

4 December 2015

Dr Ron Ben-David  
Chairperson  
Essential Services Commission  
Level 37, 2 Lonsdale St  
Melbourne, VIC 3000

By electronic lodgement

Dear Dr Ron Ben-David

## **REVIEW OF THE VICTORIAN ELECTRICITY DISTRIBUTORS' GUARANTEED SERVICE LEVEL PAYMENT SCHEME**

CitiPower and Powercor Australia welcome the opportunity to respond to the Essential Services Commission's (ESC) draft decision on its review of the Victorian electricity distributors' guaranteed service level (GSL) payment scheme.

As set out by the ESC, GSL payments provide an incentive for electricity distributors to improve the reliability for worst served customers. In circumstances where it may not be efficient to improve reliability for specific customers, GSL payments also play an important role in compensating these customers for the level of service they receive.

We support the periodic review of the GSL payment scheme, including many of the amended values and thresholds for GSL payments set out in the ESC's draft decision. We also support the additional exclusion criteria for making GSL payments. Accordingly, we are developing our revised regulatory proposal for the 2016–2020 regulatory control period, to be submitted to the Australian Energy Regulator (AER) in January 2016, based on the ESC's draft decision.

For the reasons discussed below, however, we consider some components of the ESC's draft decision may not be in the long-term interests of consumers.

### **Monitor and record steady state voltage variations for each customer**

The ESC's draft decision introduces the requirement to monitor and record the number of times the voltage supplied to each customer with a meter installed under the AMI program is outside the specified range of steady state voltages for more than one minute. This differs from the existing Electricity Distribution Code requirements, which only require monitoring and recording of variations at each zone substation and the extremity of feeders.

Under our current practices, we only record steady state voltage variations at the customer level during targeted trials or when initiated by our customers. This reflects our best endeavours to assess and record the nature, location, condition and performance of our distribution system assets in a way which minimises costs to customers.<sup>1</sup> For example, in 2014 we received 142 voltage quality enquiries from CitiPower customers, and 663 from Powercor customers. This represents less than 0.1 per cent of our total customer base. Only 16 of these enquiries were not immediately resolved to the customers' satisfaction (and required additional case management).

Further, our IT infrastructure is constructed to reflect our existing practices. Recording, retrieval and storage of steady state voltage excursions for each and every customer with a meter installed under the AMI program, therefore, will require additional expenditure. In order to most efficiently service the specific use case presented by ESC we would approach our meter vendors to investigate the possibility of introducing refined functionality into the AMI meter firmware. In the case this meter firmware change was not technically feasible we would need

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<sup>1</sup> Consistent with clause 3.1 of the Electricity Distribution Code.

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to increase our IT storage and assessment capabilities (to manage greater volumes of data), as well as possibly install additional AMI communications network devices to handle anticipated data volumes across our mesh network. This option is not preferred as it is expected to be higher cost and presents greater technical risk. The costs to implement the most efficient option will be reflected in our revised regulatory proposal for the 2016–2020 regulatory control period.

Given the limited instances of customer enquiries, and the required additional expenditure, it is unclear how introducing a requirement to monitor and record steady state voltage variations for each customer is in the long-term interests of consumers.

It should be noted that if the ESC maintains this requirement in its final decision, a transition period would be required to provide time for the required system changes to be implemented. Further discussions may also be prudent to ensure consistency of any recorded data amongst distributors.<sup>2</sup> And for clarity, for the purpose of this response we have assumed the impact of metering contestability, and/or any Victorian government response to metering contestability, will not impact our ability to provide the required information.

### **Payment for the duration of sustained unplanned interruptions**

GSL payments are currently required when the total annual duration of unplanned interruptions exceeds more than 20 hours. In its draft decision, the ESC proposed an additional GSL for when a single unplanned interruption lasts for more than 18 hours for a rural customer, or 12 hours for a CBD or urban customer. The ESC noted that it expects the cost impact of this GSL to be negligible.<sup>3</sup>

We are concerned the new GSL will result in some customers being compensated twice for the same event. This is particularly the case for rural customers, given the duration of the new GSL will also contribute to the total annual duration count.

Further, if the proposed new GSL had applied in 2015, Powercor's payments for this GSL alone would have exceeded \$1.2 million. The average payment per annum for the period 2010 to 2014 would have been greater than \$400,000 for Powercor. We do not consider such costs to be negligible.

### **Annual frequency of momentary interruptions**

Under the ESC's GSL payment scheme, we are required to compensate our customers when the annual frequency of momentary interruptions exceeds given thresholds.

Given auto-reclosers were introduced as an initiative to improve reliability, the benefits to customers of applying a GSL for momentary interruptions is unclear. In any event, if the ESC maintain a momentary interruption GSL, we consider the definition should clearly state the relevant measurement method is the momentary average interruption frequency index event (**MAIFIE**).<sup>4</sup> This is consistent with the ESC's previous approach, and with the AER's proposed application for the 2016–2020 regulatory control period.<sup>5</sup>

### **Daily unplanned interruption frequency threshold table**

The proposed amendments to the clause 6.3.4(d) of the Electricity Distribution Code, as set out in the ESC's draft decision, include a daily unplanned interruption frequency threshold for Powercor of 0.3110. As the existing code sets out a corresponding value of 0.110, we understand this discrepancy simply represents a typographical error.

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<sup>2</sup> For example, if the recorded voltage exceeds tolerance levels for one minute, then returns to within tolerance levels briefly before exceeding again for a further minute, does this count as a single or multiple event.

<sup>3</sup> ESC, *Review of the Victorian electricity distributors' guaranteed service level payment scheme*, November 2015, p. 71.

<sup>4</sup> Under MAIFIE, all supply restoration attempts by network switching operations within one minute are treated as one event. If supply is restored within the same minute, the event is counted as one momentary interruption. If supply cannot be restored, the event is treated as one sustained interruption and zero momentary interruption.

<sup>5</sup> See, for example: AER, *United Energy distribution determination 2016 to 2020, Attachment 11 – Service target performance incentive scheme*, October 2015, p. 23.

If you have any queries regarding this submission please do not hesitate to contact Jeff Anderson on (03) 9683 4809, or [janderson@powercor.com.au](mailto:janderson@powercor.com.au).

Yours sincerely,

A handwritten signature in blue ink that reads "Renate Tirpcou". The signature is written in a cursive style with a light blue background behind the text.

Renate Tirpcou

**Manager Regulation, CitiPower and Powercor Australia**