



Final Decision

**Review of Electricity Distribution
Network Minimum Service Standards
and Guaranteed Service Levels to apply
in Queensland from 1 July 2010**

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PREAMBLE

The Queensland Electricity Industry Code (the Code) contains Minimum Service Standards (MSS) and Guaranteed Service Levels (GSL) that apply to electricity distributors.

The MSS arrangements place limits on the expected performance of the distribution networks of Energex and Ergon Energy in terms of the duration and frequency of outages, after removing the impact of excluded events such as severe storms. There are MSS for different types of network feeders, reflecting different service standards that should be achievable at reasonable cost across the distributors' entire networks.

The GSL arrangements apply to the quality of service received by individual customers. These relate to various aspects of the services received including: the frequency and duration of outages; the timeliness of connections and reconnections; and attending appointments on time. If a distributor breaches a GSL they are required to make a GSL payment to the affected customer. GSL payment amounts vary according to the type of service involved and there is an annual cap the amount an individual customer may receive.

The Authority has reviewed the MSS and GSL arrangements to apply from the beginning of the next regulatory period commencing 1 July 2010.

The Authority has made a number of changes to the Indicative MSS Limits for this period which were contained in Schedule 1 of the Code. In all cases, the new MSS still require the distributor to continue to improve its performance over the next regulatory period.

The Authority has also increased the current GSL payment amounts, by approximately 30%, to maintain the real deterrent value by accounting for the effects of inflation. The annual cap on the amount an individual may receive (excluding GSL payments for wrongful disconnections) has also increased by 30%, to \$416 per annum.

While no new MSS or GSL measures have been introduced for the next regulatory period, the Authority will investigate the introduction of new MSS applying to the quality of voltage supply in the lead up to next regulatory review.

Annexure 1 to this Final Decision contains the amendments required to be made to the Code in order to implement the Authority's decisions. All submissions, consultant's reports and decision documents can be accessed from the Authority's website at www.qca.org.au.

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GLOSSARY

AER	Australian Energy Regulator
Authority	Queensland Competition Authority
CAIDI	Customer Average Interruption Duration Index
CBD	Central Business District
Code	Electricity Industry Code (Queensland), 4th edition
DME	Department of Mines and Energy (Queensland)
DNSP	Distribution Network Service Provider
EDSD Review	Electricity Distribution and Service Delivery Review
ESCOSA	Essential Services Commission of South Australia
ESCV	Essential Services Commission
FCAQ	Financial Counsellors' Association of Queensland
FRC	Full Retail Competition
GSL	Guaranteed Service Level
MAIFI	Momentary Average Interruption Frequency Index
MSS	Minimum Service Standard
NEL	National Electricity Law
NEM	National Electricity Market
QCOSS	Queensland Council of Social Service Inc
RBA	Reserve Bank of Australia
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
STPIS	Service Target Performance Incentive Scheme
VCR	Value of Customer Reliability

1. INTRODUCTION

Under the Electricity Industry Code (the Code), the Authority is required to review the Minimum Service Standards (MSS) and the Guaranteed Service Levels (GSL) and GSL payments to apply from the beginning of the next regulatory control period commencing on 1 July 2010.

1.1 Current MSS and GSL arrangements in Queensland

The MSS and GSL arrangements in Queensland are set out in the Code. The current (fourth) edition of the Code came into effect on 4 August 2008. This edition includes MSS requirements based on a review conducted by the Department of Mines and Energy (DME), which was completed in early 2007. GSL arrangements have not been reviewed since the first edition of the Code came into effect on 1 January 2005.

MSS arrangements

The Code sets annual MSS (by financial year) in relation to the duration and frequency of distribution outages that are to be met by Energex and Ergon Energy during each year of the current regulatory period.

The duration of outages is measured by the System Average Interruption Duration Index (SAIDI). This is a measure of how long each customer is without supply during the relevant period, when averaged over all customers on the network (or averaged over customers on specified parts of the network).

The frequency of outages is measured by the System Average Interruption Frequency Index (SAIFI). This is a measure of the number of supply interruptions each customer experienced during the relevant period, when averaged over all customers on the network (or averaged over customers on specified parts of the network).

There are MSS for different types of network feeders, reflecting different service standards that should be achievable at reasonable cost across the distributors' entire network. Energex's network is divided into CBD, urban and short rural feeder categories while Ergon Energy's network is divided into urban, short rural and long rural feeder categories. All MSS are net of the impact of excluded events such as severe storms.

As reported in **Table 1**, most of the current MSS require steady improvement in the reliability of electricity supply provided by Energex and Ergon Energy over the regulatory period. Reflecting the differences in their networks, the MSS for Energex are more stringent than for Ergon Energy.

Table 1 - Current MSS, 2005-06 to 2009-10

<i>Feeder Type</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>
SAIDI standards for Energex (minutes)					
CBD	20	20	20	20	20
Urban	155	145	134	122	110
Short Rural	265	255	244	232	220
SAIDI standards for Ergon Energy (minutes)					
Urban	215	205	195	180	150
Short Rural	590	570	550	500	430
Long Rural	1,150	1,130	1,090	1,040	980
SAIFI standards for Energex (number of interruptions)					
CBD	0.33	0.33	0.33	0.33	0.33
Urban	1.73	1.64	1.54	1.43	1.32
Short Rural	2.77	2.70	2.63	2.56	2.50
SAIFI standards for Ergon Energy (number of interruptions)					
Urban	2.70	2.60	2.50	2.30	2.00
Short Rural	5.40	5.20	5.00	4.50	4.00
Long Rural	8.75	8.60	8.50	7.80	7.50

Source: Queensland Electricity Industry Code, Schedule 1 – Reliability Limits.

The Code also includes “indicative” MSS for the period from 2010-11 to 2014-15, as shown in **Table 2**. As the name suggests, these are indicative standards only and are in no way binding on the distributors. Binding MSS to apply from 2010-11 are to be set by the Authority as part of this review.

Table 2 - Indicative MSS, 2010-11 to 2014-15

<i>Feeder Type</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Indicative SAIDI standards for Energex (minutes)					
CBD	15	15	15	15	15
Urban	105	100	95	90	86
Short Rural	215	210	205	200	195
Indicative SAIDI standards for Ergon Energy (minutes)					
Urban	146	142	138	135	132
Short Rural	419	409	399	389	379
Long Rural	956	932	909	886	864
Indicative SAIFI standards for Energex (number of interruptions)					
CBD	0.15	0.15	0.15	0.15	0.15
Urban	1.30	1.28	1.26	1.24	1.22
Short Rural	2.46	2.42	2.38	2.34	2.30
Indicative SAIFI standards for Ergon Energy (number of interruptions)					
Urban	1.97	1.94	1.91	1.88	1.85
Short Rural	3.94	3.88	3.82	3.76	3.70
Long Rural	7.39	7.28	7.17	7.06	6.95

Source: Queensland Electricity Industry Code, Schedule 1 – Reliability Limits.

GSL arrangements

The Code sets GSL that distributors must meet in relation to the quality of service received by individual customers. As shown in **Table 3**, GSL apply to the frequency and duration of outages and a number of other aspects of the service received by individual customers, including the timeliness of connections, reconnections and notices of planned interruptions.

Breaches of GSL require the distributor to make a payment to the affected customer, up to a cap of \$320 per customer per year, excluding wrongful disconnections (clause 2.5.15 of the Code). GSL payments vary according to the type of service involved.

Table 3 – GSL and GSL payment scheme

<i>Electricity Industry Code</i>	<i>GSL</i>	<i>GSL Payment¹</i>
Clause 2.5.3	Wrongful disconnection	\$100
Clause 2.5.4	Connection not provided by the agreed date	\$40 per day
Clause 2.5.5	Reconnection not provided by the agreed date	\$40 per day
Clause 2.5.6	Failure to attend to customer's premises within the time required concerning loss of hot water supply	\$40 per day
Clause 2.5.7	Failure to attend appointments on time	\$40
Clause 2.5.8	Notice to planned interruption to supply not given	\$20 (small residential customers); and \$50 (small business customers)
Clause 2.5.9	Interruption duration exceeding specified limits	\$80
Clause 2.5.9	Interruption frequency exceeding specified limits	\$80

¹ GSL payments are payable subject to the terms and conditions contained in their respective clauses under the Code.

The dollar values of the GSL payments have remained unchanged since they were initially set on 1 January 2005 and have therefore declined in real terms over the regulatory period.

In combination, the MSS and GSL arrangements are intended to provide a minimum level of average network reliability while at the same time ensuring individual customers obtain fair and reliable quality of electricity supply.

1.2 Broader regulatory context

In its *2005 Final Determination on the Regulation of Electricity Distribution*, the Authority determined the annual allowable revenue requirements for Energex and Ergon Energy based on an assessment of the costs each distributor was expected to incur in providing regulated distribution services over the regulatory period. This included costs associated with meeting MSS and GSL obligations.

Under the new provisions of the National Electricity Rules, the Australian Energy Regulator (AER) is responsible for setting the economic regulatory arrangements for Energex and Ergon Energy to apply from 1 July 2010.

1.3 The current review

Under clauses 2.4.4 and 2.5.19 of the Code, the Authority is required to review the MSS and GSL limits and payments to apply from the beginning of the next regulatory period commencing 1 July 2010.

Clause 2.4.4 of the Code states:

The QCA must review the minimum service standards to apply at the beginning of each regulatory control period. The QCA must consult with distribution entities in conducting the review.

Clause 2.5.19 of the Code states:

The QCA must review the guaranteed service levels and GSL payment amounts to apply at the beginning of each regulatory control period.

On 25 July 2008, the Authority released a Discussion Paper advising interested parties of the process for reviewing the MSS and GSL arrangements, and seeking comments on the scope of the review to be conducted.

The Authority received eight submissions in response to the Discussion Paper. These can be obtained from the Authority's website at www.qca.org.au.

On 30 January 2009, the Authority released its Draft Decision containing proposed MSS and GSL limits and payments to apply to Queensland electricity distributors from 1 July 2010. The Draft Decision also notified interested parties of the amendments to the Code that would be required to give effect to the Authority's proposed changes. The Draft Decision sought comments on the proposals it contained as well as the proposed amendments to the Code.

The Authority engaged the consulting firm Evans & Peck to provide technical advice regarding this review. The consultant's first report was published along with the Draft Decision and can be obtained from the Authority's website.

The Authority received six submissions in response to its Draft Decision. Evans & Peck provided the Authority with further technical advice regarding some aspects of these submissions. Submissions and the consultant's second report can be obtained from the Authority's website.

1.4 Final Decision

The purpose of this Final Decision is to set the MSS and GSL limits and payments to apply to Queensland electricity distributors from 1 July 2010.

This Final Decision also notifies interested parties that the Authority will be making some amendments to the Code to give effect to its changes to the MSS and GSL limits and payments applicable to the Queensland electricity distributors.

Annexure 1 outlines the Code amendments being made.

The Authority will also be engaging in a further, separate consultation process regarding two additional Code amendments being considered in relation to the process for customers making GSL claims. This matter is discussed further in section 3.3.

2. MINIMUM SERVICE STANDARDS

The MSS arrangements set annual limits on the duration and frequency of distribution outages for Energex and Ergon Energy.

The MSS for the current regulatory period (2005-06 to 2009-10) generally require steady improvements in the reliability of supply provided by Energex and Ergon Energy. Reflecting differences in their networks, MSS for Energex are more stringent than those for Ergon Energy.

Schedule 1 of the Code currently also contains ‘indicative’ MSS to apply to the distributors for each year in the next regulatory period (2010-11 to 2014-15).

In conducting this review, the Authority has considered whether the indicative MSS are appropriate in each instance, or whether individual SAIDI or SAIFI limits should be higher or lower for each distributor.

The Authority also considered the introduction of new MSS to measure aspects of the quality of supply such as voltage and the frequency of momentary interruptions.

2.1 The Authority’s Draft Decision

Having considered the recent performance of Energex and Ergon Energy, the performance of comparable distributors in other jurisdictions and customers’ willingness to pay for improved reliability, the Authority’s Draft Decision proposed a number of changes to the indicative MSS targets currently contained in Schedule 1 of the Code.

A summary of the MSS targets proposed in the Draft Decision for the next regulatory period is contained in **Table 4**.

Table 4 – MSS, 2010-11 to 2014-15, proposed in Draft Decision

<i>Feeder Type</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
SAIDI Limits for Energex (minutes)					
CBD	15	15	15	15	15
Urban	106	102	98	94	90
Short Rural	218	216	214	212	210
SAIDI Limits for Ergon Energy (minutes)					
Urban	148	146	144	142	140
Short Rural	424	418	412	406	400
Long Rural	964	948	932	916	900
SAIFI Limits for Energex (number of interruptions)					
CBD	0.15	0.15	0.15	0.15	0.15
Urban	1.26	1.22	1.20	1.18	1.16
Short Rural	2.46	2.42	2.38	2.34	2.30
SAIFI Limits for Ergon Energy (number of interruptions)					
Urban	1.98	1.96	1.94	1.92	1.90
Short Rural	3.95	3.90	3.85	3.80	3.75
Long Rural	7.40	7.30	7.20	7.10	7.00

Source: Queensland Competition Authority, Draft Decision – Review of Electricity Distribution Network Minimum Service Standards and Guaranteed Service Levels to apply in Queensland from 1 July 2010.

For Energex, the proposed changes meant that some of the Indicative MSS would be retained, while others would be increased or decreased to better reflect Energex's recent performance and the performance of comparable interstate distributors.

For Ergon Energy, the proposed changes meant that all of the Indicative MSS would be replaced with slightly less stringent targets.

However, in all cases where the Indicative MSS were relaxed for either Energex or Ergon Energy, the proposed MSS targets still required the distributor to improve their performance over the next regulatory period, compared to present levels.

The Authority's Draft Decision proposed not to introduce additional MSS at this time. However, the Authority committed to investigating the introduction of new MSS to measure the quality of voltage supply in the lead up to next regulatory review.

2.2 Submissions received

Six submissions were received in response to the Authority's Draft Decision. Five of these submissions contained suggestions relating to the MSS.

SAIDI and SAIFI targets

The Queensland Consumers Association (2009) reiterated its view regarding the importance of the MSS and GSL arrangements but noted that these are only two aspects of the quality of service that is relevant to consumers. It referred to the importance of the quality of service received from retailers and also emphasised the need for the MSS and GSL arrangements to operate cohesively with other schemes, such as the Service Target Performance Incentive Scheme (STPIS) that will be introduced by the AER.

The Queensland Council of Social Service (QCOSS) (2009) made eleven recommendations in relation to the MSS. QCOSS expressed its concern regarding the relaxation of the indicative targets currently contained in the Code. In particular, it was concerned that poor performance could become a factor leading to "a lowering of goals".

QCOSS was opposed to any relaxation of the indicative MSS targets, unless the cost savings resulting from the proposed relaxation were reflected in the prices paid by consumers following future electricity price determinations.

Origin Energy (2009) made a number of suggestions regarding the SAIDI and SAIFI targets proposed for Energex and Ergon Energy. Origin Energy referred to the proposed MSS for Energex's CBD feeders and questioned whether there should continue to be large differences between some of the proposed MSS and the actual outcomes recently achieved by the distributors.

Origin Energy also noted the proposed relaxation of Energex's Urban SAIDI target compared to the indicative target. It suggested that the indicative MSS targets should be relaxed only if the Authority and its consultants are convinced that the costs of the further improvement would exceed the benefit to consumers. Origin Energy was of the view that customers should be entitled to "expect continual improvements in the level of services" given the recent levels of capital expenditure by the distributors.

Ergon Energy (2009) stated its general support for the relaxation of the MSS targets applying to its own three feeder types. However, it questioned whether the approach taken, particularly in relation to its own SAIDI targets, had focused sufficiently on identifying the optimal point at which to set reliability targets.

Ergon Energy suggested that the improvements required by its proposed SAIDI targets were disproportionate to the improvements required by its proposed SAIFI targets. It referred to Consumer Average Interruption Duration Index (CAIDI), the measure of average supply restoration time derived from the ratio between the SAIDI and SAIFI targets for a feeder type, and noted that CAIDI implied that the proposed MSS would require uneven improvements in its SAIDI and SAIFI performance.

Specifically, Ergon Energy referred to the CAIDI measure for its Urban feeders and noted that the improvement required by the proposed MSS targets implied a response time that seemed more onerous compared to the performance required of Energex's Urban feeders, or the performance required of most other distributors across eastern Australia.

Ergon Energy also recommended that the Authority further consider the impact of planned outages, as distinct from unplanned outages. It quoted statistics to demonstrate that planned works, including for maintenance activities, network augmentation, asset replacement and new customer connections had impacted significantly on its overall performance in recent years. Furthermore, it stated that it would be increasing these activities over coming years, and suggested a further relaxation of its SAIDI targets to support the continuation of its planned works program.

Finally, Ergon Energy emphasised that its network, particularly its Long Rural feeder network, is predominantly radial and highly exposed to the elements. It highlighted the severe effects of adverse weather conditions on its performance and, by way of example, noted the impact of Tropical Cyclone Larry during 2005-06.

Energex (2009) stated its general support for the improving trend in MSS targets proposed in the Authority's Draft Decision. It noted that reliability improvements are not costless and that consideration must be given to the direct costs for distributors as well as customers' willingness to pay. Energex noted that the Authority had only proposed a relaxation to its indicative Urban SAIDI target of two minutes per year, which was smaller than the relaxation of four minutes per year proposed by Energex.

Energex referred to the high population growth in South East Queensland, in particular the rapid growth on the urban fringes, which is leading to many of its Short Rural feeders being reclassified as Urban feeders in these areas. It noted that this trend is due to continue and that it impacts on the number of customers in each feeder category, which in turn impacts on its SAIDI and SAIFI performance for these feeders.

Typically, when reclassification occurs, Energex's best performing Short Rural feeders become its worst performing Urban feeders, which detracts from its measured performance in both categories of feeder. As a consequence, it is difficult to draw comparisons between Energex's performance across these feeder categories at different points in time. Energex stressed that these changes occur irrespective of changes in the outages experienced on the total network. Energex proposed that a mechanism should be introduced to adjust its performance by a "correction factor" whenever feeder reclassification results in customer numbers changing by more than 10% within a regulatory period.

Energex also referred to the impact of planned outages on its performance. In particular, it referred to requirements of the *Electrical Safety Act 2002*, which it claimed increase the number of planned outages, having a detrimental impact upon on its measured performance. Energex stated that it is subject to a conflict of objectives between the legislative restrictions on live low voltage work and the MSS targets.

Energex suggested a number of possible proposals to address this issue including the exclusion of planned outages from the MSS targets, the exclusion of only those planned outages

associated with legislative safety requirements, or the introduction of an allowance to account for the impact of this planned work on Energex's performance. Energex noted that planned outages of this type are expressly excluded from reliability statistics in New South Wales and that the AER has excluded planned interruptions from the reliability measures in the STPIS.

Data on customer behaviour in Queensland

QCOSS recommended that the Authority commission independent research into customers' willingness to pay in Queensland, as well as customers' satisfaction with existing levels of reliability and service.

The Queensland Consumers Association also recommended that the Authority conduct further research into customers' willingness to pay for improved reliability in Queensland. However, it noted that care must be taken to ensure that the costs of improvements are related to the benefits received by consumers, but cautioned against relying solely on recorded levels of complaints or consumer indications of willingness to pay.

Queensland Consumers Association emphasised the need for consumers to be better educated as to where and how they can lodge complaints, and the benefits of lodging complaints. It also emphasised the need for good procedures for collecting and reporting complaints data in Queensland for all functional levels of the electricity industry.

Ergon Energy also expressed a concern that the MSS proposed in the Draft Decision did not adequately balance the costs of further improvements against customers' willingness to pay. It contended that studies of willingness to pay conducted interstate are not necessarily relevant in Queensland, particularly in relation to its own (predominantly rural) network. It suggested that specific research into Queensland customers' willingness to pay would be preferable. It stated that the MSS targets proposed in the Draft Decision would require it to reconfigure its network, involving "substantial additional resources and investment" and questioned whether this outcome had been considered in the context of consumers' willingness to pay.

Introduction of additional MSS measures

In relation to the Authority's decision not to introduce additional MSS at this time, the Queensland Consumers Association recommended that further investigations regarding the introduction of voltage supply quality MSS should be conducted well in advance of the next regulatory review. It stated that the importance and complexity of this matter warrants early and ongoing investigations, which should extend to the possible introduction of MSS to measure momentary interruptions to supply.

QCOSS recommended that distributors report annually on the level of service provided to the worst-served 15% of customers, plus the introduction of new MSS targets to apply specifically to these customers.

QCOSS suggested that additional MSS be introduced based on the Momentary Average Interruption Frequency Index (MAIFI) measure as soon as possible, but no later than the following regulatory period commencing in 2014-15. QCOSS suggested that the Authority take steps immediately to implement the procedures that will allow MAIFI to be reported and monitored. In particular, it recommended that distributors be required to begin reporting on their MAIFI performance as soon as possible, in order to create historical data to guide the creation of MAIFI MSS targets in the future.

QCOSS also supported the investigation of additional MSS to measures relating to the quality of voltage supply as soon as possible. Again, it recommended that distributors begin reporting

on their performance as soon as possible, in order to create historical data to guide the creation of MSS targets in the future.

Ergon Energy supported the Authority's decision not to introduce additional MSS to measure the quality of voltage supply at this time.

2.3 The Authority's position

SAIDI and SAIFI targets

In relation to QCOSS' concerns regarding the relaxation of some SAIDI and SAIFI targets proposed in the Draft Decision, the Authority notes that the proposed relaxation does not relate to the current levels of performance required of distributors. Rather, the relaxation is relative to the indicative targets set for the next regulatory period in Schedule 1 of the Code. All the proposed SAIDI and SAIFI targets still require the distributors to continue to improve their performance over the next regulatory period relative to the targets that have applied over the current regulatory period.

Achieving the proposed MSS targets will still require the distributors to make additional investments in their networks and hence would not result in any reduction in retail electricity prices as suggested by QCOSS. However, the size of future retail price increases should be more restrained by lower network costs relative to what would otherwise have been required.

The Authority notes the comments by Origin Energy regarding the differences between the MSS targets and the recent performance of distributors, particularly concerning CBD feeders. However, as Evans & Peck explained in Part 3 of its first report:

A distributor must target "average" performance well below the MSS value to achieve a manageable probability that the MSS level won't be exceeded regularly. Typically therefore, the MSS level is statistically the P90 (i.e. a 1 in 10 year event) to P95 (a 1 in 20 year event) exceedance value.

The report refers specifically to feeder types which characteristically have higher statistical variability, including CBD feeders. As distributors seek to account for the higher variability in the performance of these feeder types, the gap between the MSS targets and the actual performance of the distributors is likely to be relatively large. These larger gaps could be seen as suggesting the MSS targets are too soft. However, the inherent variability in the performance of these feeders explains the gap. It means that there continues to be a significant probability of incidents occurring which result in a distributor having a significantly worse performance than usual. The Authority is therefore satisfied with the differences between the proposed MSS targets and the recent performance of the distributors.

Ergon Energy's SAIDI and SAIFI targets

The Authority agrees with many of Ergon Energy's comments relating to the unique nature of its network, particularly its long rural feeders, and the impact that severe weather events can have on its network. For this reason, the Authority noted in its Draft Decision the limitations on making useful comparisons between Ergon Energy's performance and the performance of interstate distributors. The Authority has given proper consideration to these issues in determining the MSS arrangements to apply in the next regulatory period.

In relation to Ergon Energy's concerns that the improvements required in its proposed SAIDI targets were disproportionate to the improvements required in its SAIFI targets, the Authority considers that the CAIDI measure Ergon Energy refers to is of limited usefulness in these circumstances.

The CAIDI measure is a ratio determined by dividing the SAIDI target by the SAIFI target for any feeder type. CAIDI is not an MSS target set by the Code. The Authority is aware that distributors may use the CAIDI measure as an implied measure of supply restoration time in determining their allocation of resources. For this reason, CAIDI limits are included in Schedule 1 of the Code for interpretive purposes only.

However, CAIDI is of limited use when determining SAIDI and SAIFI targets due to its characteristics as a mathematical ratio. For example, a set of high SAIDI and SAIFI targets can have the same CAIDI ratio as a set of low SAIDI and SAIFI targets, even though the average reliability of service required by a set of low targets would be far superior. Alternatively, if a SAIDI or SAIFI target is tightened while the other is held constant, the average reliability of service required is improved, despite the fact that the CAIDI limit may increase or decrease depending on which is tightened.

Evans & Peck noted in its second report how SAIDI and SAIFI are both determined separately using probability measures and are therefore not perfectly correlated. This means that SAIDI and SAIFI do not necessarily give rise to a meaningful CAIDI limit.

The Authority considers that the main focus should be on the appropriateness of the raw SAIDI and SAIFI targets. The Authority has expressly considered factors such as recent distributor performance and the performance of interstate peers – factors which have required an analysis of individual SAIDI and SAIFI targets in isolation. CAIDI may be of some relevance when considering the balance between costs and customers' willingness to pay, insofar as it can be demonstrated that the relationship between SAIDI and SAIFI impacts upon the costs of improved reliability.

Ergon Energy referred specifically to the CAIDI limit implied from the MSS targets for its Urban feeders proposed in the Authority's Draft Decision. It identified that these targets resulted in a lower CAIDI limit than that required of Energex's Urban feeders. The Authority does not believe that this lower CAIDI limit is necessarily problematic, having regard to the raw values of the SAIDI and SAIFI targets proposed for Ergon Energy's Urban feeders, and the improvements required of Ergon Energy's performance in both areas. Furthermore, the Authority notes that the change in the CAIDI limit proposed in the Draft Decision is less than the change that would have occurred had the indicative targets contained in the Code been adopted. However, as noted below, the Authority has decided (for other reasons) to further relax Ergon Energy's Urban SAIDI targets and this decision has also effectively addressed the apparent concern regarding CAIDI measures as well.

In response to the issues raised by Ergon Energy regarding planned interruptions, Evans & Peck in its second report conceded that the Urban SAIDI targets it had originally recommended for Ergon Energy placed more reliance on peer performance than the Short and Long Rural SAIDI targets, and may not have adequately accounted for the differences associated with Ergon Energy's network. Evans & Peck accepted in its second report that there is some justification for relaxing Ergon Energy's Urban SAIDI targets on the basis that the nature of Ergon Energy's network makes it more difficult for Ergon Energy to mitigate the effects of planned outages.

In this respect, the Authority notes the high proportion of planned outages reported by Ergon Energy. In its second report, Evans & Peck has compared the effect of planned outages on the SAIDI and SAIFI results for Ergon Energy to the effect on Energex and other distributors. Evans & Peck found that the measured performance of Ergon Energy was impacted to a much higher degree by planned outages, and that this trend will continue over the next regulatory period.

As a result, Evans & Peck has recommended a further relaxation of one minute per year over the course of the next regulatory period in Ergon Energy's Urban SAIDI targets.

The Authority has accepted arguments raised by Ergon Energy and the advice provided by Evans & Pecks on this issue.

The Authority has decided to further relax the SAIDI targets applicable to Ergon Energy's Urban feeder network, by one minute per year. Other than this change, the Authority has not changed the SAIFI or SAIDI targets for Ergon Energy that were proposed in the Draft Decision.

Energex's SAIDI and SAIFI targets

The Authority notes the effect of high population growth on the reclassification of some of Energex's feeders from Short Rural to Urban and that, to the extent this impacts Energex more than its interstate peers, it will detract from Energex's performance across both feeder types. However, the Authority does not believe that the introduction of a mechanism to offset this effect is warranted.

This issue is one that affects the performance of all distributors in every State, albeit to different degrees. The urbanisation of outlying areas in the urban/rural boundary will create effects such as those noted by Energex. Nevertheless, the solution is not to suggest that some customers on "new" urban feeders should have any lesser expectations regarding the quality of service they receive than do other similar, but longer established, urban customers. Population growth is a feature of Energex's operating environment and its impact will be felt in the cost of providing services to a growing population. However, this is not a new phenomenon affecting South East Queensland and Energex should be able to plan and account for the impacts of population growth in advance.

In relation to Energex's concerns regarding the impact on planned outages of requirements under the *Electrical Safety Act 2002*, Evans & Peck noted in its second report that the safety requirements specified in the Act have remained unchanged since 2002. While the requirements of the Act place certain obligations on Energex that will impact to some extent on its aim to improve its supply reliability, the Authority agrees with Evans & Peck that these two goals are not mutually exclusive. Every distributor is obliged to operate in a safe manner. While the *Electrical Safety Act* codifies some aspects of the safe work environment Energex must provide for its employees it can only be assumed that these do not place requirements on Energex which are beyond those that are necessary and reasonable. The Authority considers that it is reasonable for the distributors to meet improving performance targets over time while complying with the safety requirements governing live electrical work.

While the Authority has rejected these arguments in principle, Evans & Peck also considered the proposals Energex had suggested to resolve this issue. In relation to Energex's suggestions to exclude all or some planned outages from the MSS targets, Evans & Peck considered that the focus of the MSS should be viewed from the perspective of the customer. From that perspective, the level of service quality will be that received regardless of the reasons giving rise to outages. The Authority therefore considers that it would be inappropriate to exclude some outages from the MSS targets.

In relation to Energex's proposal to decrease its MSS targets to account for the impact of planned outages, Evans & Peck advised that the proposed targets already account for this. In its second report, Evans & Peck compared the effect of planned outages on Energex's performance to the effect on other distributors. It suggested that Energex was not affected by planned outages to any greater degree than most of its peers. Evans & Peck concluded that, to the extent that the performance of its peers influenced the setting of Energex's MSS targets, the impact of planned outages has been accounted for.

The Authority has decided to make no changes to the SAIDI or SAIFI targets proposed for Energex in its Draft Decision.

Data on customer behaviour in Queensland

The Authority notes the recommendations by QCOSS, the Queensland Consumers Association and Ergon Energy for further research on customer attitudes in Queensland. In particular, these submissions recommended that further research should be undertaken focusing on customers' satisfaction with existing levels of reliability and service and willingness to pay for improved reliability.

However, the views presented in submissions regarding the likely findings of further research were mixed. Ergon Energy questioned whether customers would be willing to pay the costs associated with improved reliability, particularly in relation to its rural network. As a general comment, Origin Energy suggested that customers would be prepared to pay extra for further improvements in service quality. QCOSS suggest that consumers were unlikely to be satisfied with the existing levels of service. However, both QCOSS and the Queensland Consumers Association warned against using customer complaints statistics or measures of willingness to pay as the sole measures of customer satisfaction and willingness to pay.

While Evans & Peck in its second report was also of the view that further research on this issue would be useful, the Authority does not necessarily agree that there is any obvious reason to assume that Queensland-specific studies will relay findings vastly different to those conducted recently in other States. However, the Authority does agree that reliance on interstate studies on customers' willingness to pay is not ideal and will further consider this issue prior to the next review for the following regulatory period.

Introduction of additional MSS measures

The Authority noted in its Draft Decision that, while it considered there was not sufficient evidence to support an urgent case for introducing a new voltage supply measure in the MSS at this time, it would investigate this matter further when MSS are reconsidered in the lead up to the next regulatory review. There was general acceptance of this position in submissions received.

The Authority also noted in its Draft Decision its concern (supported by Evans & Peck) that introducing additional MSS based on MAIFI measures of momentary interruptions would place significant additional costs on distributors which would have to be passed on to customers. In its second report, Evans & Peck has noted that the STPIS being implemented by the AER may address some of the recommendations of QCOSS with respect to momentary interruptions.

In relation to QCOSS concerns regarding customers receiving the worst service, Evans & Peck noted in its second report the measures which already exist under the Code to identify these customers and improve the service they receive. The Authority also requires the distributors to report quarterly and annually on the "ten worst feeders" in each feeder category (thirty feeders each in total), under its Service Quality Reporting Guidelines established in the 2005 Final Determination. These reports are published on the Authority's website.

The Authority has not introduced any new MSS at this time but will investigate this matter further prior to the next review of MSS for the following regulatory period.

The MSS to apply to Energex and Ergon Energy from 1 July 2010 are presented in **Table 5**.

Table 5 – MSS to apply to Energex and Ergon Energy, 2010-11 to 2014-15

<i>Feeder Type</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
SAIDI Limits for Energex (minutes)					
CBD	15	15	15	15	15
Urban	106	102	98	94	90
Short Rural	218	216	214	212	210
SAIDI Limits for Ergon Energy (minutes)					
Urban	149	148	147	146	145
Short Rural	424	418	412	406	400
Long Rural	964	948	932	916	900
SAIFI Limits for Energex (number of interruptions)					
CBD	0.15	0.15	0.15	0.15	0.15
Urban	1.26	1.22	1.20	1.18	1.16
Short Rural	2.46	2.42	2.38	2.34	2.30
SAIFI Limits for Ergon Energy (number of interruptions)					
Urban	1.98	1.96	1.94	1.92	1.90
Short Rural	3.95	3.90	3.85	3.80	3.75
Long Rural	7.40	7.30	7.20	7.10	7.00

3. GUARANTEED SERVICE LEVELS

The GSL arrangements relate to the quality of service received by individual customers. Individual GSL apply to the frequency and duration of outages and a number of other aspects of the services received by individual small customers, including the timeliness of connections, reconnections and notifying customers of planned interruptions.

Breaches of GSL require a distributor to make a payment to the affected customer, up to a cap (currently \$320 per customer per year, not including payments for wrongful disconnection). GSL payments vary according to the type of service involved.

GSL payments are not intended to be a measure of the compensation deserved by a customer for poor distributor performance. Rather, they are intended to provide a financial incentive for distributors to maintain appropriate levels of service quality.

The current GSL arrangements were introduced on 1 January 2005 and the GSL payment amounts have remained unchanged since then. In conducting this review, the Authority has considered whether changes should be made to existing GSL payment amounts and whether additional GSL measures should be introduced.

3.1 The Authority's Draft Decision

The Authority's Draft Decision proposed to retain the existing range of GSL measures and to increase all GSL payment amounts by 30% to maintain their real deterrent value by accounting for the effects of inflation over the period from 1 January 2005 to the mid-point of the next regulatory period.

The Draft Decision sought to promote administrative simplicity by rounding GSL payment amounts to the nearest whole dollar and maintaining the level of GSL payment amounts across the five year regulatory period. It also proposed to increase the cap on an individual customer's yearly entitlement to GSL payments by 30%, in line with the increase in GSL payment amounts.

No new GSL measures were proposed by the Authority. A summary of the GSL payment amounts proposed in the Draft Decision for the next regulatory period is contained in **Table 6**.

Table 6 – GSL and GSL payment amounts

<i>Electricity Industry Code</i>	<i>GSL</i>	<i>Current GSL Payment¹ for 2007-08 to 2009-10</i>	<i>GSL Payment¹ for 2010-11 to 2014-15</i>
Clause 2.5.3	Wrongful disconnections	\$100	\$130
Clause 2.5.4	Connection not provided by the agreed date	\$40 per day	\$52 per day
Clause 2.5.5	Reconnection not provided by the agreed date	\$40 per day	\$52 per day
Clause 2.5.6	Failure to attend to customer's premises within the time required concerning loss of hot water supply	\$40 per day	\$52 per day
Clause 2.5.7	Failure to attend appointments on time	\$40	\$52
Clause 2.5.8	Notice to planned interruption to supply not given	\$20 for small residential customers and \$50 for small business customers	\$26 for small residential customers and \$65 for small business customers
Clause 2.5.9	Interruption duration exceeding specified limits	\$80	\$104
Clause 2.5.9	Interruption frequency exceeding specified limits	\$80	\$104

¹ GSL payments are payable subject to the terms and conditions contained in their respective clauses under the Code.

3.2 Submissions received

Each of the six submissions received in response to the Authority's Draft Decision made suggestions relating to the GSL.

GSL payment amounts – general method for increasing

All six submissions received in response to the Draft Decision supported the general method of escalating the existing GSL payment amounts in order to preserve their real deterrent value by accounting for inflation. However, the submissions did not agree with respect to the proposal to increase GSL payment amounts by 30%, rounded to the nearest whole dollar.

Origin Energy and the Financial Counsellors' Association of Queensland (FCAQ) supported the adjustment of GSL payment amounts by 30%. Energex noted that 30% was higher than its inflation expectations, based on RBA forecasts, but agreed that a degree of uncertainty that surrounds the forward estimates of the CPI should be factored in to the adjustment index.

QCOSS suggested that 30% was too low to act as a sufficient incentive for distributors to improve their performance, particularly in relation to two areas where QCOSS believed the distributors had performed poorly – wrongful disconnections and the timely completion of new connections. QCOSS recommended that the GSL payment amounts should be increased in line with the regulated price of retail electricity services, rather than being based on the rate of inflation. QCOSS also suggested that the GSL payment amounts should be adjusted annually, rather than being maintained at a constant level across the next regulatory period.

The Queensland Consumers Association agreed that, even after a 30% increase, the GSL payment amounts would be too low to provide a proper incentive mechanism. It also referred to wrongful disconnections as an area where improvement is needed.

Ergon Energy questioned the method followed by the Authority when estimating the likely impact of inflation over the relevant period. In particular, Ergon Energy suggested that inflation had been incorrectly accounted for with respect to the 2004-05 year. Further, Ergon Energy questioned the addition of a factor of 3.82% to account for uncertainty around the forward estimates in the CPI. It also noted that the RBA released updated inflation forecasts since the release of the Authority's Draft Decision.

GSL payment amounts – individual GSL measures

The Queensland Consumers Association suggested that the GSL payment amount for wrongful disconnections should be increased from \$100 per day to \$250 per day, and that such payments should be excluded from the annual cap on an individual's entitlements to GSL payments. It also suggested that the Authority should issue a guideline to the distributors to clarify the operating procedure for wrongful disconnections.

QCOSS made several suggestions regarding changes to individual GSL amounts, including:

- (a) the GSL payment amount for wrongful disconnections be raised to \$325 per day and subject to a pro-rata payment structure for any part of a day that the supply of electricity is disconnected. QCOSS suggested that customers should also be advised if their wrongful disconnection was caused by retailer action or inaction;
- (b) the GSL payment amount for late connections and late reconnections be raised from \$40 per day to \$130 per day and that this also be subject to pro-rata payments for any part days when the supply of electricity is not connected;

-
- (c) the introduction of a graduated or stepped payment structure for GSL payments applying to the duration and frequency of outages with GSL payment amounts increasing as poor levels of service continue or become progressively worse. QCOSS noted that systems of this kind operate in other jurisdictions such as South Australia, Tasmania and Victoria; and
 - (d) the general cap of \$320 per year on an individual customer's entitlements to GSL payments should be removed as capping the amount of claims that a customer can make in any year contradicts the purpose of a GSL scheme and places a limit on the incentive for distributors to improve their service performance level.

Process for applying for GSL payments

QCOSS generally supported the requirement for distributors to use their best endeavours to ensure GSL payments are paid automatically to eligible customers whenever a GSL has been breached. However, QCOSS was concerned about the limitations on the ability of customers to lodge their own claims for GSL payments and raised two specific issues as follows:

- (a) no strict timeframe is specified in clause 2.5.14 of the Code to govern the length of time a distributor has to assess a customer claim for a GSL payment. The clause merely requires a distributor to process a claim "promptly". QCOSS suggested that a specific time limit be introduced so that distributors are required to process GSL claims within one month (or 20 business days) after a claim is lodged by a customer; and
- (b) the period of time in which customers are allowed to lodge their own claims for GSL payments should be extended. Clause 2.5.11(b) of the Code states that customers must make any claim within one month of the event giving rise to the claim. However, QCOSS suggested that this should be increased to three months (or 60 business days) in line with common billing cycles.

Both the Queensland Consumers Association and QCOSS expressed their concerns that customers may not be well enough informed of their entitlements to GSL payments in cases when distributors fail to deliver an acceptable standard of service, leading both to recommend that more should be done to raise customer awareness of the GSL measures.

The Queensland Consumers Association also suggested that the Authority should collect and publish more detailed data on the sources and causes of GSL payments. QCOSS recommended a review be undertaken of the accuracy with which distributors are identifying and meeting their obligations to make GSL payments.

New GSL measures

The Queensland Consumers Association reiterated the suggestion it made in response to the Authority's initial Discussion Paper, to implement new GSL measures with respect to the quality of services provided by electricity retailers.

3.3 The Authority's position

The Authority has decided to retain the proposals in its Draft Decision relating to the GSL, including increasing all GSL payment amounts by 30% to maintain their real deterrent value. The Authority is also proposing to make two additional amendments to the Code, in response to suggestions to clarify the process by which customers can lodge claims for GSL payments. The submissions made by interested parties are discussed below.

GSL payment amounts – general method for increasing

The Authority notes the various suggestions concerning its proposal to increase all GSL payment amounts currently listed in the Code by 30%. While it is unlikely that any particular figure will be accepted by all interested parties, there was a considerable degree of support in submissions for the 30% proposed by the Authority.

Since the release of the Authority's Draft Decision, the RBA has updated its inflation records and forecasts. The RBA's most recent estimates of inflation are reported in its February 2009 *Statement on Monetary Policy* and presented in **Table 7**. The inflation forecasts are now somewhat lower than at the time of the Authority's Draft Decision.

Table 7 – Reserve Bank February 2009 Inflation forecasts

<i>Change over year to quarter</i>	<i>Forecast CPI (%)</i>
June 2009	1.75
June 2010	2.75
June 2011	2.00

Source: Statement on Monetary Policy, Reserve Bank of Australia (RBA), February 2009

In light of the above and taking into account some of the comments by Ergon Energy regarding the method of calculating the inflation impact, the Authority has revised its estimate of the impact of inflation over the relevant period from 26.2% in the Draft Decision to 24.4%.

Despite the arguments put by QCOSS, the Authority is of the view that CPI is an appropriate basis for escalating GSL payments.

However, the Authority considers that there remains a high degree of uncertainty regarding the CPI forecasts and that these latest estimates are now at the lower end of the possible range of outcomes. Since the GSL payment amounts are to be set for five years the Authority is inclined to err on the high side in order to ensure that the deterrent value of the GSL is not eroded over time. The Authority has therefore decide to continue with its proposal in the Draft Decision and escalate the existing GSL payment amounts by 30%, rounded to the nearest dollar and maintained at that level across the five years of the next regulatory period.

In line with this decision regarding individual GSL payment amounts, the Authority will also increase the overall cap on individual small customers' entitlements by 30% to \$416 per annum (excluding GSL payments for wrongful disconnections).

GSL payment amounts – individual GSL measures

The Authority notes the suggestions by QCOSS and the Queensland Consumers Association calling for some GSL payment amounts to be increased by more than 30%, for the removal of the annual cap on individual customers' entitlements to GSL payments and for changes in the way some payment amounts might be calculated. However, the Authority is not inclined to act upon any of these suggestions in this review.

On these issues, Evans & Peck was of the view that the existing GSL payment amounts, if properly maintained to account for inflation, provide sufficient incentive to properly influence the distributors' behaviour. Evans & Peck suggested that the annual cap on individual entitlements to GSL payments provides some protection for distributors against the significant administrative costs that might arise from vexatious claims and noted that the cap is being

substantially increased as a result of this review. The Authority accepts this advice and considers that the amount of the cap is large enough, relative to the proportion of an average customer's yearly bill which represented by network costs, to provide an effective incentive mechanism for distributors.

In relation to changing the way in which some GSL amounts are to be calculated, Evans & Peck noted, and the Authority agrees, that these suggestions would introduce a greater level of complexity into the existing arrangements and be likely to significantly increase the regulatory burden for distributors, which would most likely be passed on to consumers in the form of higher prices.

Process for applying for GSL payments

The Authority accepts the points made by QCOSS regarding the existing process for lodging claims for GSL payments.

The Authority considers that it is reasonable to set a time limit within which distributors must process GSL claims lodged by customers. This will provide some certainty for customers and require distributors to ensure that claims are addressed in a timely fashion.

The Authority also agrees that there is an apparent inconsistency between the quarterly billing cycle followed by most retailers and the current limit of one month in which customers can lodge claims. While there is no necessary connection between bills received and the source of GSL claims, customers may only be prompted to consider electricity-related matters when bills arrive every three months. This could lead to a situation where customers may (unsuccessfully) seek to lodge a GSL claim only after receiving their next quarterly bill for retail electricity services.

Accordingly, the Authority proposes to make two amendments to the Code in addition to those presented in the Draft Decision. The proposed amendments will clarify the time in which distributors have to process claims for GSL payments lodged by customers and extend the time presently available for customers to lodge valid claims for GSL payments

However, having regard to principles of due process and the requirements for consultation set out in the *Electricity Regulations 2006* (the Regulations), the Authority is of the view that an additional round of consultation would be required on these two proposed amendments as they were not flagged in the amendments proposed at the time of the Draft Decision. The Authority will therefore undertake this additional round of consultation separately to this current process immediately following the completion of this review. This will enable this review to be completed in time for the distributors to submit their Regulatory Proposals to the AER in May 2009.

This separate round of consultation will allow all interested parties an opportunity to make submissions on these additional Code amendments which will assist the Authority to determine the optimal timeframes that should be set in the Code in both instances. The suggestions by QCOSS for a time limit of one month (or 20 business days) in clause 2.5.14 of the Code and a time limit of three months (or 60 business days) will be adopted by the Authority as a starting point for the consultation process.

New GSL measures

The Authority noted the Queensland Consumers Association's suggestion to introduce further GSL measures to apply to retailers in its Draft Decision. The Authority remains of the view expressed at that time that, as the current GSL arrangements were only introduced three years ago, and in the absence of strong arguments for change, the current GSL arrangements provide

an appropriate framework for encouraging satisfactory performance in the important aspects of network reliability and customer service. The Authority therefore does not propose to introduce any new GSL measures to apply for the next regulatory period.

4. THE AUTHORITY'S FINAL DECISION

4.1 Minimum Service Standards

The Authority's Final Decision is to retain the existing range of MSS for the next regulatory period and to change the Indicative MSS presently contained in Schedule 1 of the Code to the levels presented in **Table 8**.

Table 8 – MSS to apply to Energex and Ergon Energy, 2010-11 to 2014-15

<i>Feeder Type</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
SAIDI Limits for Energex (minutes)					
CBD	15	15	15	15	15
Urban	106	102	98	94	90
Short Rural	218	216	214	212	210
SAIDI Limits for Ergon Energy (minutes)					
Urban	149	148	147	146	145
Short Rural	424	418	412	406	400
Long Rural	964	948	932	916	900
SAIFI Limits for Energex (number of interruptions)					
CBD	0.15	0.15	0.15	0.15	0.15
Urban	1.26	1.22	1.20	1.18	1.16
Short Rural	2.46	2.42	2.38	2.34	2.30
SAIFI Limits for Ergon Energy (number of interruptions)					
Urban	1.98	1.96	1.94	1.92	1.90
Short Rural	3.95	3.90	3.85	3.80	3.75
Long Rural	7.40	7.30	7.20	7.10	7.00

The Authority will investigate a new voltage supply measure further when MSS are reconsidered in the lead up to the next regulatory review. The Authority will also give further consideration in the next review to whether additional MSS should be introduced to target the customers receiving the worst service within individual feeder types.

Prior to the next review, the Authority will also consider commissioning Queensland-specific research into customers' satisfaction with existing levels of reliability and willingness to pay for improved reliability.

The Code amendments required to implement these changes are outlined in Annexure 1.

4.2 Guaranteed Service Levels

In relation to GSL, the Authority's Final Decision is to retain the existing range of measures but increase the GSL payment amounts by 30% to maintain their real deterrent value by accounting for the effects of inflation. The GSL payment amounts will be rounded to whole dollar amounts, to the levels presented in **Table 9**, and will apply across the five years of the next regulatory period in order to promote administrative simplicity.

Table 9 – GSL and GSL payment amounts to apply, 2010-11 to 2014-15

<i>Electricity Industry Code</i>	<i>GSL</i>	<i>Current GSL Payment¹ for 2007-08 to 2009-10</i>	<i>GSL Payment¹ for 2010-11 to 2014-15</i>
Clause 2.5.3	Wrongful disconnections	\$100	\$130
Clause 2.5.4	Connection not provided by the agreed date	\$40 per day	\$52 per day
Clause 2.5.5	Reconnection not provided by the agreed date	\$40 per day	\$52 per day
Clause 2.5.6	Failure to attend to customer's premises within the time required concerning loss of hot water supply	\$40 per day	\$52 per day
Clause 2.5.7	Failure to attend appointments on time	\$40	\$52
Clause 2.5.8	Notice to planned interruption to supply not given	\$20 for small residential customers and \$50 for small business customers	\$26 for small residential customers and \$65 for small business customers
Clause 2.5.9	Interruption duration exceeding specified limits	\$80	\$104
Clause 2.5.9	Interruption frequency exceeding specified limits	\$80	\$104

¹ GSL payments are payable subject to the terms and conditions contained in their respective clauses under the Code.

In line with this decision regarding individual GSL payment amounts, the Authority will also increase the overall cap on individual small customers' entitlements by 30% to \$416 per annum (excluding GSL payments for wrongful disconnections).

The Code amendments required to implement these changes are outlined in Annexure 1.

The Authority also proposes to make two changes to the process for customers making claims for GSL payments, which will require a further round of public consultation. The proposed changes will clarify the time in which distributors have to process claims for GSL payments lodged by customers and extend the time presently available for customers to lodge valid claims for GSL payments. A separate consultation process will be conducted to allow the GSL claim process to be considered in more detail, without delaying the implementation of the changes being made in this review.

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ANNEXURE 1 – AMENDMENTS TO THE CODE

This Annexure contains the amendments that the Authority is making to the Electricity Industry Code (the Code) to reflect the MSS and GSL arrangements applicable to Energex and Ergon Energy in the next regulatory period commencing on 1 July 2010.

This Annexure is a “final version of the proposed amendments to the Code” for the purposes of section 222O(b) of the *Electricity Regulation 2006* (the Regulation).

The following paragraphs contain the amendments to the Code being made by the Authority:

Code front cover

On the front cover of the Code:-

- (i) Replace “Fourth Edition: made 31 July 2008” with “Fifth Edition: made [DATE TO BE INSERTED]”.
- (ii) Replace “effective 4 August 2008” with “effective [DATE TO BE INSERTED]”.

Code inside cover

Inside the front cover of the Code:-

- (i) Replace “This Fourth Edition” with “This Fifth Edition”.
- (ii) Un-bold the words “31 July 2008” and “4 August 2008” in the second and third columns respectively of the fifth row of the table titled Amendment History.
- (iii) Add an additional row to the end of the table titled Amendment History and insert “5” in the first column, insert “[DATE TO BE INSERTED]” in the second column, and insert “[DATE TO BE INSERTED]” in the third column.

Clause 2.5.3 Wrongful disconnection

In sub-clause 2.5.3(a) of the Code:-

- (i) Replace “GSL payment of \$100” with “GSL payment (applying on the date of the wrongful disconnection)”.

Clause 2.5.4 Connections

In clause 2.5.4 of the Code:-

- (i) Replace “GSL payment of \$40” with “GSL payment (applying on the relevant day)”.

Clause 2.5.5 Customer reconnection

In clause 2.5.5(a) of the Code:-

- (i) Replace “GSL payment of \$40” with “GSL payment (applying on the relevant day)”.

Clause 2.5.6 Hot Water Supply

In clause 2.5.6(a) of the Code:-

- (i) Replace “*GSL payment of \$40*” with “*GSL payment (applying on the relevant day)*”.

Clause 2.5.7 Appointments

In sub-clause 2.5.7(e) of the Code:-

- (i) Replace “*GSL payment of \$40*” with “*GSL payment (applying on the date of the appointment)*”.

Clause 2.5.8 Planned Interruptions

In sub-clause 2.5.8(a)(i) of the Code:-

- (i) Delete the words “as follows:
 - (i) \$20 in the case of *small residential customers*; and
 - (ii) \$50 in the case of *small business customers*”; and
- (ii) Insert after the words “a *GSL payment*”, the words “(applying on the date of the *planned interruption*)”.

Clause 2.5.9 Reliability

In sub-clause 2.5.9(a) of the Code:-

- (i) Replace “*GSL payment of \$80*” with “*GSL payment (applying in the relevant financial year)*”.

Clause 2.5.10

Replace the words “Not used” with the heading “Amount of *GSL payments*” and the following:

This table sets out the amount of a *GSL payment* applicable for the date or *financial year* in which a *guaranteed service level* is not met in accordance with clauses 2.5.3 to 2.5.9.

<i>Electricity Industry Code</i>	<i>GSL</i>	<i>GSL Payment for 1 July 2007 to 30 June 2010</i>	<i>GSL Payment for 1 July 2010 to 30 June 2015</i>
Clause 2.5.3	Wrongful disconnections	\$100	\$130
Clause 2.5.4	Connection not provided by the agreed date	\$40 per day	\$52 per day
Clause 2.5.5	Reconnection not provided within the required time	\$40 per day	\$52 per day
Clause 2.5.6	Failure to attend to <i>customer's premises</i> within the time required concerning loss of hot water supply	\$40 per day	\$52 per day
Clause 2.5.7	Failure to attend appointments on time	\$40	\$52
Clause 2.5.8	Notice of a <i>planned interruption</i> to supply not given	\$20 for <i>small residential customers</i> and \$50 for <i>small business customers</i>	\$26 for <i>small residential customers</i> and \$65 for <i>small business customers</i>
Clause 2.5.9(a)(i)	<i>Interruption duration GSL</i>	\$80	\$104
Clause 2.5.9(a)(ii)	<i>Interruption frequency GSL</i>	\$80	\$104

Clause 2.5.15 Caps on entitlements

In sub-clause 2.5.15(a) of the Code:-

- (i) After “more than \$320 worth of *GSL payments*” insert “(more than \$416 worth of *GSL payments* from 1 July 2010)”.

Clause 10.1.1 Definitions

In the definition of *GSL payment*, insert after the words “in accordance with clause 2.5” the words “for the amounts set out in clause 2.5.10.”

Code Schedule 1 – Reliability Limits

In Schedule 1 of the Code, titled **Reliability Limits**, in the Notes below the tables contained on page 125 of the Code:-

- (i) Replace “Notes:” with “Note:”
- (ii) Delete the Note “1 *SAIDI Limits, SAIFI Limits (and CAIDI Limits)* shown for 2010/11 to 2014/15 are indicative and subject to change following future reviews of the *minimum service standards*.”
- (iii) For the remaining Note, replace its number “2” with the number “1”.

In Schedule 1 of the Code, titled **Reliability Limits**, in part 1 titled *SAIDI Limits*, in the table titled **1.1 ENERGETEX**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

- (iv) Un-shade the last five columns.
- (v) In the row titled 'urban', replace the numbers: 105 100 95 90 86
with the numbers: 106 102 98 94 90
- (vi) In the row titled 'short rural', replace the numbers 215 210 205 200 195
with the numbers: 218 216 214 212 210

In Schedule 1 of the Code, titled **Reliability Limits**, in part 1 titled **SAIDI Limits**, in the table titled **1.2 Ergon Energy**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

- (vii) Un-shade the last five columns.
- (viii) In the row titled 'urban', replace the numbers: 146 142 138 135 132
with the numbers: 149 148 147 146 145
- (ix) In the row titled 'short rural', replace the numbers: 419 409 399 389 379
with the numbers: 424 418 412 406 400
- (x) In the row titled 'long rural', replace the numbers: 956 932 909 886 864
with the numbers: 964 948 932 916 900

In Schedule 1 of the Code, titled **Reliability Limits**, in part 2 titled **SAIFI Limits**, in the table titled **2.1 ENERGEX**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

- (xi) Un-shade the last five columns.
- (xii) In the row titled 'urban', replace the numbers: 1.30 1.28 1.26 1.24 1.22
with the numbers: 1.26 1.22 1.20 1.18 1.16

In Schedule 1 of the Code, titled **Reliability Limits**, in part 2 titled **SAIFI Limits**, in the table titled **2.2 Ergon Energy**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

- (xiii) Un-shade the last five columns.
- (xiv) In the row titled 'urban', replace the numbers: 1.97 1.94 1.91 1.88 1.85
with the numbers: 1.98 1.96 1.94 1.92 1.90
- (xv) In the row titled 'short rural', replace the numbers: 3.94 3.88 3.82 3.76 3.70
with the numbers: 3.95 3.90 3.85 3.80 3.75
- (xvi) In the row titled 'long rural', replace the numbers: 7.39 7.28 7.17 7.06 6.95
with the numbers: 7.40 7.30 7.20 7.10 7.00

In Schedule 1 of the Code, titled **Reliability Limits**, in part 3 titled **CAIDI Limits (interpretive only)**, in the table titled **3.1 ENERGEX**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

(xvii) Un-shade the last five columns.

(xviii) In the row titled 'urban', replace the numbers: 81 78 75 73 70
with the numbers: 84 84 82 80 78

(xix) In the row titled 'short rural', replace the numbers: 87 87 86 85 85
with the numbers: 89 89 90 91 91

In Schedule 1 of the Code, titled **Reliability Limits**, in part 3 titled **CAIDI Limits (interpretive only)**, in the table titled **3.2 Ergon Energy**, in the last five columns, which relate to the financial years from 2010/11 to 2014/15:-

(xx) Un-shade the last five columns.

(xxi) In the row titled 'urban', replace the numbers: 74 73 72 72 71
with the numbers: 75 76 76 76 76

(xxii) In the row titled 'short rural', replace the numbers: 106 105 104 103 102
with the numbers: 107 107 107 107 107

(xxiii) In the row titled 'long rural', replace the numbers: 129 128 127 125 124
with the numbers: 130 130 129 129 129