

Queensland Competition Authority

Compliance report

Guaranteed Service Levels: performance by Energex and Ergon Energy for 2018–19

September 2019

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OVERVIEW

The Electricity Distribution Network Code (the code) requires Energex and Ergon Energy (the distributors) to make guaranteed service level (GSL) payments to small customers when the specified GSL levels are not met. Small customers are defined as customers who consume less than 100 megawatt hours annually.

The payments relate to, for instance, the duration and frequency of supply interruptions, wrongful disconnection, late connections and reconnections, and failure to give sufficient notice of planned interruptions. Payments for the interruption duration GSL typically make up a significant proportion of the distributors' annual payments and are frequently caused by storm damage.

The code requires Energex and Ergon Energy to monitor, and report to the Queensland Competition Authority (QCA) on, their compliance with GSLs. Since 2007 the QCA has published quarterly and annual reports on the distributors' compliance with GSLs.

Energex's and Ergon Energy's compliance reporting for 2018–19 is summarised in the following table.

<i>GSL measure (payment amount)</i>	<i>Energex</i>		<i>Ergon Energy</i>	
	<i>Number of payments</i>	<i>Value of payments</i>	<i>Number of payments</i>	<i>Value of payments</i>
Wrongful disconnection (\$142)	32	4,544	53	7,526
Late connection (\$57/day)	625	170,191	4	513
Late reconnection (\$57/day)	24	2,394	32	5,857
Failure to attend premises on time regarding hot water complaint (\$57/day)	0	0	0	0
Failure to attend a scheduled customer appointment on time (\$57)	125	7,125	149	8,664
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	127	9,017	187	13,277
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	1,024	28,671	967	27,076
Reliability – Interruption duration (\$114)	28,192	3,213,888	9,601	1,094,512
Reliability – Interruption frequency (\$114)	1	114	7	798
Total	30,150	\$3,435,944	11,000	\$1,158,223

Source: Energex and Ergon Energy quarterly compliance reports, available on QCA [website](#).

THE ROLE OF THE QCA – TASK, TIMING AND CONTACTS

The Queensland Competition Authority (QCA) is an independent statutory body which promotes competition as the basis for enhancing efficiency and growth in the Queensland economy.

Task

Clause 2.4.2 of the Queensland Electricity Distribution Network Code requires Energex and Ergon Energy to monitor and report to the Queensland Competition Authority (QCA) quarterly on their compliance with Guaranteed Service Levels (GSLs).

This report consolidates the quarterly data, presenting Energex's and Ergon Energy's compliance with the GSL scheme for 2018–19.

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1 INTRODUCTION

1.1 Guaranteed Service Levels scheme

The Electricity Distribution Network Code (the code) requires Energex and Ergon Energy (the distributors) to make guaranteed service level (GSL) payments to small customers when the GSL levels specified in the code are not met.¹ Small customers are residential or business customers who consume less than 100 megawatt hours of electricity per year.²

The payments relate to, for instance, the duration and frequency of supply interruptions, wrongful disconnection, late connections and reconnections, and failure to give sufficient notice of planned interruptions. Payments for the interruption duration GSL typically make up a significant proportion of the distributors' annual payments and are frequently caused by storm damage.

1.2 Energex and Ergon Energy compliance

The code requires Energex and Ergon Energy to monitor and report quarterly on their compliance with GSLs to the Queensland Competition Authority (QCA).³ These reports are due within two months of the end of each quarter and are published on the QCA website.⁴

The quarterly GSL reports provided to the QCA are not intended to enable performance comparisons between Energex and Ergon Energy. Energex supplies largely urbanised areas of south east Queensland, whereas Ergon Energy operates a wider distribution network spread across regional Queensland. Ergon Energy's network features a significant number of long, isolated feeders and lower customer densities. Consequently, the GSL performance of the distributors tends to differ and performance comparisons cannot reliably be made from the reports.

1.3 GSL measures, thresholds and payments

For 2018–19 the code set the following GSLs (and GSL payments):

- wrongful disconnection of a customer (\$142)
- late connection of a customer (\$57 per day late)
- late reconnection of a customer (\$57 per day late)
- late to attend premises regarding loss of hot water supply (\$57 per day late)
- failure to attend a scheduled appointment with a customer (\$57)
- failure to give sufficient notice of a planned interruption (\$28 for residential customers and \$71 for small business customers).⁵

¹ Electricity Distribution Network Code, clauses 2.3.1 to 2.3.9. The code is available on the QCA [website](#).

² National Energy Retail Law, section 4; National Energy Retail Regulations, section 7.

³ Electricity Distribution Network Code, clauses 2.4.1 and 2.4.2.

⁴ Reports are available on the QCA [website](#).

⁵ Electricity Distribution Network Code, clauses 2.3.3 – 2.3.8, 2.3.10.

The code also specifies reliability GSLs that focus on the duration and frequency of supply interruptions.

- If the duration of an interruption experienced by an individual customer exceeded eight hours for central business district feeders, 18 hours for urban or short rural feeders, or 24 hours for long rural feeders, the customer was eligible for a \$114 GSL payment.⁶ Payments for interruption duration GSLs—often triggered by severe weather events such as summer storms—typically make up a significant proportion of the distributors' annual GSL payments.⁷
- If the frequency of interruptions experienced by an individual customer exceeded the prescribed levels the customer may also have been eligible for a \$114 GSL payment.⁸

The code sets the maximum number of individual customer interruptions for Energex and Ergon Energy depending on the feeder type.⁹ Some interruptions are excluded when determining liability for GSL payments that relate to reliability, such as interruptions of one minute or less. Other exclusions included interruptions resulting from failure of the shared transmission grid and any failure of a customer's electrical installation.¹⁰

Finally, the value of GSL payments that the distributors must pay to any individual customer was capped at \$454 in 2018–19; this cap excluded GSL payments for wrongful disconnections.¹¹

1.4 [Claiming, processing and making GSL payments](#)

Energex and Ergon Energy must use best endeavours to automatically pay customers when a GSL event occurs. However, if this does not occur, a customer has three months from the date of the GSL event to lodge a claim, or three months from the end of the financial year for an interruption frequency GSL payment claim.¹²

Energex and Ergon Energy must use best endeavours to process a GSL claim made by a customer within one month of receiving the claim for all GSLs, except interruption frequency GSLs.¹³ For the interruption frequency GSL, the distributors must use best endeavours to process a GSL claim made by a customer within one month of the end of the financial year, or one month after receiving the claim, whichever is later.¹⁴

GSL payments can be made via cheque, electronic funds transfer or any means agreed with the affected customer.¹⁵

⁶ Electricity Distribution Network Code, clause 2.3.9 (a)(i).

⁷ For further discussion of this issue, see QCA 2019, *Review of Guaranteed Service Levels to apply to Energex and Ergon Energy from July 2020*, final decision (chapter 4) on the QCA [website](#), and Energy Queensland's submissions to the QCA's recent review of the GSL scheme, available on the QCA [website](#).

⁸ Electricity Distribution Network Code, clause 2.3.9(a)(ii).

⁹ Electricity Distribution Network Code, clause 2.3.9(a)(ii).

¹⁰ Electricity Distribution Network Code, clause 2.3.9(b).

¹¹ Electricity Distribution Network Code, clause 2.3.15(a)–(b).

¹² Electricity Distribution Network Code, clause 2.3.11. More than 99% of GSL payments were made automatically by the distributors in 2018–19; see Tables 1 and 3 (Energex) and 4 and 6 (Ergon Energy).

¹³ Electricity Distribution Network Code, clause 2.3.14(a).

¹⁴ Electricity Distribution Network Code, clause 2.3.14(b).

¹⁵ Electricity Distribution Network Code, clause 2.3.12.

1.5 QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements would contravene the code. The QCA is responsible for enforcing contraventions of the code under the *Electricity Act 1994* (Qld).¹⁶

If the QCA believes that a material contravention had occurred—or was likely to have occurred—warning notices, code contravention notices and Supreme Court proceedings for a civil pecuniary penalty could be given or sought. In the case of a material breach of the code, the process the QCA would follow is outlined in the QCA's Enforcement Guidelines.¹⁷

¹⁶ Refer to chapter 5, part 1A, division 6 of the *Electricity Act 1994* (Qld).

¹⁷ The guidelines are available on the QCA [website](#).

2 ENERGEX GSL COMPLIANCE

2.1 GSL payments made

Energex made 30,150 GSL payments totalling \$3.44 million in 2018–19.

Table 1 Energex GSL payments 2018–19

<i>GSL measure (payment amount)</i>	<i>Threshold</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Wrongful disconnection (\$142)	Disconnection wrongful under the electricity legislation ¹⁸	32	4,544
Connection (\$57/day)	Connection not provided by the agreed date	625	170,191
Reconnection (\$57/day)	Reconnection not provided within the required time	24	2,394
Hot water supply (\$57/day)	Failure to attend to customer's premises within the time required	–	–
Appointments (\$57)	Failure to attend appointments on time	125	7,125
Notice of a planned interruption – small business (\$71)	Notice of a planned interruption to supply not given	127	9,017
Notice of a planned interruption – residential (\$28)	Notice of a planned interruption to supply not given	1,024	28,671
Reliability – interruption duration (\$114)	CBD feeder: duration >8 hours Urban or short rural feeder: duration >18 hours Long rural or isolated feeder: duration >24 hours	28,192	3,213,888
Reliability – interruption frequency (\$114)	Number of interruptions in a financial year (a customer is not entitled to more than one interruption frequency GSL payment in a financial year): • Energex—CBD and urban feeders: 10; short rural feeder: 16	1	114
Total		30,150	\$3,435,944

Note: The number of GSL payments given includes both automatically identified GSLs and customer-initiated claims that were made. The number of customer claims is the total number of customer claims received (the sum of customer claims made and paid and customer claims rejected).

Source: Energex quarterly GSL reports.

¹⁸ 'Electricity legislation' is defined under the Electricity Distribution Network Code, chapter 6 (definitions), as meaning the *Electricity Act 1994* (Qld), *Electrical Safety Act 2002* (Qld), *Electricity – National Electricity Scheme (Queensland) Act 1997* (Qld), *National Energy Retail Law (Queensland) Act 2014* (Qld), and regulations, standards, codes, protocols and rules made under those Acts.

The table below shows the value of Energex's GSL payments for the six years to 2018–19.

Table 2 Energex GSL payments, 2013–14 to 2018–19 (\$)

<i>GSL payment type</i>	<i>2013–14</i>	<i>2014–15</i>	<i>2015–16</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>
Wrongful disconnection	23,790	23,270	15,274	9,230	5,254	4,544
Connection	3,016	3,484	4,322	120,897	79,179	170,191
Reconnection	22,256	28,704	14,534	6,741	6,667	2,394
Hot water supply	–	–	171	–	–	–
Appointments	23,764	12,376	14,254	11,799	9,690	7,125
Planned interruption—business	5,395	11,115	10,176	4,615	8,449	9,017
Planned interruption—residential	38,090	42,146	40,354	30,352	33,656	28,671
Reliability—interruption duration	157,560	405,288	696,500	275,310	4,777,740	3,213,888
Reliability—interruption frequency	–	–	–	–	–	114
Total	\$273,871	\$526,383	\$795,585	\$458,944	\$4,920,635	\$3,435,944

Source: Energex GSL compliance reports.

In 2017–18, Energex made 43,887 payments totalling \$4.92 million. The decrease in the number of interruption duration payments was the major contributor to Energex's lower GSL liability in 2018–19. In 2017–18, Energex made 41,910 interruption duration payments for a value of \$4.78 million; this decreased to 28,192 and \$3.21 million respectively in 2018–19. Energex attributed the substantial increase in interruption GSL payments during the past two years to supply outages caused by severe weather events.

Energex paid 625 late connection GSL payments in 2018–19, compared to 391 in 2017–18, an increase of 60%. In its report for the June quarter of 2019, Energex cited a shortage of available crew as the primary reason for this step increase.

2.2 GSL claims rejected

Energex rejected 62 GSL claims in 2018–19, 52 more than in 2017–18. The increase was mainly due to 31 more rejected claims in 2018–19 for interruption duration GSLs.

Table 3 Energex GSL claims rejected 2018–19

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	9	2
Connection	28	6
Reconnection	–	–
Hot water supply	–	–
Appointments	3	1
Planned interruption—business	9	5
Planned interruption—residential	17	6
Reliability – interruption duration	80	37
Reliability – interruption frequency	5	5
Total	151	62

Source: Energex quarterly GSL reports.

3 ERGON ENERGY GSL COMPLIANCE

3.1 GSL payments made

Ergon Energy made 11,000 GSL payments totalling \$1.16 million in 2018–19.

Table 4 Ergon Energy GSL payments 2018–19

<i>GSL measure (payment amount)</i>	<i>Threshold</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Wrongful disconnection (\$142)	Disconnection wrongful under the electricity legislation	53	7,526
Connection (\$57/day)	Connection not provided by the agreed date	4	513
Reconnection (\$57/day)	Reconnection not provided within the required time	32	5,857
Hot water supply (\$57/day)	Failure to attend to customer's premises within the time required	–	–
Appointments (\$57) ^(a)	Failure to attend appointments on time	149	8,664
Notice of a planned interruption – small business (\$71)	Notice of a planned interruption to supply not given	187	13,277
Notice of a planned interruption – residential (\$28)	Notice of a planned interruption to supply not given	967	27,076
Reliability – interruption duration (\$114)	CBD feeder: duration >8 hours Urban or short rural feeder: duration >18 hours Long rural or isolated feeder: duration >24 hours	9,601	1,094,512
Reliability – interruption frequency (\$114)	Number of interruptions in a financial year (a customer is not entitled to more than one interruption frequency GSL payment in a financial year): • Ergon Energy—urban feeder: 13; short rural, long rural and isolated feeders: 21	7	798
Total		11,000	\$1,158,223

Notes: The number of GSL payments given includes both automatically identified GSLs and customer-initiated claims that were made. The number of customer claims is the total number of customer claims received (the sum of customer claims made and paid and customer claims rejected).

(a) One of the appointment GSLs reported for the December quarter was originally raised as a reconnection GSL by Ergon Energy. This issue was later corrected, however in this instance the payment had already been processed; therefore, the payment to the customer exceeded what the customer was entitled to (i.e. the customer received \$228 instead of \$57).

Source: Ergon Energy quarterly GSL reports.

The table below shows the value of Ergon Energy's GSL payments for the six years to 2018–19.

Table 5 Ergon Energy GSL payments, 2013–14 to 2018–19 (\$)

<i>GSL payment type</i>	<i>2013–14</i>	<i>2014–15</i>	<i>2015–16</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>
Wrongful disconnection	18,850	35,750	17,666	14,626	9,088	7,526
Connection	9,932	36,556	8,874	7,052	12,363	513
Reconnection	1,508	6,968	4,985	456	2,107	5,857
Hot water supply	312	520	57	57	57	–
Appointments	20,436	71,604	50,803	8,949	9,120	8,664
Planned interruption—business	20,020	23,790	16,756	24,263	15,549	13,277
Planned interruption—residential	83,798	58,318	48,933	28,089	32,536	27,076
Reliability—interruption duration	163,384	542,841	722,988	392,730	2,587,002	1,094,512
Reliability—interruption frequency	60,736	30,108	6,612	16,302	6,498	798
Total	\$378,976	\$806,455	\$877,674	\$492,524	\$2,674,320	\$1,158,223

Source: Ergon Energy GSL compliance reports.

In 2017–18, Ergon Energy made 24,440 payments totalling \$2.67 million. The decrease in the number of interruption duration payments was the main contributor to the lower GSL liability in 2018–19. In 2017–18, Ergon Energy made 22,693 interruption duration payments for a value of \$2.59 million; this decreased to 9,601 and \$1.09 million respectively in 2018–19. Ergon Energy attributed the substantial increase in interruption GSL payments during the past two years to supply outages caused by severe weather events.

3.2 GSL claims rejected

Ergon Energy rejected 44 GSL claims in 2018–19; 31 less than in 2017–18. The decrease was mainly due to a fall in the number of rejected interruption duration claims, from 35 to 16.

Table 6 Ergon Energy GSL claims rejected 2018–19

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	12	6
Connection	2	2
Reconnection	–	–
Hot water supply	–	–
Appointments	2	1
Planned interruption—business	6	5
Planned interruption—residential	14	13
Reliability – interruption duration	19	16
Reliability – interruption frequency	1	1
Total	56	44

Source: Ergon Energy quarterly GSL reports.