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Dr Patrick Walsh
Utilities Commissioner
Utilities Commission
GPO Box 915
Darwin NT 0801

Dear Pat

Re: Draft Standards of Service Code and Consultation Paper

Thank you for the opportunity to respond to the Utilities Commission's (UC's) Draft Standards of Service Code (Draft Code) and the accompanying Consultation Paper.

Power and Water supports the application of a proposed new Standards of Service Code for electricity customers in the Northern Territory. However, a number of issues are apparent within the Draft Code and Power and Water requests that these be addressed in the final version. Power and Water's detailed response to the revised draft Code is outlined in Attachment A. The main overarching concerns are as follows:

The Number of Proposed Indicators

Power and Water understood that the UC intended to rationalise the indicators used in the previous Standards of Service Code to a smaller, more manageable set. This would allow for a better focus on true performance levels. Instead, the UC has increased the number of indicators from the Final Report of the *Review of Electricity Standards of Service* to the Draft Code. This is also inconsistent with the recommendations of the UC's consultants, Evans & Peck, in the *2009-10 Power System Review*.

Introduction of New Indicators

The inclusion of new Generation and Networks indicators into the Standards of Service Review Process is inconsistent with the UC's objectives for regulatory certainty, and "no surprises". PWC considers that the unexpected addition of new indicators since the Final Report is at odds with these principles and good regulatory practice.

The Application of Industry Standards

Power Networks has applied the industry standard, IEEE-1366, in its Standards of Service reporting to date. This allows for benchmarking with other jurisdictions

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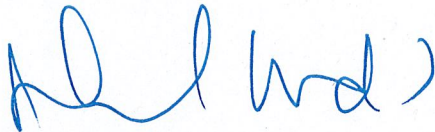
and a consistent methodology over time. The requirements within the Draft Code to depart from this industry standard (eg. in terms of the exclusion of specific events and application to the UC for the acceptance of a day as a Major Event Day) would imply that benchmarking would no longer be possible. Furthermore, an additional set of reporting processes would be warranted with no corresponding benefit to Power Networks' business.

Clarity in Performance Measure Definitions in the Draft Code and Consultation Paper

Power and Water notes there are definitional issues with the proposed performance measures for each of the categories: Generation, Networks and Retail. In addition, there are also inconsistencies between how certain measures are defined in the Draft Code and the Consultation Paper. Power and Water requests that these are addressed so that there is clarity on what the Draft Code requires.

Please contact Ms Djuna Pollard, Manager Regulation, Pricing and Economic Analysis on (08) 8985 8431 or email at djuna.pollard@powerwater.com.au if you have any queries in relation to this response.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Macrides'.

Andrew Macrides
Managing Director

15 June 2012

NORTHERN TERRITORY OF AUSTRALIA

**SUBMISSION BY POWER AND WATER
CORPORATION IN RESPONSE TO THE DRAFT
STANDARDS OF SERVICE CODE ISSUED BY THE
UTILITIES COMMISSION**

JUNE 2012

The following table provides a summary of Power and Water's comments on the Draft Standards of Service Code and the consultation paper. Please note that the order in which the comments are presented is based on the sequence of the contents of the Draft Code and not in order of priority.

#	Section/Clause Reference	Issue	Comments
1	Clause 3.1.1.1	Establishing target standards	PWC requests that the target standards for the next regulatory control period (commencing 1 July 2014) should be set by 1 January 2013, to enable the required levels of service performance to be incorporated into its initial regulatory proposal.
2	Clause 3.1.3	The proposed target standards must be calculated by: (a) averaging the data from the preceding five financial years.	PWC Power Networks highlights that the proposal to use exclusion methods (in Clause 6.2.3) will result in PWC historical outage data sets no longer being directly comparable to future figures. As such, using these data sets for the setting of performance targets would be inappropriate. PWC Power Networks strongly supports the use of the industry accepted method of IEEE 1366-2003 for determining and reporting on distribution indices. This method would then allow for the use of existing data sets for determining targets as proposed in section 3.1.3. PWC also requests that an additional subset to clause 3.1.3 be added to enable PWC to propose an alternative methodology (for example, averaging the data from the preceding three years), subject to the UC's approval.
3	Clause 3.1.6	In deciding whether to approve proposed target standards, the Commission may consult with other electricity entities, the Minister and anyone else the Commission considers should be consulted, in any way the Commission sees fit.	PWC considers that the System Controller should be consulted on the setting of target standards in addition to those listed in clause 3.1.6. The System Controller would be well placed to make technical comments on the performance of the power system and any appropriate proposed standards.

4	Clause 5.2.1	The Commission may at any time, by giving notice to the electricity entity, require the electricity entity to appoint an independent auditor to undertake an audit of the electricity entity's compliance with clause 5.1.1(a).	In previous correspondence with the UC (17 June 2011), PWC proposed that an audit be undertaken every five years, unless there were significant changes to the service standards or to PWC's reporting methodology. Audits undertaken more frequently will imply additional costs to PWC.
5	Clause 6.2.2	An electricity entity must segment the performance indicators separately for the following categories: • adjusted; and • unadjusted, in accordance with Schedule 2 and clause 6.2.3.	The terms 'adjusted' and 'unadjusted' are generally used to identify the two different data sets resulting from the application of the 2.5 Beta method as defined by IEEE 1366-2003 standards. This has been used historically within the NT and the Australian electricity industry for many years. Under this method, the only excluded data is generation and momentary outages. Furthermore, the use of the 'adjusted' and 'unadjusted' concept and definitions as defined in clauses 6.2.2 & 6.2.3 does not make sense in a transmission context, where planned outages generally do not affect customers and thus would not be 'excluded'. Power Networks strongly supports the use of the industry accepted method of IEEE 1366-2003 for data segmentation and data adjustments.

6	Clause 6.2.3	An electricity entity may only exclude a network outage from the adjusted category if the event that caused that network outage is listed below and was beyond the control of the electricity entity.	PWC strongly recommends the continued use of the IEEE 1366-2003 standard to adjust outage data. This data adjustment splits the reliability figures into two data sets using the 2.5 Beta method. The 'Adjusted' data set, with major event days removed, reveals the underlying network reliability performance and the second data set represents the major event days. The addition of the two data sets determines the total 'Unadjusted' performance figure. Momentary interruptions, Generation data and transmission outage data are measured separately through other relevant indices. PWC Power Networks emphasise that IEEE 1366-2003 is a recognised, industry accepted standard that allows PWC to study the distinctly different data sets and develop the most suitable and appropriate actions, including the use of benchmarked distribution network service provider (DNSP) industry experience in determining effective and efficient solutions. The proposed method does not provide certainty, and does not allow for direct comparison historically or within the industry more broadly. The exclusions listed also do not allow for the exclusion of momentary events. PWC considers that the UC has not provided sufficient justification for the move away from a nationally accepted industry standard. PWC Power Networks only supports the use of the IEEE 1366-2003 standard, including the complete and correct use of the "2.5 Beta method" to determine adjusted and unadjusted performance figures on distribution reliability figures (only).
7	Clause 6.2.3 (c)	The exclusion of a network outage due to the system controller exercising any functions or powers under an applicable regulatory instrument.	Notwithstanding the comments made regarding the need to adhere to the IEEE 1366-2003 standard, the implication of this requirement is an increase in compliance costs for System Control. This will apply, in particular, to the reconciliation of the half-yearly reports to the UC and electricity entities performance reports. A practical example of this would be when System Control curtails generation for forced or planned network outages. PWC questions how these increasing costs should be funded.

8	Clause 6.2.4	For the purposes of clause 6.2.3(f), an electricity entity must apply in writing to the Commission (within 30 business days of the relevant event occurring).	PWC Power Networks recommends that the process adopted should be objective rather than having additional intensive reporting and a subjective approval processes for determining reliability figures. PWC Power Networks only supports the use of the IEEE 1366-2003 standard, including the full and correct use of the "2.5 Beta method" to determine adjusted and unadjusted performance figures on distribution reliability figures. This would negate the need to apply in writing to the UC for each natural event. The deletion of this clause would also result in the deletion of clauses 6.2.5, 6.2.6. and 6.2.7.
9	Schedule 1	Treatment of planned and unplanned outages	The Draft Code does not specify how planned and unplanned outages are to be treated. PWC is of the understanding that reporting will continue to be in terms of total outages.
10	Schedule 1 Table 1 in Draft Code and Table 1.2 in Consultation Paper	There is an additional performance indicator outlined in Table 1 of the Draft Code that does not appear in Table 1.2 of the Consultation Paper. This is the Equivalent Forced Outage Factor (EFOF).	PWC seeks clarification as to which set of indicators the UC intends to use. PWC recommends that the UC consults directly with Energy Supply Association of Australia (ESAA) to ensure consistent formulae are used with regards to the generation performance indicators.
11	Schedule 1 Table 1	Segmentation of generation service performance indicators	PWC is of the understanding that the segmentation of generation performance indicators by power station (and also the indicators relating to other areas of the business) would not apply to Indigenous Essential Services (IES) communities.
12	Schedule 1 Table 1	The inclusion of SAIDI and SAIFI indicators for generation performance.	In previous correspondence with the UC (4 November 2011), PWC has raised the issue of the applicability of SAIDI and SAIFI indicators for gauging Generation's performance. At that stage, the comments of Evans & Peck were raised (in the context of the Power System Review). They argued that SAIDI and SAIFI measures were not of particular relevance to Generation. This is widely acknowledged and hence alternative indicators are adopted in other jurisdictions to gauge generation reliability. In addition, the Energy Supply Association of Australia in its benchmarking report <i>Electricity Gas Australia</i> does not report SAIDI and SAIFI measures of generation performance. PWC proposes that the SAIDI and SAIFI measures be excluded for the purpose of measuring standards of service for Generation.

13	Schedule 1 Table 1	Three new indicators have been added to the list for Generation performance measures namely Forced outage factor, Availability factor and Unplanned availability factor.	The inclusion of three new indicators into the Standards of Service Review Process is inconsistent with the UC's objectives for regulatory certainty, and "no surprises". In the Final Report for <i>Review of Electricity Standards of Service</i> the UC recommended Equivalent Forced Outage Factor and Equivalent Availability Factor. No mention was made to Availability Factor, Unplanned availability factor and Forced outage factor. PWC considers that the unexpected addition of new indicators since the Final Report is at odds with these principles and good regulatory practice. PWC also notes the recommendation made by Evans & Peck to rationalise the existing number of targets required under the current framework rather than add to them.
14	Schedule 1 Table 1 & Consultation Paper, Clause 3.71	Net Maximum Capacity (NMC)	The Consultation Paper makes reference to Net Maximum Capacity (NMC) which, it states is used in each equation for the generation performance indicators (in Table 1 of the Draft Code). PWC considers that the more appropriate measure is Gross Maximum Capacity (GMC). The difference between these two measures is the electricity consumed by the unit auxiliaries. Notably, the auxiliary load varies significantly with load and ambient conditions. Consequently PWC is unable to directly capture the auxiliary load for each generator thus GMC is considered a more reliable value.
15	Schedule 1 Table 1	The SAIDI and SAIFI indicators require reporting in terms of power system and region.	This requirement will involve duplication of information.
16	Schedule 1 Clause 1.4.8	The equation defining the forced outage factor is not technically correct.	The equation contains a variable "x". It is assumed that this is a multiplication sign.
17	Schedule 1 Clause 1.5.2	The equation defining SAIDI appears to contain an extra closing bracket in the denominator.	The equation requires deletion of the bracket.
18	Schedule 1 Clause 1.5.3	The equation defining SAIFI appears to contain an extra closing bracket in the denominator.	The equation requires deletion of the bracket.

19	Schedule 2, Tables 2 and 3 and throughout the Draft Code	Definitions of SAIDI and SAIFI.	PWC Power Networks supports the use of industry standard definitions and acronyms only. SAIDI & SAIFI stand for: System Average Interruption Duration Index and System Average Interruption Frequency Index and not System Average Incident Duration/Frequency Index.
20	Schedule 2, Clauses 1.4, 1.5, & 1.6.3	Inconsistency in indicator definitions	These three clauses provide different definitions for network outages or interruptions as they apply to the different performance indicators. This makes the document unclear. This is compounded by inconsistent definitions for each performance indicator, language differences between the Draft Code and the Consultation Paper and the use of non industry standard terms. PWC Power Networks support the use of a single definition for each term, followed and supported by accurate and adequately defined performance indicator descriptions in their own right.
21	Schedule 2, Clauses 1.4.2 & 1.4.3	Definition of Average Circuit Outage Duration (ACOD)	The definitions for ACOD are different between the Draft Code and the Consultation Paper. In the consultation paper ACOD refers to unplanned outages only. In the Draft Code ACOD refers to adjusted and unadjusted figures. Adjusted and unadjusted definitions as provided in the Draft Code have a different meaning with limited value in the transmission context. This needs clarification from the UC before further comment. Definitions between the two documents are also inconsistent. In the Draft Code an unplanned outage is defined as a generation outage, yet in the consultation paper it is used in the ACOD definition for transmission circuit performance. Equation details in the Draft Code require review for correctness before further comment. Definitions and equation presentation are not correct.
22	Schedule 2, Clauses 1.4.4 & 1.4.5	Definition of Frequency of Transmission Circuit Outages (FCO)	No mention is made of momentary outages and the adjusted and unadjusted concept is not mentioned in the consultation paper for FCO. Equation details in the Draft Code require review for correctness before further comment. Definitions and equation presentation are not correct.

23	Schedule 2, Clauses 1.5.2 & 1.5.3	Definition of Average Transformer Outage Duration (ATOD)	The definitions for ATOD are different between the Draft Code and the Consultation Paper. In the Consultation Paper ATOD refers to unplanned outages only. In the Draft Code ATOD refers to adjusted and unadjusted figures. Adjusted and unadjusted definitions as provided in the Draft Code have significantly different meaning with limited value in the transmission context. This requires clarification from the UC before further comment. Definitions between the two documents are also inconsistent. In the Draft Code an unplanned outage is defined as a generation outage, yet in the consultation paper it is used in ATOD definition for transmission circuit performance. Equation details in the Draft Code require review for correctness before further comment. Definitions and equation presentation are not correct.
24	Schedule 2, Clauses 1.5.4 & 1.5.5	Definition of Frequency of Transformer Outages (FTO)	Adjusted and unadjusted concept is not mentioned in the consultation paper for FTO. Equation details in the Draft Code require review for correctness before further comment. Definitions and equation presentation are not correct.
25	Schedule 2, Clause 1.6	Use of SAIDI and SAIFI as performance indicators.	PWC Power Networks does not support the use of SAIDI and SAIFI as transmission network performance indicators. SAIDI and SAIFI are defined in IEEE 1366-2003 as <i>distribution</i> performance indicators. The very limited number of transmission customers results in low value data if SAIDI and SAIFI are used in this manner. However, PWC Power Networks is able to report on SAIDI and SAIFI by outage cause code at the DNSP level. This may provide the information intended by the UC.
26	Schedule 2, Clause 1.6.4 and 1.6.5	SAIDI and SAIFI equations	Notwithstanding the previous point, PWC Power Networks only supports the use of SAIDI and SAIFI as defined by IEEE 1366-2003. The definitions provided in the Draft Code are not industry standards.
27	Schedule 2, Clause 1.6.1 and Clause 1.7.2.	IEEE Standard.	PWC Power Networks uses IEEE Standard 1366-2003, as advised to the UC in correspondence dated 17 June 2011.

28	Schedule 2, Table 3	Target setting by feeder category.	With the exception of Darwin-Katherine, each region is isolated. The Darwin-Katherine system is only connected via one 132kV line and has no interconnection at a distribution level. For this reason Power Networks supports reporting by region rather than by feeder.
29	Schedule 2, Table 3	Poorly performing feeders	PWC Power Networks assumes the reference to "Feeder Performance" within Table 3 refers to clause 1.7.9 "Poorly Performing Feeders". As such reporting segmentation should be by exception, rather than on all 150 + feeders.
30	Schedule 2, Clause 1.7.4	Definition of feeder categories	PWC considers that feeder categories should be defined as per industry standards outlined by Energy Networks Association (ENA) and with an ability to be benchmarked to peers within the industry. PWC supports the use of feeder categories as: CBD: A feeder predominantly supplying commercial, high-rise buildings, supplied by a predominantly underground distribution network containing significant interconnection and redundancy when compared to urban areas. Urban: A feeder, which is not a CBD feeder, with actual maximum demand over the reporting period per total feeder route length greater than 0.3 MVA/km. Rural Short: A feeder which is not a CBD or urban feeder, with a total feeder route length less than 200km. Rural short feeders may include feeders in urban areas with low load densities. Long Rural: A feeder which is not a CBD or urban feeder with a total feeder route length greater than 200km.

31	Schedule 2, Clause 1.7.9	Measurement of performing feeders.	poorly	Page 31 (paragraph 3.106) of the Consultation Paper states that "the Commission proposes to set the SAIDI threshold at 3 initially with a view to capturing the bottom 5% of worst performing feeders across the distribution network". PWC Power Networks notes that this is the first time that the UC has defined how it proposes to measure feeder performance and therefore there is very limited opportunity to review and comment. Schedule 2, Table 3 indicates that targets are not required for the Feeder Performance measure. However within the definitions section of the Draft Code a target of 3 is in fact specified. PWC considers this to be ambiguous. In addition, Clause 1.7.9 requires detailed reporting if this target is not met. PWC is unclear how this target has been selected.
32	Schedule 2, Table 4 & Clause 1.8.5	Written enquiry measures	performance	PWC notes that this performance measure was not included in the Final Report. However, written enquiries form one of the performance measures included in the Guaranteed Service Level scheme. Nevertheless, PWC considers that its inclusion here is inconsistent with the UC's principles of "clear and open lines of communication" and "no surprises".
33	Schedule 2, Clause 1.8.2	Reconnections and connections	new	For consistency with the Guaranteed Service Level Code, the requirement for reconnections should read, "the percentage and total number of reconnections not undertaken within 24 hours of receipt by the network provider of a valid request for reconnection from the customer". Notably, an additional performance measure has been included within this clause that was not in the Final Report i.e. "number and average length of time taken to provide new connections to new subdivisions where minor extensions or augmentation is required in urban areas". Where minor extensions or augmentation is required, PWC Power Networks currently determines timing on a case-by-case basis, taking into account individual customer needs. Consequently, Clause 1.8.2 (iv) is unwarranted and uninformative.
34	Schedule 2, Clause 1.8.3	Phone Answering		PWC recognises that this is the most practical way of collating the phone answering data. Nevertheless, it should be noted that PWC is unique in the sense that its call centre manages, not only networks queries, but also electricity retail, water and sewerage queries. Consequently, it will not be possible to benchmark these figures with other utilities throughout the country.

35	Schedule 2, Clause 1.8.4	Networks Complaints	The Draft Code requires the "Percentage and total number of complaints associated with transmission network and distribution network related activities segmented into complaint categories". As with the issue raised above with regards to phone answering, system functionality does not support a separate reporting system for PWC Power Networks.
36	Schedule 3, Clause 1.1.4	The Draft Report requires: • The average time taken to answer the phone; • the percentage and total number of calls not answered within 20 seconds of the caller asking to talk to a person; and • the percentage and total number of calls abandoned.	PWC Retail currently reports on the average time to answer calls. In terms of calls answered within a particular time frame, PWC Retail notes that the Australian Energy Regulator's (AER) <i>Performance Reporting Procedures and Guidelines</i> (July 2011) requires retailers to report on the percentage and number of calls not answered within 30 seconds (rather than 20 seconds). PWC recommends that the AER guidelines are followed. With regards to the percentage and total number of calls abandoned PWC seeks clarification of how to measure abandonment of a call and how this should be interpreted in terms of the Retailer's performance. For instance, PWC Retail provides a number of pre-recorded messages for the caller. If abandonment occurs after the caller has received the information they require, is this considered a negative in terms of performance?
37	Schedule 3, Clause 1.1.4 (b)	In terms of phone answering statistics, the Draft Report states, "where relevant, and unless the Commission otherwise considers appropriate, the results will be a combined total for PAWC Networks and PAWC Retail".	PWC recognises that this is the most practical way of collating the phone answering data. Nevertheless, it stresses that the data provided by PWC Retail will not be comparable with data provided by other retailers since other retailers do not manage networks and retail queries combined. Furthermore, PWC Retail also manages water and sewerage queries, a factor that other retailers do not face.

38	Schedule 3, Clause 1.1.5	The Draft Report requires that the percentage and total number of complaints, associated with retail services are segmented into complaint categories.	PWC Retail intends to segment complaints into the following categories: • disconnection in error • credit listing in error • delayed connection (connection not performed within specified timeframes) • bill issues - where process has not been followed • Complaints related to PWC's Stay Connected Policy (hardship scheme) PWC Retail requires confirmation from the UC that these are appropriate.
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39	Schedule 3, Clause 1.1.6	The Draft Report requires: • the total number of disconnections for failure to pay and reconnections in the same name; • the total number of customer service and customer complaints; • the total number of calls relating to the collection of security deposits; and • the total number of calls associated with social welfare concessions, including membership of pensioner concession schemes and other relevant schemes. PWC has a number of issues concerning this particular clause, primarily in terms of how hardship should be defined and measured and second, in how some of the requested indicators actually measure the performance of PWC Retail. Consequently, PWC instead proposes alternative measures which better measure customer hardship and PWC Retail's handling of this issue. For instance, the total number of disconnections for failure to pay and reconnections in the same name, do not provide information relating to PWC's customers experiencing difficulty to pay. Rather, such an event is characteristic of customers who choose to pay their bills only after a disconnection has taken place. It is unclear what a large or small figure would suggest in terms of PWC Retail's performance. In terms of the total number of customer service and customer complaints, PWC considers that this is already covered off in the complaints category in Clause 1.1.5. With regards to the total number of calls relating to the collection of security deposits, while bank guarantees do exist for larger customers (Tranches 1 to 3), PWC does not currently have an equivalent requirement for smaller customers.
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		In terms of the total number of calls associated with concessions, PWC questions how this is related to customer hardship or the performance of PWC Retail. Notably, this is not included in AER's procedures. PWC Retail recommends that its definition of hardship is defined as per PWC's Stay Connected Policy where: <i>A 'Stay Connected Customer' is someone who is experiencing financial hardship whose intention is to pay, but who does not have the financial capacity to make the required payments within the timeframe set out in Power and Water's payment terms.</i> With this definition in mind PWC repeats its recommendation to use those same measures it proposed in earlier correspondence with the UC (4 November 2011 and 17 June 2011) i.e. • Number of current residential customers on Retail Hardship Program as at 30 June each financial year; • Number of current residential customers that completed Retail's Hardship Program for the financial year ending 30 June; • Number of current residential customers on Retail's Hardship Program receiving hardship vouchers for the financial year ending 30 June; and • Number of current residential ceased customers whilst on Retail's Hardship Program for the financial year ending 30 June. Notably, each one of these aligns with AER procedures and guidelines.
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40	Schedule 5, Clause 1.1.5	An electricity entity that provides network services must within 3 months of the commencement date submit to the Commission proposed target standards for the remainder of the 2009-14 regulatory period.	The Standards of Service Final Report stated that (page 4, paragraph 1.21 & 1.22): <i>"The Commission recommends that the introduction of the proposed electricity standards of service arrangements coincide with the regulatory period for the electricity networks price reset, starting 1 July 2014. A commencement period of 1 July 2014 would allow sufficient time to establish new regulation, should the Treasurer decide that such an option is the most appropriate. This would also enable PWC to develop systems to collect the required information and ensure that it is accurate."</i> PWC wrote to the UC on 17 June 2011 proposing the following arrangements for the 2011-12 to 2013-14 period: <i>PWC will report on the new indicators outlined in the Final Report, on a best endeavours basis. Reporting against the current targets will not be required during this period.</i> On 4 November 2011 PWC wrote to the UC saying that <i>PWC will continue to report under the current framework, using existing indicators and targets for the 2011-12 financial year. Thereafter, reporting will be required for the new indicators. Target setting will be rolled out as the corresponding data becomes available.</i> Given the change in approach by the UC, PWC is concerned that there will not be sufficient time to develop systems to collect the required information and ensure its accuracy. Consequently, the interim targets required by the new Standards of Service Code will not be meaningful. PWC considers that the new indicators, new GSL scheme and the regulatory reset process will provide more than enough incentive on the network provider to develop systems, processes, and procedures to collect data to support its proposed target standards for the 2014-19 network price determination. It further contests that the time and associated costs of collating data for the interim targets would be better spent on the development and continual improvement of PWC's systems, processes and procedures
41	Schedule 5, Clause 1.1.6 (c)	Typographical error	Data segmentation is referred to in Clause 6 not Clause 7.

