

Off-Grid Energy Networks Regulatory Performance Report 2018-19

Key messages

- ▶ Unplanned electricity supply interruptions increased from 160 in 2017-18 to 184 in 2018-19. The majority of the unplanned interruptions (112) were reported in areas in which Cowell Electric Supply Pty Ltd provides electricity distribution and retail services. Cowell Electric explained that those unplanned interruptions were predominately caused by severe weather events, lightning and switching issues and that it is undertaking a program to improve the long-term reliability of its distribution networks to minimise future such issues. The Commission will monitor the progress and outcomes of that program and will take further steps, as needed, if actions are not taken in a timely manner or if performance improvements are not forthcoming.
- ▶ The Commission identified non-compliances and deficiencies in the District Council of Coober Pedy's electricity administration and billing policies and processes, and has required the Council to make rectifications and improvements. The Commission will continue to assess the Council's regulatory compliance, including the conduct of an audit to review whether or not there has been effective implementation of amended practices and procedures.
- ▶ For reticulated liquefied petroleum gas (LPG) licensees, disconnections for non-payment increased from 15 in 2017-18 to 24 in 2018-19.
- ▶ There was one unplanned supply interruption reported for LPG customers in 2018-19.

South Australian off-grid electricity networks

There are regional and remote communities in South Australia that are not connected to the National Electricity Market and are, instead, provided with electricity through standalone (**off-grid**) networks.

In 2018-19, 6,420 customers were supplied through off-grid electricity networks, refer to Table 1. There are three changes to the off-grid distribution and retail licensees from the 2017-18 reporting period. On 14 February 2018 Enerven Energy Infrastructure Pty Ltd was issued a distribution licence for Woomera and Pimba. On 18 July, the Commission issued a licence variation to Cowell Electric to reflect the relinquishment of distribution operations in Woomera. On 17 August 2018, the Commission issued a distribution licence to Enwave Tonsley Pty Ltd (**Enwave Tonsley**) for the Tonsley Innovation District.

Table 1: South Australian off-grid electricity networks

Distribution licensee	Retail licensee	Generation source	Location	Number of connections
BHP Billiton Olympic Dam Corporation Pty Ltd	Exempt ¹	Inset network via ElectraNet	Olympic Dam	40
Cowell Electric Supply Pty Ltd	Cowell Electric Supply Pty Ltd	Off-grid supply	APY lands, MT lands, Yalata on ALT, and other remote towns ²	1,510
	Exempt	Inset network via OneSteel at Iron Knob	Iron Knob, Pimba	163
Dalfoam Pty Ltd	Dalfoam Pty Ltd	Off-grid supply	Yunta	63
District Council of Coober Pedy	District Council of Coober Pedy	Off-grid supply	Coober Pedy	1,591
Enerven Energy Infrastructure Pty Ltd	Exempt	Inset network via ElectraNet	Woomera, Pimba	300 ³
Enwave Tonsley Pty Ltd	Authorised ⁴	Inset network via SA Power Networks	Tonsley Innovation District	0 ⁵
Jeril Enterprises Pty Ltd	Jeril Enterprises Pty Ltd	Off-grid supply	Andamooka	467
Municipal Council of Roxby Downs	Exempt	Inset network via Olympic Dam	Roxby Downs	2,265
OneSteel Manufacturing Pty Ltd	Exempt	Inset network via ElectraNet	Iron Knob, Iron Barron, Whyalla	21
Total				6,420

¹ National Energy Retail Law exemption, issued by the AER. These customers are still provided protection and performance monitoring in the national electricity and gas retail markets.

² Locations not listed in Table 1 where Cowell electric hold an electricity distribution licence are Oodnadatta, Parachilna, Marla, Marree, Nundroo, Glendambo, Kingoonya, Mannahill, Blinman, and Cockburn.

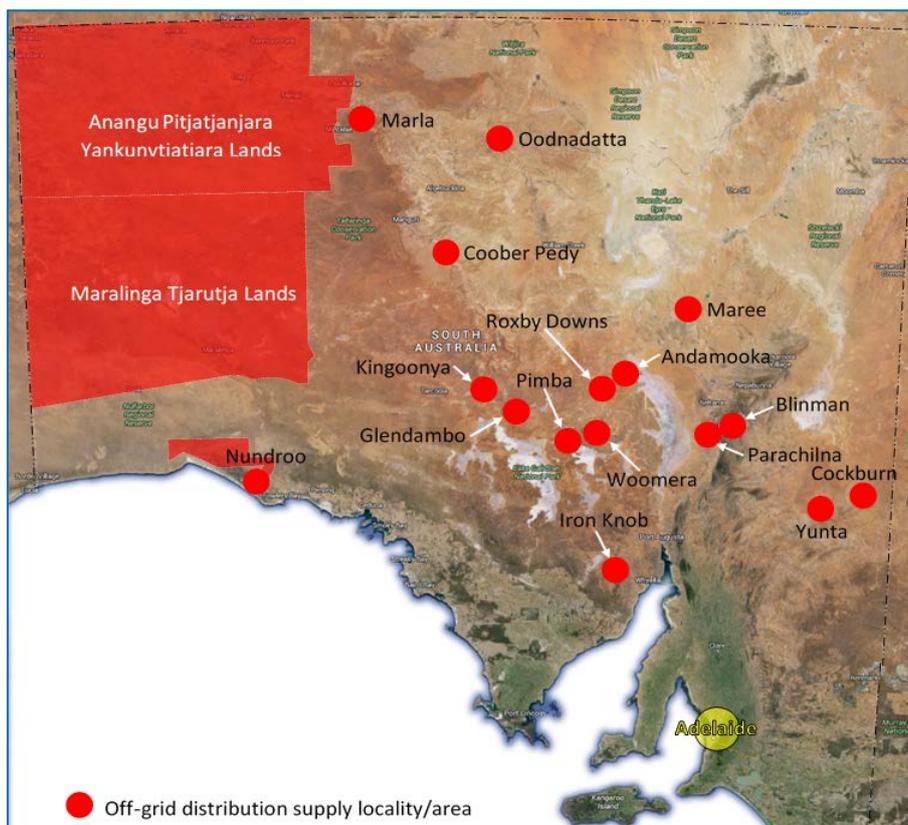
³ The number of connections for the Woomera and Pimba regions is estimated by Enerven Energy Infrastructure Pty Ltd due to having taken over the distribution contract within the last 12 months and the remoteness of some of the areas covered in this region.

⁴ The licensees operating in this location are authorised to retail electricity by the AER under the National Energy Retail Law.

⁵ Enwave Tonsley's electricity distribution network had no connections to report as it was not in operation (no electricity was supplied) by 30 June 2019.

Figure 1 shows the location of the off-grid electricity businesses licensed to operate in South Australia. The off-grid electricity locations are unchanged from the 2017-18 reporting period.

Figure 1: Locations provided with electricity through off-grid networks



Regulatory Framework

The Commission regulates off-grid electricity supply services through the licensing regime established by the Electricity Act 1996 (**Electricity Act**).

The Commission licenses all participants in the electricity supply industry where those participants engage in the generation of electricity, operation of a transmission or distribution network, power system control or the retailing of electricity.⁶

Licensees are required to operate in accordance with specified licence conditions set by the Commission. Off-grid licensees providing retail and distribution services have licence requirements broadly covering:

- ▶ consumer protections – behavioural standards and minimum requirements to be complied with by retailers when dealing with their customers, including reliability of supply requirements
- ▶ technical requirements – such as the development of a Safety, Reliability, Maintenance and Technical Management Plan (**SRMTMP**), a connections policy and a metering plan (if applicable), and
- ▶ reporting requirements.

⁶ In terms of retailing, the Commission only licenses entities that retail to customers not connected to the National Electricity Market (ie “off-grid” retailers).

Consumer protections

Customers of off-grid electricity licensees are afforded similar consumer protections to customers of on-grid energy licensees (ie those connected to the National Electricity Market). Obligations on off-grid licensees relate to:

- ▶ Customer supply contracts – requirements to develop standard terms and conditions on which it will connect customers' supply and sell and supply electricity.
- ▶ Customer dispute resolution procedures – requirements to have procedures in place, based on AS ISO 10002-2006 'Customer Satisfaction - Guidelines for Complaints Handling in Organisations'.
- ▶ Supply obligations – requirements to maintain the quality of supply and minimise interruptions, provide notice for planned interruptions and connect customers within agreed timeframes.
- ▶ Customer service obligations – requirements to provide regular bills, specific information in bills and conduct regular meter readings.
- ▶ Dealing with billing disputes (including requirements relating to undercharging and overcharging), minimum payment methods, offering flexible payment arrangements and rules relating to security deposits.
- ▶ Disconnections and restoration of supply – obligations around disconnecting customer supply for non-payment, prohibitions on disconnection and timeliness for restoration of supply.

Off-grid electricity licensee performance

The Commission has identified key metrics to monitor the performance of off-grid licensees over time. These include:

- ▶ number of complaints received by each off-grid retailer and distributor
- ▶ disconnections for non-payment of a bill made by each off-grid retailer
- ▶ the number and duration of interruptions of supply for each off-grid distributor, and
- ▶ licensees' compliance with their licence requirements.

Monitoring these indicators allows the Commission to assess the adequacy of licensees' performance over time, determine whether enforcement action may be required and evaluate whether the consumer protections the Commission imposes as licence conditions sufficiently protect consumers.

Complaints

Off-grid retailers and distributors reported 14 customer complaints in 2018-19. Eleven of those complaints were reported by the District Council of Coober Pedy. Of those 11, four related to faulty or inaccurate meters, three related to high/low voltage levels, three related power outages which upon investigation were found to be an switchboard or wiring issue on the customer's property, and one related to a power outage found to have been caused by damage to infrastructure after lighting strike.

Disconnections

Off-grid retailers reported that three retail customers were disconnected⁷ for non-payment of a bill in 2018-19. This is a decrease from the 65⁸ disconnections reported in 2017-18.

The significant reduction in disconnections is a result of the District Council of Coober Pedy not undertaking any retail disconnections in 2018-19 (63 disconnections were reported in 2017-18) while it undertakes changes to its systems and processes as a result of the Commission determining that the District Council was not compliant with its obligations under its electricity retail licence and the Electricity Act (particularly those relating to debt recovery and disconnections). The District Council of Coober Pedy will not be able to recommence disconnections for non-payment of a bill until such time as the Commission is satisfied with its compliance with relevant regulatory requirements.

Unplanned interruptions

There were 184 reported unplanned interruptions that impacted on residential customers in 2018-19, an increase from 160 reported for 2017-18. The majority of the unplanned interruptions (around 61 percent) were reported in areas in which Cowell Electric provides distribution services.

Cowell Electric has stated the unplanned interruptions in the distribution networks that it operates were predominately caused by severe weather events, lightning and switching issues. In response to an information request from the Commission seeking further information about the large number of unplanned interruptions, Cowell Electric stated that it is undertaking the following to rectify and improve the long-term reliability of its distribution networks:

- ▶ pre-emptive remedial work to repair/rewire switching equipment
- ▶ investment in additional fault finding equipment
- ▶ aerial inspections (in preference to light vehicles) and increased efforts to manage vegetation around network assets, and
- ▶ investment in communication systems (particularly with field crews) to improve response and reconnection times as well as the establishment of relationships with other off-grid entities able to assist if significant outage events occur.

At this time, the Commission is satisfied that Cowell Electric is taking sufficient measures to improve the long-term reliability of its networks, as evidenced by a downward trend in the number of unplanned interruptions reported by Cowell Electric since 2015-16. The Commission has requested that Cowell Electric continue to assess the effectiveness of the actions taken to improve reliability, particularly with regard to how they are mitigating network service interruptions for customers in an efficient and effective way. The Commission will take further steps, as needed, if actions are not taken in a timely manner or if performance improvements are not forthcoming.

Compliance matters

The Commission is required to monitor and, if necessary, take enforcement action in respect of the compliance of off-grid licensees on an ongoing basis. Throughout the year there are matters that are investigated and followed up to mitigate consumer impact and rectify any adverse actions or behaviours of licensees.

In 2018-19, the Commission investigated the District Council of Coober Pedy's compliance with various licence obligations relating to billing, payment arrangements and disconnection processes. This investigation

⁷ Customers who have their electricity supply disconnected may be reconnected upon payment of debt or after being placed on a retailer's payment plan. Reconnection data is not required to be reported to the Commission.

⁸ The annual electricity disconnection figure for off-grid retailers for 2017-18 has been corrected from the figure published in the 2017-18 Off-grid Regulatory Performance Report in order to exclude an off-grid electricity retailer that holds a retail licence exemption with the AER and was therefore not required to report this data to the Commission.

identified deficiencies in the District Council of Coober Pedy's systems and processes that were impacting its customers. The Commission found that the District Council of Coober Pedy was not compliant with its regulatory obligations, including key consumer protection requirements set out in its electricity retail licence and failing to identify and report those non-compliances to the Commission. Those deficiencies have been addressed by the District Council of Coober Pedy and the Commission is satisfied that the District Council of Coober Pedy now has compliant policies and processes in place which, if properly put into practice, should appropriately manage customers experiencing financial difficulties or facing disconnection. The Commission will continue to assess compliance and will conduct an independent audit of the District Council of Coober Pedy in 2020, to review whether or not there has been effective implementation of those amended policies and procedures.

In previous reporting years, BHP Billiton Olympic Dam Corporation Pty Ltd (**BHP**) failed to pay its annual electricity distribution licence fee on time. During the 2018-19 reporting period, the Commission required BHP to review its systems to ensure that it was compliant with this obligation. BHP provided an assurance to the Commission that it had changed its internal processes regarding the payment of licence fees and that it will be paid on time in future years. Following this, BHP paid its 2018-19 licence fee on time and in accordance with its assurance.

LPG networks

There are several areas in South Australia that are not connected to the national gas network and are instead provided with LPG through standalone networks. The Commission regulates these services through the licensing regime established by the Gas Act 1997 (**Gas Act**).

There are four licensed LPG distributors and two LPG retailers providing services to 4,008 customers through reticulated LPG networks in South Australia (Table 2). On 15 May 2019, the Commission issued a gas distribution licence to Enwave Tonsley to operate a gas distribution network at the Tonsley Innovation District. Although the licensed distributors and retailers were largely unchanged from 2017-18, there was a net increase of 440 LPG connections. Origin's off-grid LPG distribution network had a slight decrease in the number of connections from 2017-18, in contrast to the Mount Barker LPG distribution network managed by Environmental Land Services (Aust) Pty Ltd, which had an increase of 454 connections due to the expansion of new housing developments.

Table 2: South Australian LPG networks

Distributor licensee	Retail licensee	Location	Number of connections
Elgas Limited	Elgas Limited	Clare (Hanlins Rise), Point Boston Estate, Mount Barker	65
Environmental Land Services (Aust) Pty Ltd	Elgas Limited	Mount Barker	1,583
Enwave Tonsley Pty Ltd	Exempt	Tonsley Innovation District	0 ⁹
Origin Energy LPG Limited	Origin Energy Retail Limited	Roxby Downs, Victor Harbor, Renmark, Port Lincoln, Wallaroo, Cape Jaffa	2,360
Total			4,008

⁹ Enwave Tonsley's gas distribution network had no connections to report as it was not in operation (no gas was supplied) by 30 June 2019.

Regulatory Framework

Those who engage in the activity of distributing and retailing LPG through reticulated networks in South Australia are required to be licensed by the Commission.

Licensees are required to comply with the Reticulated LPG Industry Code (**Code**). The Code contains provisions relating to the sale and supply of reticulated LPG to small customers (customers consuming less than 1TJ of LPG annually).

LPG licences and the Code require licensees to comply with the following obligations:

- ▶ consumer protections – behavioural standards and minimum requirements to be complied with by retailers when dealing with their customers, including reliability of supply requirements
- ▶ technical requirements – such as the development of a SRMTMP, a connections policy and a metering plan (if applicable), and
- ▶ reporting requirements.

Consumer protections

Customers receiving reticulated LPG are afforded similar consumer protections to customers of natural gas retailers. Obligations on LPG licensees, as set out in the Code, relate to:

- ▶ Customer supply contracts – requirements to develop standard terms and conditions and provide contractual information relating to how it will connect, sell and supply LPG to customers.
- ▶ Customer dispute resolution procedures – requirements to have procedures in place, in accordance with AS ISO 10002-2006 'Customer Satisfaction - Guidelines for Complaints Handling in Organisations'.
- ▶ Supply obligations – requirements to maintain the quality of supply and minimise interruptions, provide notice for planned interruptions and connect customers within agreed timeframes.
- ▶ Customer service obligations – requirements to provide regular bills, include specific information on bills, conduct regular meter readings, deal with billing disputes (including undercharging and overcharging), provide minimum payment methods, offer flexible payment arrangements; publish fees and charges, make disclosures about changing tariffs, and methods of communication.
- ▶ Disconnections and restoration of supply – requirements relating to disconnecting customer supply for non-payment, and timeliness for restoration of supply.

LPG licensee performance

The Commission has identified key metrics to monitor the performance of LPG licensees. These include:

- ▶ number of complaints received by each off-grid retailer and distributor
- ▶ disconnections for non-payment of a bill made by each off-grid retailer
- ▶ the number and duration of interruptions of supply for each off-grid distributor, and
- ▶ licensees' compliance with their licence requirements.

Monitoring these metrics assists the Commission in assessing the adequacy of each licensee's performance, determining whether enforcement action may be required and evaluating whether consumer protections imposed by the Commission sufficiently protect consumers.

LPG licensee performance in 2018-19

There were no reported complaints regarding quality of supply with the LPG retailers in 2018-19.

Twenty four customers were disconnected for non-payment of a bill in 2018-19 compared to 15 in 2017-18.¹⁰ The off-grid LPG retail disconnection rate for 2018-19 was 0.6 per one hundred customers compared to 0.4 per one hundred customers for 2017-18. The majority of LPG retail disconnections were for customers of Elgas Ltd.

There was one reported distribution system interruption in 2018-19, with less than 20 customers impacted for less than eight hours.

There were no major non-compliances were reported by the LPG licensees or identified by the Commission, which is consistent with reports in 2017-18.

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