

Queensland Competition Authority

Compliance report

Guaranteed Service Levels: performance by Energex and Ergon Energy for 2020–21

September 2021

© Queensland Competition Authority 2021

The Queensland Competition Authority supports and encourages the dissemination and exchange of information. However, copyright protects this document.

The Queensland Competition Authority has no objection to this material being reproduced, made available online or electronically but only if it is recognised as the owner of the copyright and this material remains unaltered.

Contents

OVERVIEW	II
1 INTRODUCTION	1
1.1 Guaranteed Service Levels scheme	1
1.2 Energex and Ergon Energy compliance	1
1.3 GSL measures, thresholds and payments	1
1.4 Claiming, processing and making GSL payments	2
1.5 QCA's enforcement responsibilities	2
2 ENERGEX GSL COMPLIANCE	3
2.1 GSL payments made	3
2.2 GSL claims rejected	4
3 ERGON ENERGY GSL COMPLIANCE	5
3.1 GSL payments made	5
3.2 GSL claims rejected	6

OVERVIEW

The Electricity Distribution Network Code (the code) requires Energex and Ergon Energy (the distributors) to make guaranteed service level (GSL) payments to residential and small business customers when the specified GSL levels are not met.

GSL payments are an acknowledgement of the inconvenience a customer experiences when Energex or Ergon Energy do not meet a GSL. The payments relate to, for instance, the duration and frequency of supply interruptions, wrongful disconnection, late connections and reconnections, and failure to give sufficient notice of planned interruptions. Payments for the interruption duration GSL typically make up a significant proportion of the distributors' annual payments and are frequently caused by storm damage.

The code requires Energex and Ergon Energy to monitor, and report on, their compliance with GSLs. Their reporting for 2020–21 is summarised in the following table.

GSL measure (payment amount) ^a	Energex		Ergon Energy	
	Number of payments	Value of payments	Number of payments	Value of payments
Wrongful disconnection ^b	15	\$2,299	11	\$1,679
Late connection ^c	1,173	\$349,203	10	\$853
Late reconnection ^c	27	\$2,041	6	\$491
Failure to attend a scheduled customer appointment on time ^d	158	\$9,761	81	\$4,962
Failure to give sufficient notice of a planned interruption – small business customers ^e	63	\$4,845	66	\$5,076
Failure to give sufficient notice of a planned interruption – residential customers ^f	562	\$17,417	502	\$15,535
Reliability – Interruption duration ^g	9,710	\$1,204,010	4,271	\$527,054
Reliability – Interruption frequency ^g	0	\$0	0	\$0
Total	11,708	\$1,589,576	4,947	\$555,650

a Payment amounts for GSLs increased from 1 July 2020. The 2020–21 figures may include a mixture of payment amounts, as some failures to meet GSLs may have occurred prior to 1 July 2020 (and therefore been eligible for the lower payment amount that applied prior to 1 July 2020), but been claimed/paid after 1 July 2020.

b Increased from \$142 to \$155 from 1 July 2020.

c Increased from \$57/day to \$62/day from 1 July 2020.

d Increased from \$57 to \$62 from 1 July 2020.

e Increased from \$71 to \$77 from 1 July 2020.

f Increased from \$28 to \$31 from 1 July 2020.

g Increased from \$114 to \$124 from 1 July 2020.

Source: Energex quarterly compliance reports, available on Energex [website](#); Ergon Energy quarterly compliance reports, available on Ergon [website](#).

For Energex, the number and value of GSL payments made in 2020–21 were both significantly higher than in 2019–20, but still substantially lower than in 2017–18 and 2018–19. The main driver of the increase was payments for the interruption duration GSL. In contrast, the number and value of GSL payments made by Ergon Energy in 2020–21 were both lower than in recent years, with fewer payments for the interruption duration GSL being the main reason for the decrease.

For more information on this report, phone the Queensland Competition Authority (QCA) on (07) 3222 0555 or make an enquiry on the QCA website (<https://www.qca.org.au/contact/>).

1 INTRODUCTION

1.1 Guaranteed Service Levels scheme

The code requires the distributors to make GSL payments to small customers when the GSL levels specified in the code are not met.¹ Small customers are residential or business customers who consume less than 100 megawatt hours of electricity per year.²

GSL payments are an acknowledgement of the inconvenience a customer experiences when Energex or Ergon Energy do not meet a GSL. The payments relate to, for instance, the duration and frequency of supply interruptions, wrongful disconnection, late connections and reconnections, and failure to give sufficient notice of planned interruptions.

1.2 Energex and Ergon Energy compliance

The code requires the distributors to monitor, and report on, their compliance with GSLs, and publish quarterly compliance reports on their websites.³ These quarterly GSL reports are not intended to enable performance comparisons between the distributors. Energex supplies largely urbanised areas of south east Queensland, whereas Ergon Energy operates a wider distribution network spread across regional Queensland. Ergon Energy's network features a significant number of long, isolated feeders and lower customer densities. Consequently, the GSL performance of the distributors tends to differ and performance comparisons cannot reliably be made from the reports.

1.3 GSL measures, thresholds and payments

For 2020–21 the code set the following GSLs (and GSL payments):

- wrongful disconnection of a customer (\$155)
- late connection of a customer (\$62 per day late)
- late reconnection of a customer (\$62 per day late)
- failure to attend a scheduled appointment with a customer (\$62)
- failure to give sufficient notice of a planned interruption (\$31 for residential customers and \$77 for small business customers).⁴

The code also specifies reliability GSLs that focus on the duration and frequency of supply interruptions.

- If the duration of an interruption experienced by a customer lasts longer than 8 hours for central business district feeders, 18 hours for urban or short rural feeders, or 24 hours for long rural feeders, the customer may be eligible for a \$124 GSL payment.⁵ Payments for interruption duration GSLs—often triggered by severe weather events such as summer

¹ Electricity Distribution Network Code, clauses 2.3.1 to 2.3.9. The code is available on the QCA [website](#).

² National Energy Retail Law, section 5; National Energy Retail Regulations, section 7.

³ Electricity Distribution Network Code, clauses 2.4.1 and 2.4.2.

⁴ Electricity Distribution Network Code, clauses 2.3.3 – 2.3.8, 2.3.10. The GSL payment amounts increased from 1 July 2020. The 2019–20 amounts are outlined in the table notes on p. ii of this report.

⁵ Electricity Distribution Network Code, clause 2.3.9 (a)(i).

storms—typically make up a significant proportion of the distributors' annual GSL payments.⁶

- If the frequency of interruptions experienced by a customer in a financial year is equal to or higher than the relevant level set out in the code, the customer may be eligible for a \$124 GSL payment.⁷

Some interruptions are excluded when determining liability for GSL payments that relate 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.⁸

The amount of GSL payments that a customer can receive in one financial year for each electricity account is currently capped at \$496; this cap excludes GSL payments for wrongful disconnections.⁹

1.4 Claiming, processing and making GSL payments

The distributors must use best endeavours to automatically pay a customer when a GSL event occurs.¹⁰ However, if this does not occur, a customer has three months from the date of the GSL event to lodge a claim, or three months from the end of the financial year for an interruption frequency GSL payment claim.¹¹

The distributors must use best endeavours to process a GSL claim made by a customer within one month of receiving the claim for all GSLs, except interruption frequency GSLs.¹² For the interruption frequency GSL, the distributors must use best endeavours to process a GSL claim made by a customer within one month of the end of the financial year, or one month after receiving the claim, whichever is later.¹³

1.5 QCA's enforcement responsibilities

A distributor's failure to comply with GSL requirements will contravene the code. The QCA is responsible for enforcing contraventions of the code under the *Electricity Act 1994* (Qld).¹⁴

If the QCA believes that a material contravention has occurred—or is likely to occur—warning notices, code contravention notices and Supreme Court proceedings for a civil pecuniary penalty can be given or sought. In the case of a material breach of the code, the process the QCA will follow is outlined in the QCA's Enforcement Guidelines.¹⁵

⁶ For further discussion of this issue, see QCA, *Review of Guaranteed Service Levels to apply to Energex and Ergon Energy from July 2020*, final decision, March 2019 (chapter 4), and Energy Queensland's submissions to the review, available on the QCA [website](#).

⁷ Electricity Distribution Network Code, clause 2.3.9(a)(ii). The number of interruptions a customer must experience to become eligible for a GSL payment varies depending on the feeder type through which the customer's premises is supplied (eg CBD, urban, short rural).

⁸ Electricity Distribution Network Code, clause 2.3.9(b).

⁹ Electricity Distribution Network Code, clause 2.3.15(a)–(b). The \$496 cap applies from 1 July 2020. Prior to that date, a cap of \$454 applied.

¹⁰ Under clause 2.3.12 of the Electricity Distribution Network Code, GSL payments can be made via cheque, electronic funds transfer or any means agreed with the affected customer.

¹¹ Electricity Distribution Network Code, clause 2.3.11.

¹² Electricity Distribution Network Code, clause 2.3.14(a).

¹³ Electricity Distribution Network Code, clause 2.3.14(b).

¹⁴ Refer to chapter 5, part 1A, division 6 of the *Electricity Act 1994* (Qld).

¹⁵ The guidelines are available on the QCA [website](#).

2 ENERGEX GSL COMPLIANCE

2.1 GSL payments made

Energex made 11,708 GSL payments totalling \$1,589,576 in 2020–21. The table below shows the number of GSL payments and their value for each GSL measure.

Table 1 Energex GSL payments 2020–21

<i>GSL measure (payment amount)</i>	<i>Threshold</i>	<i>Number of payments</i>	<i>Value of payments</i>
Wrongful disconnection (\$155)	Disconnection wrongful under the electricity legislation ¹⁶	15	\$2,299
Connection (\$62/day)	Connection not provided by the agreed date	1,173	\$349,203
Reconnection (\$62/day)	Reconnection not provided within the required time	27	\$2,041
Appointments (\$62)	Failure to attend appointments on time	158	\$9,761
Notice of a planned interruption – small business (\$77)	Notice of a planned interruption to supply not given	63	\$4,845
Notice of a planned interruption – residential (\$31)	Notice of a planned interruption to supply not given	562	\$17,417
Reliability – interruption duration (\$124)	Threshold depending on feeder type: <ul style="list-style-type: none"> • CBD feeder: duration >8 hours • Urban or short rural feeder: duration >18 hours • Long rural or isolated feeder: duration >24 hours 	9,710	\$1,204,010
Reliability – interruption frequency (\$124)	Number of interruptions in a financial year (a customer is not entitled to more than one interruption frequency GSL payment in a financial year) depending on feeder type: <ul style="list-style-type: none"> • CBD feeder: 10 • Urban feeder: 13 • Short rural, long rural or isolated feeders: 21 	0	\$0
Total		11,708	\$1,589,576

Notes: The number of GSL payments includes both automatically identified GSLs and customer-initiated claims that were made. The number of customer claims is the total number of customer claims received (the sum of customer claims made and paid and customer claims rejected).

The 2020–21 figures may include a mixture of payment amounts, as some failures to meet GSLs may have occurred prior to 1 July 2020 (and therefore been eligible for the lower payment amount that applied prior to 1 July 2020) but been claimed/paid after 1 July 2020.

Source: Energex quarterly GSL reports.

¹⁶ 'Electricity legislation' is defined under chapter 6 (definitions) of the code as meaning the *Electricity Act 1994* (Qld), *Electrical Safety Act 2002* (Qld), *Electricity – National Electricity Scheme (Queensland) Act 1997* (Qld), *National Energy Retail Law (Queensland) Act 2014* (Qld), and regulations, standards, codes, protocols and rules made under those Acts.

The table below shows the value of Energex's GSL payments for the five years to 2020–21.

Table 2 Energex GSL payments, 2016–17 to 2020–21 (\$)

<i>GSL payment type</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>	<i>2019–20</i>	<i>2020–21</i>
Wrongful disconnection	9,230	5,254	4,544	3,266	2,299
Connection	120,897	79,179	170,191	197,166	349,203
Reconnection	6,741	6,667	2,394	2,451	2,041
Appointments	11,799	9,690	7,125	5,016	9,761
Planned interruption—business	4,615	8,449	9,017	3,976	4,845
Planned interruption—residential	30,352	33,656	28,671	10,276	17,417
Reliability—interruption duration	275,310	4,777,740	3,213,888	153,786	1,204,010
Reliability—interruption frequency	0	0	114	0	0
Total	\$458,944	\$4,920,635	\$3,435,944	\$376,051	\$1,589,576

Note: The payment amount for each GSL increased from 1 July 2020. Consequently, care should be taken in making comparisons about the value of GSL payments in 2020–21 and previous years.

Source: Energex GSL compliance reports.

In 2020–21, the number and value of interruption duration payments increased substantially to 9,710 and \$1,204,010 respectively and the increase in these payments was the key driver of Energex's higher GSL liability. Energex attributed the substantial increase in interruption GSL payments in 2020–21 (and 2017–18 and 2018–19) to supply outages caused by severe weather events.

2.2 GSL claims rejected

In 2020–21, Energex received 95 customer-initiated GSL claims, of which it rejected 57 claims. This was 14 more than in 2019–20, when it rejected 43 of the 87 customer-initiated GSL claims it had received. The increase was mainly due to significantly more interruption duration claims being made and rejected.

Table 3 Energex GSL claims rejected 2020–21

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	9	8
Connection	20	7
Reconnection	0	0
Appointments	5	1
Planned interruption—business	6	1
Planned interruption—residential	11	7
Reliability – interruption duration	41	33
Reliability – interruption frequency	3	0
Total	95	57

Note: The number of customer claims are the number of customer-initiated claims that were made and do not include automatically identified GSLs.

Source: Energex quarterly GSL reports.

3 ERGON ENERGY GSL COMPLIANCE

3.1 GSL payments made

Ergon Energy made 4,947 GSL payments totalling \$555,650 in 2020–21. The table below shows the number of GSL payments and their value for each GSL measure.

Table 4 Ergon Energy GSL payments 2020–21

<i>GSL measure (payment amount)</i>	<i>Threshold</i>	<i>Number of payments</i>	<i>Value of payments</i>
Wrongful disconnection (\$155)	Disconnection wrongful under the electricity legislation	11	\$1,679
Connection (\$62/day)	Connection not provided by the agreed date	10	\$853
Reconnection (\$62/day)	Reconnection not provided within the required time	6	\$491
Appointments (\$62)	Failure to attend appointments on time	81	\$4,962
Notice of a planned interruption – small business (\$77)	Notice of a planned interruption to supply not given	66	\$5,076
Notice of a planned interruption – residential (\$31)	Notice of a planned interruption to supply not given	502	\$15,535
Reliability – interruption duration (\$124)	Threshold depending on feeder type: <ul style="list-style-type: none"> • CBD feeder: duration >8 hours • Urban or short rural feeder: duration >18 hours • Long rural or isolated feeder: duration >24 hours 	4,271	\$527,054
Reliability – interruption frequency (\$124)	Number of interruptions in a financial year (a customer is not entitled to more than one interruption frequency GSL payment in a financial year) depending on feeder type: <ul style="list-style-type: none"> • CBD feeder: 10 • Urban feeder: 13 • Short rural, long rural or isolated feeders: 21 	0	0
Total		4,947	\$555,650

Notes: The number of GSL payments includes both automatically identified GSLs and customer-initiated claims that were made. The number of customer claims is the total number of customer claims received (the sum of customer claims made and paid and customer claims rejected).

The 2020–21 figures may include a mixture of payment amounts, as some failures to meet GSLs may have occurred prior to 1 July 2020 (and therefore been eligible for the lower payment amount that applied prior to 1 July 2020) but been claimed/paid after 1 July 2020.

Source: Ergon Energy quarterly GSL reports.

The table below shows the value of Ergon Energy's GSL payments for the five years to 2020–21.

Table 5 Ergon Energy GSL payments, 2016–17 to 2020–21 (\$)

<i>GSL payment type</i>	<i>2016–17</i>	<i>2017–18</i>	<i>2018–19</i>	<i>2019–20</i>	<i>2020–21</i>
Wrongful disconnection	14,626	9,088	7,526	5,112	\$1,679
Connection	7,052	12,363	513	1,311	\$853
Reconnection	456	2,107	5,857	2,620	\$491
Appointments	8,949	9,120	8,664	5,472	\$4,962
Planned interruption—business	24,263	15,549	13,277	5,893	\$5,076
Planned interruption—residential	28,089	32,536	27,076	22,456	\$15,535
Reliability—interruption duration	392,730	2,587,002	1,094,512	551,550	\$527,054
Reliability—interruption frequency	16,302	6,498	798	2,280	0
Total	\$492,524	\$2,674,320	\$1,158,223	\$596,694	\$555,650

Note: The payment amount for each GSL increased from 1 July 2020. Consequently, care should be taken in making comparisons about the value of GSL payments in 2020–21 and previous years.

Source: Ergon Energy GSL compliance reports.

In 2020–21, Ergon Energy made 4,947 payments totalling \$555,560. The main driver of the reduction in GSL payments in 2020–21 (down from 5,911 payments in 2019–20 totalling \$596,694) was a decrease in interruption duration payments, which fell from 4,839 payments and a value of \$551,550 in 2019–20 to 4,271 and \$527,054 respectively in 2020–21.

3.2 GSL claims rejected

In 2020–21, Ergon Energy received 44 customer-initiated GSL claims, of which it rejected 20 claims; 20 less than in 2019–20, when it rejected 40 of the 60 customer-initiated GSL claims it had received. The decrease was mainly due to a fall in the number of planned interruption—residential claims.

Table 6 Ergon Energy GSL claims rejected 2020–21

<i>GSL measure</i>	<i>Customer claims</i>	<i>Claims rejected</i>
Wrongful disconnection	7	4
Connection	1	1
Reconnection	1	1
Appointments	2	1
Planned interruption—business	6	2
Planned interruption—residential	16	0
Reliability – interruption duration	11	11
Reliability – interruption frequency	0	0
Total	44	20

Note: The number of customer claims are the number of customer-initiated claims that were made and do not include automatically identified GSLs.

Source: Ergon Energy quarterly GSL reports.