REPORT ON PERFORMANCE AGAINST MINIMUM SERVICE STANDARDS AND COMPLIANCE WITH GUARANTEED SERVICE LEVELS BY ENERGEX AND ERGON ENERGY

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2009

Minimum Service Standards

The Queensland Electricity Industry Code (the Code) sets certain minimum service standards (MSS) for Energex and Ergon Energy.

The MSS relate to the frequency and duration of interruptions to distribution services. The purpose of the MSS is to provide a set of standards against which the performance of Energex and Ergon Energy can be assessed. The MSS also enable year-on-year comparisons of performance.

The MSS are different for Energex and Ergon Energy, reflecting differences in their distribution networks and the environment in which they operate.

The MSS generally require slight improvements in the performance of each distributor over time. If a distributor does not meet its MSS, the Code requires that it provides reasons for any failures in its quarterly or annual report and to detail a proposal to improve its performance.

The Code requires Energex and Ergon Energy to report their performance against the MSS within two months of the end of each quarter. However, because the MSS are annual targets, it is not until the distributors present their June quarterly reports that it can be confirmed whether they have met their MSS.

This report details the performance of Energex and Ergon Energy for 2008-09.

Guaranteed Service Levels

The Code also sets guaranteed service levels (GSL) that Energex and Ergon Energy must meet. The GSL relate to the quality of service received by individual customers. For example, the GSL set timeframes in which certain services should be provided to customers and limits on the number and duration of interruptions allowed to affect premises in a year.

In certain circumstances, if the distributors fail to comply with the GSL, the Code provides that an affected customer is eligible for a GSL payment. However, GSL payments are not intended to be a measure of the compensation deserved by a customer for poor distributor performance. Rather, GSL payments are intended to provide a financial incentive for distributors to maintain appropriate levels of service quality.

The Code requires Energex and Ergon Energy to report their compliance with the GSL within two months of the end of each quarter. The distributors must also report information about any GSL payments made to customers within the quarter.

This report details the compliance of Energex and Ergon Energy with the GSL for the 2008-09 financial year.

Distributors' Networks

The MSS and GSL reports received by the Authority are not intended to enable performance comparisons to be made between Energex and Ergon Energy. This is because Energex and Ergon Energy operate in very different environments.

Energex operates a distribution network that is located in the urban area of South East Queensland. Ergon Energy operates a distribution network spread across the remainder of the State. As a result, it is to be expected that the performance of each distributor will vary significantly. However, the MSS will support year-on-year comparisons of the performance of each distributor.

Table 1 provides some key measures that illustrate the differences between the two distributors' networks.

Table 1. Energex and Ergon Energy Networks

Network Descriptor	*Energex*	*Ergon Energy*
Network service area	25,064 sq km	1,698,100 sq km
Number of customers	1,256,574	636,480
Number of distribution transformers	44,613	83,744
Energy delivered	21,855 GWh	14,130 GWh
Maximum demand of network	4,714 MVA	2,498 MVA
Asset utilisation [a]	26.20 %	22.07 %
Distribution losses	5.66 %	5.65%

Source: Distributors' 2008-09 Annual Service Quality Reports and Service Quality Reports for the period ending 30 June 2009.
a Sub-transmission transformer utilisation factor. Electricity throughput (MWh) expressed as a percentage of sub-transformer capacity (MVA) multiplied by the number of hours per year.

The MSS and GSL in Operation

Operation of the MSS

The MSS relate to the frequency and duration of interruptions to the distribution services provided by Energex and Ergon Energy. An interruption includes any temporary unavailability of electricity supply to a customer associated with an outage of the electricity supply network. It includes outages affecting single premises but it does not include disconnections.

The MSS are average measures of performance across each distribution network.

Under the Code, there are six MSS for each distributor. Three MSS relate to the average *duration* of service interruptions while the other three relate to the *frequency* of service interruptions.

The MSS that relate to the duration of service interruptions are referred to as SAIDI Limits. SAIDI stands for the System Average Interruption Duration Index. It is the sum of the duration of each interruption (measured in minutes) divided by the total number of customers (averaged over the financial year) for each distributor.

The MSS that relate to the frequency of service interruptions are referred to as SAIFI Limits. SAIFI stands for the System Average Interruption Frequency Index. It is the total number of interruptions, divided by the total number of customers (averaged over the financial year) for each distributor.

The MSS for each financial year are specified in Schedule 1 of the Code. The MSS generally reduce over time, requiring slight improvements in the performance of each distributor. The MSS are different for Energex and Ergon Energy, reflecting the differences in their distribution networks. In this regard, Energex's SAIDI and SAIFI Limits relate to its CBD feeders, urban feeders and short rural feeders. For Ergon Energy, its SAIDI and SAIFI Limits relate to its urban feeders, short rural feeders and long rural feeders.

Some interruptions are excluded when measuring the performance of the distributors against the MSS. This includes the impact of major events such as severe storms. It also includes interruptions of one minute or less (momentary interruptions). Other exclusions include interruptions resulting from a failure of the shared transmission grid and interruptions caused by the failure of a customer's electrical installation. Interruptions caused by a direction by a police officer or other authorised person who is exercising powers in relation to public safety are also excluded. The list of excluded interruptions is defined under clause 2.4.3 of the Code.

Operation of the GSL

The GSL relate to the quality of service received by individual customers. In certain circumstances, if Energex and Ergon Energy fail to comply with the GSL, the Code provides that an affected customer is eligible for compensation in the form of a GSL payment.

The Code specifies the following GSL and GSL payments:

(a) wrongful disconnection of a customer – $100 GSL payment;

(b) late connection of a customer – $40 GSL payment per day late;

(c) late reconnection of a customer – $40 GSL payment per day late;

(d) late response to an inquiry regarding loss of hot water – $40 GSL payment per day late;

(e) failure to attend a scheduled appointment with a customer – $40 GSL payment; and

(f) failure to give proper notice of a planned interruption – $20 GSL payment to small residential customers and $50 GSL payment to small business customers.

The Code also specifies some GSL relating to reliability. These focus on the duration and frequency of interruptions. If an interruption lasts longer than eight hours for CBD feeders, 18 hours for urban or short rural feeders and 24 hours for long rural feeders, the customer is eligible for an $80 GSL payment.

If the frequency of interruptions to the electricity supply to a customer is too high, the customer is also eligible for an $80 GSL payment. The Code sets the maximum allowable number of interruptions for Energex and Ergon Energy, depending on the feeder type in question.

Some interruptions are excluded when measuring the compliance of Energex and Ergon Energy against the GSL that relate to reliability. For example, the impact of natural disasters is excluded. Interruptions of one minute or less are also excluded (momentary interruptions to supply). Other exclusions include any

failure of the shared transmission grid and any failure of a customer's electrical installation. Interruptions due to a direction by a police officer or other authorised person who is exercising powers in relation to public safety are also excluded.

There are limits on the number of GSL payments that can be made to an individual customer. There is also a cap of $320 on the value of GSL payments that any customer can receive in any financial year. This cap excludes GSL payments for wrongful disconnection.

The Authority's enforcement responsibilities

If a distributor fails to meet the MSS or comply with the GSL it may amount to a contravention of the Code. The Authority has responsibility for enforcing contraventions of the Code under the *Electricity Act 1994* (Qld) (the Act).

If the Authority believes that a material contravention has occurred, or is likely to occur, the Act provides the Authority with three potential stages of enforcement. These stages include:

(a) issuing warning notices;

(b) issuing Code contravention notices; and

(c) instituting Supreme Court proceedings.

If the conduct of an electricity entity is likely to result in a material contravention of the Code, the Act also permits the Authority to refer the matter to the Director-General of the Queensland Department of Employment, Economic Development and Innovation. The Director-General is responsible for the licensing of electricity entities.

Summary of Energex Performance

Performance of Energex against the MSS

Energex's underlying performance in relation to duration (SAIDI) and frequency (SAIFI) of interruption by feeder type against its MSS targets for 2008-09 are presented in Tables 2 and 3.

During 2008-09, Energex met all six of its MSS and showed some improvement in its performance compared to 2007-08. However, its SAIFI performance for its short rural feeders was very close to exceeding the threshold for acceptable service levels – see Table 3.

Performance against the SAIDI Limits

Table 2. Performance of Energex against SAIDI Limits (minutes)

Measure	***2007-08***	***2008-09***	***SAIDI Limits 2008-09***
Total incl. exclusions and major event days			
CBD feeder type	4.05	3.15	
Urban feeder type	89.08	181.47	
Short rural feeder type	245.51	415.19	
*Total **net** of exclusions and major event days*			
CBD feeder type	3.97	3.15	20
Urban feeder type	84.67	91.24	122
Short rural feeder type	242.10	227.76	232

Performance against the SAIFI Limits

Table 3. Performance of Energex against SAIFI Limits (number of events)

Measure	***2007-08***	***2008-09***	***SAIFI Limits 2008-09***
Total incl exclusions and major event days			
CBD feeder type	0.04	0.06	
Urban feeder type	1.12	1.29	
Short rural feeder type	2.76	3.06	
*Total **net** of exclusions and major event days*			
CBD feeder type	0.04	0.06	0.33
Urban feeder type	1.05	1.05	1.43
Short rural feeder type	2.71	2.557	2.56

Details of excluded interruptions

Table 4 details the interruptions that were excluded in determining the performance of Energex against its SAIDI and SAIFI Limits.

Table 4. Exclusions from Minimum Service Standards -2008-09

Cause of event	***Excluded from SAIDI (minutes)***	***Excluded from SAIFI (events)***
Generation or transmission related		
CBD feeder type	0	0
Urban feeder type	0.71	0.03
Short rural feeder type	3.29	0.07
NEMMCO direction		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
Automatic load shedding by distributor		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
Customer installation caused interruptions		
CBD feeder type	0	0
Urban feeder type	0.05	0
Short rural feeder type	0.24	0
Authorised interruption for public safety		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
Interruption which commences on a Major Event Day		
CBD feeder type	0	0
Urban feeder type	89.48	0.22
Short rural feeder type	183.89	0.43
Total exclusions		
CBD feeder type	0	0
Urban feeder type	0.76	0.24
Short rural feeder type	3.54	0.50

The most common types of interruptions that were excluded by Energex were those due to failure of the shared transmission grid and shortfalls in generation. Other exclusions reported by Energex related to failure of customer electricity installations and complying with directions in relation to public safety.

Details of major event days

Major event days are excluded when assessing the performance of distributors against the MSS as the scheme is aimed at measuring the underlying performance of their networks. Major event days include days where severe storms impact substantially on system reliability. A major event day is one where the minutes off-supply (the daily SAIDI value) exceeds a certain threshold, which is based on the distributor's historical reliability data.

Energex reported only one major event day in 2008-09. The event occurred on 20 May 2009 and was due to severe weather condition affecting Energex's distribution area. Table 5 provides details on this event.

Table 5. Major event day for Energex - 2008-09

Measure	***Excluded from SAIDI (minutes)***	***Excluded from SAIFI (events)***
Total major event days		
CBD feeder type	0	0
Urban feeder type	89.48	0.24
Short rural feeder type	183.89	0.50

Compliance of Energex with the GSL

Energex reported that it made 3,843 GSL payments to customers in 2008-09, totalling $718,420. This is a significant increase from the result recorded in 2007-08 (971 payments, totalling $109,850). The majority of Energex's GSL payments were caused by its failure to complete new connections on time (89.6%). Other significant causes included wrongful disconnections (4.7%) and failure to reconnect on time (4.5%).

Information about GSL payments made

Table 6 provides details of the GSL payments made by Energex during 2008-09.

Table 6. Energex GSL payments -2008-09

GSL description	*Number of payments made*	*Value of payments($)*
Failure to properly notify small business customer of planned interruption (GSL = $50)	2	100
Failure to properly notify residential customer of planned interruption (GSL = $20)	21	420
Late new connection (GSL = $40 / day)	3,445	684,280
Wrongful disconnection (GSL = $100)	181	18,100
Late re-connection (GSL = $40 / day)	174	14,680
Late response to complaint relating to loss of hot water (GSL = $40 / day)	0	0
Failure to attend a scheduled appointment with a customer (GSL = $40)	19	760
Reliability – duration – period of an interruption is too long (GSL = $80)	1	80
Reliability – frequency – too many interruptions over the financial year (GSL = $80)	0	0
Total number of GSL payments	**3,843**	**718,420**

The high number of late new connections occurred throughout the first three quarters of the year and was to be expected as it reflects problems Energex was experiencing in completing standard service orders for disconnection, reconnection and new connections on time and which subsequently lead to the Authority taking enforcement action against Energex in December 2008.

Following the resolution of these issues, the number of GSL payments made by Energex for failing to make new connections on time returned to more normal levels.

The number and type of rejected claims for GSL payments

Table 7 provides details of the number of claims made for GSL payments which were rejected by Energex during 2008-09.

Table 7. Energex: rejected claims for GSL payments - 2008-09

GSL description	*Customer claims rejected*
Failure to properly notify small business customer of planned interruption (GSL = $50)	3
Failure to properly notify residential customer of planned interruption (GSL = $20)	7
Late new connection (GSL = $40 / day)	59
Wrongful disconnection (GSL = $100)	3
Late reconnection (GSL = $40 / day)	1
Late response to complaint relating to loss of hot water (GSL = $40/day)	2
Failure to attend a scheduled appointment with a customer (GSL = $40)	2
Reliability – duration – period of an interruption is too long (GSL = $80)	35
Reliability – frequency – too many interruptions over the financial year (GSL = $80)	2
Total number of GSL payments	**114**

Summary of Performance of Ergon Energy

Performance of Ergon Energy against the MSS

During 2008-09, Ergon Energy failed to meet five of its six MSS targets (only meeting its SAIFI target for its long rural feeder network). Ergon Energy's performance represents a significant deterioration relative to its performance in 2007-08.

By way of explanation, Ergon Energy advised that its failure to meet the targets was due to:

(a) the occurrence of a number of relatively severe weather events, particularly during the third quarter of 2008-09, which had not met the criteria for exclusion, requiring Ergon Energy to authorise a number of forced outages to ensure public safety. The severe weather conditions also impeded access by field staff to performance investigation and maintenance works on the affected sections of the network, thereby further delaying restoration of supply;

(b) an increase in the number of planned network outages arising from a ban imposed on live line work practices which commenced on 19 February 2009 intended to address a recent increase in the number of live line related safety incidents; and

(c) an increase in the duration of outages due to a separate but related ban imposed on the use of a particular type of Air Break Switches (ABS) which are used during maintenance and repair works.

Ergon Energy provided a detailed explanation to the Authority, including the causes of its poor performance, the actions it had undertaken to mitigate these issues and the strategies it had proposed to improve its future performance. This explanation is available on the Authority's website.

Ergon Energy's underlying performance in relation to duration (SAIDI) and frequency (SAIFI) of interruption by feeder type against its MSS targets for 2008-09 are presented in Tables 8 and 9.

Performance against the SAIDI Limits

Table 8. Performance of Ergon Energy against SAIDI Limits

Measure	***2007-08***	***2008-09***	***SAIDI Limits 2008-09***
Total incl exclusions and major event days			
Urban feeder type	262.40	317.45	
Short rural feeder type	583.38	684.11	
Long rural feeder type	1,188.78	1,254.20	
*Total **net** of exclusions and major event days*			
Urban feeder type	177.83	216.85	180
Short rural feeder type	453.87	608.54	500
Long rural feeder type	1,010.78	1,107.96	1,040

Performance against the SAIFI Limits

Table 9. Performance of Ergon Energy against SAIFI Limits

Measure	*2007-08*	*2008-09*	*SAIFI Limits 2008-09*
Total incl exclusions and major event days			
Urban feeder type	2.52	3.50	
Short rural feeder type	4.23	5.78	
Long rural feeder type	7.17	8.49	
*Total **net** of exclusions and major event days*			
Urban feeder type	1.85	2.33	2.30
Short rural feeder type	3.49	4.93	4.50
Long rural feeder type	6.39	7.73	7.80

Details of excluded interruptions

Table 10 provides details of the interruptions that were excluded in determining the performance of Ergon Energy against its SAIDI and SAIFI Limits.

Table 10. Exclusions from Minimum Service Standards - 2008-09

Cause of event	*Excluded from SAIDI (minutes)*	*Excluded from SAIFI (events)*
Generation or transmission related		
Urban feeder type	61.74	0.94
Short rural feeder type	38.79	0.54
Long rural feeder type	20.45	0.21
NEMMCO direction		
Urban feeder type	0	0
Short rural feeder type	0	0
Long rural feeder type	0	0
Automatic load shedding		
Urban feeder type	0	0
Short rural feeder type	0	0
Long rural feeder type	0	0
Customer installation caused interruptions		
Urban feeder type	2.09	0.02
Short rural feeder type	3.76	0.03
Long rural feeder type	7.26	0.03
Authorised interruption for public safety		
Urban feeder type	0	0
Short rural feeder type	0	0
Long rural feeder type	0	0
Total exclusions		
Urban feeder type	63.83	0.96
Short rural feeder type	42.55	0.57
Long rural feeder type	27.71	0.24

The most common types of interruptions that were excluded by Ergon Energy for 2008-09 were due to failure of the shared transmission grid. Other exclusions reported by Ergon Energy were due to the failure of customer electricity installations and complying with directions in relation to public safety.

Details of major event days

Major event days are excluded when assessing the performance of distributors against the MSS as the scheme is aimed at measuring the underlying performance of their networks. Major event days include days where severe storms impact substantially on system reliability. A major event day is one where the minutes off-supply (the daily SAIDI value) exceeds a certain threshold, which is based on the distributor's historical reliability data.

Ergon Energy reported three major event days in 2008-09, as follows:

(a) 20 November 2008;

(b) 7 December 2008; and

(c) 8 December 2008.

Table 11 contains details of these major event days.

Table 11. Major event days for Ergon Energy - 2008-09

Measure	*Excluded from SAIDI (minutes)*	*Excluded from SAIFI (events)*
Total major event days		
Urban feeder type	36.77	0.21
Short rural feeder type	33.02	0.29
Long rural feeder type	118.54	0.53

Compliance of Ergon Energy with the GSL

Ergon Energy reported that it made 1,262 GSL payments to customers in 2008-09, totalling $83,930. This is almost double the number of payments made in 2007-08 (639 payments).

The majority of GSL payments made in 2008-09 were associated with interruptions and this aligns with its poor performance against the MSS. The most common types of GSL payments were for duration of outages (28.6%), failure to properly notify residential customers of planned interruptions to supply (25.2%) and GSL payments relating to the high number of outages experienced by individual customers (17.0%). Wrongful disconnections accounted for 16.9% of payments.

Information about GSL payments made

Table 12 provides details of the GSL payments made by Ergon Energy during 2008-09.

Table 12. Ergon Energy GSL payments – 2008-09

GSL description	*Number of payments made*	*Value of payments made ($)*
Failure to properly notify small business customer of planned interruption (GSL = $50)	26	1,300
Failure to properly notify residential customer of planned interruption (GSL = $20)	318	6,450
Late new connection (GSL = $40 / day)	62	5,720
Wrongful disconnection (GSL = $100)	213	21,300
Late reconnection (GSL = $40 / day)	20	1,160
Late response to complaint relating to loss of hot water (GSL = $40 / day)	11	520
Failure to attend a scheduled appointment with a customer (GSL = $40)	37	1,480
Reliability – duration – period of an interruption is too long (GSL = $80)	361	28,880
Reliability – frequency – too many interruptions over the financial year (GSL = $80)	214	17,120
Total number of GSL payments	**1,262**	**83,930**

The number and type of rejected claims for GSL payments

Table 13 provides details of the number of claims made for GSL payments which were rejected by Ergon Energy during 2008-09.

Table 13. Ergon Energy: rejected claims for GSL payments for the 2008-09 financial year

GSL description	*Customer claims rejected*
Failure to properly notify small business customer of planned interruption (GSL = $50)	11
Failure to properly notify residential customer of planned interruption (GSL = $20)	40
Late new connection (GSL = $40 / day)	8
Wrongful disconnection (GSL = $100)	39
Late reconnection (GSL = $40 / day)	5
Late response to complaint relating to loss of hot water (GSL = $40 / day)	2
Failure to attend a scheduled appointment with a customer (GSL = $40)	7
Reliability – duration – period of an interruption is too long (GSL = $80)	60
Reliability – frequency – too many interruptions over the financial year (GSL = $80)	33
Total number of GSL payments	**205**