

# Queensland Competition Authority

Compliance report

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## Guaranteed Service Level performance by Energex and Ergon Energy for 2014–15

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November 2015

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# 1 BACKGROUND

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## 1.1 Electricity Industry Code—guaranteed service levels

The Queensland Electricity Industry Code (the code) set guaranteed service levels (GSLs) relating to the quality and reliability of service received by Queensland's small customers in 2014–15. Small customers are those consuming 100 megawatt hours or less of electricity per year.<sup>1</sup> GSLs applied to the frequency and duration of customer outages as well as other aspects of the services received by small customers, including the timeliness of connections, reconnections and notices of planned interruptions.

GSLs are not intended to be an economic incentive for the distributors to improve reliability or customer service performance, or function as a means of providing full compensation to any adversely affected customers. Rather the GSLs are a means of providing some financial recognition of poor service experienced by individual customers.

## 1.2 Energex and Ergon Energy compliance

Queensland's two electricity distributors—Energex and Ergon Energy (Ergon)—were required to comply with the code in 2014–15.<sup>2</sup> When the distributors failed to meet GSL performance standards, small customers may have been eligible for GSL payments from the companies.

### Electricity Distribution Network Code

The code was replaced by the Electricity Distribution Network Code on 1 July 2015. The distributors' reporting requirements are now set out in clause 2.4.2 of the new code.<sup>3</sup>

#### Quarterly reports

Energex and Ergon were required to report their compliance with GSL provisions within two months of the end of each quarter in 2014–15. The Queensland Competition Authority (QCA) has published all the quarterly reports for 2014–15 on our website.<sup>4</sup>

#### Annual report

This report details Energex's and Ergon's compliance with the GSL requirements for the 2014–15 financial year.

## 1.3 Energex's and Ergon's networks

Energex supplies largely urbanised areas of south east Queensland (SEQ). Ergon operates a wider distribution network spread across the remainder of the state. Ergon's network features a significant number of long, isolated feeders and lower customer densities.

Consequently, the GSL performance of the distributors tends to differ significantly and performance comparisons cannot reliably be made from the reports.

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<sup>1</sup> Electricity Regulation 2006 (Qld) s 300.

<sup>2</sup> The code (version 17) can be downloaded at <http://www.qca.org.au/getattachment/a9921643-43aa-4478-b9c0-3806326c17c7/Electricity-Industry-Code-version-17.aspx>.

<sup>3</sup> See <http://www.qca.org.au/Electricity/Reviews/Electricity-Industry-Code> for details.

<sup>4</sup> Quarterly reports are available at <http://www.qca.org.au/Electricity/Industry/Quarterly-MSS-and-GSL-Reports>.

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## 2 GSL REQUIREMENTS AND QCA ENFORCEMENT

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### 2.1 GSL requirements

For 2014–15 the code<sup>5</sup> set the following GSLs (and GSL payments):

- (1) Wrongful disconnection of a customer (\$130)
- (2) Late connection of a customer (\$52 per day late)
- (3) Late reconnection of a customer (\$52 per day late)
- (4) Late to attend premises regarding loss of hot water supply (\$52 per day late)
- (5) Failure to attend a scheduled appointment with a customer (\$52)
- (6) Failure to give sufficient notice of a planned interruption (\$26 for small residential customers and \$65 for small business customers).

The code also specified some reliability GSLs. These focus on the duration and frequency of supply interruptions. If an individual customer experienced an interruption of longer than eight hours for central business district feeders, 18 hours for urban or short rural feeders, and 24 hours for long rural feeders, the customer was eligible for a \$104 GSL payment.<sup>6</sup> If the frequency of interruptions experienced by an individual customer exceeded the prescribed levels the customer may also have been eligible for a \$104 GSL payment.<sup>7</sup>

The code set the maximum number of individual customer interruptions for Energex and Ergon depending on the feeder type.<sup>8</sup> Some interruptions were excluded when determining liability for GSL payments that related to reliability, such as interruptions of one minute or less.<sup>9</sup> Other exclusions included interruptions resulting from failure of the shared transmission grid<sup>10</sup> and any failure of a customer's electrical installation<sup>11</sup>.

There was a cap of \$416 on the value of GSL payments that the distributors must pay to any individual customer in 2014–15.<sup>12</sup> This cap excluded GSL payments for wrongful disconnection.<sup>13</sup>

### 2.2 QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements would contravene the code. The QCA was responsible for enforcing contraventions of the code under the *Electricity Act 1994* (Qld) (the Act).<sup>14</sup> Under the Act, if the QCA believed 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.

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<sup>5</sup> Clause 2.5.10.

<sup>6</sup> Electricity Industry Code (version 17) clause 2.5.10.

<sup>7</sup> Electricity Industry Code (version 17) clause 2.5.10.

<sup>8</sup> Electricity Industry Code (version 17) clause 2.5.9(a).

<sup>9</sup> Electricity Industry Code (version 17) clause 2.5.9(b)(i).

<sup>10</sup> Electricity Industry Code (version 17) clause 2.5.9(b)(ii)(D).

<sup>11</sup> Electricity Industry Code (version 17) clause 2.5.9(b)(v).

<sup>12</sup> Electricity Industry Code (version 17) clause 2.5.15(a).

<sup>13</sup> Electricity Industry Code (version 17) clause 2.5.15(b).

<sup>14</sup> Refer to chapter 5, part 1A, division 6 of the Act as at 26 September 2014.

In the case of a material breach of the code, the process the QCA would follow is set out in the QCA's Guidelines for Pursuing Civil Penalties and Referring Matters to the Regulator in Relation to Industry Code Contraventions.<sup>15</sup>

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<sup>15</sup> The guidelines are available at <http://www.qca.org.au/Electricity/Reviews/Code-Breaches/Final-Report/Code-Breaches#finalpos>.

## 3 GSL PERFORMANCE SUMMARIES

### 3.1 Energex

#### GSL payments made

Energex made 6,450 GSL payments totalling \$526,383 in 2014–15.

**Table 1 Energex GSL payments 2014–15**

<i>GSL description (payment amount)</i>	<i>Code clause</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Failure to give sufficient notice of a planned interruption – small business customers (\$65)	2.5.8	171	11,115
Failure to give sufficient notice of a planned interruption – residential customers (\$26)	2.5.8	1,621	42,146
Late connection of a customer (\$52/day)	2.5.4	32	3,484
Wrongful disconnection (\$130)	2.5.3	179	23,270
Late reconnection (\$52/day)	2.5.5	312	28,704
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	238	12,376
Reliability – interruption duration (\$104)	2.5.9(a)(i)	3,897	405,288
Reliability – interruption frequency (\$104)	2.5.9(a)(ii)	0	0
<b>Total GSL payments</b>		<b>6,450</b>	<b>526,383</b>

Source: Energex quarterly GSL reports

By comparison, Energex made 3,959 GSL payments in 2013–14 totalling \$273,871.

The increase in the number and value of interruption duration payments from 2013–14 to 2014–15 was the major driver of the deterioration in Energex's GSL performance. Last year, Energex made 1,515 interruption duration payments for a value of \$157,560. This increased to 3,897 and \$405,288 respectively in 2014–15.

#### GSL claims rejected

Energex rejected 34 GSL claims in 2014–15; 20 more than the 14 claims rejected in 2013–14. The increase from 2013–14 was mainly due to 16 more rejected claims in 2014–15 for the reliability—interruption duration GSL.

**Table 2 Ergon GSL claims rejected 2014–15**

<i>GSL description</i>	<i>Claims rejected</i>
Failure to give sufficient notice of a planned interruption – small business customers	0
Failure to give sufficient notice of a planned interruption – residential customers	6
Late connection of a customer	2
Wrongful disconnection	5
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	18
Reliability – interruption frequency	2
<b>Total</b>	<b>34</b>

Source: Ergon quarterly GSL reports

## 3.2 Ergon

### GSL payments made

Ergon made 10,099 GSL payments totalling \$806,455 in 2014–15.

**Table 3 Ergon GSL payments 2014–15**

<i>GSL description (payment amount)</i>	<i>Code clause</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Failure to give sufficient notice of a planned interruption – small business customers (\$65)	2.5.8	366	23,790
Failure to give sufficient notice of a planned interruption – residential customers (\$26)	2.5.8	2,243	58,318
Late connection of a customer (\$52/day)	2.5.4	241	36,556
Wrongful disconnection (\$130)	2.5.3	275	35,750
Late reconnection (\$52/day)	2.5.5	79	6,968
Failure to attend premises on time regarding hot water complaint (\$52/day)	2.5.6	8	520
Failure to attend a scheduled customer appointment on time (\$52)	2.5.7	1,377	71,604
Reliability – interruption duration (\$104)	2.5.9(a)(i)	5,220	542,841
Reliability – interruption frequency (\$104)	2.5.9(a)(ii)	290	30,108
<b>Total GSL payments</b>		<b>10,099</b>	<b>806,455</b>

Source: Ergon quarterly GSL reports. Note: In November 2015, Ergon advised the QCA of minor amendments to the June 2015 quarter 'late reconnection' and 'failure to attend a scheduled customer appointment on time' GSLs. The table reflects Ergon's amendments.

By comparison, Ergon made 6,324 GSL payments in 2013–14 totalling \$378,976.

The increase in the number and value of interruption duration payments from 2013–14 to 2014–15 was the major driver of the deterioration in Ergon's GSL performance. Last year, Ergon made 1,571 interruption duration payments for a value of \$163,384. This increased to 5,220 and \$542,841 respectively in 2014–15.

### GSL claims rejected

Ergon rejected 117 GSL claims in 2014–15; 35 more than the 82 claims rejected in 2013–14. The increase from 2013–14 was mainly due to 33 more rejected claims in 2014–15 for the failure to attend a scheduled appointment on time GSL.

**Table 4 Ergon GSL claims rejected 2014–15**

<i>GSL description</i>	<i>Claims rejected</i>
Failure to give sufficient notice of a planned interruption – small business customers	1
Failure to give sufficient notice of a planned interruption – residential customers	24
Late connection of a customer	6
Wrongful disconnection	0
Late reconnection	25
Failure to attend premises on time regarding hot water complaint	1
Failure to attend a scheduled customer appointment on time	51
Reliability – interruption duration	5
Reliability – interruption frequency	4
<b>Total</b>	<b>117</b>

Source: Ergon quarterly GSL reports