



Draft Decision

**APPLICATION FOR EXCLUSION FROM THE  
VICTORIAN SERVICE INCENTIVES FOR  
SUPPLY RELIABILITY**

**SUPPLY INTERRUPTION EVENT ON  
3 APRIL 2009**

5 July 2010

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# Request for submissions

Interested parties are invited to make written submissions to the Australian Energy Regulator (AER) regarding this paper by the close of business Friday, 23 July 2010.

Submissions can be sent electronically to: [aer inquiry@ aer.gov.au](mailto:aer inquiry@ aer.gov.au)

Alternatively, submissions can be sent to:

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General Manager  
Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

The AER prefers that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested. Parties wishing to submit confidential information are requested to:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

All non-confidential submissions will be placed on the AER's website at <http://www.aer.gov.au>. For further information regarding the AER's use and disclosure of information provided to it, see the *ACCC/AER Information Policy*, October 2008 available on the AER's website.

Enquires about this paper, or about lodging submissions, should be directed to the Network Regulation South branch of the AER on (03) 9290 1444.

# 1 Introduction

SP AusNet applied to the AER to exclude the supply interruption event that occurred on 3 April 2009 at Wodonga Terminal Station from the supply reliability service incentive scheme under the Essential Services Commission of Victoria's (ESCV) *Electricity Distribution Price Review 2006–10* (Price Review).

This paper presents the respective draft decision on SP AusNet's application.

## 1.1 The role of the AER

As part of the transition to national regulation of energy markets, the AER is exercising certain powers and functions previously undertaken by the ESCV. The new responsibilities are conferred on the AER by the operation of the *National Electricity (Victoria) Act 2005* (NEVA) in accordance with the *Trade Practices Act 1974* and the Australian Energy Market Agreement. The NEVA specifically confers economic regulatory functions, powers and duties on the AER.

The AER is making this draft decision under the ESCV's 2006–10 Price Review and *Electricity Distribution Code* provisions for approving exclusions from the calculation of the S factor and the obligation to make supply reliability guaranteed service level (GSL) payments respectively.

## 1.2 The ESCV's service (reliability) incentive scheme

The ESCV incorporated a service incentive scheme in the 2006–10 Price Review. The incentives of the scheme are in the form of:

- A service term (S factor) in the price control formula, giving it the form of  $(1+CPI)(1-X)S$

If a distributor provides an average level of reliability above the target levels, then its distribution tariffs will rise in subsequent years. If reliability is worse than the target levels, the tariffs will fall.

- Guaranteed service level payments to customers for low reliability.

Customers are entitled to receive a credit if they experience more than the specified number of sustained or momentary interruptions<sup>1</sup> in a calendar year, or if they experience a cumulative supply interruption time longer than the specified number of hours.

Further information on the service incentive scheme is contained in the 2006–10 Price Review final decision papers available from the ESCV's website.<sup>2</sup>

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<sup>1</sup> Supply interruptions shorter than one minute are classified as momentary interruptions.

<sup>2</sup> At <http://www.esc.vic.gov.au/public/Energy/Regulation+and+Compliance/Decisions+and+Determinations/Electricity+Distribution+Price+Review+2006-10/Electricity+Distribution+Price+Review+2006-10.htm>.

### 1.3 Exclusion from the service incentive scheme

On application by distributors, the AER may approve exclusions from the calculation of the S factor and from the requirement to make certain GSL payments for supply interruptions due to the following events:

- supply interruptions made at the request of the affected distribution customer
- load shedding due to a shortfall in generation, but not a shortfall in embedded generation that has been contracted to provide network support except where prior approval has been obtained from the ESCV or AER, where relevant
- supply interruptions caused by a failure of the shared transmission network
- supply interruptions caused by a failure of transmission connection assets, to the extent that the interruptions were not due to inadequate planning of transmission connections
- where prior written approval has been obtained from the ESCV or AER, load shedding due to a shortfall from demand side response initiatives
- exceptional supply interruption events where the level of supply interruptions exceeds the threshold for exclusion set by the ESCV, as specified in Table 2.1 of the Price Review – *Volume 2 Price Determination*

The Price Review requires that distributors apply to the AER for such exclusions within 30 business days of an event occurring, identifying:

- the relevant event
- the impact of the event on the distribution business's reliability performance
- the proposed extent of the exclusions
- reasons for the exclusions.

The Price Review also requires the AER to provide a statement of reasons on whether it proposes to approve the applications by the distributors, and to consult with stakeholders before making a final decision.

There are no specific time requirements for approval of the applications. The AER prefers to process straight forward (clear-cut) events in batches for administrative efficiency.

## **2 Applications by SP AusNet regarding an outage event at Wodonga Terminal Station on 3 April 2009**

SP AusNet (application received 8 May 2009) applied to have the outage event at Wodonga Terminal Station (WOTS) excluded from:

- the calculation of the S factor
- the obligation to make low reliability GSL payments.

The outage was due to a total loss of supply to the terminal station. The incident occurred on 3 April 2009 and caused sustained interruptions to SP AusNet's customers.

The applications were made on the grounds that the supply interruptions were caused by a failure of transmission connection assets. The applications were received within 30 business days of the supply interruption event.

### **2.1 Description of the events**

SP AusNet advised that:

On the 3 April 2009, a lightning storm caused a flashover on insulators of the Dederang-Wodonga (DDTS-WOTS) 330 kV line, 29 km from WOTS, and the tripping the DDTS-WOTS 330 KV line. Protection at Jindera (a Transgrid substation in NSW) saw the fault and tripped the WOTS–Jindera 330kV line simultaneously at the Jindera end only. This resulted in the total loss of supply to WOTS.

Due to the fact that there were no voltage at WOTS the synch check protection functionality resulted in the DDTS-WOTS not reclosing at the WOTS end.

Investigation showed that the fault on the DDTS-WOTS line was the only fault and the DDTS-WOTS line protection operated correctly. Discussion with Transgrid revealed that a relay problem at Jindera resulted in a false trip of the WOTS-Jindera line at Jindera and the relay has since been replaced.

The incident occurred at 4:51 pm and resulted in the loss of 22 kV supplies from WOTS, as well as the loss of 66 kV supplies to Wodonga (WO) and Barnawartha (BWA) zone substations—resulting in supply lost to six WOTS 22 kV feeders, eight WO 22 kV feeders and four BWA feeders for upto 13 minutes.

A copy of the System Incident Report prepared by SPI PowerNet's (the transmission service provider) was provided by SP AusNet, which supported SP AusNet's statements.

According to SP AusNet, the incident caused sustained interruptions to 21,804 customers (0.036 unplanned SAIFI) supplied from the eighteen 22 kV feeders, with a total of 270,397 customer minutes-off-supply (0.446 unplanned SAIDI minutes).

## 2.2 AER's analysis

The criterion which SP AusNet sought exclusion relates to:

*Supply interruptions caused by a failure of transmission connection assets, to the extent that the interruptions were not due to inadequate planning of transmission connections.*

The AER has previously established that:

The transmission connection assets can be considered to have failed if the connections do not have sufficient capacity to meet the demand for electricity. In assessing whether a supply interruption event is qualified for exclusion under this exclusion criterion, the following matters should be taken into consideration:

- The cause of the loss of transmission system capacity — the event should not be excluded if the primary cause was due to any act or omission by the distributor
- Whether there should have been sufficient built in capacity redundancy to enable supply interruptions to be avoided.

The AER has examined the information provided by SP AusNet and considers that:

- The supply interruptions were caused by mal-operation of the protection system, resulting in the total loss of supply to WOTS, which forms part of the transmission connection assets.
- The event was outside the control of SP AusNet.
- The incident was not due to inadequate capacity of the connection assets at WOTS.

The AER concludes that the supply interruptions were caused by a failure of the transmission connection assets and that these supply interruptions were not due to inadequate planning of the transmission connection assets at WOTS.

## 2.3 Draft decision

The AER proposes to approve the application by SP AusNet for the 3 April 2009 supply interruption event at the Wodonga Terminal Station due to transmission asset failure to be excluded from the calculation of the S factor and the obligation to make low reliability GSL payments.