution Reliability Measures Guideline.”¹⁰¹

AusNet Services and Jemena also supported harmonising to add exclusions for outages caused by emergency services or where a party exercised its legislative obligation, right or discretion.¹⁰²

We propose to partially harmonise with the national framework. We consider this should result in modest efficiency gains for Victorian electricity distributors operating under the requirements of Victoria’s regulatory regime and the national framework, such as streamlined reporting. Table 12 illustrates our current exclusions, the exclusions in the national framework and our draft decision regarding adoption of the national approach.

¹⁰¹ CitiPower, Powercor and United Energy, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

¹⁰² AusNet Services and Jemena, submissions to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

Table 12 Comparison of national and Victorian guaranteed service level exclusions and our draft decisions

Victorian scheme	National scheme	Draft decision
<p>Clause 6.3.4(a) of the code Load shedding due to a shortfall in generation, but excluding a shortfall in embedded generation that has been contracted to provide network support, except where prior approval has been obtained from the commission.</p>	<p>Clause 6.4(a)(2) of the national scheme Load shedding due to a generation shortfall.</p>	<p>Retain We do not propose to harmonise as the Victorian guaranteed service level scheme is equivalent to the national scheme, except it carves out distribution network support as this aspect of shortfall is in control of the distributor which we consider to be appropriate.</p>
<p>Clause 6.3.4(aa) of the code Automatic load shedding due to the operation of under frequency protection following the occurrence of a power system under-frequency condition.</p>	<p>Clause 6.4(a)(3) of the national scheme Automatic load shedding due to the operation of under-frequency relays following the occurrence of a power system under-frequency condition.</p>	<p>Retain We consider both exclusions achieve the same outcome and do not see a need to harmonise any further.</p>
<p>Clause 6.3.4(ab) Load shedding at the direction of the Australian Energy Market Operator or a system operator.</p>	<p>Clause 6.4(a)(4) Load shedding at the direction of the Australian Energy Market Operator or a system operator.</p>	
<p>Clause 6.3.4(b) of the code Supply interruptions caused by a failure of the shared transmission network.</p>	<p>Clause 6.4(a)(5) of the national scheme Load interruptions caused by a failure of the shared transmission network.</p>	<p>Retain We consider both exclusions achieve the same outcome and do not consider there is a need to harmonise any further.</p>

Victorian scheme	National scheme	Draft decision
<p>Clause 6.3.4(c) of the code Supply interruptions caused by a failure of transmission connection assets, except where the interruptions were due to inadequate planning of transmission connections and the distributor is responsible for transmission connection planning.</p>	<p>Clause 6.4(a)(6) of the national scheme Load interruptions caused by a failure of transmission connection assets except where the interruptions were due to:</p> <ul style="list-style-type: none"> • actions, or inactions, of the Distribution Network Service Provider that are inconsistent with good industry practice; or • inadequate planning of transmission network connections points and the Distribution Network Service Provider is responsible for the planning of transmission network connection points. 	<p>Adopt We consider the national approach more completely captures the elements of the network that distributors have control over. Accordingly, we consider there is benefit in harmonising with the national approach.</p>
<p>No equivalent Victorian exclusion.</p>	<p>Clause 6.4(a)(7) of the national scheme Load interruptions caused by the exercise of any obligation, right or discretion imposed upon or provided for under jurisdictional electricity legislation or national electricity legislation applying to a Distribution Network Service Provider.</p>	<p>Reject We consider there are some scenarios where this exclusion could be used by a distributor to justify a supply interruption where the distributor had control of whether to cause an interruption. For example, the settings of automatic circuit reclosers. Instead, we have carved out specific obligations for exclusions regarding outages due to the operation of bushfire safety technology such as rapid earth fault current limiters on total fire ban days and code red days.</p>

Victorian scheme	National scheme	Draft decision
No equivalent Victorian exclusion.	Clause 6.4(a)(8) of the national scheme Load interruptions caused or extended by a direction from state or federal emergency services, provided that a fault in, or the operation of, the network did not cause, in whole or part, the event giving rise to the direction.	Adopt We consider the national approach more completely captures the elements of the network distributors have control over. Accordingly, we consider that there is benefit in harmonising with the national approach.
Clause 6.3.4(d) of the code Supply interruptions on a day where the unplanned interruption frequency exceeds particular thresholds.	Clause 6.4(b) of the national scheme Interruptions may also be excluded that occur on days where the daily unplanned SAIDI for the DNSP's distribution network exceeds the major event day boundary, when the event has not been excluded under the seven exclusion clauses described above.	Adopt We propose to adopt the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard for setting the major event day threshold.
Clause 6.3.4(e) of the code Where prior approval has been obtained from the Commission, load shedding due to a shortfall in demand response initiatives.	No equivalent national exclusion.	Retain We propose to retain the exclusion.

4. Reporting

4.1. Overview

This chapter provides an overview of other matters stakeholders raised during consultation on our issues paper that we think require more data and insights before considering regulatory intervention. We therefore propose to introduce several new reporting requirements.

4.2. New reporting requirements

Our proposed reporting reforms will require distributors to report to us on:

- embedded generation such as solar and battery applications
- all guaranteed service level data that is currently provided to the Australian Energy Regulator.

This data will improve our intelligence and analysis function and allow us to respond quickly should a need for reform be identified.

Overview of our reporting draft decisions

We propose to require distributors commence reporting to us from 1 January 2021 on:

- the time taken to process embedded generation applications (solar and batteries). This will include reporting indicators about installations, inspections, meter replacement/reconfiguration and network tariff re-assignment needed to complete a connection to the network
- guaranteed service level payments across all categories in the same way distributors report to the Australian Energy Regulator.

As a part of this review, we examined the current reporting requirements for distributors regarding planned interruptions (clause 5.5 of the code) and the guaranteed service level scheme (section 6 of the code). Currently, distributors are only required to report breaches of their planned interruption and guaranteed service level scheme obligations to us. There are currently no requirements for distributors to report network performance to us.

Based on stakeholder submissions, we consider there is merit in requiring distributors to regularly report their performance to us on:

- processing timeframes for embedded generation applications (solar and batteries), including installation, inspections and network tariff re-assignment timeframes
- guaranteed service level performance.

Reporting

4.3. Solar applications and connections

Draft decision 18

We propose to require distributors to provide us with reporting indicators about the time taken to process embedded generation applications (solar and batteries). This will include reporting indicators about installations, inspections, meter replacement/reconfiguration and network tariff re-assignment needed to complete a connection to the network.

Context

The electricity sector is going through a significant period of change. Customers have more choice than ever before in how they are supplied and sold electricity. A combination of rapidly falling prices for solar systems and increasingly lower costs for batteries, coupled with government incentive schemes, such as Victoria's Solar Homes Program, are driving more electricity customers to install solar and battery systems.

The Victorian Government aims to support the roll out of solar, battery and solar hot water systems to approximately 770,000 households over the next decade.¹⁰³ This represents a significant increase on the approximately 441,000 solar systems installed in Victoria as of January 2020.¹⁰⁴ Considering there are approximately 2.2 million residential and small business premises in Victoria, this program will see about half of the state's households and small businesses equipped with solar systems and increasingly with battery storage.¹⁰⁵ As of January 2020, there are approximately 3,700 battery systems installed in Victoria.¹⁰⁶

¹⁰³ Premier Hon. Daniel Andrews MP media release: <https://www.premier.vic.gov.au/solar-homes-rolling-out-to-even-more-victorians/>.

¹⁰⁴ Clean Energy Regulator, Postcode data for small-scale installations, accessed 18 February 2020: <http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations>.

¹⁰⁵ Department of Environment, Land, Water and Planning, About the electricity sector: <https://www.energy.vic.gov.au/electricity/about-the-electricity-sector>.

¹⁰⁶ Clean Energy Regulator, Postcode data for small-scale installations, accessed 18 February 2020: <http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations>.

Reporting

Customer applications

There are several steps that must be completed before a customer's new solar system is connected and prior to a customer realising the benefits of their investment. The main steps are:

1. Application to the distributor for pre-approval.
2. Final approval by the distributor.
3. System installation by a solar installer.
4. Solar installer submits paperwork on behalf of the customer including:
 - certificate of electrical safety
 - electrical works request
 - PV/embedded generation/solar connection form.
5. Once the paperwork has been processed, the customer's retailer raises a service order to the distributor to arrange for the required metering and network tariff re-assignment.
6. The distributor may need to attend the customer's premises if a meter replacement or reconfiguration is required.
7. The distributor re-assigns the meter with a solar-related network tariff.
8. The customer's retailer updates its retail tariff and starts to issue bills in line with the normal billing cycle which should show both consumption from, and export to, the electricity grid.

The application process involves multiple steps and several critical steps are undertaken by electricity distributors.

Stakeholder feedback

In our issues paper, we asked if there were any new payment categories we should consider as a part of the guaranteed service level scheme. EnergyAustralia suggested we introduce a guaranteed service level payment for delays with processing solar applications:

"There is scope within the GSL scheme to address additional areas of poor service, such as delays in processing applications, and installation of solar systems. There is a financial impact for customers when a solar installation is delayed and an expectation that there should not be any unreasonable impediments."¹⁰⁷

¹⁰⁷ EnergyAustralia, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

Energy Makeovers also highlighted this issue:

“...most Victorian distribution businesses will quickly and/or automatically assess residential or small business -sized solar systems seeking to export generation up to 10kW per phase. However, one distribution business limits their simple assessment approach at 5kW per phase above which they indicate a 65 day turn-around which has often ballooned out to be many months.”¹⁰⁸

The Consumer Action Law Centre also called for better communication from distributors to their customers about connecting distributed energy resources and added that:

“Our *Sunny Side Up* report identified that consumers are experiencing systemic issues with the connection of solar PV systems to the energy grid...networks may provide barriers to consumers understanding where a problem has occurred...”¹⁰⁹

Draft decision

We propose to start collecting data from distributors so we can better understand the time it is taking distributors to complete their respective steps in the process of connecting a customer’s solar or battery system to the grid. This will be for applications that are subject to pre-approval for customers who use less than 40MWh per year. Also, we will only require data for solar systems considered basic connections. We understand that the upper limits in capacity range from 3.5kW to 10kW per phase, depending on the distribution region.

We believe this is particularly relevant and important in the context of the Victorian Government’s Solar Homes Program and the significant uptake projected over the coming decade.

We will further consider a guaranteed service level category for excessive delays with connecting solar and battery systems once we have more data.

We will restrict this requirement to applications for solar systems that go through the pre-approval process. We propose to require distributors to report the following to us:

- processing time for pre-approvals
- number of applications received
- processing time for final approvals

¹⁰⁸ Energy Makeovers, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

¹⁰⁹ Consumer Action Law Centre, submission to Essential Services Commission ‘Electricity Distribution Code Review’ issues paper, August 2019.

- time to complete a meter reconfiguration
- time to complete a network tariff re-assignment
- time to notify a retailer of network tariff re-assignment
- processing time for the application exemptions.

4.4. Guaranteed service level performance reporting

Draft decision 19

We propose to require distributors to report guaranteed service level performance data to the commission in line with the requirements of the Australian Energy Regulator’s regulatory information notice on an annual basis.

Context

Currently, we require distributors to report compliance breaches where they do not meet the requirements of their guaranteed service level obligations in the code. However, we have not required guaranteed service level performance reporting since economic regulation was transferred to the Australian Energy Regulator in 2009. Currently, all guaranteed service level performance data is reported annually to the Australian Energy Regulator through Regulatory Information Notices.

Draft decision

We propose to require distributors to provide us with guaranteed service level performance data at the same time as they submit it to the Australian Energy Regulator through Regulatory Information Notices. It is important for us to have this data in a timely manner as we are the administrators and custodians of Victoria’s guaranteed service level scheme.

We propose for distributors to submit annual data on the number of guaranteed service level payments made and the total cost of the scheme for each guaranteed service level payment, in line with the other requirements of the Australian Energy Regulator.

5. Commencement of the new framework

5.1. Overview

In this chapter we outline our proposed implementation and commencement of the new framework for both distributors and retailers.

Draft decision 20

We propose that the code amendments giving effect to our final decisions will take effect from:

- 1 November 2020 for retailers' obligations
- 1 January 2021 for distributors' new obligations.

Draft decision

Based on current regulatory periods, we propose to commence our new rules on 1 November 2020 for retailers and 1 January 2021 for distributors. However, we are conscious of the current coronavirus pandemic and its impacts on the energy industry and the Victorian community. Accordingly, we will continue to monitor the situation and re-evaluate the commencement of these proposed reforms.

Distributors

We propose to introduce the new customer service standards from 1 January 2021 for distributors.

We understand that Victoria's electricity distributors have requested to shift from calendar years to financial years for their regulatory price determinations by the Australian Energy Regulator from July 2021 onwards. We also understand that legislative changes are needed to accommodate this request. Accordingly, our proposals regarding commencement of the framework for distributors aligns with the current arrangements (calendar years). We will monitor this area and review our proposal as needed, particularly for the guaranteed service level scheme.

Retailers

We consider 60 business days to be sufficient for retailers to provide distributors with all existing customers' electronic contact details. We understand that systems and processes are already in place through the Australian Energy Market Operators' systems and business-to-business procedures. Therefore, we do not view this as an impediment to providing details to distributors in a timely manner ahead of distributors' obligations coming into force on 1 January 2021. This is a

similar timeframe to the transitional arrangements we implemented as part of the new life support customer protection framework.¹¹⁰

5.2. Monitoring outcomes from the new framework

Our Victorian energy market report outlines retailers' and distributors' performance against a series of measures.¹¹¹ These measures indicate at a high level the experiences of customers in the Victorian energy market. We will use this reporting process to monitor the outcomes of these latest reforms.

We also conduct regular audits to see whether retailers and distributors are complying with the energy rules. Over time, we adjust our audit focus areas for retailers and distributors, which may include audits in relation to guaranteed service level with new rules.

We undertake a review of the guaranteed service level scheme on a five-yearly basis to align with the Australian Energy Regulator's price determination periods. Accordingly, we will formally revisit the guaranteed service level scheme prior to the next price determination period. However, if distributors' data and reporting to the commission indicates areas of concern for the commission, we may revisit the guaranteed service level scheme sooner.

¹¹⁰ Essential Services Commission, Strengthening protections for life support customers: Final Decision, December 2019.

¹¹¹ Essential Services Commission, Victorian energy market report available at: <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.

6. Next steps

How to make a submission

We are seeking feedback on our draft decision. Submissions should be made by **5.00 pm on 2 July 2020**.

To make a submission on this paper please go to Engage Victoria's website:

<https://engage.vic.gov.au/electricity-distribution-code-review>.

If this presents an issue please email us at edc.review@esc.vic.gov.au to discuss other options for making a submission. All submissions come under the commission's submissions policy.

To promote an open and transparent decision-making process, all submissions will be made available on the commission's website, except for any information that is commercially sensitive or confidential. Submissions should clearly identify which information is sensitive or confidential.

If you have any questions, please contact the project team on (03) 9032 1300 or email:

edc.review@esc.vic.gov.au.

Our approach to consultation is set out in our updated Stakeholder Engagement Framework.¹¹²

Indicative timelines

Target date	Activity
7 May 2020	Draft decision released
Early June 2020	Workshop on the draft decision (subject to stakeholder interest and conducted online)
2 July 2020	Submissions close
1 November 2020	Retailer obligations come into effect
1 January 2021	Distributor obligations come into effect

¹¹² Essential Services Commission, [Stakeholder engagement framework – Charter of Consultation and Regulatory Practice](#), June 2018.

Next steps

Appendix A: Issues paper questions

In our issues paper released in August 2019, we sought stakeholder submissions on the questions set out below relating to the customer service standards in the Electricity Distribution Code.¹¹³

Table 13 Overview of issues paper questions for stakeholders

Customer service standards – communication of potential unplanned outages	
Notifying customers during an unplanned power outage	<ul style="list-style-type: none">• Should we set an obligation on distributors to proactively contact vulnerable (such as life support) customers before a potential unplanned outage?• How should we update the current obligation on distributors informing government departments of unplanned long outages?
Customer service standards – communication of planned outages	
Notifying customers of planned power outages	<ul style="list-style-type: none">• What form of notification or engagement should be provided to customers by electricity distributors before a planned outage?• Should we impose a new obligation to notify customers of a cancelled or rescheduled planned outage?
Customer service standards – guaranteed service level scheme	
Purpose of the guaranteed service level scheme	<ul style="list-style-type: none">• Should the purpose of the scheme be redirected to address poor service or something else altogether?• Are there other ways we should think about improving service levels for the worst parts of the network in the code?

¹¹³ Essential Services Commission, Electricity Distribution Code Review: Issues Paper, August 2019, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019#tabs-container1>.

Guaranteed service level categories	<ul style="list-style-type: none"> • Is each payment category still fit-for-purpose in meeting the overall purpose of the guaranteed service level scheme? • Should customers receive a low reliability payment and a restoration payment? • Are there new categories that we should consider including in the scheme?
Worst served customer principle	<ul style="list-style-type: none"> • Should we change our principle of worst served customer to capture systemic poor performance?
Guaranteed service level exclusions	<ul style="list-style-type: none"> • Are there any outage scenarios we should include or exclude from the scheme?
Timeliness of payments	<ul style="list-style-type: none"> • Should we impose timeframes for guaranteed service level scheme payments?

Appendix B: Stakeholder submissions to issues paper

The following stakeholders made submissions to our issues paper:

- Active Utilities
- AGL
- AusNet Services
- Consumer Action Law Centre
- CitiPower, Powercor and United Energy
- EnergyAustralia
- Energy Makeovers
- Energy Safe Victoria
- Energy and Water Ombudsman (Victoria)
- Housing for the Aged Action Group
- Jemena
- Middleton Group
- Onsite Energy Solutions
- Power Quality Solutions
- Private citizens via Engage Victoria (two submissions)
- Red Energy and Lumo Energy
- Renew
- South East Councils Climate Change Alliance
- Stop Smart Meters Australia
- Victorian Chamber of Commerce and Industry.

Appendix C: Proposed code amendments

DRAFT AMENDMENTS TO THE ELECTRICITY DISTRIBUTION CODE: CUSTOMER SERVICE STANDARDS

Amendments made by the Essential Services Commission on DD MMM
YYYY

1 Nature and commencement of this instrument

- (1) This instrument amends the Electricity Distribution Code.
- (2) Clause 2.7 of this instrument comes into operation on 1 November 2020 and all other clauses of this instrument come into operation on 1 January 2021.

2 Table of amendments

Clause 1—This Code

- (1) In clause 1.3.5:
 - (a) after “5.4.1(b),” insert “5.5.1(c), 5.5.2A–5.5.2H (inclusive), 5.5A,”;
 - (b) after “9.1.12,” insert “9.1.15,”.

Clause 2—Connection of supply

- (2) After clause 2.6 insert new clause 2.7:

2.7 Provision of customer information by retailers to distributors

2.7.1 This clause applies to *retailers* holding a retail licence under the *Act* except insofar as such a *retailer* sells electricity to customers *connected* to an embedded network operated by the *retailer*.

2.7.2 A *retailer* must provide to a *distributor* the following information in respect of a

person who is a customer of the *retailer* and a *customer* of the *distributor*:

- (a) name;
- (b) contact name;
- (c) all telephone numbers provided by the *customer*;
- (d) physical address for service of notices;
- (e) email address (if any) provided by the *customer*;
- (f) site address for the National Metering Identifier;
- (g) the National Metering Identifier;
- (h) details of any special circumstances (such as meter access restrictions) of which the *customer* has informed the *retailer* or of which the *retailer* is otherwise aware, and which the *distributor* requires to assist it to comply with its obligations under this Code.

2.7.3 The information required to be provided pursuant to clause 2.7.2 must be provided:

- (a) on or before [insert commencement date of amendments] in respect of existing *customers*, by an electronic transfer of the required information to the extent it has not been previously provided;
- (b) within one *business day* of the *retailer* becoming the *financially responsible retailer* for the *customer*'s premises;
- (c) as soon as practicable after the *retailer* becomes aware of a change to the information in clause 2.7.2;
- (d) by monthly electronic transfers of the required information from the database of the *retailer* (or at any other intervals as may be agreed between the *retailer* and the *distributor*) for the purposes of the reconciliation of information provided under clause 2.7.2.

2.7.4 Prior to providing information in clause 2.7.2 to a *distributor*, the *retailer* must inform the *customer* that it will be providing that information to the *distributor*.

Clause 5—Reliability of supply

(3) In clause 5.5.1:

- (a) in subclause (a) after “written notice” insert “in hard copy”;
- (b) in subclause (b) after “written notice” insert “in hard copy”.
- (c) insert new subclause (c):
 - (c) where the distributor has *customer* details that enable notice to be given by electronic communication, the distributor must:
 - (i) in addition to providing written notice in hard copy also provide notice of the *interruption* by means of each *electronic communication* method for which the *distributor* has *customer* details at least 4 business days prior to the interruption; and
 - (ii) send a reminder notice by *electronic communication* by means of each *electronic communication* method for which the *distributor* has *customer* details one *business day* prior to the *interruption*.

(4) In clause 5.5.2:

- (a) in subclause (a), after “;” delete “and”;
- (b) in subclause (b), delete “.” and insert “;”;
- (c) after subclause (b) insert new subclauses (c) and (d):
 - (c) include high-level information as to the reason for the planned *interruption*; and
 - (d) provide information as to the potential for the planned *interruption* to be cancelled or rescheduled.

(5) After clause 5.5.2 insert new clauses 5.5.2A–5.5.2H:

- 5.5.2A The hard copy written notice required to be given pursuant to clause 5.5.1(a) may instead be given only by *electronic communication* pursuant to clause 5.5.1(c) provided that the *customer* has given *explicit informed consent* to being given

notice by *electronic communication*.

5.5.2B In addition to clause 5.5.1, a *distributor* may arrange a planned *interruption* by obtaining the affected *customer*'s *explicit informed consent* to an *interruption* occurring between identified hours on a specified date in which case notice is not required to be given.

5.5.2C *Explicit informed consent* is consent given by a *customer* to a *distributor* where:

- (a) the *distributor*, or a person acting on behalf of the *distributor*, has clearly, fully and adequately disclosed in plain English all matters relevant to the consent of the *customer*, including each specific purpose or use of the consent; and
- (b) the *customer* gives the consent in accordance with clause 5.5.2D;
- (c) the *customer* is competent to do so; and
- (d) the *customer* has not withdrawn that consent.

5.5.2D *Explicit informed consent* requires the consent to be given by the *customer*:

- (a) in writing signed by the *customer*; or
- (b) verbally, so long as the verbal consent is evidenced in such a way that it can be verified and made the subject of a record; or
- (c) by *electronic communication* generated by the *customer*.

5.5.2E A *customer* may withdraw their *explicit informed consent* at any time by informing the *distributor* of that withdrawal.

5.5.2F A *distributor* must:

- (a) create a record of each *explicit informed consent* provided by a *customer*; and
- (b) retain the record for at least 2 years.

5.5.2G The record required to be created and maintained by clause 5.5.2F(a) must be in such a format and include such information as will enable:

- (a) the *Commission* to verify the *distributor*'s compliance with the requirements in clauses 5.5.2C and 5.5.2D; and
- (b) the *distributor* to answer enquiries from a *customer* relating to the *customer*'s *explicit informed consent*.

5.5.2H A *distributor* must, on request by a *customer* and at no charge, provide the *customer* with access to a copy of the record of *explicit informed consent* given by the *customer* and then retained by the *distributor*.

- (6) After clause 5.5 insert new clause 5.5A:

5.5A Cancellation or rescheduling of planned interruptions

Where a *distributor* cancels or re-schedules a planned *interruption* it must:

- (a) where the *distributor* has *customer* details that enable notice to be given by *electronic communication*, provide notice by means of each *electronic communication* method for which the *distributor* has *customer* details within one hour of the decision to cancel or reschedule the planned *interruption* up to and including the period during which the planned outage was scheduled to take place;
- (b) where it does not have *customer* details as referred to in (a), notify any affected *customer* by giving written notice in hard copy of the cancellation or rescheduling of the planned *interruption* if it is cancelled or rescheduled more than 5 *business days* ahead of the expected date of the *interruption*;
- (c) include a high-level reason as to why the planned *interruption* was cancelled or rescheduled in the notice required to be given under subclause (a) or (b).

- (7) In clause 5.7 delete “Department of Human Services and the Victorian Department of Health” and insert “Department of Health and Human Services”.

Clause 6—Guaranteed service levels

- (8) Before clause 6.1 insert new clause 6.1a:

6.1a Application of clause 6

- (a) This clause 6 only applies to *customers* in respect of which a *distributor* is or was subject to an obligation to install *advanced metering infrastructure* pursuant to an Order in Council made under section 46D of the *Act*, and regardless of whether or not such *advanced metering infrastructure* has been installed.
- (b) For the purposes of this clause 6 only, a requirement to make a payment to a *customer* is a requirement to make a payment in respect of the *supply address* that is, or was, associated with the *customer*.

(9) In clause 6.2, delete the existing text and insert:

6.2 Failure to connect new supply

Where a *distributor* does not *connect* a new *customer*:

- (a) on the day agreed with the *customer*; or
- (b) if no day has been agreed with the *customer*, within 10 *business days* of a request to *connect*,

the *distributor* must pay to the *customer* \$80 for each day that it is late, up to a maximum of \$400.

(10) In clause 6.3.1:

- (a) in subclause (a) delete “20 hours” and insert “12 hours”;
- (b) in subclause (b) delete “30 hours” and insert “24 hours”;
- (c) in subclause (c) delete “60 hours” and insert “48 hours”;
- (d) in subclause (d) delete the text and insert “Deleted”;
- (e) in subclause (e) delete the text and insert “Deleted”;
- (f) after “clause 6.3.3” delete “or 6.3.4” and insert “, 6.3.4 or 6.3A”.

(11) In clause 6.3.2:

- (a) in subclause (a) delete “8” and insert “5”;
- (b) in subclause (b) delete “12” and insert “10”;
- (c) in subclause (c) delete “24” and insert “20”;
- (d) after “clause 6.3.3” delete “or 6.3.4” and insert “, 6.3.4 or 6.3A”.

(12) In clause 6.3.4:

- (a) in subclause (c) delete the text and insert:
 - (c) *interruptions* caused by a failure of transmission connection assets except where the *interruptions* were due to:
 - (i) actions, or inactions, of the *distributor* that are inconsistent with good industry practice; or
 - (ii) inadequate planning of the transmission network connection points and where the *distributor* has responsibility for that part of the transmission connection planning;
- (b) in subclause (d) delete the text and the table and insert “Deleted”;
- (c) after subclause (e) delete “.” and insert “;”;
- (d) after subclause (e) insert:
 - (f) the operation of automatic circuit reclosers on a day declared to be a *total fire ban day* or a *code red day*;
 - (g) the operation of *REFCL* and automatic circuit recloser on a day declared to be a *total fire ban day* or a *code red day*;
 - (h) *interruptions* caused or extended by a direction from state or federal emergency services, provided that a fault in, or the operation of, the *distribution system* did not cause, in whole or part, the event giving rise to the direction.

(13) After clause 6.3 insert new clause 6.3A:

6.3A Major event day payments

- (a) A *distributor* must make a payment to a *customer* of \$90 where the *customer* experiences an unplanned *sustained interruption* of more than 12 hours on a *major event day*.
- (b) A *major event day* is a day classified as a Major Event Day by the IEEE standard 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices where the “reporting period” referred to in that classification comprises a *regulatory year*.

(14) In clause 6.4, delete the text and insert:

6.4 Time for payment

- 6.4.1 A *distributor* must make a payment required to be made by clause 6.1.1 (late for appointment) within 20 *business days*.
- 6.4.2 A *distributor* must make a payment required to be made by clause 6.2 (failure to connect) within 20 *business days*.
- 6.4.3 A *distributor* must:
 - (a) at the completion of each quarter in a calendar year, determine whether it must make a *supply restoration payment* or *low reliability payment* to a *customer*; and
 - (b) make the *supply restoration payment* or *low reliability payment* within 60 *business days* following the completion of the quarter in which the *customer* became eligible for the *supply restoration payment* or *low reliability payment*.
- 6.4.4 A *distributor* must make a *major event day payment* within 60 *business days* of the *major event day*.
- 6.4.5 Where a *distributor* makes a payment required to be made by this clause 6 via the *retailer*, the *retailer* must apply the payment to the *customer*'s account within two *business days*.

Clause 9—Provision of information

(15) After clause 9.1.14 insert new clause 9.1.15:

9.1.15 A *distributor* planning on undertaking testing of *REFCL* must:

- (a) give at least 4 clear *business days*' notice to *customers* of the planned testing by publishing on their website and in relevant local or state newspapers notice of the planned testing;
- (b) include in the notice required to be given under (a):
 - (i) the date and time of the planned testing;
 - (ii) the testing that will be performed;
 - (iii) the potential for unplanned *interruptions* as a result of the testing; and
 - (iv) what *customers* may do in the event of an unplanned *interruption*, including where information on unplanned *interruptions* and estimated restoration times may be found.

Clause 19—Definitions

(16) In clause 19, after the definition of “Certificate of Electrical Safety” insert new definition:

code red day means a day declared by the Emergency Management Commissioner under the *Emergency Management Act 2013* as a code red day.

(17) In clause 19, after the definition of “Electricity System Code” insert new definition:

electronic communication means a communication of information in the form of data, text or images by means of guided or unguided electromagnetic energy, or both.

(18) In clause 19, in the definition of “explicit informed consent”, delete “clause 5A.6.6.” and insert “clauses 5.5 and 5A.6.6.”

(19) In clause 19, after the definition of “feeder” insert new definition:

financially responsible retailer for premises means the *retailer* who is the financially

responsible Market Participant responsible for the premises under the National Electricity Rules.

(20) In clause 19, before the definition of “MAIFI” insert new definitions:

major event day see clause 6.3A(b).

major event day payment means the payment described in clause 6.3A(a).

(21) In clause 19, after the definition of “Regulatory Test” insert new definition:

regulatory year has the meaning given to that term in the *National Electricity Rules*.

(22) In clause 19, after the definition of “system operator” insert new definition:

total fire ban day means a day or partial day of total fire ban declared pursuant to section 40 of the *Country Fire Authority Act 1958*.

Appendix D: Electronic Transactions (Victoria) Act 2000

Section 8

Writing

- (1) If, by or under a [law of this jurisdiction](#), a person is required to [give information](#) in writing, that requirement is taken to have been met if the person [gives](#) the [information](#) by means of an [electronic communication](#), where—
 - (a) at the time the [information](#) was [given](#), it was reasonable to expect that the [information](#) would be readily accessible so as to be useable for subsequent reference; and
 - (b) the person to whom the [information](#) is required to be [given consents](#) to the [information](#) being [given](#) by means of an [electronic communication](#).
- (2) If, by or under a [law of this jurisdiction](#), a person is permitted to [give information](#) in writing, the person may [give](#) the [information](#) by means of an [electronic communication](#), where—
 - (a) at the time the [information](#) was [given](#), it was reasonable to expect that the [information](#) would be readily accessible so as to be useable for subsequent reference; and
 - (b) the person to whom the [information](#) is permitted to be [given consents](#) to the [information](#) being [given](#) by means of an [electronic communication](#).
- (3) This section does not affect the operation of any other [law of this jurisdiction](#) that makes provision for or in relation to requiring or permitting [information](#) to be [given](#), in accordance with particular [information technology requirements](#)—
 - (a) on a particular kind of [data storage device](#); or
 - (b) by means of a particular kind of [electronic communication](#).
- (4) This section applies to a requirement or permission to [give information](#), whether the expression "give", "send" or "serve", or any other expression, is used.
- (5) For the purposes of this section, [giving information](#) includes, but is not limited to, the following—
 - (a) making an application;
 - (b) making or lodging a claim;
 - (c) giving, [sending](#) or serving a notification;
 - (d) lodging a return;
 - (e) making a request;
 - (f) making a declaration;

- (g) lodging or issuing a certificate;
- (h) making, varying or cancelling an election;
- (i) lodging an objection;
- (j) giving a statement of reasons.

Appendix E: Role of the commission

Role of the Essential Services Commission

The commission is Victoria's independent economic regulator of essential services. Primary legislation passed by the Victorian Parliament sets out the objectives and expectations for the commission in the regulation of energy markets.

The *Essential Services Commission Act 2001 (Vic)* sets out the commission's overarching objective to promote the long-term interests of Victorian consumers.¹¹⁴ The commission is also guided by objectives under the *Electricity Industry Act 2000 (Vic)* and *Gas Industry Act 2001 (Vic)* to promote the protections for customers, including in relation to customers who are facing payment difficulty.¹¹⁵

The legislation establishing the regulatory framework for the energy industry in Victoria assigns the commission a range of functions and powers, including the power to grant licences to energy market participants and to create codes and guidelines.

The Electricity Distribution Code is the primary instrument which sets our electricity distributors' regulatory obligations. The commission amends the code to reflect new reforms and other changes. Version 11 of the code is currently in force.

The Energy Retail Code is the principal instrument used to set out retailers' obligations and was first established in 2002.¹¹⁶ The commission amends the code to reflect new reforms and other changes. Version 15 of the code is currently in force today.

¹¹⁴ Section 8 Essential Services Commission Act 2001 (Vic).

¹¹⁵ Section 10(c) Electricity Industry Act 2000 (Vic) and section 18(c) Gas Industry Act 2001 (Vic).

¹¹⁶ The commission replaced the Office of the Regulator-General (ORG), which was established to oversee regulation of electricity and gas industries during the privatisation of the industry and accompanying establishment of markets in generation, distribution and retail segments of the industry. The legislative objective for the ORG in relation to consumers was expressed as: "to ensure that users and consumers benefit from competition and efficiency" (Office of the Regulator-General Act 1994 (Vic), s7(1)(e)).