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23 January 2017

Ms Sarah Proudfoot
General Manager, Retail Markets
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Email: retailcompliance@aer.gov.au

Dear Sarah

Ergon Energy Queensland Pty Ltd (EEQ) welcomes the opportunity to provide comments to the Australian Energy Regulator (AER) on the draft Compliance Procedures and Guidelines - 2016/17.

Ergon Energy Queensland Pty Ltd (EEQ) is a subsidiary of a Government-owned Corporation Energy Queensland Limited (EQL) regulated under the *Government Owned Corporations Act 1993* (Qld) (GOC Act).

EEQ is a non-competing retailer of electricity operating in regional Queensland that provides electricity to more than 700,000 homes and businesses and helps regional Queenslanders manage their energy consumption. EEQ has a team of people servicing regional Queensland customers from Australian based contact centres and offices located in Townsville, Rockhampton, Maryborough and Brisbane.

On 9 December 2016 The Australian Energy Regulator (AER) released a Notice of draft instrument Amendments to AER Compliance Procedures and Guidelines (the Notice) and accompanying draft to Version 4 of the AER Compliance Procedures and Guidelines. . Broadly, EEQ agrees that the amendments will better reflect the AER compliance objectives through changes to the reporting obligations and the AER's approach to compliance audits (see EEQ response to the list of consultation questions raised in the Notice - Attachment 1).

Note in attachment 1 - EEQ requests the AER reconsider its approach to expanding (and renaming) the range of obligations requiring immediate reporting. Further EEQ proposes that the naming of breach types remain unchanged.

If you wish to discuss any aspect of this submission, please contact John Sculli, A/General Manager Wholesale Markets, on 07 3851 6791 or john.sculli@ergon.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Sculli'.

John Sculli
A/GENERAL MANAGER - WHOLESALE MARKETS

Ergon Energy Queensland Pty Ltd (EEQ)

Attachment 1

**Submission to the Australian Energy Regulator on the Draft AER Compliance Procedures
and Guidelines Version 4**

Due 23 January 2017



EEQ responses to consultation questions

Question 1. Are there any concerns with implementing the proposed amendments to the reporting framework by 1 July 2017?

Response Yes. The amendments will require internal system changes and therefore should be aligned to Retailers IT project plans related to Competition in metering and related services.

Question 2. Are there any issues arising out of the Billing frequency rule change that may require changes to the current classification / frequency of reporting in relation to rule 29(1)?

Response EEQ does not have any issues with the Billing Frequency rule reporting.
Note -Bill frequency rule is 24(1).

Question 3. Are there any risks with making the reportable obligations for retailer planned interruption rules the same as distributor planned interruption rules in the Guidelines?

Response No significant risks.

Question 4. Should the new retailer notice obligations (specifically rules 59A) be made reportable under the reporting framework? If so, is the obligation to report on a six month basis appropriate?

Response Should not be made reportable. Additional reporting under 59(C) is related to interruption which would capture instances where a customer has had unexpected supply interruption. If no notices are sent then would be captured under rule 59(C).

Question 5. Are there any other rules arising from the Metering rule change that should be reportable under the Guidelines?

Response No.

Question 6. Are there any matters arising from the Energy consumption rule change that may require a reconsideration of the classification/frequency of reporting in relation to rule 28(2)?

Response	No.
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Question	7. What issues may require amending the reporting framework to capture the rules introduced in the Energy consumption rule change?
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Response	No apparent issues.
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Question	8. What, if any, are the implications of the AER removing the obligation on regulated businesses to report on rules 55-56B, 58-59 of the NERR?
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Response	EEQ does not consider there are significant implications from removing reporting obligations for these rules.
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Question	9. Are there any concerns with the proposed classification / frequency of reporting in relation to rules 116(1), 120(1) and 124A(1) of the NERR?
Response	<p>EEQ notes the expansion of provisions requiring immediate (2 day) reporting from Rules 107(2) and 116(1)(a), (d) and (h) (provisions relating to life support, customer hardship and de-energisation during an extreme weather event) to all of the provisions in section 116(1).</p> <p>The AER has indicated that the immediate type 1 provisions are obligations which contain critical safeguards to protect vulnerable customers and which present risks to customer safety and wellbeing. EEQ is committed to providing effective assistance to vulnerable customers with our Customer Assist Program and also places a high value on safety as a primary value within the EEQ and Energy Queensland (EQL) businesses.</p> <p>EEQ submits that the current provisions requiring immediate (2 day) reporting (including 116(1)(a), (d) and (h)) are generally the most critical obligations relating to vulnerable customers. EEQ considers that Rule 116(1)(e) also relates to a critical obligation. The proposal to expand the entire suite of 116(1) obligations to the immediate reporting requirements would appear to be excessive.</p> <p>On this basis the AER should reconsider its approach to expanding immediate reporting requirements to all of the 116(1) obligations.</p> <p>The immediate breach reporting template and internal EEQ process rightly require significant executive involvement following the occurrence of an immediately reportable breach. Administrative processes related to this reporting are extensive and such processes should be limited to breaches of the most critical safeguards. If the AER maintains its proposal to expand the immediate reporting requirements - any increase is the scope of such requirements (and the review of the existing guidelines) should be accompanied by a consideration of a framework that would enable Retailers to assess materiality of an immediate breach prior to reporting. For example rule 116(1)(b) limits a retailer from arranging for the de-energisation of a customer's premises to occur where the customer has made a complaint, directly related to the reason for the proposed de-energisation, and the complaint remains unresolved. It is possible in this instance and in a number of other instances with processes relating to 116(1) obligations for a retailer to arrange de-energisation (that is to submit a service order for a de-energisation) yet a subsequent process or control ensures that customers in this scenario are ultimately not actually de-energised. This results in a technical breach (the mere 'arranging' to de-energise a customer), however there is ultimately no impact to the customer and no breach in essence.</p> <p>EEQ proposes in the event of any increase in immediate reporting obligations - that the AER (similar to other regulators) considers the requirement for Retailers to report 'immediate' breaches be limited to the reporting of 'significant immediate' breaches. The AER could define what constitutes 'significant'. Frequency of similar breaches and customer impact of the breach could potentially be the primary basis of determining 'significance'. This approach permits the efficient use of AER and Retailer resources on the most significant matters.</p> <p>Further, due to the variable availability of Executive Officers - EEQ urges the AER to consider sign off flexibility and allow delegation to an appropriate senior managerial level in the business.</p> <p>EEQ has invested significant resources toward staff training and system development to ensure compliance with all obligations but in particular those obligations potentially impacting vulnerable customers requiring immediate notification. Extensive system changes and rework of business processes may be required from a decision to expand the initial notification reporting obligations and changing the naming of different breach types. In relation to the naming of different breaches EEQ supports the retention of the current approach to breach classification (Immediate, Types 1, 2 and 3) due to the level of familiarity of these terms within the business.</p>

Question	10. Are there any issues with the proposed classification/frequency of reporting in relation to the rules under Part 4, Division 6 and rules 59C(2)-(5) of the NERR?
Response	No issues.

Question	11. Are there any issues with the removal of the obligation on businesses to report on provisions under Part 2, Division 6 of the NERL?
Response	No. It is considered alternative methods of compliance available to AER could provide adequate checks.

Question	12. Are there any issues with the removal of the obligation on businesses to report on rules under Part 2, Division 5 of the NERR?
Response	No issues with removal.

Question	13. Are there any reasons we should not move from two pro-forma report templates to a single template?
Response	<p>No. However the single form template must cater for each of the reporting cycles.</p> <p>EEQ requests the AER to clarify process for submitting a nil report. Is a reporting entity also required to submit a nil appendix B2. Appendix B1 content relates to breaches being reported however does not have any option to indicate a Nil report.</p>

Question	14. Are there any improvements that could be made to current reporting template? What issues, if any, have arisen with the current reporting template?
Response	Refer to Q13 response.

Question	15. Do you have any comments on the AER's proposed approach to compliance audit powers under the NERL?
Response	The AER proposed approach to compliance audits appears reasonable. No additional comment.

Question	16. Do you have any comments on the AER's Practice Guide for Compliance Audits?
Response	Nil comment.