

# Queensland Competition Authority

Compliance report

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## Guaranteed service level performance by Energex and Ergon Energy for 2016–17

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November 2017

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# 1 BACKGROUND

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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.<sup>1</sup> 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 2016–17. 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 2016–17. The quarterly reports for 2016–17 are available on our website.<sup>2</sup>

### Annual report

This report summarises Energex's and Ergon's compliance with the GSL requirements for 2016–17.

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<sup>1</sup> National Energy Retail Law, section 4; National Energy Retail Regulations, section 7.

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

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## 2 GSL REQUIREMENTS AND QCA ENFORCEMENT

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### 2.1 GSL requirements

For 2016–17 the code<sup>3</sup> 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.<sup>4</sup>

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.<sup>5</sup>

The code sets the maximum number of individual customer interruptions for Energex and Ergon depending on the feeder type.<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup> This cap excluded GSL payments for wrongful disconnections.<sup>9</sup>

### 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).<sup>10</sup>

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<sup>3</sup> Electricity Distribution Network Code, clause 2.3.10

<sup>4</sup> Electricity Distribution Network Code, clause 2.3.9 (a)(i)

<sup>5</sup> Electricity Distribution Network Code, clause 2.3.9(a)(ii)

<sup>6</sup> Electricity Distribution Network Code, clause 2.3.9(a)(ii)

<sup>7</sup> Electricity Distribution Network Code, clause 2.3.9(b)

<sup>8</sup> Electricity Distribution Network Code, clause 2.3.15(a)

<sup>9</sup> Electricity Distribution Network Code, clause 2.3.15(b)

<sup>10</sup> Refer to chapter 5, part 1A, division 6 of the Act as at 3 July 2017.

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.

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.<sup>11</sup>

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<sup>11</sup> 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 4,295 GSL payments totalling \$458,944 in 2016–17. This is 48 per cent lower than the number of payments made in 2015–16 (8,238 payments totalling \$795,585).

The decrease in the number and value of interruption duration payments from 2015–16 to 2016–17 was the major driver of the improvement in Energex's GSL performance. Last year, Energex made 6,110 interruption duration payments for a value of \$696,500. This decreased to 2,415 and \$275,310 respectively in 2016–17.

**Table 1 Energex GSL payments 2016–17**

<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	65	9,230
Late connection of a customer (\$57/day)	2.3.4	383 <sup>a</sup>	120,897 <sup>a</sup>
Late reconnection (\$57/day)	2.3.5	76 <sup>a</sup>	6,741 <sup>a</sup>
Failure to attend premises on time regarding hot water complaint (\$57/day)	2.3.6	0	0
Failure to attend a scheduled customer appointment on time (\$57)	2.3.7	207	11,799
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	2.3.8	65	4,615
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	2.3.8	1,084	30,352
Reliability – interruption duration (\$114)	2.3.9(a)(i)	2,415	275,310
Reliability – interruption frequency (\$114)	2.3.9(a)(ii)	0	0
<b>Total</b>		<b>4,295</b>	<b>\$458,944</b>

*Source: Energex quarterly GSL reports. The September 2016 and June 2017 quarterly reports as published on the QCA website have been revised to account for a correction made by Energex.*

*Note:*

*a. some Energex customers who received a late connection GSL payment reached the annual cap of \$454.*

*b. some Energex customers who received a late reconnection GSL payment reached the annual cap of \$454.*

#### GSL claims rejected

Energex rejected 14 GSL claims in 2016–17; 11 less than the 25 claims rejected in 2015–16. The decrease from 2015–16 was mainly due to 6 less rejected claims in 2016–17 for interruption duration GSLs.

**Table 2 Energex GSL claims rejected 2016–17**

<i>GSL description</i>	<i>Code clause</i>	<i>Claims rejected</i>
Wrongful disconnection	2.3.3	0
Late connection of a customer	2.3.4	2
Late reconnection	2.3.5	2
Failure to attend premises on time regarding hot water complaint	2.3.6	0
Failure to attend a scheduled customer appointment on time	2.3.7	1
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)	1
Reliability – interruption frequency	2.3.9(a)(ii)	2
<b>Total</b>		<b>14</b>

Source: Energex quarterly GSL reports

## 3.2 Ergon

### GSL payments made

Ergon made 5,204 GSL payments totalling \$492,524 in 2016–17. This is 45 per cent lower than the number of payments made in 2015–16 (9,498 payments totalling \$877,674).

The decrease in the number and value of interruption duration payments from 2015–16 to 2016–17 was the main contributor to Ergon's improved GSL performance. Last year, Ergon made 6,342 interruption duration payments for a value of \$722,988. This decreased to 3,445 and \$392,730 respectively in 2016–17.

**Table 3 Ergon GSL payments 2016–17**

<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	103	14,626
Late connection of a customer (\$57/day)	2.3.4	28 <sup>a</sup>	7,052 <sup>a</sup>
Late reconnection (\$57/day)	2.3.5	4	456
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	157	8,949
Failure to give sufficient notice of a planned interruption – small business customers (\$71)	2.3.8	349 <sup>b</sup>	24,263 <sup>b</sup>
Failure to give sufficient notice of a planned interruption – residential customers (\$28)	2.3.8	974 <sup>c</sup>	28,089 <sup>c</sup>
Reliability – interruption duration (\$114)	2.3.9(a)(i)	3,445	392,730
Reliability – interruption frequency (\$114)	2.3.9(a)(ii)	143	16,302
<b>Total GSL payments</b>		<b>5,204</b>	<b>492,524</b>

Source: Ergon quarterly GSL reports. The September 2016, December 2016, and March 2017 quarterly reports, as published on the QCA website have been revised to account for a correction made by Ergon.

Note:

- a. some Ergon customers who received a late connection GSL payment reached the annual cap of \$454
- b. Ergon advised that due to an administrative error, a number of GSLs were incorrectly paid \$28 instead of \$71. The customers were subsequently paid to correct the shortfall.
- c. Ergon advised that due to an administrative error, a number of GSLs were incorrectly paid \$71 instead of \$28. Ergon indicated that the overpayment will not be recovered from customers.

### GSL claims rejected

Ergon rejected 49 GSL claims in 2016–17; 18 less than the 67 claims rejected in 2015–16. The drop from 2015–16 was driven largely by a reduction in the number of rejected interruption frequency claims, from 9 to 1.



**Table 4 Ergon GSL claims rejected 2016–17**

<i>GSL description</i>	<i>Code clause</i>	<i>Claims rejected</i>
Wrongful disconnection	2.3.3	1
Late connection of a customer	2.3.4	6
Late reconnection	2.3.5	1
Failure to attend premises on time regarding hot water complaint	2.3.6	2
Failure to attend a scheduled customer appointment on time	2.3.7	10
Failure to give sufficient notice of a planned interruption – small business customers	2.3.8	6
Failure to give sufficient notice of a planned interruption – residential customers	2.3.8	12
Reliability – interruption duration	2.3.9(a)(i)	10
Reliability – interruption frequency	2.3.9(a)(ii)	1
<b>Total</b>		<b>49</b>

Source: Ergon quarterly GSL reports