



Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Solar Homes

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Ms Kate Symons
Acting Chair
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Ref: MBR040040
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Dear Ms Symons

ELECTRICITY DISTRIBUTION CODE REVIEW – ISSUES FOR YOUR CONSIDERATION

I am writing regarding the Essential Service Commission's (ESC) of the Electricity Distribution Code (the EDC).

As we have discussed, I welcome your review, noting that the EDC plays an important role in establishing the technical, reliability and performance standards that Victorian Distribution Network Service Providers (DNSPs) must comply with, and in defining the avenues of recourse for consumers who experience poor performance.

Given the interaction between the EDC and important Government policies, such as the Solar Homes Program, the commitment to ban embedded networks and the Energy Fairness Plan, my expectations of the review are that:

- **The ESC will work closely with the Department of Environment, Land, Water and Planning (DELWP) on the review:** Given the potential impact of any changes to the EDC on important Government policies DELWP will be chairing a monthly working group on the review and would like the ESC to attend. I would appreciate close collaboration between yourselves and my Department on this important review.
- **Recommendations from recent reviews will be implemented:** The *Post Event Review – Power Outages 28-29 January 2018* (the Post Event Review) examined the causes of the widespread outages across Victoria on the Australia Day weekend in 2018. The Post Event Review made fifteen recommendations, all of which were supported by the Victorian Government. Four of the fifteen recommendations related to changes to the EDC for the ESC's consideration. These recommendations focused on ensuring that the regulatory settings and the longer-term network planning performed by the DNSPs are aligned to the current expectations of customers.

The relevant recommendations from the Post Event Review were as follows:

- **Guaranteed Service Levels (GSL) scheme:** The ESC to consider whether an annual assessment of the GSL is adequately addressing the outcomes for customers over consecutive years (recommendation 12).
- **Emergency response plans:** The ESC review and assess the DNSP's emergency response plans to ensure compliance (recommendation 13).
- **Demand side response initiatives:** The ESC review the current regulatory framework to maximise incentives for, and reduce any barriers to, the adoption of demand side response initiatives (recommendation 14).

- **Metering:** The ESC consider the inclusion of annual reporting obligations for distributors to report on their use of smart meter technology and options to improve transparency by publishing information online (recommendation 15).

More recently, the *Independent Review of Victoria's Electricity and Gas Network Safety Framework* considered the design and adequacy of the regulatory system governing the safety of Victoria's electricity and gas networks. The report made forty three recommendations, forty two of which were supported by the Victorian Government. One of the recommendations related to the ESC's review of the EDC. It recommended that the ESC should ensure that technical standards are clearly defined, and consider the role of Energy Safe Victoria in promoting and enforcing compliance with these standards (recommendation 18).

- **Opportunities to strengthen the GSL scheme will be explored:** Further to the recommendations of the Post Event Review, this review is an opportunity to update the GSL scheme to ensure it is best serving Victoria's electricity consumers. In this respect, the ESC should liaise closely with the Australian Energy Regulator (AER) in its review of the Value of Customer Reliability (VCR). Further, the GSL scheme could be strengthened by broadening the 'worst served customer' concept to capture customers who experience ongoing poor performance from their distribution business, rather than just those customers that experience poor performance in a single year alone, and by setting clear deadlines for GSL payments in all circumstances.
- **The review will consider improvements to reliability and performance standards:** The ESC's review of the EDC poses an opportunity to examine the reliability targets that apply to distributors, and the consequences for not meeting them. The reliability targets that AER sets for Victorian DNSPs are based on previous performance and designed to maintain existing standards, and the incentive schemes established by the AER encourage improved performance through rewards to businesses that can demonstrate improved performance. The Victorian Government request that the ESC consider whether the reliability target framework is appropriate, and whether there is an opportunity to strengthen it, without imposing unreasonable costs on customers.
- **Technical standards to facilitate the increased penetration of distributed energy resources (DER) will be updated:** The ESC correctly notes in its Issues Paper that Victoria's electricity network is changing, with an increasing volume of DER including solar generators and batteries being installed across the networks. As you are aware, the Victorian Government's Solar Homes program will see solar panels installed on 770,000 homes over ten years. Given the significance of this program, and the role of the EDC in facilitating the implementation of it, the Victorian Government requests that the EDC be amended to address technical issues, such as voltage standards, that could be strengthened to increase flexibility in managing the network. Strengthening these standards is critical to ensure that benefits flow to customers, including lower network costs.

It is of course important that any amendments to the technical standards in the EDC do not weaken the protections to customers' property and their safety, as a result of damage caused by breaches of voltage, harmonics or other technical standards

- **Customers will receive adequate advance notice of outages:** It is important that DNSPs provide early, advanced notice to customers about outages. As part of is review the ESC should develop options for improved messaging to customers about potential power outages or the recovery of power following actual outages.
- **The EDC will enable the ESC to hold DNSPs to account:** Obligations should be considered in such a way that will enable enforcement action where non-compliance is identified.

I look forward to working collaboratively with you on this important review.

If you have any questions regarding the above, please call Paul Murfitt, Executive Director Energy Sector Reform, Department of Environment, Land, Water and Planning on (03) 9637 8235 or email paul.murfitt@delwp.vic.gov.au.

Yours sincerely



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