Report on Performance Against Minimum Service Standards and Compliance with Guaranteed Service Levels by Energex and Ergon Energy

For the 2011-12 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 Minimum Service Standards (MSS) in relation to the frequency and duration of distribution outages.

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 for Energex are more stringent than those for Ergon Energy, reflecting differences in their distribution networks and the environments in which they operate. If a distributor does not meet its MSS, the Code requires that it provides reasons for any failures and 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 against the MSS for the 2011-12 financial year.

1.2 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.

If the distributor fails to comply with the GSL, the customer will be eligible for a GSL payment, up to a cap of $416 per customer per year (excluding wrongful disconnections which are uncapped). GSL payments vary according to the type of service. 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 a distributor to maintain an appropriate level of service quality.

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 for the 2011-12 financial year.

1.3 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.

1.4 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 based on average measures of performance across each distribution network, net of the impact of excluded events such as severe storms. To ensure a low probability of not meeting their MSS in a particular year, the distributors must aim to achieve a higher level of performance than the MSS.

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

SAIDI (System Average Interruption Duration Index) 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.

SAIFI (System Average Interruption Frequency Index) 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 require gradual improvements in performance each financial year, although the Code has recently been amended to flat-line Energex's MSS at 2011-12 levels.[1]

Some interruptions (such as severe storms) are excluded when measuring the performance of the distributors against the MSS. Other exclusions include 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 list of excluded interruptions is defined under clause 2.4.3 of the Code.

[1] This reflected the 2011 recommendations of the Electricity Network Capital Program Review.

Operation of the GSL

The GSL relate to the quality of service received by individual customers. If Energex or Ergon Energy fail to comply with the GSL, an affected customer will be 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 – $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 response to an inquiry 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 proper 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 related 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 a $104 GSL payment.

If the frequency of interruptions to the electricity supply to a customer is too high, the customer is also eligible for a $104 GSL payment. The Code sets the maximum allowable number of interruptions for Energex and Ergon Energy, depending on the feeder type.

Some interruptions are excluded when measuring compliance 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.

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

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).

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 penalty can be given or sought.

2. SUMMARY OF ENERGEX PERFORMANCE

2.1 Performance against the MSS

Energex's underlying performance in relation to the duration (SAIDI) and frequency (SAIFI) of interruptions by feeder type against its MSS targets for 2011-12 is presented in Tables 1 and 2. Energex met all six of its MSS targets in 2011-12 relatively comfortably.

Performance against the SAIDI Limits

Table 1: Energex SAIDI Performance (minutes)

Measure	*2009-10*	*2010-11*	*2011-12*	*SAIDI MSS 2011-12*
*Total **incl** exclusions and major event days*				
CBD feeder type	1.19	595.75	9.17	
Urban feeder type	98.82	540.51	67.16	
Short rural feeder type	276.44	642.75	215.62	
*Total **net** of exclusions and major event days*				
CBD feeder type	1.19	6.05	8.16	15
Urban feeder type	88.48	79.75	66.65	102
Short rural feeder type	215.73	201.58	201.81	216

Performance against the SAIFI Limits

Table 2: Energex SAIFI Performance (number of events)

Measure	*2009-10*	*2010-11*	*2011-12*	*SAIFI MSS 2011-12*
*Total **incl** exclusions and major event days*				
CBD feeder type	0.08	0.27	0.04	
Urban feeder type	1.37	1.25	0.74	
Short rural feeder type	2.88	2.61	1.80	
*Total **net** of exclusions and major event days*				
CBD feeder type	0.08	0.01	0.04	0.15
Urban feeder type	1.20	0.92	0.74	1.22
Short rural feeder type	2.41	2.05	1.73	2.42

Details of excluded interruptions

Table 3 provides details of the interruptions that were excluded in determining the performance of Energex against its SAIDI and SAIFI targets. Excluded interruptions were

relatively minor in 2011-12 compared to 2010-11, with the most common type relating to Major Event Days and customer electrical installation causes.

Table 3: Exclusions from MSS – 2011-12

Cause of event	*Excluded from SAIDI (minutes)*	*Excluded from SAIFI (events)*
Generation or transmission related		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
AEMO 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	1.012	0.008
Urban feeder type	0.065	0.001
Short rural feeder type	0.038	0
Authorised interruption for public safety		
CBD feeder type	0	0
Urban feeder type	0.097	0
Short rural feeder type	0.009	0
Interruption commencing on a Major Event Day		
CBD feeder type	0	0
Urban feeder type	0.346	0.002
Short rural feeder type	13.761	0.069
Total exclusions[a]		
CBD feeder type	1.012	0.008
Urban feeder type	0.509	0.003
Short rural feeder type	13.807	0.069

Numbers may not add due to rounding.

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 one Major Event Day in 2011-12 on 21 February 2012, as a result of storms.

2.2 Compliance with the GSL

Table 4 provides details of the GSL payments made by Energex during 2011-12.

Table 4: Energex: GSL Payments – 2011-12

GSL description	*Number of payments made*	*Value of payments($)*
Failure to properly notify small business customer of planned interruption (GSL = $65)	231	15,015
Failure to properly notify residential customer of planned interruption (GSL = $26)	4,222	109,772
Late new connection (GSL = $52/day)	62	9,516
Wrongful disconnection (GSL = $130)	358	46,540
Late reconnection (GSL = $52/day)	193	19,760
Late response to inquiry relating to loss of hot water (GSL = $52/day)	0	0
Failure to attend a scheduled appointment with a customer (GSL = $52)	910	47,320
Reliability – duration – period of an interruption is too long (GSL = $104)	410	42,640
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	0	0
GSL payments	**6,386**	**290,563**

The 6,386 GSL payments totalling $290,563 paid to customers in 2011-12 represented a small decrease (down 9.8%) from the number of payments made in 2010-11 (7,077 GSL payments totalling $331,462). Most of Energex's GSL payments were for failing to properly notify residential customers of planned interruptions (66.1%), followed by failing to attend scheduled appointments with customers (14.2%).

The number and type of GSL claims rejected

During 2011-12, Energex rejected 64 GSL claims, down from 315 claims rejected the previous year. Most of the claims rejected related to failing to properly notify residential customers of planned interruptions (56.3%) followed by claims of wrongful disconnection (18.8%).

Table 5 provides details of the number of GSL claims rejected by Energex during 2011-12.

Table 5: Energex: GSL Claims Rejected – 2011-12

GSL description	*Claims rejected*
Failure to properly notify small business customer of planned interruption (GSL = $65)	0
Failure to properly notify residential customer of planned interruption (GSL = $26)	36
Late new connection (GSL = $52 /day)	2
Wrongful disconnection (GSL = $130)	12
Late reconnection (GSL = $52 /day)	10
Late response to inquiry relating to loss of hot water (GSL = $52/day)	0
Failure to attend a scheduled appointment with a customer (GSL = $52)	4
Reliability – duration – period of an interruption is too long (GSL = $104)	0
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	0
Total	**64**

3. SUMMARY OF ERGON ENERGY PERFORMANCE

3.1 Performance against the MSS

Ergon Energy's underlying performance in relation to the duration (SAIDI) and frequency (SAIFI) of interruptions by feeder type against its MSS targets for 2011-12 are presented in Tables 6 and 7.

Ergon Energy met five of its six MSS targets for 2011-12, but failed to meet its SAIDI long rural target (by 9.9%). This is consistent with Ergon Energy's performance in 2010-11, where it also met five of its six MSS targets, but a significant improvement on its performance in 2008-09 and 2009-10 where it only met one of its MSS targets.

Performance against the SAIDI Limits

Table 6: Ergon Energy SAIDI Performance (minutes)

Measure	*2009-10*	*2010-11*	*2011-12*	*SAIDI MSS 2011-12*
*Total **incl** exclusions and major event days*				
Urban feeder type	517.68	1,477.05	189.15	
Short rural feeder type	1,031.26	2,679.42	439.61	
Long rural feeder type	1,154.76	1,737.53	1,130.14	
*Total **net** of exclusions and major event days*				
Urban feeder type	221.74	148.88	136.28	148
Short rural feeder type	542.89	425.74	391.95	418
Long rural feeder type	995.19	827.35	1,041.58	948

Performance against the SAIFI Limits

Table 7: Ergon Energy SAIFI Performance (number of events)

Measure	*2009-10*	*2010-11*	*2011-12*	*SAIFI MSS 2011-12*
*Total **incl** exclusions and major event days*				
Urban feeder type	2.62	2.32	1.78	
Short rural feeder type	5.05	4.54	3.93	
Long rural feeder type	7.53	6.09	7.75	
*Total **net** of exclusions and major event days*				
Urban feeder type	2.25	1.63	1.41	1.96
Short rural feeder type	4.58	3.53	3.55	3.90
Long rural feeder type	7.19	5.27	7.02	7.30

In 2011-12, Ergon Energy's performance improved for urban and short rural SAIDI and urban SAIFI, but remained relatively static for short rural SAIFI. However, its long-rural SAIDI and SAIFI performance declined due to the impact of adverse weather conditions and bush fires. While noting that the impact of the most severe weather days was excluded in accordance with the exclusion criteria in the Code, Ergon Energy advised that there were several severe weather days which were close to meeting the exclusion criteria.

Ergon Energy reported that it is continuing to analyse its reliability performance and undertake the necessary remedial action to achieve the MSS, and that it has put significant focus on practices to improve the response time to unplanned outages and the management of planned outages. Ergon Energy also reports 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 meet the MSS targets for the 2010-15 regulatory period.

Details of excluded interruptions

Table 8 provides details of the interruptions that were excluded in determining the performance of Ergon Energy against its SAIDI and SAIFI Limits.

The most common type of excluded interruptions from SAIDI related to Major Event Days due to severe weather conditions affecting Ergon Energy's distribution area, while the most common type of excluded interruptions from SAIFI were transmission related events. However, excluded interruptions were relatively minor in 2011-12 compared to 2010-11.

Table 8: Exclusions from MSS – 2011-12

Cause of event	*Excluded from SAIDI (minutes)*	*Excluded from SAIFI (events)*
Generation or transmission related		
Urban feeder type	11.36	0.30
Short rural feeder type	8.43	0.21
Long rural feeder type	17.44	0.41
AEMO 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	2.21	0.02
Short rural feeder type	3.56	0.02
Long rural feeder type	8.67	0.03
Authorised interruption for public safety		
Urban feeder type	1.66	0
Short rural feeder type	8.54	0.01
Long rural feeder type	11.88	0
Interruption commencing on a Major Event Day		
Urban feeder type	37.64	0.04
Short rural feeder type	27.12	0.14
Long rural feeder type	50.56	0.29
Total exclusions[a]		
Urban feeder type	52.88	0.36
Short rural feeder type	47.66	0.38
Long rural feeder type	88.56	0.73

(a) Numbers may not add due to rounding.

Details of Major Event Days

Ergon Energy reported three Major Event Days in 2011-12, as follows:

(a) 15 October 2011 (severe thunderstorms across Northern Queensland, and bushfires and storms across Central and Southern Queensland);

(b) 5 March 2012 (heavy rain, damaging winds and flash flooding in the Fraser Region, Wide Bay Burnett Region, Sunshine Coast and adjacent inland areas); and

(c) 20 March 2012 (heavy rain and a Tornado that devastated the Townsville area).

3.2 Compliance with the GSL

Table 9 provides details of GSL payments made by Ergon Energy during 2011-12.

Table 9: Ergon Energy GSL Payments - 2011-12

GSL description	*Number of payments made*	*Value of payments made ($)*
Failure to properly notify small business customer of planned interruption (GSL = $65)	803	52,195
Failure to properly notify residential customer of planned interruption (GSL = $26)	5,832	151,632
Late new connection (GSL = $52 /day)	204	36,504
Wrongful disconnection (GSL = $130)	138	17,940
Late reconnection (GSL = $52/day)	40	3,368
Late response to inquiry relating to loss of hot water (GSL = $52/day)	8	884
Failure to attend a scheduled appointment with a customer (GSL = $52)	148	7,696
Reliability – duration – period of an interruption is too long (GSL = $104)	2,421	251,732
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	521	54,184
GSL payments	**10,115**	**576,135**

Ergon Energy reported that it made 10,115 GSL payments totalling $576,135 to customers in 2011-12. This is a significant increase (more than double) the number of payments made in 2010-11 (4,792 GSL payments totalling $278,899).

Most of Ergon Energy's GSL payments were for failing to properly notify residential customers of planned interruptions (57.7%), which was due to a number of factors, including the incorrect calculation of notification timeframes and problems with identifying which customers would be affected by some interruptions. This was followed by interruptions to supply where the period of interruption was too long (23.9%) which was largely due to weather related events.

The number and type of GSL claims rejected

During 2011-12, Ergon Energy rejected 130 GSL claims, up from 128 claims rejected in the previous year. Most of the claims rejected related to failing to properly notify residential customers of planned interruptions (43.8%), followed by claims for failing to attend scheduled appointments (14.6%).

Table 10 provides details of the number of GSL claims rejected by Ergon Energy during 2011-12.

Table 10: Ergon Energy GSL Claims Rejected – 2011-12

GSL description	*Claims rejected*
Failure to properly notify small business customer of planned interruption (GSL = $65)	8
Failure to properly notify residential customer of planned interruption (GSL = $26)	57
Late new connection (GSL = $52/day)	6
Wrongful disconnection (GSL = $130)	0
Late reconnection (GSL = $52/day)	16
Late response to inquiry relating to loss of hot water (GSL = $52/day)	0
Failure to attend a scheduled appointment with a customer (GSL = $52)	19
Reliability – duration – period of an interruption is too long (GSL = $104)	16
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	8
Total	**130**