

18 May 2016

David Young
Director Energy
Essential Services Commission (Victoria)
Level 37, 2 Lonsdale Street
Melbourne Victoria 3000

www.ausnetservices.com.au

Dear David

Re: Interim Compliance and Performance Reporting Guideline for Energy Distribution Licence Holders

I refer to Murry Greasley's email dated 26 April 2017 inviting feedback on the draft *Interim Compliance and Performance Reporting Guideline* (CPRG).

AusNet Services welcomes the opportunity to provide a response to the Essential Services Commission (the Commission) and considers the reintroduction of a formal reporting framework to be a positive step in providing distribution businesses with a structure to monitor and report business non-compliances.

Most importantly, AusNet Services supports a compliance reporting framework that is efficient, commensurate with the impact of the obligation on the market and consumers, and where possible, consistent with the national regulatory framework. AusNet Services is of the view that whether or not an obligation is the subject of an Energy Industry Penalty Notice (EIPN) should not be central to determining if a breach is material and immediately reportable to the Commission.

Proposed Classification and Associated Timeframes for Reporting Breaches

AusNet Services notes that the Commission has proposed that all reportable obligations fall under a Type 1 category, and includes obligations relating to:

- Life Support Customers
- Access to Interpreters or Translators
- Planned Interruptions
- Guaranteed Service Levels (GSLs) and;
- Interval Metering Data

The CPRG refers to Type 1 reportable obligations as those that are "*considered to be those regulatory obligations where non-compliance would have a critical impact on customers and where the impact of that non-compliance increases over time if it is not rectified quickly.*"

The Commission's definition of a Type 1 reporting obligation in the CPRG is unchanged from the one provided in the Commission's *Compliance Reporting Manual (Energy Distribution and Retail Businesses)*. In this version, Life Support Customers were classified as a Type 1 (immediate) reportable obligation, whereas GSLs and Planned Interruptions were classified as Type 3 (annual) reportable obligations.

The Commission's proposed approach is therefore inconsistent with historical Victorian compliance reporting requirements, as well as with the current national approach to enforcing the equivalent obligations under the National Energy Retail Rules (NERR).

In order to achieve consistency with the Commission's definition of a Type 1 reportable obligation as outlined in the CPRG, AusNet Services would like to highlight the differences between the varying frameworks in an attempt to consolidate and streamline reporting obligations and their associated timeframes.

Given that the nature of and material impact to customers varies significantly under each obligation, it would be inappropriate to classify them under the same category. For example, the interruption of supply to a life support customer, in comparison to the provision of interval metering data to a customer cannot be quantified as having the same impact.

From a market and consumer impact perspective, AusNet Services considers only the failure to provide a registered Life Support Customer notice of a planned outage, under 5.6.1 of the Electricity Distribution Code (EDC) to constitute a **Type 1** breach which requires immediate notification to the Commission.

For breaches pertaining to Planned Interruptions under 5.5.1 of the EDC, AusNet Services proposes that these are reported on a bi-annual basis, and would therefore fall under a **Type 2** classification, provided that the root cause of the breach is not new or the result of a systemic control failure. Information supplied to the Commission over the last 6 months indicates that compliance levels are very high (on average 99.9%). The root cause of breaches is well understood, and the business has action plans in place that will see the likelihood of breaches reduce over time.

All remaining obligations outlined in the CPRG should be reported on an annual basis, and categorised as a Type 3 reporting obligation, as many of these are performed on a yearly basis, i.e. the calculation of GSLs.

Clarification of Sign-Off Delegation

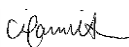
AusNet Services notes that the draft CPRG does not specify the levels of sign off for non-compliances. However, we recommend the following delegations according to breach type, and in line with the approach outlined above:

- **Type 1** (Life Support only)- Executive General Manager, Managing Director or equivalent
- **Type 2**- Compliance Manager or equivalent
- **Type 3**- Compliance Manager or equivalent

AusNet Services believes these recommendations to be a fair and equitable approach with regards to practicality and most importantly, material consumer impact. AusNet Services is satisfied that the current levels of business compliance, coupled with the appetite for continuous and ongoing process improvement is a satisfactory indicator of the proposed breach type classifications and associated timeframes.

AusNet Services welcomes the opportunity to discuss the framework in further detail to ensure the optimal regulatory outcomes are achieved for all parties concerned.

Sincerely,



Claire Hamilton
EGM Governance
AusNet Services