



17 April 2013

**Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
electricity@qca.org.au**

Dear Sir/Madam,

AGL Energy Limited (**AGL**) welcomes the opportunity to comment on the amendments requested by Energex to clause 5 of the Electricity Industry Code (**EIC**). The Authority has requested views from stakeholders both in relation to the merits of the requested amendments and whether they would be sufficient to resolve the disconnection issue should they be accepted by the Authority.

As outlined in the Consultation Paper, the Main Switch Seal (**MSS**) process was agreed in 2008 as a temporary solution only to assist Energex adjust to the new volume of disconnection requests being received following the introduction of Full Retail Contestability in Queensland. To ensure Energex retained some incentive to follow the legislated procedure wherever possible, it was agreed that Energex would waive network charges for any unbilled electricity consumption in these circumstances.

However, for retailers with responsibility for premises in the market and associated obligations regarding energy settlement, the MSS process remains vastly inferior to disconnection of a premises by actual fuse removal. Disconnecting a premises from supply is the only practical way for a retailer to manage its exposure in the market after a customer has vacated premises. Disconnection mitigates risks associated with an unknown customer consuming at the site and ensures a new customer moving into a property contacts a retailer and goes through the proper account establishment procedure.

The MSS procedure does not offer the same protection. It is possible to simply peel back the seal and switch mains supply back on. Although this is illegal and the sticker warns of imprisonment or fine for the unauthorised removal of an MSS, the poor history of enforcement means this has proven an ineffective safeguard. In fact, AGL is unaware of any person having been pursued for illegal reconnection. The compensation paid by Energex in these cases ameliorates only a small portion of the total costs incurred by the retailer (which also comprises the value of unbilled energy consumption, additional work in establishing these accounts, reconciling charges, write-offs etc). Further, the level of compensation has not been reviewed since the MSS process was agreed to as a temporary measure back in 2008.

AGL does not support formalising the MSS option in the EIC, even in the 'limited' circumstances proposed. In fact, multiple-occupancy dwellings are well represented in move-in/move-out service requests due to the increased likelihood for such premises to be tenanted. Properly disconnecting premises in multiple occupancy dwellings has traditionally been the obligation of distributors, who have general responsibility for network management and cost recovery for those purposes. Retailers did not intend, by accommodating Energex on a short term basis, to find themselves thereby accepting the risk and liability for these cases in the long term.

Embedded in the Energex proposal is an intention to cease paying compensation to retailers for the occurrence of unbilled energy use in the event that the EIC change is accepted. This has not previously been raised with retailers and is not supported. A more robust conversation should be had about why it is now considered appropriate for the

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entire cost and risk associated with these cases to be borne by retailers and not distributors.

The Energex proposal is couched in terms of realising an efficiency and preventing 'unfavourable customer outcomes' in the long-term interests of Queensland consumers in accordance with the EIC objective. However, in reality the effect of the proposal is only to further shift the risk and burden of unbilled energy to retailers (ultimately likely to lead to increased costs to consumers) and defer a long-term resolution of the issue.

AGL would be pleased to meet with the Authority and Energex to discuss more permanent and equitable solutions (including appropriate cost-sharing arrangements) that might more genuinely align with the EIC objective. One such alternative solution might be for distributors to install a Metering Isolation Link (**MIL**) for all residences in a multiple-occupancy dwelling whenever a disconnection request is received in respect of one of the residences. This would mean a one-off building-wide disconnection, but would enable all future move-in/move-outs to be undertaken without disturbance to other residents and without imposing uncompensated costs and risks on retailers. The installation of smart meters, enabling remote de-energisation and re-energisation, could also be explored in such cases.

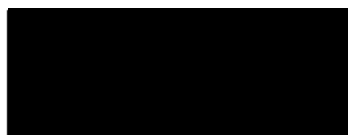
Given that safety is already recognised as an acceptable reason for a service order not to be completed, it is not clear why the proposed new clause 5.7.4(b) is necessary. AGL does not generally support the making of unnecessary code changes and would like to better understand what impact this change would have on distributor obligations to make the relevant infrastructure safe or to notify the owner responsible for an unsafe installation in order for them to undertake appropriate rectification works.

Energex also suggests that it may be preferable for a disconnection 'completed' by way of MSS to return a 'D' for disconnected in MSATS, rather than an 'A' for active as is currently the case. AGL considers it preferable for the current process of designating the site as 'A' to continue unchanged. As Energex points out, this enables retailers to know (and advise customers) what process is required for reconnection – that is, whether they must allow a 5-hour appointment window for Energex to undertake a visual inspection following a 'remove fuse' disconnection or whether the customer may conduct their own visual inspection in the case of an MSS. It also avoids potential safety issues arising from 'active' sites being classified in MSATS as 'de-activated', which falsely suggests that the site is not powered.

In summary, AGL does not support the EIC changes proposed and would prefer to meet with Energex and the Authority to discuss alternative approaches. However, should the EIC changes be implemented, it will be important to also provide for a scheduled review of the use of the MSS procedure – for example, in 12 or 18 months time.

Should you have any questions in relation to this submission please contact Eleanor McCracken-Hewson, Senior Regulatory Adviser, on (03) 8633 7252 or at EHewson@agl.com.au.

Yours sincerely,



Nicole Wallis
Manager Retail Markets Regulation

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