SA Power Networks Service Standard Framework for the 2015-2020 Regulatory Period - Issues Paper - March 2013

ECONOMIC REGULATION OF SA POWER NETWORKS

SA Power Networks is licensed by the Commission to operate the electricity distribution network in South Australia. As a condition of its licence, SA Power Networks is required to operate within a regulatory regime and to comply with, among other things, various Acts and statutory instruments, including the National Electricity Rules (**NER**), the Electricity Distribution Code issued by the Commission, as well as the terms of binding price determinations which control the revenue that SA Power Networks may recover from customers.

Under the Australian Energy Market Agreement (**AEMA**), the Commission is responsible for developing reliability service standards for SA Power Networks.

Once the Commission has established reliability standards, the Australian Energy Regulator (**AER**) is responsible for assessing the efficient level of expenditure required for SA Power Networks to provide distribution services at the specified standards. This includes regulating the revenues which may be earned by SA Power Networks and administering a service performance incentive scheme that allows increases or decreases in revenues based on SA Power Networks' performance.

DEVELOPING SA POWER NETWORKS' SERVICE STANDARDS FOR 2015-2020

For SA Power Networks to be able to develop and submit its revenue proposal to the AER in 2014, the Commission must develop the reliability service standards to apply for the 2015-2020 regulatory period by the start of 2014.

While, in the past, the Commission conducted customer surveys as an input to its service standard framework reviews, recent amendments to the NER now require SA Power Networks to engage with its customers directly and demonstrate how customer concerns have been taken into account in developing its revenue proposal for the AER (for example, Rules 6.5.6(5A) and 6.5.7(5A)).

SA Power Networks will be engaging with its customers in coming months to gain an understanding of their needs and expectations of distribution services. The Commission will work with SA Power Networks to understand the value that SA Power Networks' customers place on a reliable supply of electricity; however, effective customer engagement remains SA Power Networks' responsibility.

THE CURRENT SERVICE STANDARD FRAMEWORK (2010-2015)

Service Standards

The Electricity Distribution Code includes the current service standards for three aspects of the service provided by SA Power Networks to its customers:

- Customer Service – telephone and written responsiveness targets;
- Reliability of Supply – the number and frequency of supply interruptions; and
- Quality of Supply – voltage standards.

The current service standards are average service standards; they represent the average performance provided to customers over the course of a year.

The current service standards are of a "best endeavours" nature, meaning the relevant assessment of performance is a two-step process requiring consideration of:

1. Was the given target for the standard met?
2. If not, did SA Power Networks employ its best endeavours in attempting to attain the target?

It is only if the answer to the second element of the test is negative that there is the potential for adverse regulatory consequence for SA Power Networks.

Certain events that are considered beyond the control of SA Power Networks are excluded from the assessment of its reliability performance. For example, supply interruptions due to generation or transmission faults are not included in the assessment.

Similarly, severe weather events can have a significant impact on average network reliability performance. Since 2000/01, on average, around 35% of all supply interruptions have resulted from severe weather, while around 25% resulted from equipment failure. Rather than excluding the impact of weather events from its assessment of performance, the Commission has generally focused on ensuring that SA Power Networks' procedures for managing extreme weather events are appropriate and effective.

Reliability standards have been established for seven geographic regions served by SA Power Networks. In 2005 and 2010, the Commission determined it appropriate to base reliability standards on a regional basis for the following key reasons:

- it provides transparency for consumers, allows for a more readily understandable narrative to be told in relation to service reliability in particular areas and makes it possible for remedial activity to be more readily targeted; and
- by aligning the average standards to SA Power Networks' development regions, a closer link between capital expenditure and reliability performance in each region could be established.

While the reliability service standards are regionally-based, SA Power Networks is also required to report on its reliability performance under feeder categories (CBD, Urban, Rural Short and Rural Long). These categories are utilised by the AER for the purposes of the Service Target Performance Incentive Scheme (**STPIS**).

The Australian Energy Market Commission's (**AEMC**) review of distribution reliability outcomes and standards has identified that while both methodologies are credible (and used variously across Australia), the benefits of consistency in expressing reliability targets across NEM jurisdictions may be limited due to the need to accommodate specific locational characteristics of distribution networks.

Guaranteed Service Level Scheme

Unlike the average service standards that measure the service provided to all SA Power Networks' customers, the Guaranteed Service Level (**GSL**) scheme assesses the service provided to individual customers. Payments are provided to customers who receive service that does not meet the pre-determined guaranteed levels in the following service areas:

- timeliness of appointments, connection of a new supply address and repair of faulty street lights; and
- frequency and duration of supply interruptions.

GSL payments are not made where interruptions are caused by transmission or generation failures; disconnection required in an emergency situation (e.g. bushfire); single customer faults caused by that customer; interruptions of less than 1 minute; or planned interruptions.

SUMMARY OF PERFORMANCE

A summary of performance is provided here, however, detailed analysis of SA Power Networks' performance is included in the Commission's Annual Performance Reports, available on the Commission's website at http://www.escosa.sa.gov.au/electricity-overview/market-information/annual-performance-reports.aspx.

Customer Service

Current Targets:	85% of telephone calls within 30 seconds	95% of written enquiries within 5 business days

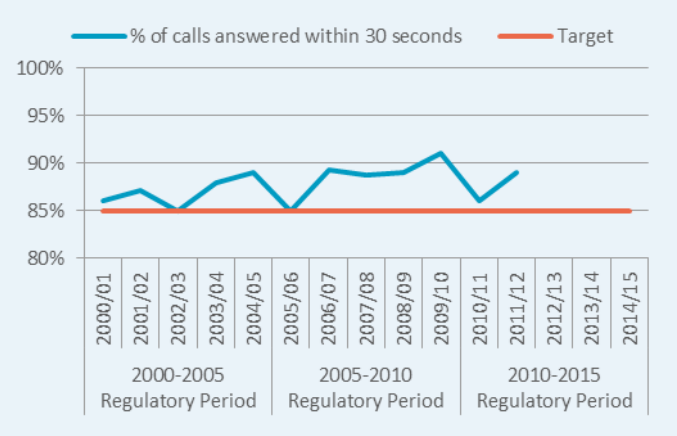
Customer Service involves responsiveness by SA Power Networks to telephone and written enquiries from customers and the means by which disputes with customers are handled by SA Power Networks.

The customer service standards must be delivered to all SA Power Networks customers, regardless of geographic region.

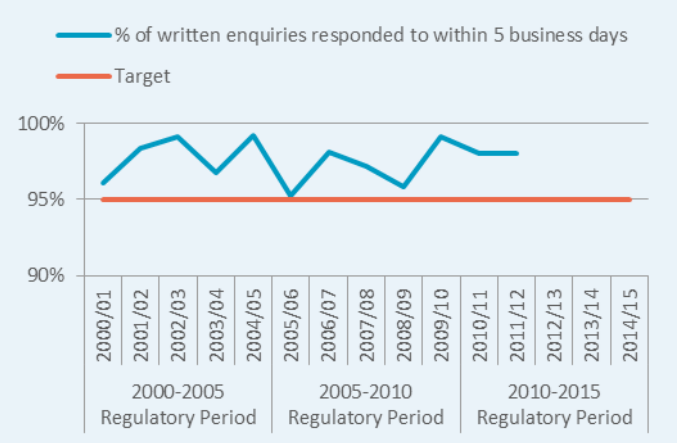
The customer service standards are average standards that SA Power Networks is required to meet over the course of a year, rather than necessarily for a shorter period (e.g. during a single extreme weather event where as thousands of customers seek to report a supply interruption and/or ascertain how long their supply will be interrupted).

SA Power Networks' telephone and written responsiveness performance has consistently been above the targets.

Telephone responsiveness



Written responsiveness



Reliability of Supply

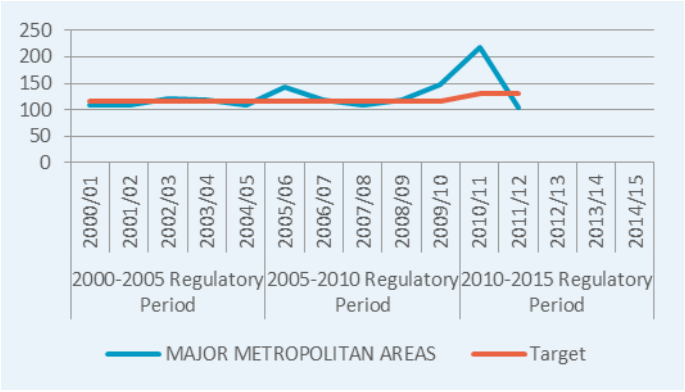
Reliability is measured by the frequency (**SAIFI**) and duration (**SAIDI**) of supply interruptions experienced by customers in seven geographical regions across the State. Although SA Power Networks has not always met the reliability performance targets, the Commission has generally been satisfied that SA Power Networks has used its best endeavours in attempting to meet the targets.

SA Power Networks reliability regions

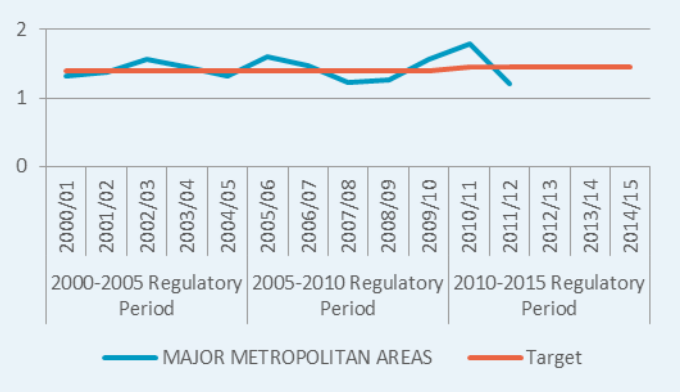
MAJOR METROPOLITAN AREAS (71.5% OF CUSTOMERS)

Current Targets:	103 minutes	1.45 outages

Duration of annual outages



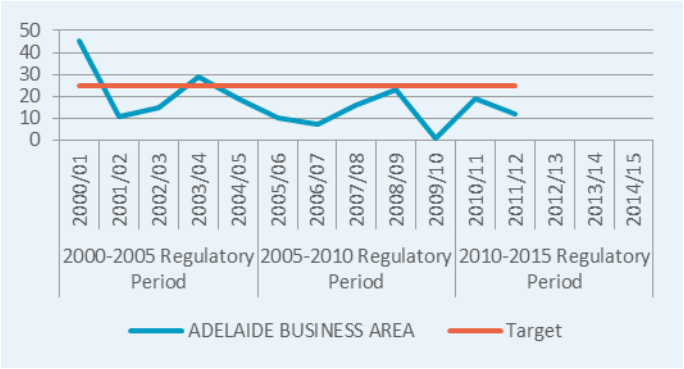
Frequency of annual outages



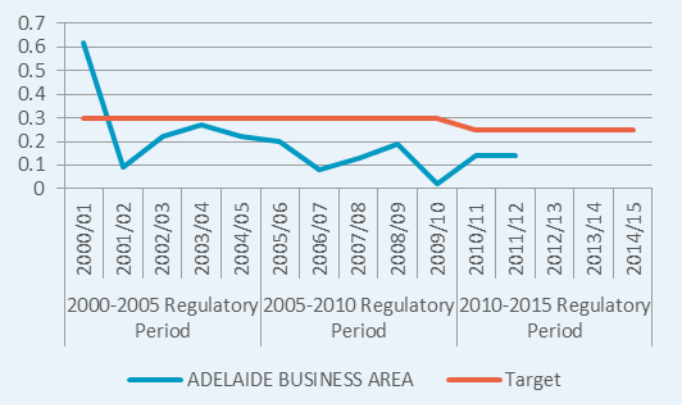
ADELAIDE BUSINESS AREA (0.6% OF CUSTOMERS)

Current Targets:	25 minutes	0.25 outages

Duration of annual outages



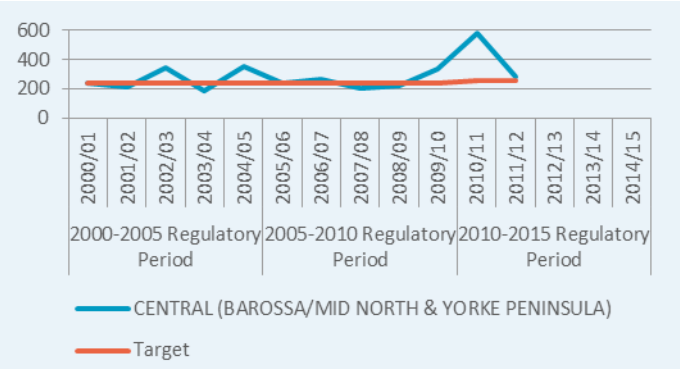
Frequency of annual outages



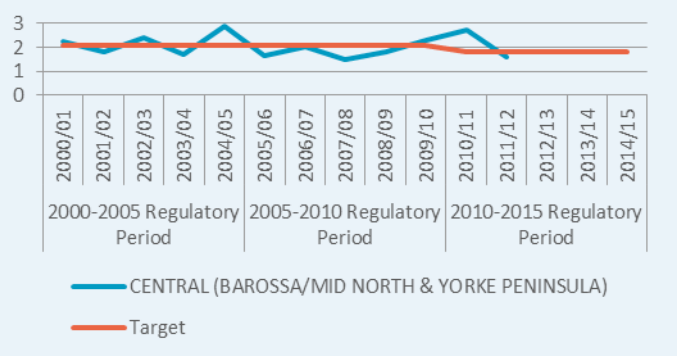
CENTRAL (BAROSSA/MID-NORTH & YORKE PENINSULA) (12.5% OF CUSTOMERS)

Current Targets:	260 minutes	1.8 outages

Duration of annual outages



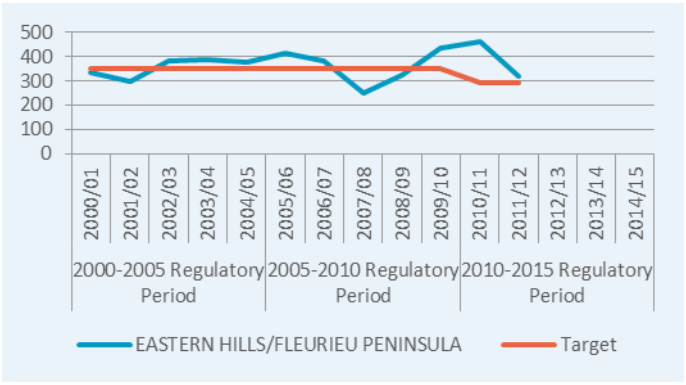
Frequency of annual outages



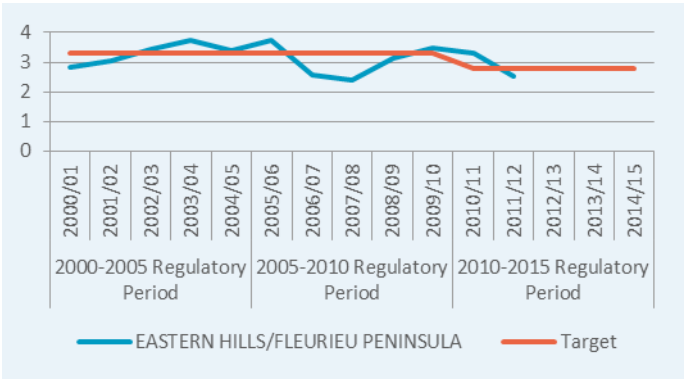
EASTERN HILLS/FLEURIEU PENINSULA (7.7% OF CUSTOMERS)

Current Targets:	295 minutes	2.8 outages

Duration of annual outages



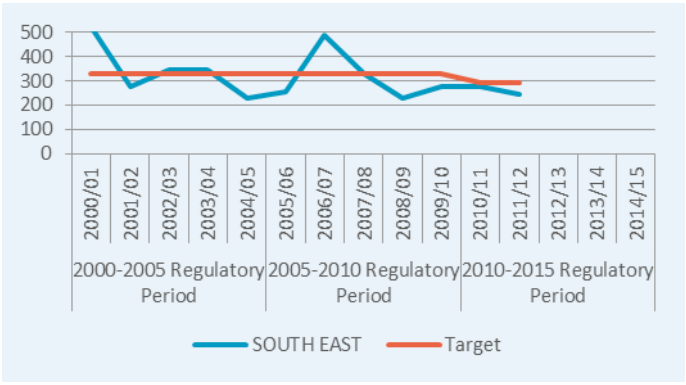
Frequency of annual outages



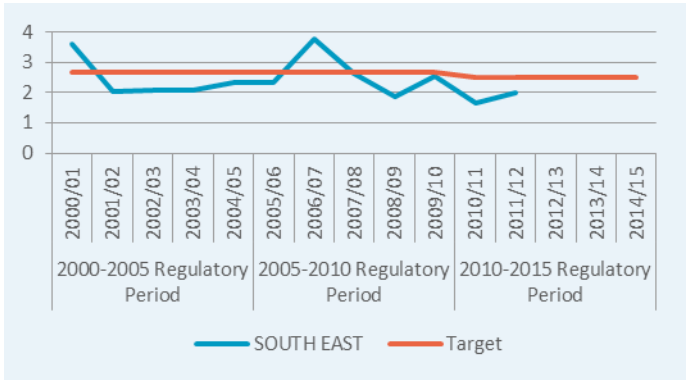
SOUTH EAST (3.3% OF CUSTOMERS)

Current Targets:	295 minutes	2.5 outages

Duration of annual outages



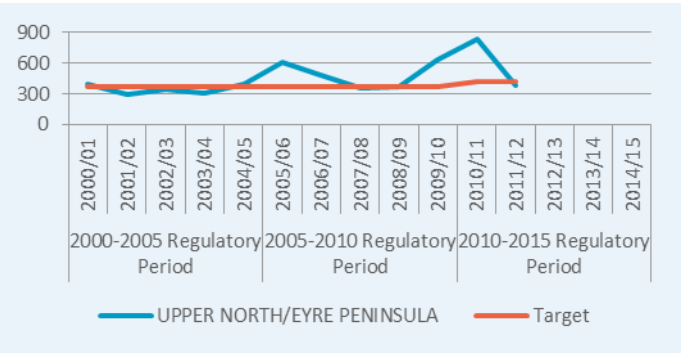
Frequency of annual outages



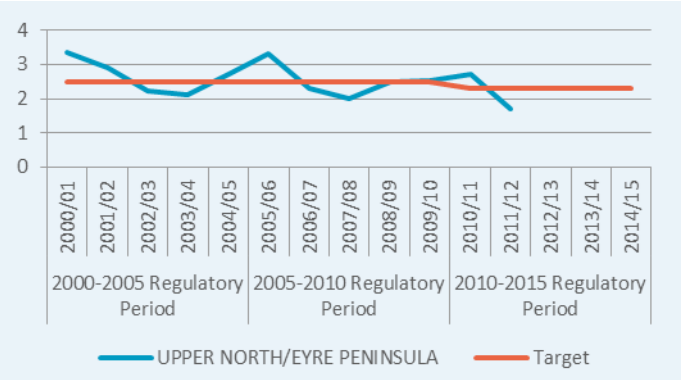
UPPER NORTH/EYRE PENINSULA (3.9% OF CUSTOMERS)

Current Targets:	425 minutes	2.3 outages

Duration of annual outages



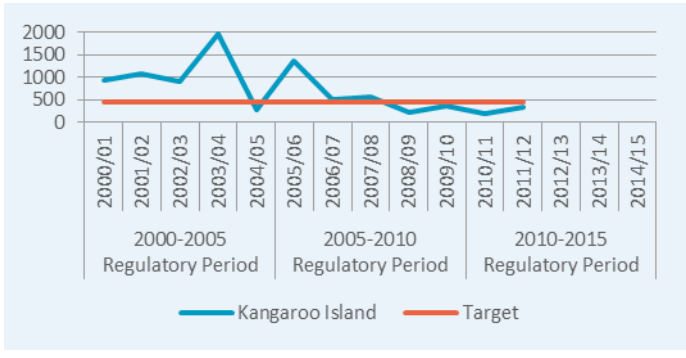
Frequency of annual outages



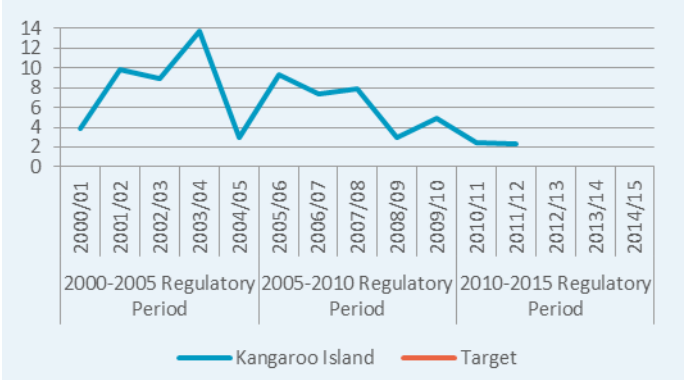
KANGAROO ISLAND (0.4% OF CUSTOMERS)

Current Targets:	450 minutes	n/a

Duration of annual outages



Frequency of annual outages

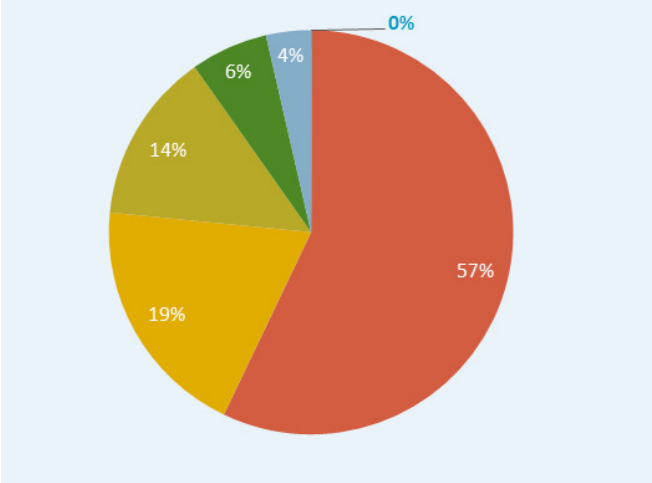


Low reliability feeders

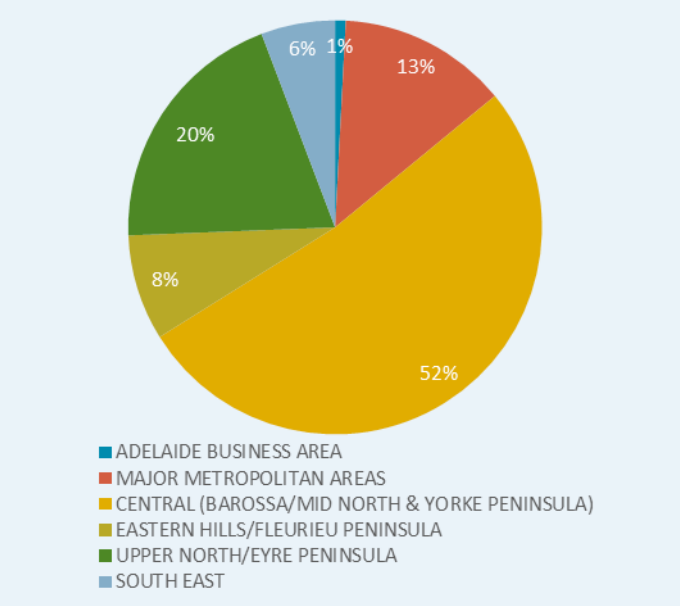
To identify poorly performing segments of the distribution network, SA Power Networks must report on "low reliability feeders", defined as those parts of the network where the duration of interruptions for that feeder are 2.1 times higher than the regional target for two consecutive financial years. Performance of low reliability feeders is assessed over two consecutive years to reduce the impact of abnormal individual events in any one year (e.g. severe weather impacts).

Each region has a different geographic profile, served by varying configurations of network feeders to serve different population densities along that network (e.g. Metropolitan areas are more densely populated than country areas). As a result, while 52% of all low reliability feeders were located in the Central Region in 2011/12, only 19% of all customers impacted by low reliability feeders were located in that region.

Number of customers impacted by low reliability feeders in each region (2011/12)



Number low reliability feeders located in each region (2011/12)

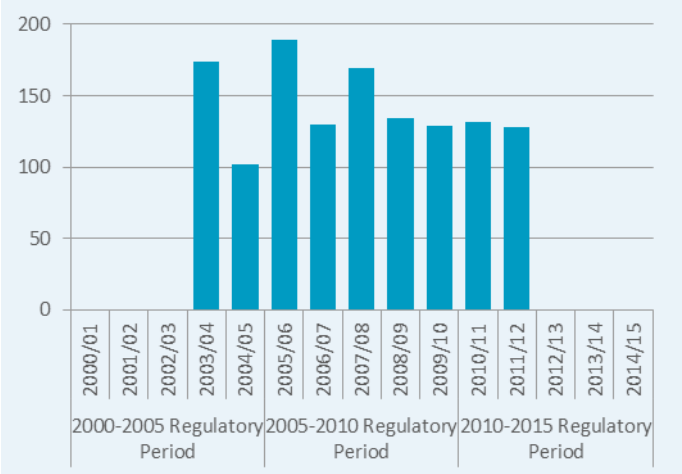


Quality of Supply

Quality of supply is measured by deviations of voltage from the specified levels that SA Power Networks' distribution network must be designed, installed, operated and maintained within. The Quality of Supply standards must be delivered to all SA Power Networks customers, regardless of geographic region.

The number of payments made by SA Power Networks to customers for voltage variations is relatively low, with an average of 143 payments made each year since 2003/04.

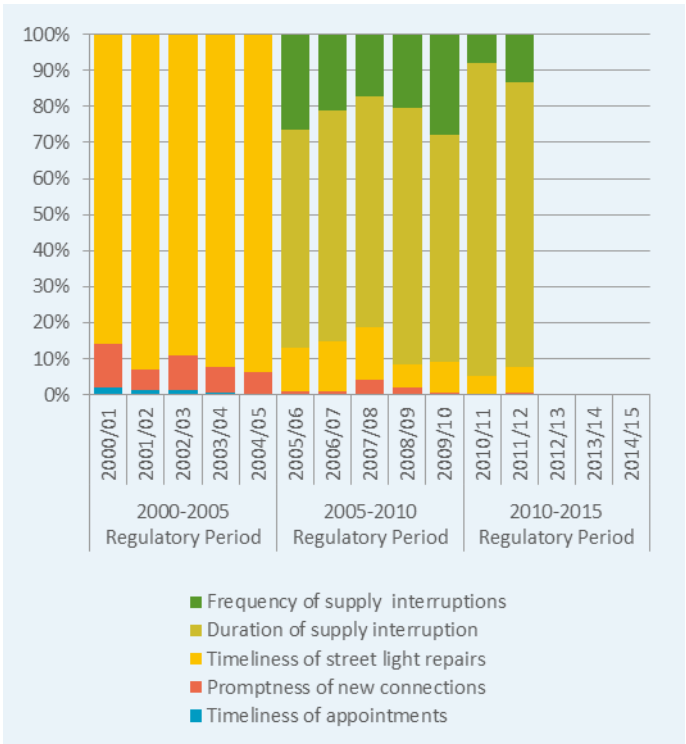
Number of customers compensated for voltage variations



Guaranteed Service Level Payments

Since they were introduced in 2005/06, the majority of GSL payments have been made for duration of supply interruptions. The number of GSL payments made by SA Power Networks in each category is provided below.

GSL payments in each category



COMPLAINTS HANDLING AND DISPUTE RESOLUTION

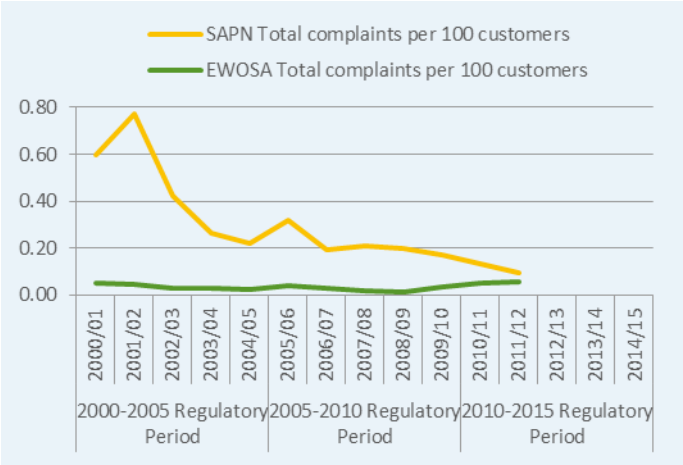
Prior to the introduction of the National Energy Customer Framework (**NECF**) on 1 February 2013, the Commission required SA Power Networks to have complaint handling procedures in place that first included escalation within SA Power Networks and then to an external, independent and free dispute resolution body; the Energy and Water Ombudsman SA (**EWOSA**). The AER is now responsible for monitoring SA Power Networks' performance in this area.

While there are no formal service standards around complaint handling, the Commission previously used a combination of the number of complaints reported by SA Power Networks and the number of complaints handled by EWOSA as an indicator of how well SA Power Networks was responding to its customers.

The number of complaints received by SA Power Networks per 100 customers has remained relatively low, declining from 0.6 in 2000/01 to 0.1 in 2011/12. However, in recent years, there has been a deteriorating trend in percentage of complaints that are being escalated to EWOSA for resolution (from around 8% in 2000/01 to 60% in 2011/12). SA Power Networks has advised the Commission that nearly half of the complaints escalated to EWOSA were associated with the Feed-in Tariff (**FiT**) scheme and more than half of those were associated with customer eligibility under the legislation.

Given that the combined total of EWOSA and SA Power Networks complaints are trending down, (and are low when compared against retailer levels), the Commission considers that SA Power Networks is performing well in this area.

Complaints



PARTICIPATING IN THIS REVIEW

Noting that SA Power Networks is about to commence a customer engagement process and the Commission will have regard to the findings of that work in setting service standards, the Commission is now seeking initial submissions on issues relevant to the development of the draft service standards for SA Power Networks for the 2015-2020 regulatory period.

In particular, the Commission is seeking comment on:

- whether the elements of customer service currently identified are important to, and valued by, customers or if different aspects of customer service require service standards;
- the benefits and limitations of developing and reporting on reliability standards under different methodologies, including continuation of regionally-based reliability standards or shifting to reliability standards based on network feeder categorisation (e.g. CBD, Urban, Short Rural and Long Rural);
- the importance of continuing to monitor and report on low reliability feeders;
- whether the current practice of not excluding severe weather events from reliability targets should continue; and
- whether the aspects of service currently included in the GSL regime are important to customers or if different aspects of service should be considered.

Submissions on any other issues relevant to the development of the draft service standards are also welcome.

TIMETABLE FOR THIS REVIEW

The Commission will release its draft service standards for SA Power Networks for the 2015-2020 regulatory period for public consultation in August 2013.

Stage	Timing
Submissions of issues to consider due	26 July 2013
Draft Decision and consultation draft Electricty Distribution Code released	September 2013
Final Decision and amended Electricity Distribution Code released	December 2013
Amended Electricity Distribution Code commences	1 July 2015

FURTHER INFORMATION

Any queries relating to this consultation should be directed to:

- Amber Miller, Senior Policy Officer

If you would like to keep up to date with the Commission's electricity industry activities and the release of papers for consultation, subscribe at www.escosa.sa.gov.au/subscribe.aspx.

THE ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA
Level 8, 50 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444 | F 08 8463 4449
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au