



Discussion Paper

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

July 2008

Level 19, 12 Creek Street Brisbane Queensland 4000
GPO Box 2257 Brisbane Qld 4001
Telephone (07) 3222 0555
Facsimile (07) 3222 0599

general.enquiries@qca.org.au
www.qca.org.au

SUBMISSIONS

Public involvement is an important element of the decision-making processes of the Queensland Competition Authority (the Authority). The Authority is releasing this discussion paper as the first step in its review of the minimum service standards and guaranteed service levels and payments to apply to the Queensland distribution networks of Energex and Ergon Energy from 1 July 2010. To assist stakeholders in preparing a submission, the Authority has identified a number of key issues that will need to be considered. The issues that have been identified are not exhaustive and are provided as guidance only. Submissions received on issues other than those identified will be fully considered. The Authority will take account of all submissions received by the due date.

Written submissions should be sent to the address below. While the Authority does not necessarily require submissions in any particular format, it would prefer to receive an electronic version in Microsoft Word© format by e-mail. Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001
Fax: (07) 3222 0599
Email: electricity@qca.org.au

Submissions must be received by **5pm Friday 15 August 2008**.

For further enquiries contact Moston Neck on (07) 3222 0511.

Confidentiality

In the interests of transparency and to promote informed discussion, the Authority would prefer submissions to be made publicly available wherever this is reasonable. However, if a person making a submission does not want that submission to be public, that person should claim confidentiality in respect of the document (or any part of the document). Claims for confidentiality should be clearly noted on the front page of the submission and the relevant sections of the submission should be marked as confidential, so that the remainder of the document can be made publicly available. It would be appreciated if two versions of the submission could be provided, the complete version including confidential material (appropriately marked) and a second version excising all confidential information. Where it is unclear why a submission has been marked as “confidential”, the status of the submission will be discussed with the person making the submission.

While the Authority will endeavour to identify and protect material claimed as confidential as well as exempt documents (within the meaning of the *Freedom of Information (FOI) Act 1989*), it cannot guarantee that submissions will not be made publicly available. As stated in s187 of the *Queensland Competition Authority Act 1997*, the Authority must take all reasonable steps to ensure the information is not disclosed without the person’s consent, provided the Authority is satisfied that the person’s belief is justified and that the disclosure of the information would not be in the public interest. Notwithstanding this, there is a possibility that the Authority may be required to reveal confidential information as a result of an FOI request.

Public Access to Submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at the Brisbane office of the Authority, or on its website at www.qca.org.au. If you experience any difficulty gaining access to documents please contact the office (07) 3222 0555.

Information about the role and current activities of the Authority, including copies of reports, papers and submissions can also be found on the Authority’s website.

TABLE OF CONTENTS

	PAGE
1. INTRODUCTION	1
1.1 Current MSS and GSL arrangements in Queensland	1
1.2 Broader regulatory context	3
1.3 The current review	4
2. RECENT PERFORMANCE BY ENERGEX AND ERGON ENERGY	5
2.1 Energex MSS performance	5
2.2 Ergon Energy MSS performance	5
2.3 Energex GSL performance	6
2.4 Ergon Energy GSL performance	6
2.5 Other service quality information	7
3. SCOPE OF THE REVIEW	8
3.1 Objectives in setting MSS and GSL arrangements	8
3.2 Options for minimum service standards and guaranteed service levels	9
4. OTHER JURISDICTIONS	11
4.1 South Australia	11
4.2 Victoria	12
4.3 New South Wales	13
4.4 Tasmania	14
5. REFERENCES	16

1. INTRODUCTION

Under the Electricity Industry Code (the Code), the Authority is required to review the Minimum Service Standards (MSS) and limits and payments associated with Guaranteed Service Levels (GSL) to apply from the beginning of the next regulatory control period which commences on 1 July 2010. The Authority intends to conduct a consultative review and make its Final Decision by early 2009.

1.1 Current MSS and GSL arrangements in Queensland

MSS and GSL arrangements in Queensland are included in the Code. The latest (third) edition of the Code came into effect on 1 July 2007. This edition of the Code included MSS requirements based on a review conducted by the Department of Mines and Energy and completed in early 2007. GSL arrangements in the Code have not been reviewed since the first edition of the Code came into effect on 1 January 2005.

Details on the scheme in operation in Queensland can be accessed at the following web address:

http://www.energy.qld.gov.au/zone_files/Electricity/electricity_industry_code_third_edition.pdf

MSS arrangements

The Code sets annual MSS 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 for the period (for example, a year) when averaged over all customers on the network (or 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 experiences for the period when averaged over all customers on the network (or specified parts of the network).

As indicated in Table 1, 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. Energex's network is split into CBD, urban and short rural feeder categories while Ergon Energy's network is split into urban, short rural and long rural categories. All MSS are net of the impact of excluded events such as severe storms.

As indicated in Table 1, the current MSS require steady improvements in the reliability of supply provided by Energex and Ergon Energy over the regulatory period. Reflecting the differences in their networks, MSS for Energex are more stringent than those 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					
CBD	20	20	20	20	20
Urban	155	145	134	122	110
Short Rural	265	255	244	232	220
SAIDI standards for Ergon Energy					
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					
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					
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

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					
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					
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					
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					
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

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 services 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. 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 Payment*</i>
Section 2.5.3	Wrongful disconnections	\$100
Section 2.5.4	Connection not provided by the agreed date	\$40 per day
Section 2.5.5	Reconnection not provided by the agreed date	\$40 per day
Section 2.5.6	Failure to attend to customer's premises within the time required concerning loss of hot water supply	\$40 per day
Section 2.5.7	Failure to attend appointments on time	\$40 per day
Section 2.5.8	Notice to planned interruption to supply not given	\$20 for small residential customers and \$50 for small business customers
Section 2.5.9	Interruption duration exceeding specified limits	\$80
Section 2.5.9	Interruption frequency exceeding specified limits	\$80

*Payments are subject to the terms and conditions contained under their respective sections under the Code.

The dollar value of the GSL payments has remained unchanged since they were initially set on 1 January 2005.

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.

The Authority considered the issue of incorporating a service quality incentive scheme into the regulatory arrangements to apply during the current regulatory period and released its *Final Decision on a Service Quality Incentive Scheme for Electricity Distribution Services in Queensland* in April 2004. In that decision, the Authority outlined the broad features of a service quality incentive scheme based on a regulatory contract with each distributor. However, given the changes resulting from the recommendations of the Electricity Distribution and Service Delivery Review, the Authority considered the timing was not appropriate to proceed with implementing an incentive scheme. In particular, the Authority considered that the recent establishment of minimum service standards provided the distributors with sufficient incentive to lift their service quality performance. As a result, the Authority considered there was no need to provide additional financial incentives to the distributors to improve service quality at that time.

The Australian Energy Regulator (AER) is responsible for setting the economic regulatory arrangements for Energex and Ergon Energy to apply from 1 July 2010. In doing so, the AER will need to consider the MSS and GSL obligations that Energex and Ergon Energy will have

under the Queensland Electricity Industry Code and the nature of the service target performance incentive scheme that the AER is required to introduce under the National Electricity Rules. On 26 April 2008, the AER (2008) released its final decision on the regulatory guidelines for a service target performance incentive scheme. The scheme is to apply to all distributors regulated by the AER and is to provide incentives for distributors to maintain and improve service performance as required under the National Electricity Rules.

1.3 The current review

Under sections 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.

In particular, section 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

For GSL, section 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.

The purpose of this discussion paper is to assist stakeholders in making submissions to the Authority in relation to its review of the MSS and GSL limits and payments for Queensland electricity distributors.

Chapter 2 presents a summary of the recent performance of Energex and Ergon Energy against current MSS and GSL measures.

Chapter 3 of this paper outlines the objectives in setting MSS and GSL arrangements and potential options for the scope of the Authority's review.

Chapter 4 provides a brief summary of MSS and GSL arrangements in other Australian jurisdictions.

An indicative timetable for the Authority's review is provided below:

Action	Date
Release of the discussion paper	25 July 2008
Receive submissions from interested parties	15 August 2008
Release Draft Decision	24 November 2008
Receive submissions from interested parties	15 December 2008
Release Final Decision	19 February 2009

2. RECENT PERFORMANCE BY ENERGEX AND ERGON ENERGY

Energex and Ergon Energy are required to report quarterly to the Authority on their performance against the current MSS and GSL obligations in the Code. In addition, the distributors have been reporting a range of service quality data to the Authority since 2002. The Authority has combined data from both sources to indicate the distributors' performance in relation to MSS and GSL since the start of the current regulatory period.

2.1 Energex MSS performance

Table 4 presents Energex's performance against the MSS in the Code over the period from 2005-06 to 2007-08. Instances where performance has not met the standard are in bold text. It should be noted that the Authority has estimated performance for 2007-08 based on a straight-line extrapolation of only nine months of data that was available at the time this report was prepared. This does not account for seasonal variations in performance. As a result, performance data for 2007-08 should be treated with caution. The Authority will provide updated performance data for 2007-08 based on full year data in its Draft Decision.

As shown in Table 4, Energex has significantly out-performed its MSS targets for the duration (SAIDI) and frequency (SAIFI) of outages in its CBD and urban areas. The key area of weakness is in parts of Energex's network supplied by short rural feeders.

Table 4 – Energex's Performance Against MSS (in brackets), 2005-06 to 2007-08

<i>Feeder Type</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08¹</i>
SAIDI			
CBD	3.9 (20)	1.3 (20)	4.5 (20)
Urban	103.8 (155)	80.4 (145)	93.5 (134)
Short Rural	306.5 (265)	202.7 (255)	248.9 (244)
SAIFI			
CBD	0.02 (0.33)	0.02 (0.33)	0.04 (0.33)
Urban	1.41 (1.73)	1.02 (1.64)	1.21 (1.54)
Short Rural	3.29 (2.77)	2.33 (2.70)	2.75 (2.63)

¹ Performance has been estimated based on a straight-line extrapolation of nine months of data and therefore does not account for seasonal variations in performance. Final performance numbers will become available by 31 August 2008.

2.2 Ergon Energy MSS performance

Table 5 presents Ergon Energy's performance against the MSS in the Code over the period from 2005-06 to 2007-08. Instances where performance has not met the standard are in bold text. As for Energex, the Authority has also estimated performance for 2007-08 based on part year data. As a result, performance data for 2007-08 should be treated with caution. The Authority will provide updated performance data for 2007-08 based on full year data in its Draft Decision.

As shown in Table 5, Ergon Energy did not meet the majority of its MSS targets in 2005-06. Since then, Ergon Energy's performance against its MSS targets has improved.

Table 5 – Ergon Energy’s Performance Against MSS (in brackets), 2005-06 to 2009-10

<i>Feeder Type</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08¹</i>
SAIDI			
Urban	219 (215)	173.1 (205)	174.4 (195)
Short Rural	594 (590)	451.0 (570)	502.1 (550)
Long Rural	1,332 (1,150)	960 (1,130)	1,150 (1,090)
SAIFI			
Urban	2.26 (2.70)	1.83 (2.60)	2.07 (2.50)
Short Rural	4.97 (5.40)	3.74 (5.20)	3.92 (5.00)
Long Rural	9.57 (8.75)	6.65 (8.60)	6.69 (8.50)

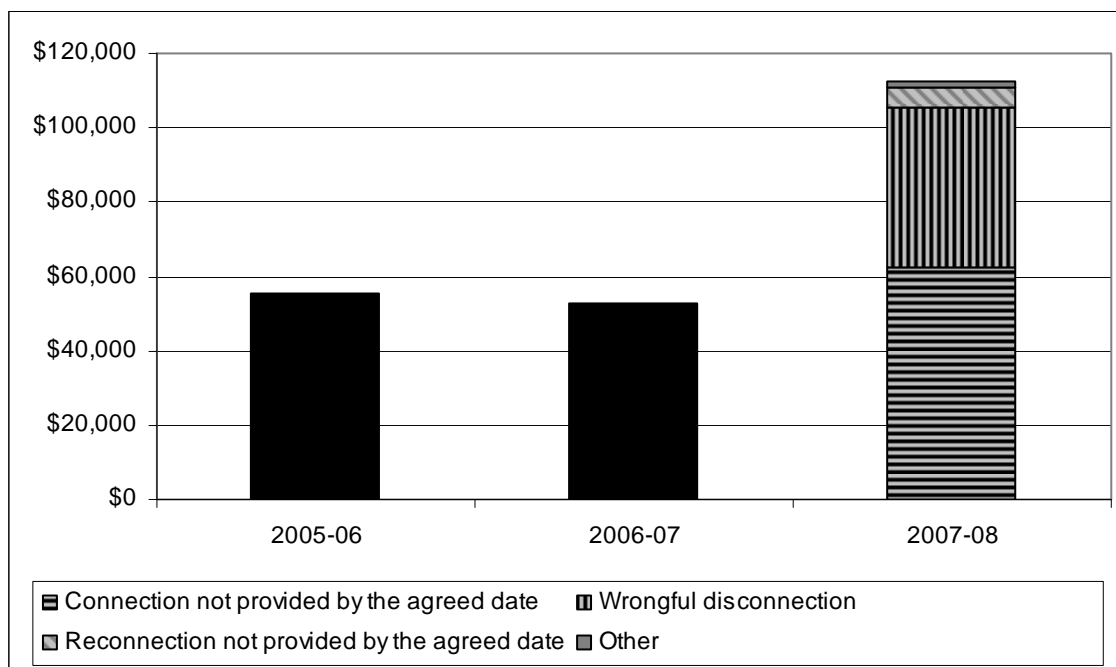
¹ Performance is estimated based on a straight-line extrapolation of nine months of data and therefore does not account for seasonal variations in performance. Final performance numbers will become available by 31 August 2008.

2.3 Energex GSL performance

Figure 1 presents the level of payments Energex has made to customers as a result of breaches to GSL over the period from 2005-06 to 2007-08. For 2007-08, the Authority has disaggregated data provided by the distributors under the Code. For earlier years, the Authority has only total dollar values reported by the distributors under the Authority’s Service Quality Reporting Guidelines, as discussed in section 3.5 below.

The data for 2007-08 indicates that almost all GSL payments were for not making connections by the agreed date and for wrongful disconnections.

Figure 1 – Energex GSL Payments, 2005-06 to 2007-08¹



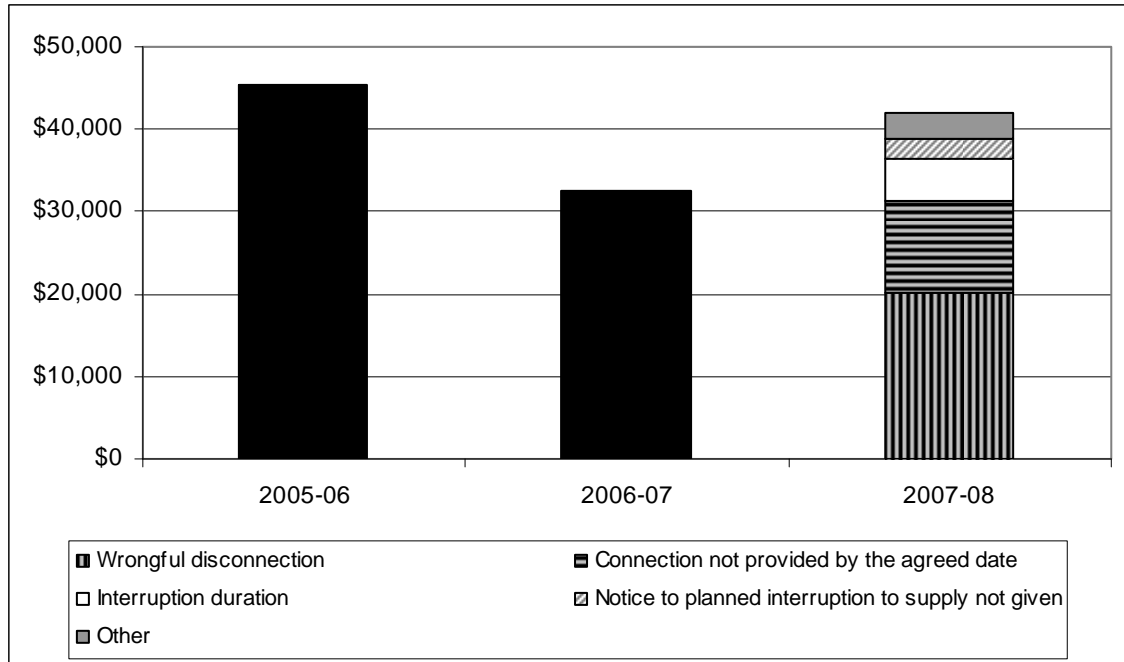
¹ Performance is estimated based on a straight-line extrapolation of nine months of data and therefore does not account for seasonal variations in performance. Final performance numbers will become available by 31 August 2008

2.4 Ergon Energy GSL performance

Figure 2 presents the level of payments Ergon Energy has made to customers as a result of breaches to GSL over the period from 2005-06 to 2007-08.

As shown in Figure 2, most of the GSL payments made by Ergon Energy in 2007-08 were for making wrongful disconnections, not making connections by the agreed date and for the duration of outages.

Figure 2 – Ergon Energy GSL Payments, 2005-06 to 2007-08¹



¹ Performance for 2007-08 has been estimated based on a straight-line extrapolation of nine months of data and therefore does not account for seasonal variations in performance. Final performance numbers will become available by 31 August 2008.

2.5 Other service quality information

In its role as the economic regulator of Energex and Ergon Energy distribution network services, the Authority has been collecting service quality data for a number of years according to the Authority’s Service Quality Reporting Guidelines. The guidelines require Energex and Ergon Energy to provide a range of data covering reliability, quality of supply and customer service measures. The Authority has released annual and quarterly reports on this data since the September quarter 2002 which stakeholders may find useful in considering the issues raised in this report. The Authority’s service quality reports are available on the Authority’s website.

3. SCOPE OF THE REVIEW

The Code sets out the MSS and GSL requirements that apply to Queensland electricity distributors. The purpose of this review is decide on any changes to the MSS and GSL requirements to apply from 1 July 2010. The Code allows the Authority significant discretion in choosing the scope of the review. Three potential levels of review are outlined.

3.1 Objectives in setting MSS and GSL arrangements

As noted previously, sections 2.4.4 and 2.5.19 of the Code require the Authority to review the minimum service standards and guaranteed service levels to apply from the start of the next regulatory period.

Sections 2.4.4 and 2.5.19 of the Code do not include any explicit requirements or limitations on the nature of the review that the Authority is to conduct, other than it must consult with the distributors in relation to MSS. However, the potential range of options for additional MSS and GSL is limited by the intended nature of MSS and GSL as indicated in the Code.

Specifically, in relation to MSS, section 2.4.1 of the Code states:

- (a) *The purpose of the minimum service standards is to:*
- (i) *provide a standard against which a distribution entity's performance, by feeder type, will be assessed across the supply network; and*
 - (ii) *enable annual comparisons of a distribution entity's performance.*
- (b) *The minimum service standards do not constitute standards which are enforceable against a distribution entity by individual customers.*

Regarding GSL, section 1.1.2 (c) of the Code states that the scope of the Code is to:

..... set guaranteed service levels which require a distribution entity to provide a payment to a small customer where those service levels are not met.

It is clear from these sections of the Code that MSS are intended to apply to distributors' total network performance in contrast to GSL which are intended to apply to services received by individual small customers. Section 2.4.1 of the Code also indicates that MSS must be capable of being measured by feeder type.

Beyond these specific references to MSS and GSL, the only other guide in the Code to the Authority in conducting its review of MSS and GSL is the overarching Code objective in Section 1.1.1 of the Code, which state:

The objective of this Code is to promote efficient investment in, and efficient use of, electricity services for the long-term interests of Queensland customers about:

- (a) *price, quality, reliability and security of supply of electricity; and*
- (b) *the reliability, safety and security of the Queensland electricity system.*

The Code objective provides an important test against which the potential range of MSS and GSL options must be assessed. For example, significantly improved service reliability may be desirable but not if the cost of improvement outweighs the benefit to customers.

3.2 Options for minimum service standards and guaranteed service levels

Given the issues discussed above, a wide range of options are potentially open to the Authority regarding the scope of its review. Three possible options are discussed below.

Minimalist Review

The MSS requirements in the Code were reviewed early in 2007 by the Department of Mines and Energy (DME) and the GSL requirements were set in the first edition of the Code in 2005. As a result, it could be argued that a comprehensive review of MSS and GSL arrangements is not yet required and that a minimalist review might be more appropriate.

A minimalist review might be confined to the existing MSS and GSL performance measures and not consider the introduction of additional measures.

Regarding the levels at which the MSS targets are set, a minimalist review might involve simply adopting the indicative MSS for 2010-11 to the 2014-15 already included in the Code as these were based on recommendations by DME following its recent review of MSS in 2007.

For GSL, a minimalist approach might involve adopting the same performance targets currently included in the Code and adjusting penalty payments to counter the impact of inflation on the real value of penalties.

Intermediate Review

A slightly more extensive review might be warranted if it is considered that some relatively modest amendments of the existing MSS and GSL arrangements are desirable.

Like a minimalist review, an intermediate review might be confined to the existing MSS and GSL performance measures but could involve changes in the levels at which MSS and GSL performance targets are set.

Changes to some or all of the indicative MSS for 2010-11 to the 2014-15 already included in the Code might be made based on relatively straight-forward desk-top analysis, for example, benchmarking against actual recent performance by the distributors (as discussed in chapter 2) and benchmarking against performance by similar distributors in other jurisdictions.

For GSL, an intermediate review might involve changing some or all of the current performance targets based on the recent performance of the distributors against these targets (as discussed in chapter 2) and the performance of comparable distributors in other jurisdictions.

Comprehensive Review

A comprehensive review might be warranted if it is considered the existing MSS and GSL arrangements require significant revision, in terms of both changes to the existing performance targets and penalties as well as the potential introduction of new MSS and GSL requirements.

Changes to the indicative MSS for 2010-11 to the 2014-15 already included in the Code might be made on the basis of more in-depth research and complex analysis than that envisaged for an intermediate review, for example, making use of customer willingness-to-pay surveys conducted in Queensland and elsewhere.

As indicated in the discussion in chapter 4, based on measures used in other jurisdictions, there are additional measures that could form the basis of new MSS or GSL measures in Queensland. While the Authority has not raised issues associated with any potential new measures in this

report, it will consider the introduction of new measures in its Draft Decision should it decide to adopt a comprehensive approach to reviewing the current MSS and GSL arrangements.

The Authority seeks the views of stakeholders on the following issues:

- **Which of the three review options discussed above should the Authority adopt?**
- **If none, what other review option(s) should the Authority consider?**
- **What reason(s), if any, are there for changing the indicative MSS in the Code for 2010-11 to 2014-15 and the existing GSL limits and penalties in the Code?**
- **If changes to existing MSS and GSL are warranted, what changes should be made and by what method should these be determined?**
- **Should any additional MSS or GSL be introduced from 1 July 2010?**
- **If so, what are they and by what method should they be set?**

4. OTHER JURISDICTIONS

In reviewing the MSS and GSL arrangements to apply in Queensland from 1 July 2010, the Authority will consider the approaches adopted in other jurisdictions. A brief summary of the arrangements in South Australia, New South Wales, Tasmania and Victoria is provided below.

While each of these jurisdictions have MSS and/or GSL schemes, there are some significant differences between jurisdictions in the measures used and, where similar measures have been adopted, the levels at which MSS and GSL targets and payments have been set. This generally reflects differences in the physical characteristics of distribution networks and the environments within which they operate.

4.1 South Australia

Under the South Australian Electricity Distribution Code (the SA Code), the Essential Services Commission of South Australia (ESCOSA) sets service standards that ETSA Utilities is required to meet in return for its allowed revenue.

The service standard framework that applies for the 2005 to 2010 regulatory period includes average service standards to be met by ETSA Utilities and a guaranteed service level payment scheme.

Average service standards

ETSA Utilities is required to meet average standards of reliability of supply, quality of supply and customer service. The standards are the same for each year of the 2005-2010 regulatory period.

In relation to reliability of supply, ETSA Utilities must use its best endeavours to achieve targets for the frequency (SAIFI) and duration (SAIDI) of distribution outages. The targets were based on historical reliability data from ETSA Utilities' manual recording system. Different reliability standards apply in each of ETSA Utilities' seven regions.

The SA Code also includes a best endeavours standard for each region for the time to restore supply to a specific proportion of customers affected by an interruption.

Quality of supply is measured by deviations of voltage from specified levels. ETSA Utilities' distribution network must be designed, installed, operated and maintained such that voltage standards as specified in the Code are maintained.

In relation to customer service, ETSA Utilities must use its best endeavours to achieve targets for the timeliness of responses to telephone and written enquiries, and timeliness in providing written explanations for interruptions to supply after customer requests.

Guaranteed Service Level payment scheme

The GSL scheme in South Australia involves service provided by ETSA Utilities to individual customers and is established under the standard connection and supply contract between ETSA Utilities and its customers. As a result, ETSA Utilities is contractually obliged to meet the GSL obligations for each customer connected to the distribution network. The GSL scheme covers the following aspects of ETSA Utilities' service:

- timeliness of appointments with customers;
- timeliness of making new connections;

- timeliness of repairs to street lights; and
- frequency and duration of supply interruptions.

In its Draft Decision on the service standards to apply to ETSA Utilities from 2010 to 2015, ESCOSA (2008) considered that, based on the outcomes of a 2007 survey of customer satisfaction and willingness to pay and the low levels of customer complaints received by ETSA Utilities, there appeared to be no compelling evidence that residential and small business customers in South Australia were seeking improvement in the reliability of their electricity supply. Partly for this reason, ESCOSA proposed to largely retain the existing set of average service standards and guaranteed service levels for 2010 to 2015. Some notable changes include:

- SAIDI and SAIFI targets based on four years of reliability data from ETSA Utilities' outage management system rather than its less accurate manual recoding system;
- standards for the time to restore supply will not continue on the basis that more targeted performance drivers are provided by the GSL scheme and the service incentive scheme that forms part of the price control regime applied to ETSA Utilities; and
- provision for the exclusion of statistical outliers in reliability performance based on the Institute of Electrical and Electronic Engineers "major event day" approach.

Details of the service standards and GSL scheme (currently under revision) in South Australia can be accessed at the following web address:

http://www.escosa.sa.gov.au/webdata/resources/files/080604-ServStds2010-2015_DraftDec.pdf

4.2 Victoria

The Essential Services Commission of Victoria (ESCV) (2005) established a service standard framework to apply to Victorian distributors for the 2006-2010 regulatory period. The framework is similar to the average service standards framework proposed by ESCOSA in its Draft Decision, as discussed above, in that it covers reliability of supply, quality of supply and customer service performance measures, with reliability of supply measures being of primary importance.

Distribution reliability standards.

For the 2006-10 regulatory period, the ESCV established average reliability standards for the duration (SAIDI) and frequency (SAIFI) of unplanned and planned outages, as well as planned and unplanned momentary interruptions (as measured by MAIFI, the Momentary Average Interruption Frequency Index). The SAIDI and SAIFI standards apply by feeder type (CBD, urban, short rural and long rural).

Under the Victorian Electricity Industry Code, distributors are required to use best endeavours to meet the reliability standards.

In setting reliability standards, the ESCV assessed the value that customers attributed to reliable electricity supply, based on the findings of a customer willingness-to-pay survey conducted by KPMG for ESCOSA and surveys conducted in other jurisdictions. The ESCV concluded that the majority of customers were satisfied with their existing level of supply reliability and were unwilling to pay more for improved reliability. As a result, the ESCV set reliability standards for each year of the regulatory period at the same level, based on historical performance by distributors in the previous regulatory period.

Guaranteed Service Level Scheme

The Victorian GSL payments scheme entitles customers who are affected by poor service levels to be given monetary compensation by their electricity distributor. The scheme is part of the service incentive scheme (S-Factor scheme) rather than a separate component of the service standards framework.

Under the Victorian GSL scheme, GSL payments are to be made automatically to customers when they experience more than 20 hours, 30 hours and 60 hours of cumulative sustained unplanned interruptions in a year, with the GSL payment increasing for each threshold. Customers will also receive a GSL payment where the number of sustained interruptions is more than 10, 15 and 30 in a year, or the number of momentary interruptions is more than 24 and 36 in a year, again with increasing payments for each threshold.

Other GSL payments distributors are required to make relate to the timeliness of customer appointments, the commencement of supply and the repair of faulty streetlights.

Details of the service performance requirements for distributors in Victoria can be accessed at the following web address:

http://www.esc.vic.gov.au/NR/rdonlyres/D7144B43-C151-430D-8C6E-67719516ACFB/0/RI_ElecInformationSpecificationElecDist20060101_2_C064990.pdf

4.3 New South Wales

Under the New South Wales Electricity Supply Regulation 2001, energy utilities are required to meet guaranteed customer service standards which establish the minimum standard of service that a utility must provide to small retail customers in a range of service areas and in some cases require the utility to pay a specified amount to the customer if it fails to meet the standard.

The Independent Pricing and Regulatory Tribunal (IPART) (2004) made its final recommendations to the Minister on its review of the guaranteed customer service standards, which the Minister subsequently accepted in 2005.

The guaranteed customer service standards apply to the frequency and duration of unplanned distribution-related outages in urban and rural areas, the cost of telephone services provided and the timeliness of connections and notices of planned interruptions.

In determining the reliability standards, IPART considered the findings of several customer surveys which indicated that customers generally attach higher priority to network reliability and access to supply than other aspects of service quality. On this basis, IPART set higher payments for breaches of the guaranteed customer service standards for network reliability and timely provision of services.

IPART decided not to include a standard for momentary interruptions because, while of concern for customers, IPART considered that imposing a standard for momentary interruptions would result in too much uncertainty for distributors because of the possibility of a very high number of claims.

Payments for breaches of reliability standards must be claimed by customers and are capped at four claims per customer per year. Distributors are also required to make payments for breaches of the standards for the timeliness of connections and notices of planned interruptions.

Details of the Guaranteed Service Standards scheme in operation in NSW can be accessed at the following web address:

<http://www.ipart.nsw.gov.au/files/Op-22.pdf>

4.4 Tasmania

Under the Tasmanian Electricity Code (the TAS Code), the Tasmanian distributor, Aurora Energy, is required to meet a range of distribution reliability standards and guaranteed service levels, as outlined below.

Distribution Reliability Standards

For the purpose of applying reliability standards, Aurora Energy's network is segregated into 101 discrete communities that fall into one of five community categories, including critical infrastructure, high density commercial, urban, higher density rural and lower density rural.

Distribution reliability standards apply to the frequency (SAIFI) and duration (SAIDI) of outages for all high voltage networks in each of the five community categories. In addition, distribution reliability standards apply to the frequency and duration of outages for the high voltage network in each of the 101 discrete communities, based on which community category it belongs to.

There are also minimum standards, based on upper limits of outage frequency and outage duration, that are to be delivered to individual customers.

The reliability standards were based on the nature of individual communities in Tasmania, the value they attributed to reliable electricity supply and the cost of providing particular levels of reliability to particular communities. The Office of the Tasmanian Energy Regulator (2008) considered this to be a more realistic approach in setting levels of reliability standards required to be met by distributors and that it would ensure communities receiving the worst reliability could be identified and have their service improved.

Details of service standards reporting in Tasmania can be accessed at the following web address:

[http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Electricity_Supply_Industry_Reporting_Guideline_%20v%201.0_070307.pdf/\\$file/Electricity_Supply_Industry_Reporting_Guideline_%20v%201.0_070307.pdf](http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Electricity_Supply_Industry_Reporting_Guideline_%20v%201.0_070307.pdf/$file/Electricity_Supply_Industry_Reporting_Guideline_%20v%201.0_070307.pdf)

Guaranteed Service Levels

Tasmania has a GSL payment scheme whereby individual customers receive an \$80 compensation payment for prolonged or too frequent outages (subject to terms and conditions contained under the TAS Code). Different GSL limits apply across the five community categories noted above for reliability standards.

The GSL scheme is intended to act as an incentive for distributors to ensuring that performance improvement expenditure is targeted at customers receiving poorer levels of network performance.

In developing the appropriate GSL thresholds, difficulties were encountered in assessing the value attributed to reliable electricity supply by both residential and business customers. To address this problem, a study of economic drivers and constraints was adopted in assessing the value attributed by business customers while for residential customers, anecdotal evidence such as assessing the number and trend of customer complaints was used.

Details of the GSL scheme in operation in Tasmania can be accessed at the following web address:

[http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Guaranteed%20Service%20Level%20Scheme%20Guideline%20Version%202.pdf/\\$file/Guaranteed%20Service%20Level%20Scheme%20Guideline%20Version%202.pdf](http://www.energyregulator.tas.gov.au/domino/otter.nsf/LookupFiles/Guaranteed%20Service%20Level%20Scheme%20Guideline%20Version%202.pdf/$file/Guaranteed%20Service%20Level%20Scheme%20Guideline%20Version%202.pdf)

5. REFERENCES

Australia Energy Regulator (2008), *Final Decision, Electricity Distribution Network Service Providers, Service Target Performance Incentive Scheme*.

Essential Services Commission (2005), *Electricity Distribution Price Review 2006-10, Final Decision*.

Essential Services Commission of South Australia (2008), *South Australian Jurisdictional Service Standards to Apply to ETSA Utilities in the 2010-2015 Regulatory Period - Draft Decision*.

Independent Pricing and Regulatory Tribunal (2004), *Review of Guaranteed Customer Service Standards and Operating Statistics - Final Recommendations*.

Office of the Tasmanian Energy Regulator (2008), *Reliability and Network Planning Panel, the 2007 Reliability Review Report*.