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Dear Erin

Consultation Paper – Reforms to retail regulation 2014 and planned outages

Thank you for the opportunity to respond to the Victorian Government's proposed reforms to retail regulation and planned outages. The retail reforms changes include:

- increases to the Wrongful Disconnection Payment
- fixed term contracts of offered by retailers
- restriction on retailer back billing customers from nine months to three months
- energy efficiency audits by retailers

Additionally, the Victorian Government is proposing to prohibit non-essential planned network outages on very hot days.

Jemena Electricity Networks (Vic) Ltd (**Jemena**) has provided comments only on those changes that would impact the distribution businesses. They are changes that prohibit non-essential planned network outages on very hot days and back billing.

Jemena's considers it is administratively simpler to address any perceived issues with non-essential planned outages on hot days through a memorandum of understanding between Government and the electricity distribution businesses. However, if a memorandum of understanding could not be achieved, Jemena supports amendments to the Electricity Distribution Code in preference to amendments to the Electricity Industry Act because legislative changes may require regulatory impact assessment.

We do not support the proposed restriction on retailers back billing customers from nine months to three months because there will be cost and financial impacts on distributors. We believe the proposed change has the potential to increase costs for all retailers and distributors, which will ultimately be borne by all customers.

Jemena's detailed response on back billing and restriction on non-essential planned outages on hot days are set out in the Attachment.

Yours sincerely

A handwritten signature in black ink that reads "Siva Moorthy".

Siva Moorthy
Manager Network Regulation & Strategy

Attachment

Jemena Electricity Networks (Vic) Ltd (JEN) response to DSDBI draft consultation paper – Reforms to retail regulation 2014 and planned outages

Planned electricity network outages on hot days

Problem: Planned electricity network outages occurring on hot days put vulnerable customers at risk, as well as those who rely on electricity to manage routine activities such as accessing fresh water.

Objective: To prevent electricity outages on hot days due to non-essential maintenance works.

Solution: This could be achieved either by placing restrictions on non-essential outages on hot days through amendments to the *Electricity Industry Act 2000*, through a review of the Electricity Distribution Code, or through changes to regulatory instruments administered by Energy Safe Victoria (such as the Electricity Safety Management Schemes).

The restrictions could apply for days that are declared heat health alert days. Under a legislative approach, mechanisms would need to be developed to enable exemptions to be progressed for essential outages.

Additional question for stakeholders:

- How will the proposed restriction impact on the operations of distribution businesses?
- How should “essential works” be defined, and what are the implications of an exemption mechanism?
- What are the practicality issues for distribution businesses in placing the restriction on heat health alert days? For example, how will distribution businesses identify whether their customers are in heat health alert boundaries?
- Are there other extreme weather thresholds that may be more suitable, for example, days where the maximum temperature is over 40 degrees?

Jemena’s response:

We agree planned electricity outages place significant risks on vulnerable customers who depend on electricity on hot days for cooling and other activities such as accessing fresh water. They impact all vulnerable customers regardless of whether they live in hazardous or low bush fire risk areas in urban or rural areas.

Our first preference is for the any perceived issues to be addressed through a memorandum of understanding between Government and the electricity distribution businesses because it is administratively simpler. However, if a memorandum of understanding could not be achieved, Jemena suggests amendments to the Electricity Distribution Code to restrict planned electricity network outages on hot days instead of amendments to the Electricity Industry Act. This is because amendments to the legislative instruments may require a regulatory impact assessment through the regulatory impact statement process.

We believe the regulatory instruments governing electricity safety management schemes (**ESMS**) would not be an appropriate method of placing restrictions on non-essential outages on hot days because ESMS are generally confined to matters of electrical safety.

The proposed restriction on planned network outages is unlikely to impact on the operations of Jemena, provided 'essential works' are exempted. This is because key bushfire mitigation activities, including reliability and demand related works can be scheduled outside the summer period as the works are generally known and able to be planned in advance.

In support of the proposed restriction, Jemena proposes 'essential works' be defined as those works that are:

- a) urgent and if not performed on the scheduled day, would put at risk the safety and reliability of the distribution network; and
- b) not reasonably foreseeable by the distributor.

Jemena's distribution area is entirely within the Central Region heat health alert boundary. So whenever there is an announcement about Central Region, Jemena would apply the restriction across its entire distribution area.

Jemena has policies and procedures to deal with the impacts of planned electricity network outages on hot days. Below is an extract from our policy.

	Response Level 1	Response Level 2	Response Level 3
Trigger	> 32 C forecast for the next day.	> = 35 C forecast for the next day OR >=38 C forecast in the next 4 days	> = 38 C forecast for the next day.
CoC Actions	<ul style="list-style-type: none"> • Send SMS Yellow Alert • Review Work • Check the 4 day forecast 	<ul style="list-style-type: none"> • Send SMS Orange Alert • Ring Response / CoC Manager • Monitor 4 day forecast. 	<ul style="list-style-type: none"> • Send SMS Red Alert • Ring Response / CoC Manager
Groups Notified	1,3,8	1,3,4,5,6,7,8,12,14,17,18, 20, 21,22,23,24,34	1 to 35 all inclusive
Business Outcome	Cancellation and/or rescheduling of planned work specifically sub transmission and highly loaded feeders.	<ul style="list-style-type: none"> • Refer to EEMP Heat Event Plan • Response / CoC Manager to liaise with Emergency Manager. • Applicants contact CoC re scheduled work • Cancellation of all sub transmission / customer outage work unless negotiated. • Refer to EEMP Emergency Event Guide to initiate appropriate actions 	<ul style="list-style-type: none"> • Response / CoC Manager to activate EMT as required • Cancellations of all planned network outages unless negotiated and restrict network access. • Review connection truck appointments • EMT to arrange for additional resource to be available. • Refer to EEMP Emergency Event Guide to initiate appropriate actions

Source: Jemena Coordination Centre Procedure: Electricity Alerts, Notifications and Escalation Triggers Guidelines

The table shows three levels of response and related weather thresholds.

- a) If the temperature is forecast to be greater than 32 C for the next day, we cancel and reschedule work on sub-transmission lines and highly loaded feeders. This is to ensure we maximise our network contingencies during periods of increased electricity demand, that is, the ability to switch loads should there be network faults.
- b) If the temperature is forecast to be greater than or equal to 35 C for the next day or greater than or equal to 38 C in the next four days, we cancel all sub-transmission and customer initiated connection or network alteration work.
- c) If the temperature is forecast to be greater than or equal to 38 C for the next day, then all planned work is cancelled unless negotiated with parties who may be impacted by the extreme hot weather.

Restrictions on non-essential planned works on days when heat health alerts are issued will not cause any practical issues to Jemena, given the temperature thresholds we operate under are more conservative compared to the average temperature methodology used by the Department of Health to trigger the heat health alerts.

Calculating the average temperature

The average temperature is calculated from the forecast **daily maximum** (in this case Tuesday) and the forecast overnight temperature, which is the **daily minimum for the following day** (in this case Wednesday).

An example of this calculation is demonstrated below:

Melbourne	
Tuesday	
Min: 20 °C	
Max: 38 °C	
Wednesday	
Min: 25 °C	
Max: 31 °C	

Average calculation for Tuesday

$(38+25)/2 = 31.5^{\circ}\text{C}$

The threshold for Melbourne = average of 30°C.

The temperature forecast indicates that the threshold will be exceeded.

This calculation will be repeated for each of the seven days included in the daily forecast.

Source: Department of Health, Heat Health Alert System 2013-2014

Back billing

Problem: Customers have experienced significant billing delays with some retailers.

Objective: To reduce the number of consumer accounts experiencing billing delays.

Proposed solution: Create additional incentives for retailers to minimise billing delays by reducing the amount of time a customer can be backbilled due to a billing system issue from nine months to three months.

Additional questions for stakeholders:

- Should the restriction on retailer backbilling be limited to where a retailer has upgraded their billing system, or apply to all billing delays and undercharging?
- What implications will the changes have on processes and risk allocation between retailers and distributors?
- When should the three month restriction commence? For example, should it commence from the date that the retailer issues the customer their delayed bill or when a retailer notifies the customer of the billing delay?

Jemena's response:

Jemena does not support the proposed change to restrict retailers to three months back billing because it would poorly align with current market rules and procedures. The change will have detrimental flow on effects on distributors. We believe the proposed change has the potential to increase costs and loss of revenue for all retailers and distributors, which will ultimately be borne by all customers through price rises. It is worth noting that under a revenue cap control mechanism, the unrecovered network charges may be passed on to all customers through higher network charges.

Jemena considers the proposed change would not create additional incentives on retailers because they already have strong incentives to bill on time. Billing delays would cause significant impacts to retailers' cash flows. Their customers are likely to move on to their competitors.

The Electricity Retail Code provides for customers to take longer time to pay their bills as there is an obligation on retailers to "*offer the customer time to pay the amount undercharged in a payment arrangement covering a period at least equal to the period over which the recoverable undercharging occurred*".

The proposed change to restrict retailers to three months can only be applied for AMI daily read meters (invoiced monthly) because the legacy systems only has quarterly read cycles. Jemena estimates about 2% of its customers will not have AMI meters as at 30 June 2014. Furthermore, remote reading may not be possible for an additional number of customers because of the location of the AMI meters are out of range of AMI communication system. These meters would most likely be continued to be read on monthly or quarterly cycles.

Notwithstanding this limitation of applicability to AMI daily read meters, the proposed restriction on retailers' ability to back bill will have flow on effects on distributors. With Jemena's existing process and back office resources, we would be at of risk of losing approximately 0.5% of annual network revenue billed to retailers.

Some of the main reasons for back billing are:

- Actual energy consumption data is not available. For example, actual data may not be available due to AMI communication issues or customers have not provided access to non AMI meters. Generally estimates are used to settle the energy in the market and the adjustments are made subsequently to reflect actual data.
- AEMO metering data provider service level procedure rules allow for data to be revised up to six months, which aligns with our current window of nine months for back billing. Given these rules, Jemena processes and resources are optimised to operate within the rules. If the back billing is restricted to three months, then additional resources would be employed to mitigate risk of losing network revenue billed to retailers.
- AEMO CATS retrospective transfer rules allow retailer transfers to be backdated up to 130 business days. Given the rules, we will not be able to do billing reversal and rebill the consumption data to the new retailer for the entire period. This will result in an increase of retailer disputes on network invoices.
- Meter data providers of type 1 to 4 metering sites (generally those belong to large customers) operate within the AEMO rules. They have no incentives to operate under tighter timeframes, unless AEMO makes changes to its MSATS procedures, which has the potential to impact all market participants in the National Electricity Market.

The AEMO energy settlement processes and procedures were developed over many years following through consultations. The timeframes in the procedures were developed on the basis that actual metering data may not be always available and estimated metering data can be revised at a later time. Jemena is concerned the proposed restriction on retailers will flow on to distributors and seriously undermine the efficient processes we currently have for recovery of network charges.