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

FOR THE 2010-11 FINANCIAL YEAR

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.

The MSS require gradual improvements in performance each financial year. 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 2010-11 financial year.

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 2010-11 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.

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 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.

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.

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.

Summary of Energex Performance

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 2010-11 is presented in Tables 1 and 2. Energex met all six of its MSS targets in 2010-11 relatively comfortably.

Performance against the SAIDI Limits

Table 1. Energex SAIDI performance (minutes)

Measure	*2008-09*	*2009-10*	*2010-11*	*SAIDI MSS 2010-11*
*Total **incl** exclusions and major event days*				
CBD feeder type	3.15	1.19	595.75	
Urban feeder type	181.47	98.82	540.51	
Short rural feeder type	415.19	276.44	642.75	
*Total **net** of exclusions and major event days*				
CBD feeder type	3.15	1.19	6.05	15
Urban feeder type	91.24	88.48	79.75	106
Short rural feeder type	227.76	215.73	201.58	218

Performance against the SAIFI Limits

Table 2. Energex SAIFI performance (number of events)

Measure	*2008-09*	*2009-10*	*2010-11*	*SAIFI MSS 2010-11*
*Total **incl** exclusions and major event days*				
CBD feeder type	0.06	0.08	0.27	
Urban feeder type	1.29	1.37	1.25	
Short rural feeder type	3.06	2.88	2.61	
*Total **net** of exclusions and major event days*				
CBD feeder type	0.06	0.08	0.01	0.15
Urban feeder type	1.05	1.20	0.92	1.26
Short rural feeder type	2.56	2.41	2.05	2.46

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.

Table 3. Exclusions from MSS – 2010-11

Cause of event	***Excluded from SAIDI (minutes)***	***Excluded from SAIFI (events)***
Generation or transmission related		
CBD feeder type	0	0
Urban feeder type	11.95	0.06
Short rural feeder type	1.26	0.03
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	0	0
Urban feeder type	0.07	0.001
Short rural feeder type	0.02	0
Authorised interruption for public safety		
CBD feeder type	0	0
Urban feeder type	0.08	0.002
Short rural feeder type	0	0
Interruption commencing on a Major Event Day		
CBD feeder type	589.70	0.26
Urban feeder type	448.67	0.26
Short rural feeder type	439.90	0.53
Total exclusions		
CBD feeder type	589.70	0.26
Urban feeder type	460.76	0.33
Short rural feeder type	441.17	0.56

By far the most common type of excluded interruption related to Major Event Days due to severe weather conditions affecting Energex's distribution area as set out below. Other (relatively minor) excluded interruptions related to failure of the transmission grid, customer electrical installation causes and complying with directions for 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 eight Major Event Days in 2010-11, as follows:

(a) 15-16 December, 18 January, 21 February (severe storms); and

(b) 9-12 January 2011 (major flooding of Brisbane and Bremer Rivers).

Compliance with the GSL

Table 4 provides details of the GSL payments made by Energex during 2010-11.

Table 4. Energex: GSL payments – 2010-11

GSL description	*Number of payments made*	*Value of payments($)*
Failure to properly notify small business customer of planned interruption (GSL = $65)	404	26,260
Failure to properly notify residential customer of planned interruption (GSL = $26)	4,264	110,864
Late new connection (GSL = $52/day)	240	31,404
Wrongful disconnection (GSL = $130)	317	41,150
Late reconnection (GSL = $52/day)	183	15,860
Late response to inquiry relating to loss of hot water (GSL = $52/day)	1	208
Failure to attend a scheduled appointment with a customer (GSL = $52)	1,303	67,756
Reliability – duration – period of an interruption is too long (GSL = $104)	365	37,960
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	0	0
GSL payments	**7,077**	**331,462**

The 7,077 GSL payments totalling $331,462 to customers in 2010-11 represented a significant increase (up 639%) from the number of payments made in 2009-10 (958 GSL payments totalling $91,200). Most of Energex's GSL payments were for failing to properly notify residential customers of planned interruptions (60.3%), followed by failing to attend scheduled appointments with customers (18.4%).

The significant increase in the number of GSL payments was largely due to amendments to the Code, requiring the distributors to use best endeavours to automatically give GSL payments to customers for all GSL types from 1 July 2010. Prior to this, customers were required to make a claim for a GSL payment for certain GSL types, including for failing to properly notify residential customers of planned interruptions and failing to attend scheduled appointments with customers.

The number and type of GSL claims rejected

During 2010-11, Energex rejected 315 GSL claims, up from 38 claims rejected the previous year. Most of the claims rejected related to failing to provide adequate notification to residential customers of planned interruptions (35.6%) followed by claims of wrongful disconnection (17.1%).

Table 5 provides details of the number of GSL claims rejected by Energex during 2010-11.

Table 5. Energex: GSL claims rejected – 2010-11

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)	112
Late new connection (GSL = $52 /day)	4
Wrongful disconnection (GSL = $130)	54
Late reconnection (GSL = $52 /day)	41
Late response to inquiry relating to loss of hot water (GSL = $52/day)	2
Failure to attend a scheduled appointment with a customer (GSL = $52)	44
Reliability – duration – period of an interruption is too long (GSL = $104)	42
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	8
Total	**315**

Summary of Ergon Energy Performance

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 2010-11 are presented in Tables 6 and 7.

Ergon Energy met five of its six MSS targets for 2010-11, only just failing to meet SAIDI short rural (by 0.4%). This is a significant improvement on its performance in 2008-09 and 2009-10 where it failed to meet five of its six MSS targets.

Performance against the SAIDI Limits

Table 6. Ergon Energy SAIDI performance (minutes)

Measure	***2008-09***	***2009-10***	***2010-11***	***SAIDI MSS 2010-11***
*Total **incl** exclusions and major event days*				
Urban feeder type	317.45	517.68	1,477.05	
Short rural feeder type	684.11	1,031.26	2,679.42	
Long rural feeder type	1,254.20	1,154.76	1,737.53	
*Total **net** of exclusions and major event days*				
Urban feeder type	216.85	221.74	148.88	149
Short rural feeder type	608.54	542.89	425.74	424
Long rural feeder type	1,107.96	995.19	827.35	964

Performance against the SAIFI Limits

Table 7. Ergon Energy SAIFI performance (number of events)

Measure	***2008-09***	***2009-10***	***2010-11***	***SAIFI MSS 2010-11***
*Total **incl** exclusions and major event days*				
Urban feeder type	3.50	2.62	2.32	
Short rural feeder type	5.78	5.05	4.54	
Long rural feeder type	8.49	7.53	6.09	
*Total **net** of exclusions and major event days*				
Urban feeder type	2.33	2.25	1.63	1.98
Short rural feeder type	4.93	4.58	3.53	3.95
Long rural feeder type	7.73	7.19	5.27	7.40

Warning Notice issued to Ergon Energy

On the basis of Ergon Energy's failure to meet its MSS in 2008-09 and 2009-10 and the Authority's view that there was a reasonable possibility that Ergon Energy would again fail to meet its MSS in 2010-11, the Authority issued Ergon Energy with a Warning Notice in November 2010.

The Warning Notice indicated that failure to meet its MSS in 2010-11 may result in the Authority issuing a code contravention notice and, potentially, taking further action as allowed under the Act. The warning notice also required Ergon Energy to provide additional quarterly information on its MSS performance during 2010-11. These reports are available on the Authority's website.

Ergon Energy reported a significant improvement in performance in 2010-11, relative to 2009-10. Overall, whole-of-network SAIDI and SAIFI performance improved by almost 21% and 24% respectively, with significant improvements in all SAIDI and SAIFI categories. Although Ergon Energy marginally missed its MSS target for SAIDI short rural and only just met its MSS target for SAIDI urban, 2010-11 performance improved substantially for both measures (by 22% for SAIDI short rural and 32% for SAIDI urban).

Ergon Energy indicated that, prior to the commencement of the extreme weather events in late 2010, it was on track to out-perform all six MSS targets. However, during the December and March quarters of 2010-11, Ergon Energy's distribution network was exposed to an extended period of severe weather, including heavy flooding and three tropical cyclones. While the impact of the most severe weather events was excluded in accordance with the exclusion criteria in the Code, Ergon Energy reported that some events that adversely impacted reliability performance were not.

On the basis of Ergon Energy's improved performance during 2010-11, the Authority decided to take no further action against Ergon Energy in relation to the warning notice.

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.

By far the most common type of excluded interruptions related to Major Event Days due to severe weather conditions affecting Ergon Energy's distribution area, as set out below. Other (relatively minor) excluded interruptions related to failure of the transmission grid, customer electrical installation causes and complying with directions for public safety.

Table 8. Exclusions from MSS – 2010-11

Cause of event	*Excluded from SAIDI (minutes)*	*Excluded from SAIFI (events)*
Generation or transmission related		
Urban feeder type	3.82	0.11
Short rural feeder type	3.89	0.17
Long rural feeder type	1.03	0.04
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	3.67	0.02
Short rural feeder type	9.34	0.10
Long rural feeder type	18.66	0.15
Authorised interruption for public safety		
Urban feeder type	23.31	0.01
Short rural feeder type	24.95	0.03
Long rural feeder type	70.04	0.05
Interruption commencing on a Major Event Day		
Urban feeder type	1,297.38	0.56
Short rural feeder type	2,215.49	0.70
Long rural feeder type	820.45	0.58
Total exclusions		
Urban feeder type	1,328.18	0.70
Short rural feeder type	2,253.68	1.01
Long rural feeder type	910.18	0.82

Details of Major Event Days

During the September quarter 2010 and March quarter 2011, Ergon Energy's distribution network was exposed to an extended period of severe weather, including major flooding and tropical cyclones.

As a result, Ergon Energy reported eight Major Event Days in 2010-11, as follows:

(a) 27-28 December (significant flooding in Central and Southern Queensland);

(b) 3 January (failure of circuit breaker at Mackay Substation);

(c) 11 January (flooding in Murgon area);

(d) 30 January (Cyclone Anthony);

(e) 2-3 February (Cyclone Yasi); and

(f) 21 February (severe storms in South West Region).

Compliance with the GSL

Ergon Energy reported that it made 4,792 GSL payments totalling $278,899 to customers in 2010-11. This is a significant increase (up 499%) from the number of payments made in 2009-10 (800 GSL payments totalling $47,230).

Most of Ergon Energy's GSL payments were for failing to provide adequate notification to residential customers of planned interruptions (54.4%), followed by interruptions to supply where the period of interruption was too long (20.1%).

Ergon Energy reported that the significant increase in GSL payments made in 2010-11 was due to:

(a) the requirement to use best endeavours to automatically give a GSL payment to customers for all GSL types from 1 July 2010;

(b) administration errors and rescheduling issues as a result of the need to complete emergency/restoration work due to the severe weather events. This resulted in a significant increase in GSL payments made for failing to provide adequate notification to residential customers of planned interruptions. The recent appointment of additional staff is expected to improve future performance; and

(c) the extensive delays in restoring supply to flooded areas was affected by poor access (exacerbated by the extent of the outages and the number of customers affected), which resulted in a significant increase in the number of GSL payments made because interruptions to supply were too long.

Table 9 provides details of GSL payments made by Ergon Energy during 2010-11.

Table 9. Ergon Energy GSL payments – 2010-11

GSL description	*Number of payments made*	*Value of payments made ($)*
Failure to properly notify small business customer of planned interruption (GSL = $65)	607	39,455
Failure to properly notify residential customer of planned interruption (GSL = $26)	2,609	67,828
Late new connection (GSL = $52 /day)	123	23,286
Wrongful disconnection (GSL = $130)	191	24,710
Late reconnection (GSL = $52/day)	45	3,408
Late response to inquiry relating to loss of hot water (GSL = $52/day)	6	520
Failure to attend a scheduled appointment with a customer (GSL = $52)	120	6,228
Reliability – duration – period of an interruption is too long (GSL = $104)	963	100,152
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	128	13,312
GSL payments	**4,792**	**278,899**

The number and type of GSL claims rejected

During 2010-11, Ergon Energy rejected 128 GSL claims, down from 363 claims rejected in the previous year. Most of the GSL claims rejected related to failing to provide adequate notification to residential customers of planned interruptions (47.7%), followed by interruptions lasting too long (16.4%).

Table 10 provides details of the number of GSL claims rejected by Ergon Energy during 2010-11.

Table 10. Ergon Energy GSL claims rejected – 2010-11

GSL description	*Claims rejected*
Failure to properly notify small business customer of planned interruption (GSL = $65)	17
Failure to properly notify residential customer of planned interruption (GSL = $26)	61
Late new connection (GSL = $52/day)	3
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)	7
Reliability – duration – period of an interruption is too long (GSL = $104)	21
Reliability – frequency – too many interruptions over the financial year (GSL = $104)	3
Total	**128**