

Electricity Distribution Code review – customer service standards

Final decision

16 November 2020 (amended on 22 December 2020)

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Contents

Executive summary	iii
2. Context for this final decision	15
3. Planned outage communications	19
3.1. Overview	19
3.2. Our reforms	19
3.3. Improving the methods of notification for planned outages	20
3.4. Clearer responsibilities to customers when planning for outages	30
3.5. Notifying customers of cancelled or rescheduled planned outages	34
3.6. Disclosing the reasons behind planned outages	37
3.7. Informing customers of possible outages when performing annual compliance testing of bushfire safety equipment	40
3.8. Notifying government during sustained unplanned outages	42
4. Guaranteed Service Level scheme	45
4.1. Overview	45
4.2. Updating payments and thresholds for low reliability and supply restoration	47
4.3. Updating payments for supply restoration single interruptions	58
4.4. Updating payments for late or missed appointments	63
4.5. Updating payments for delayed new connections	66
4.6. Improving customers' experience with the guaranteed service level scheme	69
4.7. Application of the guaranteed service level scheme	74
4.8. Exclusions to the guaranteed service level scheme	77
5. Reporting	87
5.1. Overview	87
5.2. New performance reporting requirements	87
5.3. Solar applications and connections	88
5.4. Guaranteed service level performance reporting	91
5.5. Other matters raised by stakeholders	92
6. Commencement of the new framework	95
6.1. Overview	95
6.2. Transitional arrangements for the guaranteed service level scheme	98
6.3. Monitoring outcomes from the new framework	101
Appendix A: Stakeholder submissions to draft decision paper	102
Appendix B: Final Energy Retail Code amendments	103
Appendix C: Final Electricity Distribution Code amendments	106
Appendix D: Electronic Transactions (Victoria) Act 2000	119
Appendix E: Guaranteed service level scheme background	121
Appendix F: Role of the commission	125

Executive summary

The Electricity Distribution Code (the distribution code) contains protections for customers as they interact with the electricity network. These protections provide customers with information about distributor obligations regarding planned or unplanned outages customers may experience.

Distributors are also required to provide customers with information to assist with making informed choices about their connection with the network. The distribution code also requires distributors to make payments to customers who experience poor levels of service from the network – this is called the guaranteed service level scheme.

Several independent reviews have raised the need to consider the type and levels of customer protections in the distribution code, and for the Essential Services Commission to make changes where appropriate.¹

New customer protections

In developing this package of reforms, we sought to enhance and improve customers' experiences with both their retailer and distributor. We have done this by focusing on:

- ensuring customer preferences are embedded in the new framework
- implementing reforms that promote the long-term interests of customers, including those who might be experiencing vulnerability such as life support customers.

The reforms in this final decision will also address key issues raised by stakeholders including:

- ensuring electricity retailers provide customer contact details, including electronic details, to distributors in a timely way
- modernising the communication channels distributors can use to notify customers about planned outages by focusing on customer preferences, while protecting life support customers
- giving distributors and customers flexibility to interrupt supply at short notice, subject to explicit informed consent and record keeping obligations
- ensuring customers are notified when planned outages are cancelled in many circumstances
- modernising and updating our guaranteed service level scheme in line with community expectations.

¹ Department of Environment, Land Water and Planning: Post Event Review – Power outage 28 and 29 January 2018, Independent Review of Victoria's Electricity, Gas Network Safety Framework, December 2017 and Essential Service Commission – Electricity connection process review 2018.

Our package of new rules will enhance the provision of relevant and timely information to customers, and facilitate better information exchange between retailers, distributors and ultimately with customers.

The rules will also modernise our guaranteed service level scheme to:

- ensure it is fit for purpose and captures customers who receive the poorest service from their distributor
- update the value of payments
- update payment thresholds using detailed smart meter unplanned outage data
- ensure customers receive timely payments
- ensure that customers receive all the payments they are eligible for by enhancing the method distributors use to identify customers affected by unplanned outages
- harmonise, to the extent we consider appropriate, with the Australian Energy Regulator's exclusions.

New reporting requirements

Our new reporting reforms will require electricity distributors to report to us on:

- the time it takes to process embedded generation applications and connect solar and battery systems
- all guaranteed service level data they currently provide to the Australian Energy Regulator
- smart meter unplanned outage data.

This data and information will help us better understand the service performance of distributors and assist us with evaluating whether further reform may be required in the future.

Commencement of new framework

Reform	Commencement date
Ability for distributors to obtain explicit informed consent to bypass the minimum four business day notification requirement to interrupt supply.	1 January 2021
Electricity retailers' obligation to provide customer contact information, including electronic contact details, to distributors.	1 April 2021
New planned outage communications framework.	1 July 2021
New guaranteed service level scheme, including obligations on retailers and distributors to make timely payments.	1 July 2021
New performance reporting requirements for distributors.	1 July 2021

Executive summary

Guaranteed service level scheme transitional arrangements

The Victorian Government has shifted the date that distributors update their network tariffs each year from 1 January to 1 July, starting in 2021. Currently, our guaranteed service level scheme operates on a calendar year basis.

To account for the Victorian Government's changes arising from the National Energy Legislation Amendment Act 2020, the existing guaranteed service level scheme will continue to apply with modifications to the duration payment category for the first six months of 2021.² This means the unplanned outage payment thresholds and values for the duration category will be pro-rated for the first six months between January and June 2021.

Distributors will be required to make payments to eligible customers in line with the new guaranteed service level scheme set out in this paper from 1 July 2021 onwards. Retailers will be provided with additional time to apply payments to customer accounts, as they will be processing two quarters of payments in one batch.

Implementing new customer service standards

In developing these reforms, we have considered the customer outcomes our reforms will require retailers and distributors to deliver and the impact on electricity distributors and retailers.

We have focused on implementing reforms in a manner that promotes the long-term interests of consumers and maximises customer coverage, while balancing how these changes can be implemented by electricity distributors and retailers in an efficient and cost-effective way.

We heard through our consultation with distributors and retailers that the changes will require modest capital expenditure and involve minimal ongoing operational costs. We heard that distributors already communicate with many of their customers via electronic methods. The changes to the guaranteed service level payments, particularly making payments timelier and using more accurate methods to identify customers eligible for payments, are expected to require small additional administrative resources, potentially up to a couple of full-time equivalent staff members.

We have considered these comparatively small additional costs with respect to the positive outcomes the reforms seek to deliver for customers and the wider Victorian community. We also recognise there will be efficiency gains and cost savings from the reforms, including:

² The National Energy Legislation Amendment Act 2020 was assented to on 20 October 2020 and is available at: <https://www.legislation.vic.gov.au/as-made/acts/national-energy-legislation-amendment-act-2020>.

- the ability for distributors to notify customers about planned outages electronically, saving on postal, staff resourcing and other administrative costs
- if certain conditions are satisfied, the flexibility for distributors to interrupt supply with less than four business days' written notice, in turn reducing costs of having crews and works rescheduled.

Consultation on our review

In developing these reforms, we have consulted extensively with stakeholders through workshops, one-on-one meetings, a webinar, and by receiving formal feedback to our approach paper, issues paper and draft decision paper.³

In December 2018, we hosted a forum where a range of different stakeholders contributed and informed us of their areas of interest regarding the distribution code. Following the forum, we released an approach paper in April 2019 to signal to stakeholders how we intended to proceed with our reviews of the technical and customer service standards, and a wider code review work program.⁴

In August 2019, we released an issues paper on the technical and customer service standards. We received 21 written submissions from electricity distributors, retailers, consumer organisations, a peak business body, the Energy and Water Ombudsman (Victoria), members of the public and other interested stakeholders.⁵ We also held a Victorian energy open forum where we discussed options to modernise the distribution code with stakeholders from all areas of the energy sector.

In September 2019, we held two regional workshops in Ballarat and Traralgon and invited members of the community to attend. We received valuable feedback from those who attended.

In May 2020, we released our draft decision paper and provided an extended period of eight weeks for stakeholders to make submissions. We received 21 submissions from distributors, retailers, consumer groups, the Australian Energy Council, the Energy and Water Ombudsman (Victoria), community members, Energy Safe Victoria, Clean Energy Council, and the Department of

³ All of our stakeholder engagement resources are available on our website at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review>.

⁴ Essential Services Commission, Electricity Distribution Code Review: Approach paper, April 2019.

⁵ Essential Services Commission, Electricity Distribution Code Review: Issues Paper, August 2019.

Executive summary

Transport. Stakeholders were generally supportive of our proposed package of reforms but suggested some amendments they considered would improve our draft decision proposals.⁶

In June 2020, we held a series of one-on-one meetings with stakeholders. We also hosted a webinar to provide an overview of stakeholders' feedback and provided an opportunity for a broader discussion about our proposed reforms. We published the webinar and a summary of stakeholders' feedback to our website.

We would like to thank stakeholders for their involvement and contributions to the process in developing our package of reforms.

Who the new rules will apply to

Our reforms for planned outage communications and the guaranteed service level scheme will apply only to licensed electricity distributors. Distributors will also have new reporting obligations to the commission. Licensed electricity retailers will be required to provide customer information and contact details to distributors and make timely guaranteed service level payments. The reforms do not apply to exempt sellers or suppliers operating embedded networks. We will consider these reforms in the context of the regulatory framework for embedded networks in the future.

Monitoring outcomes from the new framework

Our Victorian energy market report outlines retailers' and distributors' performance against a series of measures.⁷ These measures indicate, at a high level, the experiences of customers in the Victorian energy market. We will use this reporting process to monitor the outcomes of these latest reforms.

We will also continue conducting regular audits to see whether retailers and distributors are complying with the energy rules. Over time, we will adjust our audit focus areas for retailers and distributors, which may include audits in relation to compliance with new rules we have implemented.

We generally undertake a review of the guaranteed service level scheme on a five-yearly basis to align with the Australian Energy Regulator's price determination periods. We will consider

⁶ Jemena, AGL, the Australian Energy Council, Alinta Energy, the Department of Transport, EnergyAustralia, ERM Power, the Energy and Water Ombudsman (Victoria), Consumer Action Law Centre, John Mumford, Momentum Energy, Origin Energy, Red Energy and Lumo Energy, and Victorian Council of Social Service, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁷ Essential Services Commission, Victorian energy market report available at: <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.

reviewing the guaranteed service level scheme prior to the next price determination period commencing in 2026, or where the commission considers it appropriate to do so.

Overview of our final decisions

A summary of our final decisions is outlined in tables 1-4 below. Our detailed final decisions are set out in the following chapters:

- planned and unplanned outage communications (chapter 3)
- guaranteed service level scheme (chapter 4)
- reporting (chapter 5)
- commencement, including transitional arrangements (chapter 6).

1.1 Table 1 Final decisions relating to planned and unplanned outage communications

Final decision	Summary of our final decision	Change from our draft decision
1	<p>Improving the methods of notification for planned outages</p> <p>Retailers will be required to provide customer information, including electronic and other contact details, to electricity distributors in a timely manner and in line with the Australian Energy Market Operator’s existing business to business procedure. Customers, including those affected by family violence, will have their information protected.</p> <p>We have modernised the planned outage notification process by enabling customers to nominate their preferred notifications method or methods. Customers who cannot or do not engage to nominate their preferences will continue to receive hard copy notices.</p> <p>Life support customers will continue to receive hard copy notices, in addition to any digital notifications they elect to receive.</p> <p>Distributors must advise customers how they can nominate or update their preferred contact method on each planned outage notice.</p> <p>Distributors will be required to keep records of customers’ preferences and remind customers who receive digital notifications of the scheduled planned outage one business day prior.</p>	<p>Modified – we have changed the explicit informed consent requirements to instead focus on customers nominating their preferred contact channel or channels.</p> <p>Distributors will be required to advise customers about how they can nominate their preferences on each notification.</p> <p>Notices must be in plain English and be designed to be readily understandable.</p> <p>We have aligned with the existing business to business procedure for the retailers’ obligation.</p>

2	<p>Clearer responsibilities to customers when planning for outages</p> <p>Customers will be able to provide their explicit informed consent to distributors to allow a distributor to interrupt a customer's supply without providing the minimum four business days' notice.</p> <p>Distributors are required to keep records of customers' consent. This provision will commence from 1 January 2021.</p> <p>We have retained the current requirements for distributors to give at least four business days' notice for planned outages unless explicit informed consent of all affected customers is obtained and recorded by a distributor.</p>	No change
3	<p>Notifying customers of cancelled or rescheduled outages</p> <p>Distributors are required to:</p> <ul style="list-style-type: none"> • notify customers of cancelled or rescheduled outages in particular circumstances • provide a high-level reason indicating why a planned outage was cancelled, for example due to extreme weather. 	Modified – the one-hour time frame for digital notices was changed to 'as soon as practicable'.
4	<p>Disclosing the reasons behind planned outages</p> <p>Distributors are required to provide information to customers about:</p> <ul style="list-style-type: none"> • the reason for the planned outage, at a high level • the potential for the outage to be cancelled, including for reasons outside the distributor's control such as extreme weather. 	No change
5	<p>Informing local communities of possible outages when testing bushfire safety technology</p> <p>Distributors will not be required to notify local communities via notices in local or state newspapers and websites before distributors test their bushfire safety technology.</p>	Removed
6	<p>Notifying government departments about sustained outages</p> <p>We have updated references to the 'Department of Health' and the 'Department of Human Services' to the 'Government Department responsible for public health.'</p>	Modified – instead of specifying department name we have focused on the department responsible for public health.

1.2 Table 2 Final decisions relating to the guaranteed service level scheme

Final decision	Summary of our final decision	Change from our draft decision
7	<p>Updating annual duration and frequency thresholds</p> <p>We have updated the duration and frequency thresholds to reflect the removal of outages on major event days from counting toward duration or frequency payments. This will ensure customers who experience the poorest network performance are still recognised by the guaranteed service level scheme. The new thresholds will be:</p> <ul style="list-style-type: none"> • 18-hour, 30-hour and 60-hour thresholds for the duration payments • eight, 12 or 20 sustained outages events per year for the frequency payments. 	Modified – revised thresholds based on more granular smart meter data.
8	<p>Updating momentary and sustained interruption thresholds</p> <p>We have updated the definitions of sustained and momentary interruptions to align with the national framework where a momentary interruption is defined as less than three minutes and a sustained interruption is more than three minutes.</p>	No change
9	<p>Updating payment amounts for low reliability and supply restoration</p> <p>We have adjusted the guaranteed service level performance payment levels by the change in the value of customer reliability measure since our last review in 2015, and in line with consumer price index changes. The new payment levels are:</p> <ul style="list-style-type: none"> • \$130 for the 18-hour supply restoration duration payment • \$190 for the 30-hour supply restoration duration payment • \$380 for the 60-hour supply restoration duration payment • \$130 for the eight interruptions low reliability frequency payment • \$190 for the 12 interruptions low reliability frequency payment • \$380 for the 20 interruptions low reliability frequency payment • \$40 for the 24 low reliability momentary interruptions payment 	No change – payment amounts are unchanged from the draft decision, however, payment thresholds have been revised based on more specific smart meter data.

- \$50 for the 36 low reliability **momentary interruptions** payment.

The duration, frequency and momentary interruption payments will be paid in incremental amounts as each threshold is met.

Updating payments for supply restoration single interruptions

We have:

- removed the restriction of customers only having access to either the supply restoration payment for single interruptions or annual duration payment
- 10 • revised the supply restoration single interruption payment to cover circumstances where a customer has been without supply for 12 hours or more on a major event day.

The major event day payment will be \$90 where a customer experiences an outage greater than 12 hours. Interruptions that extend past the major event day do not count toward the other payment categories.

Modified – we have clarified that single interruptions that extend beyond a major event day are not counted in other payment categories.

Updating payments for late or missed appointments

No change

- 11 We have updated the late or missed appointment payment from \$30 to \$35.

Updating payments for delayed new connections

We have strengthened and clarified when delayed connection guaranteed service level payments must be made to customers.

Customers will be eligible for a payment:

- 12 • where a customer and distributor have agreed to a date for the new connection and the distributor has not completed the connection on or by the agreed date, or
- if no date is agreed, then payments begin after 10 business days.

Modified – we have clarified that new connections can be brought forward ahead of the agreed date.

Improving customers' experience with the guaranteed service level scheme

- 13 We have changed the low reliability and supply restoration – duration, frequency and momentary interruption – payments from annual payments to progressive accumulation payments.

Modified – we have increased the time distributors will have to make timely payments to customers for the delayed new

	<p>Distributors will need to assess customer eligibility on a quarterly basis and make payments within 60 business days.</p> <p>Major event day payments (formerly single interruption supply restoration payments) must be paid within 60 business days following the event.</p> <p>Delayed new connection and late appointment payments must be paid as soon as practicable and no later than two distributor network invoicing periods after a customer becomes eligible for the payment.</p> <p>If a distributor makes a payment through the customer's retailer, the retailer must apply the payment to the customer's account within 10 business days of receipt from the distributor.</p>	<p>connection and late appointment payment categories. Retailers will be provided with 10 business days to apply payments to customer accounts, up from two business days.</p>
	<p>Application of the guaranteed service level scheme</p>	<p>No change</p>
14	<p>We have restricted the guaranteed service level scheme to customers who have, or should have, advanced metering infrastructure (smart meters).</p> <p>Guaranteed service level payments will be linked to customers' supply addresses rather than individual customers.</p>	
	<p>Excluding the operation of bushfire safety technology</p>	<p>Modified – we have included a broader definition of bushfire safety equipment to future proof the exclusion should new technology be deployed.</p>
15	<p>We have excluded outage events from the guaranteed service level scheme where the outage is caused by the operation of equipment related to bushfire mitigation on total fire ban days and code red days.</p> <p>Outages caused by testing of bushfire safety equipment are not excluded.</p>	
	<p>Major event days – new calculation and exclusion</p>	<p>No change</p>
16	<p>We have:</p> <ul style="list-style-type: none"> aligned the methodology for determining major event days with the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard, used by the Australian Energy Regulator and in other Australian jurisdictions automatically excluded supply interruptions that occur on major event days from contributing toward the low reliability and supply restoration payment thresholds. 	
17	<p>Harmonisation of exclusions with the national scheme</p>	<p>No change</p>

We have harmonised certain Victorian exclusions with the exclusions Australian Energy Regulator’s Service Performance Target Incentive Scheme.

1.3 Table 3 Final decisions relating to performance reporting

Final decision	Summary of our final decision	Change from our draft decision
18 and 19	<p>New performance reporting requirements</p> <p>Distributors are required to start reporting to us on:</p> <ul style="list-style-type: none"> the time taken to process embedded generators (solar systems and batteries) applications, including inspections, meter replacement/reconfiguration and network tariff re-assignment guaranteed service level payments across all categories in the same way distributors currently report to the Australian Energy Regulator smart meter unplanned outage data for each national metering identifier in a distributor’s network. 	<p>Modified – we have included a new obligation for distributors to provide us with unplanned outage smart meter data.</p>

1.4 Table 4 Final decisions relating to commencement of new framework

Final decision	Summary of our final decision	Change from our draft decision
20	<p>Implementation timings</p> <p>The new provision of customer information obligations for electricity retailers will commence on 1 April 2021.</p> <p>The distribution code amendments which implement our final decisions for the changes to planned outage notifications and the guaranteed service level scheme will take effect from 1 July 2021 for electricity distributors and retailers.</p> <p>Our final decisions for the new performance reporting requirements will take effect from 1 July 2021.</p>	<p>Modified – we have extended the implementation time frames for retailers and distributors and staggered the commencement of the new framework.</p>
21	<p>Transitional arrangements for the guaranteed service level scheme</p> <p>Guaranteed service level payment thresholds and payment values for the duration payment category have been pro-rated so that they are halved for the first half of 2021 to account for changes to network tariff reset time frames.</p>	<p>New provisions – to account for the change to the timing of annual network tariff resets, we have</p>

Distributors will be required to provide payments for the first half of 2021 to retailers within 60 business days from 1 July 2021.

Retailers will be provided with 20 business days – twice the normal time frame – to apply payments to customer accounts after receipt from distributors. Retailers' obligation to apply payments within 10 business days will commence for payments relating to outages that occur after 1 July 2021.

included provisions to transition to the new framework.

2. Context for this final decision

Our code review work program so far

We commenced the Electricity Distribution Code (the distribution code) review in late 2018. Prior to this in August 2018, we concluded a separate review that enabled the operation of bushfire safety technology being rolled out by distributors.⁸ This was in response to new bushfire safety regulations.

Consultation to identify priorities and reforms

In developing these reforms, we have consulted extensively with stakeholders through workshops, one-on-one meetings, forums, an approach paper, an issues paper, a draft decision paper, stakeholder meetings and a webinar.⁹

In December 2018, we hosted a forum where a range of different stakeholders contributed and informed us of their areas of interest regarding the distribution code.

We released an approach paper in April 2019 to signal to stakeholders how we intended to proceed with our reviews of the technical and customer service standards, and a wider code review work program.¹⁰

In August 2019, we released an issues paper on the technical and customer service standards.¹¹ We asked stakeholders about a range of matters, including the following key areas:

- the guaranteed service level scheme and planned outage notification requirements
- technical standards relating to voltage, harmonics, frequency management in micro grids and standalone power systems, power factor, negative sequence, aggregation for embedded generators, and synchronous generators
- customer protections relating to exempt persons selling electricity in embedded networks
- electricity connection delays.

⁸ Essential Services Commission, Voltage standards review 2018, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-policies-and-manuals/electricity-distribution-code/voltage-standards-review-2018>.

⁹ All stakeholder engagement resources are available on our website at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review>.

¹⁰ Essential Services Commission, Electricity Distribution Code Review: Approach paper, April 2019.

¹¹ Essential Services Commission, Electricity Distribution Code Review: Issues paper, August 2019.

Context for this draft decision

We received 21 written submissions from electricity distributors, energy retailers, consumer organisations, a peak business body, the Energy and Water Ombudsman (Victoria), members of the public and other interested stakeholders (see appendix B for a list of stakeholder submissions). We also held a Victorian energy open forum in August 2019 where we discussed options to modernise the distribution code with stakeholders from all areas of the energy sector.¹²

In September 2019, we held two regional workshops in Ballarat and Traralgon and invited members of the community to attend. We received valuable feedback from those who attended.

In May 2020, we released a draft decision paper and provided stakeholders with eight weeks to make submissions. We received 21 submissions from distributors, retailers, consumer groups, the Australian Energy Council, the Energy and Water Ombudsman (Victoria), community members, Energy Safe Victoria, Clean Energy Council, and the Department of Transport.

In June 2020, we held a series of one-on-one meetings with stakeholders. We also hosted a webinar to provide an overview of stakeholders' feedback and provided an opportunity for a broader discussion about our proposed reforms. We published the webinar and a summary of stakeholders' feedback to our website.

We would like to thank stakeholders for their involvement and contributions to our consultation process.

Technical standards project stream

In December 2019, we released our draft decision relating to updating the technical standards in the distribution code.¹³ We received seven submissions. In April 2020, following consultation, we released our final decision.¹⁴ The final decision updated the following areas:

- voltage standards - technical parameters that govern the way electricity is supplied
- harmonics - technical parameters that govern the distortion limits with the power supply
- negative sequence - technical parameter that govern the level of system imbalance
- power factor - a measure of the effective use of power.

¹² Essential Services Commission, Victorian energy open forum 2019, available at: <https://www.esc.vic.gov.au/electricity-and-gas/inquiries-studies-and-reviews/victorian-energy-open-forum-2019>.

¹³ Essential Services Commission, Electricity Distribution Code review – Technical standards: Draft decision, December 2019.

¹⁴ Essential Services Commission, Electricity Distribution Code review – Technical standards: Final decision, April 2020.

Customer service standards project stream

On 6 February 2020, we held a workshop to discuss staff reflections on stakeholders' submissions to the issues paper. We also discussed options to reform the rules relating to the guaranteed service level scheme and planned outage notifications. We received useful feedback and thank stakeholders for attending.

We have also had many one-on-one meetings with stakeholders to discuss their submissions and options on how to implement possible and new customer service standards.

We released a draft decision on updating the customer services standards in our framework which primarily focused on updating the guaranteed service level scheme and modernising communications regarding planned outages. We also proposed new reporting obligations for distributors and some new requirements for electricity retailers.

This final decision concludes the customer service standards project stream.

Improving the timeliness of electricity connections

We are also continuing work on the electricity connections project. On 14 October 2020, we released our decision paper which requires distribution businesses to engage with developers and their contractors to develop a customer service standard.¹⁵

The customer service standard is designed to improve the timeliness of underground negotiated connections in new residential developments in greenfield areas.

It comprises three elements:

- an overarching customer outcomes statement setting out what a distribution business expects to deliver over the next two years in relation to negotiated connections
- a requirement to form a consultative committee that meets quarterly to discuss improvements in negotiated connection processes
- a performance reporting framework that distribution businesses are to report against every six months.

Distribution businesses will submit their customer service standards to us for review by 4 December 2020. We will assess each customer service standard to ensure it reflects thorough engagement and is meaningful.

¹⁵ Essential Services Commission, Improving electricity connections for new developments, available at: <https://www.esc.vic.gov.au/electricity-and-gas/information-consumers/improving-electricity-connections-new-developments#tabs-container1>.

We note that recently, the Energy Legislation Amendment (Licence Conditions) Bill 2020 was introduced to parliament. If passed, the Bill will enable the Minister for Energy, Environment and Climate Change to set licence conditions that energy companies must meet, including timeliness for connection.¹⁶

Strengthening life support customer protections

We released our final decision on strengthening the protections for life support customers on 5 December 2019 and transitional arrangements came into effect in the distribution code from 2 January 2020.¹⁷ The remaining parts of the electricity life support customer protection framework came into effect on 2 February 2020. The new framework strengthens and clarifies the roles and responsibilities of energy businesses and customers to ensure that life support registers are up-to-date, and customers are protected.

Back-billing

In July 2020, we released our back-billing final decision. The final decision reduced retailers' ability to back-bill customers from nine months to four months. The four-month period also applies to distributors' ability to recover undercharged network charges from retailers. The new rules come into effect on 1 January 2021.¹⁸

¹⁶ Energy Legislation Amendment (Licence Conditions) Bill 2020 available at: <https://www.legislation.vic.gov.au/bills/energy-legislation-amendment-licence-conditions-bill-2020>.

¹⁷ Essential Services Commission, Strengthening protections for life support customers: Final Decision, December 2019.

¹⁸ Essential Services Commission 2020, Changing the back-billing rules for retail energy customers: Final decision, 8 July.

3. Planned outage communications

3.1. Overview

Distributors are required to notify and communicate with customers who will experience a power outage because of planned works – this is often referred to as a planned outage. This helps customers prepare for the outage, for example, by organising back-up generators or making other arrangements.

Some planned outages are cancelled or rescheduled by distributors despite customers being notified beforehand. When this occurs, customers may have already made other arrangements in anticipation of the planned outage. Customers could have avoided this inconvenience if their distributor had notified them about the cancelled works.

Our package of reforms seeks to make distributors more accountable for communicating with their customers clearly and in a timely way about planned interruptions. Our reforms will help improve how distributors engage and communicate with customers, particularly at a time when the electricity industry is undergoing change that is putting greater emphasis on how customers use electricity and interact with the network.

3.2. Our reforms

This chapter provides an overview of the existing requirements in the distribution code, and our reforms to improve distributors' communication to customers relating to planned outages. In summary, we have made the following changes:

- **Improving the methods of notification for planned outages.** Customers will now be able to receive digital planned outage notifications and nominate their preferred contact methods, including receiving hard copy notices.
- **Strengthened protections for life support customers.** Life support customers will always receive a hard copy notification, in addition to any digital notifications they nominate to receive.
- **Clearer responsibilities to customers when planning for outages.** Customers will now receive more information about the reason for a planned outage, including that the outage might be cancelled due to unforeseen reasons.
- **Notifying customers of cancelled or rescheduled outages.** Customers will now receive notifications when planned works are cancelled and a reason why.

The following sections provide further details on our final decisions, stakeholder feedback and our considerations.

3.3. Improving the methods of notification for planned outages

Final decision 1

Retailer obligations

Electricity retailers are required to provide customer information, including electronic and other contact details, to electricity distributors. Retailers must provide this information within two business days of becoming the financially responsible retailer for the customer's premises.

Retailers are required to provide any updated customer information to distributors as soon as practicable following a change to those details.

Retailers are also required to provide distributors with all existing customers' contact information, including electronic contact details, by 30 June 2021, but only where the details have not previously been provided and to the extent that a customer's contract allows this.

This information sharing requirement is based on the existing specifications of the Australian Energy Market Operator's relevant business to business procedure.

Customers experiencing family violence will continue to be protected from having their confidential information shared with distributors. Retailers are not required to provide customer contact information to distributors where a customer is affected by family violence. These customers will receive hard copy notices.

Customers' preferred notification channels

We have made it explicit in the distribution code that distributors can notify customers through digital communication channels where a customer has nominated this as their preferred contact channel or channels. Where a customer has not nominated their preferred communication channel or channels, a distributor must send a hard copy notice.

Distributors are required to include information on all planned outage notifications about how customers can nominate their preferred contact channels, including that the customer can nominate to receive hard copy notices.

Distributors must update a customer's preferred contact channel upon request, including a request by a customer to receive hard copy notices and maintain records.

Customers' contact information and details will be protected from misuse.

Life support customers

Distributors must notify life support customers with a hard copy notification and through any electronic channels the customer has nominated.

Reminder notifications

Where a distributor has provided a customer with a digital notification, the distributor must send a reminder notification via the customer's preferred contact method or methods.

The reminder notice obligation does not apply where a customer only receives hard copy notices.

Communicating with customers clearly

Distributors are required to ensure that all communications relating to planned outages, including cancelled work notifications and reminder notices, are expressed in plain English and are designed to be readily understandable by customers.

Draft decision proposal

In our draft decision, we noted the distribution code currently requires distributors to provide written notification to customers who will be affected by a planned outage, at least four business days before the supply interruption occurs.

We noted that distributors generally understood 'written notification' to mean the notification must be a hard copy notice physically delivered to affected customers' premises.

We proposed to require distributors to notify customers through all known electronic channels and for distributors to obtain explicit informed consent in order to remove the obligation to send a hard copy notice.

We also proposed to:

- require retailers to share customer information, including electronic contact details, with distributors based on the relevant requirements in the use of system agreements
- allow customers to revert to hard copy notices
- require distributors to send a digital reminder notification one business day before a planned outage
- ensure that life support customers continued to receive hard copy notices as well as electronic notifications where applicable
- require distributors to provide electronic notifications to customers even if they had not provided their explicit informed consent to receiving these.

Relevant legislation

We also noted that in Victoria there are requirements under section 8 of the Electronic Transactions (Victoria) Act 2000.¹⁹ In summary, the Act requires persons giving information in writing to reasonably expect that the information would be readily accessible and useable for future reference, and that the person receiving the information has consented to receiving it electronically. The Act specifies that giving, serving or sending a notification is ‘giving information’ for the purposes of section 8 of the Act.

Customer survey results

In our draft decision, we included the independent survey results conducted by Orima Research on behalf of the commission. The survey was designed to provide us with an indication of customer preferences around planned outages. Respondents were able to select multiple answers to this question with the following results:

- 32 per cent of respondents wanted to be notified by letter in the mail
- 51 per cent of respondents wanted to be notified by email
- 59 per cent of respondents wanted to be notified by text message
- seven per cent of respondents wanted to be notified through a mobile phone app.

Stakeholder feedback on our draft decision

Retailer obligations to provide customer information to distributors

AusNet Services supported our proposal to require retailers to provide customer information, including electronic contact details, to distributors. Through AusNet Services’ customer engagement in developing its next five-year pricing proposal, customers said they want the distributor to focus on improving communications with them.²⁰

During our one-on-one meetings, many retailers said they would be able to easily implement this proposal as they already collect and verify customer information during various customer interactions. We also heard that retailers will be able to utilise existing business-to-business procedures through the Australian Energy Market Operator. Accordingly, there will be no need for lengthy or costly procedure or system changes. However, some retailers said the information specified in our proposed drafting did not completely align with the terminology or fields in the

¹⁹ Appendix D of this draft decision paper contains the relevant extract of the Electronic Transactions (Victoria) Act.

²⁰ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

existing procedure. We also heard that most retailers' systems instantly send customer detail notifications to distributors, so there was comfort with our proposed time-bound obligation.²¹

However, Origin Energy said that the existing customer and site details notifications process sets out the rules regarding the frequency by which retailers update details in the national database. Origin Energy noted that our proposed time bound obligation is currently consistent with the procedure. However, to avoid potential issues in the future, retailers should just be required to comply with the time frames in the procedure.²²

Alinta Energy said that our monthly reconciliation proposal was unnecessary and that a quarterly reconciliation process would better align with other processes.²³

EnergyAustralia said that information about existing customers that had already been shared with distributors should not be captured as part of the commencement of the new rules.²⁴ Similarly, the Australian Energy Council said retailers should not be required to provide existing electronic communication information until such a time as they would otherwise have periodically updated the network of the current customer contact details.²⁵ Following its submission to our draft decision, EnergyAustralia also raised concern about protecting information for customers experiencing family violence and noted that the provisions relating to not sharing confidential information with other parties are contained in the Energy Retail Code (the retail code).

Regulatory instrument for retailer obligations

The Australian Energy Council, AGL, Momentum Energy and Origin Energy said that retailer obligations should be incorporated into the retail code and not the distribution code as we proposed in our draft decision. They contended that introducing retailer obligations in the distribution code creates inefficiencies with regulatory compliance.²⁶

²¹ Essential Services Commission, Electricity Distribution Code – Customer service standards detailed summary of feedback to our draft decision, 1 July 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review#tabs-container2>

²² Origin Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²³ Alinta Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²⁴ EnergyAustralia, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²⁵ Australian Energy Council, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²⁶ Australian Energy Council, AGL, Momentum Energy and Origin Energy, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Electronic notifications

Stakeholders generally agreed distributors should be able to notify customers of planned outages by electronic communication channels such as text message and email. The Australian Energy Council highlighted there are economic benefits for distributors and their customers in moving to electronic notifications.²⁷

AusNet Services strongly supported our proposal to allow electronic notifications and said that it already provides these notifications in addition to hard copy notices where retailers have provided a mobile phone number or email address.²⁸

Consumer Action Law Centre said that our proposal had not specified how bounced emails or text messages that are not delivered would be addressed in the new framework.²⁹

CitiPower, Powercor and United Energy said that the commission should focus on customers' preferred communication channels rather than requiring distributors to send notification to all known channels.³⁰

Consumer advocate, John Mumford said that customers should be allowed to provide their communication preferences direct to their distributor and that distributors should be required to record these preferences.³¹

Explicit informed consent

CitiPower, Powercor and United Energy called for electronic only notifications to be an opt out process. This would mean customers would automatically receive electronic notifications by default unless they advised their distributor they wanted to receive hard copy notifications. CitiPower, Powercor and United Energy said that the proposed explicit informed consent requirements would

²⁷ Australian Energy Council, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²⁸ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

²⁹ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁰ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³¹ John Mumford, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Planned outage communications

be too burdensome. They also said that the Electronic Transactions Act (Victoria) allows for implied and other types of consent.³²

AusNet Services also considered that the legislation allows for implied consent and said that our proposal would create significant barrier to customer uptake. AusNet Services said that increased uptake may be achieved through outbound calls and a public information campaign but considered the costs would not be justified by the incremental benefits such as reduced postal costs. AusNet Services also contended that explicit informed consent is the appropriate standard in the retail code when a customer and retailer enter a binding contractual relationship. AusNet Services suggested that retailers should ask customers – when signing up new customers or renewing contracts for existing customers – if they consent to receiving electronic outage notifications and provide this to distributors. Other requirements around updating records and record keeping were also suggested.³³

Consumer Action Law Centre said that an opt-in approach proposed by the commission might work where electronic notifications better align with customers' preferences. However, Consumer Action Law Centre said that some customers may be confused about distributors contacting them to obtain consent to send electronic notifications and suggested that it might be simpler for retailers to ask customers when entering into a contract.³⁴

AGL, Origin Energy and Alinta Energy all supported our proposal for distributors to obtain and record a customer's explicit informed consent in order to send notifications via electronic channels.³⁵ The Australian Energy Council, AGL, Alinta Energy, ERM Power, EnergyAustralia and Origin Energy strongly opposed suggestions by distributors that retailers should obtain customers' explicit informed consent regarding electronic planned outage notifications.³⁶

Protections for customer information

Several stakeholders raised concerns about protecting customer information. AGL, the Australian Energy Council, Red and Lumo Energy, ERM Power, and Origin Energy said that distributors

³² CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³³ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁴ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁵ AGL, Origin Energy and Alinta Energy, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁶ Australian Energy Council, ERM Power, EnergyAustralia and Origin Energy, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Planned outage communications

should be limited in how they use customer information. For example, AGL said that distributors should only be allowed to use information for the purposes of complying with the distribution code.³⁷

Life support customer notifications

AusNet Services and the Energy and Water Ombudsman (Victoria) supported an ongoing requirement to provide life support customers with hard copy notices even if they are also receiving electronic notifications.³⁸ CitiPower, Powercor and United Energy said that where a life support customer requests for electronic notifications only, they should be able to accommodate the customer's request.³⁹

Reminder notifications

The Energy and Water Ombudsman (Victoria) supported our inclusion of reminder notifications one business day before the scheduled works are to proceed.⁴⁰

Our final decision

We have modernised the existing planned outage communication obligations in the distribution code by making it clear that customers can nominate their preferred contact channel or channels, including digital communication methods. Where appropriate, we consider electronic notifications to be a cost-efficient and quick way for distributors to communicate with their customers.

Most importantly, our final decision places customer preferences and their experience as they interact with distribution networks at the core of this suite of reforms regarding distributors' obligations to notify customers of planned outages. Customers who wish to receive hard copy notices or notices via multiple channels can nominate their preferences. Customers will receive notifications that can be easily understood, life support customers will be afforded higher levels of protections and all customers' contact information will be protected from misuse.

³⁷ AGL, Australian Energy Council, Red Energy and Lumo Energy, ERM Power, and Origin Energy, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁸ AusNet Services and Energy and Water Ombudsman (Victoria), submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

³⁹ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴⁰ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Electronic notifications and customer preferences

We recognise the benefits of modernising the methods for distributors to notify customers about planned outages, as highlighted by stakeholders' strong support. In developing our final decision, we have sought to strike the right balance about delivering the intent of the reforms while considering customer protections in the context of the broader electricity market.

We have removed our proposed draft decision requiring distributors to obtain a customer's explicit informed consent to receive electronic notifications. We consider this may have increased the regulatory burden in such a way that the intent of the reform would not have been effective as we seek it to be.

Instead, we have focused on customers' preferences and designing regulations that encourage distributors to more proactively communicate with their customers to find out their preferences. Distributors will be required to send hard copy notices to customers until they nominate their preferred contact channel or channels. We consider that this is an important customer protection, particularly for vulnerable community members, customers from culturally and linguistically diverse backgrounds and for customers who cannot or do not wish to engage.

Distributors will be required to advise customers on every planned outage notification about how they can nominate or update their preferred contact channels. This includes information that a customer can choose to receive hard copy notices. We consider that this initiative, coupled with our reform to require retailers to provide electronic contact details to distributors by default, will enable distributors to communicate with and encourage customers to nominate their preferred contact channels. Our view is that customers who wish to receive electronic notifications are likely to take a relatively small amount of time to nominate their preferences, while customers who cannot or do not want to engage with their distributor will continue to receive hard copy notices.

We note that distributors already communicate with many of their customers via text message and email where they know these details, such as for planned and unplanned outages. Accordingly, we anticipate many customers will be familiar with receiving digital communications. However, we consider it important for customers to receive clear and unambiguous information with each notification about how a customer can nominate or update their individual communication preferences. These preferences may include receiving notifications via a range of communication channels, for example by text message and hard copy notice.

As noted in our draft decision, the survey conducted by Orima on our behalf found that over half of all respondents had a preference to receive electronic notifications. Additionally, we found through the results of the customer survey that nearly half of respondents had a preference to receive notifications via a range of communication channels:

Planned outage communications

- seven per cent of respondents wanted to receive both a letter and text message
- 12 per cent of respondents wanted to receive both a letter and email
- 25 per cent of respondents wanted to receive both an email and text message.

In relation to bounced emails, we would expect distributors who receive an undelivered email notification to provide a hard copy notice to the customer. We would expect the same for undelivered text messages, however, we are not currently aware if this functionality exists. We also consider it reasonable for the onus to be on customers to keep their contact details up to date, particularly where they have opted in to receive digital notifications. We note that the current hard copy notifications do not guarantee delivery or receipt of a notification.

Retailers providing customer information to distributors

We recognise the importance of new retail code requirements for retailers to provide distributors with customer information, which will assist distributors in communicating with their customers. Retailers will be required to provide customer information, including electronic details, to distributors in a timely way. These obligations will apply when a customer advises their retailer of their details or once the retailer becomes the financially responsible retailer for the customer's premises. There are also requirements for retailers to pass on updated customer contact details as they occur.

Retailers will also be required to provide all existing customers' contact details, including electronic communication details (where known), to distributors within 60 business days of the new rules coming into effect. However, this will only apply where the retailer has not previously provided the information to the distributor. Additionally, customers experiencing family violence will have their information protected by existing provisions in the retail code. Retailers will not be required to share those details with distributors. Overall, we consider that this approach strikes the right balance to ensure distributors have better contact information for their customers.

Life support customers

In line with our draft decision and as supported by many stakeholders, life support customers must be notified with a hard copy notification as well as through any preferred digital contact channels the customer has nominated. This approach seeks to reduce the potential for harm that be caused to a life support customer who does not know about a planned outage. Vulnerable customers may

still need or desire to receive hard copy notifications, as noted in the literature review provided by CitiPower, Powercor and United Energy in response to our issues paper.⁴¹

Reminder notices

We have retained the requirement for distributors to send digital reminder notifications to customers one business day prior to works occurring. This will improve customers' experience and provide an additional backstop in case a customer overlooked, or did not receive, the initial electronic notification.

Regulatory instrument for retailers' obligations

We have incorporated the new retailer obligations into the retail code instead of the distribution code. The main reasons for this change are to:

- ensure that our reforms do not interfere with the life support framework in part seven of the retail code
- ensure that customers affected by family violence have their information, including confidential details, protected from disclosure to distributors.

However, we also note that by making this change, retailers will not be required by the retail code to provide distributors with electronic contact details or make timely guaranteed service level payments to customers who use more than 40 MWh per annum. This is because the retail code only applies to small customers – that is residential and small business customers – who use less than 40MWh of electricity per year. On balance, we consider this to be an acceptable trade-off to ensure that our reforms do not unintentionally interfere with the protections of vulnerable customers, such as life support customers and those affected by family violence.

⁴¹ CitiPower, Powercor and United Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

3.4. Clearer responsibilities to customers when planning for outages

Final decision 2

We have retained the current requirements for distributors to give at least four business days' notice for planned outages unless relevant customers provide explicit informed consent for less notice.

Distributors are required to keep records of customers' explicit informed consent to bring forward the outage.

Draft decision proposal

Currently, distributors must provide affected customers with at least four business days' written notice of a planned outage.

We noted that Victoria has different planned outage notification obligations compared with the requirements in rule 90 of the National Energy Retail Rules. In summary, the national rules allow distributors to:

- obtain affected customers' explicit consent to bypass the requirement to provide at least four business days' notice, or
- obtain affected customers' explicit consent and provide a five-business day window of when the outage will occur (distributors must not use this notification requirement for life support customers).

We proposed to allow distributors to interrupt supply with less than four business days' notice if they obtain all affected customers' explicit informed consent.

Stakeholder feedback on our draft decision

ERM Power said that more than four business days' notice should be provided to large customers.⁴² AusNet Services supported our proposal, including the explicit informed consent requirement to bring planned outages forward.⁴³

The Energy and Water Ombudsman (Victoria) supported providing distributors and customers with more flexibility to interrupt supply at short notice, provided explicit informed consent of all affected

⁴² ERM Power, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴³ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

customers was obtained. However, the ombudsman did question how achievable this would be in practical terms if many customers were involved. The ombudsman also supported our approach of not requiring distributors to consult with customers about planned outages, noting that this would be a large regulatory burden and ultimately likely to increase costs for customers.⁴⁴

However, Consumer Action Law Centre and consumer advocate, John Mumford, said that distributors should be required to consult with customers about planned outages.⁴⁵ Consumer Action Law Centre also raised concerns that notifications may be ineffective and that this could leave households who are experiencing vulnerability being suddenly left without an essential service because they have not seen or understood a notification.⁴⁶

Red Energy and Lumo Energy called for the commission to consider adopting equivalent provisions to rule 99 in the National Energy Retail Rules. In summary, the rule requires distributors to provide retailers with notification about planned outages. Red Energy and Lumo Energy said that there would be benefits for both customers and retailers in retailers being able to handle customer enquiries about a planned outage.⁴⁷

Consumer Action Law Centre also raised concern about customers in embedded networks:

“...we are concerned that the ESC has not addressed the discrepancy between the service expected for households in embedded networks and those with licensed supply arrangements. We have recently seen an example of much less stringent notification of planned outages in an embedded network where a notice from the distributor in relation to the parent meter in an apartment building was simply displayed in a common area. Households in exempt selling arrangements should be able to expect the same or better protections than their peers in licensed arrangements.”⁴⁸

⁴⁴ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴⁵ Consumer Action Law Centre and John Mumford, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴⁶ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴⁷ Red Energy and Lumo Energy, submission to submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁴⁸ Consumer Action Law Centre, submission to submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

AGL said that distributors should be required to communicate with customers in a clear, eligible and accessible way.⁴⁹

Our final decision

We have retained the current notification time frame requirements as we consider the minimum four business days' written notice provides enough time for most customers to make alternative arrangements. We also note that the customer survey results cited in our draft decision indicated that the current time frame also aligns with many community members' expectations.⁵⁰

However, we acknowledge there are a large range of customer expectations and circumstances regarding planned outages, particularly for business customers who can be materially inconvenienced due to planned outages. We also recognise there could be efficiency gains and improved customer experience if distributors were able to obtain the explicit informed consent from all affected customers to opportunistically bring forward a planned outage in less time than the prescribed minimum four business days' notice.

Accordingly, distributors must obtain an affected customer's explicit informed consent if they seek to interrupt the customer's supply with less than four business days' written notice. We consider this achieves the right balance between a customer's experience and distributors' requirement for flexibility involving planned outages in the appropriate circumstances.

We acknowledge that it may be difficult for distributors to obtain the explicit informed consent of all affected customers where an outage affects a large number of connections. Our draft decision was intended to practically address the feedback we heard from distributors where they may be completing work, such as a connection alteration, and only need to temporarily interrupt supply to several premises.

Lastly, we do not consider it is practical to require distributors to consult with customers to determine a mutually convenient time or date for a planned outage to occur. We acknowledge some stakeholder views about keeping customers informed and getting their input regarding planned outages is important. However, if all planned outages required consultation, it would likely place a large regulatory burden on distributors with uncertainty around consensus as well as associated cost drivers for all customers.

⁴⁹ AGL, submission to submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵⁰ Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Through our consultation with distributors, for planned outages affecting large customers with critical loads such as a hospital or data centres, consultation is conducted well before the planned outage occurs. We consider that this approach strikes the right balance between consultation with critical load customers and the volume of planned outages that need to occur on the network. Accordingly, we have not introduced new regulations specifically for large customers. Further, we consider that large customers are better placed than other customers to mitigate the impacts of a planned outage through alternative arrangements.

While we have not seen evidence of customers not understanding planned outage notifications, we have included a new requirement for planned outage notifications to be expressed in plain English and to be designed so they are readily understandable by customers. This obligation is similar to certain communication requirements in the retail code.

We have not included an obligation for distributors to provide retailers with information about planned outages. We would need to consult with stakeholders on this proposal. We encourage distributors and retailers to work together to explore options about how this could be incorporated into existing processes and procedures in the future.

In relation to extending our package of reforms to embedded network customers, as noted in our draft decision, we will consider this in the future.⁵¹ Accordingly, we have not extended this final decision to embedded networks at this time. We have not consulted extensively with embedded network operators or their customers in reaching this final decision. Regarding planned outage notification requirements in the distribution code, exempt distributors are required to provide affected customers with at least four business days' notice of a planned interruption. There is also a range of information that must be provided on the notification. We welcome stakeholders and members of the public to submit potentially non-compliant activity to the commission for consideration via our online complaint form.⁵²

⁵¹ Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵² Essential Services Commission, Electricity and gas provider complaints form, available at: <https://www.esc.vic.gov.au/electricity-and-gas/information-consumers/electricity-and-gas-provider-complaints-form>.

3.5. Notifying customers of cancelled or rescheduled planned outages

Final decision 3

Distributors are required to notify customers of cancelled or rescheduled outages in the following circumstances:

- where a customer has nominated their preferred digital communication channel or channels, the distributor must notify affected customers via those digital channels as soon as practicable after the works are cancelled, if the cancellation of the works occurs during or prior to the planned outage time window, or
- if a customer has not nominated their preferred digital contact channel, the distributor must notify affected customers via hard copy notification if the cancellation of the works occurs more than five business days ahead of its scheduled start.

Distributors must provide customers with a high-level reason why the planned outage was cancelled, for example, due to extreme weather.

Draft decision proposal

In our draft decision, we highlighted that the distribution code sets out specific requirements where distributors must notify customers about a planned outage. This enables customers to prepare for a planned outage, so they can implement contingency plans such as organising back-up generators or planning to be elsewhere while the works are undertaken.

However, some planned outages are cancelled or rescheduled by distributors, despite customers being notified of the outage beforehand. This generally occurs when there is an extreme weather event or where other health and safety issues are factors. When this happens, customers may have already made commitment for back-up generation or planned to close a business for the duration of the planned outage.

We outlined proposals to address these issues. We proposed that where possible, distributors must notify customers of cancellations or rescheduling of planned outages. Specifically:

- if the distributor has customers' electronic contact details, it must notify affected customers via text message and/or email within one hour of the cancellation, if the cancellation of the works occurs during or prior to the planned outage time window, or
- if the distributor does not have the customer's electronic contact details, it must notify affected customers via hard copy notification if the cancellation of the works occurs more than five business days ahead of its scheduled start.

Planned outage communications

We considered this approach achieves a balance between notifying customers about a cancelled outage in a timely manner and not introducing burdensome obligations on distributors that would increase service costs. We noted distributors' comments that cancellations generally occur immediately prior to, or during, the works. Therefore, in practice, distributors will often only need to notify customers electronically. We also noted distributors' submissions to our issues paper that they already communicated electronically with a significant proportion of their customer base, including regarding outage cancellations.⁵³

Our draft decision, along with our proposal for distributors to be able to notify customers of planned outages, enabled distributors to potentially notify customers of cancelled works and reschedule works simultaneously if a distributor elected to do so. We considered this proposal could create a better customer experience by enabling distributors to reschedule their works more quickly when the resources are already at hand.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy supported our proposed requirement to notify customers about cancelled works and to provide a high-level reason for the cancellation.⁵⁴ The Energy and Water Ombudsman (Victoria) strongly supported our inclusion of these requirements and noted that our customer survey results showed very strong support for these changes.

However, all the distributors did not support our proposed one-hour time frame to notify relevant customers about cancelled works. They instead suggested that the requirement should be to notify customers as soon as practicable.⁵⁵

AusNet Services said that it already sends cancellation notifications to customers in some circumstances, including by electronic channels. However, it said that providing for same day notifications or within one hour of cancelling the works would require IT system changes and substantially more process automation which would take time and be costly to implement.⁵⁶

All the distributors raised concerns with our proposal and suggested that it could result in poor customer service such as multiple notifications or sending notifications outside business hours or

⁵³ CitiPower, Powercor and United Energy, submission to Essential Services Commission 'Electricity Distribution Code Review' issues paper, August 2019.

⁵⁴ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵⁵ CitiPower, Powercor and United Energy, Jemena, AusNet Services, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵⁶ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

overnight. They also suggested that customers should only receive notification about cancelled works through their preferred contact channels.⁵⁷

The Department of Transport supported an obligation for distributors to notify customers about cancelled works. The department noted that it incurs unnecessary costs as a result of cancelled works, estimated to be in excess of \$30,000 per year, in arranging temporary power generation that is ultimately not required.⁵⁸

The Consumer Action Law Centre strongly supported our proposal to notify customers about cancelled works.⁵⁹ Consumer advocate, John Mumford also said that customers should be provided with information about cancelled outages.⁶⁰

Our final decision

In line with our draft decision, distributors will be required to notify customers of cancelled outages in certain circumstances and by certain methods.

However, we note the points raised by distributors and appreciate that the one-hour time-bound obligation for electronic notifications may be too onerous and impractical for every situation. Accordingly, we have changed the requirement so that distributors must notify customers as soon as practicable where a customer has nominated their preferred digital contact channel. We have retained our draft decision proposal to notify customers via hard copy notice where a customer is receiving planned outage notifications via mail or letter box drop. This will only apply where a planned outage is cancelled more than five business days before its scheduled start. If the works are cancelled less than five business days before their scheduled start, distributors will not be required to send a hard copy notification.

We consider that this approach strikes the right balance in ensuring that customers are notified about cancelled works in many instances and that customer communication preferences are the focus of the reform. Further, we consider this reform has the potential to enable customers to take

⁵⁷ Jemena, CitiPower, Powercor and United Energy, and AusNet Services submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵⁸ Department of Transport, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁵⁹ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁶⁰ John Mumford, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

actions – in an efficient, effective and timely manner – to mitigate the inconvenience or costs associated with preparing for an outage that otherwise would have been incurred.

3.6. Disclosing the reasons behind planned outages

Final decision 4

Distributors are required to provide high-level information to customers about the reason for a planned outage, including the potential for the outage to be cancelled due to reasons outside the distributor's control such as extreme weather events.

Draft decision proposal

In our draft decision, we outlined that the current rules only require distributors to advise customers of the expected date, time and duration of the planned interruption, and to provide customers with a 24-hour emergency telephone number. Distributors are also required to use their best endeavours to restore supply as quickly as possible.

Currently, there are no obligations in the distribution code for distributors to advise customers about the reason for a planned outage or to notify customers about the potential for planned outage works to be cancelled. This can lead to customer dissatisfaction and a lack of transparency about the interruption to an essential service.

We proposed to require distributors to provide customers with high-level information about the reason for the planned outage and about the potential for the works to be cancelled or rescheduled. This information was proposed to be in addition to the existing distribution code requirements and will be minimum requirements. We did not propose to prescribe the exact information distributors provide customers.

We signalled that planned outages can cause significant disruption and inconvenience to customers and acknowledged stakeholder views that customers may better appreciate an interruption to supply if they are provided with some context about the reason for the outage. We also agreed with some stakeholders' views that customers need to be warned about the possibility that planned works may be cancelled, particularly due to circumstances outside the control of the distributor such as extreme weather. We considered this requirement would complement our proposed reform to require distributors to notify customers of cancelled works in most instances.

Stakeholder feedback on our draft decision

The Energy and Water Ombudsman (Victoria) said:

We are pleased that the ESC have heard our suggestion, and the suggestion of others, that a high level reason for the cancellation or postponement should also be provided.

While it may seem like a small thing, the positive impact such a requirement can have on customer relations cannot be over-stated. Providing this information is a mark of basic courtesy and respect, particularly as customers may have made extensive arrangements to prepare for an outage which is later cancelled. This can be inconvenient and frustrating, and is only more so if the customer is not told why the cancellation or postponement has occurred.

Conversely, if the explanation is reasonable then this simple act can do much to mollify customer discontent and complaint to us.

In a similar vein, requiring distributors to provide information about the potential for an outage to be cancelled is another positive step forward. This will help prepare customers for such an outcome, and therefore reduce the annoyance that may be felt when it occurs. This basic step will do much to improve the relationship between distributors and customers.

Consumer Action Law Centre also strongly supported our proposal to provide customers with more information about the reason for a planned outage and noted that this will enhance transparency and will likely improve trust.

However, Consumer Action Law Centre raised concerns about the potential impacts on customers from planned outages due to private works that are not critical to a functioning network. Consumer Action Law Centre also said that impacted customers should be able to request a change in timing or compensation at the expense of the responsible party in such scenarios. Consumer Action Law Centre also said that the commission should issue guidance regarding how distributors disclose whether the outage is related to work towards the functioning of the network or because of other private works.⁶¹

⁶¹ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Our final decision

We are implementing our draft decision proposal to require distributors to provide customers with high-level information about the reason for a planned outage and advice that outages can be cancelled. Through our consultation process, we heard stakeholders were generally supportive of this new requirement. Customers should be advised about the reasons for planned outages as they are the ones experiencing the inconvenience of not having supply. It is also important that customers are forewarned about the potential for works to be cancelled.

We agree with the Energy and Water Ombudsman (Victoria) that the intended outcomes of better information disclosure to customers will improve their experience and trust in the market.

Regarding the suggestion about issuing guidance, we consider that the distribution code requirements alone should adequately achieve the intent of this reform. As noted in Consumer Action Law Centre's submission, there can be a multitude of reasons for planned outages and we think that distributors are best placed to design and tailor their communications to align with the specific requirements of, and works undertaken on, their networks. As outlined in section 3.3, we have introduced new requirements on distributors that will ensure that customers receive planned outage communications in plain English and designed in a way that is readily understandable.

In relation to private works, we have not sought to distinguish the difference between different types of works that might occur on networks. The aim of this reform is to ensure customers are aware of the reason for an outage. Regardless of the type of work, customers are required to be notified at least four business days prior to the outage unless they provide their explicit informed consent to bring an outage forward. In the current framework and the revised framework, customers can contact their distributor about a planned outage to discuss options regarding timing. Our reforms in this final decision have focused on planned outage communications and have not considered matters such as compensation. Accordingly, we have not made a decision on the issue of private works.

3.7. Informing customers of possible outages when performing annual compliance testing of bushfire safety equipment

Final decision 5

Distributors will not be required to advise local communities before they undertake annual compliance testing of rapid earth fault current limiter equipment as required by bushfire safety regulations.

Draft decision proposal

In our draft decision, we noted that distributors are required to conduct testing on bushfire safety technology.⁶² The section of the network being tested puts the network under a higher level of stress than normal, which may result in a supply outage.

We considered there could be benefit for local communities if distributors were required to inform them of upcoming annual testing and that potential unplanned outages could result from the testing. We also proposed that distributors must provide information about what to do if there is an outage event, including information about the estimated time of restoration.

Testing occurs at the substation level and can affect a significant number of customers. However, if an outage occurs, it is likely to be localised and affect a small number of customers. Therefore, it is impractical to send notifications to all customers who may potentially be impacted by an outage. On balance, we considered that a requirement for distributors to inform the local community through media and their websites was appropriate.

Stakeholder feedback on our draft decision

Energy Safe Victoria considered that outages were most likely to occur at the time of commissioning the bushfire safety equipment rather than during annual testing. Energy Safe Victoria did not support the draft decision proposal and said:

- distributors replace network assets that are likely to fail before commissioning the bushfire safety equipment (a practice known as network hardening)
- their understanding was that distributors already communicate with local communities at the time of commissioning and completing initial testing of bushfire safety equipment

⁶² Section 7 of the Electricity Safety Bushfire Mitigation Regulations 2013.

- Energy Safe Victoria recently accepted updated testing policy from Powercor that substantially reduces the number of tests undertaken and therefore the possibility of failure and expected a similar approach from AusNet Services soon
- their view was that outages resulting from testing were becoming increasingly rare due to a more mature understanding of equipment performance since the roll out and commissioning of dozens of these bushfire safety equipment
- our proposed approach would limit the flexibility for distributors to complete testing on an ad hoc basis.⁶³

All electricity distributors did not support our draft decision for a range of reasons, but primarily because compliance testing does not result in outages in nearly all instances.⁶⁴ Some distributors said that the likelihood of unplanned outages is relatively more pronounced when commissioning new equipment. However, in these situations, the distributors have already implemented a community information strategy.

The Energy and Water Ombudsman (Victoria) noted that many regional and rural newspapers have closed or will move solely to online editions, therefore reducing the effectiveness of our proposal to reach potentially affected customers.⁶⁵

Our final decision

Since we made our draft decision, we have received new information about Energy Safe Victoria's approach to testing regimes. The changes to the approach regarding compliance testing has, in Energy Safe Victoria's view, significantly reduced the likelihood of unplanned outages occurring. Accordingly, we will not proceed with implementing our draft decision. We note that the rollout of the bushfire safety equipment will continue through to 2023. Therefore, we will monitor this issue and any impacts on the Victorian community due to unplanned outages resulting from annual compliance testing of bushfire safety equipment.

At the time of making our draft decision, the information available to us indicated an increased potential for outages to affect local communities and customers. This assumption was based on what is now superseded annual compliance testing regime. We considered that local communities

⁶³ Energy Safe Victoria, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁶⁴ CitiPower, Powercor, United Energy, AusNet Services and Jemena, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁶⁵ Consumer Action Law Centre and Energy and Water Ombudsman (Victoria), submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

should be made aware of the upcoming testing and potential for outages. Stakeholders' submissions have resulted in us reconsidering this draft decision.

We also note that since we published our draft decision many local newspapers are intending to close, will move online or have closed following a decision by News Corp.⁶⁶ This includes some of the newspapers servicing local communities where bushfire safety technology is installed. This change, even in the absence of the change to Energy Safe Victoria's updated compliance testing regime, means that the proposed reforms in our draft decision would likely be less effective at communicating the upcoming testing with the affected communities in the state.

We expect distributors to continue to implement their community communication information strategies at the time of commissioning new bushfire safety technology. In addition, we expect distributors to enhance these communications into the future as the bushfire safety technology program transitions to an operational phase and where feedback from communities is received.

3.8. Notifying government during sustained unplanned outages

Final decision 6

We have updated the references to the 'Department of Health' and the 'Department of Human Services' in clause 5.7 of the distribution code to the 'the government department responsible for public health.'

We have not updated the time frames for distributors to notify the relevant government department about sustained outages.

Draft decision proposal

In our draft decision, we outlined that the distribution code currently refers to two Victorian Government departments. These departments were amalgamated in recent years. Therefore, the current references in the distribution code are out of date.

⁶⁶ Affected local newspapers include: Stonnington, Mornington Peninsula, Knox, Whitehorse, Monash, Northern, Whittlesea, Maroondah, Moorabbin, Mordialloc Chelsea, Moreland, Lilydale and Yarra Valley, Frankston, Bayside, Caulfield Port Phillip, Cranbourne, Greater Dandenong, Moonee Valley, Maribyrnong, Wyndham.

Stakeholder feedback on our draft decision

The Energy and Water Ombudsman (Victoria) agreed with our proposal to correct the name of the department.⁶⁷

The Consumer Action Law Centre said that the current time frame of 24 hours to notify the department of a sustained electricity supply interruption is too long and should be shortened. As an example, extreme heat may present significant health consequences for people who do not have life support equipment but still have serious health issues. An unplanned outage in a heatwave could require a response from support services and the effectiveness of any response is undermined by notification only arriving a day after initial harm may have occurred.

The Consumer Action Law Centre also asked the commission to assess wider experiences of vulnerability impacted by outages and that distributors identify and update households who might be experiencing vulnerabilities which exacerbate harm from unplanned outages.⁶⁸

Our final decision

We have updated the references to the 'Department of Health' and the 'Department of Human Services' to the 'government department responsible for public health' to ensure that any future changes to department names do not misalign with the distribution code.

We have not updated the time frames in this section of the distribution code. We consider that the existing Victorian Electricity Emergency Communication Protocol provides adequate communication obligations on electricity distributors in the event of a significant and sustained supply interruption.⁶⁹ We also note, compared to our distribution code, a wider range of participants are signatories to the protocol, including the Australian Energy Market Operator, Victorian electricity distribution businesses, the Victorian Government, and emergency services across Victoria. We consider that the protocol is more comprehensive than the distribution code obligations and allows for relevant government departments and emergency services to act in a coordinated way should there be potential for harm to customers from extended outages.

We have not consulted on other changes to the requirements around unplanned outages in this project stream, so at this time, we are not considering changes in this area. However, we have recently released an approach paper as we start to build a strategy to address consumer

⁶⁷ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁶⁸ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁶⁹ Australian Energy Market Operator, Victorian Electricity Emergency Communication Protocol.

vulnerability in relation to essential services.⁷⁰ We anticipate that this broader piece of work across the commission will inform our future work, including energy reforms.

⁷⁰ Essential Services Commission 2020, Building a strategy to address consumer vulnerability: Approach Paper, 17 September.

Planned outage communications

4. Guaranteed Service Level scheme

4.1. Overview

This chapter provides an overview of the guaranteed service level scheme and the changes we have made using the principles underpinning the design of the scheme. An explanation of the guaranteed service level scheme, including a brief history of the scheme, and an overview of the relationship between the scheme and the Australian Energy Regulator's revenue determinations for Victorian electricity distributors is contained in appendix E.

Our changes focus the guaranteed service level scheme on addressing the worst served customers⁷¹ in Victoria so that:

- it remains fit for purpose and captures customers who receive the poorest service from their distributor
- the value of payments accounts for updated network performance data, changes in the consumer price index and changes to the value customers place on reliability
- customers receive timely and accurate payments.

The low reliability and supply restoration payments will increase by approximately seven per cent using our approach to update the value of payments. Table 5 shows the current guaranteed service level payments and the new payments that will take effect from 1 July 2021.

4.1 Table 5 Current and new performance guaranteed service level payment values

Current guaranteed service level type	Current guaranteed service level amount	New guaranteed service level type	New guaranteed service level amount
Low reliability – annual duration	20 hours off supply: \$120 30 hours off supply: \$180 60 hours off supply: \$360	Low reliability – annual duration	18 hours off supply: \$130 30 hours off supply: additional \$60 (\$190 in total) 60 hours off supply: additional \$190 (\$380 in total)

⁷¹ Information about worst served customers is contained in appendix E.

Current guaranteed service level type	Current guaranteed service level amount	New guaranteed service level type	New guaranteed service level amount
Low reliability – frequency	Eight unplanned interruptions: \$120 12 unplanned interruptions: \$180 24 unplanned interruptions: \$360	Low reliability – annual frequency	Eight unplanned interruptions: \$130 12 unplanned interruptions: additional \$60 (\$190 in total) 20 unplanned interruptions: additional \$190 (\$380 in total)
Low reliability – momentary interruptions	24 unplanned interruptions: \$30 36 unplanned interruptions: \$40	Low reliability – momentary interruptions	24 unplanned interruptions: \$40 36 unplanned interruptions: additional \$10 (\$50 in total)
Supply restoration – single interruption	12 hours or more (urban): \$80 18 hours or more (regional/rural): \$80	Major event day	12 hours or more: \$90
Late appointments	\$30	Late appointments	\$35
Delayed new connections	\$70 per day, capped at \$350	Delayed new connections	\$80 per day, capped at \$400

Key principles informing changes to the guaranteed service level scheme

In our draft decision paper, we considered five principles as part of our review of the guaranteed service level scheme. These were adapted and updated from the principles we first used in our 2005 review of the guaranteed service level scheme. Since our draft decision, we have made further minor modifications to the language:

- in the first principle to clarify that the scheme should target customers who experience the worst service compared with customers across Victoria
- in the third principle to clarify that the principle relates to the service customers receive from their distributors
- in the fifth principle to clarify that we will consider the estimated costs and expected benefits for customers when making changes to the scheme.

The key principles relating to the scheme are described in table 6.

4.2 Table 6 Key principles relating to the guaranteed service level scheme

Principle	Description
1. The scheme should target customers who receive the worst service	The scheme should target customers who experience the worst service compared to other customers across Victoria. For example, delays with supply restoration and low reliability.
2. The scheme should acknowledge customers who are unlikely to be an investment priority for improved service	The scheme should focus on customers who consistently – year on year – receive poor supply reliability and where there are economic, technical or physical limitations to improve reliability.
3. The scheme payments should reflect, where possible, the value customers have for supply reliability	The scheme should ensure that payments reflect the value customers place on the provision of electricity and the level of service they receive from their distributors.
4. The scheme must be practical and possible for distributors to implement	The scheme should be able to be readily applied by distributors and it should be easy for distributors to make payments.
5. The administrative costs of proposed changes should be considered	When considering changes to the scheme, the commission will also consider the estimated costs of administering the scheme and the expected benefits for customers.

4.2. Updating payments and thresholds for low reliability and supply restoration

We considered whether the thresholds for payments were reflective of community expectations when reviewing the payments for low reliability and supply restoration. We also considered the historical performance of the electricity network in terms of reliability.

We have updated payment thresholds relating to:

- how long outages are experienced (the duration threshold)
- the number of times a customer experiences an outage (the frequency threshold).

Updating annual duration and frequency thresholds

Final decision 7

We have set the guaranteed service level thresholds by using an average of distributors' smart meter unplanned outage data between 2015 and 2019. We have targeted eligibility for payments at approximately the worst one percent of performance per payment category across Victoria.

We have updated the duration and frequency thresholds to reflect the removal of outages on major event days and all exclusions from counting toward duration or frequency payments. This will ensure customers who experience the poorest network performance are still recognised by the guaranteed service level scheme.

The new payment thresholds will be:

- 18-hour, 30-hour and 60-hours for the annual duration payments
- eight, 12 or 24 sustained outages per year for the frequency payments.

Distributors will be required to use smart meter or other interval meter data to assess customers' eligibility for guaranteed service level payments. Distributors may rely on feeder-level data for premises where a basic meter is installed.

Context

We introduced the original frequency guaranteed service level payments in 2001. These payments recognise where customers have multiple sustained interruptions in a year. The current annual duration thresholds were established in 2005 and were set at 20 hours, 30 hours and 60 hours of unplanned outages. These payments recognise where customers experience long periods of time without supply throughout the year.

Draft decision proposal

In our draft decision, we proposed to update the thresholds using the supply outage data contained in regulatory information notices that distributors submit to the Australian Energy Regulator each year. This uses data at the bulk network level that is less accurate in reflecting what a customer may experience at their individual premises. We proposed to target the scheme at approximately the worst one per cent of performance across Victoria. Our analysis of the data in the regulatory information notices resulted in us proposing the following thresholds:

- 12-, 24- and 48-hour thresholds for the duration payments
- five, 10 and 15 sustained interruptions for the frequency payments.

Guaranteed service level scheme

Stakeholder feedback on our draft decision

Overall, distributors did not support our approach of using the supply outage data contained in the Australian Energy Regulator's regulatory information notices to calculate the payment thresholds. They instead called for the use of more granular smart meter data.

CitiPower, Powercor and United Energy were concerned with the proposed payment thresholds and the increase in network costs for customers based on historical network performance. They said surveying has shown that their customers were satisfied with current levels of reliability and that electricity costs were a key concern for customers. Further, they said that surveying undertaken by our South Australian counterpart had shown that customers wanted a better targeted and cheaper scheme.⁷²

Jemena said that its preliminary impact analysis of our proposed payment thresholds would increase the volume of payments by more than four times the average volume of payments in 2015–2019.⁷³

AusNet Services said our proposal would significantly increase bills for all its customers, and does not align with customers' preferences expressed during recent engagement to develop the 2021–2026 pricing proposal as part of the Australian Energy Regulator's price reset process. AusNet Services said that its analysis showed that based on historical performance, an average of \$12.5 million would be paid per year under the commission's proposed payment thresholds. Further, approximately 10 per cent of AusNet Services' customers would receive a payment, which is higher than the one per cent worst performance the scheme is intended to capture.

AusNet Services also said that using smart meter data avoids introducing inaccuracies associated with feeder-level data. In relation to customer preferences and research, AusNet Services said that its engagement has clearly demonstrated that affordability was a key concern for its customers. Regarding how the scheme is targeted, AusNet Services supported the principles used by the commission, but said that it currently makes payments to around seven per cent of its customer base per year, which does not align with the scheme targeting the worst one per cent of performance.⁷⁴

⁷² CitiPower, Powercor and United Energy submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁷³ Jemena, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁷⁴ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

The Consumer Action Law Centre supported our approach to the guaranteed service level scheme and noted that it should be designed to provide customers with consistent service to the extent possible, while minimising costs to all customers and ensuring impacted customers are fairly compensated.⁷⁵

Our final decision

We have updated the guaranteed service level payment thresholds as illustrated in table 7.

4.1 Table 7 Current and new guaranteed service level thresholds

Guaranteed service level payment	Current thresholds	New thresholds
Supply restoration – duration	<ul style="list-style-type: none"> • 20 hours off supply • 30 hours off supply • 60 hours off supply 	<ul style="list-style-type: none"> • 18 hours off supply • 30 hours off supply • 60 hours off supply
Low reliability – frequency	<ul style="list-style-type: none"> • Eight unplanned interruptions • 12 unplanned interruptions • 24 unplanned interruptions 	<ul style="list-style-type: none"> • Eight unplanned interruptions • 12 unplanned interruptions • 20 unplanned interruptions

We have used the following methodology for calculating the performance thresholds:

- used smart meter data for each Victorian premises
- excluded all major event days and other applicable exclusions from the calculations
- created a distribution curve for each year
- compared the distribution curve to the current scheme outcomes, as publicly stated in the regulatory information notices submitted to the Australian Energy Regulator
- rounded the duration thresholds to the nearest hour and the nearest whole number for frequency thresholds to better align with the number of payments under the current scheme.

We consider this approach better captures the duration and frequency payments for Victorian customers experiencing the worst network service. Importantly, it results in approximately the same total cost of the current duration and frequency payments based on historical network performance. We acknowledge the recent survey work conducted by the Australian Energy

⁷⁵ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Regulator and Victorian distributors which shows that customers do not want to pay extensively for improvements to network performance.

We have clarified our language throughout this final decision to make it clear the guaranteed service level scheme is designed to capture approximately the worst one per cent of performance per payment category across all of Victoria's distribution networks. While we acknowledge that payments are generally more concentrated in regional and rural areas of the state, we have designed payment thresholds for all Victorians, not for customers in each of the five distribution zones. Further, the new thresholds for duration and frequency payments are approximately cost neutral compared to the current scheme, accounting for changes in the consumer price index and value of customer reliability measure since our last review.⁷⁶

We engaged Jacobs to complete a review of our modelling of distributors' outage data. Jacobs' report accompanies this final decision. Jacobs found:

- the use of smart meter data has enabled the commission to determine threshold levels more accurately for approximately the worst one per cent of affected customers in both the frequency and duration outage payment categories
- when applying individual customer data to the draft decision's thresholds, it would result in significantly more than one per cent of the worst affected customers receiving payments each year – this supports the commission's revised approach to set the payment thresholds based on individual customer data
- it was able to independently derive the same payment thresholds based on the commission's revised approach.

As mentioned in section 4.3, we have also introduced a new payment to address poor performance on major event days. Therefore, to avoid double counting outage events, major event days will automatically be excluded from the calculation of all annual guaranteed service level payments. We consider this better reflects the purpose of these payments – underlying annual performance.

We agree that smart meter data better reflects the actual network performance for each individual meter and therefore each customer. Accordingly, it is a more accurate way to measure supply outages and whether a customer is eligible for a guaranteed service level payment.

Therefore, we have adjusted the payment thresholds based on the detailed data submitted to the commission by the electricity distributors. This means that we will also now require distributors to

⁷⁶ This assumption is based on historical network performance between 2015 and 2019. Historical performance is not an indicator or guarantee of future network performance. Accordingly, the costs of the scheme can rise and fall year-on-year as network performance changes over time.

make payments to customers based on that data where available. We consider mandating the use of smart meter data to be another step in realising the benefits of the technology and the value it can create for both customers and distributors

Distributors will no longer make payments to customers based on 'feeder-level' performance, except where a customer does not have a smart meter or other interval metering to enable the distributor to identify unplanned outages for individual premises. In these instances, distributors may rely on feeder-level outage data for premises with basic meters.

Leveraging more granular smart meter data has enabled us to optimise the threshold and frequency levels from our draft decision. Our analysis of this data has enabled us to better capture customers' experience and target the scheme at the worst served customers across the whole state. We consider this approach of using the smart meter data has improved the overall accuracy and design of the scheme.

Our discussions with distributors have indicated that the smart meter infrastructure and data have been leveraged for network management and engineering purposes for some time, and indeed in providing data to the commission to reassess the payment threshold levels proposed in our draft decision.

Our analysis demonstrates that the data derived from the same existing infrastructure can be used further to improve customer outcomes around guaranteed service level payments. Using smart meter data also reduces the likelihood of payments being made to customers who are not entitled to a payment and conversely, not made to customers who were in fact eligible. Smart meter infrastructure is a committed investment, and the processing of guaranteed service level payments is well established and not a new operational step for distributors to implement. The economic impact to implement the new rules is therefore considered to be minimal, if any.

Updating momentary and sustained interruption thresholds

Final decision 8

We have updated the definitions of sustained and momentary interruptions to align with the national framework, where a momentary interruption is defined as less than three minutes and a sustained interruption is more than three minutes.

Draft decision

In our draft decision, we noted that Victoria is the only state in Australia that includes a momentary interruption payment in the guaranteed service level scheme. Momentary interruptions are defined differently in the national and Victorian regulatory frameworks. Currently in Victoria, momentary

interruptions are classified as when a supply outage lasts less than one minute. In the national framework, these are defined as when an outage lasts less than three minutes.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said that the Australian Energy Regulator's changes to the definitions of momentary and sustained interruptions will be applicable from 1 July 2021 and as discussed in chapter five regarding implementation time frames, is a further reason for the commission to implement this package of reforms no earlier than 1 July 2021.⁷⁷

The Energy and Water Ombudsman (Victoria) supported harmonising the definitions of sustained and momentary interruptions to align with the national framework. The ombudsman said the change should not have a negative impact on customers or lead to more complaints, as the difference between one and three minutes is not particularly significant from the customer point of view.⁷⁸

Our final decision

While we note that guaranteed service level payment for momentary interruptions is not large compared to overall payments in the scheme, it addresses a reliability issue that customers' experience. Momentary interruptions can cause disruption and issues for some business customers because power loss, even for short periods, can affect equipment that these customers rely on to operate their business.

We have taken CitiPower, Powercor and United Energy's feedback into consideration regarding the commencement date of the new framework. We have also updated the definitions of momentary and sustained interruptions to align with the national framework from 1 July 2021. This means that momentary interruptions will increase from one minute to three minutes which can better leverage the increasing roll out and capabilities of distribution automation. Sustained interruptions will increase from more than one minute to more than three minutes. We consider it appropriate to harmonise with the national approach in this area as it will ensure consistent approaches for distributors when reporting data to the Australian Energy Regulator and us, in turn easing the regulatory burden.

⁷⁷ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁷⁸ The Energy and Water Ombudsman (Victoria) submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Updating payment amounts for low reliability and supply restoration

Final decision 9

We have adjusted the guaranteed service level performance payment levels by the change in the value of customer reliability measure between 2014 and 2019 and changes in the consumer price index.

The new payment levels are:

- \$130 for the 18-hour annual duration or eight interruptions frequency payment
- \$190 for the 30-hour annual duration or 12 interruptions frequency payment
- \$380 for the 60-hour annual duration or 20 interruptions frequency payment
- \$40 for 24 momentary interruptions payment
- \$50 for 36 momentary interruptions payment.

To incorporate the changes to payment timeliness, the payments will be made as follows:

- \$130 for 18-hour annual duration and eight interruptions frequency payment
- an additional \$60 when 30 hours or 12 interruptions is reached (\$190 in total)
- an additional \$190 when 60 hours or 20 interruptions is reached (\$380 in total)
- \$40 for 24 momentary interruptions
- an additional \$10 for 36 momentary interruptions (\$50 in total).

Draft decision proposal

In our draft decision, we noted that payment levels have been informed by the value of customer reliability measure in previous guaranteed service level scheme reviews. This measure includes a wide-ranging customer survey to reflect the value customers place on reliable electricity supply in different outage scenarios. We considered it to be a highly informative and useful input in determining the benefits for regulatory and network investment decision-making. We proposed to use this measure in our current review of the scheme.

A reliable electricity supply requires investment by distributors, which is in turn paid for by electricity customers. The trade-off between reliability and affordability is a major consideration for decisions about network investment. The value of customer reliability measure assists distributors in understanding customers' willingness to pay for network upgrades and augmentation, compared with customers' desire for an affordable electricity supply.

Guaranteed service level scheme

There have been several studies to calculate the value of customer reliability measure.⁷⁹ We used the results of The Australian Energy Regulator’s study for Victorian customers in reaching our draft decision proposal.⁸⁰ The studies have found varied results regarding what customers are prepared to pay and the value they place on a reliable electricity supply. We consider the different results are largely dependent on the different methodologies used and the timing of the studies.

As the studies noted, any input from a customer in the study reflects their most recent electricity experience. Participants whose most recent experience has been a reliable supply relative to their long-term experience may undervalue reliability and therefore not support additional network upgrades to improve reliability. Conversely, participants who had a recent poor reliability experience relative to their long-term experience may tend to overvalue reliability and therefore support additional network upgrades, the costs of which are borne by customers.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said that our draft decision proposal to increase payment values by approximately seven per cent did not account for a decrease in network charges in real terms since our last review of the scheme. They further added that the increased guaranteed service level payment levels will increase as a proportion of the average annual distribution charges a residential customer is billed.

Our final decision

We have updated the guaranteed service level payments by applying the change in the consumer price index and the change in the value of customer reliability measure since our last review of the guaranteed service level scheme.

We have updated the payment values for the change between the 2014 study and the 2019 study. We do not consider it appropriate to use earlier studies as they do not reflect the current customer experience. We have also applied the change in consumer price index since the last review to ensure the payment values reflect their worth in today’s dollars. This reflects the change since the guaranteed service level payments were last updated in 2015.

⁷⁹ The 1997 study was conducted by Monash University. The 2002 and 2007 studies were conducted by CRA International Pty Ltd. All three studies were commissioned by VENCORP, whose responsibilities were transferred to the Australian Energy Market Operator in 2009.

⁸⁰ Australian Energy Regulator, Value of Customer Reliability – Final Decision, December 2019.

Our methodology is as follows:

- convert all the value of customer reliability measures into September 2019 dollars
- calculate the change between the 2014 and 2019 value of customer reliability studies
- calculate the change in consumer price index between June 2015 and September 2019
- add the two percentages together and apply it to the current guaranteed service level payments
- round up to the nearest \$10.

In line with our draft decision, the duration, frequency and momentary interruption payments will increase by approximately seven per cent using this approach. Table 8 shows the current and new guaranteed service level payments.

In relation to the value on which customers place on supply reliability, we have used the Australian Energy Regulator's 2019 Value of Customer Reliability as a primary input to update the payment amounts in the guaranteed service level scheme. We note the study completed was the largest ever undertaken for that task and covered over 9,000 residential, small business and industrial energy customers. Also, the Australian Energy Regulator's final value of customer reliability values were quality assured by the Melbourne Energy Institute and the survey results were cross checked against calculations undertaken by KPMG.⁸¹

In our previous reviews of the scheme, when network prices were increasing in real terms, we did not take that into account in determining the payment values. Accordingly, we are not minded now to take reducing network charges into account and are comfortable with relying on the value of customer reliability measure in setting payment values at appropriate levels to reflect the current environment.

⁸¹ Australian Energy Regulator, Values of customer reliability, Final decision, November 2019.

4.2 Table 8 Current and new performance guaranteed service level payment values

Current guaranteed service level type	Current guaranteed service level amount	New guaranteed service level type	New guaranteed service level amount
Supply restoration – annual duration	<ul style="list-style-type: none"> • 20 hours off supply: \$120 • 30 hours off supply: \$180 • 60 hours off supply: \$360 	Supply restoration – annual duration	<ul style="list-style-type: none"> • 18 hours off supply: \$130 • 30 hours off supply: additional \$60 (\$190 in total) • 60 hours off supply: additional \$190 (\$380 in total)
Low reliability – annual frequency	<ul style="list-style-type: none"> • eight unplanned interruptions: \$120 • 12 unplanned interruptions: \$180 • 24 unplanned interruptions: \$360 	Low reliability - annual frequency	<ul style="list-style-type: none"> • eight unplanned interruptions: \$130 • 12 unplanned interruptions: additional \$60 (\$190 in total) • 20 unplanned interruptions: additional \$190 (\$380 in total)
Low reliability – momentary interruptions	<ul style="list-style-type: none"> • 24 unplanned interruptions • 36 unplanned interruptions 	Low reliability – momentary interruptions	<ul style="list-style-type: none"> • 24 unplanned interruptions: \$40 • 36 unplanned interruptions: additional \$10 (\$50 in total)

Guaranteed service level scheme

4.3. Updating payments for supply restoration single interruptions

Final decision 10

We have:

- removed the supply restoration payment for single interruptions
- removed the restriction of customers only having access to either the supply restoration payment for single interruptions or duration payment
- introduced a new payment to cover circumstances where a customer has been without supply for 12 hours or more on a major event day.

The major event day payment will be \$90 where a customer experiences an outage greater than 12 hours. If the outage extends beyond the major event day, the time off supply will not count toward the other payment categories.

Context

As noted in our draft decision, we first introduced the single interruption payment in 2001⁸² when we decided poor reliability affected customers and should be covered by the guaranteed service level scheme.⁸³ The single interruption payment threshold was set to be four times the network average interruption duration. We considered this represented a reasonable maximum restoration time.

In 2005, we removed the single interruption payment and had an annual duration supply restoration payment, as there were very few interruptions longer than 12 hours. Accordingly, we considered it more appropriate to use an annual measure to capture that part of distributors' performance.

In 2015, we reintroduced a single interruption payment as we had concerns that customers were experiencing long single interruptions. We also considered the single interruption payment would directly incentivise distributors to avoid these sustained interruptions.⁸⁴ As a secondary

⁸² Office of the Regulator-General, Victoria, Electricity Distribution Price Determination 2001-2005 Volume I Statement of Purpose and Reasons, September 2000, page 28.

⁸³ The first version of the scheme did not cover low reliability or supply restoration. It only covered connections, appointments, and timely and courteous service.

⁸⁴ Essential Services Commission, Review of the Victorian electricity distributors' Guaranteed Service Level payment scheme, Final decision, December 2015, page 38.

consideration, we noted the introduction of the payment would also better align with the national guaranteed service level scheme.

The annual duration and frequency payments relate to a customer's experience of a distributor's underlying annual performance. Historically, the single interruption restoration payment acknowledged the inconvenience a customer experiences from a single, large interruption. Another way to think of these payments is that annual duration and frequency payments reflect long-term network planning, while single interruption payments reflect a distributor's response to a short-term supply outage event.

Draft decision proposal

In our draft decision, we proposed to remove the single interruption payment category and replace it with a new major event day payment of \$90 where a customer experiences a sustained outage for 12 hours or more. A 'major event day' is an industry term used to indicate abnormal performance in supply reliability due to events outside of control of the distributor such as extreme weather and storms.

We proposed to update the way a major event day is determined based on our proposed approach to adopt a new standard (see section 4.3). Lastly, we proposed to remove the restriction on customers only being eligible for either an annual duration payment or single interruption payment in a year.

Stakeholder feedback on our draft decision

During our stakeholder meetings, distributors sought clarity on whether supply outages on major event days that were less than 12 hours would count toward the duration and frequency payment categories.⁸⁵ AusNet Services also sought clarity on this point in its submission to our draft decision.⁸⁶

Jemena was concerned about our proposed major event day payment, as the abnormal network performance is outside the control of the distributor, due to outage causes such as extreme weather and storms. Jemena also said that major event days are infrequent and subject to significant variation in scale and customer impact. Therefore, the inclusion of these payments

⁸⁵ Essential Services Commission, Customer service standards detailed summary of feedback to our draft decision, 1 July 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review#tabs-container2>.

⁸⁶ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

raises a number of challenges with accurately forecasting the volume and value of future payments.⁸⁷

CitiPower, Powercor and United Energy also did not support our proposal and said that major event days are excluded from the Australian Energy Regulator's Service Target Performance Incentive Scheme. Further, they said that it is not the intention of the national incentive framework to provide incentives to invest to protect the network from major event day events.⁸⁸

AusNet Services said that windstorms or natural disasters will be a common cause of major event days and only a small number are associated with maximum demand breaching network capacity.

AusNet Services expressed concern about the major event day payments being uncapped, meaning that if a customer experienced multiple major event day events with outages of 12 hours or more in each instance, they may receive payments totalling more than they pay in network charges on a yearly basis.

AusNet Services also said that major event days are not reflective of underlying network performance and therefore it did not support our draft decision proposal. AusNet Services said it understood that customers were concerned with sustained outages on days of extreme heat rather than bad storms.

Further, it said that recent improvements in network data from smart meters means that heatwave outages are avoidable. Therefore, if a major event day payment is part of the scheme, it should be limited to heatwave days. Lastly, AusNet Services said that the commission should consider more detailed data and modelling in relation to major event day payments.⁸⁹

The Energy and Water Ombudsman (Victoria) said major event day payments remain important on unusual occasions to acknowledge the inconvenience a customer has suffered. Further, the ombudsman said it is useful to remove the distinction between urban and rural customers regarding this payment. As we have noted, there is no clear rationale for maintaining such a distinction.⁹⁰

⁸⁷ Jemena, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁸⁸ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁸⁹ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁹⁰ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

Our final decision

In line with our draft decision, we will redesign the single interruption payment so that it only applies to significant supply interruptions on major event days that are greater than 12 hours. We have removed the distinction between urban and rural supply outages, as our view is that customers' expectations about sustained outages would not vary depending on their location.

We consider this approach should better reflect community expectations and improve the value customers place on the guaranteed service level scheme. Our view is that customers are understanding when outages are caused by abnormal events, however, they still expect to have power restored within 12 hours. Sustained outages cause inconvenience for many customers. We also expect that distributors are prepared to respond in a timely manner to sustained outages and restore customers as soon as practical during a major event day. The payment threshold of 12 hours captures approximately one percent of customers who are likely, based on historic network performance, to be without supply on a major event day for 12 hours or more.

As per table 9 below, the value for the major event day payment has been updated to be \$90 for supply restoration after 12 hours. This is based on a similar methodology described in section 4.2 that applies to low reliability and supply restoration payments.

4.1 Table 9 Current and new guaranteed service level payment values for supply restoration on major event days

Current guaranteed service level type	Current guaranteed service level amount	New guaranteed service level type	New guaranteed service level amount
Supply restoration – single interruption	<ul style="list-style-type: none">12 hours or more (urban): \$8018 hours or more (regional/rural): \$80	Major event day	12 hours or more: \$90

We acknowledge that many large supply outages occur on major event days and it is generally expected that on these days a distributor's resources are stretched. Accordingly, we have automatically excluded major event days from the low reliability (frequency and momentary interruptions) and supply restoration duration payments. By doing so, we avoid double counting a customer's experience while still targeting and addressing different forms of distributors' reliability performance and a customer's subsequent experience.

The intention in our draft decision was only for outages greater than 12 hours on major event days to be counted in the scheme. Outages less than 12 hours in length on major event days are not captured in the cumulative duration or frequency payment categories.

We understand that distributors use a 'back cast' method to calculate likely future guaranteed service level payments. That is, distributors look at historical network performance over the previous five years when developing their pricing proposals for the Australian Energy Regulator to seek funding for the guaranteed service level scheme for the next five years.

We note that this would have occurred with the current scheme's single interruption supply restoration payment which was also payable on days when customers were off supply for sustained periods and overall network performance was abnormal. We would expect distributors to be able to back cast major event day payments as they have previously done with the current single interruption payment category. Our analysis of smart meter unplanned outage data shows that major event day payments will only make up approximately one quarter of total payments across all payment categories and only a very small fraction of distributors' total operating expenditure. Accordingly, we do not consider the small risk of inaccurate forecasting to be a material issue that would warrant altering or removing the major event day payment from the scheme.

In relation to distributors' submissions that payments for outages on major event days should not be included in the guaranteed service level scheme, we consider that being off supply for half a day is a significant event for a customer and one which would have material impacts on most customers. Accordingly, we stand by our view in our draft decision that customers should be financially recognised on days where their supply is out for 12 hours or more. We consider that the \$90 payment for such inconvenience is proportionate to the circumstances.

We consider that 12 hours will generally provide distributors with sufficient time to restore the supply of many customers following an outage event commencing. As noted in our draft decision and acknowledged by some stakeholders, major event days generally occur due to extreme weather events which are often predicted in weather forecasts by the Bureau of Metrology. Therefore, as a matter of course, we expect distributors to be well prepared for major event days so that they can respond to restore supply in a timely way and in line with customer expectations.

Regarding the exclusion of major event days from the national Service Target Performance Incentive Scheme, we consider the national incentive scheme to be a separate regulatory framework to that of the guaranteed service level scheme. This is mainly because the guaranteed service level framework is not designed to incentivise investment in the network. Instead, our scheme provides financial recognition to customers who have been inconvenienced by a single sustained outage event or multiple outages throughout a year. We consider that the two can

operate alongside one another even where the national incentive scheme excludes major event days.

We have completed further detailed analysis of the smart meter unplanned outage data provided to us by distributors. We found that the 12-hour threshold proposed in our draft decision is also reflected in the smart meter data. Accordingly, we will retain the 12-hour threshold proposed in our draft decision.

4.4. Updating payments for late or missed appointments

Final decision 11

We have adjusted the guaranteed service level payment values for appointments using a distribution price index we have developed. The payment will increase from \$30 to \$35 for late or missed appointments.

Draft decision proposal

Currently, if a distributor is more than 15 minutes late to an appointment with a customer, it is required to make a \$30 payment to the customer. Customers are generally provided with a window when the distributor will attend the appointment. If the distributor misses that window by more than 15 minutes, the payment is applicable. We understand distributors generally make these payments to customers within several weeks of the scheduled appointment. We proposed to update the payment amount using a distribution price index we developed.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said that late appointment payment should be abolished because:

- the scheme is proposed to be limited to residential and business customers who have, or should have, a smart meter
- the structure of the payment may incentivise them to provide a degraded customer experience and commitment compared to what they currently have in place
- the primary purpose of appointments (when originally included in the distribution code) were for special meter readings and energisations, which are now conducted remotely with smart meters.

CitiPower, Powercor and United Energy said appointments for solar installations, meter replacements, supply upgrades and alterations are made with registered electrical contractors

rather than directly with customers. They said that they do not attend customers' premises for most solar connections.

CitiPower, Powercor and United Energy said retaining the payment would discourage them from offering increased certainty by providing specific appointment times. Lastly, they said that the low volume of payments in this category demonstrates that they are meeting their customers' expectations.⁹¹

The Energy and Water Ombudsman (Victoria) said the late or missed appointment payment is a minor but important payment, acknowledging the inconvenience a customer experiences if a distributor fails to meet an arranged appointment time. Further, the ombudsman noted such a payment can help to mollify the annoyance a customer may feel in losing half of their day waiting for an appointment that doesn't occur, or occurs later than scheduled.⁹²

Our final decision

We acknowledge the original reason for the guaranteed service level payment has been partly dealt with through the roll out of smart meters by enabling remote energisations, de-energisations and meter reading. However, we consider the payment should remain because it still has value in recognising that a customer's service expectation not being met when a distributor is late or misses an appointment.

Additionally, there have been very few payments in recent times. On average there have been 13 appointment payments per calendar year in recent years.⁹³ We also consider that:

- the cost of retaining the payment is low
- there is no new expenditure being incurred by continuing the payment (other than the payments themselves)
- there are no significant savings for customers by removing it from the guaranteed service level scheme.

Accordingly, in line with our draft decision, we will retain the guaranteed service level payment to customers when a distributor is late to, or misses, an appointment.

⁹¹ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁹² Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

⁹³ Australian Energy Regulator, regulatory information notices, 2016-2018, tab 3.6.9.

We recognise the service commitment of CitiPower, Powercor and United Energy to providing customers and their representatives such as electricians, with specific appointment times. However, we need to consider the interests and protections for all Victorian customers across all distribution networks regarding the retention of this payment.

As noted, the number of payments in this category are comparatively very low in terms of the overall scheme. Accordingly, we consider the cost of this payment category to be low compared to the costs of other payments in the scheme and the benefit to customers appropriate as noted by the Energy and Water Ombudsman (Victoria). We acknowledge that in many instances the person attending the appointment on behalf of the customer may not be the customer themselves. However, if an appointment is missed by a distributor there may still be inconvenience for a customer such as the need to re-book an appointment through their retailer. We consider that they should be recognised for this.

Further, we note that CitiPower, Powercor and United Energy have already implemented an IT solution to provide customers and their representatives with specific appointment times despite there being payments for late or missed appointments in the current framework. Accordingly, we do not consider that retaining the payment is discouraging distributors from providing good customer service.

The payment makes distributors accountable to meeting the expectation they have set by providing customers and their representatives with appointment times. We understand that payments are generally recovered from all customers within a distributor's network, so the costs on distributors themselves to administer the making of payments in this category would be negligible due to the small number of payments made each year. Even where payments might be made from a distributor without cost recovery, the cost is comparatively very small due to the low number of payments made each year.

If we were to see a reduction in customer service from current levels or poor customer experiences in relation to appointments, we would consider further regulation outside of the guaranteed service level scheme.

Updating payment amounts for late attendance

In 2015, we updated the customer service payments as part of the guaranteed service level scheme review. We did this using a distribution price index that we developed and which considered the X-factors⁹⁴ that applied to distributors' regulatory determinations from 2001 to

⁹⁴ The X-factor is the change in the annual revenue requirements taking into account demand forecasts, required expenditure needed to meet service targets and distributors' capital financing requirements.

2015.⁹⁵ We also included the consumer price index that applied over the same period in our formulation of the distribution price index.⁹⁶

We have updated the late appointment and delayed connection guaranteed service level payments using the same approach for the years since our last review (2016–2020).

Our methodology is as follows:

- use the X-factors from the distributors as set in the Australian Energy Regulator’s 2016–20 regulatory price determinations
- calculate a simple average of the X-factor based on the revenue requirements set out in the Australian Energy Regulator’s 2016–20 price determinations
- add the change in the consumer price index (June 2015-September 2019) to the average X-factor to calculate the distribution price index
- apply the distribution price index to the current non-performance guaranteed service level payments and round up to the nearest \$5.

This methodology also applies to delayed new connections (section 4.5). Using this methodology, the updated payment amount is \$35 for missed appointments. This will apply from 1 July 2021.

4.5. Updating payments for delayed new connections

Final decision 12

We have strengthened and clarified when delayed new connection guaranteed service level payments must be made to customers. Customers will be eligible for a payment:

- if the new connection is not made by the date the customer and distributor have agreed, or
- if no date is agreed, then payments begin after 10 business days.

The payment will increase from \$70 per day (capped at \$350) to \$80 per day (capped at \$400).

The delayed new connection payment relates to all connections where a customer has smart metering and uses less than 160MWh of electricity per year.

⁹⁵ Prior to 2015, these payment levels had not been changed since the inception of the guaranteed service level scheme’s in 2001.

⁹⁶ Essential Services Commission, Review of the Victorian electricity distributors’ Guaranteed Service Level payment scheme, Final decision, December 2015.

Draft decision proposal

As part of our 2005 review final decision, we clarified that a guaranteed service level should apply for delayed new connections:

“Where a connection request has been made to the distributor by a customer or their representative, and no date for connection has been agreed between the distributor and the customer or their representative, the distributor must connect the supply address within 10 business days.”⁹⁷

Currently, clause 2.2 of the distribution code specifies that a distributor must use its best endeavours to connect a customer on an agreed date or if no date is agreed, the distributor must connect a customer within 10 business days.

However, clause 6.2 of the distribution code only provides for a guaranteed service level payment to be made to a customer when their distributor does not provide a connection by the agreed date. We understand that some distributors have interpreted this to mean no guaranteed service level payment is required if there is no explicitly agreed date between the customer and the distributor.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said an amendment was needed to our distribution code drafting:

...the proposed replacement clause 6.2(a) could provide better flexibility for both the customer and the distributor if the trigger for the GSL is failure to connect “by the agreed date...” instead of “on the day agreed...”. This amendment better aligns with the ESCV draft decision, which states that ‘we propose to make it explicit that customers are eligible for payments in the event their distributor fails to make the connection within 10 business days or by the agreed date’.

CitiPower, Powercor and United Energy said the amendment would allow distributors to bring forward connections and ensure that customers complete all required actions prior to confirming they are ready to be connected.⁹⁸

⁹⁷ Essential Services Commission, Electricity Distribution Price Review 2006-10, Price Determination Final Decision Volume 1 Statement of Purpose and Reasons, October 2005, page 76.

⁹⁸ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

The Energy and Water Ombudsman (Victoria) strongly supported our reform to the delayed new connection payment by strengthening and clarifying the rules around time frames that make customers eligible for payment. The ombudsman also said the revision to the payment will reduce complaints about delayed connections, or at the very least, aid the conciliation process when they do arise.⁹⁹

Our final decision

We are strengthening the delayed new connection payment as we consider it to be an important customer protection. We are amending the distribution code to make it clear that customers are eligible for payments in the event their distributor fails to make the connection by the agreed date or within 10 business days.

As noted in our draft decision, we consider the high prevalence of customer dissatisfaction and complaints to the Energy and Water Ombudsman (Victoria) about delayed connections requires the rules to be clarified and strengthened.¹⁰⁰

We agree with CitiPower, Powercor and United Energy and have updated the distribution code drafting to reflect that payments are only applicable where a new connection is not made on or before the agreed date or within 10 business days if no date is agreed. This change is in line with the intent of our draft decision proposal.

Updating payment amounts for delayed connections

We have updated the delayed connection payment values by the distribution price index, which is based on distribution charges, as per the methodology previously described for late appointments (see section 4.4). These changes will take effect from 1 July 2021.

4.1 Table 10 Current and new delayed new connection payments

Current payment	New payment
\$70 per day, capped at \$350	\$80 per day, capped at \$400

⁹⁹ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹⁰⁰ Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

4.6. Improving customers' experience with the guaranteed service level scheme

Final decision 14

The annual payment categories will become accumulation payments. Distributors must assess whether a customer has reached a guaranteed service level threshold at the end of each quarter. If a customer has reached a guaranteed service level threshold, a distributor must make the payment within 60 business days of the end of each quarter.

Major event day payments (currently known as single interruption supply restoration payments) must be made by a distributor within 60 business days after the event (where the 12-hour threshold has been met).

Late appointment and delayed new connection payments must be made by a distributor as soon as practicable and no more than two distribution network billing periods after the customer became eligible for payment.

Retailers must apply payments to a customer's account within 10 business days after receipt if the distributor makes the payment through the customer's retailer.

If a distributor has applied for an exclusion event, the distributor can defer making a payment until a decision is received.¹⁰¹ If the application for an exclusion is rejected and the customer is eligible for a payment, the distributor must make the payment as soon as practicable and no later than 60 business days after the date of the decision.

Draft decision proposal

In our draft decision, we highlighted that under our current framework guaranteed service level payments must be paid by the distributor 'as soon as practicable' after the obligation is triggered. We identified three issues with the current approach:

- a customer may not receive a payment for over a year after experiencing the poor service, such as summer supply outages¹⁰²

¹⁰¹ Distributors can apply for events to be excluded from payments under clause 6.3.4 of the Electricity Distribution Code.

¹⁰² This scenario could occur where a customer experienced unplanned outages early in the year and reached an annual duration or frequency guaranteed service level threshold. This is because distributors generally make these payments in the first quarter of the next calendar year following an outage. Retailers then take further time to apply payments to customer accounts.

- customers have no certainty of when a guaranteed service level payment will be made by a distributor
- there are no existing requirements for retailers to apply guaranteed service level payments to customer bills in a timely way.

We also recognised that the long time between customers experiencing an outage and receiving appropriate payments would not meet customer expectations. We noted that in some other states, guaranteed service level payments are required to be made in a timelier manner compared to Victoria.

In making our draft decision, we consulted distributors to see if a staggered and progressive approach to payments would be practical. All distributors indicated they could implement the approach, however, there were questions as to whether there would be a net benefit to customers considering the increased administrative cost distributors would incur.

We also discussed an alternative approach at our stakeholder workshop on 6 February 2020.¹⁰³ Under the approach discussed, as each accumulation threshold is met, an additional payment would be made to customers while still retaining a cap on the annual performance category. This approach would work in a similar way to the delayed connection payments, where an additional amount is paid for each day that a connection is delayed, but the total payments made are capped at five days.

Stakeholder feedback on our draft decision

Through our stakeholder meetings, webinar and submissions, we heard that stakeholders were generally supportive of our intent to increase the timeliness of payments to customers. We heard during our one-on-one meetings with stakeholders in June 2020 that some retailers had concerns about applying payments to customer accounts within two business days of receipt. This concern was echoed by the Australian Energy Council and Origin Energy, who both called for 10 business days in line with the overcharging provisions of the retail code.¹⁰⁴

Some retailers said they have limited resources to process monthly network invoices from distributors, which contain the guaranteed service level payments. Some retailers said they have to manually apply payments to customer accounts, which can be a time-consuming process,

¹⁰³ Essential Services Commission, Electricity Distribution Code review - customer service standards stakeholder workshop slides, February 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review>

¹⁰⁴ Australian Energy Council and Origin Energy, submissions to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

particularly when there is a large volume of payments to process. Some smaller retailers said that providing only two business days could be challenging to comply with due to the manual processing required.

Conversely, other retailers did not express concern with the two business day time frame. However, some retailers sought clarification that they would not be expected to re-bill customers or send the payments to customers separately.

Some retailers and consumer advocate, John Mumford, also called for distributors to provide more information about the payment, including the dates the payment related to. We heard from some retailers that they often receive customer enquiries about payments, specifically what the payment was for.¹⁰⁵ Red Energy and Lumo Energy added that this change would only require a small amendment to the existing transaction information distributors provide retailers.¹⁰⁶

AusNet Services said that, in principle, it supports making timelier payments to customers as it better acknowledges the inconvenience experienced and significantly reduces the risk of not paying a customer who moves out. AusNet Services supported our proposed requirements to:

- assess customer eligibility on a quarterly basis and make payments within 60 business day for low reliability and supply restoration payments
- make major event day payments within 60 business days of the event once the relevant thresholds have been met.

AusNet Services noted that our proposal would require more resource time spent completing validation processes due to shortened time frames. It said that payment calculations are currently progressively completed throughout the year with an acceleration of activity at the end of the year.

AusNet Services disagreed with our proposal to make delayed new connection and late appointment payments within 20 business days as it would be impractical to implement. It suggested 60 business days to account for the time taken to process paperwork and finalise service orders in market systems. It also noted that network billing occurs monthly and a longer

¹⁰⁵ Essential Services Commission, Electricity Distribution Code – Customer service standards detailed summary of feedback to our draft decision, 1 July 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review#tabs-container2>.

¹⁰⁶ Red Energy and Lumo Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

time period to make payments would alleviate the need for intramonthly billing and reconciliation processes.¹⁰⁷

Jemena suggested a 40 business day time frame for delayed new connection and late appointment payments due to similar concerns relating to:

- the time taken to finalise service orders in market systems
- assess customer eligibility
- apply payments through monthly network billing which it completes on the 10th day of each month.¹⁰⁸

CitiPower, Powercor and United Energy did not support our proposals to make more timely payments to customers. They said that currently their reliability performance data, which is used to determine customer eligibility, is independently reviewed as part of the Australian Energy Regulator's regulatory information notices process. They contended that using unaudited data and requiring distributors to make payments within 60 business days following the end of each quarter would not improve outcomes for customers. Further, they noted that the Australian Energy Regulator assesses the applicability of excluded events and the group of distributors would not make a payment until a decision had been made by the Australian Energy Regulator.

CitiPower, Powercor and United Energy also did not support our proposal to have time bound obligations for delayed new connection payments. They said they already make payments as soon as practicable once they have confirmed customer eligibility.¹⁰⁹

Our final decision

Our new rules will ensure customers receive guaranteed service level payments in a timelier manner. This will provide customers with greater certainty and reduce the time taken for them to receive a payment.

Distributors' time frames

For distributor time frames, we have considered feedback received through our consultation process and submissions. Accordingly, we have allowed more time for distributors to make

¹⁰⁷ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹⁰⁸ Jemena, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹⁰⁹ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

payments for delayed new connections and late or missed appointments. Payments must be made as soon as practicable and no later than within two monthly network billing cycles following the event that made the customer eligible for the payment.

The low reliability frequency and momentary interruption payments, and the supply restoration duration payments, must be made within 60 business days of the guaranteed service level thresholds being met following distributors' quarterly eligibility assessments, unless the distributor is awaiting the decision from an application for an exclusion.

Major event day payments must be made within 60 business days of the event occurring, unless the distributor is awaiting the decision from an application for an exclusion.

Regarding CitiPower, Powercor and United Energy not supporting our proposals, we do consider that making customer payments relies on data being audited. If CitiPower, Powercor and United Energy want to audit the data before making the payments, there is nothing in our final framework that would prevent them from doing so.

However, we would question if payments would materially change following an audit, particularly because we are now requiring distributors to make payment based on the individual data from each customer's meter (as discussed in section 4.2). We would expect that data relating to each customer's meter would be accurate and accordingly correct for the purposes of making guaranteed service level payments. In relation to a time frame requirement for delayed new connection payments, we encourage distributors to continue to make payments as soon as practicable but still consider that a time limit is appropriate.

Retailers' time frames

Retailers will be required to apply payments to customer accounts as soon as practicable and no later than 10 business days of receiving a payment from a distributor. As noted in section 6.2, we have provided transitional arrangements for the first payments after 1 July 2021.

We do not intend for retailers to re-bill customers when they apply payments to customer accounts. In summary, we expect retailers to apply payments to customer accounts in a timely way following receipt of network billing from distributors so that the credit appears on the customer's next monthly or quarterly electricity bill. We have considered many retailers' concerns about the two-business day time frame and have extended this to allow more time to complete the manual processes of applying payments to customer accounts. As discussed, in section 6.2, we have also allowed additional time as a transitional arrangement following the change from calendar years to financial years for network tariff resets.

Data validation and identifying eligible customers

Through our consultation with stakeholders in making our draft decision, we concluded that making payments under our proposed time frames would allow distributors enough opportunity to validate outage data to accurately confirm which customers were eligible for payments. We still hold that view as:

- the time frames for the various payments provide enough time for distributors to apply for an exemption from the requirement to make a payment
- we have provided a 'pause' on the time distributors have to provide payments to customers where they have applied for an exclusion and are awaiting a decision
- the time frames largely align with other jurisdictional guaranteed service level schemes
- distributors have access to more granular data from smart meters and will therefore be able to use that information to assist with identifying customers who are eligible for payments.

Providing retailers with information about payments

We have not included an obligation for distributors to provide retailers with information about guaranteed service level payments. We would need to consult with the stakeholders on this proposal. We encourage distributors and retailers to work together to explore options about how this could be incorporated into existing process and procedures in the future.

4.7. Application of the guaranteed service level scheme

Final decision 14

We are restricting the guaranteed service level scheme to customers who have, or should have, advanced metering infrastructure (smart meters) as defined by the Electricity Industry Act and the relevant Advanced Metering Infrastructure Order in Council.

We are changing the payment of guaranteed service levels from the current distribution code definition of 'customer' to 'supply address'. This will link guaranteed service level payments to the customer's supply address rather than to individual customers.

Draft decision proposal

Scheme to only apply to residential, small and medium business customers

In our draft decision, we noted that electricity distributors have completed a roll out of the smart meter program for almost all eligible residential and business customers in Victoria over the last decade. Distributors were required by Victorian legislation to install smart meters for customers

who had an annual consumption less than 160MWh.¹¹⁰ This annual consumption threshold was set in an Order in Council.¹¹¹

During the consultation on our issues paper, we considered the guaranteed service level scheme could be restricted to customers who use less than 160MWh per annum. However, some stakeholders raised concerns that new and current residential or business customers would not be able to receive a guaranteed service level payment until their distributor had at least one year's worth of consumption data. Additionally, it was unclear how this approach would impact customers who had incidentally consumed more than the 160MWh allowance in any 12-month period.

We consider it has always been the intent of the guaranteed service level scheme to only address residential, small and medium businesses who are impacted by the poor performance of their electricity distributor. In our 2001 guaranteed service level scheme review, we indicated that guaranteed service levels did not need to be paid to customers who had an annual usage profile above 160MWh.¹¹² However, this was not specified in the distribution code at the time.

Linking guaranteed service level payments to supply addresses

Currently, the distribution code requires distributors to make guaranteed service level payments to customers. Distributors can do this by either directly paying the customer or through the customer's retailer.

We understand that distributors currently make payments through a customer's retailer, as the retailer is better placed because of its billing systems and arrangements with customers.

However, the current drafting of the distribution code would require a distributor to make payment to a customer even if they had vacated a property. In this instance, it is unlikely that the distributor could locate the customer to make the payment and in any event it would be burdensome.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy supported our proposal to limit the guaranteed service level scheme to residential and business customers who have, or should have, a smart meter.¹¹³

¹¹⁰ See sections 46B-46E Electricity Industry Act 2000.

¹¹¹ Advanced Metering Infrastructure Order in Council 2008, s314, 25 November 2008.

¹¹² Office of the Regulator-General, Victoria, Electricity Distribution Price Determination 2001-2005 Volume I Statement of Purpose and Reasons, September 2000, page 241.

¹¹³ CitiPower, Powercor and United Energy submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

The Energy and Water Ombudsman (Victoria) said that in practical terms, the removal of large customers from the guaranteed service level scheme will ensure the scheme serves the customers it is intended for and does not result in those customers subsidising payments made to large businesses. Further, in relation to our change from payments being linked to customers to premises, the ombudsman highlighted the potential risk of payments not flowing to customers who experienced an outage. However, the ombudsman noted that our shift to ensure more timely payment would mitigate this risk.¹¹⁴

ERM Power said that it acknowledged the scheme is not intended to be a compensation scheme, but it did not consider it appropriate to remove large customers from the guaranteed service level scheme, given that large customers tend to be disproportionately affected by outages, as compared to smaller residential and business customers.¹¹⁵

Our final decision

We have retained our draft decision and have limited the guaranteed service level scheme to residential and business customers who have, or should have, a smart meter under the relevant regulations.

This approach will ensure the guaranteed service level scheme is targeted at electricity customers who benefit the most from receiving financial payments for the poor service they have experienced.

We acknowledge that the payments for large customers are small, but we note that the guaranteed service level scheme is not intended to be a compensation scheme. Business customers are themselves best placed to appreciate their own operations and to take reasonable steps to minimise loss and damage resulting from outages and other events.

Therefore, the guaranteed service level scheme will be limited to customers who have, or should have, a smart meter. This also means that residential, small and medium business customers will not subsidise payments made to large electricity customers.

We will link guaranteed service level payments to supply addresses rather than individual customers. This will ensure distributors can fulfil their regulatory obligations and the distribution code does not place a large regulatory burden on distributors in attempting to make payments to customers who have vacated a property. This change, coupled with our reform to ensure

¹¹⁴ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹¹⁵ ERM Power, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

customers receive timelier payments, will mean more customers who experience outages will be financially recognised than under the current framework.

4.8. Exclusions to the guaranteed service level scheme

Final decision 15

We will exclude supply outage events from the guaranteed service level scheme where the outage is caused by the operation of equipment or plant related to bushfire mitigation on total fire ban days and code red days in particular fire districts.

We have not excluded supply outages caused by the normal operation of:

- distribution system equipment such as automatic circuit reclosers, circuit breakers or bushfire safety equipment that is unrelated to bushfire mitigation activities on days other than total fire ban days and code red days
- bushfire safety technology undergoing commissioning and annual testing.

Final decision 16

We have:

- aligned the methodology for determining major event days with the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard, used by the Australian Energy Regulator and in other Australian jurisdictions
- automatically excluded supply interruptions that occur on major event days from contributing toward the low reliability and supply restoration payment thresholds.

Final decision 17

We have harmonised certain Victorian exclusions with the exclusions in the Australian Energy Regulator's Service Performance Target Incentive Scheme.

Draft decision proposal

In our draft decision, we noted that there are currently several conditions that automatically exclude distributors from making guaranteed service level payments. These generally relate to the cause of the outage being outside a distributor's control, but also include:

- planned interruptions
- interruptions requested by the customer
- situations where customers ask for power not to be restored during an unplanned interruption

Guaranteed service level scheme

- if the customer has planned for an interruption in order to receive assistance or repairs from their distributor.

A distributor can also apply to us for an exclusion from making a guaranteed service level payment. The conditions of these events include:

- load shedding due to a shortfall in generation (excluding network support for embedded generation), under frequency causing automatic load shedding, or where the Australian Energy Market Operator directs the distributor to undertake load shedding
- interruptions caused by the transmission network or shared assets where the distributor is not responsible for that asset
- interruptions on a day where the number of interruptions exceeds a System Average Interruption Frequency Index threshold
- where prior approval has been obtained from the commission, load shedding happens due to a demand response initiative.

The Australian Energy Regulator last reviewed the exclusions in its scheme in 2018.¹¹⁶

Excluding planned outages

Stakeholder feedback on our draft decision

The Consumer Action Law Centre raised concerns about customers who experience disruptions due to multiple planned outages:

“Again, we note that mere notification from a distributor to a household should not be assumed to be agreement by that household; nor should the exemption apply where an excessive number of planned outages occur over a period of time. We accept that some areas of the network may require more frequent maintenance at times but if this is caused by poor businesses practices, and has a significant impact on households, this is unfair and some mechanism for appropriate redress should be available.

The ESC has indicated on page 66 of the Draft Decision that businesses will be required to minimise the disruption from planned outages and that setting a threshold as to where a certain number of planned outages becomes unreasonable is difficult. Even so, issues remain. It is unclear to us how the ESC will ensure compliance with this requirement to minimise disruption and we request clarification on this. We urge the ESC to not simply rely

¹¹⁶ Australian Energy Regulator, Explanatory statement, Final decision, Amendment to the Service Target Performance Incentive Scheme (STPIS), Establishing a new Distribution Reliability Measures Guideline (DRMG), November 2018.

on household complaints as an indicator given many households may not trust that complaining will result in a fair outcome.”¹¹⁷

Our final decision

As noted in our draft decision, planned outages are necessary to ensure the network can be maintained and managed to ensure its safe and efficient operation. We consider this to still be the case. Planned outages allow distributors to maintain the operation of their networks in a reliable manner, which is the long-term interests of all electricity customers. At times, there will be areas of the network that require more regular maintenance than normal. We consider that most customers will be understanding of the need to undertake works on the network over time.

Further, in the current framework and new framework, customers can contact their distributor to discuss planned outages including the day and timing when it will occur. We would expect distributors to consider reasonable requests to accommodate customers’ genuine need to move planned outages to another time or day if there was the potential for harm to that customer or members of a household. If a customer is unable to resolve an issue about a planned outage directly with a distributor, they can take their concern to the Energy and Water Ombudsman (Victoria). The ombudsman seeks to resolve complaints on a fair and reasonable basis. We do not consider it appropriate or proportionate to include planned outages in the exclusions contained in the guaranteed service level scheme as the cost of the scheme is borne by all customers in a particular distribution network. To do so would substantially increase costs for all customers.

We require that the duration of all planned interruptions is minimised to limit the disruption to customers by obligating distributors to use their best endeavours to restore supply as quickly as possible. The alternative of not maintaining and augmenting the network through planned interruptions may put customers’ supply at risk and compromise the safety and efficient operation of the wider network. Accordingly, we have not changed the current exclusions regarding planned outages from what we proposed in our draft decision.

Excluding the operation of bushfire safety technology

In 2016, Victoria’s bushfire safety regulations were amended to require distributors to increase the safety standards of their networks to reduce bushfire risks. This reform mandated the roll out of bushfire mitigation equipment. Victoria’s distributors have commenced installing bushfire safety equipment known as rapid earth fault current limiters across the state. This safety technology is a

¹¹⁷ Consumer Action Law Centre, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

type of equipment which is usually installed at distribution zone substations in areas of high bushfire risk.

The Electricity Safety Act 1998 and supporting regulations also prescribe the distributors' obligation with bushfire safety technology, such as rapid earth fault current limiters and automatic circuit reclosers, in the management of bushfires.¹¹⁸

To reduce bushfire risk, bushfire safety equipment is designed to respond when an abnormal scenario occurs on the network. For example, bushfire safety equipment operates to rapidly reduce the potential of an electrical spark occurring when a power line fails and makes contacts with the ground or an object. In accordance with the Electricity Safety Act 1998 and supporting regulations, distributors are also required to demonstrate that the bushfire safety technology is operational and works correctly. We understand distributors do this on an annual basis.

Total fire ban and code red days

Total fire ban days are declared under Section 40 of the Country Fire Authority Act 1958. The Country Fire Authority decides whether to declare the fire ban by taking into consideration various information such as the Bureau of Meteorology's forecast of the fire danger index. When these days are declared, distributors set their bushfire safety technology to the highest operating setting.

Code red days are declared by the Emergency Management Commissioner. These days are the highest-level fire danger rating in Victoria and signify the potential for catastrophic grassfires and bushfires.

Total fire bans and code red days are declared by district – there are nine total fire ban districts across Victoria. A total fire ban can also be declared for the whole state of Victoria.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said that the exclusions relating to total fire ban and code red days should be extended to include circuit breakers in addition to automatic circuit reclosers and rapid earth fault current limiters.¹¹⁹

¹¹⁸ Electricity Safety (Bushfire Mitigation) Regulations 2013.

¹¹⁹ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

AusNet Services supported our proposed exclusion for outages caused by the operation of fire start prevention technology on code red and total fire ban days, in recognition that the technology helps keep Victorian safe from bushfires.¹²⁰

The Energy and Water Ombudsman (Victoria) agreed with our proposal to exclude bushfire safety technology causing outages on high risk bush fire days from the guaranteed service level scheme. The ombudsman also agreed with our proposal not to exclude outages caused by testing.¹²¹

Our final decision

We have excluded outages caused by equipment or technology designed and specifically intended to operate to support the Electricity Safety Act 1998 and supporting regulations for bushfire mitigation. Further, this exclusion would only apply on code red days or when a total fire ban is declared for particular districts.¹²² We consider this is a balanced approach due to the requirements for distributors to have bushfire safety technology operating with maximum sensitivity settings on these high-risk days.

We do not consider the testing of bushfire safety equipment or any other applicable technology should be excluded from the guaranteed service level scheme. We acknowledge that testing is required by bushfire safety regulations. However, distributors have control to manage when they test the technology and how they respond to any resultant outcomes. This could include taking measures such as ensuring that the distributor undertakes appropriate asset and vegetation management, as well as having appropriately resourced and equipped personnel to promptly restore supply.

Additionally, it is expected that customers will not know the difference between an outage caused by the testing of the bushfire safety technology, or an outage caused by another issue.

We have considered CitiPower, Powercor and United Energy's feedback about the inclusion of circuit breakers on total fire ban days and code red days. We hold the view that any outages caused by all types of bushfire safety equipment should be excluded from the guaranteed service level scheme on those days. Accordingly, we have modified the distribution code drafting so that

¹²⁰ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹²¹ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹²² Total fire bans and code red days are declared by district – there are nine total fire ban districts across Victoria. A total fire ban can also be declared for the whole state of Victoria.

any equipment, plant or technology related to bushfire mitigation is captured in the approved exclusions.

Excluding major event days

A major difference between Victoria's guaranteed service level exclusion criteria and other jurisdictional guaranteed service level schemes is the exclusion for abnormal events, such as extreme weather that causes mass supply outages. These events are commonly referred to as 'major event days'.

Major event days are currently excluded from guaranteed service level schemes in all jurisdictions outside of Victoria. Victoria retains a tailored framework where a major event day is determined by the number of interruptions that occur on the day. Other jurisdictions calculate a major event day by the duration of an outage, based on the United States standard - Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 (IEEE standard).¹²³

In 2005, we set the supply interruption frequency threshold because we considered it better reflected when a distributor's resources were at capacity. At the time, it was expected that large scale outage events would be likely to occur every five years. However, through our consultation, distributors have informed us that the threshold is being exceeded less regularly. Further, we have seen that distributors' resources have been stretched on days that would have been considered major event days under the IEEE standard, but were not under the Victorian approach.

Stakeholder feedback on our draft decision

The Energy and Water Ombudsman (Victoria) supported our approach to exclude network performance on major event days from the duration and frequency payment threshold calculations. The ombudsman said this will avoid double counting major events.¹²⁴

Our final decision

We will adopt the IEEE standard. We consider there are benefits with modernising and harmonising with other jurisdictions by adopting this statistical standard used by the Australian Energy Regulator. The current exclusion in the Victorian framework is out of date and does not

¹²³ The development of the standard was the culmination of a significant amount of research in the United States on the use of statistical criteria for exclusions of reliability for supply reporting. The US Institute of Electronics Engineers IEEE Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard aims to capture 2.6 major event days per year.

¹²⁴ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

reflect the significant network and technology upgrades distributors have implemented that should have resulted in better performance levels.

However, we also recognise that moving to the IEEE standard could result in some customers receiving fewer supply restoration duration payments. Although this would result in a cost reduction for customers more broadly, it may mean some customers who receive supply interruptions may not be eligible for the guaranteed service level payments that they would otherwise have received under our current framework. To address this issue, we are proposing to re-define the single interruption restoration payment to capture distributors' performance on major event days (see section 4.3).

Adopting certain exclusions in line with the national guaranteed service level scheme

Draft decision proposal

The Australian Energy Regulator's Service Target Performance Incentive Scheme contains a range of exclusions that can apply to a distributor's performance. We proposed to adopt a number of these exclusions in our framework to seek alignment and reduce regulatory inconsistency.

Our final decision

We will partially adopt elements of the national framework as we seek to clarify circumstances that we consider appropriate to exclude from the guaranteed service level scheme. We will also adopt the national major event day standard which underpins the effective operation of our major event day payment. We consider this should result in modest efficiency gains for Victorian electricity distributors operating under the requirements of Victoria's regulatory regime and the national framework, such as streamlined reporting. Table 12 illustrates our current exclusions, the exclusions in the national framework and our final decision regarding adoption of the national approach.

4.1 Table 12 Comparison of national and Victorian guaranteed service level exclusions and our final decisions

Victorian scheme (current exclusions)	National scheme ¹²⁵	Final decision
<p>Clause 6.3.4(a) of the distribution code Load shedding due to a shortfall in generation, but excluding a shortfall in embedded generation that has been contracted to provide network support, except where prior approval has been obtained from the commission.</p>	<p>Clause 6.4(a)(2) of the national scheme Load shedding due to a generation shortfall.</p>	<p>Reject We will not harmonise as we consider it appropriate for the distribution network support element to be carved out of our guaranteed service level scheme because the shortfall is in control of the distributor.</p>
<p>Clause 6.3.4(aa) of the distribution code Automatic load shedding due to the operation of under frequency protection following the occurrence of a power system under-frequency condition.</p>	<p>Clause 6.4(a)(3) of the national scheme Automatic load shedding due to the operation of under-frequency relays following the occurrence of a power system under-frequency condition.</p>	<p>Reject We consider both our current exclusions achieve alignment between the Victorian and national frameworks.</p>
<p>Clause 6.3.4(ab) of the distribution code Load shedding at the direction of the Australian Energy Market Operator or a system operator.</p>	<p>Clause 6.4(a)(4) of the national scheme Load shedding at the direction of the Australian Energy Market Operator or a system operator.</p>	
<p>Clause 6.3.4(b) of the distribution code Supply interruptions caused by a failure of the shared transmission network.</p>	<p>Clause 6.4(a)(5) of the national scheme Load interruptions caused by a failure of the shared transmission network.</p>	<p>Reject We consider our current exclusion achieves alignment between the Victorian and national frameworks.</p>

¹²⁵ Australian Energy Regulator, Service Target Performance Scheme, Version 2.0 (November 2018) made pursuant to clause 6.6.2 of the National Electricity Rules.

Victorian scheme (current exclusions)	National scheme ¹²⁵	Final decision
<p>Clause 6.3.4(c) of the distribution code Supply interruptions caused by a failure of transmission connection assets, except where the interruptions were due to inadequate planning of transmission connections and the distributor is responsible for transmission connection planning.</p>	<p>Clause 6.4(a)(6) of the national scheme Load interruptions caused by a failure of transmission connection assets except where the interruptions were due to:</p> <ul style="list-style-type: none"> • actions, or inactions, of the Distribution Network Service Provider that are inconsistent with good industry practice; or • inadequate planning of transmission network connections points and the Distribution Network Service Provider is responsible for the planning of transmission network connection points. 	<p>Adopt We consider the national approach more completely captures the elements of the network that distributors have control over. Accordingly, we consider there is benefit in harmonising with the national approach and our final decision reflects this position.</p>
<p>No equivalent Victorian exclusion.</p>	<p>Clause 6.4(a)(7) of the national scheme Load interruptions caused by the exercise of any obligation, right or discretion imposed upon or provided for under jurisdictional electricity legislation or national electricity legislation applying to a Distribution Network Service Provider.</p>	<p>Reject We consider there are some scenarios where this exclusion could be used by a distributor to justify a supply interruption where the distributor had control of whether to cause an interruption. For example, the settings of automatic circuit reclosers. Therefore, we have carved out specific obligations for exclusions regarding outages due to the operation of bushfire safety technology such as rapid earth fault current limiters on total fire ban days and code red days.</p>

Victorian scheme (current exclusions)	National scheme ¹²⁵	Final decision
No equivalent Victorian exclusion.	<p>Clause 6.4(a)(8) of the national scheme Load interruptions caused or extended by a direction from state or federal emergency services, provided that a fault in, or the operation of, the network did not cause, in whole or part, the event giving rise to the direction.</p>	<p>Adopt We consider the national approach more completely captures the elements of the network distributors have control over. Accordingly, we consider that there is benefit in harmonising with the national approach and our final decision reflects this position.</p>
<p>Clause 6.3.4(d) of the distribution code Supply interruptions on a day where the unplanned interruption frequency exceeds particular thresholds.</p>	<p>Clause 6.4(b) of the national scheme Interruptions may also be excluded that occur on days where the daily unplanned SAIDI for the DNSP's distribution network exceeds the major event day boundary, when the event has not been excluded under the seven exclusion clauses described above.</p>	<p>Adopt We have adopted the US Institute of Electronics Engineers (IEEE) Guide for Electric Power Distribution Reliability Indices, IEEE 1366-2012 standard for setting the major event day threshold. This means outages on these days will not count toward the supply restoration or low reliability payments.</p>
<p>Clause 6.3.4(e) of the distribution code Where prior approval has been obtained from the Commission, load shedding due to a shortfall in demand response initiatives.</p>	No equivalent national exclusion.	<p>Retain We will retain our current exclusion.</p>

5. Reporting

5.1. Overview

This chapter provides an overview of the new reporting requirements that will apply to distributors from 1 July 2021.

For us to better understand the time taken to connect new distributed energy resources, such as solar and battery systems, we have introduced a new reporting requirement that focuses on time frames. We have also included two new reporting requirements regarding guaranteed service level scheme data reported to the Australian Energy Regulator and unplanned outage smart meter data.

5.2. New performance reporting requirements

Our performance reporting reforms will require distributors to report to us on:

- time frames to connect and process applications for embedded generation such as solar and battery
- all guaranteed service level data that is currently provided to the Australian Energy Regulator
- smart meter unplanned outage data.

This data will enhance our intelligence and analysis function and allow us to respond should a need for reform be identified.

Overview of our performance reporting final decisions

Distributors will commence reporting to us from 1 July 2021 on:

- the time taken to process embedded generation applications (such as solar and batteries). This will include reporting indicators about installations, inspections, meter replacement/reconfiguration and network tariff re-assignment needed to complete a connection to the network
- guaranteed service level payments across all categories in the same way distributors report to the Australian Energy Regulator in their regulatory information notices
- smart meter unplanned outage data.

As a part of this review, we examined the current reporting requirements for distributors regarding planned interruptions (clause 5.5 of the distribution code) and the guaranteed service level scheme (clause 6 of the distribution code). Currently, distributors are only required to report breaches of

their planned interruption and guaranteed service level scheme obligations to us. There are currently no requirements for distributors to report network performance to us.

Based on stakeholder submissions, we consider there is merit in requiring distributors to regularly report their performance to us on:

- processing time frames for embedded generation applications (such as solar and batteries), including installation, inspections and network tariff re-assignment time frames
- guaranteed service level performance
- smart meter unplanned outage data.

5.3. Solar applications and connections

Final decision 18

Distributors will be required to provide us with reporting indicators from 1 July 2021 about the time taken to process embedded generation applications (solar and batteries). This will include reporting time frame indicators about installations, inspections, meter replacement or reconfiguration, and network tariff re-assignment needed to complete an installation.

Draft decision proposal

In our draft decision, we noted that the electricity sector is going through a significant period of change. Customers have more choice than ever before in how they are supplied and sold electricity. A combination of rapidly falling prices for solar systems and increasingly lower costs for batteries, coupled with government incentive schemes, such as Victoria's Solar Homes Program, are driving more electricity customers to install solar and battery systems.

The Victorian Government aims to support the roll out of solar, battery and solar hot water systems to approximately 770,000 households over the next decade.¹²⁶ This represents a significant increase on the approximately 487,000 solar systems installed in Victoria as of September 2020.¹²⁷ Considering there are approximately 2.8 million residential and small business premises in Victoria, this program will see just under half of the state's households and small businesses equipped with

¹²⁶ Premier Hon. Daniel Andrews MP media release: <https://www.premier.vic.gov.au/solar-homes-rolling-out-to-even-more-victorians/>.

¹²⁷ Clean Energy Regulator, Postcode data for small-scale installations, accessed 9 October 2020: <http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations>.

solar systems and increasingly with battery storage.¹²⁸ As of September 2020, there were approximately 4,750 battery systems installed in Victoria.¹²⁹

We also outlined the application process for solar systems which highlighted that there are several critical steps distributors play in processing a customer's application to install a new solar or battery system.

Stakeholder feedback on our draft decision

The Clean Energy Council supported our inclusion of new reporting requirements for embedded generation such as solar panels and batteries. The Clean Energy Council urged us to outline the format and frequency for publication of data and said quarterly publication would be sufficient to identify trends as they emerge. The Clean Energy Council also suggested separating data by distribution areas and location (e.g. urban, regional and rural).¹³⁰

The Energy and Water Ombudsman (Victoria) said our proposal was welcome and strongly supported it. The ombudsman noted that as Victoria's solar industry continues to expand and the residential battery industry begins to take root in earnest, it will be increasingly important to have visibility of bottlenecks in the system.¹³¹

AusNet Services queried the need to capture data about application exceptions and noted that there are dozens of different circumstances that could cause exceptions. It further noted that it is generally the entity waiting for further information from other parties. AusNet Services also said that some of the metrics we are seeking to capture are already in the Australian Energy Market Operator's Distributed Energy Resources Register. Further, it suggested that reporting requirements for meter reconfigurations and network tariff re-assignments be limited to service orders associated with new or altered inverter energy systems such as solar and battery systems.¹³²

¹²⁸ Department of Environment, Land, Water and Planning, About the electricity sector: <https://www.energy.vic.gov.au/electricity/about-the-electricity-sector>.

¹²⁹ Clean Energy Regulator, Postcode data for small-scale installations, accessed 9 October 2020: <http://www.cleanenergyregulator.gov.au/RET/Forms-and-resources/Postcode-data-for-small-scale-installations>.

¹³⁰ Clean Energy Council, submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

¹³¹ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

¹³² AusNet Services submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

Reporting

CitiPower, Powercor and United Energy said that they did not incorporate final approvals in their application process but overall did not have any concerns with our proposal.¹³³

Our final decision

Distributors will be required to commence providing the commission with data so we can better understand the time it is taking distributors to complete their respective steps in the process of connecting a customer's solar or battery system to the grid. This will be for applications that are subject to pre-approval for customers who use less than 40MWh per year. Also, we will only require data for solar systems considered basic connections. We understand that the upper limits in capacity range from 3.5kW to 10kW per phase or larger for multi-phase systems, depending on the distribution region.

This new reporting requirement is particularly relevant and important in the context of the Victorian Government's Solar Homes Program and the significant uptake projected over the coming decade.

We will further consider a guaranteed service level category for excessive delays with connecting solar and battery systems once we have more data.

We will restrict this requirement to applications for solar systems that go through the pre-approval process. Distributors will be required to report the following to us:

- processing time for pre-approvals (where relevant)
- number of applications received
- processing time for final approvals (where relevant)
- time to complete a meter reconfiguration
- time to complete a network tariff re-assignment
- time to notify a retailer of network tariff re-assignment.

We will consider further the reporting requirements, including format, frequency and publication of data where appropriate, in line with our Compliance and Performance Reporting Guideline. The guideline is publicly available on our website.¹³⁴

We agree with AusNet Services that we do not require application exceptions data. We consider that the other key metrics reported to us will provide the commission with sufficient insight into the

¹³³ CitiPower, Powercor and United Energy, submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

¹³⁴ Essential Services Commission, Compliance and Performance Guideline, available at: <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-codes-guidelines-policies-and-manuals/compliance-and-performance-reporting-guideline>.

time frames customers experience in having new solar and battery systems connected to the grid. To that end, we do not consider that the Australian Energy Market Operator's Distributed Energy Resources Register provides us with the level of specificity we are seeking in requiring distributor to report time frames to complete key steps in the solar and batter connection process.

We will also limit reporting requirements to service orders related to meter reconfigurations and network tariff re-assignments associated with new or altered inverter energy systems such as solar and battery systems.

We acknowledge CitiPower, Powercor and United Energy's submission that they do not undertake certain approval steps for solar connections. Distributors will only need to report to us on pre and final approvals where relevant.

5.4. Guaranteed service level performance reporting

Final decision 19

Distributors will be required to report guaranteed service level performance data to the commission in line with the requirements of the Australian Energy Regulator's regulatory information notice on an annual basis.

Distributors will also be required to provide the commission with annual smart meter unplanned outage data for each Victoria premises.

Context

Currently, we require distributors to report compliance breaches where they do not meet the requirements of their guaranteed service level obligations in the distribution code. However, we have not required guaranteed service level performance reporting since economic distribution regulation was transferred to the Australian Energy Regulator in 2009. Currently, all guaranteed service level performance data is reported annually to the Australian Energy Regulator through Regulatory Information Notices.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said they did not have any concerns with providing the commission with the performance data reported to the Australian Energy Regulator in the regulatory information notices. They noted that the data would be provided to the Australian

Energy Regulator in October each year due to the change from calendar years to financial years from 2021.¹³⁵

The Energy and Water Ombudsman (Victoria) supported our proposal and said it will give the commission greater and more immediate visibility of distributor performance as indicated by the guaranteed service level scheme.¹³⁶

Our final decision

Distributors will be required to provide us with guaranteed service level performance data at the same time as they submit it to the Australian Energy Regulator through Regulatory Information Notices.

Distributors will be required to submit annual data on the number of guaranteed service level payments made and the total cost of the scheme for each guaranteed service level payment, in line with the other requirements of the Australian Energy Regulator.

Distributors will also be required to provide the commission with unplanned outage smart meter data.

This information and data will provide us with a more complete picture of Victorian customers' experience with respect to unplanned outages.

5.5. Other matters raised by stakeholders

This section provides an overview of other feedback received through stakeholder submissions to our draft decision.

Reporting on planned outages

The Consumer Action Law Centre said that some users may experience unfair excessive planned outages. It suggested that a reporting requirement should be introduced to gather data about the number and length of planned outages experienced by households across the state.

¹³⁵ CitiPower, Powercor and United Energy, submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

¹³⁶ Energy and Water Ombudsman (Victoria), submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

Reporting on other behind the meter services

The Consumer Action Law Centre also said:

The reporting appears to be aimed at solar and batteries, but other technologies are already emerging and others we cannot anticipate might emerge. For example, behind the meter installation of charging facilities for electric vehicles may need specific policy development. The ESC should ensure that the reporting of information on the use of new energy technology is broad and made publicly available to best inform research and decision making about the best practice regulation of the transitioning energy system in the interests of households.

Reporting on activities that assist vulnerable customers

The Consumer Action Law Centre said:

The ESC should also seek reporting from distributors in relation to customer service activities aimed at assisting people experiencing vulnerability and publicise this information. We have observed successful intervention by distributors to prevent energy disconnections which may risk serious harm to households during the COVID 19 crisis period. This has highlighted that while the responsibility for fair outcomes for households experiencing vulnerability generally sits with energy retailers, energy distributors may have opportunities to act as a safeguard where retailers fail in this responsibility. Public reporting on ways in which distributors trial or already operate to address the vulnerability expressed by customers could inform the development of consistent best practice approaches in the future.¹³⁷

Our final decision

We consider there may be merit in further considering the reporting obligations suggested by the Consumer Action Law Centre in the future.

In relation to planned outage reporting requirements, we have not included this in our final decision as further consideration is needed, including the purpose of obtaining the data. We note that planned outage data is already publicly available through the Australian Energy Regulator for the purposes of network performance reporting.¹³⁸ As we do not have a role in regulating the frequency

¹³⁷ Consumer Action Law Centre, submission to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

¹³⁸ Australian Energy Regulator, Regulatory Information Notices, available at: <https://www.aer.gov.au/taxonomy/term/1495>.

of planned outages, we would need to consider further the reason for collecting such data. If we did consider the need to better understand planned outages in the future, we may consider this more broadly, not just in relation to the guaranteed service level scheme.

We have recently commenced work on the development of a vulnerability strategy for our work across the commission.¹³⁹ While we consider the needs of vulnerable Victorians to be an important part of designing regulatory frameworks and customer protections, we consider that this work stream will better enable us to consider reporting on activities that assist vulnerable Victorians.

We are also conscious of the evolving energy market and the types of products and services that may begin to experience mass uptake over the coming years. We actively monitor these developments so that we can respond accordingly when the need arises. We will continue to do this in relation to electric vehicle charging and other behind the meter services that fall within the commission's remit and relate to the activities of our licensees.

¹³⁹ Essential Services Commission 2020, Building a strategy to address consumer vulnerability: Approach Paper, 17 September.

6. Commencement of the new framework

6.1. Overview

In this chapter we outline the implementation time frames for the new framework. The transitional arrangements for the first half of 2021 in relation to the guaranteed service level scheme are also explained.

Final decision 20

The amendments giving effect to our final decisions will commence on:

- 1 January 2021 for distributors to interrupt supply without a minimum of four business days' notice subject to explicit informed consent and record keeping requirements
- 1 April 2021 for electricity retailers' new obligations for sharing customer information, including electronic contact details
- 1 July 2021 for distributors' new performance reporting requirements
- 1 July 2021 for distributors' obligations for the guaranteed service level scheme and planned outage notifications
- 1 July 2021 for electricity retailers' new requirement to make timely guaranteed service level payments, subject to transitional provisions.

We have also included transitional provisions relating to the existing guaranteed service level scheme that will be in effect between 1 January 2021 and 30 June 2021.

Draft decision proposal

In our May 2020 draft decision, we proposed to introduce the new customer service standards from 1 January 2021 for distributors and from 1 November 2020 for retailers.

We also noted that Victoria's electricity distributors had requested to shift from calendar years to financial years for their regulatory price determinations by the Australian Energy Regulator from July 2021 onwards. Legislative changes were needed to accommodate this request. Accordingly, our draft proposals regarding commencement of the framework for distributors aligned with the arrangements at the time the draft decision was made (calendar years).

We also considered 60 business days to be sufficient for retailers to provide distributors with all existing customers' electronic contact details. We noted that systems and processes were already in place through the Australian Energy Market Operators' systems and business-to-business

Reporting

procedures. Therefore, we did not view this as an impediment to providing details to distributors in a timely manner ahead of distributors' obligations coming into force on 1 January 2021.

We also noted the unfolding coronavirus pandemic and how it is affecting the energy industry and the Victorian community.

Stakeholder feedback on our draft decision

During our one-on-one meetings, at our webinar and in stakeholder submissions, many industry stakeholders raised concerns about the time frames proposed in our draft decision. Some of these concerns related to the coronavirus pandemic and the effects it is having on the energy industry. Other concerns related to the time needed to implement information technology, system and process changes for both retailers and distributors. While our proposals should not require major system changes, we are aware that distributors have other IT upgrades already in motion, so the time frames to make changes to IT systems can be long.¹⁴⁰

Another key concern was that since our draft decision was made, the Victorian Government has introduced legislation into parliament to move the economic regulatory periods from calendar years to financial years commencing 1 July 2021. Distributors strongly considered that we should seek to align regulatory changes in the distribution code with the move to financial years. AusNet Services also said that the Australian Energy Regulator's Service Target Performance Incentive Scheme is moving from calendar to financial years from 1 July 2021. It said we should seek alignment of changes to these schemes as it would reduce regulatory and cost burdens as the same datasets are used for both schemes.¹⁴¹

Our final decision

We acknowledge that the move from calendar years to financial years for network tariff pricing means there will be a six-month transitional period from 1 January 2021 to 30 June 2021. Further, our draft decisions will be considered as part of the Australian Energy Regulator's electricity distribution pricing reset for the next five-year regulatory period from 2021–2026. Accordingly, this change has been the primary driver in our consideration of how to pragmatically approach this

¹⁴⁰ Essential Services Commission, Electricity Distribution Code – Customer service standards detailed summary of feedback to our draft decision, 1 July 2020, available at: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-and-policies/electricity-distribution-code/electricity-distribution-code-review-2019/customer-protections-electricity-distribution-code-2019-review#tabs-container2>.

¹⁴¹ AusNet Services, CitiPower, Powercor and United Energy, Jemena, submissions to Essential Services Commission Electricity Distribution Code review – customer service standards draft decision, May 2020.

substantial change in the national regulatory framework in determining the commencement dates for our reforms.

We have also considered the impacts of the coronavirus pandemic and other regulatory reforms occurring at the national level in determining the commencement dates of the framework. These factors also warrant starting the majority of the new rules from 1 July 2021 to allow industry enough time to implement the required changes.

We consider that there is benefit for customers and distributors in introducing flexibility into the framework regarding interruptions to supply without the mandatory minimum four business days' notice sooner. Therefore, distributors will be able to do this from 1 January 2021 subject to complying with the customer protections we have included in the framework, regarding obtaining explicit informed consent of all affected customers and maintaining good records. This will enable distributors to reduce the number of planned outages that need to be cancelled and rescheduled because a customer or group of customers will be impacted by an outage and were not provided with at least four business days' notice. This should assist with reducing costs for distributors and ultimately customers.

The new requirements for electricity retailers will commence on 1 April 2021. We consider approximately four months to implement the reforms to be sufficient time as retailers already collect customer information and use the Australian Energy Market Operator's existing business-to-business procedures to share information with distributors. Retailers will have 60 business days to transfer all existing customer information (where it has not previously been provided) to distributors before distributors new obligations for planned outage communications come into effect on 1 July 2021.

The revised time frame for the new requirement on retailers to apply guaranteed service level payments to customer accounts within 10 business days of receipt largely fits with retailers' existing practices. This will commence from 1 October 2021.

As discussed in section 6.2 below, we have provided a transitional provision for payments made because of outages in the first half of 2021. This will commence on 1 July 2021 and will provide retailers with 20 business days to apply payments to customer accounts. This allows for processing two quarters of payments in one batch following distributors finalising the payments at the start of quarter three in 2021.

The new reporting requirements for electricity distributors will commence on 1 July 2021.

Distributors' new obligations for the guaranteed service level scheme and planned outage communications will come into effect on 1 July 2021. This accounts for the change from calendar years to financial years for network tariff pricing resets. Distributors will be required to assess

customer eligibility for guaranteed service level payments for all outages up to and including 30 June 2021 in the third quarter of 2021. The new obligations to make timely payments commence on 1 July 2021 and therefore any payments from the first half of 2021 must be paid in a timely way to customers.

We consider that this is a pragmatic way to stagger the introduction of the new framework in a way that accounts for the change from calendar years to financial years while not delaying implementation of the entire suite of reforms.

6.2. Transitional arrangements for the guaranteed service level scheme

Final decision 21

We have included transitional arrangements for the period of 1 January 2021 to 30 June 2021. The guaranteed service level payment thresholds and payment values will be pro-rated for the duration payment category, so they are effectively halved for the first half of 2021. This will account for the reduced time the old scheme is in effect.

Distributors will be required to provide payments for the first half of 2021 to retailers within 60 business days from 1 July 2021.

Retailers will be provided with 20 business days – twice the normal time frame – to apply payments to customer accounts after receipt from distributors. Retailers' obligation to apply payments within 10 business days will commence for payments arising from outages between 1 July and 30 September 2021 onwards.

Context

The Victorian Government has passed legislation to shift the date that distributors update their network tariffs each year from 1 January to 1 July starting in 2021. Currently, our guaranteed service level scheme operates on a calendar year basis. Accordingly, we have made provision in our final decision to account for the Victorian Government's changes arising from the National Energy Legislation Amendment Act.¹⁴²

The Australian Energy Regulatory has confirmed that distributors will be provided with half of their operating expenditure for 2020 relating to the guaranteed service level scheme to cover payments for the first half of 2021.

¹⁴² National Energy Legislation Amendment Act 2020 was assented to on 20 October 2020 and is available at: <https://www.legislation.vic.gov.au/as-made/acts/national-energy-legislation-amendment-act-2020>.

Stakeholder feedback on our draft decision

CitiPower, Powercor and United Energy said that our draft decision implementation for guaranteed service level payments should be deferred until at least 1 July 2021 due to the transitional arrangements for the first half of 2021 which would see their operating expenditure halved.¹⁴³

AusNet Services also highlighted transitional issues regarding future operating expenditure allowances.¹⁴⁴

Our final decision

We note CitiPower, Powercor and United Energy's submission regarding their operating expenditure being halved for the first half of 2021, per the advice received from the Australian Energy Regulator. Accordingly, we have factored this into the design of the transitional arrangements for our guaranteed service level scheme.

The unplanned outage duration payment thresholds and payment values will be pro-rated for the first six months of 2021. Effectively, this means they will be halved. We note there is a small risk this approach may result in more payments to customers arising from outages in the first half of 2021 if, for example, there were significant storms over summer and lots of customers exceeded the 10-hour threshold. However, the Australian Energy Regulator's regulatory framework accommodates for over and under payments each year over the five-year regulatory period. Further, the revenue framework allows a distributor to seek further funding resulting from payments being significantly higher than forecast through its cost pass through mechanism. We consider the alternative scenarios of not providing transitional arrangements or rolling outages into the next financial year and increasing the thresholds for payments to be less desirable and not in customers' interests.

We consider it less appropriate to alter the other payment category thresholds or values, particularly those for the frequency payment and single interruption payment. This is because the single interruption payment is designed to capture unplanned outages on days where network performance is abnormal. We consider the thresholds and payments values can remain consistent with the current scheme as these payments relate to particular events rather than performance over a period time. For frequency payments, lowering the thresholds by half is likely to result in many more customers being captured in the transitional scheme than intended. We consider

¹⁴³ CitiPower, Powercor and United Energy, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

¹⁴⁴ AusNet Services, submission to Essential Services Commission 2020, Electricity Distribution Code review – customer service standards: Draft decision, 7 May.

sustained outages to be more significant and of greater inconvenience to customers than several short duration interruptions.

Table 11 below outlines the payment categories and their thresholds and payment values that will apply from 1 January 2021 to 30 June 2021.

6.1 Table 11 Guaranteed service level payments and thresholds for 1 January 2021 to 30 June 2021

Payment type	Payment threshold	Change
Low reliability – duration	10 hours off supply - \$60 15 hours off supply - \$90 30 hours off supply - \$180	Payment thresholds and values have been halved
Low reliability – frequency	Eight unplanned interruptions - \$120 12 unplanned interruptions - \$180 24 unplanned interruptions - \$360	No change
Low reliability – momentary interruptions	24 unplanned interruptions - \$30 36 unplanned interruptions - \$40	No change
Supply restoration – single interruption	12 hours or more (urban) - \$80 18 hours or more (regional/rural) - \$80	No change
Late appointments	Late to an appointment by 15 minutes or more - \$30	No change
Delayed new connections	New connection not completed by agreed date - \$70 per day, capped at \$350	No change

Distributors will be required to make payments to eligible premises in line with the new time frames we have implemented from 1 July 2021 onwards. This means customers will receive payments within 60 business days of 1 July 2021 for the duration, frequency and momentary interruption payment categories for the period of 1 January 2021 to 30 June 2021.

Retailers will be required to apply payments resulting from outages in the first half of 2021 within 20 business days of receipt from distributors. We have provided twice the additional time compared to what is provided under normal circumstances in the new framework.

The timeline below provides an overview of the transitional arrangements.



6.3. Monitoring outcomes from the new framework

Our Victorian energy market report outlines retailers' and distributors' performance against a series of measures.¹⁴⁵ These measures indicate at a high level the experiences of customers in the Victorian energy market. We will use this reporting process to monitor the outcomes of these latest reforms.

We also continue conducting regular audits to see whether retailers and distributors are complying with the energy rules. Over time, we adjust our audit focus areas for retailers and distributors, which may include audits in relation to guaranteed service level with new rules.

We generally undertake a review of the guaranteed service level scheme on a five-yearly basis to align with the Australian Energy Regulator's price determination periods. We will consider reviewing the guaranteed service level scheme prior to the next price determination period commencing in 2026, or where the commission considers it appropriate to do so.

¹⁴⁵ Essential Services Commission, Victorian energy market report available at: <https://www.esc.vic.gov.au/electricity-and-gas/market-performance-and-reporting/victorian-energy-market-report>.

Appendix A: Stakeholder submissions to draft decision paper

The following stakeholders made submissions to our draft decision paper:

- AGL
- Alinta Energy
- AusNet Services
- Australian Energy Council
- Clean Energy Council
- Consumer Action Law Centre
- CitiPower, Powercor and United Energy
- Department of Transport
- EnergyAustralia
- Energy Safe Victoria
- Energy and Water Ombudsman (Victoria)
- ERM Power
- Jemena
- John Mumford
- Momentum Energy
- Origin Energy
- Red Energy and Lumo Energy
- Submissions from private citizens through Engage Victoria (two submissions)
- Victorian Council of Social Service.

Appendix B: Final Energy Retail Code amendments

AMENDMENTS TO THE ENERGY RETAIL CODE - TIMEFRAMES FOR GUARANTEED SERVICE LEVEL PAYMENTS AND PROVISION OF ELECTRONIC COMMUNICATION CUSTOMER DETAILS TO DISTRIBUTORS

1. Nature and commencement of this instrument

- (1) This instrument amends the Energy Retail Code
- (2) Commencement:
 - Clauses 1, 2, 3 and 5 comes into operation on 1 April 2021
 - Clause 4 comes into operation on 1 July 2021.

2. Table of amendments

- (1) After the definition of **advertisement** insert the following:

AEMO means the Australian Energy Market Operator Limited, ABN 94 072 010 327;

- (2) After the definition of **associate** insert the following:

B2B Procedure means Customer and Site Details Notification Process means the procedure published by *AEMO* in accordance with clause 7.17.3 of the *NER* and which specifies the standard process and data requirements for the communication, updates and reconciliation of, amongst other things, customer details;

- (3) After the definition of **Electricity Industry Act** insert the following:

Electronic communication means a communication of information in the form of data, text or images by means of guided or unguided electromagnetic energy, or both.

- (4) After clause 35C insert the following

35D Guaranteed service level payments

- (1) Where a *distributor* makes a payment required to be made by clause 6 of the *Electricity Distribution Code* via the *retailer*, the *retailer* must apply the payment to the *customer's* account within:
 - (a) for payments relating to the period 1 January 2021 to 30 June 2021, 20 *business days*;
 - (b) for payments relating to the period from 1 July 2021, 10 *business days*.

(2) **Application of this clause to standard retail contracts**

This clause applies in relation to *standard retail contracts*.

(3) **Application of this clause to market retail contracts**

This clause applies in relation to *market retail contracts*.

- (5) Substitute the heading “Part 8 [Not used]” and clauses 138-139 with the following:

Part 8 Provision of electronic communication customer details by retailers to distributors

Division 1 – Retailer to provide distributors with electronic communication customer details

138 Retailers to which this division applies

- (1) For the purpose of this division *retailer* means a person who holds a retail licence under the *Electricity Industry Act*.

139 Provision of electronic communication customer details

- (1) A *retailer* who is required by the *NER* to comply with the *B2B Procedure: Customer and Site Details Notification Process* must comply with those procedures insofar as they relate to the provision of *customer* details to a *distributor*.
- (2) A *retailer* who is not required by the *NER* to comply with the *B2B Procedure: Customer and Site Details Notification Process* must comply with those procedures insofar as they relate to the provision of *customer* details to a *distributor* to the extent it is practicable to do so.
- (3) Where a *retailer* has any *customer* details that enable *electronic communication* with the *customer*, the *retailer* must provide all of those details to the *distributor* either in the *CustomerDetailsNotification* under the

B2B Procedures: Customer and Site Details Notification Process or otherwise as soon as it is practicable to do so.

- (4) The *customer* details required to be provided pursuant to clause 139(3) must be provided:
 - (a) subject to clause 139(5), on or before 30 June 2021 in respect of existing customers, by an electronic transfer of the required information to the extent it has not been previously provided;
 - (b) within two business days of the retailer becoming the financially responsible retailer for the customer's premises;
 - (c) as soon as practicable after the *retailer* becomes aware of a change to the information in subclause (3).
- (5) Prior to providing *customer* details as required by subclause (3) to a *distributor*, and except for *customer* details provided in accordance with subclause (4)(a), the *retailer* must inform the *customer* that it will be providing those details to the *distributor*.
- (6) Where a contract entered into between the *retailer* and the *customer* prior to 1 January 2021 prohibits the *retailer* providing *customer* details to the *distributor* that enable electronic communication with the *customer*, the *retailer* is not required by this clause to provide that information to the *distributor*.
- (7) Nothing in this clause affects the operation of Part 7.

Appendix C: Final Electricity Distribution Code amendments

AMENDMENTS TO THE ELECTRICITY DISTRIBUTION CODE: CUSTOMER SERVICE STANDARDS

Amendments made by the Essential Services Commission on 16 November 2020 (including variations of 22 December 2020)

1 Nature and commencement of this instrument

- (1) This instrument amends the Electricity Distribution Code.
- (2) Commencement:
 - (a) clauses 1(a), 2A, 6, 8, 20, 21 and 27 of the table of amendments come into operation on 1 January 2021;
 - (b) all other clauses in the table of amendments come into operation on 1 July 2021.

2 Table of amendments

Clause 1—This Code

- (1) In clause 1.3.5:
 - (a) after “5.4.1(b),” insert “5.5.2C to 5.5.2I (inclusive),”
 - (b) after “5.4.1(b),” delete “5.5.2C” and insert “5.5a, 5.5.2A”
 - (c) after “5.5.2I (inclusive),” insert “5.6,”
 - (b) delete “6.1” and insert “6.1a”

Clause 5—Reliability of supply

- (2A) In clause 5.1.1, delete “31 December” and insert “30 June”.

(2) Before clause 5.5 insert new clause 5.5a:

5.5a Interruptions: Customer communications

5.5a.1 Subject to clause 5.5a.2, **distributors** must provide **customers** the ability to nominate a preferred method or methods of communication to receive notices about **interruptions** and enable **customers** to:

- (a) nominate one or more methods of communication;
- (b) nominate that they only receive written notices in hard copy; and
- (c) update their preferences from time to time.

5.5a.2 Where a person residing at a **supply address** is registered as requiring **life support equipment**, the **distributor** must provide the affected **customer** with notices about **interruptions** by written notice in hard copy together with notice by means of **electronic communication** where the **customer** has nominated one or more methods of **electronic communication**.

5.5a.3 A **distributor** must create and maintain for a period of at least 2 years, a record of:

- (a) the preferred method or methods of communication nominated by a **customer**, and
- (b) any update to the preferences nominated by the **customer**.

5.5a.4 Notices to **customers** about **interruptions**, whether written notices in hard copy or notices by way of **electronic communication**, must:

- (a) be written in plain English and be designed to be readily understandable by **customers**; and
- (b) inform the **customer** as to how the **customer** can nominate or update their preferred method for receiving notices about **interruptions** from the **distributor**, for example, by contacting the **distributor** by telephone, via a website or by return text message.

(3) In clause 5.5.1:

(a) in subclause (a):

(i) before “where” insert “subject to clause 5.5.2A,”;

(ii) after “written notice” insert “in hard copy”;

(b) in subclause (b) after “written notice” insert “in hard copy”.

(4) In clause 5.5.2:

(a) in subclause (a), after “,” delete “and”;

(b) in subclause (b), delete “.” and insert “,”;

(c) after subclause (b) insert new subclauses (c) to (e):

(c) include high-level information as to the reason for the planned **interruption**;

(d) provide information as to the potential for the planned **interruption** to be cancelled or rescheduled; and

(e) otherwise comply with the requirements of clause 5.5a.4.

(5) After clause 5.5.2 insert new clauses 5.5.2A to 5.5.2B:

5.5.2A Where:

(a) no person residing at a **supply address** is registered as requiring **life support equipment**; and

(b) the distributor has *customer* details that enable notice to be given by **electronic communication**; and

(c) the **customer** has made a nomination that it prefers to receive notices relating to **interruptions** from the distributor by **electronic communication** or by **electronic communication** and hard copy,

the **distributor** must,

- (d) in addition to or instead of providing written notice in hard copy as required by clause 5.5.1(a), provide the **customer** with at least 4 **business days** written notice of the **interruption** by means of the **communication** method or methods nominated.

5.5.2B Where a **distributor** provides notice under clause 5.5.2A, the **distributor** must also send a reminder notice by the same **electronic communication** method that complies with the requirements of clause 5.5.2 one **business day** prior to the **interruption**.

(6) After clause 5.5.2 insert new clauses 5.5.2C to 5.5.2I:

5.5.2C In addition to any other permitted means of arranging a planned interruption, a **distributor** may arrange a planned **interruption** by obtaining the affected **customer's explicit informed consent** to an **interruption** occurring between identified hours on a specified date in which case notice is not required to be given.

5.5.2D **Explicit informed consent** is consent given by a **customer** to a **distributor** where:

- (a) the **distributor**, or a person acting on behalf of the **distributor**, has clearly, fully and adequately disclosed in plain English all matters relevant to the consent of the **customer**, including each specific purpose or use of the consent; and
- (b) the **customer** gives the consent in accordance with clause 5.5.2E;
- (c) the **customer** is competent to do so; and
- (d) the **customer** has not withdrawn that consent.

5.5.2E **Explicit informed consent** requires the consent to be given by the **customer**.

- (a) in writing signed by the **customer**, or
- (b) verbally, so long as the verbal consent is evidenced in such a way that it can be verified and made the subject of a record; or

(c) by **electronic communication** generated by the customer.

5.5.2F A **customer** may withdraw their **explicit informed consent** at any time by informing the **distributor** of that withdrawal.

5.5.2G A **distributor** must:

(a) create a record of each **explicit informed consent** provided by a **customer**, and

(b) retain the record for at least 2 years.

5.5.2H The record required to be created and maintained by clause 5.5.2G(a) must be in such a format and include such information as will enable:

(a) the **Commission** to verify the **distributor's** compliance with the requirements in clauses 5.5.2D and 5.5.2E; and

(b) the **distributor** to answer enquiries from a **customer** relating to the **customer's explicit informed consent**.

5.5.2I A **distributor** must, on request by a **customer** and at no charge, provide the **customer** with access to a copy of the record of **explicit informed consent** given by the **customer** and then retained by the **distributor**.

(7) After clause 5.5 insert new clause 5.6:

5.6 Cancellation or rescheduling of planned interruptions

5.6.1 Where a **distributor** cancels or re-schedules a planned **interruption** it must provide notice of the cancellation or re-scheduling:

(a) as soon as practicable by means of **electronic communication** where the **customer** has nominated a preferred **electronic communication** method or methods; or

(b) where the **customer** has not nominated a preferred **electronic communication** method and where the planned **interruption** is cancelled or re-scheduled more than 5 **business days** before the scheduled start date, by written notice in hard copy.

5.6.2 A notice under clause 5.6.1 must:

- (a) include a high-level reason as to why the planned interruption was cancelled or rescheduled; and
- (b) otherwise comply with the requirements of clause 5.5a.4

(8) In clause 5.7:

- (a) in the heading delete the word “Departments”;
- (b) delete “Victorian Department of Human Services and the Victorian Department of Health” and insert “Government Department with responsibility for public health”

Clause 6—Guaranteed service levels

(9) Before clause 6.1 insert new clause 6.1a:

6.1a Application of clause 6

- (a) This clause 6 only applies to **customers** in respect of which a **distributor** is or was subject to an obligation to install **advanced metering infrastructure** pursuant to an Order in Council made under section 46D of the **Act**, and regardless of whether or not such **advanced metering infrastructure** has been installed.
- (b) For the purposes of this clause 6 only, a requirement to make a payment to a **customer** is a requirement to make a payment in respect of the **supply address** that is, or was, associated with the **customer**.

(10) In clause 6.1.1, delete “\$30” and insert “\$35”.

(11) In clause 6.2, delete the existing text and insert:

6.2 Failure to connect new supply

Where a **distributor** does not **connect** a new **customer**:

- (a) on or before the day agreed with the **customer**; or

(b) if no day has been agreed with the **customer**, within 10 **business days** of a request to **connect**,

the **distributor** must pay to the **customer** \$80 for each day that it is late, up to a maximum of \$400.

(12) In clause 6.3.1:

- (a) in subclause (a) delete “\$120 where the **customer** experiences more than 20 hours” and insert “\$130 where the **customer** experiences more than 18 hours”;
- (b) in subclause (b) delete “\$180” and insert “\$190”;
- (c) in subclause (c) delete “\$360” and insert “\$380”;
- (d) delete subclause (d);
- (e) delete subclause (e),
- (f) after “clause 6.3.3” delete “or 6.3.4” and insert “, 6.3.4 or 6.3A”;
- (g) after “applies” insert “or any period of **interruption** on a **major event day**.”

(13) In clause 6.3.2:

- (a) in subclause (a) delete “\$120” and insert “\$130”
- (b) in subclause (b) delete “\$180” and insert “\$190”
- (c) in subclause (c) delete “\$360 where the **customer** experiences more than 24” and insert “\$380 where the **customer** experiences more than 20”;
- (d) in subclause (d) delete “\$30 where the **customer** experiences more than 24” and insert “\$40 where the **customer** experiences more than 24”;
- (e) in subclause (e) delete “\$40” and insert “\$50”;
- (f) after “clause 6.3.3” delete “or 6.3.4” and insert “, 6.3.4 or 6.3A”;
- (g) after “applies” insert “or any period of **interruption** on a **major event day**.”

(14) In clause 6.3.4:

- (a) in subclause (c) delete the text and insert:
 - (c) **interruptions** caused by a failure of transmission connection assets except where the **interruptions** were due to:
 - (i) actions, or inactions, of the **distributor** that are inconsistent with good industry practice; or
 - (ii) inadequate planning of the transmission network connection points and where the **distributor** has responsibility for that part of the transmission connection planning;
- (b) in subclause (d) delete the text and the table and insert “Deleted”;
- (c) after subclause (e) delete “.” and insert “;”;
- (d) after subclause (e) insert:
 - (f) the operation of any equipment, plant or technology installed for the purposes of bushfire safety mitigation in connection with an electric line (other than a private line) that is above the surface of land and in a hazardous bushfire risk area, for example **REFCL**, circuit breakers, or an automatic circuit recloser, on a day declared to be a **total fire ban day** or a **code red day** in an area with a fire hazard rating of “high”;
 - (g) **interruptions** caused or extended by a direction from state or federal emergency services, provided that a fault in, or the operation of, the **distribution system** did not cause, in whole or part, the event giving rise to the direction.

(15) After clause 6.3 insert new clauses 6.3A and 6.3B:

6.3A Major event day payments

- (a) A **distributor** must make a payment to a **customer** of \$90 where the **customer** experiences an unplanned **sustained interruption** of more than 12 hours on a **major event day**.
- (b) A **major event day** is a day classified as a Major Event Day by the IEEE

standard 1366-2012, IEEE Guide for Electric Power Distribution Reliability Indices where the “reporting period” referred to in that classification comprises a **regulatory year**.

- (c) Where a **customer** experiences an unplanned **sustained interruption** of more than 12 hours that commenced on a **major event day**, to the extent the **sustained interruption** extends into subsequent days, the extension of that **sustained interruption** is not required to be counted by the **distributor** for the purposes of clauses 6.3.1 or 6.3.2.

6.3B Data to be used for determining eligibility for payment

6.3B.1 Where a **customer** has **advanced metering infrastructure** or another **meter** type that is capable of recording that a **customer** has experienced a **sustained interruption** or **momentary interruption**, the **distributor** must use data from that **advanced metering infrastructure** or other **meter** type for the purposes of determining the eligibility of a **customer** for a payment under clauses 6.3 or 6.3A.

6.3B.2 Where a **customer** does not have **advanced metering infrastructure** or another **meter** type that is capable of recording that a **customer** has experienced a **sustained interruption** or **momentary interruption**, the **distributor** may use data from a relevant **feeder** for the purposes of determining the eligibility of a **customer** for a payment under clauses 6.3 or 6.3A.

(16) In clause 6.4, delete the text and insert:

6.4 Time for payment

6.4.1 A **distributor** must make a payment required to be made by clause 6.1.1 (late for appointment) as soon as practicable and in any event within two **distributor** invoicing periods of the day on which event giving rise to the requirement to make the payment occurred.

6.4.2 A **distributor** must make a payment required to be made by clause 6.2 (failure to connect) as soon as practicable and in any event within two **distributor** invoicing periods of the day on which the event giving rise to

the requirement to make the payment occurred.

6.4.3 Subject to clause 6.4.4, a **distributor** must:

- (a) at the completion of each quarter in a financial year, determine whether it must make a **supply restoration payment** or **low reliability payment** to a **customer**, and
- (b) make the **supply restoration payment** or **low reliability payment** within 60 **business days** following the completion of the quarter in which the **customer** became eligible for the **supply restoration payment** or **low reliability payment**.

6.4.4 Where a **distributor** has made an application under clause 6.3.5 for an event to be excluded under clause 6.3.4, the **distributor** must:

- (a) as soon as practicable after being advised of the outcome of its application under clause 6.3.5, and after the completion of the relevant quarter, determine whether it must make a **supply restoration payment** or **low reliability payment** to a **customer**, and
- (b) make the **supply restoration payment** or **low reliability payment** to a **customer** as soon as practicable after determining that it is required to make a payment pursuant to paragraph (a), and in any event make the payment within 60 **business days** after that determination.

6.4.5 A **distributor** must make a **major event day payment** within 60 **business days** of the **major event day**.

Clause 9—Provision of information

(17) In the heading of clause 9 insert after the word “PROVISION” the words “AND TREATMENT”.

(18) After clause 9.4 insert new clause 9.5:

9.5 Customer details: electronic communication

9.5.1 **Customer** details provided by a **retailer** to a **distributor** that enable **electronic communication** with a **customer** are deemed to be provided to the **distributor** under an obligation of confidence for the purposes of the definition of **confidential information**.

9.5.2 In addition to the obligations that apply to **confidential information** pursuant to clause 9.4, a **distributor** may only use **customer** details that enable **electronic communication** with the **customer** to the extent that is necessary in providing distribution services.

Clause 19—Definitions

(19) In clause 19, after the definition of “Certificate of Electrical Safety” insert new definition:

code red day means a day declared by the Emergency Management Commissioner under the *Emergency Management Act 2013* as a code red day.

(20) In clause 19, after the definition of “Electricity System Code” insert new definition:

electronic communication means a communication of information in the form of data, text or images by means of guided or unguided electromagnetic energy, or both.

(21) In clause 19, in the definition of “explicit informed consent”, delete “clause 5A.6.6” and insert “clauses 5.5.2D or 5A.6.6.”.

(22) In clause 19, before the definition of “MAIFI” insert new definitions:

major event day see clause 6.3A(b).

major event day payment means the payment described in clause 6.3A(a).

(23) In clause 19, delete the definition of “momentary interruption” and insert new definition:

Momentary interruption means an **interruption** continuing for a period of less than three minutes, except where an **interruption** less than three minutes has already occurred within that three minute period.

(24) In clause 19, after the definition of “Regulatory Test” insert new definition:

regulatory year has the meaning given to that term in the **National Electricity Rules**.

(25) In clause 19, in the definition of “sustained interruption” delete “one minute” and insert “three minutes”.

(26) In clause 19, after the definition of “system operator” insert new definition:

total fire ban day means a day or partial day of total fire ban declared pursuant to section 40 of the *Country Fire Authority Act 1958*.

Clause 21—Transitional provisions

(27) After clause 21.3 insert new clause 21.4:

21.4 Supply restoration and low reliability payments—change from calendar to financial year for setting network tariffs

EXPLANATORY NOTE: This transitional provision has been inserted to provide for and enable the implementation of transitional arrangements relating to amendments made by the *National Energy Legislation Amendment Act 2020* to the *National Electricity (Victoria) Act 2005* to change the period of operation of distribution determinations applying to Victorian distribution network service providers from 5 calendar years to 5 financial years.

(1) During the period 1 January 2021 to 30 June 2021 the following **supply restoration payment** amounts and time periods apply in place of those stated in clause 6.3.1:

- (a) in clause 6.3.1(a), \$60 where the **customer** experiences more than 10 hours of unplanned **sustained interruptions** during the period 1 January 2021 to 30 June 2021;
- (b) in clause 6.3.1(b), \$90 where the **customer** experiences more than 15 hours of unplanned **sustained interruptions** during the period 1 January 2021 to 30 June 2021;
- (c) in clause 6.3.1(c), \$180 where the **customer** experiences more than 30 hours of unplanned **sustained interruptions** during the period 1 January 2021 to 30 June 2021.

Appendix D: Electronic Transactions (Victoria) Act 2000

Section 8

Writing

- (1) If, by or under a law of this jurisdiction, a person is required to give information in writing, that requirement is taken to have been met if the person gives the information by means of an electronic communication, where—
 - (a) at the time the information was given, it was reasonable to expect that the information would be readily accessible so as to be useable for subsequent reference; and
 - (b) the person to whom the information is required to be given consents to the information being given by means of an electronic communication.
- (2) If, by or under a law of this jurisdiction, a person is permitted to give information in writing, the person may give the information by means of an electronic communication, where—
 - (a) at the time the information was given, it was reasonable to expect that the information would be readily accessible so as to be useable for subsequent reference; and
 - (b) the person to whom the information is permitted to be given consents to the information being given by means of an electronic communication.
- (3) This section does not affect the operation of any other law of this jurisdiction that makes provision for or in relation to requiring or permitting information to be given, in accordance with particular information technology requirements—
 - (a) on a particular kind of data storage device; or
 - (b) by means of a particular kind of electronic communication.
- (4) This section applies to a requirement or permission to give information, whether the expression "give", "send" or "serve", or any other expression, is used.
- (5) For the purposes of this section, giving information includes, but is not limited to, the following—
 - (a) making an application;
 - (b) making or lodging a claim;
 - (c) giving, sending or serving a notification;
 - (d) lodging a return;

- (e) making a request;
- (f) making a declaration;
- (g) lodging or issuing a certificate;
- (h) making, varying or cancelling an election;
- (i) lodging an objection;
- (j) giving a statement of reasons.

Appendix E: Guaranteed service level scheme background

What is the guaranteed service level scheme?

The guaranteed service level scheme seeks to acknowledge the inconvenience customers experience when their distributor does not meet minimum service standards. The scheme requires distributors to provide customers with financial recognition in areas such as unplanned supply outages and poor service. The scheme requires a distributor to pay a customer in instances where a level of service is worse than the thresholds we set. These payments are generally made by a distributor to a customer's retailer. The customer's retailer then applies the payment to the customer's account. The requirements relating to guaranteed service levels are set out in section six of the distribution code.

The guaranteed service level scheme has evolved over time to seek alignment with community expectations and changes to regulatory responsibilities. It has expanded from direct customer interactions to the overall customer experience.

The guaranteed service level scheme currently has six different categories of payments:

- **Low reliability and supply restoration.** These three payments seek to acknowledge customers where there may be limited opportunities for improvement due to physical, technical and economic constraints. These payments include duration payments (supply restoration), momentary payments and annual frequency payments (both low reliability).
- **Supply restoration – single interruption.** These payments are designed to recognise the inconvenience from lengthy sustained outages experienced by customers. Currently, the payment occurs if urban or rural customers experience outages lasting 12 or 18 hours or more from a single event, respectively. However, if the customer has received an annual duration payment (outages in a calendar year accumulating more than 20 hours) they will not receive a supply restoration single interruption payment. These payments were introduced in 2016. In this final decision, we have removed the single interruption payment and replaced it with the major event day payment which applies to all Victorian customers who experience an outage for more than 12 hours on a major event day.
- **Late or missed appointments.** These payments hold distributors accountable for being punctual for appointments made with customers.
- **Delayed new connections.** These payments are made to customers where a distributor has not completed and energised a new electricity connection by the date agreed between the customer and the distributor.

Each of these payments directly relate to the services distributors provide customers and aim to achieve part of the overall purpose of the guaranteed service level scheme. Each payment captures an observable part of the service that a customer can see and articulate as a part of their energy experience.

A brief history of the guaranteed service level scheme

The guaranteed service level scheme was introduced when the entire Victorian electricity network was operated by the State Electricity Commission of Victoria, and originally focused on appointments and connections only.

In 2001, the scheme was expanded to recognise poor reliability and was one part of the regulatory framework for distributors that we administered. During that time, the commission also reviewed and determined distribution price controls. This has been the responsibility of the Australian Energy Regulator since 2009. This meant the amount paid to customers by distributors through the guaranteed service level scheme directly affected the revenue distributors could receive – also referred to as the incentive regime.

As part of our review of distribution pricing for 2006–10, we reviewed and clarified the guaranteed service level scheme consistent with five principles:

- guaranteed service level payments for reliability should target those customers with the worst reliability
- there may be physical, technical and economic limitations to improve the reliability for particular customers. Where there are reliability limitations, the guaranteed service level payments are an acknowledgement to these customers that this may be the case
- guaranteed service level payments should reflect, where possible, variations in customers' willingness to pay based on their current level of service
- the distributors' systems must be able to identify the customers to whom payments are to be made and ensure that the payments are made
- the administrative costs of the guaranteed service level payment scheme must not exceed the benefits of the scheme.

In 2009, parts of the regulatory framework for distributors changed from the commission to the Australian Energy Regulator. The Australian Energy Regulator now has the responsibility for determining the allowable revenues that distributors receive to operate their business, known as the revenue framework. We still retain the responsibility for setting the guaranteed service level service standards.

How the Victorian guaranteed service level scheme interacts with national regulations

The current economic regulatory framework for distributors is overseen by the Australian Energy Regulator, which is responsible for determining how much revenue distributors can receive to operate their business. As part of this framework, the Australian Energy Regulator administers an incentive scheme that penalises or rewards distributors' performance – known as the Service Target Performance Incentive Scheme.¹⁴⁶ This scheme intends to incentivise distributors to invest efficiently in the network – if a distributor can deliver a regulated level of service at a lower cost than was expected, it is able to retain the savings and receive a revenue bonus.

However, we have retained the non-economic parts of the regulatory framework, including the design of a guaranteed service level scheme for Victorian customers. The Victorian guaranteed service level scheme and the national Service Target Performance Incentive Scheme differs as follows:

- The **incentive scheme** covers all customers using the electricity grid, by incentivising efficient investment in the network. But it does not provide a penalty or reward for addressing performance in the worst parts of the network.
- The **guaranteed service level scheme** focuses specifically on recognising and providing a financial gesture to customers who are experiencing the worst service from their distributor compared to other customers.

Any payments made to customers as part of the guaranteed service level scheme are recovered from customers within the same distribution network area. This is because Victoria's guaranteed service level scheme is a jurisdictional cost that the Australian Energy Regulator allows distributors to pass through to customers.

The 'worst served customers'

The guaranteed service level scheme has been designed to consider the customers who experience the worst service from their distribution network, compared to customers across Victoria.

Since 2001, we have considered the 'worst served customers' are those who experience approximately the worst one per cent of network performance in a single calendar year for each payment category. The worst served customers can change on an annual basis. This is because this cohort of customers may not only include customers who continuously experience poor service

¹⁴⁶ Electricity distribution network service providers, Service target performance incentive scheme version 2.0, Australian Energy Regulator, November 2018.

but may also capture customers who experience a single sustained outage due to significant events such as extreme weather. Our focus on the worst served customers in the context of the guaranteed service level scheme is to ensure that customers who receive comparatively poor service are financially recognised. It should be noted that there is no specific payment to customers who experience ongoing poor service, but these customers are likely to receive a guaranteed service level payment most years.

Most customers are receiving service that is within the performance targets set by the Australian Energy Regulator.¹⁴⁷ Generally, customers in urbanised parts of the network have good service due to the nature of the network in those areas.

Customers who are further away from a city or township are more likely to experience poor service due to the nature of the network in their area. Remote, coastal and forested areas may also experience more frequent and sustained interruptions due to the environment in those parts of the network and the difficulty in servicing those areas.

Supply reliability guaranteed service level payments are generally made to customers who live in regional and rural areas of Victoria. This is mainly due to the type of electricity lines servicing customers in those regions and the geographic conditions in proximity to the electricity lines.

¹⁴⁷ These performance targets are being used as proxies for what is considered good service. Electricity distribution network service providers, Service target performance incentive scheme version 2.0, Australian Energy Regulator, November 2018.

Appendix F: Role of the commission

Role of the Essential Services Commission

The commission is Victoria's independent economic regulator of essential services. Primary legislation passed by the Victorian Parliament sets out the objectives and expectations for the commission in the regulation of energy markets.

The *Essential Services Commission Act 2001 (Vic)* sets out the commission's overarching objective to promote the long-term interests of Victorian consumers.¹⁴⁸ The commission is also guided by objectives under the *Electricity Industry Act 2000 (Vic)* and *Gas Industry Act 2001 (Vic)* to promote protections for customers, including in relation to customers who are facing payment difficulty.¹⁴⁹

The legislation establishing the regulatory framework for the energy industry in Victoria assigns the commission a range of functions and powers, including the power to grant licences to energy market participants and to create codes and guidelines.

The Electricity Distribution Code is the primary instrument which sets our electricity distributors' regulatory obligations. The commission amends the code to reflect new reforms and other changes. Version 11 of the code is currently in force.

The Energy Retail Code is the principal instrument used to set out retailers' obligations and was first established in 2002.¹⁵⁰ The commission amends the code to reflect new reforms and other changes. Version 17 of the code is currently in force today.

¹⁴⁸ Section 8 Essential Services Commission Act 2001 (Vic).

¹⁴⁹ Section 10(c) Electricity Industry Act 2000 (Vic) and section 18(c) Gas Industry Act 2001 (Vic).

¹⁵⁰ The commission replaced the Office of the Regulator-General (ORG), which was established to oversee regulation of electricity and gas industries during the privatisation of the industry and accompanying establishment of markets in generation, distribution and retail segments of the industry. The legislative objective for the ORG in relation to consumers was expressed as: "to ensure that users and consumers benefit from competition and efficiency" (Office of the Regulator-General Act 1994 (Vic), s7(1)(e)).