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31/06

Essential Services Commission Act 2002
NOTICE OF REFERENCE UNDER PART 7

ETSA Utilities Network Performance and Customer Response – January 2006

1. BACKGROUND:

- 1.1. Pursuant to Part 7 of the *Essential Services Commission Act 2002* (“**the Act**”) an industry Minister may, by written notice, refer any matter to the Essential Services Commission of South Australia (“**the Commission**”) for the Commission to conduct an investigation into that matter.
- 1.2. By virtue of section 14D of the *Electricity Act 1996*, the electricity industry is a regulated industry for the purposes of Part 7 of the Act.
- 1.3. The Hon Patrick Conlon, Minister for Energy (“**the Minister**”) is the Minister administering the *Electricity Act 1996*.
- 1.4. During the period 19 to 22 January 2006, failures in the distribution network meant that large numbers of customers were without power during a period of extreme heat, with a significant number of customers being without power for extended periods of time, in some instances for periods well in excess of 30 hours. In addition, the performance of ETSA Utilities information provision to customers, especially those without power during the period, including the role of the ETSA Utilities call centre, was less than adequate.
- 1.5. This follows the events of August 2005, where a significant number of customers were also without power for extended periods of time and similarly there was a failure of ETSA Utilities communication systems.

2. REFERENCE:

I, PATRICK CONLON, Minister for Energy, hereby refer to the Commission the matter described in the Terms of Reference for the Commission to investigate pursuant to Part 7 of the Act, in accordance with the Terms of Reference specified below:

3. TERMS OF REFERENCE:

The following are the Terms of Reference for the inquiry specified pursuant to section 35 of the Act:

- 3.1. The Commission is to investigate the performance of the distribution network and the adequacy of ETSA Utilities response during the heatwave conditions experienced in South Australia from 19 to 22 January 2006;
- 3.2. Determine whether or not ETSA Utilities complied with its regulatory obligations as established under the Electricity Distribution Code and the *Electricity Act 1996* and if those obligations should be amended in light of this event;

- 3.3. Determine if the payments available under the Guarantee Service Level Scheme should be increased to provide increased incentives for ETSA Utilities to meet determined levels of reliability;
- 3.4. Determine if the performance of ETSA Utilities was consistent with *good electricity industry practice* as defined in the National Electricity Rules;
- 3.5. In undertaking this inquiry, the Commission should consider:
 - 3.5.1. ETSA Utilities overall management, planning and preparation of the network for periods of forecast high demand and/or extreme events likely to adversely impact the network, with a view to minimising the number and duration of customer outages during such periods;
 - 3.5.2. ETSA Utilities specific planning and preparations in response to the forecast heatwave conditions expected from 19 to 22 January 2006, such as staffing, spares and equipment, including any contingency arrangements;
 - 3.5.3. the actual performance of the distribution network during the period, including comparisons with planning forecasts of demand;
 - 3.5.4. impacts on customers, including the number, duration and value of outages, and their customer service experience, especially as regards to the performance of the ETSA Utilities call centre;
 - 3.5.5. the adequacy of ETSA Utilities response, including timeliness, the prioritisation of resources to minimise the extent and duration of outages and the provision of information to customers during the period;
 - 3.5.6. if the location of the ETSA Utilities call centre impacted on the performance for South Australian customers and if different performance standards should apply to the operation of this facility;
 - 3.5.7. Determine if the practices of ETSA Utilities in relation to upgrades of low voltage transformers are adequate;
 - 3.5.8. ETSA Utilities contingency planning for managing extreme events;
and
 - 3.5.9. any other factors the Commission considers relevant.
- 3.6. The Commission should make recommendations as it considers appropriate, in particular with regard to any changes that could be made to the regulatory framework to better protect South Australian consumer interests, including appropriate incentives and penalties.

4. CONDUCT OF INQUIRY:

- 4.1. Following the receipt of these Terms of Reference, the Commission's inquiry process shall consist of at least the following:
 - 4.1.1. the publication of a notice of inquiry, as required pursuant to section 36 of the Act, no later than 7 days following receipt of these terms of reference;
 - 4.1.2. an opportunity for public submissions to the inquiry;
 - 4.1.3. the release of an Issues Paper as early as the Commission determines

- 4.1.4. the release of a draft report to the Minister and ETSA Utilities for comment no later than one week prior to the public release of the draft report;
- 4.1.5. the release of the draft report; and
- 4.1.6. the submission of a final report to the Minister and ETSA Utilities as soon as the Commission determines is appropriate and to the public no later than 7 days thereafter.



HON PATRICK CONLON MP
Minister for Energy

31 January 2006