Queensland Competition Authority

Report

Performance against minimum service standards and guaranteed service levels by Energex and Ergon Energy for the 2012-13 financial year

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1 BACKGROUND

1.1 Minimum service standards

The Queensland Electricity Industry Code (the Code) requires Energex and Ergon Energy to use their best endeavours to meet the minimum service standards (MSS) in relation to the frequency and duration of distribution outages. These service standards are in place to ensure that customers receive at least a minimum prescribed level of supply reliability. If a distributor does not meet its MSS limits, the Code requires that it provides reasons for any failures and a proposal to improve its performance.

The MSS limits for Energex are more stringent than those for Ergon Energy, reflecting differences in their distribution networks and the environments in which they operate.

The Code requires Energex and Ergon Energy to report their performance against the MSS limits within two months of the end of each quarter. However, because the MSS are annual limits, it is not until the distributors present their June quarterly reports that the Authority can ascertain whether the distributors have performed within their MSS limits for the financial year.

This report details the performance of Energex and Ergon Energy against the MSS limits for the 2012-13 financial year.

1.2 Guaranteed service levels

The Code sets guaranteed service levels (GSLs) that distributors must meet regarding the quality and reliability of service received by individual customers. GSLs apply to the frequency and duration of customer outages as well as other aspects of the services received by individual small customers, including the timeliness of connections, reconnections and notices of planned interruptions. Individual small customers may be eligible for GSL payments when distributors fail to meet the GSL performance standards.

If the distributor fails to comply with the GSLs, the customer may be eligible for a GSL payment, up to a cap of $416 per customer per year (excluding wrongful disconnections which are uncapped). The prescribed GSL payment amounts vary according to the service performance parameter.

GSLs are not intended as an economic incentive for the networks to improve reliability or customer service performance, or as full compensation for affected customers. Rather, they are a means of providing some financial recognition of poor service experienced by individual customers. GSLs are intended to work in combination with the MSS limits to ensure that a minimum level of average network reliability is maintained, while recognising when individual customers receive poor service from their distributor.

The Code requires Energex and Ergon Energy to report their compliance with the GSL provisions within two months of the end of each quarter, including any GSL payments made to customers within the quarter. This report details the compliance of Energex and Ergon Energy with the GSL arrangements for the 2012-13 financial year.

1.3 Distributors' networks

The MSS and GSL reports provided to the Authority are not intended to enable performance comparisons between Energex and Ergon Energy. This is because Energex and Ergon Energy operate in very different environments with different network characteristics. However, the MSS reporting will support year-on-year comparisons of the performance of each distributor.

Energex operates a meshed distribution network that supplies largely urbanised areas of south east Queensland. Ergon Energy operates a more radial distribution network spread across the remainder of the state with a significant number of long, isolated feeders and lower customer densities. As a result, the reliability performance of the two distributors tends to differ significantly. The different prescribed MSS limits for the two networks reflect these differences.

1.4 The MSS and GSL requirements in operation

MSS requirements

The MSS requirements 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.

The MSS are average measures of performance across each distribution network (separated by feeder type), net of the impact of excluded events such as severe storms. To ensure a low probability of exceeding their MSS limits in a particular year, the distributors must aim to achieve a higher level of performance than the MSS limits. The MSS limits for each financial year are specified in Schedule 1 of the Code.

There are six MSS limits for each distributor. Three MSS limits relate to the average duration of service interruptions while the other three relate to the average frequency of service interruptions. Reliability performance is expressed using the following parameters:

(a) *System average interruption duration index* (SAIDI) 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, and;

(b) *System average interruption frequency index* (SAIFI) is the total number of interruptions, divided by the total number of customers (averaged over the financial year) for each distributor.

SAIDI and SAIFI performance is measured and reported based on broad feeder categories of CBD, urban, short rural and long rural feeders. The MSS limits differ between feeder types reflecting the performance that should reasonably be achieved on each feeder type.

Some interruptions may be excluded by the distributors when reporting performance against the MSS limits. Possible exclusions include interruptions commencing on a major event day, interruptions of one minute or less (momentary interruptions), interruptions resulting from a failure of the shared transmission grid and interruptions caused by the failure of a customer's electrical installation. Interruptions resulting from a direction by a police officer or other authorised person who is exercising powers in relation to public safety are also excluded. The complete list of excluded interruptions is set out in clause 2.4.3 of the Code.

GSL requirements

The GSL requirements relate to the quality of service and reliability received by individual customers. If Energex or Ergon Energy fail to comply with the GSL's, affected individual customers may be eligible for a GSL payment. The Code specifies the following GSL's and GSL payments:

(a) wrongful disconnection of a customer – $130 GSL payment;

(b) late connection of a customer – $52 GSL payment per day late;

(c) late reconnection of a customer – $52 GSL payment per day late;

(d) late to attend premises regarding loss of hot water – $52 GSL payment per day late;

(e) failure to attend a scheduled appointment with a customer – $52 GSL payment; and

(f) failure to give sufficient notice of a planned interruption – $26 GSL payment to small residential customers and $65 GSL payment to small business customers.

The Code also specifies some GSL's related to reliability. These focus on the duration and frequency of interruptions. If an individual customer experiences an interruption of 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 a $104 GSL payment.

If the frequency of interruptions experienced by an individual customer exceeds the prescribed levels, the customer may also be eligible for a $104 GSL payment. The Code sets the maximum number of individual customer interruptions for Energex and Ergon Energy, depending on the feeder type.

Some interruptions are excluded when determining liability for GSL payments that relate to reliability, for example, interruptions commencing on a major event day. Other exclusions include interruptions resulting from failure of the shared transmission grid and any failure of a customer's electrical installation.

There is a cap of $416 on the value of GSL payments that the distributors must pay to any individual customer in a financial year. This cap excludes GSL payments for wrongful disconnection, which are uncapped.

1.5 The Authority's enforcement responsibilities

If a distributor fails to meet the MSS limits or comply with the GSLs, this may represent a contravention of the Code. The Authority is responsible for enforcing contraventions of the Code under the *Electricity Act 1994* (Qld) (the Act).

Under the Act, if the Authority believes that a material contravention has occurred (or is likely to have occurred), warning notices, code contravention notices and Supreme Court proceedings for a civil pecuniary penalty can be given or sought.

1.6 Review of the MSS and GSL arrangements for the 2015-20 regulatory period

Under the Code, the Authority is required to review the MSS and GSL arrangements to apply to Energex and Ergon Energy from the beginning of the next five-year regulatory control period commencing on 1 July 2015. The Authority commenced this review in August 2013 with the release of a discussion paper setting out the key issues for consideration. This review will examine the current MSS and GSL arrangements and consider whether they remain appropriate for the next regulatory control period, and if not, what changes should be made.

The Authority expects to complete this review by mid-2014.

2 SUMMARY OF ENERGEX PERFORMANCE

2.1 Performance against the MSS limits

Energex's SAIDI and SAIFI performance before and after exclusions and its MSS limits for 2012-13 are presented in Tables 1 and 2. Energex outperformed all six of its MSS limits in 2012-13. Energex reported notable improvements in SAIDI and SAIFI on CBD and short rural feeders compared to 2011-12. However, urban feeder performance on both parameters deteriorated slightly. Notwithstanding this, Energex's performance during 2012-13 remains comfortably within the prescribed MSS limits for SAIDI and SAIFI for all feeder types.

Performance against the SAIDI limits

Table 1 Energex SAIDI performance (minutes)

Measure	*2009-10*	*2010-11*	*2011-12*	*2012-13*	*SAIDI MSS limits 2012-13*
Total **before exclusions**					
CBD feeders	1.19	595.75	9.17	4.58	
Urban feeders	98.82	540.51	67.16	403.90	
Short rural feeders	276.44	642.75	215.62	1033.09	
Total **net of exclusions**					
CBD feeders	1.19	6.05	8.16	1.41	15
Urban feeders	88.48	79.75	66.65	71.92	102
Short rural feeders	215.73	201.58	201.81	156.94	216

Performance against the SAIFI limits

Table 2 Energex SAIFI performance (number of interruptions)

Measure	*2009-10*	*2010-11*	*2011-12*	*2012-13*	*SAIFI MSS limits 2012-13*
Total **before exclusions**					
CBD feeders	0.08	0.27	0.04	0.01	
Urban feeders	1.37	1.25	0.74	1.19	
Short rural feeders	2.88	2.61	1.80	2.31	
Total **net of exclusions**					
CBD feeders	0.08	0.01	0.04	0.01	0.15
Urban feeders	1.20	0.92	0.74	0.79	1.22
Short rural feeders	2.41	2.05	1.73	1.53	2.42

Excluded interruptions

Table 3 sets out the interruptions that Energex has excluded in determining performance against its SAIDI and SAIFI limits during 2012-13. The number of excluded interruptions was significant in 2012-13 compared to 2011-12, predominately due to the high number of major event days associated with severe weather events during 2012-13.

Table 3 Energex's exclusions from MSS reporting for 2012-13

Cause of event	*Exclusions from SAIDI (minutes)*	*Exclusions from SAIFI (interruptions)*
Interruption commencing on a major event day		
CBD feeder	3.172	0.001
Urban feeder	331.941	0.399
Short rural feeder	876.096	0.781
Interruption resulting from failure of the shared transmission grid		
CBD feeder	-	-
Urban feeder	-	-
Short rural feeder	0.025	-
Interruption from direction by police officer or other authorised person in relation to public safety		
CBD feeder	-	-
Urban feeder	-	-
Short rural feeder	0.007	-
Interruptions caused by customer electrical installations		
CBD feeder	-	-
Urban feeder	0.039	0.001
Short rural feeder	0.028	-
Total exclusions		
CBD feeder	3.172	0.001
Urban feeder	331.980	0.400
Short rural feeder	876.156	0.781

Major event days

A major event day is one where the daily SAIDI value exceeds a certain threshold, which is based on the distributor's historical reliability performance. Major event days are often associated with severe storm events that cause significant, widespread and prolonged customer supply interruptions. Major event days are excluded when assessing the performance of distributors against the MSS limits as the intent of the MSS is to measure the underlying performance of their networks.

Energex reported seven major event days during 2012-13 on:

(a) 17 November 2012, as a result of a severe weather event affecting much of south-east Queensland;

(b) 26-30 January 2013 (inclusive), due to the impact of ex-tropical cyclone Oswald; and,

(c) 24 March 2013, as a result of a severe storm affecting Brisbane and south-east Queensland.

2.2 Compliance with the GSLs

Table 4 shows that, during 2012-13, Energex made 6,441 GSL payments totalling $456,092. This represents an increase from the number of payments made in 2011-12 (6,386 GSL payments totalling $290,563). Most of Energex's GSL payments were for interruption duration reliability (45%), followed by insufficient notification of planned interruptions for residential customers (34%).

Table 4 Energex GSL Payments 2012-13

GSL description / payment amount	*Code clause*	*Number of payments made*	*Value of payments ($)*
Insufficient notice of planned interruption - small business customer ($65)	2.5.8	164	10,660
Insufficient notice of planned interruption - residential customer ($26)	2.5.8	2,161	56,186
Late new connection ($52/day)	2.5.4	21	2,080
Wrongful disconnection ($130)	2.5.3	201	26,130
Late reconnection ($52/day)	2.5.5	177	16,224
Failure to attend premises on time regarding hot water complaint ($52/day)	2.5.6	2	312
Failure to attend a scheduled customer appointment on time ($52)	2.5.7	805	41,860
Reliability – Interruption duration ($104)	2.5.9 (a)(i)	2,910	302,640
Reliability – Interruption frequency ($104)	2.5.9 (a)(ii)	0	-
Total GSL payments		**6,441**	**456,092**

GSL claims rejected

During 2012-13, Energex rejected 115 GSL claims, up from 64 claims rejected the previous year. Most of the claims rejected during 2012-13 related to reliability interruption duration claims (84% of rejected claims). Table 5 sets out the number and category of customer initiated GSL claims rejected by Energex during 2012-13.

Table 5 Energex - GSL claims rejected during 2012-13

GSL description	*Claims rejected*
Insufficient notice of planned interruption - small business customer	1
Insufficient notice of planned interruption - residential customer	5
Late new connection	1
Wrongful disconnection	1
Late reconnection	6
Failure to attend premises on time regarding hot water complaint	1
Failure to attend a scheduled customer appointment on time	1
Reliability – Interruption duration	97
Reliability – Interruption frequency	2
Total claims rejected	**115**

3 SUMMARY OF ERGON ENERGY PERFORMANCE

3.1 Performance against the MSS limits

Ergon Energy's SAIDI and SAIFI performance before and after exclusions and its MSS limits for 2012-13 are presented in Tables 6 and 7.

Ergon Energy outperformed five of its six MSS limits for 2012-13, but exceeded its long rural SAIDI limit by 2%. This is similar to Ergon Energy's performance in 2011-12, where it was in compliance with five of its six MSS limits but exceeded the long rural SAIDI limit by 10%.

Notwithstanding this, Ergon Energy's underlying (net of exclusions) SAIDI performance during 2012-13 represents an improvement on its 2011-12 performance, for all feeder types, and is the third consecutive year of improvements in urban and short rural SAIDI performance. SAIFI performance also improved, with the exception of urban feeders, where performance was slightly worse than in 2011-12.

While noting that the impacts of the most severe weather days have been excluded in accordance with the major event day provisions in the Code, Ergon Energy advised that there were a number of heavy storms and bushfire events that had a significant impact on the network, but which did not meet the criteria of a major event day for exclusion.

Ergon Energy also noted that its 2012-13 performance was adversely impacted by the extended aftermaths of tropical cyclone Oswald and extensive flooding in its southern and central supply regions. Ergon Energy reported that the time to restore power to areas affected by these events was prolonged by the need to take precautionary actions to ensure safety of Ergon Energy's staff and customers.

Ergon Energy reported that it continues to place a high priority on compliance with the MSS limits, with a significant focus on operational practices to improve response times to unplanned outages and management of planned outages. Ergon Energy also reported that it is continuing to implement its Reliability Improvement Plan which is an integrated, whole-of-business plan that includes operational and capital works projects to comply with the MSS limits for the 2010-15 regulatory period.

Performance against the SAIDI limits

Table 6 Ergon Energy SAIDI performance (minutes)

Measure	*2009-10*	*2010-11*	*2011-12*	*2012-13*	*SAIDI MSS limits 2012-13*
Total **before exclusions**					
Urban feeders	517.68	1477.05	189.15	274.85	
Short rural feeders	1031.26	2679.42	439.61	697.07	
Long rural feeders	1154.76	1737.53	1130.14	1566.54	
Total **net of exclusions**					
Urban feeders	221.74	148.88	136.28	135.12	147
Short rural feeders	542.89	425.74	391.95	341.44	412
Long rural feeders	995.19	827.35	1041.58	**951.53**	932

Performance against the SAIFI limits

Table 7 Ergon Energy SAIFI performance (number of interruptions)

Measure	*2009-10*	*2010-11*	*2011-12*	*2012-13*	*SAIFI MSS limits 2012-13*
Total **before exclusions**					
Urban feeders	2.62	2.32	1.78	1.78	
Short rural feeders	5.05	4.54	3.93	3.63	
Long rural feeders	7.53	6.09	7.75	7.16	
Total **net of exclusions**					
Urban feeders	2.25	1.63	1.41	1.49	1.94
Short rural feeders	4.58	3.53	3.55	2.98	3.85
Long rural feeders	7.19	5.27	7.02	6.25	7.20

Excluded interruptions

Table 8 provides details of the interruptions that were excluded by Ergon Energy when determining performance against its SAIDI and SAIFI limits. The number of excluded interruptions was significant in 2012-13 compared to 2011-12, predominately due to the high number of major event days associated with severe weather events occurring during 2012-13.

Major event days

Ergon Energy reported six major event days in 2012-13:

(1) 17 November 2012, due to a severe storm event affecting much of south-east Queensland; and,

(2) 24 to 28 January 2013 (inclusive), due to the impacts of ex-tropical cyclone Oswald on central and southern supply regions.

Table 8 Ergon Energy's exclusions from MSS reporting for 2012-13

Cause of event	***Exclusions from SAIDI (minutes)***	***Exclusions from SAIFI (interruptions)***
Interruption commencing on a major event day		
Urban feeder	125.75	0.220
Short rural feeder	343.19	0.395
Long rural feeder	573.61	0.515
Interruption resulting from failure of the shared transmission grid		
Urban feeder	0.63	0.047
Short rural feeder	2.82	0.232
Long rural feeder	9.72	0.367
Interruption from direction by police officer or other authorised person relating to public safety		
Urban feeder	6.96	0.004
Short rural feeder	1.65	0.003
Long rural feeder	9.82	0.002
Interruptions caused by customer electrical installations		
Urban feeder	6.39	0.015
Short rural feeder	7.98	0.023
Long rural feeder	21.87	0.026
Total exclusions		
Urban feeder	139.73	0.287
Short rural feeder	355.64	0.653
Long rural feeder	615.01	0.910

3.2 Compliance with the GSLs

Ergon Energy paid a total of 7,956 GSL payments to customers during 2012-13 totalling $569,491. This represents a decrease of 27% from the number of payments made in 2011-12 (10,115 GSL payments totalling $576,135). Notwithstanding this, Ergon Energy's total GSL liability is very similar to 2011-12. This is due to a relative increase in liabilities for more costly GSLs relating to interruption duration, accompanied by a decrease in the lower nominal value GSLs relating to planned interruption notification.

Most of Ergon Energy's GSL payments during 2012-13 were for reliability interruption duration (45%), followed by insufficient notice of planned outages for residential customers (42%). Table 9 sets out the GSL payments made by Ergon Energy during 2012-13.

Table 9 Ergon Energy GSL payments 2012-13

GSL description / payment amount	*Code clause*	*Number of payments made*	*Value of payments ($)*
Insufficient notice of planned interruption - small business customer ($65)	2.5.8	281	18,265
Insufficient notice of planned interruption - residential customer ($26)	2.5.8	3,313	86,138
Late new connection ($52/day)	2.5.4	163	31,252
Wrongful disconnection ($130)	2.5.3	110	14,300
Late reconnection ($52/day)	2.5.5	22	2,860
Failure to attend premises on time regarding hot water complaint ($52/day)	2.5.6	9	1,404
Failure to attend a scheduled customer appointment on time ($52)	2.5.7	130	6,760
Reliability – Interruption duration ($104)	2.5.9 (a)(i)	3,577	372,008
Reliability – Interruption frequency ($104)	2.5.9 (a)(ii)	351	36,504
Total GSL payments		**7,956**	**569,491**

GSL claims rejected

During 2012-13, Ergon Energy rejected 88 GSL claims, down from 130 claims rejected the previous year. Most of the rejected claims related to reliability interruption duration (26%) followed by claims for missed/late appointments (19%) and insufficient notice of planned interruptions for residential customers (19%). Table 10 provides details of the number and category of GSL claims rejected by Ergon Energy during 2012-13.

Table 10 Ergon Energy - GSL claims rejected during 2012-13

GSL description	*Claims rejected*
Insufficient notice of planned interruption - small business customer	6
Insufficient notice of planned interruption - residential customer	17
Late new connection	8
Wrongful disconnection	0
Late reconnection	13
Failure to attend premises on time regarding hot water complaint	1
Failure to attend a scheduled customer appointment on time	17
Reliability – Interruption duration	23
Reliability – Interruption frequency	3
Total claims rejected	**88**