

# Queensland Competition Authority

Compliance report

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## Guaranteed service level performance by Energex and Ergon Energy for 2017–18

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December 2018

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# 1 BACKGROUND

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The Queensland Electricity Distribution Network Code (the code) sets guaranteed service levels (GSLs) that distributors (Energex and Ergon Energy) must meet regarding the quality and reliability of service received by small customers. Small customers are residential or business customers who consume less than 100 megawatt hours of electricity per year.<sup>1</sup> GSLs apply 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.

## 1.1 Energex and Ergon Energy compliance

Energex and Ergon Energy were required to comply with the GSL provisions under the code in 2017–18. This includes meeting GSL performance standards and reporting their compliance with these measures to the Queensland Competition Authority (QCA).

It should be noted that 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 supplies largely urbanised areas of south east Queensland (SEQ). Ergon Energy operates a wider distribution network spread across the remainder of the state. Ergon Energy'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.

### Quarterly reports

Energex and Ergon Energy were required to report their compliance with the GSL provisions within two months of the end of each quarter in 2017–18. The quarterly reports for 2017–18 are available on our website.<sup>2</sup>

### Annual report

This report summarises Energex's and Ergon's compliance with the GSL requirements for 2017–18.

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<sup>1</sup> National Energy Retail Law, section 4; National Energy Retail Regulations, section 7.

<sup>2</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 2017–18 the code<sup>3</sup> set the following GSLs (and GSL payments):

- wrongful disconnection of a customer (\$142)
- late connection of a customer (\$57 per day late)
- late reconnection of a customer (\$57 per day late)
- late to attend premises regarding loss of hot water supply (\$57 per day late)
- failure to attend a scheduled appointment with a customer (\$57)
- failure to give sufficient notice of a planned interruption (\$28 for residential customers and \$71 for small business customers).

The code also specifies 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 \$114 GSL payment.<sup>4</sup>

If the frequency of interruptions experienced by an individual customer exceeded the prescribed levels the customer may also have been eligible for a \$114 GSL payment.<sup>5</sup>

The code sets the maximum number of individual customer interruptions for Energex and Ergon Energy depending on the feeder type.<sup>6</sup> Some interruptions were excluded when determining liability for GSL payments that related to reliability, such as interruptions of one minute or less. Other exclusions included interruptions resulting from failure of the shared transmission grid and any failure of a customer's electrical installation.<sup>7</sup>

There was a cap of \$454 on the value of GSL payments that the distributors must pay to any individual customer in a financial year.<sup>8</sup> This cap excluded GSL payments for wrongful disconnections.<sup>9</sup>

### 2.2 QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements would contravene the code. The QCA is responsible for enforcing contraventions of the code under the *Electricity Act 1994* (Qld) (the Act).<sup>10</sup>

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<sup>3</sup> Electricity Distribution Network Code, clause 2.3.10.

<sup>4</sup> Electricity Distribution Network Code, clause 2.3.9 (a)(i).

<sup>5</sup> Electricity Distribution Network Code, clause 2.3.9(a)(ii).

<sup>6</sup> Electricity Distribution Network Code, clause 2.3.9(a)(ii).

<sup>7</sup> Electricity Distribution Network Code, clause 2.3.9(b).

<sup>8</sup> Electricity Distribution Network Code, clause 2.3.15(a).

<sup>9</sup> Electricity Distribution Network Code, clause 2.3.15(b).

<sup>10</sup> Refer to chapter 5, part 1A, division 6 of the Act.

Under the Act, if the QCA believes 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.

In the case of a material breach of the code, the process the QCA would follow is set out in the QCA's Enforcement Guidelines.<sup>11</sup>

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<sup>11</sup> The guidelines are available at <http://www.qca.org.au/getattachment/997dfcf7-9eea-43b1-bb38-a5edeec6b030/QCA-Enforcement-Guidelines.aspx>

## 3 GSL PERFORMANCE SUMMARIES

### 3.1 Energex

#### GSL payments made

Energex made 43,887 GSL payments totalling \$4,920,635 in 2017–18. This is 922 per cent higher than the number of payments made in 2016–17 (4,295 payments totalling \$458,944).

The increase in the number of 'interruption duration' payments from 2016–17 to 2017–18 was the major contributor to the step increase in Energex's GSL liability. Last year, Energex made 2,415 interruption duration payments for a value of \$275,310. This increased to 41,910 and \$4,777,740 respectively in 2017–18.

**Table 1 Energex GSL payments 2017–18**

| <i>GSL measure (payment amount)</i>   | <i>Code clause</i> | <i>Number of payments</i> | <i>Value of payments (\$)</i> |
|---|--------------------|---------------------------|-------------------------------|
| Wrongful disconnection (\$142)  | 2.3.3              | 37                        | \$5,254                       |
| Late connection of a customer (\$57/day)  | 2.3.4              | 391                       | \$79,179                      |
| Late reconnection (\$57/day)  | 2.3.5              | 58                        | \$6,667                       |
| Failure to attend premises on time regarding hot water complaint (\$57/day)                   | 2.3.6              | 0                         | \$0                           |
| Failure to attend a scheduled customer appointment on time (\$57)                             | 2.3.7              | 170                       | \$9,690                       |
| Failure to give sufficient notice of a planned interruption – small business customers (\$71) | 2.3.8              | 119                       | \$8,449                       |
| Failure to give sufficient notice of a planned interruption – residential customers (\$28)    | 2.3.8              | 1,202                     | \$33,656                      |
| Reliability – interruption duration (\$114)   | 2.3.9(a)(i)        | 41,910                    | \$4,777,740                   |
| Reliability – interruption frequency (\$114)  | 2.3.9(a)(ii)       | 0                         | \$0                           |
| <b>Total</b>  |                    | <b>43,887</b>             | <b>\$4,920,635</b>            |

Source: Energex quarterly GSL reports.

#### GSL claims rejected

Energex rejected 10 GSL claims in 2017–18; 4 less than the 14 claims rejected in 2016–17. The decrease from 2016–17 was mainly due to 4 less rejected claims in 2017–18 for interruption duration GSLs.

**Table 2 Energex GSL claims rejected 2017–18**

| <i>GSL measure</i>   | <i>Code clause</i> | <i>Claims rejected</i> |
|--|--------------------|------------------------|
| Wrongful disconnection   | 2.3.3              | 1                      |
| Late connection of a customer  | 2.3.4              | 2                      |
| Late reconnection  | 2.3.5              | 0                      |
| Failure to attend premises on time regarding hot water complaint                       | 2.3.6              | 0                      |
| Failure to attend a scheduled customer appointment on time                             | 2.3.7              | 0                      |
| Failure to give sufficient notice of a planned interruption – small business customers | 2.3.8              | 0                      |
| Failure to give sufficient notice of a planned interruption – residential customers    | 2.3.8              | 1                      |
| Reliability – interruption duration  | 2.3.9(a)(i)        | 6                      |
| Reliability – interruption frequency   | 2.3.9(a)(ii)       | 0                      |
| <b>Total</b>   |                    | <b>10</b>              |

Source: Energex quarterly GSL reports.

## 3.2 Ergon Energy

### GSL payments made

Ergon Energy made 24,440 GSL payments totalling \$2,674,320 in 2017–18. This is 370 per cent higher than the number of payments made in 2016–17 (5,204 payments totalling \$492,524).

The increase in the number and value of interruption duration payments from 2016–17 to 2017–18 was the main contributor to Ergon Energy's higher GSL liability. Last year, Ergon Energy made 3,445 interruption duration payments for a value of \$392,730. This increased to 22,693 and \$2,587,002 respectively in 2017–18.

**Table 3 Ergon Energy GSL payments 2017–18**

| <i>GSL measure (payment amount)</i>   | <i>Code clause</i> | <i>Number of payments</i> | <i>Value of payments (\$)</i> |
|---|--------------------|---------------------------|-------------------------------|
| Wrongful disconnection (\$142)  | 2.3.3              | 64                        | \$9,088                       |
| Late connection of a customer (\$57/day)  | 2.3.4              | 61                        | \$12,363                      |
| Late reconnection (\$57/day)  | 2.3.5              | 23                        | \$2,107                       |
| Failure to attend premises on time regarding hot water complaint (\$57/day)                   | 2.3.6              | 1                         | \$57                          |
| Failure to attend a scheduled customer appointment on time (\$57)                             | 2.3.7              | 160                       | \$9,120                       |
| Failure to give sufficient notice of a planned interruption – small business customers (\$71) | 2.3.8              | 219                       | \$15,549                      |
| Failure to give sufficient notice of a planned interruption – residential customers (\$28)    | 2.3.8              | 1,162                     | \$32,536                      |
| Reliability – interruption duration (\$114)   | 2.3.9(a)(i)        | 22,693                    | \$2,587,002                   |
| Reliability – interruption frequency (\$114)  | 2.3.9(a)(ii)       | 57                        | \$6,498                       |
| <b>Total GSL payments</b>   |                    | <b>24,440</b>             | <b>\$2,674,320</b>            |

Source: Ergon Energy quarterly GSL reports.

### GSL claims rejected

Ergon Energy rejected 75 GSL claims in 2017–18; 26 more than the 49 claims rejected in 2016–17. The increase from 2016–17 was driven largely by a rise in the number of rejected interruption duration claims, from 10 to 35.

**Table 4 Ergon Energy GSL claims rejected 2017–18**

| <i>GSL measure</i>   | <i>Code clause</i> | <i>Claims rejected</i> |
|--|--------------------|------------------------|
| Wrongful disconnection   | 2.3.3              | 6                      |
| Late connection of a customer  | 2.3.4              | 3                      |
| Late reconnection  | 2.3.5              | 3                      |
| Failure to attend premises on time regarding hot water complaint                       | 2.3.6              | 1                      |
| Failure to attend a scheduled customer appointment on time                             | 2.3.7              | 1                      |
| Failure to give sufficient notice of a planned interruption – small business customers | 2.3.8              | 4                      |
| Failure to give sufficient notice of a planned interruption – residential customers    | 2.3.8              | 13                     |
| Reliability – interruption duration  | 2.3.9(a)(i)        | 35                     |
| Reliability – interruption frequency   | 2.3.9(a)(ii)       | 9                      |
| <b>Total</b>   |                    | <b>75</b>              |

Source: Ergon Energy quarterly GSL reports.