

Queensland Competition Authority

Compliance report

Guaranteed service level performance by Energex and Ergon Energy for 2015–16

November 2016

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1 BACKGROUND

The Queensland Electricity Distribution Network Code (the code) sets guaranteed service levels (GSLs) that distributors (Energex and Ergon Energy) must meet regarding the quality and reliability of service received by small customers. Small customers are residential or business customers who consume less than 100 megawatt hours of electricity per year.¹ GSLs apply to the frequency and duration of customer outages as well as other aspects of the services received by small customers, including the timeliness of connections, reconnections and notices of planned interruptions.

GSLs are not intended to be an economic incentive for the distributors to improve reliability or customer service performance, or function as a means of providing full compensation to any adversely affected customers. Rather, GSLs are a means of providing some financial recognition of poor service experienced by individual customers.

1.1 Energex and Ergon Energy compliance

Queensland's two electricity distributors—Energex and Ergon Energy (Ergon)—were required to comply with the GSL provisions under the code in 2015–16. This includes meeting GSL performance standards and reporting their compliance with these measures to the Queensland Competition Authority (QCA).

It should be noted that the GSL reports provided to the QCA are not intended to enable performance comparisons between Energex and Ergon. This is because Energex and Ergon operate in very different environments with different network characteristics.

Energex supplies largely urbanised areas of south east Queensland (SEQ). Ergon operates a wider distribution network spread across the remainder of the state. Ergon's network features a significant number of long, isolated feeders and lower customer densities. Consequently, the GSL performance of the distributors tends to differ significantly and performance comparisons cannot reliably be made from the reports.

Quarterly reports

Energex and Ergon were required to report their compliance with the GSL provisions within two months of the end of each quarter in 2015–16. The quarterly reports for 2015–16 are available on our website.²

Annual report

This report summarises Energex's and Ergon's compliance with the GSL requirements for 2015–16.

¹ National Energy Retail Law, section 4; National Energy Retail Regulations, section 7.

² Quarterly reports are available at <http://www.qca.org.au/Electricity/Industry/Quarterly-MSS-and-GSL-Reports>

2 GSL REQUIREMENTS AND QCA ENFORCEMENT

2.1 GSL requirements

For 2015–16 the code³ set the following GSLs (and GSL payments):

- wrongful disconnection of a customer (\$142)
- late connection of a customer (\$57 per day late)
- late reconnection of a customer (\$57 per day late)
- late to attend premises regarding loss of hot water supply (\$57 per day late)
- failure to attend a scheduled appointment with a customer (\$57)
- failure to give sufficient notice of a planned interruption (\$28 for residential customers and \$71 for small business customers)

The code also specifies some reliability GSLs. These focus on the duration and frequency of supply interruptions. If an individual customer experienced an interruption of longer than eight hours for central business district feeders, 18 hours for urban or short rural feeders, and 24 hours for long rural feeders, the customer was eligible for a \$114 GSL payment.⁴

If the frequency of interruptions experienced by an individual customer exceeded the prescribed levels the customer may also have been eligible for a \$114 GSL payment.⁵

The code sets the maximum number of individual customer interruptions for Energex and Ergon depending on the feeder type.⁶ Some interruptions were excluded when determining liability for GSL payments that related to reliability, such as interruptions of one minute or less. Other exclusions included interruptions resulting from failure of the shared transmission grid and any failure of a customer's electrical installation.⁷

There was a cap of \$454 on the value of GSL payments that the distributors must pay to any individual customer in a financial year.⁸ This cap excluded GSL payments for wrongful disconnections.⁹

2.2 QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements would contravene the code. The QCA is responsible for enforcing contraventions of the code under the *Electricity Act 1994* (Qld) (the Act).¹⁰

Under the Act, if the QCA believes that a material contravention had occurred—or was likely to have occurred—warning notices, code contravention notices and Supreme Court proceedings for a civil pecuniary penalty could be given or sought.

³ Electricity Distribution Network Code, clause 2.3.10

⁴ Electricity Distribution Network Code, clause 2.3.9 (a)(i)

⁵ Electricity Distribution Network Code, clause 2.3.9(a)(ii)

⁶ Electricity Distribution Network Code, clause 2.3.9(a)(ii)

⁷ Electricity Distribution Network Code, clause 2.3.9(b)

⁸ Electricity Distribution Network Code, clause 2.3.15(a)

⁹ Electricity Distribution Network Code, clause 2.3.15(b)

¹⁰ Refer to chapter 5, part 1A, division 6 of the Act as at 1 July 2016.

In the case of a material breach of the code, the process the QCA would follow is set out in the QCA's Enforcement Guidelines.¹¹

¹¹ The guidelines are available at <http://www.qca.org.au/getattachment/997dfcf7-9eea-43b1-bb38-a5edeec6b030/QCA-Enforcement-Guidelines.aspx>

3 GSL PERFORMANCE SUMMARIES

3.1 Energex

GSL payments made

Energex made 8,238 GSL payments totalling \$795,585 in 2015–16. This is 28% higher than the number of payments made in 2014–15 (6,450 payments totalling \$526,383).

The increase in the number and value of interruption duration payments from 2014–15 to 2015–16 was the major driver of the deterioration in Energex's GSL performance. Last year, Energex made 3,897 interruption duration payments for a value of \$405,288. This increased to 6,110 and \$696,500 respectively in 2015–16.

Table 1 Energex GSL payments 2015–16

<i>GSL description (payment amount)</i>	<i>Code clause</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Wrongful disconnection (\$142)	2.3.3	109 ^a	15,274
Late connection of a customer (\$57/day)	2.3.4	36	4,322 ^f
Late reconnection (\$57/day)	2.3.5	138	14,534 ^g
Failure to attend premises on time regarding hot water complaint (\$57/day)	2.3.6	1	171
Failure to attend a scheduled customer appointment on time (\$57)	2.3.7	252 ^b	14,254
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	2.3.8	144 ^c	10,176
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	2.3.8	1,448 ^d	40,354
Reliability – interruption duration (\$114)	2.3.9(a)(i)	6,110 ^e	696,500
Reliability – interruption frequency (\$114)	2.3.9(a)(ii)	0	0
Total		8,238	795,585

Source: Energex quarterly GSL reports

Note:

a.17 GSL claims were related to events that occurred prior to July 2015

b.22 GSL claims were related to events that occurred prior to July 2015

c.8 GSL claims were related to events that occurred prior to July 2015

d.95 GSL claims were related to events that occurred prior to July 2015

e.4 GSL claims were related to events that occurred prior to July 2015

f, g. In its June quarter 2016 report, Energex stated that it had identified a system issue which resulted in some customers being paid incorrect amounts when GSLs for late connections or late reconnections were payable for multiple days. Energex advised that it is currently investigating this matter and noted that it will make any necessary payment adjustments to the affected customers in the September quarter 2016.

GSL claims rejected

Energex rejected 25 GSL claims in 2015–16; 9 less than the 34 claims rejected in 2014–15. The decrease from 2014–15 was mainly due to 11 fewer rejected claims in 2015–16 for the reliability – interruption duration GSL.

Table 2 Energex GSL claims rejected 2015–16

<i>GSL description</i>	<i>Code clause</i>	<i>Claims rejected</i>
Wrongful disconnection	2.3.3	3
Late connection of a customer	2.3.4	1
Late reconnection	2.3.5	2
Failure to attend premises on time regarding hot water complaint	2.3.6	1
Failure to attend a scheduled customer appointment on time	2.3.7	4
Failure to give sufficient notice of a planned interruption – small business customers	2.3.8	1
Failure to give sufficient notice of a planned interruption – residential customers	2.3.8	5
Reliability – interruption duration	2.3.9(a)(i)	7
Reliability – interruption frequency	2.3.9(a)(ii)	1
Total		25

Source: Ergon quarterly GSL reports

3.2 Ergon

GSL payments made

Ergon made 9,498 GSL payments totalling \$877,674 in 2015–16. This is 6% lower than the number of payments made in 2014-15 (10,099 payments totalling \$806,455).

The decrease in the number and value of payments across all GSL types in 2015-16 (except for interruption duration GSLs, which increased by 21%) contributed to the improvement in Ergon's overall GSL performance.

Table 3 Ergon GSL payments 2015–16

<i>GSL description (payment amount)</i>	<i>Code clause</i>	<i>Number of payments</i>	<i>Value of payments (\$)</i>
Wrongful disconnection (\$142)	2.3.3	125 ^a	17,666
Late connection of a customer (\$57/day)	2.3.4	70	8,874
Late reconnection (\$57/day)	2.3.5	32	4,985
Failure to attend premises on time regarding hot water complaint (\$57/day)	2.3.6	1	57
Failure to attend a scheduled customer appointment on time (\$57)	2.3.7	891	50,803
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	2.3.8	236	16,756
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	2.3.8	1,743 ^b	48,933 ^b
Reliability – interruption duration (\$114)	2.3.9(a)(i)	6,342	722,988
Reliability – interruption frequency (\$114)	2.3.9(a)(ii)	58	6,612
Total GSL payments		9,498	877,674

Source: Ergon quarterly GSL reports

Notes:

a. 7 GSL claims were related to events that occurred prior to July 2015

b. Due to a system issue in May, Ergon advised that 3 GSL claims were paid at a rate of \$71 per claim. This resulted in an overpayment of \$129. Ergon advised that it does not seek to recover the overpaid amounts from the customers.

GSL claims rejected

Ergon rejected 67 GSL claims in 2015–16; 50 less than the 117 claims rejected in 2014–15. The drop from 2014–15 was mainly due to 38 fewer rejected claims in 2014–15 for the failure to attend a scheduled appointment on time GSL and 18 fewer rejected claims for late reconnection.

Table 4 Ergon GSL claims rejected 2015–16

<i>GSL description</i>	<i>Code clause</i>	<i>Claims rejected</i>
Wrongful disconnection	2.3.3	2
Late connection of a customer	2.3.4	3
Late reconnection	2.3.5	7
Failure to attend premises on time regarding hot water complaint	2.3.6	1
Failure to attend a scheduled customer appointment on time	2.3.7	13
Failure to give sufficient notice of a planned interruption – small business customers	2.3.8	3
Failure to give sufficient notice of a planned interruption – residential customers	2.3.8	15
Reliability – interruption duration	2.3.9(a)(i)	14
Reliability – interruption frequency	2.3.9(a)(ii)	9
Total		67

Source: Ergon quarterly GSL reports