



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

[agl.com.au](http://agl.com.au)

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

24 October 2024

Department of Energy and Mining

GPO Box 618

**Adelaide SA 5001**

Submitted via email: [dem.consultation@sa.gov.au](mailto:dem.consultation@sa.gov.au)

### **Small Claims Compensation Scheme - Electrical Infrastructure Failure**

---

AGL Energy (AGL) welcomes the opportunity to comment on the proposed amendments to the *National Energy Retail Law (Local Provisions) Regulations 2013* (SA NERL Regulations) to establish a small claims compensation scheme in South Australia.

AGL is a leading integrated essential service provider, delivering 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. AGL services approximately 500,000 electricity and gas customers in South Australia.<sup>1</sup> AGL is committed to providing our customers simple, fair, and accessible essential services as they decarbonise and electrify the way they live, work, and move.

AGL supports the creation of the Small Claims Compensation Scheme in South Australia to enable residential and small business electricity customers to make small claims for compensation from electricity distributors where a claimable incident has occurred.

AGL's feedback to the Department relates exclusively to *Section 198 – Method of Payment* in the draft Regulations.<sup>2</sup> The provision of payments from distributors to customers (*not* connection points) is not within the scope of our retail functions and we anticipate that energy retailers operating in SA will need to establish or modify their systems and processes to comply with the new regulations. In the interest of avoiding poor customer outcomes and to provide regulatory certainty to all parties, AGL strongly recommends that the draft Regulations remove reference to the retailer and retain only subclause 198(b) relating to the payment of the compensation by SAPN directly to the customer by cheque, EFT or any other payment method.

The Department should be cognisant that retailers do not have visibility or awareness of the compensation claim process between the customer and SAPN. The claim is lodged directly with SAPN, and any subsequent correspondence is between the customer and the distributor. To optimise the customer experience, the efficiency and timeliness of the process, AGL's preferred approach would be to contain the end-to-end process exclusively between the distributor and the customer without creating unnecessary complexities by involving a third-party.

---

<sup>1</sup> [AGL ESG Data Centre FY24](#): 496,799 gas and electricity customers in South Australia as at 30 June 2024, including residential, small business, and commercial and industrial customers.

<sup>2</sup> Section 198 of the draft National Energy Retail Law (Local Provisions) (Small Compensation Claims Regime) Amendment Regulations 2024 prescribes that payment of compensation is payable to the customer by application of a credit on the customer's next bill from their retailer by arrangement between SAPN and the relevant retailer.



## Current processes

It is likely that retailers do not have existing systems and processes in place to support the payment arrangements contemplated by the draft Regulations. It may be difficult to leverage the existing Guaranteed Service Level (GSL) process as it does not contain enough information for retailers apply an ad-hoc compensation claim payment against the affected customer's account. Therefore, an additional information set would be required containing the customer details, NMIs and affected dates the payments were to be made. Further, the process of reconciling these customer payments would involve retailers either building new tools or making resources available to undertake this reconciliation.

AGL also notes that the Victorian compensation scheme under the Electricity Distribution Code of Practice does not contain equivalent provisions relating to retailer application of payment and, more broadly, retailers are not involved at any stage of the compensation process.

## Timeframe & costs

AGL understands that the Department and SAPN wish for the scheme to commence by the end of 2024, or early 2025, meaning that retailers who operate in SA will have insufficient time to undertake the system uplift required to comply with the payment requirements. If the Department and SAPN wish for retailers to be an intermediary between them and the customer, then an appropriate lead time for the retail industry will need to be factored into the implementation timeframe to effect the necessary internal changes.

On the matter of system changes, any IT build or development which impacts retailers' enterprise customer management and billing systems will invariably incur costs-to-serve which may either be passed back to SAPN or socialised and recovered by retailers from SA electricity customers. This may increase the customer bill impact for residential and small businesses in SA beyond what was originally projected as a result of implementing this scheme.

## Operational Considerations:

AGL wishes to raise the following operational and practical matters for the Department's consideration relating to the application of payment by retailers:

- **Customer churn:** the transfer of customers between retailers or properties at the time of an active claim could mean that the customer has already left the original retailer by the time the payment needs to be applied to the customer's account. See final point.
- **Inactive Accounts:** Noting the above, AGL has reservations about the application of credits to inactive accounts after a customer leaves their retailer. Under the National Energy Retail Rules, this would amount to an overcharge under section 31 of the NERR which then requires the retailer to refund those credits by contacting the customer and seeking their direction for payment. This is duplicative and unnecessary as SAPN could simply capture the customer's direction for the payment of the compensation and their payment details during the claim process.
- **Recovery of credits:** Again, noting the dynamic movement of customers between sites and retailers, AGL's anticipates challenges recovering the credits where the payment has been applied to the incorrect customer (but for example, the correct NMI). This additional layer of complexity will likely hamstring the timeliness of the compensation process for customers who have churned.
- **Payment to retailers:** Should the Department elect to retain this provision and require retailers to apply the compensation, then it is important that SAPN pays the financially responsible retailer at the time the claim is completed, and not the retailer that was financially responsible for that NMI at the time the claim was lodged.



If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at [vkalpakidis@agl.com.au](mailto:vkalpakidis@agl.com.au).

Yours sincerely,

A handwritten signature in black ink that reads 'Liam Jones'.

Liam Jones

Senior Manager Policy and Market Regulation

**AGL Energy**