



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

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2008

Minimum Service Standards

The Queensland Electricity Industry Code (the Code) sets certain minimum service standards (MSS) for the distribution entities Energex and Ergon Energy.

The MSS relate to the frequency and duration of interruptions to distribution services. 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 are different for Energex and Ergon Energy, reflecting differences in their distribution networks and the environment in which they operate.

The MSS generally require slight improvements in the performance of the distributors over time. If a distributor does not meet its MSS, it is required to provide reasons in its quarterly report and to detail 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 over the first 12 months of operation under the Code. This is the first report to present the performance of the distributors against the MSS over a complete 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 premises in a year.

In certain circumstances, if the distributors fail to comply with the GSL, the Code provides that an affected customer is eligible for compensation in the form of a GSL payment.

The Code requires Energex and Ergon Energy to report their compliance with the GSL within two months of the end of each quarter. The distributors must also report information about any GSL payments made to customers within the quarter.

This report details the compliance of Energex and Ergon Energy with the GSL over the first 12 months of operation under the Code.

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 may vary significantly. However, the MSS will support year-on-year comparisons of the performance of each distributor.

Table 1 provides some key network descriptors that illustrate the differences between the two distributors' networks.

Table 1. Network Descriptors for Energex and Ergon Energy

<i>Network Descriptor</i>	<i>Energex</i>	<i>Ergon Energy</i>
Network service area	25,064 sq km	1,698,100 sq km
Number of customers	1,218,582	624,592
Number of distribution transformers	43,420	85,034
Energy delivered	20,920 GWh	13,813 GWh
Maximum demand of network	4,284 MVA	2,387 MVA
Asset utilisation ^a	27.51%	21.00 %
Distribution losses	5.74 %	6.50%

^a Sub-transmission transformer utilisation factor. Electricity throughput (MWh) expressed as a percentage of sub-transformer capacity (MVA) multiplied by the number of hours per year.

The MSS and GSL in Operation

The operation of the MSS explained

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 average measures of performance across each distribution network.

Under the Code, there are six MSS for each distributor. Three MSS relate to the *duration* of service interruptions while the other three relate to the *frequency* of service interruptions.

The MSS that relate to the duration of service interruptions are referred to as SAIDI Limits. SAIDI stands for the System Average Interruption Duration Index. It 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.

The MSS that relate to the frequency of service interruptions are referred to as SAIFI Limits. SAIFI stands for the System Average Interruption Frequency Index. It 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 generally reduce over time, requiring slight improvements in the performance of the distributors.

The MSS are different for Energex and Ergon Energy, reflecting the differences in their distribution networks. In this regard, Energex's SAIDI and SAIFI Limits relate to its CBD feeders, urban feeders and short rural feeders. For Ergon Energy, the SAIDI and SAIFI Limits relate to its urban feeders, short rural feeders and long rural feeders.

Some interruptions are excluded when measuring the performance of the distributors against the MSS. This includes the impact of major events such as severe storms. It also includes interruptions of one minute or less. Other exclusions include interruptions resulting from a failure of the shared transmission grid and interruptions caused by the failure of a customer's electrical installation. Interruptions caused by a direction by a police officer or other authorised person who is exercising powers in relation to public safety are also excluded.

The operation of the GSL explained

The GSL relate to the quality of service received by individual customers. In certain circumstances, if Energex and Ergon Energy fail to comply with the GSL, the Code provides that an affected customer is 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 – \$100 GSL payment;
- (b) late connection of a customer – \$40 GSL payment per day late;
- (c) late reconnection of a customer – \$40 GSL payment per day late;
- (d) late response to an inquiry regarding loss of hot water – \$40 GSL payment per day late;
- (e) failure to attend a scheduled appointment with a customer – \$40 GSL payment; and
- (f) failure to give proper notice of a planned interruption – \$20 GSL payment to small residential customers and \$50 GSL payment to small business customers.

The Code also specifies some GSL relating 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 an \$80 GSL payment.

If the frequency of interruptions to the electricity supply to a customer is too high, the customer is also eligible for an \$80 GSL payment. The Code sets the maximum allowable number of interruptions for Energex and Ergon Energy, depending on the feeder type in question.

Some interruptions are excluded when measuring the compliance of Energex and Ergon Energy 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. Other exclusions include any failure of the shared transmission grid and any failure of a customer's electrical installation. Interruptions due to a direction by a police officer or other authorised person who is exercising powers in relation to public safety are also excluded.

There are limits on the number of GSL payments that can be made to an individual customer. There is also a cap of \$320 on the value of GSL payments that any customer can receive in any financial year. This cap excludes GSL payments for wrongful disconnection.

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).

If the Authority believes that a material contravention has occurred, or is likely to occur, the Act provides the Authority with three potential stages of enforcement. These stages include:

- (a) issuing warning notices;
- (b) issuing Code contravention notices; and
- (c) instituting Supreme Court proceedings

If the conduct of an electricity entity is likely to result in a material contravention of the Code, the Act also permits the Authority to refer the matter to the Director-General of the Queensland Department of Mines and Energy. The Director-General is responsible for the licensing of electricity entities.

Summary of Performance of Energex

Performance of Energex against the MSS

During 2007-08, Energex met five of its six MSS. Energex failed to meet the required frequency of interruptions for short rural feeders by approximately 2.9% - see Table 3.

Performance against the SAIDI Limits

Table 2 presents the performance of Energex against its SAIDI Limits.

Table 2. Performance of Energex against SAIDI Limits

<i>Measure</i>	<i>2007-08 Financial Year</i>	<i>SAIDI Limits 2007-08</i>
<i>Total incl exclusions and major event days</i>		
CBD feeder type	4.05	
Urban feeder type	89.08	
Short rural feeder type	245.51	
<i>Total net of exclusions and major event days</i>		
CBD feeder type	3.97	20.00
Urban feeder type	84.67	134.00
Short rural feeder type	242.10	244.00

Performance against the SAIFI Limits

Table 3 presents the performance of Energex against its SAIFI Limits.

Table 3. Performance of Energex against SAIFI Limits

<i>Measure</i>	<i>2007-08 Financial Year</i>	<i>SAIFI Limits 2007-08</i>
<i>Total incl exclusions and major event days</i>		
CBD feeder type	0.04	
Urban feeder type	1.12	
Short rural feeder type	2.76	
<i>Total net of exclusions and major event days</i>		
CBD feeder type	0.04	0.33
Urban feeder type	1.05	1.54
Short rural feeder type	2.706	2.63

Energex exceeded the SAIFI Limit for its short rural feeders (highlighted) by approximately 2.9%.

Details of excluded interruptions

Table 4 contains details of the interruptions that were excluded in determining the performance of Energex against its SAIDI and SAIFI Limits.

Table 4. Exclusions from Minimum Service Standards

<i>Cause of event</i>	<i>Excluded from SAIDI- 2007-08 financial year</i>	<i>Excluded from SAIFI- 2007-08 financial year</i>
<i>Generation or transmission related</i>		
CBD feeder type	0	0
Urban feeder type	4.36	0.07
Short rural feeder type	3.39	0.05
<i>NEMMCO direction</i>		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
<i>Automatic load shedding by distributor</i>		
CBD feeder type	0	0
Urban feeder type	0	0
Short rural feeder type	0	0
<i>Customer installation caused interruptions</i>		
CBD feeder type	0.08	0.00
Urban feeder type	0.02	0.00
Short rural feeder type	0.02	0.00
<i>Authorised interruption for public safety</i>		
CBD feeder type	0	0
Urban feeder type	0.03	0.00
Short rural feeder type	0	0
<i>Total exclusions</i>		
CBD feeder type	0.08	0.00
Urban feeder type	4.42	0.07
Short rural feeder type	3.41	0.05

The most common type of interruptions that were excluded by Energex were those due to failure of the shared transmission grid and shortfalls in generation. Other exclusions reported by Energex were those due to failure of customer electricity installations and directions given by a police officer, or similar, in relation to 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.

No major event days were reported by Energex in 2007-08.

Explanation for exceeding the MSS and proposals for improvement

Energex has advised that it exceeded its SAIFI Limit for its short rural network due to a greater than usual number of storm events. Energex reports that, for 2007-08, 29 storm events occurred where more than 5,000 customers were without supply. None of these 29 events were significant enough to qualify as a major event day. This compares to only 11 storm events during the previous year, one of which was excluded as a major event day.

Energex has undertaken a number of strategies to reduce the risk of exceeding its rural network MSS. Energex has an ongoing Rural Reliability Response plan (RRR) that commenced in July 2006. Energex also performs ongoing primary condition assessment and maintenance activities, involving:

- (a) annual pre-storm season helicopter patrols;
- (b) a program of above-ground and below-ground pole inspections;
- (c) a vegetation management program on a thirty-month cycle; and
- (d) targeted programs for wildlife-proofing certain constructions.

Energex has outlined plans for operational and capital works which will help to ensure it meets its MSS targets in the future.

In this regard, Energex has also outlined future operational measures that will focus on improving its emergency response programs. Energex is also reviewing its vegetation management program to assess whether a reduction in the cycle of the program will provide worthwhile benefits.

Energex has also outlined plans for future capital measures that will include installing new rural substations, insulated conductors and remote control switches. These measures are in addition to Energex's general overhead refurbishment programs. Energex is also investigating whether to introduce a spur fusing strategy that will aim to minimise the impact of faults on spurs on the rest of the feeder network.

The Authority has considered the explanation and proposals provided by Energex in relation to it exceeding its short rural network SAIDI Limit. The Authority has determined that further enforcement action is not warranted at this stage, having regard to the increased number of storm events during the year and the small degree by which Energex exceeded its SAIDI Limit. In reaching this decision, the Authority also took account of the plans Energex outlined for operational and capital works designed to ensure it meets its MSS targets in the future.

Compliance of Energex with the GSL

Energex has reported that it made 971 GSL payments to customers during 2007-08. Energex paid a total of \$109,850 in GSL payments over the year. The majority of the GSL payments made by Energex related to late connections and wrongful disconnections.

Information about GSL payments made

Table 5 provides details of the GSL payments made by Energex during 2007-08.

Table 5. Energex GSL payments

<i>GSL description</i>	<i>Total payments 2007-08</i>	<i>Value of payments 2007-08</i>
Failure to properly notify small business customer of planned interruption (GSL = \$50)	3	\$150
Failure to properly notify residential customer of planned interruption (GSL = \$20)	12	\$240
Late new connection (GSL = \$40 / day)	512	\$67,280
Wrongful disconnection (GSL = \$100)	373	\$37,300
Late re-connection (GSL = \$40 / day)	43	\$3,720
Late response to complaint relating to loss of hot water (GSL = \$40 / day)	1	\$40
Failure to attend a scheduled appointment with a customer (GSL = \$40)	26	\$1,040
Reliability – duration – period of an interruption is too long (GSL = \$80)	1	\$80
Reliability – frequency – too many interruptions over the financial year (GSL = \$80)	0	0
Total GSL payments	971	\$109,850

Energex has not included in its report a large number of claims made during May and June 2008 for late new connections. Energex has reported that it is investigating 2,785 additional claims of this kind. These claims have not been included in the data reported above because these claims had not been investigated or determined by Energex as at the reporting date. Energex proposes to include in its report for the September 2008 quarter any GSL payments it makes in relation to these claims.

The Authority issued a Warning Notice to Energex on 24 July 2008 concerning its failure to disconnect and re-connect premises within the time periods specified in the Code.

The number and type of rejected claims for GSL payments

Table 6 provides details of the number of claims made for GSL payments which were rejected by Energex during 2007-08.

Table 6. Energex: rejected claims for GSL payments for the 2007-08 financial year

<i>GSL description</i>	<i>Customer claims rejected</i>
Failure to properly notify small business customer of planned interruption (GSL = \$50)	0
Failure to properly notify residential customer of planned interruption (GSL = \$20)	2
Late new connection (GSL = \$40 / day)	74
Wrongful disconnection (GSL = \$100)	2
Late reconnection (GSL = \$40 / day)	4
Late response to complaint relating to loss of hot water (GSL = \$40/day)	0
Failure to attend a scheduled appointment with a customer (GSL = \$40)	0
Reliability – duration – period of an interruption is too long (GSL = \$80)	15
Reliability – frequency – too many interruptions over the financial year (GSL = \$80)	6
Total GSL payments	103

Summary of Performance of Ergon Energy

Performance of Ergon Energy against the MSS

During 2007-08, Ergon Energy met all six of its MSS.

Performance against the SAIDI Limits

Table 7 presents the performance of Ergon Energy against its SAIDI Limits.

Table 7. Performance of Ergon Energy against SAIDI Limits

<i>Measure</i>	<i>2007-08 Financial Year</i>	<i>SAIDI Limits 2007-08</i>
<i>Total incl exclusions and major event days</i>		
Urban feeder type	262.40	
Short rural feeder type	583.38	
Long rural feeder type	1188.78	
<i>Total net of exclusions and major event days</i>		
Urban feeder type	177.83	195.00
Short rural feeder type	453.87	550.00
Long rural feeder type	1010.78	1090.00

Performance against the SAIFI Limits

Table 8 presents the performance of Ergon Energy against its SAIFI Limits.

Table 8. Performance of Ergon Energy against SAIFI Limits

<i>Measure</i>	<i>2007-08 Financial Year</i>	<i>SAIFI Limits 2007-08</i>
<i>Total incl exclusions and major event days</i>		
Urban feeder type	2.52	
Short rural feeder type	4.23	
Long rural feeder type	7.17	
<i>Total net of exclusions and major event days</i>		
Urban feeder type	1.85	2.50
Short rural feeder type	3.49	5.00
Long rural feeder type	6.39	8.50

Details of excluded interruptions

Table 9 provides details of the interruptions that were excluded in determining the performance of Ergon Energy against its SAIDI and SAIFI Limits.

Table 9. Exclusions from Minimum Service Standards

<i>Cause of event</i>	<i>Excluded from SAIDI 2007-08 financial year</i>	<i>Excluded from SAIFI 2007-08 financial year</i>
<i>Generation or transmission related</i>		
Urban feeder type	5.66	0.19
Short rural feeder type	2.66	0.11
Long rural feeder type	1.55	0.13
<i>NEMMCO direction</i>		
Urban feeder type	0	0
Short rural feeder type	0	0
Long rural feeder type	0	0
<i>Automatic load shedding</i>		
Urban feeder type	0	0
Short rural feeder type	0	0
Long rural feeder type	0	0
<i>Customer installation caused interruptions</i>		
Urban feeder type	4.17	0.02
Short rural feeder type	6.84	0.03
Long rural feeder type	17.98	0.04
<i>Authorised interruption for public safety</i>		
Urban feeder type	0.89	0.00
Short rural feeder type	3.38	0.00
Long rural feeder type	19.36	0.00
<i>Total exclusions</i>		
Urban feeder type	10.71	0.22
Short rural feeder type	12.89	0.15
Long rural feeder type	38.88	0.17

The most common type of interruptions that were excluded by Ergon Energy for 2007-08 were those due to failure of the shared transmission grid. Other exclusions reported by Ergon Energy were those due to failure of customer electricity installations and due to directions given by a police officer, or similar, in relation to 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.

Ergon Energy reported 8 major event days in 2007-08. The dates of these major event days were as follows:

- (a) 24 August 2007
- (b) 10 October 2007
- (c) 12 October 2007
- (d) 29 October 2007
- (e) 30 November 2007
- (f) 8 February 2008
- (g) 12 February 2008
- (h) 15 February 2008

Table 10 contains details of these major event days.

Table 10. Details of major event days for performance of Ergon Energy against SAIDI and SAIFI Limits

<i>Measure</i>	<i>Excluded from SAIDI 2007-08 financial year</i>	<i>Excluded from SAIFI 2007-08 financial year</i>
<i>Total major event days</i>		
Urban feeder type	73.86	0.45
Short rural feeder type	116.62	0.59
Long rural feeder type	139.12	0.61

Compliance of Ergon Energy with the GSL

Ergon Energy has reported that it made 639 GSL payments to customers during 2007-08. Ergon Energy paid a total of \$50,960 in GSL payments over the year. The majority of the GSL payments made by Ergon Energy related to wrongful disconnections, late connections and failure to give proper notice of planned interruptions.

Information about GSL payments made

Table 11 provides details of the GSL payments made by Ergon Energy during 2007-08.

Table 11 Ergon Energy GSL payments

<i>GSL description</i>	<i>Total payments 2007-08</i>	<i>Value of payments 2007-08</i>
Failure to properly notify small business customer of planned interruption (GSL = \$50)	13	\$650
Failure to properly notify residential customer of planned interruption (GSL = \$20)	138	\$2,760
Late new connection (GSL = \$40 / day)	144	\$17,250
Wrongful disconnection (GSL = \$100)	199	\$19,900
Late reconnection (GSL = \$40 / day)	30	\$1,840
Late response to complaint relating to loss of hot water (GSL = \$40 / day)	7	\$840
Failure to attend a scheduled appointment with a customer (GSL = \$40)	23	\$920
Reliability – duration – period of an interruption is too long (GSL = \$80)	38	\$3,040
Reliability – frequency – too many interruptions over the financial year (GSL = \$80)	47	\$3,760
Total GSL payments	639	\$50,960

The number and type of rejected claims for GSL payments

Table 12 provides details of the number of claims made for GSL payments which were rejected by Ergon Energy during 2007-08.

Table 12. Ergon Energy: rejected claims for GSL payments for the 2007-08 financial year

<i>GSL description</i>	<i>Customer claims rejected</i>
Failure to properly notify small business customer of planned interruption (GSL = \$50)	4
Failure to properly notify residential customer of planned interruption (GSL = \$20)	11
Late new connection (GSL = \$40 / day)	5
Wrongful disconnection (GSL = \$100)	0
Late reconnection (GSL = \$40 / day)	8
Late response to complaint relating to loss of hot water (GSL = \$40 / day)	1
Failure to attend a scheduled appointment with a customer (GSL = \$40)	3
Reliability – duration – period of an interruption is too long (GSL = \$80)	32
Reliability – frequency – too many interruptions over the financial year (GSL = \$80)	2
Total GSL payments	66