

Submission

National Electricity Amendment Metering Installation Timeframes Rule 2018

National Energy Retail Amendment (Metering Installation Timeframes) Rule 2018

Jason O'Dwyer October 2018



INTRODUCTION

Master Electricians Australia (MEA) is a trade association representing electrical contractors, recognised by industry, government and the community as the electrical industry's leading business partner, knowledge source and advocate. MEA currently has a membership base of approximately 3000 electrical contractors in Australia. MEA understands the current and potential issues facing electrical contractors today.

MEA has in conjunction with HIA and Master Builders Queensland provided data and concerns to numerous regulators, Federal and State representatives and various ombudsman services around the country. An example is attached for your information and confirms the responses of many contractors from across the industry.

MEA agrees that the Customer is "owned" by the Retailer and that all responsibility for the customer experience rests with the Retailers. However, as indicated both Metering providers and DNSPs also need to be held accountable to ensure the best customer experience as possible. There are different ways in which DNSP's and metering providers can be held to account particularly through contractual performance standards such as safety, and on time delivery metrics.

MEA acknowledges that the industry has experienced, and is currently experiencing rapid change, and that in hindsight the market was generally unprepared for the commencement of Power Of Choice (POC) to commence in 2017. Markets such as Victoria were well advised not to proceed with the changes given the massive change that the industry faced, unfortunately customers and contractors have experienced poor performance and as described appalling delays and cost overruns. The case for a rule change is inescapable.

Broadly speaking MEA supports the rule change however we don't envisage that the rule change alone will deliver all of the outcomes required or significantly improve the customer experience. In addition to the rule changes MEA believes that a Retailer led, Accredited Service Provider (ASP) scheme would assist. This scheme would entail electrical contractors being authorised and available to connect meters to the supply network. Currently in NSW an electrical contractor may undertake connection work for a customer however this may lead to issues of accountability and accuracy in billing. MEA suggests that a retail led and controlled ASP scheme where electrical contractors are trained by DNSPs and approved by metering organisations will further assist in meeting the six and 15 day time limits particularly in country areas and those areas that retailers and others have raised concerns about servicing.

Retailer and DNSP requirements

Section 4.4.3 of the AEMC paper dated 13 September 2018 highlights many changes. MEA agrees that the responsibility for metering changes be placed on the Retailer. It is clear from the relationship that currently exists that the service provider is the retailer and it alone makes the decision to determine which metering provider they engage with. It is therefore Retailer's responsibility to ensure the metering providers meet the AEMR and customer expectations, including the service levels.

MEA also agrees that DNSP's are held accountable for more complex installation requirements for ostensibly the same reasons however the Retailer cannot be held to account for the DNSP responsibilities.

MEA would also strongly recommend the adoption of the aforementioned ASP system as soon as possible by all jurisdictions. It would be well within a Metering Coordinator's ability to authorise additional legitimate Electrical Contractors to undertake metering provider tasks particularly in rural and remote regions, once appropriate training and testing of contractors has been undertaken. For those electrical contractors that predominately undertake new building work this would remove an enormous amount of wasted time and effort in establishing a new meter to a new dwelling.

Alternative dates customer flexibility

Section 4.4.4 allows for customers and retailers to agree to dates for installation outside of the maximum timeframe. Section 4.4.4 implies this should be a customer preference or request. MEA notes that the document refers to "a time that suits them", the customer. MEA believes that this intent should not be lost. MEA has concerns regarding how retailers will implement the intent as described in the AEMC paper. The 6 and 15 day time periods need to be honoured unless a customer actively agrees to a date that is outside of the 6 or 15 day range or, at the consumer's "initiative". In some cases, and to improve service offerings Retailers may well offer a service for a fee whereby customer's may expedite the request and receive service in a shorter time period.

MEA also recognises that whilst a consumer may agree on a date there may well be safety issues that impact on installations not being undertaken on a particular day, for example weather related. MEA does submit that installers will need some flexibility due to unforeseen circumstances.

MEA brings the attention of the AEMC to the issue of Guaranteed Service Levels (GSL) and how they vary in each state and what impact these new rules will have on them. Given some GSL are currently under review for the 2020-2025 period, consideration of these should be given prior to implementation of any rule change.

Facilitate coordination

Section 4.5.4 has specified that Retailers and DNSP are to use AEMO's B2B e-hub to coordinate key stages of the process, "unless another method has been agreed between the parties". MEA has concerns regarding where a DNSP which also operate a retail arm and may well also have ownership of a metering coordinator or provider.

MEA has previously raised issues concerning the breaching of "ring fencing" provisions in Queensland within Energy Queensland. To allow related entities to agree to operate outside of the AEMO's B2B hub in our view goes against the aims of the rule change in protecting consumers. The example we site is Ergon Energy Retail and Ergon Energy Networks. We foresee that allowing such a group to operate outside AEMO's B2B hub will either lessen competition by creating barriers where customers are forced into using particular providers or disincentivise new competitors from entering the area due to a lack of communication between retailers and DNSP's.

Planned Interruption Notices

The Planned Interruption Notices (PIN) currently requiring a 4-day mandatory notice does appear to be too rigid and impractical in certain circumstances. MEA agrees that upon request from a small consumer to have work completed that requires an interruption and the consumer is the only consumer affected then the Retailer should be able to obtain agreement from the customer and either not issue a notice or provide a timeframe that is shorter than the 4 days with relevant agreement records kept.

MEA however wants to ensure that consent should not be written into the terms and conditions of contracts and applied to all manner of PIN circumstances prior to them occurring. PIN agreement must be on a case by case basis and on each occasion.

MEA supports the papers position concerning various 24-hour phone numbers for outages and life-support customers.

Customer engagement in new meter deployment

MEA is concerned that there is an ability for Retailers to pre-empt and commit customers into agreeing to meter changes when costs and benefits are unknown. MEA agrees that the customer should be able to receive two notices to opt out/in all circumstances.



Jason O'Dwyer

Manager Policy and Advocacy

Real Power to Choose

Cutting red tape and making *Power of Choice* work for
Queenslanders

May 2018



1.0 Background

The Australian Energy Market Commission introduced *Power of Choice* in 2017, promising that it would give consumers greater options in the way they use and pay for electricity, and introducing greater competition – particularly in the business-to-business (B2B) aspects of the market. One of the major reforms was to remove control over metering from the network provider and hand it directly to the retailer. This change was intended to drive down the costs associated with installing and servicing meters.

In Queensland, however, particular regulatory forces have meant that this change has resulted in a significant increase in red tape and major delays in connections to new homes. In some cases that we are aware of, consumers have waited for up to 12 weeks to have power connected in their new home. These lengthy delays have also been experienced in South Australia, Tasmania and the ACT, while New South Wales has enjoyed relatively smooth transitions to *Power of Choice*. Victoria will not move to the new system until 2021, and Western Australia is not in the National Electricity Market at this stage.

The delays in Queensland have partly been caused by the complicated process of having a meter installed, and partly because in Queensland – unlike in New South Wales – only the network provider (Energex or Ergon) is permitted to connect a new home to the network.

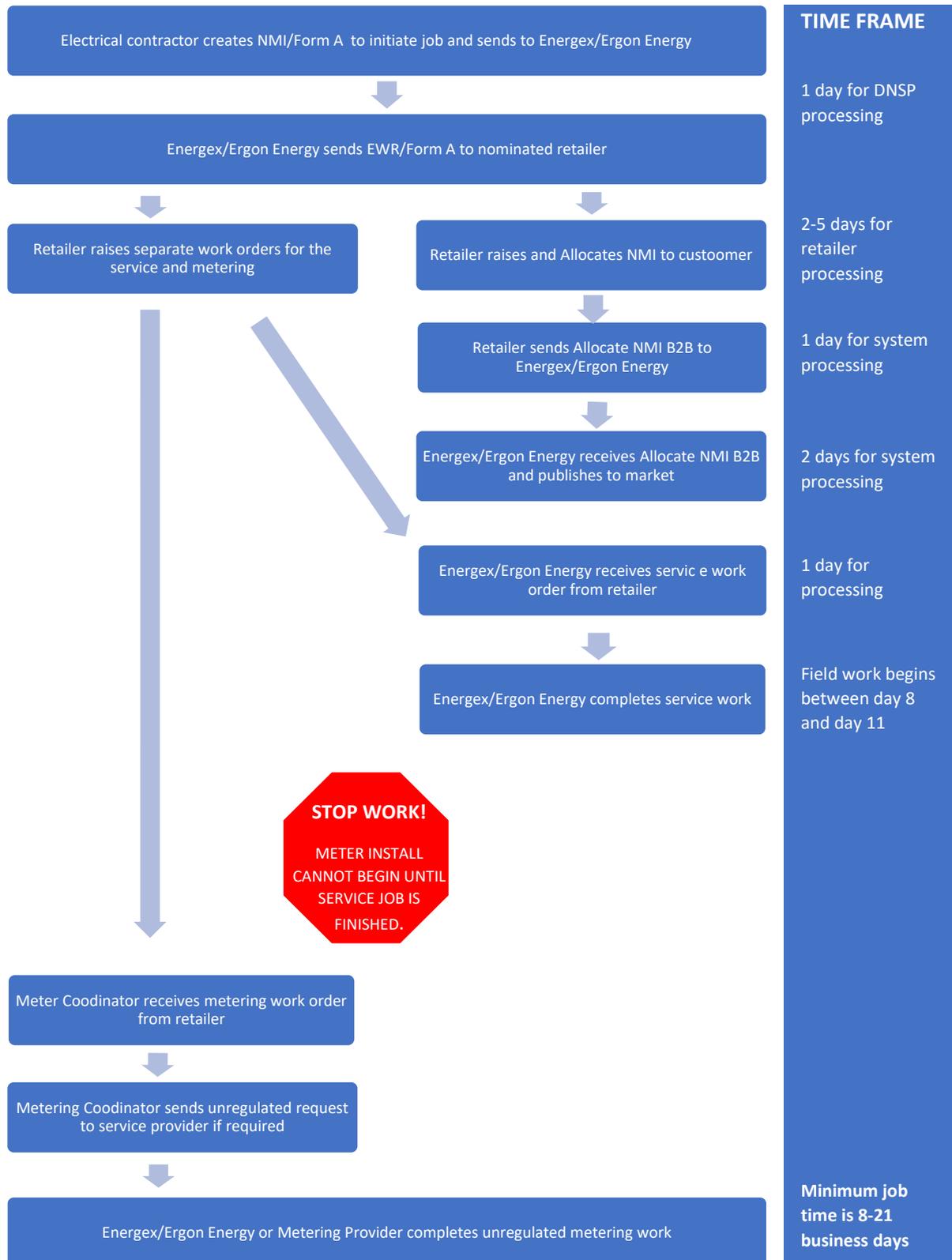
These two factors have combined to add between three and 16 business days to the time required for a new connection. The process that previously took just five days now takes anywhere from eight to 21 days to complete under the *Power of Choice* model. These delays have an indisputable impact on the cost of building a new home – charges that are passed on to consumers. **We conservatively estimate these charges are adding at least \$2000 to the cost of a new home, and will cost Queenslanders \$241 million over the next five years.**

This calculation has been based on just a small number of direct costs to consumers, and they do not reflect any of the indirect costs (such as administration, business finance or price inflation) that are also likely to impact the building industry and, through it, new home builders. Nor do they attempt to quantify the long-term impact on power prices of inefficiencies in network operations. So the true cost to Queenslanders could reasonably be assumed to be significantly higher than \$241 million. However, we will use this conservative figure as the basis for our considerations.

This submission proposes a simple alternative to the existing arrangement – one which could be implemented with relative ease, and which could cut the delays and costs associated with *Power of Choice* in Queensland in a very short period of time. We urge the Queensland Government and the state's electricity market regulators to give serious consideration to this proposal, in order to ensure our market is operating as intended under *Power of Choice*, and that Queenslanders pay as little as possible to connect to the state's power network.

2.0 Power of Choice isn't working properly in Queensland

The following diagram shows the series of activities and interactions between various players that must occur for a new metered connection in Queensland. While the time frame varies between city and country areas, the steps in the process are largely uniform state-wide.



Since *Power of Choice* was implemented in Queensland the minimum connection time for a new meter has blown out to between 8 and 21 business days, depending on location and how quickly all the interactions between the various agencies occur. In reality, most electrical contractors and builders are reporting that the process takes between eight and 12 weeks. **Previously, this was a simple interaction between Ergon/Energex and the retailer, which took no more than five days.**

The process for any additional or alterations to an existing service is even longer, as a Planned Interruption Notification (requiring two days' notice to the customer) must also be issued in writing. This means that this process now takes between 13 and 28 business days, depending on location and workflow. This is an increase of between 5 and 14 days.

In addition to the time delays, the new system in Queensland has created a situation where electrical contractor must make repeated visits to the site. In NSW, the contractor tests the mains cables once prior to connecting them to the grid and performs a polarity test once after connection, before the site is energised. Under the current Queensland system, the installing contractor, the service installer and the metering installer are all obliged to perform these tests to meet their obligations. The additional time of this rework is very unproductive, and ultimately the cost is borne by the builders and their customers. We estimate the net additional cost of multiple site visits to be in the order of \$700 per home, compared with having a single contractor perform all the work.

3.0 The cost to Queensland consumers

While it is difficult to estimate the total cost to Queensland consumers as a result of the *Power of Choice* changes, we can make some conservative assumptions about some of the costs. For example, an average increase in connection time of 10 business days will have the following flow-on costs to consumers waiting to take possession of their new homes.

Two weeks' generator hire by builders requiring power on site:	\$600
Two weeks' additional rent or mortgage for home builders:	\$700 ¹
Three additional site visits by electrical contractor/service providers:	\$700 ²
Minimum additional cost to new home buyers	\$2000
Multiplied by 23,000 new homes in Queensland per year	\$46 million per year
Five-year cost, including CPI:	\$241 million ³

Builders have also found themselves in a financially precarious position where they have completed a home for a client, but have been unable to make the final payment claim and hand over the project to the home owner. This has not only exposed builders to cash flow issues, it has also triggered liquidated damages in their building contracts. Only anecdotal information is available on this issue.

¹ Based on three-bedroom home @ \$350 per week

² Assuming callout from NSP, MC and contractor (total cost \$1000), compared with a single contractor callout (\$300)

³ Based on average CPI growth of 2.0 percent over five years

4.0 The experience in other states

In stark contrast with Queensland, the *Power of Choice* model in some other states has streamlined the workflow process and resulted in faster connections than previously. For example, the new connection process that takes between 8 and 21 days in Queensland is completed by the contractor in New South Wales while he or she is on site. This is because New South Wales allows licenced electrical contractors with special training and accreditation (Accredited Service Providers or ASPs) to install meters and connect homes directly to the grid. As a result, the contractor who is wiring the house is able to complete the entire job while he or she is on the premises, rather than waiting for the network provider to connect the home to the grid and then the metering provider to install the meter, then having to return to test all the wiring. If the contractor is not accredited to install meters and network connections, he or she will often have a professional alliance with a contractor who is. This means the entire process can be managed very efficiently by a single contractor.

5.0 Options for streamlining the Queensland experience

5.1 Doing nothing is not an option

In the view of the three organisations, the very costly delays in Queensland will not resolve themselves, despite claims from some people within the regulators that these are just “teething problems”. We believe very firmly that *Power of Choice* is not leading to the promised efficiency and choice in Queensland because of the structure of the state’s electrical regulations. We also believe that this can be fixed quickly and with relative ease.

5.2 Returning to the previous arrangements is not an option

The current arrangements are in place via a Ministerial regulation, *the Electricity Regulation 2006*, which requires that the electricity entity (Energex or Ergon) must “provide and install or arrange for the provision and installation of its service lines”. This provision suggests that Energex and Ergon already have the authority to outsource the job of connecting homes to the network. However, in reality they do not do so, and we believe positive reform is urgently needed in this area.

There may be a temptation for the Government to allow Ergon and Energex to return to installing meters, and connecting homes to the network while they are on site. This would arguably go some of the way to reducing the delays, but it would also breach the ring-fencing arrangements and effectively nullify the promised benefits of *Power of Choice*.

5.3 Rely on changes to the national rules is not an option

Proposals are being considered at a federal level to impose time limits on the meter installation process. While this would send a strong signal to the market about the government’s expectations, it would not remove any of the regulatory blockages that have been introduced into the Queensland system. Targets alone cannot deliver the streamlined processes that are needed to restore the efficiency of electricity connections in Queensland.

5.4 Optimal approach

The ideal solution is for Queensland to implement the (proven) NSW model, allowing suitably qualified contractors to install meters when they are wiring a new home, and to connect that home to the grid when they have completed the metering work.

Moreover, the proposed reforms could be done by regulation, without a lengthy Parliamentary process. Queensland would also need to establish a training and accreditation process for existing electrical contractors, so they were able to install meters and connect homes to the network. This system is already operational and effective in New South Wales and could be adapted for Queensland very quickly. We believe this process could be put in place in a matter of two to three months, and that many thousands of Queensland electrical contractors (many of whom already perform this work in other states) could be at work installing meters and connecting homes before the end of 2018.

We believe this solution will cut out the unnecessary steps that are currently clogging up the system, and allow approved electrical contractors to perform all the work while they are on the premises. This will maximise competition in the market, slash the unwanted red tape that currently surrounds the process, and give home builders real power and real choice.

We appreciate that the government is currently undertaking a review of the Queensland Energy Legislation and that this process could deliver the regulatory change that we are seeking. However, the timing of that review's processes is at odds with the urgency of the issues that the building industry and its clients are facing. This is why we are urging the government to make an early, but simple change to the current regulations that accompany the Electricity Act.

6.0 Contacts

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