

18 May 2020



Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Professor Menezes

Warning notices for suspected breaches of Electricity Distribution Network Code by Energex and Ergon Energy

I acknowledge receipt of your recent correspondence and attached warning notices, issued under section 120S of the *Electricity Act 1994 (Qld)* for suspected breaches of the Electricity Distribution Network Code (EDNC) by Energex and Ergon Energy.

As outlined in previous correspondence to the QCA, Energy Queensland acknowledges that the EDNC does not currently allow for the use of the turn off main switch and sticker process (MSS process) to complete disconnection vacant service order requests for single dwelling premises received from customers' electricity retailers during the Coronavirus (COVID-19) disaster situation. It is for this reason that Energy Queensland staff proactively engaged with both the QCA and Department of Natural Resources Mines and Energy (DNRME) in mid-April to propose urgent amendments to the EDNC to allow the use of the MSS process in these circumstances.

In consideration of the timeframes associated with progressing Energy Queensland's proposal, and in response to concerns for the safety of our employees and our customers in these unprecedented times, the decision was made for Energex and Ergon Energy to commence use of the MSS process for vacant premises disconnections from 20 April 2020. Energy Queensland communicated this decision to the QCA by letter dated 16 April 2020, and asked the QCA to advise if it had any concerns. The QCA acknowledged this process was on foot in correspondence dated 23 April 2020, while asking for additional information from Energy Queensland. Energy Queensland's decision to commence using the MSS process concurrently with our engagement with the QCA on proposed amendments to the EDNC was centred on our commitment to maintaining an appropriate balance between our compliance obligations and the safety of our employees and customers, together with the financial risks to retailers and our business.

While we note the QCA has raised concerns regarding potential material safety risks arising through use of the MSS process, we also note that the MSS process is a permitted form of disconnection under the EDNC, albeit in relation to multiple premises. This was a significant factor in Energy Queensland's decision to commence the use of the MSS process concurrent to progressing our proposal for an amendment to the EDNC. As the MSS process has been used for multiple premises disconnections for quite some time without, to our knowledge, resulting in any material safety incidents,

Energy Queensland considered the use of the same process at single dwelling premises was appropriate when weighed against the unprecedented and uncertain safety risks associated with complying with the physical disconnection requirements under the EDNC during the COVID-19 disaster situation. However, in consideration of the QCA's concerns in this regard, Energy Queensland commits to further engagement with the QCA, DNRME and the Electrical Safety Office, should we identify any future risks associated with the use of physical disconnections in this or similar situations.

In relation to the QCA's request for information on the total number of vacant property disconnections performed since 20 April 2020, disaggregated by those done physically and those done using the MSS process, I have included this information for the period to 7 May 2020 below and will provide the data for the remainder of the period to 19 May 2020 (inclusive) as required under the warning notice, at the end of that period.

| | Physical disconnections | MSS (BAU) | MSS (COVID) | Total disconnections |
|---------|-------------------------|---------------|-------------|----------------------|
| | | Multi-tenancy | Residential | |
| Energex | 737 | 450 | 965 | 2,152 |
| Ergon | 49 | 0 | 67 | 116 |

In response to the QCA's request for details of any financial implications of using the MSS process instead of the physical disconnection process, Energy Queensland advises as follows:

- When using the MSS process, the cost of the required compensation to retailers is approximately \$120,000. In comparison, where no disconnection is completed, this retailer compensation amount increases significantly to approximately \$700,000.
- In terms of the difference in cost between attending customer premises to disconnect using the MSS process versus completing a physical disconnection, Energy Queensland has not quantified this amount as it will vary significantly depending on a range of factors, including the type and size of premises. However, we conservatively estimate that a saving of 50% would be realised when using the MSS process, due to reductions in onsite crew time.

In addition to requiring Energex and Ergon Energy to provide the disaggregated disconnection data referred to above, the warning notices require the distributors to provide a remedial plan to the QCA setting out the actions they will take, and the timeframes in which they will take the actions, to remedy any breaches of the EDNC, and to undertake to comply with the plan once it is approved by the QCA.

Both Energex and Ergon Energy ceased the use of the MSS process for premises disconnections in circumstances other than those allowed for in the EDNC from 1 May 2020, and in doing so are now performing all disconnections and reconnections as required by both the EDNC and the *Electrical Safety Regulation 2013* (Qld). Given this, together with Energy Queensland's commitment to further engagement with the QCA, DNRME and the Electrical Safety Office, should we identify any future risks associated with the use of physical disconnections in this or similar situations, Energy Queensland does not consider that the QCA has grounds to issue Energex and Ergon Energy with an EDNC contravention notice under section 120V of the *Electricity Act 1994* (Qld).

Considering the above, Energy Queensland seeks your advice on the need for preparation of the remedial plan referred to in the warning notices issued to Energex

and Ergon Energy, particularly given there have been no breaches since 1 May 2020 of the provisions to which the warning notices relate.

Should you wish to discuss any aspect of this matter further, please call Karen Stafford, General Manager Legal, Regulation and Pricing on 07 3851 6793.

Yours sincerely



Rod Duke
Chief Executive Officer