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RE: Review of Victorian Electricity Distributors GSL Payment Scheme

United Energy (UE) appreciates the opportunity to respond to the Draft Decision on the review of the Victorian electricity distributor GSL payment scheme to apply for the 2016-2020 regulatory control period.

In our view the Essential Services Commission (ESC) or perhaps the Victorian Government should invest resources transferring the Victorian scheme to the National scheme rather than amending the current scheme. It is not clear why Victorian customers differ so much from customers in other states that they require their own specific scheme. In effect Victorian customers are required to pay twice for the regulatory administration of these two schemes.

Notwithstanding the above comments our key messages in relation to the proposed changes are that:

- , UE does not object to the proposed payment levels with regard to the GSLs that have no change to their threshold levels.
- UE does not support the draft decision for Annual Frequency of Unplanned Sustained Interruptions
- UE does not support the introduction of a GSL for Duration of an Individual Interruption ,
- UE supports the ESC's introduction of the proposed reporting requirements relating to the Quality of Supply for the 2016-2020 Regulatory control period.

UE's detailed response to the review can be found in Attachment 1.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9758.

Yours sincerely

Mathew Abraham
Regulatory Analyst

Attachment 1- Response to Draft Decision for Review of Electricity Distributor GSLs in Victoria

1. GSLs: change to payment levels

UE agrees with the ESC’s proposed payment level increases for the following GSLs:

1. Annual Duration of Unplanned Interruptions
2. Annual Frequency of Momentary Interruptions
3. Annual Frequency of Unplanned Sustained Interruptions
4. On time for appointments
5. New Connections
6. Public lighting repair

The increased rates are consistent with the rates applied in the National Scheme. The Victorian Scheme has not been updated for some time and UE agrees that aligning with the National Scheme is appropriate.

2. GSL: Change to threshold level

With regard to the GSL for Annual Frequency of Unplanned Sustained Interruptions, the ESC has proposed to reduce the threshold level to which the Victorian electricity DBs are subject to compensating the affected customer. UE does not support the ESC’s proposed change to the existing thresholds.

UE notes that the ESC supports the intent and design of the GSL scheme whereby only the worst 1% of customers should be compensated via the GSL Scheme. The proposed threshold levels currently capture greater than the 1% of the worst served customers for UE therefore the reduction of the threshold for each of the levels will fundamentally change the intent of the scheme. The ESC has not provided any evidence why the scheme’s intent should be changed in such a way.

The table below represents the proposed difference to the existing criteria.

Table.1

Existing Threshold	Proposed Threshold
More than 10	More than 8
More than 15	More than 12
More than 30	More than 24

During the preparation of UE’s EDPR 2016-20 proposal thorough research and consultation was undertaken to better understand the views of our customers in our network region. Our final report ¹ titled “Customer Engagement Initiatives and Outcomes” included sections on consumers’ perceived and

¹ Customer Engagement Initiatives and Outcomes - <http://www.aer.gov.au/system/files/United%20Energy%20-%20Customer%20Engagement%20Initiatives%20and%20Outcomes%20-%20April%202015.pdf>

actual reliability along with their willingness to pay for better reliability than what they currently experience. The results showed that:

- The consumers generally think that they receive reliable supply from United Energy – in fact they perceive their reliability better than what they actually experience.
- Consumers generally have little or no appetite for improved reliability and are generally not willing to pay anything to improve their services.

UE would like to engage the ESC further on the detail findings of this report as they relate directly to the proposed changes on the GSLs.

3. Introduction of new GSLs

UE does not support the ESC's proposed Duration of an Individual Interruption GSL.

In its draft decision the ESC has noted that the reasons and conditions for its removal in 2005 had not changed and that there will be no material impact from its re-introduction for the Victorian DBs for the 2016-2020.

The re-introduction of this GSL therefore does not have represent any community benefit and will only increase the costs relating to the administrative burden of tracking its performance.

Additionally, the justification for the existing Annual Duration of Individual Interruptions GSL is that it already tracks the relevant metrics and compensates the relevant customers. Therefore these two GSLs operating together will represent a double counting of GSL payments.

4. New Power Quality reporting obligations

Despite the reporting of power quality indices still being relatively immature in the industry, the consequences of poor power quality, in particular steady-state variations, are potentially harmful to customer appliances and equipment. UE is therefore supportive of more formalised reporting of power quality indices that reflect the cost consequences of poor power quality to our customers with the intention that such indices could ultimately be used in a new Service Target Performance Incentive Scheme (STPIS) for power quality, similar to that in place for reliability.

Until such a scheme is in place, UE plans to continue to be proactive in identifying and proposing measures that are meaningful to customers while ensuring that network power quality standards are aligned to customer willingness to pay and consistent with the emerging trend of new customer equipment and increased embedded generation. There is a community and regulatory expectation that UE will manage the PQ interactions between customer installations, embedded generation and the electricity network, irrespective of the state of development, maturity of the product, installation and standards required to support this process. It is considered vitally important for UE to identify suitable strategies to economically mitigate the risk from power quality disturbances.

In conclusion, the introduction of a GSL payments scheme measure for power quality will reinforce the standardisation of a set of acceptable standard measures for distribution networks that could potentially be used in a future power quality incentive scheme. Consequently, the outcomes can be employed to justify the costs of power quality initiatives and projects for the 2020-2025 regulatory control period.



UE plans to seek support from the other DNSPs via the ENA Reliability and Power Quality Reference Group to assist in adopting indices that better reflect the potential risks and costs related to poor power quality to customers.

5. GSL(s): Additional Exclusions Criteria

UE supports the ESC's inclusion of additional exclusions criteria relating to load-shedding and the Transmission Connection Assets.