



**INQUIRY INTO ETSA UTILITIES'
NETWORK PERFORMANCE
AND CUSTOMER RESPONSE
JANUARY 2006
DRAFT INQUIRY REPORT
- EXECUTIVE SUMMARY -**

June 2006



REQUEST FOR SUBMISSIONS

The Essential Services Commission of SA (the Commission) invites written submissions from interested parties in relation to the issues raised in this paper. Written comments should be provided by **7 July 2006**. It is highly desirable for an electronic copy of the submission to accompany any written submission.

It is Commission 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 exhibit any submission based on their 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:

Inquiry into ETSA Utilities' Network Performance and Customer Response January 2006: Draft Inquiry Report

Essential Services Commission of SA

GPO Box 2605

Adelaide SA 5001

E-mail: escosa@escosa.sa.gov.au

Telephone: (08) 8463 4444

Facsimile: (08) 8463 4449

Contact Officer: Margaret Cross
Executive Director, Regulatory Development & Implementation

Public Information about ESCOSA's activities

Information about the role and activities of the Commission, including copies of latest reports and submissions, can be found on the ESCOSA website at www.escosa.sa.gov.au.

EXECUTIVE SUMMARY

From Thursday 19 to Sunday 22 January, a major heatwave was experienced in metropolitan Adelaide. The maximum daytime temperatures on each of those days exceeded 40°C, with a high of 43.1°C on Saturday 21 January. There was no let-up in the heat overnight, with the temperature exceeding 27°C for three nights in a row, culminating in an overnight minimum of 33.1°C on Saturday night.

During the heatwave the electricity distribution network operated by ETSA Utilities, which distributes electricity to 760,000 South Australians, experienced various failures. As a result, some people were left without a supply of electricity and were unable to run their household appliances. In particular, many people were not able to run their air-conditioners in order to gain some relief from the oppressive heat.

The Commission has found that some 96,000 customers experienced electricity supply outages at some time during the period 19 to 22 January. Approximately 84,000 of those customers were affected by high voltage network outages, with 94% restored within 3 hours and an average restoration time of 90 minutes. The remaining customers were affected by low voltage network outages, with 46% restored within 3 hours and an average restoration time of 7 hours.

For customers who were affected by outages on the low voltage network, 564 were without electricity for more than 24 hours, with 1,937 without electricity for more than 12 hours but less than 24 hours.

As a result of these outages, ETSA Utilities has to date paid more than \$1 million to some South Australians affected by the power outages. The payments relate to outage duration Guaranteed Service Level payments (approximately \$450,000 to date) and compensation payments (approximately \$640,000 to date).

As might be expected, those people who were without power during the heatwave, tried to contact ETSA Utilities to either report the fact that they were experiencing a supply outage, or to find out when their supply was likely to be restored. Many were unable to get through to ETSA Utilities. Those that could, in many cases, were not given accurate or up-to date information.

The Commission has found that on each day of the weekend during the heatwave the call centre received more than 15,000 calls to the faults and emergencies line, with average wait times to talk to an operator of about 12 minutes. A peak call volume of 1,665 calls occurred between 9pm and 10pm on Saturday (during this hour the average time for calls to be answered by an operator was 50 minutes 42 seconds). To place these call volumes into some context, ETSA Utilities has handled an average of 470,000 telephone calls per annum (approximately 1,200 per day) on all of its telephone lines (which include the faults and emergencies line) for the past five years.



The combination of the outages and some customers' inability to either report or obtain information about those outages gave rise to understandable frustrations within the community during and in the immediate aftermath of the heatwave. As a result, the Minister for Energy asked the Commission to conduct a formal Inquiry into the network reliability and customer service performance of ETSA Utilities during the heatwave.

Overall, the key draft conclusions reached by the Commission in the conduct of the Inquiry are as follows.

- ▲ Measures taken by ETSA Utilities to prepare the distribution network for extreme weather events are considered to be generally appropriate.
- ▲ However, ETSA Utilities' integration of weather forecast information into its planning and operational processes prior to and during the heatwave was poor, with ETSA Utilities failing to adequately address the potential for forecast error.

ETSA Utilities should adopt a more sophisticated and proactive approach to the interpretation and organisational response to weather forecasts in preparation for extreme weather events.

- ▲ In part due to the poor integration of weather forecast information into its processes, ETSA Utilities struggled to provide appropriate staffing levels for supply restoration during the heatwave. This led to unsatisfactory restoration times for low voltage faults, as well as giving rise to poor information flows (largely due to lack of time) from field crews back to the Network Operations Centre.

ETSA Utilities should consider a range of measures to address this issue in the future, including (but not limited to) clarification of internal roles and responsibilities in emergency periods, and exploring new or different roles for staff and other persons in emergency periods.

- ▲ The heatwave has revealed problems in the manner in which ETSA Utilities manages low voltage restoration jobs during emergencies and/or extreme events, with the extent of outages during the heatwave not being recognised in sufficient time to rectify them in an efficient manner.

ETSA Utilities should balance the need to restore supply to the greatest number of customers with the need to focus on the longest outages by implementing a more centralised and co-ordinated management approach to the oversight of outage restoration.

- ▲ The call centre operated by ETSA Utilities did not perform well during the heatwave as a result of the information management problems within ETSA Utilities. This does not mean that call centre staff did not do their jobs; it simply reflects the Commission's view that information management systems did not cope well during the heatwave. Importantly, the location of the call centre played no part in the problems experienced by customers; instead, the problems stemmed from the lack of, or quality of, information provided to the call centre.

ETSA Utilities should establish an integrated information management strategy to improve the quality of information management during extreme weather events. This should include (but not be limited to) providing more accurate and timely information to customers contacting the call centre regarding outages and restoration times; providing better information through media information outlets and ETSA Utilities' website; and establishing procedures to enable ETSA Utilities to make direct contacts with customers affected by long outages.

- ▲ The Service Standard Framework for reliability and customer service performance that applies to ETSA Utilities is generally appropriate. Nevertheless, the Commission considers that an extra threshold should be added to the duration outage Guaranteed Service Level payment scheme such that customers experiencing outages of more than 24 hours will receive a payment of \$320 (the present maximum threshold is \$160 for an outage of more than 18 hours).

General observations

To give some context to its draft conclusions, the Commission makes the following general observations.

While there can be no doubt that the period from 19 to 22 January 2006 was hot, it is generally acknowledged that summers in South Australia are hot. The occurrence of a heatwave cannot, therefore, be regarded as a highly unusual event. It follows that it is reasonable for the community to have an expectation that the South Australian electricity network will be designed and operated so as to generally cope with such conditions.

Secondly, the electricity supply system is fundamental to the economic and social infrastructure of a modern society. At the same time, however, it is critically important to realise that electricity distribution systems are not perfect and that there are necessary trade-offs between the level of service that is provided and the prices that customers pay.

It may be technically possible to design a network that continues to operate almost without failures no matter what the level of demand for electricity might be. It is essential, however, to appreciate the extreme costs that would be associated with building, operating and maintaining such a network and the fact that customers would have to pay prices significantly higher than they are now if such a standard was required of ETSA Utilities' distribution network.

Nevertheless, it is important that ETSA Utilities provides the best level of service for the revenue it is entitled to earn in accordance with the Commission's Electricity Distribution Price Determination.

Thirdly, while this Draft Inquiry Report does identify areas of concerns in ETSA Utilities' systems and processes, the Commission recognises that ETSA Utilities has undertaken significant work and developed important new programs aimed at improving its performance since the heatwave occurred.



Finally, the Commission observes that neither it, as the economic regulator for the electricity distribution business, nor the Energy Industry Ombudsman, have received an unusual level of contacts from customers concerning the events which occurred during the heatwave. The Commission understands, however, that ETSA Utilities did receive a number of contacts from customers in the period following the heatwave and put significant resources into responding to customers and seeking to address their concerns.

Next Steps

Submissions on the Commission's Draft Inquiry Report will be received until **7 July 2006**.

Following the close of the submissions period, the Commission will consider all submissions received, finalise its views and prepare its Final Inquiry Report.