

Queensland Competition Authority

Compliance report

Guaranteed Service Levels: performance by Energex and Ergon Energy for 2019–20

September 2020

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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 residential and small business customers when the specified GSL levels are not met.

GSL payments are an acknowledgement of the inconvenience a customer experiences when Energex or Ergon Energy do not meet a GSL. 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. Energex's and Ergon Energy's compliance reporting for 2019–20 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)	23	\$3,266	36	\$5,112
Late connection (\$57/day)	693	\$197,166	7	\$1,311
Late reconnection (\$57/day)	26	\$2,451	28	\$2,620
Failure to attend premises on time regarding hot water complaint (\$57/day)	1	\$114	–	–
Failure to attend a scheduled customer appointment on time (\$57)	88	\$5,016	96	\$5,472
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	56	\$3,976	83	\$5,893
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	367	\$10,276	802	\$22,456
Reliability – Interruption duration (\$114)	1,349	\$153,786	4,839	\$551,550
Reliability – Interruption frequency (\$114)	–	–	20	\$2,280
Total	2,603	\$376,051	5,911	\$596,694

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

For both distributors, the number and dollar value of GSL payments made in 2019–20 was significantly lower than in recent years, with far fewer payments for the interruption duration GSL being the main reason for the decreases.

For more information on this report, phone the QCA on (07) 3222 0555 or make an enquiry on the QCA website (<https://www.qca.org.au/contact/>).

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

GSL payments are an acknowledgement of the inconvenience a customer experiences when Energex or Ergon Energy do not meet a GSL. 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 to the Queensland Competition Authority (QCA) on, their compliance with GSLs.³ The distributors' quarterly reports for 2019–20 were due within two months of the end of each quarter and are published on the QCA website.⁴ As of 1 July 2020, the code no longer requires Energex and Ergon Energy to submit the quarterly reports to the QCA. Instead, the reports will be published on Energex's and Ergon Energy's websites.⁵ The QCA will continue to publish annual reports on the scheme, with the report for 2020–21 due for publication in September 2021.⁶

The quarterly GSL reports 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 2019–20 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)

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 5; 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 Version 4, clauses 2.4.1 and 2.4.2. Version 4 of the code, which applies for reporting from 1 July 2020, is available on the QCA [website](#).

⁶ Electricity Distribution Network Code Version 4, clauses 2.4.3 and 2.4.4. For explanation of changes to reporting arrangements, see QCA, *Review of Guaranteed Service Levels to apply to Energex and Ergon Energy from July 2020*, final decision, March 2019 (chapter 5), available on the QCA [website](#).

- 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).⁷

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.⁸ 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.⁹
- 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.¹⁰

The code sets the maximum number of individual customer interruptions for Energex and Ergon Energy depending on the feeder type.¹¹ 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.¹²

Finally, the value of GSL payments that the distributors must pay to any individual customer was capped at \$454 in 2019–20; this cap excluded GSL payments for wrongful disconnections.¹³

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.¹⁴

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.¹⁵ 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.¹⁶

⁷ Electricity Distribution Network Code, clauses 2.3.3 – 2.3.8, 2.3.10.

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

⁹ For further discussion of this issue, see QCA, *Review of Guaranteed Service Levels to apply to Energex and Ergon Energy from July 2020*, final decision, March 2019 (chapter 4), and Energy Queensland's submissions to the review, available on the QCA [website](#).

¹⁰ Electricity Distribution Network Code, clause 2.3.9(a)(ii).

¹¹ Electricity Distribution Network Code, clause 2.3.9(a)(ii).

¹² Electricity Distribution Network Code, clause 2.3.9(b).

¹³ Electricity Distribution Network Code, clause 2.3.15(a)–(b).

¹⁴ Electricity Distribution Network Code, clause 2.3.11. More than 98% of GSL payments were made automatically by the distributors in 2019–20; see Tables 1 and 3 (Energex) and 4 and 6 (Ergon Energy).

¹⁵ Electricity Distribution Network Code, clause 2.3.14(a).

¹⁶ Electricity Distribution Network Code, clause 2.3.14(b).

GSL payments can be made via cheque, electronic funds transfer or any means agreed with the affected customer.¹⁷

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).¹⁸

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.¹⁹

¹⁷ Electricity Distribution Network Code, clause 2.3.12.

¹⁸ Refer to chapter 5, part 1A, division 6 of the *Electricity Act 1994* (Qld).

¹⁹ The guidelines are available on the QCA [website](#).

2 ENERGEX GSL COMPLIANCE

2.1 GSL payments made

Energex made 2,603 GSL payments totalling \$376,051 in 2019–20.

Table 1 Energex GSL payments 2019–20

<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 ²⁰	23	\$3,266
Connection (\$57/day)	Connection not provided by the agreed date	693	\$197,166
Reconnection (\$57/day)	Reconnection not provided within the required time	26	\$2,451
Hot water supply (\$57/day)	Failure to attend to customer's premises within the time required	1	\$114
Appointments (\$57)	Failure to attend appointments on time	88	\$5,016
Notice of a planned interruption – small business (\$71)	Notice of a planned interruption to supply not given	56	\$3,976
Notice of a planned interruption – residential (\$28)	Notice of a planned interruption to supply not given	367	\$10,276
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	1,349	\$153,786
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): <ul style="list-style-type: none"> Energex—CBD and urban feeders: 10; short rural feeder: 16 	–	–
Total		2,603	\$376,051

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.

²⁰ 'Electricity legislation' is defined under chapter 6 (definitions) of the code 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 five years to 2019–20.

Table 2 Energex GSL payments, 2015–16 to 2019–20 (\$)

<i>GSL payment type</i>	<i>2015–16</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>	<i>2019–20</i>
Wrongful disconnection	15,274	9,230	5,254	4,544	3,266
Connection	4,322	120,897	79,179	170,191	197,166
Reconnection	14,534	6,741	6,667	2,394	2,451
Hot water supply	171	–	–	–	114
Appointments	14,254	11,799	9,690	7,125	5,016
Planned interruption—business	10,176	4,615	8,449	9,017	3,976
Planned interruption—residential	40,354	30,352	33,656	28,671	10,276
Reliability—interruption duration	696,500	275,310	4,777,740	3,213,888	153,786
Reliability—interruption frequency	–	–	–	114	–
Total	\$795,585	\$458,944	\$4,920,635	\$3,435,944	\$376,051

Source: Energex GSL compliance reports.

In 2018–19, Energex made 30,150 payments totalling \$3.44 million. The significant decrease in the number of interruption duration payments was the major contributor to Energex's lower GSL liability in 2019–20. In 2018–19, Energex made 28,192 interruption duration payments for a value of \$3.21 million; this decreased to 1,349 and \$153,786 respectively in 2019–20. Energex attributed the substantial increase in interruption GSL payments during 2018–19 (and 2017–18) to supply outages caused by severe weather events.

Energex made 693 late connection GSL payments in 2019–20, compared to 625 in 2018–19, an increase of 11%. In its report for the September quarter of 2019, Energex cited a shortage of available crew as the primary reason for the increased connection GSL payments.²¹ Connection GSL payments decreased in each of the following three quarters of 2019–20, which Energex attributed to improved crew resourcing.

²¹ In 2017–18, Energex made 391 connection GSL payments, and made 298 in the first three quarters of 2018–19. In the June and September quarters of 2019, Energex made 327 and 366 connection GSL payments respectively (source: Energex GSL compliance reports).

2.2 GSL claims rejected

Energex rejected 43 customer GSL claims in 2019–20, 19 less than in 2018–19. The decrease was mainly due to significantly fewer interruption duration claims being made and rejected.

Table 3 Energex GSL claims rejected 2019–20

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	6	4
Connection	53	18
Reconnection	–	–
Hot water supply	2	2
Appointments	1	1
Planned interruption—business	7	4
Planned interruption—residential	11	10
Reliability – interruption duration	6	3
Reliability – interruption frequency	1	1
Total	87	43

Note: The number of customer claims are the number of customer-initiated claims that were made and do not include automatically identified GSLs.

Source: Energex quarterly GSL reports.

3 ERGON ENERGY GSL COMPLIANCE

3.1 GSL payments made

Ergon Energy made 5,911 GSL payments totalling \$596,694 in 2019–20.

Table 4 Ergon Energy GSL payments 2019–20

<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	36	\$5,112
Connection (\$57/day)	Connection not provided by the agreed date	7	\$1,311
Reconnection (\$57/day)	Reconnection not provided within the required time	28	\$2,620
Hot water supply (\$57/day)	Failure to attend to customer's premises within the time required	–	–
Appointments (\$57)	Failure to attend appointments on time	96	\$5,472
Notice of a planned interruption – small business (\$71)	Notice of a planned interruption to supply not given	83	\$5,893
Notice of a planned interruption – residential (\$28)	Notice of a planned interruption to supply not given	802	\$22,456
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	4,839	\$551,550
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): <ul style="list-style-type: none"> Ergon Energy—urban feeder: 13; short rural, long rural and isolated feeders: 21 	20	\$2,280
Total		5,911	\$596,694

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).

Source: Ergon Energy quarterly GSL reports.

The table below shows the value of Ergon Energy's GSL payments for the five years to 2019–20.

Table 5 Ergon Energy GSL payments, 2015–16 to 2019–20 (\$)

<i>GSL payment type</i>	<i>2015–16</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>	<i>2019–20</i>
Wrongful disconnection	17,666	14,626	9,088	7,526	5,112
Connection	8,874	7,052	12,363	513	1,311
Reconnection	4,985	456	2,107	5,857	2,620
Hot water supply	57	57	57	–	–
Appointments	50,803	8,949	9,120	8,664	5,472
Planned interruption—business	16,756	24,263	15,549	13,277	5,893
Planned interruption—residential	48,933	28,089	32,536	27,076	22,456
Reliability—interruption duration	722,988	392,730	2,587,002	1,094,512	551,550
Reliability—interruption frequency	6,612	16,302	6,498	798	2,280
Total	\$877,674	\$492,524	\$2,674,320	\$1,158,223	\$596,694

Source: Ergon Energy GSL compliance reports.

In 2018–19, Ergon Energy made 11,000 payments totalling \$1.16 million. The significant decrease in the number of interruption duration payments was the main contributor to the lower GSL liability in 2019–20. In 2018–19, Ergon Energy made 9,601 interruption duration payments for a value of \$1.09 million; this decreased to 4,839 and \$551,550 respectively in 2019–20. Ergon Energy attributed the substantial increase in interruption GSL payments during 2018–19 (and 2017–18) to supply outages caused by severe weather events.

Ergon Energy paid 20 interruption frequency payments in 2019–20, compared to 7 in 2018–19, an increase of 186%. In its report for the June quarter of 2020, Ergon Energy stated that a number of customers in the Torres Strait region had experienced multiple interruptions for the year. This resulted in 48 customers reaching their annual GSL payment cap and was the primary reason for the sharp increase in reliability frequency GSLs.

3.2 GSL claims rejected

Ergon Energy rejected 40 customer GSL claims in 2019–20; 4 less than in 2018–19. The decrease was mainly due to a fall in the number of interruption duration claims.

Table 6 Ergon Energy GSL claims rejected 2019–20

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	9	7
Connection	–	–
Reconnection	–	–
Hot water supply	–	–
Appointments	4	3
Planned interruption—business	6	3
Planned interruption—residential	32	21
Reliability – interruption duration	6	3
Reliability – interruption frequency	3	3
Total	60	40

Note: The number of customer claims are the number of customer-initiated claims that were made and do not include automatically identified GSLs.

Source: Ergon Energy quarterly GSL reports.