



19 July 2017

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

Consultation Paper: Strengthening protections for customers requiring life support equipment

Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy) appreciate the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its *Consultation Paper: National Electricity Amendment (Strengthening protections for customers requiring life support equipment) Rule 2017* (consultation paper) in relation to a rule change request received from the Australian Energy Regulator (AER). The consultation paper seeks feedback from stakeholders on proposed changes to distributor and retailer life support obligations under Part 7 of the National Energy Retail Rules (the life support rules).

The AER, in its rule change request, has proposed that the life support rules should be strengthened by amending the registration and deregistration processes and introducing a medical confirmation process. The aim of the proposed changes to the life support rules is to:

- allow customers to receive the relevant life support protections from the time they advise their distributor or retailer that life support equipment is required until such time as they advise their distributor or retailer that life support equipment is no longer required or they do not provide medical confirmation within the prescribed timeframe; and
- place obligations on the “registration process owner” to advise customers of their rights and obligations under the life support rules and follow prescribed life support confirmation and deregistration processes.

Energex and Ergon Energy take our obligations with respect to life support customers very seriously and understand that a reliable power supply is essential for people who rely on the use of life support equipment. We are therefore fully supportive of proposed amendments to the life support rules aimed at strengthening protections for those customers. In particular, we welcome changes to the life support rules specifically

aimed at addressing issues that exist in the current rules around the registration and deregistration of life support premises.

To assist the AEMC in its assessment of the AER's rule change request, Energex and Ergon Energy have provided responses to the specific issues raised in the consultation paper in the attached submission. Our submission also discusses additional issues which we believe should also be considered as part of this process, including:

- strengthening of the definition of "life support equipment";
- the potential for implementing a life support registration renewal process;
- the application of the new rules to existing life support customers; and
- information requirements.

Should you require additional information or wish to discuss any aspect of the attached submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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National Electricity Amendment (Strengthening protections for customers requiring life support equipment) Rule 2017

Joint response to the Australian Energy
Market Commission's Consultation Paper

19 July 2017



Part of the Energy Queensland Group



ABOUT ERGON ENERGY

Ergon Energy Corporation Limited (Ergon Energy) is part of the Energy Queensland Group and manages an electricity distribution network which supplies electricity to more than 740,000 customers. Our vast operating area covers over one million square kilometres – around 97% of the state of Queensland – from the expanding coastal and rural population centres to the remote communities of outback Queensland and the Torres Strait.

Our electricity network consists of approximately 160,000 kilometres of powerlines and one million power poles, along with associated infrastructure such as major substations and power transformers.

We also own and operate 33 stand-alone power stations that provide supply to isolated communities across Queensland which are not connected to the main electricity grid.

ABOUT ENERGEX

Energex Limited (Energex) is part of the Energy Queensland Group and manages an electricity distribution network delivering world-class energy products and services to one of Australia's fastest growing communities – the South-East Queensland region.

We have been supplying electricity to Queenslanders for more than 100 years and today provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.4 million people via 52,000km of overhead and underground network.



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1 INTRODUCTION

On 20 June 2017, the Australian Energy Market Commission (AEMC) published the *Consultation Paper: National Electricity Amendment (Strengthening protections for customers requiring life support equipment) Rule 2017* (consultation paper) in relation to a rule change request received from the Australian Energy Regulator (AER). The consultation paper seeks feedback from stakeholders on proposed changes to distributor and retailer life support obligations under Part 7 of the National Energy Retail Rules (the life support rules). Energex and Ergon Energy welcome the opportunity to participate in the consultation process and provide comment on the issues raised in the consultation paper in this submission.

The AER, in its rule change request, has proposed that the life support rules should be strengthened by amending the registration and deregistration processes and introducing a medical confirmation process. The aim of the proposed changes to the life support rules is to:

- allow customers to receive the relevant life support protections from the time they advise their distributor or retailer that life support equipment is required until such time as they advise their distributor or retailer that life support equipment is no longer required or they do not provide medical confirmation within the prescribed timeframe; and
- place obligations on the “registration process owner” to advise customers of their rights and obligations under the life support rules and follow prescribed life support confirmation and deregistration processes¹.

The AEMC has requested that interested parties make submission on the consultation paper by 18 July 2017. Energex and Ergon Energy’s comments are provided in Sections 2 and 3. We are available to discuss this submission or provide further detail regarding the issues raised.

¹ AEMC, *Consultation Paper: National Energy Retail Amendment (Strengthening protections for customers requiring life support equipment) Rule 2017*, 20 June 2017, p. 6/7.

2 GENERAL COMMENTS

As the distribution network service providers for Queensland, Energex and Ergon Energy distribute power to almost 2.1 million domestic and business connections. Of these connections, approximately 16,233 are currently registered as requiring life support equipment, the majority being in Energex's distribution area (12,898). Our purpose is to "safely deliver secure, affordable and sustainable energy solutions with our communities and customers" and we are focused on delivering customers lower, more predictable power bills, while maintaining a safe and reliable supply and a great customer service experience.

Energex and Ergon Energy take our obligations with respect to life support customers very seriously. We understand that a reliable power supply is essential for people who rely on the use of life support equipment and are therefore fully supportive of proposed amendments to the life support rules aimed at strengthening protections for those customers. In particular, we welcome changes to the life support rules specifically aimed at addressing issues that exist in the current rules around the registration and deregistration of life support premises.

The National Energy Customer Framework (NECF), which introduced the current protections relating to life support customers, commenced in Queensland on 1 July 2015. In preparation for the commencement of the new customer framework, Energex and Ergon Energy undertook major system and process changes to ensure a high level of compliance with distributor life support obligations. Energex and Ergon Energy have not only implemented comprehensive policies, systems and procedures to manage our obligations relating to de-energisation and planned interruptions to power supply, but also to ensure life support customer registrations are valid and up-to-date. Having effective processes in place has become increasingly important given the significant growth in the numbers of premises being registered as requiring life support equipment in Queensland.

Energex and Ergon Energy agree with the AER's assessment that there are issues with the current registration and deregistration of life support customers and that this is a leading contributor to the continued growth in life support customer numbers². This is supported by a proactive audit currently being undertaken by Energex and Ergon Energy which has identified that approximately 10 per cent of registered life support customers in our distribution areas no longer require life support equipment. As significant expense is

² AER, *Rule Change Request: Strengthening protections for customers requiring life support equipment*, 28 February 2017, p. 5.

incurred by distributors in not only managing life support registrations but also in taking measures to ensure that we comply with distributor de-energisation and planned interruption obligations, we consider it is important that appropriate measures must be in place to ensure the validity of life support registrations.

To assist the AEMC in its assessment of this rule change, Energex and Ergon Energy have provided responses to the specific issues raised in the consultation paper in section 3 of this submission. Further, while Energex and Ergon Energy are fully supportive of the aims of the AER's proposed rule change, we consider that additional issues should also be considered as part of this process, including strengthening the definition of "life support equipment", the potential for implementing a life support registration renewal process, the application of the new rules to existing life support customers and information requirements. These issues are discussed further below.

2.1 Definition of life support equipment

It is noted that the AER has decided not to propose changes to the definition of "life support equipment" as set out in Part 1 of the Retail Rules in its rule change request³. However, given the importance of life support protections and the continued growth in volumes of life support registrations (discussed further in section 3), Energex and Ergon Energy consider that the current definition should be reassessed to ensure that it effectively achieves the policy intent.

The current definition of "life support equipment" provided in the Retail Rules includes specific items of critical medical equipment required for life support, namely: an oxygen concentrator; an intermittent peritoneal dialysis machine; a kidney dialysis machine; a chronic positive airways pressure respirator; Crigler najjar syndrome phototherapy equipment and a ventilator for life support. The definition also allows for "any other equipment that a registered medical practitioner certifies is required for a person residing at the customer's premises for life support"⁴. The non-specific nature of the term "any other equipment" means that the definition may be open to interpretation and could be considered to encompass a wide range of both medical and non-medical equipment.

While we support medical practitioners continuing to have the flexibility to determine which items of equipment meet the definition of "life support equipment" in accordance with their patient's medical condition, we also believe there would be value in amending the definition to provide further clarity with respect to its intended application. Specifically, Energex and Ergon Energy

³ AER, Rule Change Request, p. 25.

⁴ *National Energy Retail Rules Version 7*, Part 1, 2 February 2017 p. 2

consider that the definition should be amended to clarify that it applies to equipment that is critical to managing a patient's medical condition and without which, in the event of an unexpected loss of power supply, the customer would be in imminent danger of death or serious physical harm unless alternative arrangements can be made. Such an amendment would assist in ensuring that the important life support protections can be provided to those customers who are legitimately at risk in the event of a temporary loss of power supply.

2.2 Life support registration renewal process

Under the proposed arrangements, premises will remain registered as life support unless medical confirmation is not provided or until advised by the customer that life support equipment is no longer required. With respect to the latter, the onus is on the customer to provide advice when the person who requires life support equipment has vacated the premises or no longer requires life support equipment. There is no formal process in place to ensure the ongoing validity of life support registrations. This reliance on customers to provide advice of the cessation of a requirement for life support equipment is also a significant contributor to the high volumes of life support registrations.

In order to assist retailers and distributors in meeting their obligation to ensure that customers' life support registrations are kept accurate and up-to-date, Energex and Ergon Energy consider there would be value in requiring the periodic renewal of registration (for example, every two years). A renewal process would involve notifying the customer that a new medical confirmation is required (for example, one month prior to expiry) and then subsequently follow the prescribed medical confirmation process and, where appropriate, deregistration process. As patients dependent on life support equipment will likely have a medical condition which requires them to visit their medical practitioner on a regular basis, it is not anticipated that this requirement would be significantly onerous for customers.

2.5 Application of new processes to existing life support customers

It is noted that the AER's rule change request does not propose changes "that would operate retrospectively to customers already on life support registers"⁵. However, in our view there are matters that will need to be addressed in relation to existing life support registrations if the rule change proceeds. For example:

- The medical confirmation and deregistration processes should be applied to all existing life support customer registrations where medical confirmation

⁵ AER, Rule Change Request, p. 25.

has not previously been provided to ensure validity of existing registrations; and

- Arrangements will be necessary in the event that records do not identify whether an existing life support registration was initiated by either the distributor or retailer if it is determined that there is to be a “registration process owner” role.

Energex and Ergon Energy would therefore appreciate further consideration of these matters.

2.6 Information requirements

The current B2B processes do not allow for comprehensive life support customer details to be shared between retailers and distributors. However, having access to information, such as the life support customer’s email address and mobile telephone number, would greatly assist distributors in meeting their compliance and customer service obligations. For example, having these contact details would enable distributors to provide notification of planned interruptions and other information, such as life support “information packs”, via electronic means.

Energex and Ergon Energy therefore consider that it would be worthwhile to include a requirement in the life support rules for this information to be shared between parties, noting that the B2B processes and participant systems would need to be upgraded to accommodate the additional fields. Arrangements to obtain the customer’s consent to receive electronic communications from both the retailer and distributor would also be required.

Energex and Ergon Energy also support further consideration being given to the development of a nationally consistent template to assist in ensuring that distributors and retailers are provided with all necessary life support customer details. Alternatively, specific information requirements could be incorporated into the medical confirmation form.



3 RESPONSES TO SPECIFIC ISSUES RAISED

Consultation Paper Feedback Question	Ergon Energy and Energex response
THE AER'S CONCERNS WITH THE LIFE SUPPORT RULES	
<p>Question 1</p> <p>Has the AER accurately characterised the problems with the life support rules?</p>	<p>Energex and Ergon Energy agree with the AER's assessment that the current lack of follow-up has resulted in a large number of customers being registered as requiring life support without subsequent confirmation from a medical practitioner. We also agree that it is currently difficult for the AER to enforce legal protections under the life support rules where medical confirmation has not been provided. We therefore support a rule change to address these issues.</p> <p>A key consideration for Energex and Ergon Energy is the increasing growth in volumes of life support customer registrations and the inaccuracy of registration lists which contributes to higher compliance costs. Energex in particular has seen an almost 20 per cent increase in life support registrations in the 18 month period between end December 2015 to early July 2017. This increase has occurred despite Energex having removed almost 3,000 non-valid registrations as a result of an audit carried out in the first half of 2017 in conjunction with deregistrations due to customers advising life support equipment is no longer required.</p> <p>It is particularly important to distributors that life support registrations are kept up-to-date as there are significant administrative and operational costs associated with managing compliance with distributor life support obligations. For example, both Energex and Ergon Energy:</p> <ul style="list-style-type: none"> • Have the equivalent of two full-time administrative staff each dedicated to managing life support compliance and customer service obligations, at a cost of approximately \$104,000 per annum per staff member; and



Consultation Paper Feedback Question

Ergon Energy and Energex response

- are currently undertaking desktop audits and site visits to all existing life support customer premises to confirm network connectivity, at a cost of approximately \$900,000 (Energex) and \$300,000 (Ergon Energy), with ongoing costs also being incurred for all newly registered premises.

In order to manage the high volumes of life support registrations in Queensland, Energex and Ergon Energy have already proactively implemented processes to:

- follow-up on distributor-initiated registrations to ensure medical confirmation is provided; and
- audit all existing distributor-initiated and retailer-initiated life support registrations in Queensland to confirm that life support equipment is still required.

While formalised processes will assist in managing life support registration and deregistration, Energex and Ergon Energy consider that further consideration should be given to measures that will support distributors and retailers in managing the increasing volumes of premises requiring life support equipment by ensuring the accuracy and currency of registrations. These measures include those discussed in section 2 of this submission (i.e. strengthening the definition of “life support equipment”, implementation of a life support registration renewal process and the application of the new rules to existing life support customers) as well as recommendations for enhancements to the AER’s proposed changes discussed below.



Consultation Paper Feedback Question	Ergon Energy and Energex response
THE REGISTRATION PROCESS	
<p>Question 2</p> <p>(a) Please provide any information you have on the size of life support registers and how these have changed over time.</p>	<p>As at 10 July 2017, Energex and Ergon Energy had a total of 16,233 premises registered as requiring life support equipment (12,898 Energex and 3,335 Ergon Energy). This number is a 6 per cent increase on the total number of premises registered as life support as at 6 January 2017 (15,345). As noted above, Energex alone has experienced a 20 per cent increase in life support registrations since December 2015.</p> <p>By way of example of the churn in life support registrations, the following registrations and deregistrations were processed by Energex during the six month period from January to June 2017:</p> <ul style="list-style-type: none"> • 2,984 premises were deregistered as requiring life support equipment as a result of customers advising that life support registration is no longer required (either voluntarily or as part of our proactive audit) or moving address; and • 3,067 premises were registered as requiring life support equipment.
<p>(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?</p>	<p>Energex and Ergon Energy support amendments to distributor and retailer registration obligations that will not only ensure that life support obligations apply prior to receipt of medical confirmation from the customer, but also assist in ensuring that customers are deregistered where medical confirmation is not provided within a specified timeframe.</p> <p>While Energex and Ergon Energy are largely supportive of the proposed rule amendments, we consider a more preferable arrangement would make it mandatory for customers to be deregistered where medical confirmation is not provided in accordance with the medical</p>

Strengthening protections for customers requiring life support equipment



Consultation Paper Feedback Question	Ergon Energy and Energex response
	<p>confirmation process. This requirement would assist retailers and distributors to comply with their obligations to keep life support registrations up-to-date and ensure that only those customers who legitimately require life support protections are registered. Consequently, it is recommended that draft rule 125(4) should be amended to read as follows:</p> <p style="padding-left: 40px;">“(4) If a customer fails to provide medical confirmation that a person residing (or intending to reside) at the customer’s premises requires <i>life support equipment</i>, the party who received the initial advice under rule 124 from the customer must deregister the customer’s premises...”</p>
<p>(c) Are the notification arrangements between retailers and distributors sufficient to achieve the requirement of keeping registers up to date?</p>	<p>Energex and Ergon Energy generally support the proposed notification arrangements. However, proposed new rule 124B does not provide a timeframe within which each party must notify the other party following communication from the customer about life support equipment requirements. Given that life support registration provides important protections for customers and imposes obligations on both parties regarding de-energisation and supply interruptions, it is recommended that the proposed rule should be amended to include a requirement for each party to notify the other party “as soon as practicable” to ensure life support customers receive immediate protection.</p>
<p>(d) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the registration process?</p>	<p>As noted previously, Energex and Ergon Energy have already proactively implemented a registration process similar to the process proposed by the AER and both businesses have the equivalent of two full-time staff members managing life support processes at a cost of approximately \$104,000 per annum per staff member. It is not anticipated at this stage that significant additional costs will be incurred as a result of this proposed rule change.</p>



Consultation Paper Feedback Question	Ergon Energy and Energex response
<p>(e) Does the information pack proposed in the rule change request provide the appropriate information?</p>	<p>It is noted that it is proposed that two separate “information packs” will be provided to the customer within five business days, one from the retailer and one from the distributor. In our view, these information packs should provide the customer with adequate information regarding their rights and obligations as well as distributors’ and retailers’ obligations under the life support rules.</p>
<p>THE MEDICAL CONFIRMATION PROCESS</p>	
<p>Question 3</p> <p>(a) Is the medical confirmation process proposed in the rule change request appropriate for consumers, retailers and distributors?</p>	<p>Energex and Ergon Energy support the proposed confirmation process, including the minimum 65 calendar day timeframe within which customers will be requested to provide medical confirmation and the requirement for the distributor or retailer to provide two reminder notices within that period. However, we note that under proposed new clause 124A a customer must also be provided with “at least one extension of a minimum of 30 calendar days” to return the medical confirmation form.</p> <p>While we support providing customers with an extension of time within which to source medical confirmation, there is the potential that under the proposed arrangement the customer could be provided with multiple extensions, thereby prolonging the registration process indefinitely. Consideration should therefore be given to limiting the number of extensions by redrafting rule 124A(5) as follows:</p> <p style="padding-left: 40px;">“on request from a customer, give the customer one extension of 30 calendar days to return the medical confirmation form.”</p>



Consultation Paper Feedback Question	Ergon Energy and Energex response
	<p>This would provide the customer with 95 days within which to provide medical confirmation and, given that patients requiring life support will likely receive regular health care from a medical practitioner, it is not unreasonable to expect that medical confirmation should be able to be provided within this timeframe.</p> <p>In addition, as previously mentioned, if at the end of the confirmation process a medical confirmation has not been provided, Energex and Ergon Energy consider that there should be a requirement that the life support registration must be removed by the initiating party (following the prescribed deregistration process).</p>
<p>(b) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the registration process?</p>	<p>As the proposed process is similar to our current registration processes, it is unlikely that we will incur significantly increased costs to manage this new registration process.</p>
<p>THE DEREGISTRATION PROCESS</p>	
<p>Question 4</p> <p>(a) Does a voluntary process for deregistration strike the right balance between the needs of customers and businesses?</p>	<p>Energex and Ergon Energy do not support a voluntary process for deregistration. As noted previously, there are administrative and operational costs for distributors associated with managing their life support obligations and it is therefore important that every effort is made to ensure that both distributor-initiated and retailer-initiated life support registration details are kept up-to-date and accurate. As already noted, in our view, it should be mandatory for customers to be deregistered when advice is received that life support protections are no longer required or when medical confirmation has not been provided in accordance with the specified process.</p>



Consultation Paper Feedback Question	Ergon Energy and Energex response
	<p>Matters relating to deregistration that require further consideration include:</p> <ul style="list-style-type: none"> • A minimum timeframe has not been specified in new rule 125 with respect to the date for deregistration in the proposed deregistration notice. Energex and Ergon Energy suggest that five business days would be appropriate. • Proposed new rule 125 requires the retailer and distributor to notify the other party within five days of a deregistration. However, the status of obligations applicable to the party not yet notified of the deregistration during this five day period is not clear and needs to be addressed. The interaction between this rule and new rule 124B (relating to notifications between retailers and distributors) is also unclear. Our preference is that notification of a deregistration should be provided to the other party “as soon as practicable”.
<p>(b) Should only the retailer or distributor who was originally notified by the customer when they registered be in control of the deregistration process?</p>	<p>Energex and Ergon Energy do not consider that there is any valid reason for restricting removal of life support registration to the party originally notified by the customer, particularly as the notified party will typically have evidence (in the form of either written notice or recorded telephone call) to verify that the customer has confirmed that the life support registration is no longer required.</p> <p>To the contrary, we envisage there may potentially be adverse customer service implications arising from the proposed requirement as illustrated in the following scenarios:</p> <ul style="list-style-type: none"> • Scenario 1: Currently, where a customer advises a field crew that life support registration is no longer required, a member of our Customer Relations team will telephone the customer to obtain confirmation (and record the call) before removing the



Consultation Paper Feedback Question	Ergon Energy and Energex response
	<p>life support flag. However, under the proposed new process, if the registration was retailer-initiated the retailer would then also need to contact the customer to verify that life support is no longer required before removing the flag.</p> <ul style="list-style-type: none"> Scenario 2: Similarly, when we contact a customer as part of an audit that includes retailer-initiated life support registrations and the customer advises that life support equipment is no longer required, we record the call and remove the flag. Under the new process the customer would also need to be contacted by the retailer. <p>The proposed process may therefore result in multiple conversations with the customer before the deregistration can be finalised. However, as cessation of the requirement for life support is often as a result of the person requiring life support equipment either passing away or moving into care, our concern is that multiple conversations may unnecessarily cause distress for some customers. In order to minimise the potential for a poor customer service experience, Energex and Ergon Energy recommend that, as customers can register by advising either party, they should also be able to deregister by advising either party.</p> <p>An additional matter for consideration is that for life support customers registered prior to commencement of NECF in Queensland in 2015, it is not always possible to identify from our records whether the registration was initiated by the retailer or the distributor. Arrangements would therefore be required to address this situation.</p>
(c) As a retailer or distributor, what additional costs would you incur to comply with the changes proposed to the deregistration process?	Energex and Ergon Energy estimate that the costs that would be incurred by the proposed deregistration process would be minimal (i.e. in the order of \$20,000 per annum).