GUARANTEED SERVICE LEVELS 2020 - 2025

Power of Choice

Guaranteed Service Levels

Master Electricians Australia (MEA) is the trade association representing electrical contractors recognised by industry, government and the community as the electrical industry's leading business partner, knowledge source and advocate. Our website is www.masterelectricians.com.au

Master Electricians appreciates the opportunity to comment on the proposed guarantee. Master Electricians in reviewing the document has done so based on the experience of what an electrical contractor and or consumer may experience.

CURRENT INDUSTRY EXPEREINCE

The Australian energy market, excludingWestern Australia, was to commence with changes as referred to as "Power of Choice" (POC) commencing 1 December 2017. MEA has assumed a detailed level of knowledge of the Queensland Competition Authority (QCA) however, in summary we have highlighted the following information from Australian Energy Market Operator (AEMO). AEMO's own website provides the following information.

> *What Is The Power Of Choice Implementation Program?*
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> *Power of Choice (PoC) is a package of National Electricity Market (NEM) reforms that are designed to give consumers more options and control of the way they use and manage their electricity expenditure.*
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> *These reforms were initiated following the 2012 Australian Energy Market Commission (AEMC) PoC Review. Since then the AEMC has made several interrelated rule change amendments, including:*
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> *Expanding competition in metering and related services (final determination published 26 November 2015).*
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> *Embedded networks (final determination published 17 December 2016).*
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> *Meter replacement processes (final determination published 10 March 2016).*
>
> *Updating the Electricity B2B Framework (final determination published 30 June 2016).*
>
> *These rule changes are effective from 1 December 2017.*
>
> - POC fact sheet 1
> - POC fact sheet 2
> - POC fact sheet 3
> - POC fact sheet 4
> - POC fact sheet 5

The POC changes have not been uniformly implemented, with Western Australia not being part of the market, andVictoria has also postponed the roll out date of POC until 2021. It is important to note that Victoria's decision was in part determined due to previous smart reader rollouts and in our view, was also a result of the Victorian Government's own evaluation that the cost of the rollout out-weighed the benefit that might arise from the installation.

Since the 1st December 2017 the industry, in all states except WA and VIC, have experienced extensive delays and cost overruns for the installation of new energy meters and installation alterations. The transition to the new system has resulted in delays of over a month for many jobs and in some cases up to 3 months. This is causing substantial financial loss and fracturing of the relationships between builders, electrical contractors and customers. The cost to the industry since the introduction of these rules has blown out into the millions and unless the new rules are urgently reviewed, including the Guaranteed Service Level (GSL,) we will see significant impact. MEA supports the shift in responsibility to retailers for new GSL, however, these improvements cannot wait until 2020. The feedback received from stakeholders is that metering is currently being drowned by the bureaucratic “red tape” and lack of accountability in place.

MEA and other associations, such as the Housing Industry Association and Master Builders Association members, are all experiencing cost delays and overruns. This includes work around installing generators on building sites to manage power needs while the POC system fails to deliver. In a recent survey of MEA members we have one member who has over 100 new houses that are at least 6 weeks overdue for power connection.

Under the new rules, electrical meters are being installed by a contractor nominated by the retailer. There is a significant added cost imposed on the consumer in having to pay for a separate electrical contractor to install the meter, as opposed to the electrical contractor, the consumer, or builder have engaged to do the relevant work. This extra cost serves no purpose other than to further drive up the cost of purchasing a house and demonstrates the unnecessary “red tape” that is present in the current process.

In addition to this we have anecdotal evidence that previous distributors “dumped” new connections on new retailers and metering providers, and that coordination of systems and work requirements were not, and still are not cohesive nor able to deal with delays and have a multiplying effect.

QCA’s discussion paper demonstrates in Figure 1 Energex GSL payments by category, 2013-14 to 2016 – 17, that “connections not provided by the agreed date” has in the 2016-17 year increased significantly. We say this was an early indication that POC was, and is, struggling with the planned rollout and the business as usual processes will continue to struggle without immediate action.

QCA Figure 2 Ergon Energy GSL payments by category does not show the same increase in GSL payments however with Ergon retaining retail and distribution in country Qld we are experiencing less but still significant delays.

It must also be noted that it is our information that not all retailers are participating or completing new installation work. Larger retailers such as Origin have taken on installing new meters however it is being reported that other smaller retailers are specifically not participating in this part of the market to improve their cost structures and concentrate on acquiring already established customers as such we believe an uneven competition field has developed which we believe also impacts on service delivery times for consumers in this space.

GSL ARRANGEMENTS 2020 – 2025

MEA has reviewed the consultation paper and the current industry experience and believes that the QCA must review urgently and make recommendations to address the situation at hand. It is MEA's belief that 2020 is an unacceptably long period of time for reviewed GSL not to be acted upon given the poor performance of Distributors and Retailers in this space in a short period of time.

The industry at present cannot change the rules to roll back POC, however from the industry's perspective GSL while not the purview of the QCA to introduce GSL for retailers we would strongly recommend QCA using any report and subsequent findings to assist the Qld Energy Minister implement sooner rather than later GSL on Retailers through the AEM rules.

CONSULTATION QUESTIONS

1. **Are the current GSL arrangements suitable for use in the next regulatory control period? What reason(s), if any, are there for changing the current GSLs in the Code for 2020–25?**

In simple terms MEA believes that the current GSL arrangements are not suitable for the next regulatory control period. We have identified the reasons being: :

a) That GSL performance is demonstrating that they are either, not prepared or have no incentive, to operate to the same standard as DNSP prior to 1 December 2017.

b) The code should be changed so that there is a national consistent set of standards in all parts of the Australian Energy Market AEM and that in QLD, the additional service markers should be engaged that match AER however, without losing those that have been a feature within Queensland for the last two review periods. In total we believe that across both DNSP and Retailers the list of GSL should be:
   a. Wrongful Disconnection
   b. Connection
   c. Reconnection
   d. Hot Water Supply
   e. Appointments
   f. Planned interruptions
   g. Reliability – interruption duration
   h. Reliability – Interruption frequency
   i. Time to respond to complaints
   j. Time to respond to notification of a problem
   k. Telephone answering

c) The current industry experience, whilst being portrayed as "teething problems", without clear industry expectations and accountability that includes regulatory punitive action, will continue.

2. Are the threshold triggers for payment of GSL's still appropriate?

MEA believes that ,the current thresholds are appropriate.

3. Are the values for GSL's payment still appropriate for the next regulatory period or should they be adjusted? If so, how should they be adjusted?

MEA believes that the amounts should be varied to ensure that the penalties act as intended and are a deterrent to poor performance and reduced community service delivery of this essential service. We believe that the rates for connection/reconnectionconnection and reconnection should reflect the same level as a wrongful disconnection. Given the large amount of errors occurring since 1st December 2017 missing connection and reconnection timeframes we believe these categories of GSL should be considered the same as a wrongful disconnection, as such we believe these should be the same penalty, currently $142.00 per day.

MEA also believes given the regulatory period is 5 years the rates should increase in one of two ways.

a) GSL should be increased by the same percentage as the Queensland penalty point. This penalty point value calculation is based on CPI and should move over the 5-year period or
b) Be pre-calculated to increase by the average price rise of power in Queensland during the previous 5 years compounded. For example, if the current $142.00 fine is compounded over a 5-year period at 5% per year the resulting amount would be that for the reporting period the GSL payment would move to approximately $181.00.

4. **Is the annual cap on GSL's for individual customers still appropriate or should it be adjusted? If so how should it be adjusted?**

MEA believes that the $416.00 cap for GSL should be adjusted taking into account one of the methodologies mentioned in question 3 and for similar reasons that penalties must keep pace to ensure a reasonable deterrent.

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