



Electricity



SA Power Networks Regulatory Framework – Information sheet

The purpose of this fact sheet is to provide an overview of the regulation framework that applies to SA Power Networks.

SA Power Networks operates the major South Australian electricity distribution network. These essential services are regulated, including separate service level and revenue regulation by the Essential Services Commission (**Commission**) and the Australian Energy Regulator (**AER**).

This fact sheet provides:

- ▶ a description of the Commission's regulatory role in respect to SA Power Networks
- ▶ an overview of the Commission's approach to regulating SA Power Networks
- ▶ a description of the 10 service standards that apply across the electricity distribution services SA Power Networks provides

SA Power Networks' distribution network covers an area of about 178,200 square km, along a coastline of over 5,000 km. The network extends to over 88,322 km, of which approximately 20 percent is underground. Approximately 70 percent of customers reside in the Greater Metropolitan Area of Adelaide, but 70 percent of the network infrastructure by length is required to deliver energy to the remaining 30 percent of customers.

Scope of the Commission's regulatory role in respect to SA Power Networks

The Commission regulates the customer service and reliability aspects of SA Power Networks' electricity distribution operations SA Power

Networks holds a monopoly provider position in the market.

The Commission does not regulate revenue requirements for SA Power Networks because that is done separately by the AER. The AER takes into account the Commission's service standards when making regulatory (revenue) determinations for SA Power Networks.

How the Commission regulates SA Power Networks

The Commission establishes certain state-based customer service and reliability standards for SA Power Networks. Those standards are prescribed in the Electricity Distribution Code (**Code**) made and administered by the Commission.

Compliance with the Code is a condition of SA Power Networks' electricity distribution licence.

In regulating SA Power Networks, the Commission:

- ▶ establishes customer service and reliability service standards to promote the delivery of levels of service valued by consumers
- ▶ keeps SA Power Networks accountable by monitoring and reporting on its performance and being prepared to take enforcement action where necessary.

As a condition of its electricity distribution licence, SA Power Networks is required to meet 10 customer service and network service reliability targets set by the Commission, as discussed below.

SA Power Networks' customer service standards

The Code places obligations on SA Power Networks relating to customer service.

The key customer service standards are:

- ▶ telephone responsiveness, and
- ▶ enquiries responsiveness.

The applicable customer service standards and the associated targets are set out in Schedule 1.

Telephone responsiveness

The Commission has set one service standard for responsiveness to telephone calls. SA Power Networks is required to answer 85 percent of telephone calls within 30 seconds.

Enquiries responsiveness

The Commission has set one service standard for responsiveness to written complaints. SA Power Networks is required to respond to 95 percent of written enquiries within five business days.

SA Power Networks' electricity distribution network reliability standards

The Code sets out minimum requirements to be complied with by SA Power Networks when dealing with its customers. It includes obligations relating to the quality, safety and reliability of the electricity distribution network (including the requirement for SA Power Networks to minimise supply interruptions and provide information to customers on planned interruptions).

The key electricity distribution network reliability service standards are set based on four main feeder categories using the following measures:

- ▶ **Unplanned System Average Interruption Duration Index (USAIDI)** – measuring the average annual duration (in minutes) of supply interruptions per customer, and
- ▶ **Unplanned System Average Interruption Frequency Index (USAIFI)** – measuring the average annual number of supply interruptions per customer.

The applicable electricity distribution network reliability service standards and the associated targets are set out in Schedule 1.

While the Commission assesses some aspects of SA Power Networks' performance against annual service standards and regulatory obligations, events may occur during the year that warrant

special ad hoc reporting outside of that standard framework (for example, an event that may result in large numbers of customers being without electricity for an extended period).

These events are assessed in accordance with the Commission's Significant Event Reporting Framework to determine whether or not they constitute a significant performance event.¹

Setting reliability service standards based on feeder categories

The Commission has set eight reliability service standards based on the following four feeder categories of SA Power Networks' electricity distribution network.

- ▶ **Central Business District (CBD) feeders** – those supplying predominantly commercial, high-rise buildings, supplied by a predominantly underground distribution network containing significant interconnection and redundancy when compared to urban areas.
- ▶ **Urban feeders** – those with actual maximum demand over the reporting period per total feeder route length greater than 0.3 megavolt amps/km (but which are not CBD feeders).
- ▶ **Short Rural feeders** – those with a total route length less than 200 km (but which are not CBD or urban feeders). Short Rural feeders may include feeders in urban areas with low load densities.
- ▶ **Long rural feeders** – those with a total route length greater than 200 km (but which are not CBD or urban feeders).

Setting reliability service standards based on feeder categories is consistent with the reliability indices used in the AER's Service Target Performance Incentive Scheme.

The associated network reliability targets have been set based on historical performance for the years 2009-2010 to 2013-14, reflecting generally high customer satisfaction with the prevailing levels of electricity supply reliability.

¹ Refer: <http://bit.ly/Significant-performance-event-reporting-framework>

How the Commission assesses SA Power Networks' reliability performance

The network reliability standards are 'best endeavours' average annual service standards for unplanned interruptions. They require SA Power Networks to use its best endeavours to meet specified average service level targets each year for the four feeder categories.

Where a target is not met, this does not necessarily mean the standard is not met. The standard may still be met if SA Power Networks can demonstrate that it has used best endeavours in trying to meet the target that year.

Exclusion of abnormal weather events from SA Power Networks' reliability performance

The Commission excludes the effects of abnormal weather events when assessing the reliability performance of SA Power Networks. In doing so, the Commission uses a methodology developed by the Institute of Electrical and Electronics Engineers that categorises certain days as Major Event Days (**MED**).

A MED is any day where the daily USAIDI accrued on that day, exceeds a predetermined threshold.² Any day that is a MED is a statistical outlier and is excluded from the performance assessment.

The effects of other **severe weather** (that do not meet the MED classification threshold) are included in the performance assessment.

Regional reliability monitoring

To assist customers who are unaware of the type of network feeder they are on but are seeking to understand the levels of reliability they receive, the Commission monitors SA Power Networks' reliability performance outcomes in the seven geographical regions of South Australia.

The seven geographical regions (refer Figure 1) are:

Adelaide Business Area

The Adelaide Business Area (refer Figure 2) covers Adelaide CBD bordered by the parklands. It accounts for 0.6 percent of SA Power Networks' customers and comprises 0.2 percent of the distribution system by length. The Adelaide

Business Area distribution network is about 97 percent underground and is therefore not normally affected by severe weather.

Major Metropolitan Areas

The Major Metropolitan Areas region supplies 70 percent of SA Power Networks' customers and comprises 26 percent of the distribution system by length, including most of the Adelaide region and other major centres outside of the Adelaide region. Approximately 44 percent of the distribution network in this region is underground.

Central region

The Central region covers the Barossa, Mid-North, Riverland and Murraylands. The region accounts for 12 percent of SA Power Networks' customers but comprises 30.3 percent of the distribution system by length. The distribution network in the Central region is nine percent underground.

Eastern Hills/Fleurieu Peninsula

The Eastern Hills/Fleurieu Peninsula supplies eight percent of SA Power Networks' customers and comprises 10.6 percent of the distribution system by length. The distribution network is 21 percent underground.

Upper North/Eyre Peninsula

The Upper North/Eyre Peninsula region accounts for five percent of SA Power Networks' customers but comprises 19.8 percent of the distribution system by length. The distribution network is only four percent underground.

South East

The South East region supplies four percent of SA Power Networks' customers but comprises 11.4 percent of the distribution system by length. The distribution network is only seven percent underground.

Kangaroo Island

The Kangaroo Island network supplies 0.5 percent of SA Power Networks' customers and comprises 1.7 percent of the distribution system by length. The distribution network is only seven percent underground.

² MED's are days when the average duration index is more than 2.5 standard deviations from the mean

Figure 1: South Australia's electricity reliability performance regions

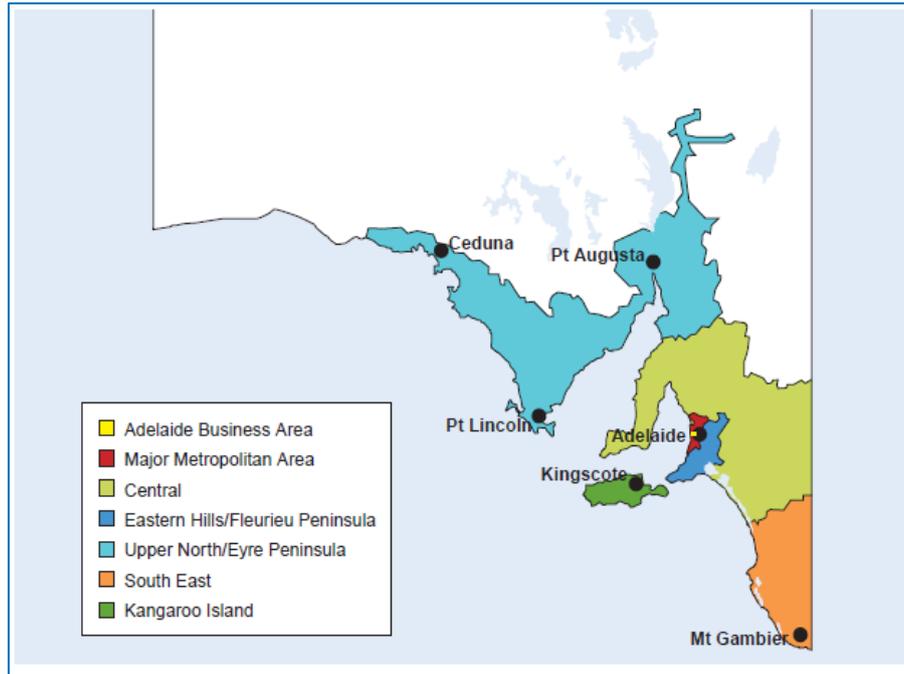
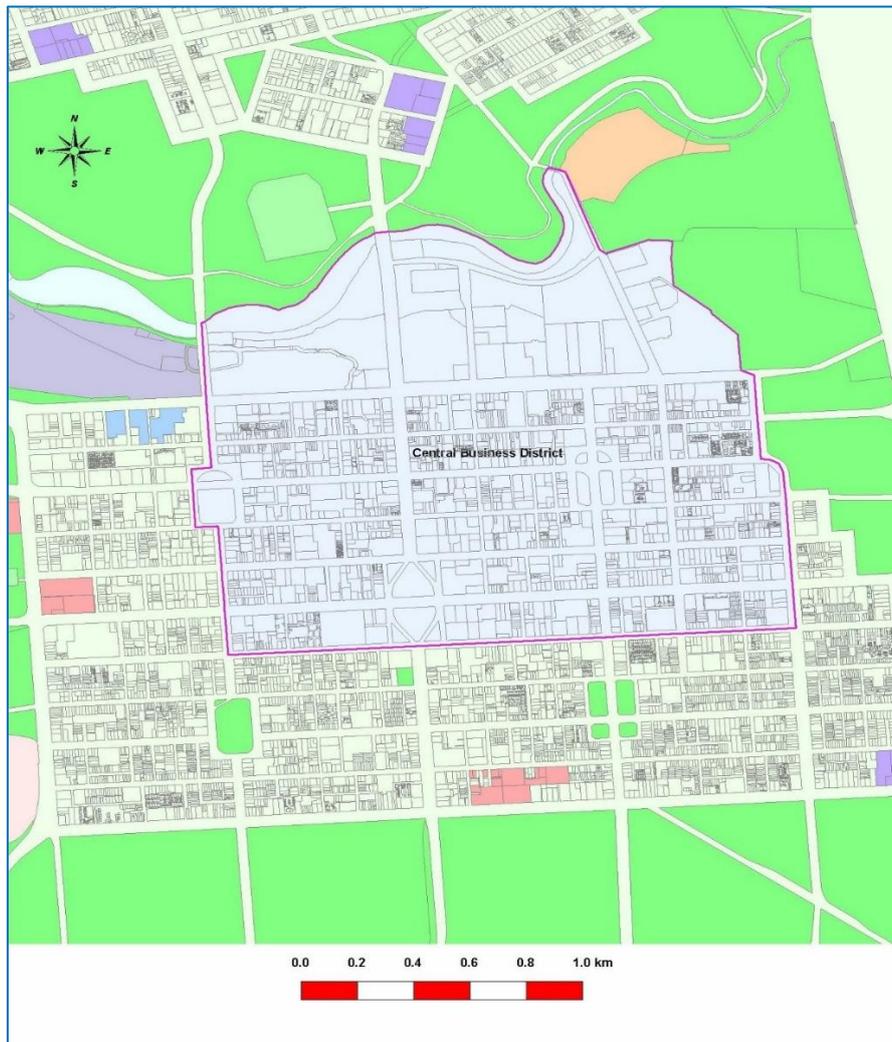


Figure 2: Map of the Adelaide Business Area



Guaranteed Service Level payments

Under the Electricity Distribution Code, SA Power Networks is required to make Guaranteed Service Level (GSL) payments to customers who have received service that is worse than a pre-determined threshold.

While GSL payments are directed at individual customers, they also provide a financial incentive for SA Power Networks to assess the trade-off between making GSL payments and undertaking capital and/or operating expenditure to address poor performance.

GSL payments are made in recognition of the inconvenience caused to customers, rather than attempting to reflect the full (and different) costs incurred by individual customers in response to a long interruption.

SA Power Networks administers a separate customer compensation scheme for damage or losses resulting from an incident associated with its electricity distribution network where SA Power Networks is negligent.

The categories of GSL payments are:

- ▶ timeliness of appointments
- ▶ promptness of new connections
- ▶ timeliness of street light repairs
- ▶ duration of supply interruption, and
- ▶ frequency of supply interruption.

Table 1 details the duration of interruptions, GSL thresholds and levels of payments.

Table 1: Duration of interruption GSL thresholds and payment amounts

	Thresh old 1	Thresh old 2	Thresh old 3	Thresh old 4	Thresh old 5
Duration of interruption (hours)	>12≤ 15	>15≤ 18	>18≤ 24	>24≤ 48	>48
Payment	\$100	\$150	\$200	\$405	\$605

Schedule 1: Service standards applicable to SA Power Networks (from 1 July 2015 to 30 June 2020)

Service Standard	Category	#	Target
Telephone calls answered within 30 seconds	Customer Service	1	85%
Written enquiries answered within five business days	Customer Service	2	95%
Duration of interruptions (minutes/customer/year)	Reliability (CBD)	3	15
	Reliability (Urban)	4	120
	Reliability (Rural short)	5	220
	Reliability (Rural long)	6	300
Frequency of interruptions (number/customer/year)	Reliability (CBD)	7	0.15
	Reliability (Urban)	8	1.30
	Reliability (Rural short)	9	1.85
	Reliability (Rural long)	10	1.95

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, visit www.escosa.sa.gov.au.

Essential Services Commission

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