



25 July 2013

Queensland Competition Authority
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electricity@qca.org.au

Dear Sir/Madam,

AGL Energy Limited (**AGL**) welcomes the opportunity to respond to the Authority's Draft Decision on the amendments requested by Energex to the Electricity Industry Code (the **Code**) customer disconnection provisions.

AGL remains of the view that the Code ought not to be amended to permit disconnections using the Main Switch Seal process (**MSS**) for the reasons set out in our submission of 17 April 2013. However, if that is the decision that is ultimately arrived at, then we advocate the following amendments to and limitations on the proposed regime in order to mitigate resultant adverse and inequitable impacts on retailers:

1. Compensation

AGL welcomes the Authority's proposal to amend the Code to mandate the payment of compensation to retailers where an MSS rather than a 'remove fuse' disconnection process is followed. However mandating a fixed charge per MSS disconnection as proposed does not account for the varying lengths of time during which premises are unoccupied or for the fluctuating cost of energy. For that reason, AGL favours the codification of the existing voluntary arrangement, namely compensation for energy consumed based on the average monthly regional reference price published by the Australian Energy Market Operator.

Further, it should be made clear that, where an MSS disconnection is carried out and significant consumption subsequently detected, recovery of network charges and cessation of compensation for energy consumed will only occur on a forwarding looking basis. Our interpretation is that this is what is intended, but recommend the following amendments to the proposed clause 5.7.4(a)(i) to avoid doubt:

"(i) *the distribution entity does not bill the financially responsible market participant for network tariffs until, and from the date that, the distributor notifies the financially responsible market participant that a significant amount of energy is being consumed at the premises, or receives and completes a service order type of "re-energisation" for the premises; and"*

2. MSS acceptable only on a move-out

Under the compensation proposal, network charges are only waived and compensation for energy consumption is only paid until significant consumption at the premises is detected. From this point onwards, liability for both energy and network charges falls to the retailer. This result would be satisfactory if we could be confident that the move-in customer will make contact with a retailer to

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series

establish an account (or respond to retailer requests to do so) and/or pay the account.

However we know from experience that some customers will simply peel back the MSS and commence taking supply. Clause 4.18 of the Code makes provision for customer disconnection in a number of situations, including for non-identification, non-payment and illegal use and establishes a number of procedural safeguards. However, if Energex is permitted to satisfy the disconnection request by use of an MSS in these circumstances, the retailer is left without any effective remedy and, it seems, must continue to bear all liability for energy consumption (including network charges) at the premises without compensation.

This seems to be an entirely inequitable result and has, since Energex first commenced 'satisfying' disconnection requests using the MSS procedure, resulted in retailers baring very significant, unrecoverable liability. Accordingly, AGL is strongly of the view that the permitted use of the MSS procedure should be limited to 'move out' disconnection requests. Otherwise the burden of unbilled (or 'unbillable') energy use falls entirely to the retailer, despite only Energex having the capacity to rectify the situation by a 'remove fuse' disconnection.

An alternative, but less satisfactory approach, would be for Energex to be required to continue to waive the network charges in these circumstances – that is, despite significant energy consumption being detected. Then at least the burden is shared between Energex and affected retailers, and the incentive for Energex to resolve the situation on a more long term basis remains.

3. Periodic review and potential expansion of scenarios for installation of Metering Isolation Links

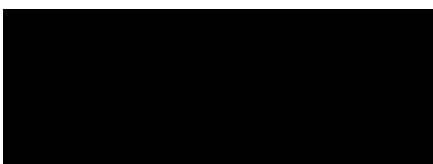
AGL notes the circumstances in which the *Electrical Safety Act 2002* and *Electrical Safety Regulation 2002* require that meter isolation links be installed at multiple-occupancy dwellings. There might be an opportunity to extend the requirement to install the links during any period that the premises are off supply (e.g. when building works are undertaken in one dwelling of the multiple occupancy site).

In any event, the use of the MSS procedure and the frequency of conversion by installation of a meter isolation link should be reviewed on an annual basis to assess whether progress is being made or whether an alternative solution should be pursued.

AGL supports the Authority's draft decision not to include the proposed new sub-clause 5.7.4(b) for the reasons set out by the Authority.

Should you have any questions in relation to this submission please contact Eleanor McCracken-Hewson, Senior Regulatory Adviser, on (03) 8633 7252 or at EHewson@agl.com.au.

Yours sincerely,



Nicole Wallis
Manager Retail Markets Regulation