11 August 2017

Mr Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By e-mail: AERinquiry@aer.gov.au

Draft Distribution Reliability Measures Guidelines

Dear Mr Pattas,

Energy Networks Australia welcomes the opportunity to make a submission to the Australian Energy Regulator (AER) regarding the draft Distribution Reliability Measures Guidelines and the associated Explanatory Statement (June 2017).

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

Energy Networks Australia has long supported a nationally consistent reporting framework for distribution reliability measures. Such a guideline has the potential to lead to greater transparency, predictability and comparability of reliability measures, across different incentive or benchmarking schemes and processes.

Through consultation with its member businesses, Energy Networks Australia has identified several primary points for further consideration by the AER, and also has provided responses relating to elements within the draft guidelines or explanatory statement (please see Appendix A).

Exclusions for catastrophic events in calculating MED threshold

In the current distribution STPIS, a process to exclude the effects of Major Event Days (MEDs) is provided, to allow DNSPs to reasonably exclude outages that are outside of their control. The process for exclusion of MEDs is predicated on the assumption that the logarithm of daily SAIDI is normally distributed.

However, on catastrophic days, the logarithm of SAIDI can exceed a value that would be considered normally distributed. Inclusion of a catastrophic day in the MED threshold calculation results can result in a substantial increase in the MED threshold, which could result in a MED being reclassified as a non-MED. Over the last 10 years, each of TasNetworks, United Energy and AusNet Services (and there could be others) have experienced a day in which log(SAIDI) has exceeded this 4.15 beta threshold.

Exclusion of catastrophic days in the setting of MED thresholds will ensure performance targets and measurement of actual performance are not unduly skewed. This results in a reduction in the volatility of STPIS outcomes to customers, which better aligns with the NEO.

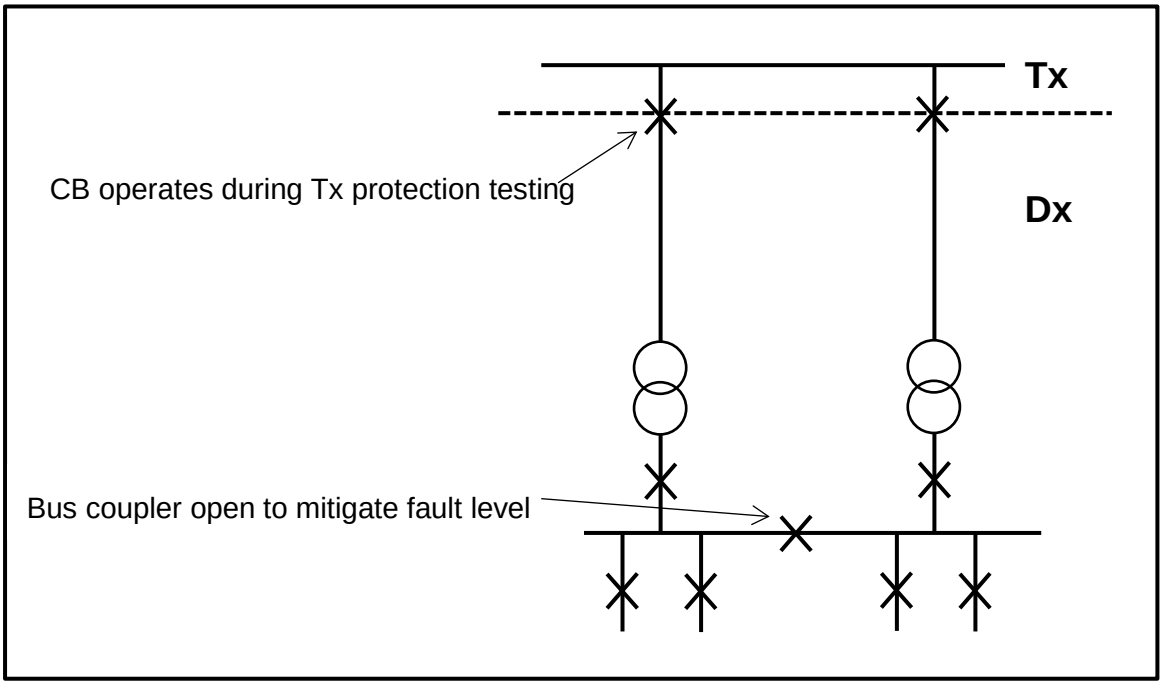
Energy Networks Australia member businesses therefore support the AEMC recommendation for an additional exclusion for catastrophic events. As with previous submissions on this matter, Energy Networks Australia and its members continue to support the adoption of the IEEE 4.15 Beta method to identify catastrophic events before calculating the 2.5 Beta Major Event Day threshold.

Need for further clarity regarding exclusion of transmission outage events

Energy Networks Australia recognises that the AER does not support our previous request regarding the need to define what is the primary cause of an outage. We maintain though that distribution network service providers (DNSPs) require greater guidance on what constitutes adequate planning or good industry practice, in relation to this matter.

To enable optimum adherence to the guidelines, Energy Networks Australia member businesses would welcome the inclusion of two or three examples of how good practice would be determined. An example of such a scenario is presented for consideration, in which a DNSP and TNSP action or inaction would independently have not caused an outage, but do so when combined.

Consider a scenario where a TNSP is conducting testing on their protection assets as a part of routine maintenance. As a result of a procedural error, the circuit breaker for a line to a zone substation operates. Normally, the bus coupler at the zone substation downstream is closed, and there would be no loss of supply. However, at this point in time, the DNSP had opened the bus coupler to mitigate fault levels, which, while an unusual operating condition is defined as a standard operating procedure. The interruption therefore results in loss of supply to the affected bus and distribution customers are affected. Should this outage be classified as a transmission outage or a distribution outage?



Feeder classification approach

Energy Networks Australia welcomes the AER's adoption of a feeder classification method which considers average maximum demand over a three year period. Energy Networks Australia recommends that further improvement of feeder classification can be achieved through also applying the three year average 'rule' to feeder lengths, to effectively protect against rapid variability in classification changes due to alteration of network configurations.

Worst served customer definition

Energy Networks noted in our previous submission that different jurisdictional approaches apply to:

- The definition of poor performing feeders or worst served customers
- Compensation arrangements to customers on poor performing feeders or customers worst served (through jurisdictional based GSL payments schemes)
- Reporting and publication of poor performing feeders and compensation arrangements

On this basis Energy Networks previously recommended the AER recognise existing jurisdictional approaches to GSL payments and reporting of poor performing feeders in the development of future guidelines and provide additional context and clarification if the AER was considering the inclusion of this type of reliability measure in terms of incentives.

Based on the draft guideline, Energy Networks Australia understands the AER intends to adopt a nationally consistent guideline which is likely to be inconsistent with jurisdictional approaches. While networks are committed to reporting consistent with the AER guidelines, it is not clear at this stage whether an additional layer of complexity and duplication of worst served customer definitions in terms of reporting arrangements, compensation schemes and incentive arrangements is in the customers best interest. Feedback from members echoed this concern, with questions raised regarding whether the AER considered differences in customers' priorities between and within network service areas.

Energy Networks Australia recommends the AER engage jurisdictions and customers on the impact of the changes proposed. We also believe there would be great benefit in the AER articulating how any incentive arrangement would interact with jurisdictional schemes, particularly where definitions are likely to differ as part of its consultation on incentive arrangements.

Effects of 3 minute MAIFI threshold change on industrial and commercial customers

Energy Networks Australia supports the change in the definition of MAIFI to outages of less than three minutes duration which will promote greater investment in fault automation systems leading to faster restoration of short duration outages.

However, we note that if the STPIS targets are reset at the next regulatory control period based on recasting the MAIFI and SAIFI data over the previous five years using the new definition, the gain-sharing incentive mechanism would not retain the intended 70:30 effect for fault automation systems in the current regulatory control period.

We recommend the AER take this into consideration during its review of the STPIS guideline and when resetting the STPIS targets for the forthcoming round of regulatory determinations, to ensure the incentive mechanism ultimately designed to foster customer benefits is maintained in effects.

As initially stated above, further detailed responses to elements of the draft guidelines or explanatory statement are included below as an appendix to this letter.

Should you have any additional queries, please feel free to contact Heath Frewin, Energy Network Australia's Senior Program Manager – Asset Management on (02) 6272 1531 or hfrewin@energynetworks.com.au.

Yours sincerely,

John Bradley
Chief Executive Officer

APPENDIX A

Address of specific subjects within the draft guidelines or explanatory statement

Subject	Energy Networks Australia response
Duration of unplanned momentary interruptions	Energy Networks Australia supports the move to align closer with international best practice. The change will enable the move towards the use of innovative switching approaches.
MAIFe	Energy Networks Australia supports the proposal to report MAIFIe where the DNSP has the capability to do so. Energy Networks Australia also suggests the following small change to remove ambiguity: MAIFIe or Momentary Average Interruption Frequency Index event in respect of a relevant period, means the total number of Momentary Interruption Events that have occurred during the relevant period divided by the Customer Base for the relevant period, provided that Momentary Interruptions that occur within the first **three** minutes of a Sustained Interruption are excluded from the calculation.
Exclusions for load interruption caused or extended under direction of state or federal emergency services	Energy Networks Australia supports the appropriate broadening of the exclusion conditions to include 'direction from state or federal emergency services'.
Treatment of Catastrophic Event Days separate from Major Event Days	There is general support among our members to identify more extreme outlier days to ensure that subsequent performance is reflective of real performance, and is not tainted by such extreme outliers. Energy Networks Australia and its members support the adoption of the IEEE 4.15 Beta method to identify catastrophic events before calculating the 2.5 Beta Major Event Day threshold.

	Such a measure could be applied consistently and objectively across all distributors and was originally recommended by the AEMC.
Load interruptions caused by the exercise of any obligation	Energy Networks Australia members identified a small error has likely occurred in Section 3.2 (6): *'Load interruptions caused by the exercise of….under jurisdictional electricity legislation* or ~~*and*~~ *national electricity legislation…*'. If this is not an error, Energy Networks Australia would appreciate further consultation on the matter.
Consistency in reporting	Energy Networks Australia continues to support the clarification of reporting approaches, while noting that some NSPs will need to implement changes to existing systems or processes to accommodate any reporting changes. When standardizing the reporting of single premise outages, Energy Networks Australia recommends the AER consider extending the 'customer fault' exclusion to occasions where customers voluntarily choose to not reinstate the connection. Examples provided by member DNSPs to Energy Networks Australia show that this scenario is occurring more frequently where customers have back-up generation or do not immediately require reconnection of power to non-essential equipment. DNSPs would like to not be penalised via STPIS when restoring power to customers as fast as possible following weather events, using methods agreed with customers to allow faster connection of premises which may not have back-up generation sources.
Outages due to meter malfunctions	Energy Networks Australia supports the AER's proposed definition for sustained interruption, which excludes meter malfunctions and sees the point of supply as the appropriate location for determining network reliability.