



SA Power Networks 2020 reliability standards review

Objectives and process

December 2017

Request for submissions

The Essential Services Commission (**Commission**) invites written submissions on this paper by **31 January 2018**.

It is the Commission's policy to make all submissions publicly available via its website (www.escosa.sa.gov.au), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to: **SA Power Networks 2020 Reliability Standards Review**.

It is preferred that submissions are sent electronically to: escosa@escosa.sa.gov.au

Alternatively, submissions can be sent to:
Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Website: www.escosa.sa.gov.au

Contact Officer: Rowan McKeown, Senior Policy Officer

Table of contents

- Glossary of terms ii
- 1 Executive summary..... 1
- 2 Introduction 3
- 3 Background..... 4
- 4 Objective and process 10
- 5 Next steps 16

Glossary of terms

AER	Australian Energy Regulator
Code	Electricity Distribution Code EDC/12
Commission	Essential Services Commission, established under the Essential Services Commission Act 2002
Electricity Act	Electricity Act 1996
GSL	Guaranteed Service Level
Review	SA Power Networks reliability standards review 2020

1 Executive summary

The Essential Services Commission (**Commission**) is conducting a review of the reliability standards that apply to SA Power Networks (**Review**). The revised standards will apply over the 2020-2025 regulatory period. The Commission's powers to set and review SA Power Networks' reliability standards are established under the Electricity Act 1996 (**Electricity Act**).

The objective for this Review is:

To establish reliability standards that require SA Power Networks to provide distribution services valued by customers at an acceptable cost.

This is consistent with the Commission's primary objective under the Essential Services Commission Act 2002 (**ESC Act**), which is the protection of the long-term interests of South Australian consumers with respect to price, quality and reliability of essential services.

The reliability standards currently established in the Electricity Distribution Code EDC/12 (**Code**) have four main elements: average reliability targets, customer service targets, the Guaranteed Service Level (**GSL**) scheme, and monitoring and reporting requirements. The Commission reviews and, as needed, resets reliability standards every five years to align with each five-year SA Power Networks regulatory period.

The South Australian energy market has changed markedly since the Commission last reviewed the SA Power Networks reliability standards in 2013-14. Those changes, which include changes in technology and customers' demand for and expectations of energy services, provide important context for this Review.

Through engagement processes which have been undertaken to date, a range of customer views has emerged, but the following two main themes appear to be central for this Review:

- ▶ Electricity prices are a concern: This is particularly so amongst vulnerable and business customers. There are customers that expect SA Power Networks to innovate and improve efficiency to manage the cost of distribution services.
- ▶ Reliability is a priority: Customers expect SA Power Networks to deliver at least current levels of reliability. There is support for ensuring acceptable levels of reliability for all customers, and some support for improving reliability for regional and poorly served customers.

Tensions exist between these themes. Many customers express support for additional investment to improve network reliability and at the same time expect SA Power Networks to manage the cost of distribution services so as not to contribute to electricity price increases. The context for customers' expectations is that all customers share distribution services, and because of state-wide pricing arrangements, all customers share the costs of providing distribution services.

Having regard to that early evidence, the Commission has developed a set of principles to provide a frame of reference for this determination of reliability standards. The principles, which are consistent with those established by the Australian Energy Market Commission in 2013, are that reliability standards should:

1. Promote economic efficiency, and neither duplicate incentives nor create perverse incentives.
2. Reflect, to the extent possible, reliability outcomes that are satisfactory to customers over both the short and long term.
3. Reflect, rather than constrain or dictate, good business practice.

4. Reflect what SA Power Networks can influence, and exclude what is beyond SA Power Networks' control, while still requiring appropriate planning for risk and uncertainty.
5. Be based on reliable data that is not costly to obtain. Where options meet all other criteria but data is unreliable or expensive to collect, they should be avoided.
6. Improve consistency with other jurisdictions, where all else is equal.

These principles are aimed at ensuring that the benefits to consumers of the reliability standards outweigh the costs of meeting them, which are recovered through the electricity prices paid by SA Power Networks' customers.

The Commission recognises that there may be tension amongst these principles; however, it will aim to optimise their application and explain the resolution of tensions between competing principles (including price-reliability trade-offs). It will do so within the requirements of the underpinning statutory framework.

The Review will involve a two-step process to understand how customers value reliability of distribution services. The first step will be to gain an understanding of the reliability services that customers want and expect. This is being achieved by drawing on SA Power Networks' customer engagement program. That program has commenced and a range of customer views have emerged, which centre on the price/reliability tension discussed above.

The second step of the Review will be to assess the trade-off between the reliability service levels that customers expect relative to the costs of providing them. This will serve to resolve the tension identified in the first step and will involve an economic assessment.

The Commission has identified a number of additional matters it will seek to address through the Review. These include whether or not:

- ▶ to impose regional reliability targets, rather than feeder-type targets (as is currently the case)
- ▶ standards may further encourage the provision of timely and accurate information, and
- ▶ the current GSL scheme is achieving its stated objectives.

This review will deliver a draft reliability standards decision for formal consultation in March 2018, followed by a determination of final standards in June 2018.

The purpose of this paper is to outline the proposed process and objectives for the Review. The Commission invites submissions by 31 January 2018, as well as discussions with stakeholders on the matters raised in the paper and on any related matters. Should stakeholders wish to receive a briefing or be part of a workshop on those issues, please contact the Commission.

2 Introduction

The Essential Services Commission (**Commission**) is conducting a review of the reliability standards that apply to SA Power Networks (**Review**). The revised standards will apply over the next regulatory period, 1 July 2020 – 30 June 2025.

SA Power Networks operates South Australia's major electricity distribution network that connects over 850,000 customers to the National Electricity Market. SA Power Networks' distribution network links the transmission network, which supplies electricity from larger generators, with customers. It also supports growing amounts of small-scale generation connected directly to the distribution network.

The Commission's power to set and review SA Power Networks' reliability standards is established by the Electricity Act 1996 (**Electricity Act**), and is supported by the provisions of the Australian Energy Market Agreement, National Electricity Law and National Electricity Rules.

The objective of this Review is:

To establish reliability standards that require SA Power Networks to provide distribution services valued by customers at an acceptable cost.

This is consistent with the Commission's primary objective under the Essential Services Commission Act 2002 (ESC Act) which is the protection of the long-term interests of South Australian consumers with respect to price, quality and reliability of essential services.

The Review has already begun, and has so far involved:

- ▶ Oversight and observation of the customer engagement process SA Power Networks is undertaking to inform its revenue proposal for the 2020-2025 regulatory period. This began in April 2017 and is ongoing (see www.talkingpower.com.au).
- ▶ Reflections on the success of the current reliability standards, informed by the reliability outcomes for SA Power Networks' customers.
- ▶ Direct conversations with stakeholders about the success of the current reliability standards.
- ▶ Discussions with the Australian Energy Regulator (**AER**) about interactions between its incentive schemes and the SA Power Networks reliability standards.

This paper sets out the objectives and process of the review from now until its conclusion in June 2018. By way of background, it first outlines the current reliability standards, and provides context for the Review.

Following submissions on this paper, the Commission will move to determine draft reliability standards for consultation in March 2018 and will finalise those standards by the end of June 2018. This timing will allow SA Power Networks to have regard to the revised standards as it prepares its revenue proposal for submission to the AER in January 2019.

3 Background

3.1 Legal Framework

The requirement and power for the Commission to set reliability standards for SA Power Networks stems from the Electricity Act, and is supported by the provisions of the Australian Energy Market Agreement, National Electricity Law and National Electricity Rules (**NER**).

The Commission has discretion as to what reliability standards should be, subject to the requirements of section 23(1)(n)(v) of the Electricity Act which requires:

'... the electricity entity to comply with code provisions as in force from time to time (which the Commission must make under the *Essential Services Commission Act 2002*) imposing minimum standards of service for customers that are at least equivalent to the actual levels of service for such customers prevailing during the year prior to commencement of this section and take into account relevant national benchmarks developed from time to time and requiring the entity to monitor and report on levels of compliance with those minimum standards'.

SA Power Networks is required to hold a licence issued by the Commission authorising it to operate the electricity distribution network in South Australia. This requirement is established by the ESC Act 2002. SA Power Networks' licence conditions include compliance with the Electricity Distribution Code EDC/12 (**Code**).

The NER stipulate that a distribution network service provider's revenue allowance be set to deliver against service standards for maintaining network reliability. On this matter, section 6.5.6 relates to forecast operating expenditure, and section 6.5.7 relates to capital expenditure. These regulatory powers and functions are summarised in Figure 1.

Figure 1: Regulatory powers and functions that apply to SA Power Networks

Australian Energy Market Agreement
Under the Australian Energy Market Agreement, the responsibility for developing standards to ensure network security and reliability has been retained by the South Australian State Government.
Essential Services Commission Act 2002
Establishes the Commission's ability to make, monitor and enforce industry codes and rules.
Electricity Act 1996
Establishes the Commission's responsibility to administer the licensing regime that applies to electricity entities, including SA Power Networks as the distribution network operator. Sets out that reliability standards must be at least equivalent to actual levels of service in the year prior to the Act commencing, take into account relevant national benchmarks, and require the entity to monitor and report on levels of compliance with those minimum standards.
Electricity Distribution Code
Establishes the jurisdictional service standard framework and specifies required standards.
Revenue determinations are made by the Australian Energy Regulator
The AER is responsible for making a revenue determination for each SA Power Networks regulatory period. In making each determination, the AER must assess the efficient level of expenditure for SA Power Networks. In doing so, the AER has regard to national and state requirements, including jurisdictional service standards. ¹

3.2 Current reliability standards

The reliability standards established in the Code have four main elements: average long-term reliability targets, customer service targets, the GSL scheme, and monitoring and reporting requirements. These are described below.

Currently, SA Power Networks is required to use its best endeavours to meet performance targets. Using best endeavours means SA Power Networks must act in good faith and use all reasonable efforts, skill and resources to achieve the targets.

Those standards focus on the efforts used by SA Power Networks to meet the targets, rather than solely on the attainment of the targets themselves. This is done to drive operational efficiencies and improvements over time, rather than focusing only on outturn results (which, taken in isolation, may not deliver long-term service benefits for customers).

Under the regime, where performance targets are not achieved, the Commission assesses whether or not SA Power Networks has applied its best endeavours and requires SA Power Networks to explain how it will avoid future failures. Where there are systemic failures to meet targets, the Commission uses alternative measures (proportionate to the nature and degree of the failure) to safeguard future customer outcomes.

This Review will examine the best endeavours standard and its application.

¹ National Electricity Rules, sections 6.5.6 (a)(2) and 6.5.7 (a)(2)

More details on the current reliability standards, GSL scheme and reports on SA Power Networks' performance, are available on the Commission's website at www.escosa.sa.gov.au.

3.2.1 Long-term reliability targets

The current long-term reliability targets relate to average annual duration and frequency of interruptions. They are expressed using the Unplanned System Average Interruption Duration Index (**USAIDI**) and the Unplanned System Average Interruption Frequency Index (**USAIFI**).

USAIDI expresses duration of interruptions as the average duration of interruption, in minutes, for each customer in a category, over a year. USAIFI expresses frequency of interruptions as the average number of interruptions for each customer in a category, over a year.

Different reliability performance targets apply to each of four feeder-type categories: CBD, Urban, Short Rural and Long Rural. The categories are defined with reference to feeder length, maximum demand, and the level of interconnection and redundancy. Current reliability targets are set out in Table 1.

Table 1: Reliability targets as established in the current Electricity Distribution Code

Network type	Definition	Targets	
		Duration of interruptions (average minutes per customer per year)	Frequency of interruptions (average number per customer per year)
CBD feeder	A feeder supplying predominantly commercial, high-rise buildings, supplied by a predominantly underground distribution network containing significant interconnection and redundancy when compared to urban areas.	15	0.15
Urban feeder	A feeder, which is not a CBD feeder, with actual maximum demand over the reporting period per total feeder route length greater than 0.3 mega-volt amps /km.	120	1.30
Short Rural feeder	A feeder, which is not a CBD or urban feeder with a total feeder route length less than 200 km. Short Rural feeders may include feeders in urban areas with low load densities.	220	1.85
Long Rural feeder	A feeder which is not a CBD or urban feeder with a total feeder route length greater than 200 km.	300	1.95

The long-term reliability targets relate to normalised performance, which excludes outages caused by loss of transmission or generation supply and the impact of Major Event Days (**MEDs**).² This approach allows trends in daily operation to be revealed that would be hidden by the large statistical effect of

² MEDs are days on which reliability performance is a statistical outlier from normal performance. MEDs are defined by a methodology developed by the Institute of Electrical and Electronics Engineers. The majority of MEDs result from severe or abnormal weather.

major events, which are typically abnormal weather conditions. The Commission separately assesses and reports on SA Power Networks' performance during significant weather events.

3.2.2 Customer service targets

The current customer service targets relate to time taken to respond to telephone calls and written enquiries. The targets are:

- ▶ Eighty five percent of telephone calls are responded to within 30 seconds, and
- ▶ Ninety five percent of written enquires are responded to within five business days.

3.2.3 Guaranteed service level scheme

The GSL scheme requires SA Power Networks to make payments to customers for:

- ▶ unplanned interruptions to electricity supply (duration and frequency of interruptions)
- ▶ late attendance by SA Power Networks at an appointment
- ▶ delays in providing a new connection, and
- ▶ reported street light outages not repaired in a timely manner.

The objective of duration and frequency of interruption GSL payments is to acknowledge poor performance where customers are unlikely to receive future service improvements due to the high costs of improving their supply.³ Current GSL payment amounts are set out in Table 2.

Table 2: GSL payment amounts as established in the Electricity Distribution Code

GSL category	Amount (including GST)
Frequency of supply – >9 and <12 interruptions	\$100
Frequency of supply – >12 and <15 interruptions	\$150
Frequency of supply – more than 15 interruptions	\$200
Duration of supply – >12 and <15 hours	\$100
Duration of supply – >15 and <18 hours	\$150
Duration of supply – >18 and <24 hours	\$200
Duration of supply – >24 and <48 hours	\$405
Duration of supply – >48 hours	\$605
Timeliness of appointments – no more than 15 minutes late	\$25

³ The Commission's review June 2004, *Electricity Distribution Price Review: Service Standard Framework Working Conclusions*, p. 7

GSL category	Amount (including GST)
Promptness of new connections – within 6 business days	\$65 per day to a maximum of \$325
Timeliness of streetlight repairs – metro areas	\$25 per 5 business day period
Timeliness of streetlight repairs – regional areas	\$25 per 10 business day period

3.2.4 Monitoring and reporting

SA Power Networks must report on its compliance with the reliability standards and GSL scheme. In turn, the Commission monitors and publicly reports on how SA Power Networks is performing against the service standards.

Monitoring and reporting promotes transparency around SA Power Networks' performance against reliability standards. It drives SA Power Networks' accountability to customers for the level of service provided, gives visibility on performance over time, and can identify areas where the efficiency and effectiveness of service delivery has improved, or needs improvement.

3.3 Context for this Review

The Commission last reviewed the reliability standards that apply to SA Power Networks in 2013-14. Since then, the South Australian energy market has undergone, and continues to undergo, significant change.

Issues that relate specifically to the performance of the distribution network include:

► Declining demand

Peak and minimum demand, as well as electricity consumption, are forecast to decline in South Australia.⁴ Falling demand means distribution network expenditure will necessarily focus more on maintenance, repair, replacement, and in places localised network reinforcement, than on expanding network capacity.

► New technologies

Technologies such as embedded generation and storage, and improved data, metering and telecommunication systems, present new ways to manage and maintain the distribution network, and respond to changes in the energy market.⁵

► Regional variation in reliability

Though network reliability has always varied across South Australia, concern about regional variation has increased since our last review. The Eyre Peninsula and the Adelaide Hills have been areas of particular concern.^{6,7}

⁴ Australian Energy Market Operator, *South Australian Electricity Report August 2017*, pp. 14-15, 20, available at https://www.aemo.com.au/-/media/Files/Electricity/NEM/Planning_and_Forecasting/SA_Advisory/2016/2016_SAER.pdf

⁵ SA Power Networks, *Future Operating Model 2016-2031 2017*, available at <http://www.sapowernetworks.com.au/public/download.jsp?id=65824>

⁶ The Commission, *Inquiry into reliability and quality of electricity supply on the Eyre Peninsula Draft Report July 2017*, viewed 25 July 2017, available at <http://bit.ly/Inquiry-EyrePeninsula-draftreport>

⁷ The Commission, *Network restoration during significant weather events 2017*, available at <http://bit.ly/SignificantWeatherEvents2017>

► **Impact of extreme weather**

Extreme weather in 2016-17 caused significant network outages and substantial loss of electricity supply. The scale and impact of extreme weather, in terms of network damage and customer impact, exceeded anything previously experienced in South Australia. This has focused attention on the capability of the distribution network to withstand extreme weather, the way SA Power Networks responds when outages occur, and the timeliness and accuracy of communications with customers.⁸

⁸ The Commission, *Network restoration during significant weather events 2017*, available at <http://bit.ly/SignificantWeatherEvents2017>

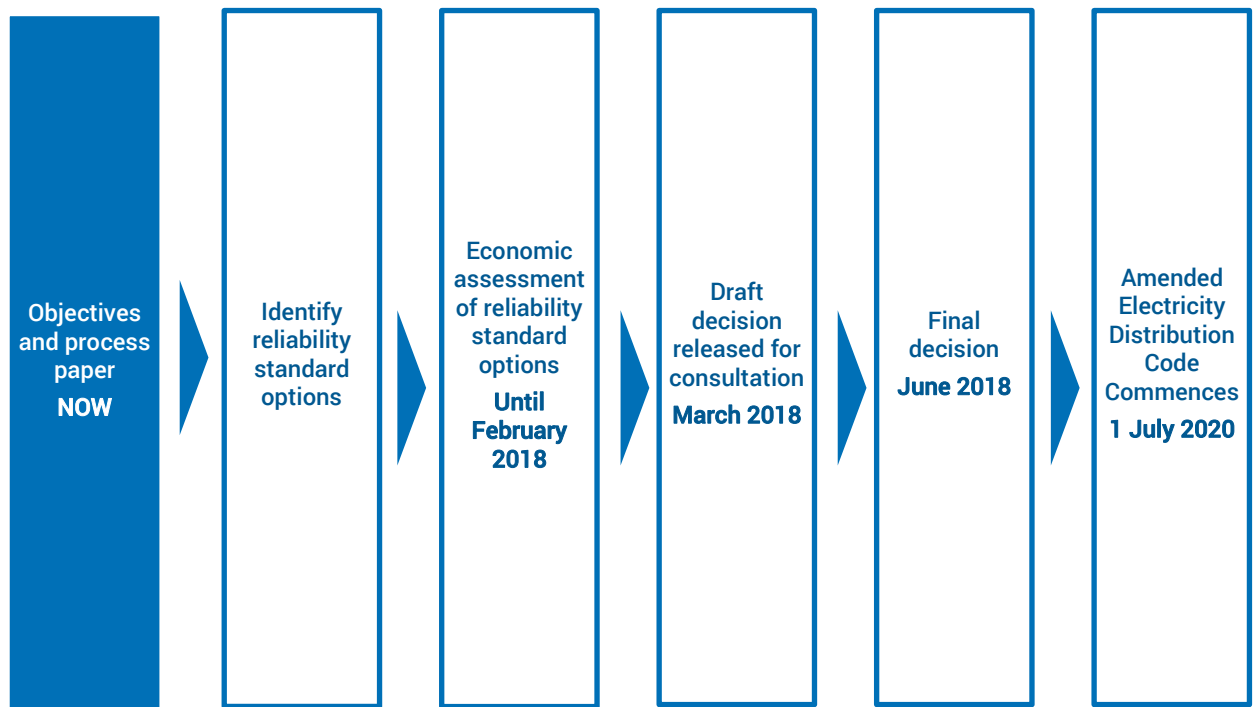
4 Objective and process

The objective of the Review is to establish reliability standards that require SA Power Networks to provide distribution services valued by customers, at an acceptable cost. To achieve this objective, the Review will follow the process set out in this section.

4.1 Review process

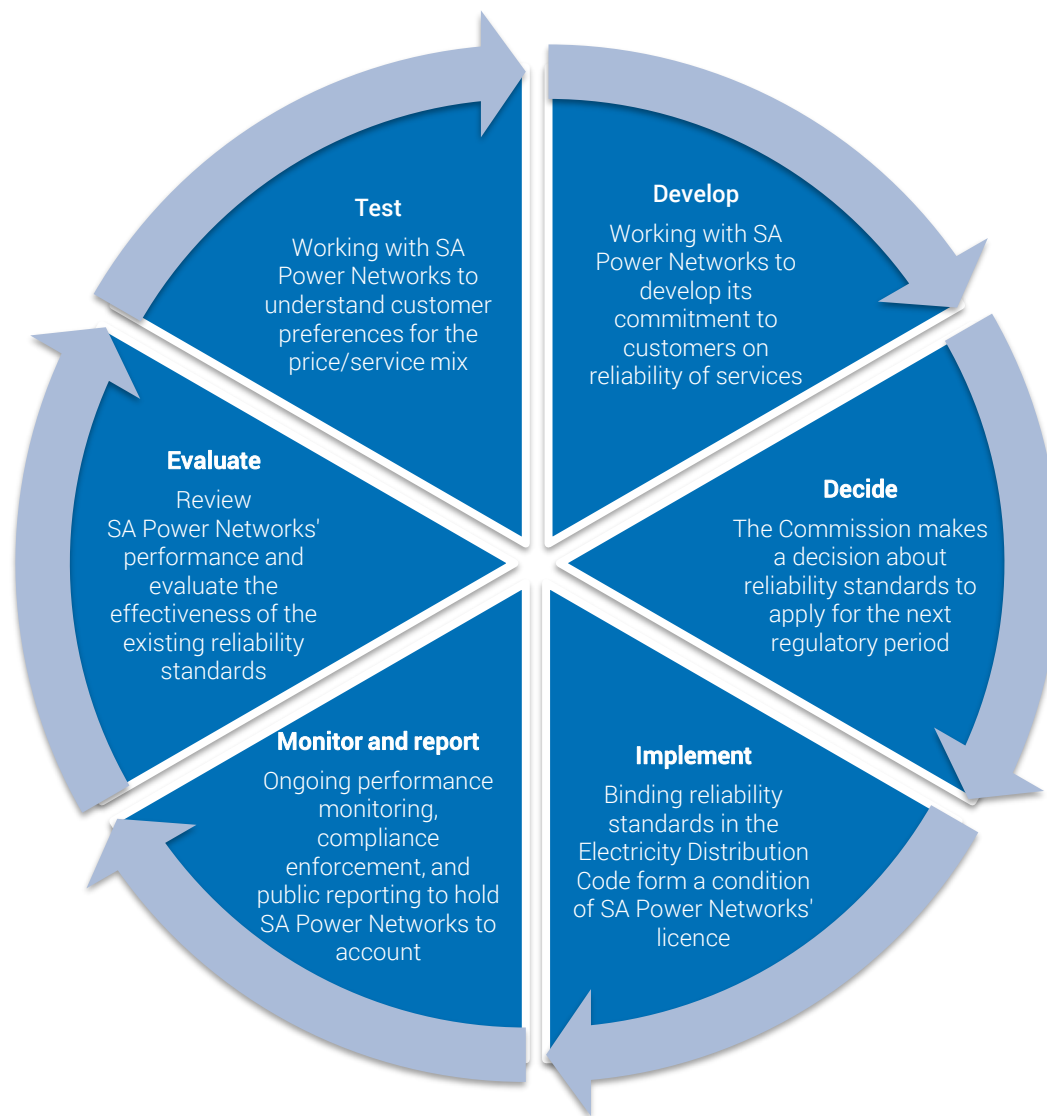
The Review will deliver a draft decision for formal consultation in March 2018, followed by a final decision in June 2018 (see Figure 2).

Figure 2: The Review process



The Commission reviews the reliability standards that apply to SA Power Networks ahead of each five-yearly regulatory period. These regular reviews form part of a regulatory cycle, as shown in Figure 3.

Figure 3: This review is part of a regulatory cycle



Developing reliability standards valued by customers

The Commission has oversight of SA Power Networks' customer engagement process to ensure it is robust, and to understand what customers expect.

The Commission works with SA Power Networks to test reliability standard options to ensure they can be delivered at a cost that does not outweigh their value to customers.

Determining the efficient level of revenue required

The AER makes a revenue determination for SA Power Networks ahead of each regulatory period.

The AER assesses SA Power Networks' revenue proposal with reference to national and state requirements, including the reliability standards established by the Commission.

4.1.1 Principles to guide the Review

The Commission has developed a set of principles to provide a reference point for the review. They draw from and build on the principles that have guided the Commission's previous decisions on reliability standards, and those set out by the Australian Energy Market Commission.^{9,10}

The principles are that reliability standards should:

1. Promote efficiency, and neither duplicate incentives nor create perverse incentives.
2. Reflect, to the extent possible, reliability outcomes that are satisfactory to customers over both the short and long term.
3. Reflect, rather than constrain or dictate, good business practice.
4. Reflect what SA Power Networks can influence, and exclude what is beyond SA Power Networks' control, while still requiring appropriate planning for risk and uncertainty.
5. Be based on reliable data that is not costly to obtain. Where options meet all other criteria but data is unreliable or expensive to collect, they should be avoided.
6. Improve consistency with other jurisdictions, where all else is equal.

These principles are aimed at ensuring that the benefits to consumers of the reliability standards outweigh the costs of meeting them, which are recovered through the electricity prices paid by SA Power Networks' customers.

The Commission recognises that there may be tension amongst these principles; however, it will aim to optimise their application and explain the resolution of tensions between competing principles (including price-reliability trade-offs). It will do so within the requirements of the underpinning statutory framework.

4.1.2 Customer engagement principles provided to SA Power Networks

SA Power Networks is conducting a customer engagement program to understand the expectations, views and priorities of its customers to inform its 2020-2025 revenue proposal. The scope of the program is broad and goes beyond network reliability. The Commission has observed and had oversight of the program, as its findings will inform this review.

To that end, the Commission has provided SA Power Networks with a set of customer engagement principles. These complement SA Power Networks existing customer engagement principles, and the AER customer engagement guidelines.¹¹ The principles are that:

1. The purpose of the engagement and how the results will be used should be made clear to customers. This includes being clear about the level of influence participants can have on the final decision to be made.

⁹ South Australian Independent Industry Regulator, *Service Standards for 2005 to 2010 Discussion Paper*, February 2002, p. 17.

¹⁰ Australian Energy Market Commission, *Review of the National Framework for Distribution Reliability Final Report*, 2013, available at <http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-the-national-framework-for-distribution>

¹¹ SA Power Networks, *Stakeholder Engagement Strategy 2016*, available at <https://www.sapowernetworks.com.au/public/download.jsp?id=65108>, Australian Energy Regulator, *Consumer engagement guideline for network service providers 2013*, available at <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consumer-engagement-guideline-for-network-service-providers>

2. A representative sample of the population that will be affected by the decision should be given the opportunity to have their views heard. This includes choosing the appropriate methods to allow different types of customers to meaningfully participate in the process.
3. The engagement should be conducted at the right time in the decision making process to allow customer views to be genuinely considered. This includes allowing customers the opportunity to validate if their views have been accurately represented.
4. Any engagement process should be proportionate to the significance and impact of the investment decision being considered. This includes ensuring that the cost of undertaking the engagement does not outweigh the benefits to be achieved through the investment decisions.
5. The results of the engagement process should be communicated clearly and transparently to participants and the wider customer base. This includes reporting back on how the promises made through the engagement process have been, or will be, delivered.

4.1.3 Inputs from SA Power Networks' customer engagement program

A range of views has emerged through SA Power Networks' engagement process, which is currently in its in-depth engagement phase. A series of one-day directions workshops across South Australia, attended by Commission staff, concluded in August 2017. The two main themes are that:

- ▶ Electricity prices are a concern. This is particularly so amongst vulnerable and business customers. There are customers that expect SA Power Networks to innovate and improve efficiency to manage the cost of distribution services.
- ▶ Reliability is a priority. Customers expect SA Power Networks to deliver at least current levels of reliability. There is support for ensuring acceptable levels of reliability for all customers, and some support for improving reliability for regional and poorly served customers.

Tensions exist between these themes. Many customers express support for additional investment to improve network reliability and at the same time expect SA Power Networks to manage the cost of distribution services so as not contribute to electricity price increases. The context for customers' expectations is that all customers share distribution services, and because of state-wide pricing arrangements, all customers share the costs of providing distribution services.

4.1.4 Economic assessment of reliability standard options

The Commission is working with SA Power Networks to develop options for revised reliability standards that respond to the themes raised in customer engagement, and are consistent with the Review's principles. The Review will then conduct an economic assessment to identify which reliability standard options provide the greatest net benefit for SA Power Networks' customers.

The economic assessment will involve quantifying the value customers place on reliability improvements, and comparing that with the cost of delivering them. Two approaches to valuing the benefits to customers will be applied:

- ▶ Choice modelling, commissioned for this Review, will be employed to estimate customers' willingness to pay for reliability improvements, and discern the importance of elements of reliability.
- ▶ The value customers place on reliability will also be estimated, using the Australian Energy Market Operator's estimate of the Value of Customer Reliability.¹² The Commission will lead this analysis, with SA Power Networks providing cost information.

¹² Value of Customer Reliability (VCR) refers to the amount of money a customer would be willing to pay to avoid a supply interruption. The most recent set of VCR values were prepared by the Australian Energy Market Operator in 2013-2014, and

Options for setting standards for 2020-2025 will be assessed against the method applied to set standards for 2015-2020. That approach is again consistent with the Australian Energy Market Commission's guidance on using economic assessment process to inform setting of reliability targets.¹³

There are limitations with respect to the reliability and precision of this type of economic assessment. To account for this, results will be validated using consultation with stakeholders, results from customer engagement, and the Review's principles (as set out in 4.1.1).

4.1.5 Additional matters the Commission will address in the Review

The Commission has identified a number of additional matters it will seek to address through the review. These include whether or not:

- ▶ To impose regional reliability targets: Feeder-type targets have applied instead of regional targets since 2015. The Commission's recent Eyre Peninsula Inquiry raised a concern that feeder-type targets do not provide strong and clear incentives for SA Power Networks to maintain regional performance.¹⁴
- ▶ Standards can further encourage the provision of timely and accurate information: The Commission's recent review of SA Power Networks' performance on 27-28 December found areas for potential improvements regarding the provision of accurate restoration time during severe weather events.¹⁵
- ▶ Customer communications standards can be updated: Current standards relate to responsiveness to telephone and written enquires. Customers now use a broader range of channels to communicate with SA Power Networks, including SMS, website, app and social media.
- ▶ The GSL scheme is achieving its stated objectives: The objective of duration and frequency of interruption GSL payments is to acknowledge where customers receive poor performance and are unlikely to receive future service improvements due to the high costs of improving their supply.¹⁶ The Review will also examine the extent to which duration and frequency GSL payments serve purposes outside this objective, including providing compensation for losses caused by outages, providing a hardship payment and providing a signal to SA Power Networks to restore power in a timely manner.
- ▶ Expressing standards as a best endeavours obligation continues to be an effective and robust approach to assessing SA Power Networks' performance.

4.1.6 Working with other regulators

Through the review, the Commission will work with other regulators to ensure complementary regulation. These include the AER, which is responsible for the economic regulation of SA Power Networks, and the Technical Regulator, which is responsible for safety and technical regulation. This is important as the functions of the Commission, the AER and the Technical Regulator are interrelated.

are available at <http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Planning-and-forecasting/Value-of-Customer-Reliability-review>

¹³ Australian Energy Market Commission, *Review of the National Framework for Distribution Reliability Final Report*, 2013, available at <http://www.aemc.gov.au/Markets-Reviews-Advice/Review-of-the-national-framework-for-distribution>

¹⁴ The Commission, *Inquiry into reliability and quality of electricity supply on the Eyre Peninsula Final Report October 2017*, available at <http://bit.ly/Inquiry-EyrePeninsula-draftreport>

¹⁵ The Commission, *Distribution Licence Compliance Review – SA Power Networks 27-28 December 2016 severe weather event*, 2017, available at <http://bit.ly/DistributionLicenceComplianceReview-SAPN-SevereWeatherEvent>

¹⁶ The Commission June 2004, *Electricity Distribution Price Review: Service Standard Framework Working Conclusions*, p. 7

For example, the Code establishes the reliability outcomes SA Power Networks must achieve in designing and operating the network. However, design and operation of the network must also have regard to safety and technical matters, which are regulated by the Technical Regulator. The AER has regard to both aspects in making its revenue determination for SA Power Networks, which affects how much customers pay for distribution services. Further, AER incentive schemes, including the Service Target Performance Incentive Scheme, affect how distribution network service providers pursue reliability improvements.

5 Next steps

The Commission invites written submissions on this paper by 31 January 2018. Please contact the Commission to request a briefing or workshop or to make a written submission.

It is preferred that submissions are sent electronically to: escosa@escosa.sa.gov.au

Alternatively, submissions can be sent to:
Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Rowan McKeown, Senior Policy Officer

Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Website: www.escosa.sa.gov.au



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au