

27 October 2022

[REDACTED]
Essential Services Commission (Victoria)
Level 8, 570 Bourke Street
Melbourne VIC 3000

By email: [REDACTED]

Dear [REDACTED]

RE: Draft amendments to the distributor reporting obligations reflecting the Electricity Distribution Code of Practice

AusNet Electricity Services Pty Ltd (ACN 064 651 118) (**AusNet**) would like to thank the Essential Services Commission (**the commission**) for the opportunity to comment on the commission's draft decision proposing updates to the Electricity Distribution Code of Practice (**EDCOP**) in relation to distributor reporting obligations.

We acknowledge that regulatory reporting is essential to ensure that the Commission has accurate and timely information to inform their compliance and enforcement functions. The commission's functions include monitoring and reporting on compliance by distributors with their obligations under the regulatory framework.

Electricity distribution reporting obligations are currently captured in the Compliance and Performance Reporting Guideline (**CPRG**), version 7 which came into effect on 1 March 2022. This version of the CPRG significantly increased the number of obligations classified as either Type 1 or Type 2 for breach reporting purposes and also increased the number of performance reporting obligations.

Streamlining of regulatory instruments

Whilst AusNet supports the commission's objective of streamlining the number of regulatory instruments which contain electricity distribution obligations, the draft decision to transfer electricity distribution-related reporting obligations from the CPRG into a schedule of the EDCOP was unexpected and not consistent with the current approach for energy retail obligations.

Under our electricity distribution licence, we have an obligation to ensure compliance with all regulatory instruments. We are concerned that the transfer of distributor reporting obligations into the EDCOP will inadvertently focus reporting obligations on EDCOP obligations only.

Are there any additional reasons for transferring the reporting obligations out of the CPRG, noting that the CPRG is a civil penalty requirement? A consequential impact of the transferring of obligation is the requirement for the following two new clauses in the EDCOP, both civil penalty requirements:

- EDCOP clause 15.2.3: A *distributor* must report to the *Commission* any breach or potential breach of the obligations identified in Schedule 6, Part 1 in the manner, form and time specified.
- EDCOP clause 19.6.1: A *distributor* must report to the *Commission* performance indicator reports identified in Schedule 6, Part 2, in the manner, form and time specified

It is unclear whether the transfer of reporting obligations from the CPRG to the EDCOP and the inclusion of the new EDCOP obligations materially changes the commission's enforcement options. We would appreciate guidance on this matter.

We also note the current CPRG has some important context regarding the purpose of reporting obligations including section 1.4 which states the commission's reporting obligations and the regulatory obligation on the commission to publish a compliance and enforcement report each year. This context has not been replicated in the EDCOP.

Reporting obligations

Whilst the draft decision transfers existing electricity distribution reporting obligations from the CPRG, it also classifies an additional 2 obligations as Type 1 and 91 obligations as Type 2 for breach reporting purposes.

Whilst we understand the commission's intent to align EDCOP civil penalty requirement (CPR) obligations with breach reporting obligations, this approach increases the administrative burden on electricity distribution businesses to prepare breach reports in accordance with the prescribed process and timeframe.

Monthly reporting of non-notification of planned outages

The draft decision proposes to remove the monthly breach reporting for non-notification of planned outages for customers excluding those with life support equipment, EDCOP clause 11.5.1(a). In its place, these breaches are to be reported as Type 2 breaches with a 30-calendar day reporting timeframe and the monthly planned outage performance data requirement removed entirely.

We support the retention of monthly breach reporting rather than Type 2 breach reporting for this obligation as:

- The prescribed monthly reporting cycle with reports due on the 10th business day following month end enables us to maintain a scheduled report preparation, management review and sign off process with report preparation requiring input from several teams including root cause analysis and the review of customer interactions including complaints;
- This scheduled reporting activity is effective and efficient, allowing for a regimented monthly process which is factored into the required input team's resource management plans and month end procedures; and
- Moving to the proposed 30 calendar day process introduces an ad hoc process which is triggered by the identification of a non-notification event. This will introduce an inefficient and burdensome process.

Compliance reporting processes should minimise the burden on management time and should not be changed to an approach that reduces efficiency where there is no discernible customer benefit from making this change. Changes that increase time spent on compliance reporting will either reduce management time spent on improvement activities that provide positive outcomes for customers and/or increase our costs, which are ultimately reflected on customer bills.

We would like to clarify with the commission that, under the Type 2 reporting regime, we would be able to prepare consolidated breach reports containing multiple breach incidents as long as the breach report is submitted within 30 calendar days of the earliest incident date in the report.

We also support the retention of the requirement to provide the commission with monthly planned outage performance data which is currently:

- Total number of planned outages during the month
- Total number of customers affected by planned outages during the month
- Average duration of planned outages for the month

We believe that this performance data is essential in providing the context for planned outage non-notification performance. AusNet undertakes more planned outages than some of the other electricity distribution businesses due to the characteristics of electricity distribution network, namely being largely rural with long radial feeders, often with limited ability to supply customers via alternate feeders. The network is also subject to bushfire reduction related maintenance programs including vegetation management and also is subject to Victorian

Government-mandated bushfire safety programs including the 7-year Rapid Earth Fault Current Limiter (REFCL) Program.

Effective date of the new distributor reporting obligations

The draft decision proposed that the new distributor reporting obligations will come into effect three months after the final decision is made. Given the increase in obligations classified as Type 2 for breach reporting purposes, we propose that the new reporting obligations come into effect from 1 July 2023.

This would allow time for the review and updating of our processes, controls, monitoring and reporting as well as aligning the new reporting obligations to the start of a new financial year.

Additional feedback

We have reviewed the proposed EDCOP updates and the consequential amendments to the breach and performance reporting templates.

Please refer to the Appendix for our feedback.

We welcome further discussion with the ESC on the points raised in this submission. Should you have any queries in relation to this submission, please contact [REDACTED] via email [REDACTED]

Yours sincerely

[REDACTED]

[REDACTED]

AusNet Services

Appendix – Additional feedback

The following table summarises our feedback on the proposed EDCOP drafting as well as the breach and performance reporting templates.

Instrument	Topic	AusNet feedback
Annexure A – Electricity Distribution Code of Practice (version 2)	Schedule 6 – classifying non civil penalty requirements as Type 2 for breach reporting purposes	<p>The draft decision is proposing to classify clauses 3.2, 3.5.2, 11.4.3, 11.5.2 as type 2 for breach reporting purposes despite them not being classified as civil penalty requirements.</p> <p>We do not support this approach and note that any materially adverse breaches of these obligations would be reported under the material adverse breach reporting process.</p>
	Schedule 6 – Distributor Performance Indicators	<p>The highlighted text is not required in the EDCOP:</p> <p>Part 2: Distributor performance indicators</p> <p>1. This Part sets out electricity distribution businesses' performance reporting obligations (as summarised in Table 1 below) and is not applicable to gas distribution businesses or energy retailers.</p> <p>Table 1: Summary of distributor performance indicators</p>
	Schedule 6 – Feeder definitions	<p>The Feeder definition in Schedule 6: Part 2 is inconsistent with definition in the glossary in section 2.1 of the EDCOP.</p> <p>We recommend consolidating the definitions currently located in Schedule 6: Part 2 in the glossary in section 2.1 so there is only one section containing definitions within the EDCOP.</p> <p><u>Feeder means a high voltage electric line and associated equipment at a normal voltage level between 6.6kV and 22kV which a distributor uses to distribute electricity.</u></p> <p><u>CBD feeder means a feeder supplying Melbourne CBD as determined from zone substation coverage maps and as agreed by the Commission.</u></p> <p><u>Urban feeder means a feeder, which is not a CBD feeder, with load density greater than 0.3 MVA/km.</u></p> <p><u>Long rural feeder means a feeder, which is not a CBD feeder or an urban feeder, with total length greater than 200 km.</u></p> <p><u>Short rural feeder means a feeder, which is not a CBD feeder or an urban feeder, with total length less than 200 km.</u></p> <p><u>Count of sustained interruptions means the total number of sustained interruptions for the relevant reporting quarter. Sustained interruption means an interruption of more than three minutes. Data</u></p>
	Alignment with the Electricity Industry	<p>EDCOP Schedule 6 specifies that Sections 23A(2), 23A(3), 116AA(1), and 116AA(2) of the Electricity Industry Act are Type 2 breaches, however Schedule 6 does not include the statutory licence condition clauses that are specified as Tier 1 & 2 civil penalties under the Electricity Industry Penalty</p>

Instrument	Topic	AusNet feedback					
	Penalty Regulations 2022	<p>Regulations 2022 (Section 28(1), Section 40FH(2), Section 46C, Section 49D(1), Section 40FJ(1)).</p> <p>We assume that contraventions of these obligations are to be reported to the commission in accordance with the material adverse breach reporting process if the contraventions are assessed by AusNet as being materially adverse.</p>					
Annexure B – Compliance and Performance Reporting Guideline (version 8)	Gas Type 1 breach obligations	<p>We note that CPRG v8 does not include any gas obligations specified as Type 1 for breach reporting purposes whereas CPRG v7 does.</p>					
Annexure G – Compliance breach reporting template - distributors	Instructions	<p>The following statement is included in the Instructions tab:</p> <p style="padding-left: 40px;">This template can be used for the purposes of reporting, as referred to in the Compliance and Performance Reporting Guideline - Version 8 and Schedule 6 of the Electricity Distribution Code of Practice</p> <p>Our understanding is that, going forward, CPRG v8 will not contain any electricity distribution-related obligations but will still include gas distribution-related obligations.</p>					
	Report template	<p>Columns S & T relate to Guaranteed Service Level (GSL) payments as shown below:</p> <table border="1" data-bbox="576 1350 1054 1599"> <thead> <tr> <th colspan="2" data-bbox="576 1350 1054 1375">GSL (if applicable)</th> </tr> <tr> <th data-bbox="576 1375 815 1480">Times for disconnection and reconnection (if applicable)</th> <th data-bbox="815 1375 1054 1480">Dollar Value paid to customer (if applicable)</th> </tr> </thead> <tbody> <tr> <td data-bbox="576 1480 815 1599"><i>Power was disconnected at 09:17 and reconnected at 13:20. A total duration of 4h3m.</i></td> <td data-bbox="815 1480 1054 1599"><i>\$280 STPIS.</i></td> </tr> </tbody> </table> <p>In column T, Dollar Value paid to customer (if applicable) includes an example which refers to STPIS.</p> <p>This is incorrect. GSL payments are made to customers, whereas the AER’s Service Target Performance Incentive Scheme (STPIS) outcomes are not directly paid to customers.</p> <p>In addition, if reporting a late GSL payment breach, column T can be populated the GSL information.</p> <p>However, if reporting a non-notification of a planned outage breach, the planned outage is reclassified as an unplanned outage which means that the outage is included in supply restoration and reliability related GSL</p>	GSL (if applicable)		Times for disconnection and reconnection (if applicable)	Dollar Value paid to customer (if applicable)	<i>Power was disconnected at 09:17 and reconnected at 13:20. A total duration of 4h3m.</i>
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		<p>eligibility calculations. Given the GSL scheme is based on annual thresholds, with GSL eligibility calculated quarterly, it is unlikely that the GSL payment, if the customer is eligible for one as a result of the outage, will be available at the time breach report submission.</p> <p>It is recommended that the GSL heading is removed from column S and re-labelled 'Outage duration'.</p>
	Obligations	<p>The list of obligations contains both EDCOP and EDC clause references.</p> <ul style="list-style-type: none"> We assume this is a drafting error and that rows 2 to 44 should be removed? <p>Clause 4.3.1 Type 2 is included twice (row 114 and row 206)</p>
	Distinguishing between an initial and follow up Type 1 breach report	<p>To avoid confusion, we recommend that the breach reporting template includes an additional field to distinguishing between an initial and follow up Type 1 breach report.</p>
	Instructions on how to report a material adverse breach	<p>We note that the Retailer breach reporting template, Annexure F, contains instructions on how to report a materially adverse breach.</p> <p>We recommend similar information be included in the Distributor breach reporting template.</p>
Performance indicator reporting template – voltage performance	Instrument reference to be updated	<p>This template requires updating to replace the reference to Electricity Distribution Code with Electricity Distribution Code of Practice.</p>