

18 July 2017

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Australian Energy Market Commission
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Electronic Lodgement – RRC0009

Dear John,

RE: Consultation Paper – Strengthening protections for customers requiring life support equipment) Rule

AusNet Services appreciates the opportunity to make a submission to the Australian Energy Market Commission's (AEMC) consultation paper on strengthening protections for customers requiring life support equipment.

The AER's proposed rule changes seeks to strengthen the protections provided to customers requiring life support equipment and establishes provisions for life support deregistration. In Victoria, the Distribution Businesses (DBs) role when interacting with customers is governed by the energy retail and distribution codes rather than under the National Energy Retail Rules (NERR).

AusNet Services, in principle, supports the rule change in strengthening the customer protections and establishing provisions for deregistration of life support. A unified approach across the National Electricity Market (NEM) is important because national retailers register the vast majority customers with life support and B2B arrangements apply across the NEM.

Strengthening the deregistration process to improve accuracy of life support registration

The AER's rule change proposal expressed concern that life support registers have grown and have become increasingly inaccurate due to low levels of follow up for medical confirmation and increasing numbers of inaccurate and out-of-date registrations. This is certainly AusNet Services' experience; the number of customers registered with life support grew roughly 53% in the last two years, despite efforts to contact customers to validate their medical confirmation and refer the outcomes to the retailers. Our business endeavours to call every customers registered with life support when a planned outage is expected to impact supply at their premise. It is stressful for customers to receive such calls related to out-of-date life support registrations, where the life support contact has deceased and the retailer has not removed their life support registration.

Resolving this problem will require strong obligations on registration process owners to deregister life support where medical confirmation is not established. However, the AER's proposed rules for the medical confirmation and deregistration process do not strike the right balance between needs of customers and businesses. The proposed rules do not compel the registration process owners to take the final step of deregistration where customers have not provided medical confirmation, and otherwise have not provided evidence substantiating the need for life support.

In the rule change proposes to address this issue the AER recommends "if the business completes these steps it **may** deregister the customer..." [emphasis added]. After completing the deregistration steps in the proposed Rule 125, registration process owners does not have an obligation to actually deregister the customer. Having been through the deregistration steps in Rule 125 it would be wasteful to not deregister the customer, unless the customer have provided evidence substantiating the need for life support, for example a photo of the equipment at the premises. This could provide a safeguard in situations where there may be a delay in obtaining medical confirmations, for example.

Therefore, we recommend the below alterations to the rule 125(1) with changes illustrated with underlines and strikethroughs.

(1) A retailer or distributor ~~may~~ must deregister a premises, in accordance with this rule, if a customer

(a) fails to provide medical confirmation and otherwise has not provided evidence substantiating the need for life support; or

(b) advises that life support equipment is no longer required

Adopting the original proposed 125(1) would leave businesses with uncertainty in considering whether enough has been done to make medical confirmation. With our recommended alteration, registration process owners would have necessary discretion to allow customers to keep life support registration but only where there are actually exceptional circumstances. Yet, it still provides certainty for businesses to deregister customers and alleviate the rapidly growing lists of life support customers in the NEM.

Avoiding inefficient duplication of responsibility for medical confirmation and deregistration

Having a single point of accountability for confirming and deregistering life support provides avoids unnecessary confusion for potentially vulnerable customers. In our experience, customers typically register life support with their retailer, and rarely ever register life support with distribution businesses. Even though customers can register life support with DBs, however at any point in time the current (or new) retailer could send the DB a B2B transaction that removes life support registration. To ensure safety, we advise customers to always tell their retailer of their life support equipment.

Medical confirmation and deregistration involves tracking customer notifications, and storing the sensitive information on the medical confirmation form. The storing and use of sensitive information has implications under the *privacy act*. This information would also need to be transacted with retailers to establish a common record set to enable the “non-registration process owner” to deregister life support under Rule 125(2). Storing and transacting this information will require specialised Customer Relationship Management systems. AusNet Services estimates that the cost of establishing this system with the necessary customisation is approximately \$9.2m.

It seems inefficient and unnecessary for DBs to incur this type of cost when a more preferential rule change could assign the responsibility for medical confirmation and deregistration to the current retailer. In this alternate approach DBs would register and pass on the customer’s information to the nominated retailer to complete the process. This would be advantageous in establishing a single point of accountability for life support processing. Retailers have experience in handling sensitive information when performing credit checks on customers, therefore we expect retailers would have the broad capabilities to manage the medical confirmation and deregistration process.

Since the retailer performs the vast majority of life support registrations we consider this alteration is practical and efficient. It also avoids many complexities in making deregistration decision, for example a customer changes retailer while the DB is processing their medical confirmation and registration process.

Registration of life support and medical confirmation must clarify fuel type

The proposed life support rules do not distinguish between fuel types. Gas fuelled life support equipment is rare. So it would be very inefficient for customer needing only electricity registration to be registered for requiring gas life support as well. Therefore, we recommend alterations to Rule 123A(4)(b)(iii) that establishes type of equipment includes the fuel required to power that equipment.

We appreciate the above recommendations are a departure from the AER’s rule change, however the issues identified have the potential to impact the efficient and effectiveness of our life support process in protecting vulnerable customers. In the below attachment are other drafting suggestions and answers to questions in the Consultation paper.

We welcome the opportunity to participate further in this Rule change development, and we would like to meet with the AEMC staff to discuss the issues identified in this submission.



AusNet Services has contributed to and supports the submission of Energy Networks Australia.

Should you have any queries in relation to this response please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Charlotte Eddy
Manager Economic Regulation

Strengthening protections for customers requiring life support equipment

**Supporting material in response to
Consultation Paper**

Submission to the AEMC on strengthening protections for customers requiring life support equipment Consultation paper

1 Responses to selected questions

AusNet Services positions with respect to these aspects of the framework are given in the answers below:

Question 1: The concerns the AER has identified with the life support rules

a) How material are the issues identified around demand-side optionality? Are there any material issues or benefits that have not been identified?

Response to question 1

a) AusNet Services considers the issues set out in the AER's rules change request in section 3.1 of the consultation paper accurately characterised the problems with the life support processes.

Question 2: The registration process

a) Please provide any information you have on the size of life support registers and how these have changed over time.

b) Are the registration obligations proposed by the AER efficient and do they provide greater certainty and transparency for consumers and businesses? Are there more preferable arrangements?

c) Are the notification arrangements between retailers and distributors sufficient to achieve the requirement of keeping registers up to date?

d) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the registration process?

e) Does the information pack proposed in the rule change request provide the appropriate information?

Response to question 2

AusNet Services currently have approximately 5,000 life support customers. Two years ago (July 2015) the total number was 3,280. This increase (roughly 53%) has occurred despite our increased efforts to audit the customers, through the following activities:

- Validating LS customers prior to each planned outage
- Annual audits of life support customers that involving calling customers and sending the summary to the retailers.
- Sending details of life support customers who have confirmed to the respective Retailers where life support registration is no longer required. Retailers are asked to audit our list, remove registration and send us B2B transactions confirming the removal of life support.

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- b) The registration obligations by the AER provide sufficient certainty and transparency for consumers and businesses. However, it is more efficient to assign registration and deregistration of customers with life support equipment exclusively to retailers for reasons outlined in the above submission.
- c) Notification arrangements between retailers and distributors are sufficient to keep registers up to date.
- d) The additional costs to comply with the changes to just the registration process would be insignificant for AusNet Services due to the low expected number of registration requests and the proposed registration process is largely the same as our current process.
- e) The information pack proposed in the rule change request provides an appropriate level of detail.

Question 3: The medical confirmation process

- a) Is the medical confirmation process proposed in the rule change request appropriate for consumers, retailers and distributors?
- b) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the registration process?

Response to question 3

- a) AusNet Services considers the medical confirmation process is appropriate.
- b) The cost of implementing the proposed end-to-end changes if applied in Victoria is expected to be substantial. However, this cost is only associated with the distributor performing the medical confirmation and deregistration process. If DBs could simply just transfer the registration information received to the retailer much of the costs would be avoided.

Question 4: The deregistration process

- a) Does a voluntary process for deregistration strike the right balance between the needs of customers and businesses?
- b) Should only the retailer or distributor who was originally notified by the customer when they registered be in control of the deregistration process?
- c) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the deregistration process?

Response to question 4

- a) AER's propose deregistration process strike the right balance between needs of customers and businesses, but it does not compel the businesses to take the final step of deregistration where customers have not provided medical confirmation. Instead the prescribed process adopts a soft option of giving the business a choice to deregister the customer. AusNet Services recommends 'may' be replaced with 'must' in Rule 125 (4), (7)(b), (8)(b), (9)(b)(ii), and (10)(b)(ii) and the addition of provision that otherwise allow for registration to remain where provided with evidence substantiating the need for

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life support. This is a sub-optimal outcome as it could lead to unnecessary and multiple contact being made with customers who do not require life support, as they have not been deregistered.

b) We consider customers very rarely register life support equipment through their DB. Accordingly, we recommend changes to the Rule that assigns the responsibility for medical confirmation and deregistration to the retailers. This will provide life support customers with increased clarity around which party to register with.

c) As noted above in our letter, the cost of implementing the proposed end-to-end changes if applied in Victoria is expected to be \$9.2 million. This cost could be avoided if the responsibility for medical confirmation was assigned to the retailer, which seems appropriated because customers rarely register life support with their distributor.

2 Other minor amendment suggestions

2.1 Extension of Rule 125 (10) to include advice received pursuant to Rule 125 (11)

AusNet Services suggests Rule 125 (10) be amended to include advice received pursuant to Rule 125 (11). Suggested amendment is underscored as shown below:

“If a distributor, who in accordance with rule 124(4), registered a customer’s premises as requiring life support equipment following notification from a retailer, receives a deregistration request from the customer or advice pursuant to Rule 125 (11):

(a) the distributor must, upon receipt of the deregistration request or advice pursuant to Rule 125 (11).”

A reciprocal amendment is suggested for Rule 125 (9)

2.2 References to Business days

AusNet Services suggests changing the life support timeframes from “days” to “business days” in Rules 125 (7), (8), (9), and (10). Obligations that measure timeframe dealing with customers for life support are more appropriately measured in business days. Business days are used to measure the timeframe for obligations including connection and energisation timeframes. Distributors only provide essential services on weekends and public holidays. Without this change the timeframes would be too short if the life support timeframes were measured in days.