

9 November 2023

Ms Sarah Sheppard
Chief Executive Officer
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne Victoria 3000

Submitted via energyreform@esc.vic.gov.au

Dear Sarah

AusNet appreciates the opportunity to make a submission in response to the consultation on the *Revocation of the Electricity System Code Draft Decision*. Broadly, AusNet supports the revocation of the System Code as its original regulatory purpose and functions have largely been subsumed by the National Electricity Rules (the **Rules**) and other regulatory instruments. Nonetheless, there are related proposed transmission license changes that we consider unnecessary. These are detailed below in the responses to the specific questions raised in Draft Decision.

Q1. Do you have any concerns regarding the proposed revocation of the Electricity System Code? Please elaborate.

We do not have any fundamental concerns with the proposed revocation of the System Code.

Q2. Are there any provisions of the Electricity System Code that we should consider retaining? Please elaborate.

We do not consider that there are any provisions of the System code that should be retained, however, there are a limited number provisions that may need to be transferred to other instruments. These are discussed below.

There are a series of planner to/from operator/asset owner communication obligations which underpin effective communication for the unique split of planning responsibilities in Victoria set out under Clause 290. As these are Victorian specific issues they are not mirrored by National Rules obligations. While we do not consider that they are essential for the functioning of the Victorian Regime, and therefore, should not prevent the revocation of the Code, the intent of several clauses should be reflected in the Network Agreement once Victorian planning functions are subsumed by VicGrid.

With respect to the specific clauses raised in the ESC Draft Decision we make the following comments:

- With respect to Clause 100.3, these obligations are covered by clause 4.6 (Protection and Power System Equipment) and clause 5.2 (Obligations) of the Rules. As such, we do not consider its retention is necessary.
- With respect to the HV Protection Sub-code referred to in clauses 100.4.1 to 100.4.3, we do not believe that the Sub-code is proactively used or referenced operationally any more nor is it proactively governed by committee as set out in these clauses as its requirements have been deeply embedded into industry standards. As such, we do not consider the retention of these clauses is necessary.
- With respect to Clause 100.5 and the Attachment 11 benchmarks, these are no longer referenced by the industry and have not been for over a decade. Service standards are now comprehensively governed by Service Target Incentive Performance Scheme (**STPIS**) administered by the AER. These are audited annually and performance reported on the AER website in the operational performance data model that supports the *Electricity Network Performance Report*. As such, we do not consider the retention of these clauses is necessary.

- With respect to clause 110.2, we consider the process of distributors notifying AEMO of the desired voltage level and AEMO defining voltage levels is deeply embedded in Victoria as part of good industry practice for joint planning. As such, while no such process is delineated in the Rules, we do not consider revocation of the clause would prevent or change current practice. We have attached an example of the current advice issued to AusNet Transmission resulting from the System Code process for the Commission's information as **Attachment 1**.

We would also note that the voltage supply quality set out under NER S5.1a.4 is more flexible than the current system code standard outlined in clause 110.2.1(a). We do not consider that aligning with the national standard presents a problem, however, that is ultimately a question for the Victorian planner.

Likewise, we would also note that the power factor requirements set out under NER S5.3.5 provide more flexibility for the planner than the current system code standard outlined in clause 120.1.1. Again, we do not consider that aligning with the national standard presents a problem, however, that is also a question for the Victorian planner.

Q3. Do you consider the proposed revocation of the Electricity System Code in December 2023 provides enough time for any consequential adjustments that may be needed? If not, please elaborate why additional time may be required and specify the additional time needed.

We do not consider that the timing of the revocation need be delayed as result of any of the issues we have raised.

Q4. For transmission licence holders: do you have any concerns with our proposals to vary transmission licences as described in Annexes A and B to this draft decision?

Broadly, we support the proposed changes to our transmission licence. The exception is changes to clause 15 relating to insurance.

The public liability insurance market for the electricity sector is complex and there can be large changes to both the price and availability of insurance from year to year. As such, efficient levels of insurance will vary from year to year and, therefore, the balance between the deductible (self-insurance), insurance coverage and cost pass-through protection for above cover liabilities will also vary. Furthermore, it is possible that public liability insurance will become unavailable or uneconomic at times (which is envisioned by the regulatory regime).

The costs of insurance is regulated through the opex and pass-through provisions in Chapter 6A of the Rules as part of the overall price review process and, in the event of seeking further recourse from customers, through the pass-through process. This includes an assessment of the efficient sharing of risk between insurance, self-insurance (deductibles) and pass-through protection at the time of the Decision and at the time of any pass-through application. AER has provided extensive guidance on insurance matters in its decisions and in its *Guidance note on insurance coverage pass through events (July 2021)*.

Therefore, public policy issues addressed by the proposed Clause 15 licence change are already comprehensively covered by the Rules and administered proactively by the AER. We consider this renders the proposed Clause 15 unnecessary duplication of Chapter 6A for a transmission licence holder regulated under these Rules (we note some licence holders may not be covered). If the Commission remains of the view that insurance should be covered, the Clause will require substantial redrafting to align with the realities of insurance markets and the nature of the information that can be provided in timely manner. In particular, certificates of currency are less administratively burdensome to provide than the policies themselves.

We also note that this issue has been deemed not material enough to be reflected in the Distribution Licences.

We would be happy to meet Commission staff to further discuss the issues raised in this submission. If you have any questions regarding this submission, please contact me by email at [REDACTED]

Yours sincerely



Tom Hallam
GM Regulation (Transmission & Gas)
AusNet