QLD COMPETITION AUTHORITY
10 SEP 2008
DATE RECEIVED

Queensland Government

Department of
Mines and Energy

Your ref:
Our ref: DBN310

09 SEP 2008

Mr Moston Neck
Team Leader
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Neck

The Department of Mines and Energy (DME) is pleased to make a submission in relation to the Queensland Competition Authority discussion paper 'Review of Electricity Distribution Network Minimum Service Standards and Guaranteed Service Levels to Apply in Queensland from 1 July 2010'.

DME's responses and suggested parameters for the upcoming review of Minimum Service Standards and Guaranteed Service Levels are provided in the attached document.

I trust this information is of assistance. Should you have any further enquiries, please contact Mr Graham Proud on telephone 3239 0044.

Yours sincerely

[redacted]

DAN HUNT
Director-General

Att

Department of Mines and Energy
PO Box 15216
City East
Queensland 4002 Australia
Telephone +61 7 3898 0375
Facsimile +61 7 3238 3088
Website www.dme.qld.gov.au
ABN 98 628 485 885

Queensland
Government
Department of
Mines and Energy

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

Response to Queensland Competition Authority Discussion Paper

Response Date: 15 August 2008

Introduction

Under Section 2.4.4 and 2.5.19 of the Code, Queensland Competition Authority (QCA) is required to review Minimum Service Standards (MSS) and Guaranteed Service Levels (GSL) limits and payments to apply from the beginning of the next regulatory period commencing 1 July 2010. As part of this review, QCA has published a discussion paper to assist stakeholders in making submissions.

This paper constitutes the Department of Mines and Energy's (DME) response to the request for submissions. In particular, the questions raised by QCA in the discussion paper are highlighted in *blue italics*, and reproduced here for convenience of the reader. DME recommendations are highlighted in **red bold**.

- *Which of the three review options discussed above should the Authority adopt?*
- *If none, what other review options(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?*

Minimum Service Standards

Introduction of Indicative MSS – Minimalist Review

What reasons, if any, are there for changing the indicative MSS in the Code for 2010-11 to 2014-15?

Prior to 1 July 2007, DME reviewed MSS for reliability of supply, as the regulator under the *Electricity Act 1994*. In conducting the MSS review, DME invited representatives of ENERGEX, Ergon Energy and the QCA to participate in a working group to develop recommendations via a discussion paper on future reporting standards and levels.

The discussion paper was sent to ENERGEX, Ergon Energy and the QCA for official comments. Along with the other recommendations made in the discussion paper, both distributors accepted the 'indicative' MSS targets for reliability of supply for the next regulatory period commencing 2010-11. It should be noted that the 'indicative' MSS targets for reliability of supply were developed based on current distributor performance, the performance of interstate peers and interstate MSS levels.

DME suggests a minimalist review of the 'indicative' MSS targets for reliability of supply beyond 2009-10 in the Electricity Industry Code.

Introduction of Additional MSS – Comprehensive Review

Should any additional MSS or GSL be introduced from the 1 July 2010? If so, what are they and by what method should they be set?

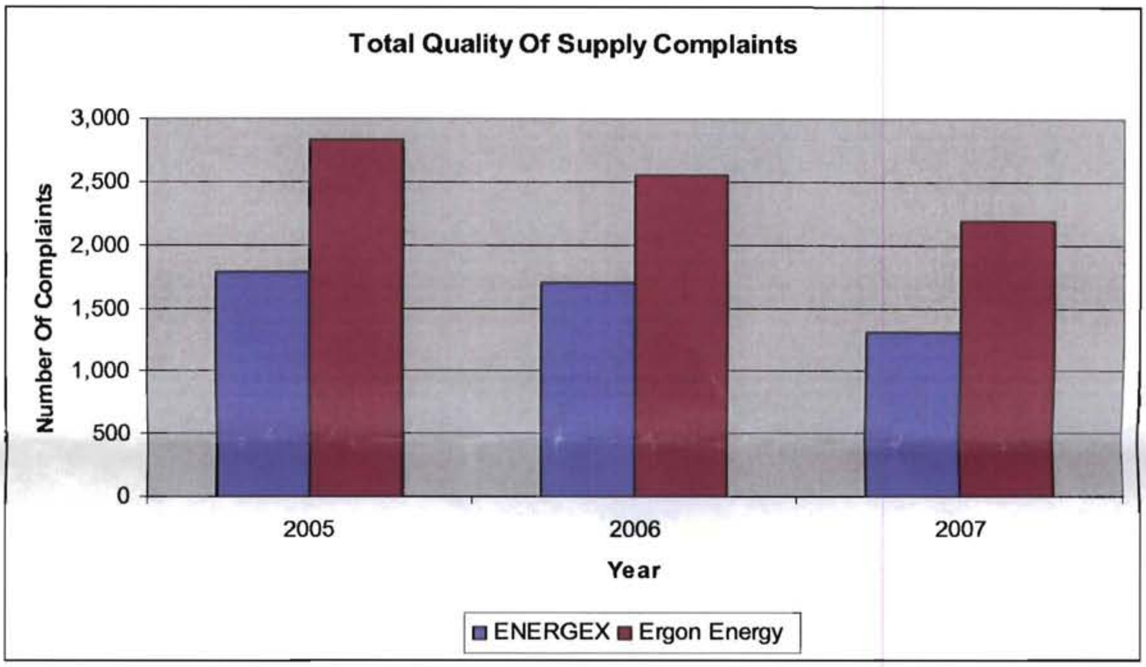
Power quality has traditionally been considered in terms of reliability of supply, and this has been assessed in terms of frequency and duration of interruptions to the supply. However, with the proliferation of electrical equipment that is sensitive to a variety of disturbances in supply, the reliability of supply can no longer be defined solely in terms of interruptions. A supply that suffers from disturbance levels that damages or causes misoperation of equipment can be just as expensive and inconvenient to a customer as a supply that suffers from sustained interruptions.

Recognising the importance of quality of supply in modern electricity distribution systems, the Electricity Distribution Codes in Victoria, Tasmania and South Australia include quality of supply standards which are much more comprehensive in scope than present standards in Queensland. They place obligations on both distributors and customers.

In brief, the power quality standards in the Victorian, Tasmanian and South Australian electricity distribution codes include:

A. **Voltage**: Victoria and Tasmania adopt 230 V +10%, -6% for steady state voltage. The averaging interval is 5 minutes for Tasmania, 10 minutes for Victoria. South Australia also adopts 230 V +10%, -6% for steady state voltage as recommended by AS60038 and the voltage fluctuations that occur are contained within the limits as set out in AS/NZS 61000 Parts 3.3 and 3.5 and AS2279 Part 4.
B. **Power Factor**: Victoria, Tasmania and South Australia have equivalent ranges for allowable power factor depending on voltage level and load level for the customer.
C. **Harmonics**: Tasmania refers to AS 61000.3.6 whereas Victoria provides tables of limits. In South Australia the harmonic voltage distortions should not exceed the values in AS/NZS 61000 Part 3.2 and AS 2279 Part 2.
D. **Inductive Interference**: Victoria and Tasmania refer to the same standard AS2344-1997. In South Australia interference should be less than the limits set out in AS/NZS 61000 Part 3.5 and AS/NZS 2344.
E. **Negative Sequence Voltage**: Tasmania references IEC61000.4.30 whereas Victoria nominates limits for different time durations.
F. **Load Balance:** Victoria, Tasmania and South Australia require customers given three-phase supply to maintain load balance across the three phases. Each state has different standards.
G. **Voltage Fluctuations / Disturbing Loads:** Victoria, Tasmania and South Australia refer to AS61000.

The following graph represents the reduction in the number of quality of supply *complaints received by ENERGEX and Ergon Energy.* However, while the number of complaints may have decreased, this does not necessarily indicate a real improvement in the quality of supply by the distributors. If the MSS parameters were expanded to include quality of supply standards, then a benchmark would be established against which performance can be gauged more accurately and improved upon should such improvement be required according to the set standards. Total number of quality of supply complaints include complaints received from customers in relation to low voltage supply, voltage dips- minor, voltage dips-severe, voltage swell, voltage spike, waveform distortion, TV or radio interference, noise from appliances and others.



Source: QCA Service Quality Reports

National and international developments reflect the establishment of MSS for quality of supply. Also, establishing quality of supply standards would complement outcomes of the Electricity Distribution and Service Delivery (EDSD) Review recommendations. Accordingly, DME considers that the scope of the review should encompass an examination of the introduction supply quality MSS. A technical working group involving representatives from DME and the distributors could be established with the aim of reviewing the success of interstate and international standards and providing relevant feedback for QCA consideration with a view to introduction in Queensland at some future time (e.g. 1 July 2010).

DME suggests a comprehensive review of the standards for quality of supply.

GSL – Intermediate Review

What reason(s), if any, are there for changing the indicative MSS in the Code for 2010-2011 to 2014-15 and the existing GSL limits in the Code?

DME considers that the current range of Guaranteed Service Level (GSL) limits requires an intermediate level review prior to the commencement of the next regulatory period. The suggested scope would include an examination of the GSL limits keeping in line with inflation, as a minimum, and also to consider whether the current limits continue to adequately address that the GSL payments are made on the basis of inconvenience to customers.

DME also notes the potential introduction of a Service Target Performance Incentive Scheme (STPIS) with the transitioning of regulatory jurisdiction from the QCA to the Australian Energy Regulator (AER) on 1 July 2010. Having regard for the feedback AER have received from Ergon Energy and ENERGEX in regards to elements of the proposed scheme as outlined in AER's paper "Preliminary Positions - Framework and Approach Paper - Application of Schemes - ENERGEX and Ergon Energy 2010-15", DME suggests that as part of the scope of the current review, synergies and possible areas of discord between the current GSL framework and the STPIS when applied to the Queensland context be investigated in order to provide for any transition to be as seamless as is possible.

If changes to existing MSS and GSL are warranted, what changes should be made and by what method should these by determined?

Total GSL payments made by both Ergon Energy and ENERGEX decreased for the 2006-07 financial year and then increased in the 2007-08 financial year. Various factors many have contributed to the observation.

At a minimum, GSL payments should be revised to reflect consumer price indexation in the years since the current payment levels were established in 2005, and should continue to be indexed annually to address the effects of inflation.

In addition, it is suggested that the scope of the review include an examination of the current limits addressing customer inconvenience. Any proposed change should take into account that GSL payments are made on the basis that customers have been inconvenienced and the level of such payments should adequately reflect this.

DME recommends an intermediate level review of GSL limits, in conjunction with consideration of the synergies and possible areas of discord between the current GSL framework and the STPIS when applied to the Queensland context.