

# Queensland Competition Authority

Report

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## Guaranteed service level performance by Energex and Ergon Energy for 2013-14

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September 2014

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# 1 BACKGROUND

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The Queensland Electricity Industry Code (the Code) sets guaranteed service levels (GSLs) that distributors must meet regarding the quality and reliability of service received by individual small customers.<sup>1</sup> GSLs apply to the frequency and duration of customer outages as well as other aspects of the services received by individual small customers, including the timeliness of connections, reconnections and notices of planned interruptions. Individual small customers may be eligible for GSL payments when distributors fail to meet the GSL performance standards.

GSLs are not intended to be an economic incentive for the networks to improve reliability or customer service performance, or function as a means of providing full compensation to impacted customers. Rather, they are a means of providing some financial recognition of poor service experienced by individual customers. GSLs are intended to work in combination with minimum service standards (MSS), which require the distributors to maintain a minimum level of average network reliability.<sup>2</sup>

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 requirements for the 2013–14 financial year.

## 1.1 Distributors' networks

The GSL reports provided to the QCA are not intended to enable performance comparisons between Energex and Ergon Energy. This is because Energex and Ergon Energy operate in very different environments with different network characteristics.

Energex operates a meshed distribution network that supplies largely urbanised areas of south east Queensland. Ergon Energy operates a more radial distribution network spread across the remainder of the state with a significant number of long, isolated feeders and lower customer densities. As a result, the GSL performance of the two distributors tends to differ significantly. The different interruption duration and frequency GSL requirements for the two networks reflect these differences.

## 1.2 GSL requirements in operation

If the distributors fail to comply with the GSLs, the affected customer may be eligible for a GSL payment. The prescribed GSL payment amounts vary according to the service performance parameter. Clause 2.5.10 of the Code specifies the following GSLs 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 to attend premises regarding loss of hot water – \$52 GSL payment per day late

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<sup>1</sup> Small customers are defined under section 300 of the *Electricity Regulation 2006* as those consuming 100MWh or less of electricity per year.

<sup>2</sup> The MSS requirements were removed from the Code from 1 July 2014 and included in the distribution authorities of Energex and Ergon Energy.

- (e) failure to attend a scheduled appointment with a customer – \$52 GSL payment
- (f) failure to give sufficient 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 GSLs related to reliability. These focus on the duration and frequency of interruptions. If an individual customer experiences an interruption of 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 experienced by an individual customer exceeds the prescribed levels, the customer may also be eligible for a \$104 GSL payment. The Code sets the maximum number of individual customer interruptions for Energex and Ergon Energy, depending on the feeder type.

Some interruptions are excluded when determining liability for GSL payments that relate to reliability, such as interruptions of one minute or less. Other exclusions include interruptions resulting from 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 the distributors must pay to any individual customer in a financial year. This cap excludes GSL payments for wrongful disconnections, which are uncapped.

### 1.3 The QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements may represent a contravention of the Code. The QCA is responsible for enforcing contraventions of the Code under the *Electricity Act 1994 (Qld)* (the Act).

Under the Act, if the QCA 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 pecuniary penalty can be given or sought.

## 2 SUMMARY OF ENERGEX PERFORMANCE

### 2.1 GSL payments made

Table 1 shows that, during 2013–14, EnergeX made 3,959 GSL payments totalling \$273,871. This represents a significant drop from the number of payments made in 2012-13 (6,441 GSL payments totalling \$456,092). In 2013–14, most of EnergeX's GSL payments were related to interruption duration reliability (38%) and insufficient notification of planned interruptions to residential customers (37%).

**Table 1 EnergeX GSL Payments 2013–14**

<i>GSL description / payment amount</i>	<i>Code clause</i>	<i>Number of payments made</i>	<i>Value of payments (\$)</i>
Insufficient notice of planned interruption - small business customer (\$65)	2.5.8	83	5,395
Insufficient notice of planned interruption - residential customer (\$26)	2.5.8	1,465	38,090
Late new connection (\$52/day)	2.5.4	28	3,016
Wrongful disconnection (\$130)	2.5.3	183	23,790
Late reconnection (\$52/day)	2.5.5	228	22,256
Failure to attend premises on time regarding hot water complaint (\$52/day)	2.5.6	0	0
Failure to attend a scheduled customer appointment on time (\$52)	2.5.7	457	23,764
Reliability – Interruption duration (\$104)	2.5.9 (a)(i)	1,515	157,560
Reliability – Interruption frequency (\$104)	2.5.9 (a)(ii)	0	0
<b>Total GSL payments</b>		<b>3,959</b>	<b>273,871</b>

### GSL claims rejected

During 2013–14, EnergeX rejected 14 GSL claims, down from 115 claims rejected the previous financial year. Most of the claims rejected during 2013-14 were related to insufficient notification of planned interruptions to small business and residential customers (36%), followed by wrongful disconnections (21%). Table 2 sets out the number and category of customer initiated GSL claims rejected by EnergeX during 2013-14.

**Table 2 Energex - GSL claims rejected during 2013–14**

<i>GSL description</i>	<i>Claims rejected</i>
Insufficient notice of planned interruption - small business customer	2
Insufficient notice of planned interruption - residential customer	3
Late new connection	2
Wrongful disconnection	3
Late reconnection	1
Failure to attend premises on time regarding hot water complaint	0
Failure to attend a scheduled customer appointment on time	0
Reliability – Interruption duration	2
Reliability – Interruption frequency	1
<b>Total claims rejected</b>	<b>14</b>

## 3 SUMMARY OF ERGON ENERGY PERFORMANCE

### 3.1 GSL payments made

Ergon Energy paid a total of 6,324 GSL payments to customers during 2013–14 totalling \$378,976. This represents a decrease of 20% from the number of payments made in 2012–13 (7,956 GSL payments totalling \$569,491).

Most of Ergon Energy's GSL payments during 2013–14 were for insufficient notification of planned interruptions to residential customers (51%), followed by interruption duration reliability (25%). Table 3 sets out the GSL payments made by Ergon Energy during 2013–14.

**Table 3 Ergon Energy GSL payments 2013–14**

<i>GSL description / payment amount</i>	<i>Code clause</i>	<i>Number of payments made</i>	<i>Value of payments (\$)</i>
Insufficient notice of planned interruption - small business customer (\$65)	2.5.8	308	20,020
Insufficient notice of planned interruption - residential customer (\$26)	2.5.8	3,223	83,798
Late new connection (\$52/day)	2.5.4	77	9,932
Wrongful disconnection (\$130)	2.5.3	145	18,850
Late reconnection (\$52/day)	2.5.5	23	1,508
Failure to attend premises on time regarding hot water complaint (\$52/day)	2.5.6	3	312
Failure to attend a scheduled customer appointment on time (\$52)	2.5.7	390	20,436
Reliability – Interruption duration (\$104)	2.5.9 (a)(i)	1,571	163,384
Reliability – Interruption frequency (\$104)	2.5.9 (a)(ii)	584	60,736
<b>Total GSL payments</b>		<b>6,324</b>	<b>378,976</b>

### 3.2 GSL claims rejected

During 2013–14, Ergon Energy rejected 82 GSL claims, down slightly from 88 claims rejected the previous year. Most of the rejected claims related to late reconnections (22%), missed/late appointments (22%), insufficient notification of planned interruptions to residential customers (21%) and interruption duration reliability (18%). Table 4 provides details of the number and category of GSL claims rejected by Ergon Energy during 2013–14.



**Table 4 Ergon Energy - GSL claims rejected during 2013–14**

<i>GSL description</i>	<i>Claims rejected</i>
Insufficient notice of planned interruption - small business customer	5
Insufficient notice of planned interruption - residential customer	17
Late new connection	3
Wrongful disconnection	0
Late reconnection	18
Failure to attend premises on time regarding hot water complaint	1
Failure to attend a scheduled customer appointment on time	18
Reliability – Interruption duration	15
Reliability – Interruption frequency	5
<b>Total claims rejected</b>	<b>82</b>