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9 January 2007

Mr. Andrew Reeves  
Energy Regulator  
Office of the Tasmanian Energy Regulator  
GPO Box 770  
Hobart Tas 7001

Dear Mr. Reeves

**Joint Working Group Draft Proposal for Distribution Network Performance Standards**

EnergyAustralia welcomes the opportunity to provide comments in response to the above document.

The Joint Working Group has proposed an alternative to the current SCNRRR measurement and reporting framework. EnergyAustralia considers this proposal to be worthy of further consideration as the basis for a standardised reporting framework that is more attuned to customers' perceptions and requirements than the current arrangements.

It is recognised that the SCNRRR framework was formulated in 2001 and that, over the past five years, many Distributors' outage management systems (OMS) have been enhanced or replaced and are now technically better able to report individual customer reliability performance, irrespective of the type of network that supplies the customers.

EnergyAustralia supports this move to revise the SCNRRR measurement and reporting framework. A revision of the framework is timely, in conjunction with the commencement of national electricity distribution regulation by the new Australian Energy Regulator (AER) in July 2007.

There would be benefits in changing the SCNRR network-related segmentation to a more customer-related segmentation. In our detailed comments attached, we propose an alternative approach to segmentation for consideration, to better reflect customer preferences.

EnergyAustralia appreciates this opportunity to comment on the proposed framework and standards. We would also look forward to the opportunity to discuss these issues further to assist the development of new service standards with the AER and the wider Australian Distribution Business community through 2007.

Please feel free to contact Mr. Gary Hunter on (02) 4910 1248 if any clarification of this matter is required.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Chris Mahony', is written over a large, stylized blue scribble.

Chris Mahony  
Acting/- Executive General Manager Network

Attachment



Partner

## Attachment Detailed comments

### Benefits of the Proposal

EnergyAustralia considers that the Joint Working Group (JWG) Draft proposal would have a number of significant potential benefits:

#### 1) A change to customer-related segmentation

Customer-related segmentation is better than network-related segmentation, in that the service standard applied to customer groups relates more to their reliability needs rather than their location in the network. It does not matter to the vast majority of customers what type of network they are supplied with, rather that their use of electricity determines their need for particular reliability of supply performance.

#### 2) Incorporates the size/sensitivity of a customer

A significant disadvantage of the SCNRRR framework is that it all customers in the same category had the same service standard targets, irrespective of whether the customer was a small residential customer, a larger commercial or industrial customer, or an aged care centre or hospital. The JWG proposal makes some account for the "significance" of a customer, but averages those customer needs with other customers' needs in the same area (see issue 6 below).

#### 3) "Current average performance is acceptable" (sect 3.2.3, page 17)

This discussion successfully draws out the issue that distributors do not know the value that customers' place on reliability and that there is, presently, no dependable mechanism to achieve this. The hiding of true electricity supply costs through cross subsidy and uniform tariffs, and the calculation of the myriad economic impacts of outages on different types of customer electricity uses ensure an economic approach to reliability valuation may be fruitless.

As an alternative, other methods of determining the non-economic value of reliability could be considered. Levels of acceptable customer performance, across like customer classes, could be determined by direct customer survey using value trade-off methods rather than trying to determine monetary values. Such methods of determining consumer preferences can inform both business and regulatory decisionmaking but need to be balanced against the overall cost of implementation.

Basing acceptable performance on survey of economic drivers and constraints is close to a non-economic trade-off method of identifying acceptable average reliability performance supplied for business customers. However, the survey does not provide a view of limits of acceptable supply reliability.

Basing acceptable performance on the experience of customer complaints is unsatisfactory as complaints about reliability may be symptoms of other dissatisfaction issues with the Distributor (or Retailer). Recent outages may be just a trigger for the complaint rather than the true reason for the complaint.

The Industry needs to continue the search for more rigorous methods of determining levels of acceptable average performance and limits of acceptable supply reliability.



## Some issues with the Proposal

We would like to raise some issues with the JWG proposal that we believe warrant further consideration.

### 4) "... like communities should receive like levels of supply reliability;" (sect 3.2, page 15)

EnergyAustralia suggests that customer class segmentation is preferred rather than community class segmentation. Communities inherently still have a mix of different types of customers with different reliability needs and therefore difficult to set a standard that meets all the customers needs.

For example, setting a reliability standard for a community, which has a mix of residential customers and commercial customers, by energy usage density will result in a reliability performance standard that is too low for the commercial customers and too high for the residential customers, in terms of the value they place on reliability of supply.

Using customer class segmentation (eg rural residential customer class, urban commercial customer class, etc) will set reliability standards that are more appropriate to the customers' needs, rather than the average needs of the customers in the area.

Setting standards for customer class segmentation will drive Distributors to design networks that meet customer reliability needs rather than designing network to supply areas of energy use.

### 5) Individual area poor performance standards (sect 3.2.4, page 18, and Appendix B)

The JWG's proposed framework sets the limits of poor performance (unacceptable performance) for individual areas of customers to twice the class average. This ensures that the range of different performances of areas of the same classification is not extreme, and that the proposed standards (Appendix B) are not worse than the existing TEC standards.

However, this mechanism does not relate to the level of acceptable or unacceptable reliability performance. The limit of poor performance should be related to customers' limits of acceptable supply reliability rather than a multiple of the class average. This will drive Distributors' investments to ensure customers are provided with satisfactory reliability performance rather than an arbitrary limit of performance relative to the class average performance.

The class average performance measure should then only be used to ensure existing good customer performance does not deteriorate. While individual performance varies randomly over time, any long term deterioration in class average would indicate substantial change in underlying reliability of supply and should be corrected.

### 6) Measures and Standards not clear (Sect 4, page 21, and Appendix B, page 47)

The application of the reliability frequency and duration measures to average community performance and individual area performance is not clear.

A couple of issues need further clarity:

- (*Appendix B, pages 47-48*) It is not clear what an annual outage count standard for all customers is. Is this a measure of the average number of times a customer is interrupted? Is the calculation exactly the same as the SAIFI calculation, with a customer base of the total number of customers in the class?

Similarly for the annual cumulative outage duration for the classification measure - is this a measure of the average total time off per annum for a customer? Is the calculation exactly the same as the SAIDI calculation, with a customer base of the total number of customers in the class?

- (*Appendix B, page 47*) "... provided that the area under consideration is small enough, there is no numerical difference between the SAIFI of the area and the actual number of outages." An area's performance results in outages of the upstream and distribution network supplying the

area, outages of the distribution transformer, and outages of the low voltage mains. The above statement will only reflect the number of upstream and distribution network outages. How are the distribution transformer and low voltage mains outages counted?

If the minimum annual area count and the minimum annual cumulative duration measures are only for whole area interruptions, then the measure will not represent all the outages the customers' experience.

- *(Appendix F, pages 59-65)* All the historical performance charts reflect reliability performance at the distribution transformer level. The red lines indicate the proposed standards as listed in Sect 4.1.1 and Sect 4.1.2. Does this imply that a distribution transformer represents an "area"?

Also, Appendix B describes the process of allocating consumption density to 500 m square "cells" in order to build up closely group cells into regions of like consumption density. It is not clear what an "area" is when referring to the performance standards in Sect 4.

### **Comments on the particular issues listed in Sect 1.3, page 3**

- *The classification of areas, including the differing standards of reliability being applied to differing categories relative to the cost to serve the various are types*

EnergyAustralia considers the use of individual customer classes rather than areas or communities of customers to be a more appropriate classification. Refer issue 4 above.

- *The area boundaries, noting that the nature of land use and electricity consumption is constantly changing, and that the proposed standards will need to be appropriate until 2012*

This is an issue that any service standard framework needs to incorporate. Any changes in the number or type of customer in each classification will naturally change the customer base for the average performance. In this proposed community/area performance standard framework, changes to the individual area performance targets will also change with customer consumption changes.

If the framework was based on individual customer needs rather than energy use density, fewer reviews and customer base changes would be needed in terms of individual performance measures. However, average performance measures remain at the mercy of customer base changes.

- *The standards themselves, in terms of the number and duration of outages that might reasonably be endured by customers, relative to the cost to improve reliability; the Working Group's assumption that current reliability is on average acceptable, and the appropriateness of continuing the current GSL scheme.*

Refer discussion in issue 5 above regarding setting standards of acceptable reliability performance and use of customer values of supply reliability.