VARIATION TO THE ELECTRICITY DISTRIBUTION CODE 2006

DRAFT DECISION

October 2006

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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 **Friday 24 November 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:

Variation to the Electricity Distribution Code 2006

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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.

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1 INTRODUCTION

The purpose of this Draft Decision is to allow interested stakeholders to consider, and provide comment upon, various proposals to vary the provisions of the Electricity Distribution Code (EDC). The proposals have arisen from a number of sources. However, the principal source is the Commission's recent Inquiry into the January 2006 heatwave.[1]

Most significantly, in that Inquiry the Commission noted its intention to consult on variations to the EDC aimed at providing greater regulatory incentives for ETSA Utilities to deliver better customer service; particularly in relation to network outages and network performance during extreme weather events. The specific recommendations of the Commission in that regard are set out at section 11.6 of the Inquiry Report (HIR):

> *Consideration will be given (through a consultative process under the Essential Services Commission Act 2002) to amending the Electricity Distribution Code to include:*
>
> - *an additional threshold for outage duration Guaranteed Service Level payments, such that a payment of $320 will be made to any customer affected by an outage of greater than 24 hours duration (the current maximum is $160 for an outage of more than 18 hours' duration);*
> - *additional telephone responsiveness standards, such as an additional annual standard relating to the average wait time for callers wishing to talk to an operator;*
> - *minimum levels of service to be met by ETSA Utilities for the call centre Interactive Voice Recognition system, to be applied during extreme weather events;*
> - *a requirement to report on the number of overload calls (that is, customer calls not able to get through to the call centre), commencing no later than the September 2006 regulatory reporting quarter.*[2]

This report is the consultative process for the purpose of the proposed variations. The other proposed variations dealt with in this report relate to issues of practical operation of the EDC which have been raised for the Commission's attention by various stakeholders, principally ETSA Utilities.

1.1 Background on the Electricity Distribution Code

In order to provide context for the proposed variations, it is useful to consider the regulatory regime applying to ETSA Utilities and the role of the EDC within that regime.

The EDC is a primary element in the economic regulatory regime applying to ETSA Utilities. As a monopoly service provider, ETSA Utilities is subject to a price control regime for distribution network charges. The price control regime currently in place was established by the Commission through the Electricity Distribution Price Determination

1 For further detail on that Inquiry, see the Commission's website at http://www.escosa.sa.gov.au/site/page.cfm?u=27&c=1624.

2 The last of these recommendations does not require any variations to the EDC and, therefore, is not considered further in this Draft Decision.

(EDPD) in 2005.[3] Through the EDPD, the Commission established a new regulatory bargain for the period 2005 to 2010 between electricity consumers and ETSA Utilities, under which ETSA Utilities is permitted to earn a reasonable return on its investment in electricity distribution assets in South Australia in return for the provision of sustainable services at an agreed standard as specified in the EDC.[4]

In accordance with the provisions of a derogation to the National Electricity Rules,[5] the EDC deals with four major areas:

- the terms on which ETSA Utilities may connect customers to its network and supply electricity to customers, including a service standard framework that applies to ETSA Utilities in operating the electricity distribution network (Part A, Chapter 1);
- the connection of embedded generating units to the electricity distribution network (Part A, Chapter 2);
- matters pertaining to network connections requiring extension and/or augmentation to the electricity distribution network (Part A, Chapter 3); and
- the specification of terms and conditions which ETSA Utilities must use as its standard connection and supply contract (Part B).

While each of these areas is important, it is the first and the fourth which are most relevant to the matters raised in this Draft Decision. Specifically, this Draft Decision deals largely with provisions of the service standards framework. It is therefore appropriate to review the operation of that framework briefly by way of introduction.

1.1.1 Service Standards Framework

There are three distinct elements to the service standard framework: the specification of average service standards to be met by ETSA Utilities; a Service Incentive scheme under which ETSA Utilities is rewarded or penalised in terms of its revenue allowance based on whether it meets specified standards; and a Guaranteed Service Level (GSL) payment scheme, under which customers are entitled to payments (not compensation) where, individually, they are not provided with service of a standard specified by the Commission.

Average Service Standards

The average service standards are comprised of three separate standards:

[3] See the Electricity Distribution Price Determination website page on the Commission's website at www.escosa.sa.gov.au/site/page.cfm?u=163.

[4] Other forms of service standards are contained in the Electricity Metering Code and Energy Customer Transfer and Consent Code as established by the Commission, and in the Electricity Act and Regulations. Codes made by the Commission that apply to electricity entities are available from http://www.escosa.sa.gov.au/site/page.cfm?u=54#e71.

[5] See the National Electricity Rules, clause 9.28.2(a)(i).

- ETSA Utilities must use its best endeavors to meet the specified annual customer service targets relating to telephone and written enquiry responsiveness (clause 1.2.2);
- ETSA Utilities must use its best endeavors to meet the specified annual reliability targets, being frequency of interruptions, duration of interruptions and time to restore supply (clause 1.2.3); and
- ETSA Utilities must design, install, operate and maintain its distribution network such that specified quality of supply standards are met (clause 1.2.4).

The first two of these standards are of a best endeavours nature, with that term defined to mean "*to act in good faith and use all reasonable efforts, skill and resources*". Being "average" standards, they are expressed in terms of the average performance provided to customers in a particular region of the ETSA Utilities network over a 12-month period. The final standard is mandatory and is expressed with reference to applicable Australian Standards and other objectively verifiable measures.

Service Incentive Scheme

The Service Incentive Scheme (SI Scheme) has been included within the EDC as it forms an integral part of the regulatory bargain. Following extensive research leading up to the making of the EDPD, [6] the Commission determined it appropriate to provide a regulatory incentive for ETSA Utilities to improve service to the worst served consumers, comprising approximately 15% of the customer base.

This incentive is embodied in the SI Scheme, which imposes penalties and rewards in the price setting formula based on reliability performance and telephone responsiveness. If ETSA Utilities outperforms the standards in the SI scheme, then it is rewarded by being able to recover increased revenue from its customers. Conversely, if it does not meet those standards, then the amount of revenue which ETSA Utilities is permitted to recover from customers reduces.

Schedule 2 of Part A of the EDC specifies the manner in which ETSA Utilities will calculate its entitlement to incentive points under the SI scheme for each of the calendar years 2005–2009. This entitlement is then incorporated into the annual revenue adjustment for ETSA Utilities that occurs in accordance with the EDPD on 1 July each year, commencing from 1 July 2006. The total financial incentive for the SI scheme has been capped at ±$37.5 million, which represents about ±1.6% of ETSA Utilities' prescribed distribution revenue over a five-year period.[7]

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[6] See KPMG, March 2003, *Consumer Preferences for Electricity Service Standards* (refer www.escosa.sa.gov.au/resources/documents/030409-R-Final_CSReport.pdf).

[7] See Essential Services Commission of SA, April 2005, *2005-2010 Electricity Distribution Price Determination, Part B*, Schedule 3, clause 3.1(k) (refer https://www.escosa.sa.gov.au/webdata/resources/files/050609-D-EDPDPartB-PriceDetermination.pdf).

Guaranteed Service Levels

The third major component of the service standard framework for ETSA Utilities, the GSL scheme, involves service provided by ETSA Utilities to individual customers.

As it relates to individual customer obligations, the GSL scheme is established within Part B of the EDC (the standard connection and supply contract between ETSA Utilities and its customers) and ETSA Utilities is contractually obliged to meet the relevant obligations relating to the GSL scheme for each customer connected to the distribution network.

Clause 5.3 of Part B of the EDC establishes GSLs relating to:

- timeliness of an appointment with a customer (clause 5.3(a));
- timeliness of connection of a new supply address (clause 5.3(b));
- timeliness of repairing street lights that have gone out and for which ETSA Utilities is responsible (clause 5.3(c)); and
- minimising the frequency and duration of supply interruptions (clause 5.3(d)).

If the specified GSLs are not met, then ETSA Utilities is contractually obliged to make payments to customers. It is important to appreciate that these payments are not compensatory in nature, in the sense that they are not intended in any way to provide recompense to a customer for any particular loss they may have suffered as a result of the frequency of interruptions experienced during a year or duration of any single interruption. Rather, they reflect amounts that ETSA Utilities must pay in recognition of the fact that the supply did not meet the contractually specified standards.[8]

Based on data provided by ETSA Utilities, the EDPD assumed that the total amount of payments that ETSA Utilities was expected to make each year for these two reliability-based GSLs, on current customer numbers, was approximately $1.2m (around 0.2% of annual distribution revenue). This amount is incorporated into ETSA Utilities' regulated revenue base for prescribed services.

If ETSA Utilities is able to improve service to the worst served customers and keep GSL payments below this amount, then it will be able to retain the benefit of avoided payments. On the other hand, it will be penalised by having to make more than expected GSL payments if reliability performance is below that forecast.

ETSA Utilities is required to make frequency of interruptions GSL payments to the affected customers in the quarter following the completion of the regulatory year

[8] Payments for compensation, in the sense of recompense for loss, are dealt with separately under clause 6 of the standard connection and supply contract. Care needs to be taken not to confuse the separate operation of these two clauses, as they have entirely different policy and legal bases.

(ending 30 June). Duration of interruptions GSL payments are required to be made within 3 months of the event occurring.

1.2 Power to vary

The original version of the EDC was made by the Treasurer in 1999, when acting in the role of the initial economic regulator (the Independent Industry Regulator, as the Commission then was) for the electricity supply industry. Since that time it has been varied on five occasions by the Commission, pursuant to section 28(2) of the Essential Services Commission Act 2002 (ESC Act).

Those variations were effected to deal with developments in the industry, such as the commencement of full retail contestability and the making of the EDPD (particularly to deal with the various elements of the service standards framework described above). Importantly, these tranches of variation were not made lightly by the Commission, as it places great value on the need for on-going regulatory certainty and stability. Similarly, the Commission is not proposing the current set of variations lightly. It considers that the measures set out in this Draft Decision are of substance, necessary and appropriate to the effective operation of the regulatory regime.

1.3 Approach

Given the defined scope of the proposals, the Commission has decided to include specific amended clauses within this Draft Decision rather than releasing a draft amended copy of the EDC as a companion paper. The specific terms of each variation are marked with bold font in the relevant sections of the Draft Decision for ease of comparison with the current form of the EDC.

These amended clauses should be read in the context of the EDC however, in order to gain a full appreciation of their intended operation. The full text of the EDC is available from the Commission's website.[9]

9 See http://www.escosa.sa.gov.au/webdata/resources/files/050623-D-ElecDistCodeEDC05.pdf.

2 VARIATIONS TO ELECTRICITY DISTRIBUTION CODE

This Chapter sets out each of the proposed variations to the EDC

2.1 Part B, clause 5.3(d) - GSL Payments

Clause 5.3(d), which was introduced by the Commission as a part of the service standard framework for ETSA Utilities, provides for payments to be made by ETSA Utilities to individual customers that experience reliability performance worse than pre-defined threshold levels (the "Guaranteed Service Levels", or "GSL"). In particular, clause 5.3(d) provides (relevantly):

(d) Minimise frequency and duration of supply interruptions

We will do our best to minimise the frequency and duration of supply interruptions to your supply address. We will make payments to you in accordance with the following tables if the frequency of interruptions or the duration of any single interruption exceeds the thresholds set out in the same tables,

Thresholds and payment amounts – frequency of interruptions

	Threshold 1	Threshold 2	Threshold 3
No. of interruptions in a regulatory year ending 30 June	>9 and ≤12	>12 and ≤15	>15
Payment	$80	$120	$160

Thresholds and payment amounts –duration

	Threshold 1	Threshold 2	Threshold 3
Duration (hrs)	>12 and ≤15	>15 and ≤18	>18
Payment	$80	$120	$160

Notes: Payments in relation to the frequency of interruptions will be made in the quarter directly following the regulatory year (ending 30 June). Payments in relation to the duration of interruptions will be made within 3 months of the event occurring. Payments will be made in respect of the supply address, not the customer.

The above scheme excludes:

- *interruptions caused by the following:*
  - *transmission and generation failures;*
  - *disconnection required in an emergency situation (eg. Bushfire);*
  - *single customer faults; and*
- *interruptions of a duration less than 30 seconds.*

2.1.1 Heatwave finding – additional outage duration payment threshold

One of the key findings of the Commission in its Inquiry into ETSA Utilities' performance during the heatwave of January 2006 was that about 560 customers were without electricity supply for at least 24 hours during the heatwave, which was considered to be an unacceptable situation.[10]

The Commission concluded that the GSL scheme provides significant incentive to ETSA Utilities to conduct its supply restoration practices so as to reduce the level of payments it is required to make under the scheme. Nevertheless, it also considered it appropriate that a further band be added to the scheme, where an outage exceeds 24 hours, such that a payment of $320 will apply in those cases (i.e., an additional $160 above the currently applicable amount of $160).

The intention behind this proposal is that it will provide an additional financial incentive for ETSA Utilities to ensure that the restoration times of the heatwave are not repeated; either in future extreme weather events or in general restoration practices.

At the same time, the Commission notes that ETSA Utilities has undertaken a considerable amount of work in this area since the heatwave. In particular, ETSA Utilities has advised that, as a result of its performance during the heatwave, it intends to implement a new regime whereby it will amend its Maximum Restoration Time Policy so as to prioritise the restoration of customers to ensure reconnection within an acceptable time.

The Commission also notes that a recent independent audit of ETSA Utilities' systems and processes for dealing with GSL payments (conducted under the Commission's compliance audit framework) provided a strong compliance grading in this area in terms of ETSA Utilities' operational performance systems and accuracy of relevant data. This provides assurance to the Commission that the systems already in place within ETSA Utilities are robust and can deal appropriately with the GSL scheme – hence there are no material system implications in this proposal.

As a result of these efforts on the part of ETSA Utilities, in combination with the additional regulatory incentive to be provided through the proposed amendment, it is reasonable to expect that the likely incidence of outages of greater than 24 hours to significantly decrease rather than to increase at all into the future. This should result in a reduced incidence of GSL outage duration payments by ETSA Utilities.

The Commission therefore proposes to vary clause 5.3(d) of Part B of the EDC to include an additional threshold for outage duration GSL payments, such that a payment of $320 will be made to any customer affected by an outage of greater than 24 hours duration.

[10] This finding was made in accordance with Term of Reference 3.5, which required the Commission to consider whether the payments available under the GSL scheme should be increased to provide increased incentives for ETSA Utilities to meet determined levels of reliability.

2.1.2 Notes section

As presently drafted, clause 5.3(d) contains a section under the duration GSL threshold and payment entitled "Notes", which provides some further detail of the operation of the scheme. It is possible, although the Commission would not agree with the argument, that the detail of the "Notes" section may be considered by some not to form an operative part of the EDC or the contract between ETSA Utilities and its customers.

For the avoidance of doubt, therefore, the Commission proposes to vary clause 5.3(d) of Part B of the EDC to confirm that the current "Notes" section is substantive and operative by removing reference to the heading of "Notes".

2.1.3 Single customer faults

The "Notes" section of clause 5.3(d) provides that the scheme excludes "*single customer faults*". This term is not defined in the EDC and there is the potential for the exclusion to be misinterpreted by stakeholders to mean that all faults only affecting a single customer are excluded. This is not the intention of the Commission (nor of ETSA Utilities, as it has acknowledged). As noted by ETSA Utilities in the development of this scheme:

> *ETSA Utilities has suggested that the GSL scheme should exclude single customer faults, which are interruptions on the LV network caused by a customer installation (eg. when switching on high powered motors). It has advised ESCOSA that it is generally easy for ETSA Utilities (and for customers) to identify whether the cause of a single customer outage was due to the customer or not. ETSA Utilities has suggested that, where it is clear that the cause of the interruption was a customer installation, the interruption should not be counted towards the GSL threshold.*[11]

To avoid confusion in relation to this matter the Commission proposes to amend this exclusion to clarify that only single customer faults that are caused by that customer are excluded from the GSL scheme.

2.1.4 ETSA Utilities' inability to identify all outage duration GSL payment recipients

On 25 September 2006, ETSA Utilities wrote to the Commission proposing a variation to clause 5.3(d) of Part B such that the period for payment of outage duration GSLs (3 months) is not linked to the event but to when a customer's eligibility is determined. In the alternative, ETSA Utilities proposed that the current obligation to pay within 3 months should become a "best endeavours" rather than an absolute obligation.

[11] See the Essential Services Commission of SA, "*Electricity Distribution Price Review: Service Standards Framework – Working Conclusions*", June 2004, section 4.3.2, at page 54 (refer http://www.escosa.sa.gov.au/webdata/resources/files/040629-D-SSFworkingconclusions.pdf).

ETSA Utilities' reasons for this proposal are four-fold:

- The Outage Management System, which assists in identifying eligible customers, is not yet fully installed and therefore the information which such a system can generate is not able to be fully accessed.
- There have been unexpected volumes of outage duration GSL payments in the low-voltage network, and associated unexpected complexity in establishing matters such as which phase of a transformer (there are three separate phases) customers are connected to.
- There remain transitional (until early 2007) inaccuracies in ETSA Utilities' "customer to asset" link.
- Customer information (eg, address for payment details) is not always accurate in ETSA Utilities' databases (ETSA Utilities has advised that this is due in part to the failure by retailers to provide accurate customer data to ETSA Utilities in a timely fashion).

ETSA Utilities notes that while it is continually improving its systems, it is unable to guarantee compliance with clause 5.3(d) of Part B.

The Commission has considered the matters raised. The Commission does not give great weight to those issues which are transitional in nature, such as the staged introduction of the Outage Management System. This is because, while there may be transitional issues, those issues will be resolved in the near future.

With respect to the issue of inaccurate customer data, ETSA Utilities has indicated that it makes payments based on the information that it has to hand. The Commission considers that this will generally satisfy the regulatory obligation set out in the EDC.

In relation to difficulties associated with identification of phases, the Commission acknowledges that these may currently be practical impediments to compliance. Nevertheless, the Commission notes that those issues are also amenable to resolution with sufficient efforts on the part of ETSA Utilities. A fundamental part of the regulatory bargain is the provision of regulatory incentives, such as the GSL payment scheme, to ETSA Utilities to allocate its resources to achieve appropriate outcomes. In this case, ETSA Utilities must weigh the costs of paying GSLs with the cost of improving its systems and processes. Such decisions are for ETSA Utilities, not the Commission.

Moreover, the Commission is keenly aware that a key purpose of the OMS, for which it permitted a pass-through of cost to South Australian consumers of more than $22 million, was to give effect to the new GSL scheme as embodied currently within the EDC. While the OMS might have other business advantages for ETSA Utilities, it was the benefit to consumers which was the primary concern of the

Commission. This Commission is not, therefore, persuaded that any change should be made to the regulatory regime upon which the OMS was premised.

Having considered these matters, the Commission is of the view that there are no compelling arguments that support a variation to the EDC in relation to the time within which ETSA Utilities must make outage duration GSL payments.

2.1.5 Draft Decision - Proposed variation to Part B, clause 5.3(d)

For the reasons set out above, the Commission proposes to vary clause 5.3(d) of the Part B standard connection and supply contract as set out below. Note that the final amendment to the clause, the change of the current 30 second exclusion period to a period of 1 minute, is discussed fully (and in relation to other areas of the EDC as well) in section 2.3.

(d) Minimise frequency and duration of supply interruptions

We will do our best to minimise the frequency and duration of supply interruptions to your supply address. We will make payments to you in accordance with the following tables if the frequency of interruptions or the duration of any single interruption exceeds the thresholds set out in the same tables,

Thresholds and payment amounts – frequency of interruptions

	Threshold 1	*Threshold 2*	*Threshold 3*
No. of interruptions in a regulatory year ending 30 June	*>9 and ≤12*	*>12 and ≤15*	*>15*
Payment	*$80*	*$120*	*$160*

Thresholds and payment amounts –duration

	Threshold 1	*Threshold 2*	*Threshold 3*	*Threshold 4*
Duration (hrs)	*>12 and ≤15*	*>15 and ≤18*	*>18 and ≤24*	*>24*
Payment	*$80*	*$120*	*$160*	*$320*

Payments in relation to the frequency of interruptions will be made in the quarter directly following the regulatory year (ending 30 June). Payments in relation to the duration of interruptions will be made within 3 months of the event occurring. Payments will be made in respect of the supply address, not the customer

The above scheme excludes:

- *interruptions caused by the following:*
  - *transmission and generation failures;*
  - *disconnection required in an emergency situation (eg. Bushfire);*
  - *single customer faults caused by that customer; and*
- *interruptions of a duration less than 1 minute.*

2.2 Part A, clause 1.1.1(a)

A further finding of the HIR was that ETSA Utilities did not make all of the required outage duration GSL payments arising from the events during the heatwave within the required three-month timeframe (at section 11.3.2). While the Commission ultimately determined that an audit of ETSA Utilities' systems and processes was the appropriate regulatory response in relation to that failure, there is a further aspect of this particular matter which warrants attention.

When responding to the Commission's Draft HIR, ETSA Utilities advised that it had legal advice to the effect that it had not breached any regulatory obligations, only contractual obligations, as a result of its acknowledged failure to make the requisite outage duration GSL payments within the specified time. This position was based on a view that the only EDC obligation and distribution licence obligation is to, in effect, publish the Part B contract. The Commission did not accept that position, noting that:

> *The Commission cannot agree with such a non-purposive interpretation of the Electricity Distribution Code and the licence requirements. As noted above, clause 6(1)(d) of the distribution licence held by ETSA Utilities requires it to "comply with the requirements of the Electricity Distribution Code relating to the standard connection and supply contract for all customers". This includes the requirement of clause 1.1.1(a)(ii) of Part A of that Code that, except in certain circumstances where alternative arrangements are in place, ETSA Utilities must not supply electricity to a customer other than in accordance with the terms and conditions of that contract. In this context, a failure by ETSA Utilities to comply with the contractual provisions of the connection and supply contract during the heatwave is also a regulatory compliance issue, insofar as it would not have complied with the terms of clause 1.1.1(a)(ii).*

Nevertheless, noting that ETSA Utilities has put forward the legal opinion it received on this matter, the Commission considers that it is necessary to put this issue beyond doubt so as to avoid any future debates over whether a failure to comply with the provisions of Part B can also attract regulatory consequences. It therefore proposes to vary clause 1.1.1(a) of Part A of the EDC by inserting a new clause requiring the distributor to comply with the terms of the standard connection and supply contract.

2.2.1 Draft Decision - Proposed variation to Part A, clause 1.1.1(a)

For reasons set out above, the Commission proposes to vary clause 1.1.1(a) by introducing a new clause 1.1.1(a)(iii) in the following terms:

1.1.1 Connection and supply contracts

(a) The document set out in Part B is the standard connection and supply contract for all customers. Subject to clause 1.1.1(b), each distributor:

(i) must publish the contract set out in Part B as its standard connection and supply contract for customers under section 36 of the Act; and

*(ii) must not connect or supply a customer's supply address, other than on the terms set out in that connection and supply contract**; and***

*(iii) **must comply with the terms set out in that connection and supply contract.***

2.3 Momentary Interruptions

The EDC recognises that short-duration, or momentary, interruptions may occur as a result of a transient fault on ETSA Utilities' network. Transient faults are typically caused by factors outside the control of ETSA Utilities, such as lightning, airborne debris, animals and bird activity. A momentary interruption is created when a protective device disconnects the faulted section of network temporarily to allow the fault to clear before subsequent reconnection. Therefore, while momentary interruptions may be frustrating to residential customers, particularly given the ever increasing incidence of digital clocks which require resetting following such interruptions, they are in fact an indication that the distribution network is functioning correctly and that a more significant outage has been avoided. Moreover, such interruptions may have much more severe ramifications for larger commercial and industrial customers, given their different usage of electricity.

Within the EDC there are two instances where the concept of interruptions of a duration of less than 30 seconds is utilised: the "Notes" section to the SAIDI[12] and SAIFI[13] Standards table in clause 1.2.3.1 of Part A; and the "Notes" section to the GSL payment scheme in clause 5.3(d) of Part B. In both cases the concept is used to exclude interruptions to supply of less than 30 seconds from the calculation of the relevant measure. As a result, the Commission does collect data from ETSA Utilities in relation to this measure through the Momentary Average Interruption Frequency Index (MAIFI[14]).[15]

While there is no specific definition of "momentary interruption" in the EDC,[16] other than in the provisions of clause 1.2.3.1 of Part A and clause 5.3(d) of Part B, the definition of "interruption" does, however, expressly provide that a planned or unplanned outage of less than 30 seconds is not an "interruption" for the purposes of the EDC.[17]

The exclusion of supply interruptions of less than 30 seconds duration for the purpose of assessing SAIDI and SAIFI performance has been reflected in the EDC since its inception in October 1999.[18] From 1 July 2005, the exclusion of supply interruptions of less than 30 seconds has also applied in the assessment of GSL payments for frequency and duration

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12 SAIDI is calculated by dividing the sum of all customer interruption durations (other than momentary) by the total number of customers served

13 SAIFI is calculated by dividing the total number of sustained (ie, greater than momentary) interruptions per customer by the total number of customers served.

14 MAIFI is calculated by dividing the total number of momentary (ie, less than 30 seconds' duration) interruptions per customer by the total number of customers served.

15 See, *Electricity Industry Guideline Number 1*, Part B.2, Proforma OP 2.6 – Momentary Average Interruption Frequency Index (refer http://www.escosa.sa.gov.au/webdata/resources/files/060614-ElectricityGuideline1.pdf).

16 The term is defined, however, for the purposes of the Commission's *Electricity Industry Guideline Number 1*, which sets out the financial and non-financial reporting requirements of ETSA Utilities for the purposes of clause 15 of ETSA Utilities' electricity distribution licence. See, *Electricity Industry Guideline Number 1*, Part A.3 Glossary, page 20 (refer http://www.escosa.sa.gov.au/webdata/resources/files/060614-ElectricityGuideline1.pdf).

17 See, Electricity Distribution Code, Schedule 1.

18 The Electricity Distribution Code applicable prior to 1 July 2005 contained a different set of "average" reliability service standards from that contained in the current Code. However, these standards were still based on the premise that interruptions with duration of less than 30 seconds were excluded.

of interruptions, as well as the assessment of ETSA Utilities' performance under the SI scheme.

The Commission has received a request from ETSA Utilities to amend the EDC to change the definition of a "sustained" interruption from a duration of at least 30 seconds to one of at least one minute.

2.3.1 ETSA Utilities' proposal

ETSA Utilities has requested a variation following the identification of a particular category of supply interruption; viz an interruption resulting from the need to isolate part of a 33 kV distribution system or to replace a blown 33 kV fuse. ETSA Utilities has advised that such operations typically take between 20 and 50 seconds to complete.

It has further advised that, notwithstanding the 30 second threshold in the current EDC which has been in place since the Distribution Code was first implemented in October 1999, it has been the long-standing practice of ETSA Utilities (and its predecessor) to include for reliability reporting purposes, only interruptions with a duration of one minute or longer. As a result, the interruptions referred to above associated with certain operations on the 33 kV network have historically been excluded from the reporting of outages for reliability reporting purposes.

As a result, ETSA Utilities has advised that interruptions associated with 33 kV switching as outlined above are currently, and historically have been, considered to be momentary interruptions. To put this into perspective, ETSA Utilities has estimated that there are about 70-80 of these 33 kV switching operations per year. These operations are estimated to account for about 5% of the average number of momentary interruptions experienced by customers across the state each year.[19] This means that 95% of momentary interruptions are related to the automatic operation of reclosing protective devices due to transient faults on the distribution network.

It is only possible to estimate the potential impact on reported SAIFI of taking into account the impact of these 33 kV operations. This is because ETSA Utilities' systems do not allow the recording of the duration of outages to the nearest second. Therefore it is necessary to make an assumption in relation to the number of 33 kV operations as previously described which may result in outages with durations greater than 30 seconds.

If, for example, two thirds of sustained interruptions were assumed to be between 30 seconds and 1 minute, ETSA Utilities has advised that:

[19] ETSA Utilities estimates, based on a random sample of distribution feeders, that the average number of momentary interruptions experienced by customers across SA as measured by MAIFI is about 4.

- There would be no impact on reported SAIDI at either the regional or state-wide level;
- State-wide SAIFI would worsen by 10% compared to the current standard;
- Three regions[20] would have approximately 30% higher reported SAIFI than current levels.

Similarly, it is only possible to estimate the potential impact on GSL payments by making assumptions regarding the number of 33 kV operations, which may result in outages with durations greater than 30 seconds. Further assumptions would need to be made as to the extent to which these additional interruptions may result in customers exceeding the threshold of 9 interruptions per year, thereby becoming eligible for GSL payments. Any estimate of a potential impact on GSL payments will therefore be imprecise. Nevertheless, ETSA Utilities has advised that, if 10% of the customers who experience an outage longer than 30 seconds as a result of the 33 kV switching operations are assumed to become eligible for a GSL payment, the potential impact on total GSL payments could be an additional $1 million per year.

In support of its request for a change in the threshold for a sustained interruption from 30 seconds to one minute, ETSA Utilities submitted that this change would enable the current SAIFI standards set out in the EDC to be retained, since these standards were based on an interruption being at least one minute in duration. Similarly, there would be no need to change the current estimate of GSL payments to customers.

In addition, ETSA Utilities has submitted that such a change to the definition of a sustained interruption would bring SA in line with the definition agreed nationally by the Steering Committee on National Regulatory Reporting Requirements (SCONRRR).[21] ETSA Utilities has advised that the one minute threshold is applied in all other jurisdictions in Australia. A change to the definition would therefore enable meaningful comparisons of reliability performance across the various states and territories to continue.

2.3.2 Considerations

There are a number of implications arising from any changes to the definition of a ‘momentary’ interruption from the current 30 seconds to one minute as proposed by ETSA Utilities.

As it has been the practice of ETSA Utilities to record SAIFI based on a definition of one minute, (rather than the required 30 seconds), it would not be possible for the

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20 Those regions, with a relatively high proportion of 33 kV network, are: Barossa/Mid-North & Yorke Peninsula/Riverland/Murraylands; South-East; Upper North & Eyre Peninsula.

21 Utility Regulators Forum, March 2002, *National Regulatory Reporting for Electricity Distribution and Retailing Businesses - Discussion Paper*, p6 (refer http://www.accc.gov.au/content/index.phtml/itemId/374591).

Commission to utilise the historical data necessary for determining compliance with service standard requirements. At best, the potential impact on reported SAIFI would be based on highly subjective estimates of the impact of these 33 kV switching operations. Consequently, historical data would not be able to be used for benchmarking ETSA Utilities performance, as it has been their practice to record momentary interruptions to the nearest minute.

If the Commission does not approve the definitional change, reporting of interruptions will remain out of step with the SCONRRR definition and interstate practice. As the one-minute definition for momentary interruptions is universally applied in other Australian jurisdictions, the proposed definitional change would bring SA in line with national reporting and definitional requirements. As such, this change would lead to greater national consistency, and aid in the process of conducting inter-jurisdictional benchmarking.

Finally, to the extent that moving the threshold from 30 second to one minute might encourage the adoption of network support options with a start up capability of greater than 30 seconds but less than one minute, then any resultant reductions in customer interruptions would be seen by the Commission as beneficial. Whether such options are viable on the ETSA Utilities' network is a matter which commercial operators and ETSA Utilities will need to explore further.

2.3.3 Draft Decision – Proposed amendments to the definition of "momentary interruption"

For reasons set out above, the Commission proposes to vary the EDC to reflect a definition of "momentary interruption" such that the duration of those interruptions is up to 1 minute (as compared with the current 30 seconds). The Commission notes that amendments to Electricity Industry Guideline Number 1: Electricity Regulatory Information Requirements – Distribution will be required as a consequence of these variations should they proceed.[22]

The following clause variations are proposed.

Clause 1.2.3.1 of Part A

Replace the current "Notes" clause with the following:

*These standards reflect planned and unplanned supply interruptions on the low voltage and high voltage distribution networks but exclude any supply interruptions of a duration of less than **1 minute**.*

[22] A copy of Electricity Industry Guideline Number 1: Electricity Regulatory Information Requirements – Distribution may be accessed from the Commission's website at http://www.escosa.sa.gov.au/webdata/resources/files/060614-ElectricityGuideline1.pdf.

Schedule 1 of Part A

Replace the current definition of "interruption" with the following new definition:

"interruptions" include a planned or unplanned outage of at least **1 minute** *in duration, that is an interruption of, or restriction to, distribution services, other than due to an emergency and/or due to generation or transmission failure.*

Clause 5.3(d) of Part B

In the revised (see sections 2.1.2 and 2.1.3) text under the table "Thresholds and payment amounts – duration" in clause 5.3(d) of Part B, replace the current clause:

- *Interruptions of a duration less than 30 seconds.*

with the following new clause:

- *Interruptions of a duration less than* **1 minute***.*

2.4 Customer Service Standards – Telephone Responsiveness

As identified in section 1, a number of proposed variations to the EDC in relation to new customer service standards for telephone responsiveness were raised for consideration in the HIR. These were:

- additional telephone responsiveness standards, such as an additional annual standard relating to the average wait time for callers wishing to talk to an operator; and
- minimum levels of service to be met by ETSA Utilities for the call centre Interactive Voice Recognition system, to be applied during extreme weather events.

2.4.1 Background – customer service standards

Customer Service involves responsiveness by ETSA Utilities to telephone and written enquiries from customers, and the means by which disputes with customers are handled by ETSA Utilities. This is measured by such attributes as timeliness of responses to telephone and written enquiries, and timeliness in providing written explanations for interruptions to supply after customer requests.

Clause 1.2.2 of Part A of the EDC specifies that ETSA Utilities must use its best endeavours to achieve the level of customer service during each year (ending 30 June) as specified in Table 2.1. Each of these standards involves performance averaged across all customers that have made the specified form of enquiry. Thus, for example, ETSA Utilities must employ best endeavours to ensure that at least 85% of all telephone calls are answered within 30 seconds.

Table 2.1: Customer Service Targets

DESCRIPTION OF MEASURE	TARGET
Time to respond to telephone calls	85% within 30 seconds (including calls after a major outage event)
Time to respond to written enquiries	95% within 5 business days
Time to provide written explanation for interruptions to supply	85% within 20 business days

These standards are average standards that apply for a given financial year and so ETSA Utilities is required to meet them over the course of a year, rather than necessarily for a shorter period, e.g. a single (extreme weather) event.

In relation to telephone responsiveness, all appropriate telephone numbers through which customers might make enquiries of ETSA Utilities are required to be included in the assessment of performance, including the Power Failures & Emergencies 24 hour line (13 13 66).

ETSA Utilities (as with all electricity distributors) operates an Interactive Voice Response (IVR) system that processes telephone enquiries by providing information (e.g. in relation to the status of restoration of supply following an interruption) or directing telephone enquiries to an operator.[23] When a caller selects an IVR option that involves speaking to an operator, the call is considered answered only when responded to by the operator.

The EDC classifies a call as being answered within 30 seconds where the customer receives information from the IVR system within 30 seconds and does not elect to speak to an operator. This classification within the EDC recognises that electricity distribution businesses can only respond efficiently to large volumes of telephone enquiries by use of an IVR.

There is no provision for exclusions due to a major outage event (e.g. associated with extreme weather conditions) in the measurement of telephone performance. Under such conditions, an electricity distributor's call centre may become overloaded as thousands of customers seek to report a supply interruption and/or ascertain how long their supply will be interrupted. This was a significant issue in terms of ETSA Utilities' performance during the heatwave in January 2006 and the storms in August 2005.

2.4.2 Heatwave Inquiry Report Proposals

These proposals all stemmed from the poor customer service response of ETSA Utilities during the heatwave, with identified deficiencies in telephone

[23] The IVR is an automated system used to assist in answering telephone calls and providing information to customers.

responsiveness processes leading to customer frustrations and, perhaps more importantly, poor information flows both into and out of ETSA Utilities' call centre.

Having given further consideration to these proposals, the Commission remains of the view that there is merit in pursuing each of them. It acknowledges, however, that there may be technical and operational matters associated with each which need careful analysis prior to any specific variations to the EDC being proposed. The danger in proposing a variation in the absence of such analysis is the potential for ill-targeted or unwieldy regulatory measures to be put into place.

In addition, as identified in the HIR, ETSA Utilities has identified and has implemented, or is in the process of implementing, a number of actions to improve its telephone responsiveness performance. These include:

- improvements to its IVR system to provide better information;
- adopting processes and procedures for handling LV outages, which will improve the restoration time advice it can provide to customers;
- implementation of the OMS, which will be able to provide job completion status; and
- establishing a 50-seat overflow call centre at Keswick.[24]

These, and other, initiatives are appropriate and welcome and must be given the necessary time and opportunity to take effect. The Commission has therefore decided not to take specific regulatory action at this stage in relation to the HIR recommendations.

On a cautionary note, however, and having regard to the performance during the heatwave notwithstanding that ETSA Utilities had given assurances that telephone responsiveness issues had been addressed after the August 2005 storms, should there be further occurrences of poor performance the Commission will not hesitate to provide a regulatory response. This, in turn, suggests the need for work on implementation of the initiatives to proceed now.

2.4.3 "Responding to telephone calls"

While not being the subject of a specific recommendation in the HIR, a further issue in relation to ETSA Utilities' telephone responsiveness has been identified. Clause 1.2.2 currently provides some regulatory guidance as to the quality of information which must be provided by ETSA Utilities in response to written enquires. The clause specifies that a response must either answer the enquiry or, alternatively, acknowledge its receipt and indicate the process and timetable to be followed in dealing with the enquiry.

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[24] ETSA Utilities, March 2006, *Submission to ESCOSA' Issues Paper dated February 2006: "ETSA Utilities' Network Performance and Customer Service Response January 2006",* page 5.

It is appropriate that similar guidance should be provided in relation to telephone calls, given the overwhelmingly greater number of such contacts with ETSA Utilities as compared with the number of written enquiries which it receives each year.

The Commission proposes that clause 1.2.2 should be varied to require ETSA Utilities to use its best endeavours to ensure that, in its responses to telephone calls, all information provided is accurate and up-to-date.

2.4.4 Draft Decision – customer service standards

For reasons outlined above, the Commission is not proposing to vary the customer service – telephone responsiveness standards of the EDC as suggested in the HIR at this stage.

The Commission is, however, proposing to amend clause 1.2.2 of the Electricity Distribution Code in the following terms:

1.2.2 Customer Service Measures

The distributor must use its best endeavours to achieve the following customer service standards during each year ending on 30 June.

CATEGORY	*CUSTOMER SERVICE MEASURE*	*STANDARD*
Customer service	*Time to respond to telephone calls*	*85% within 30 seconds*
	Time to respond to written enquiries	*95% within 5 business days*
	Time to provide written explanation for interruptions to supply	*85% within 20 business days*

The term "responding to telephone calls" includes:

- *answering a customer's telephone call in person; and*
- *answering a customer's telephone call by providing access to which is able to process calls by providing information or direct calls to a service officer,*

but does not include the answering of a call by being placed in an automated queue to wait for one of the options above.

When responding to telephone calls the distributor must at all times use its best endeavours to ensure that all information provided, including that which is provided by means of a computer/telephony based interactive service, is current and accurate.

A written enquiry is an enquiry by e-mail, fax or letter from a customer to a distributor, via nominated enquiry channels, requesting information from the distributor or making a complaint about an action of the distributor.

A response to such an enquiry includes direct or telephone contact or written response in which the distributor either answers the enquiry or acknowledges receipt of the enquiry and indicates the process and timetable to be followed in dealing with the enquiry.

2.5 Further consideration – exclusion of planned interruptions

ETSA Utilities has raised, for the Commission's consideration, the further issue of whether or not planned interruptions should be taken into account when determining a customer's eligibility for frequency of outage GSL payments. This would require a further variation to the EDC. Unlike other significant matters raised in this Draft Decision (which involved stakeholder consideration though the heatwave Inquiry processes), the Commission has not had the benefit of other stakeholders' views on this proposal. As a result, the Commission has not reached a draft decision on this issue at this stage, and therefore seeks stakeholder input at this time.

As matters currently stand, for the purposes of clause 5.3(d) of the Part B Standard Connection and Supply Contract all interruptions, both planned and unplanned, count towards the number of interruptions in a regulatory year. ETSA Utilities has put a view to the Commission that planned interruptions (which generally relate to work on the network;

for example, maintenance, upgrade work or new connections) should be excluded from this GSL obligation. ETSA Utilities' argument in support of this proposal is that it should not be penalized, in terms of frequency of outage GSL payments, for performing necessary works on its network.

2.5.1 Stakeholder comment sought – exclusion of planned outages

Stakeholder views are sought on the merits of ETSA Utilities' proposal to exclude planned outages from the calculation of frequency of interruption GSL payments. The Commission will not be in a position to resolve this issue within the same timeframe as the other proposals set out in this Draft Decision. As a result, any variations to the EDC which might arise as a result of this proposal will occur sometime after the start of 2007.

3 NEXT STEPS

Following the close of consultations on the Commission's proposed variations to the Electricity Distribution Code on **Friday 24 November 2006**, the Commission will consider all submissions received. The Commission intends to make its Final Decision on the variations by early December 2006, with the varied EDC (which will be styled as EDC/06) to come into effect shortly thereafter (with the precise timing subject to legislative requirements).

The Commission notes that this is an attenuated timeframe as compared with that envisaged under its Charter of Regulatory Practice. However, in the circumstances – where the need for these changes is largely driven by a desire to provide the correct regulatory incentives for ETSA Utilities to deliver better performance in the event of future extreme events – such a timeframe is considered justified.

In terms of ETSA Utilities' proposal to exclude planned outages from the calculation of frequency of interruption GSL payments, the Commission will consider stakeholder comments received and issue a further Draft Decision on that matter early in 2007.