

24 February 2017

Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001



**energy & water
OMBUDSMAN SA**

ABN 11 089 791 604
GPO Box 2947
Adelaide SA 5001

Free call 1800 665 565
Free fax 1800 665 165
contact@ewosa.com.au
www.ewosa.com.au

Dear Mr Pattas

**Submission to the Australian Energy Regulator:
Review of the Service Target Performance Incentive Scheme**

The Energy and Water Ombudsman (SA) Limited ("EWOSA") welcomes the opportunity to comment on the Australian Energy Regulator's Issues Paper on *Reviewing the Service Target Performance Incentive Scheme and Establishing a New Distribution Reliability Measures Guideline*.

In this submission, the EWOSA primarily addresses matters that are specifically of interest to the EWOSA Scheme.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

Electricity supply security and reliability are issues of increasing importance in South Australia, so designing and implementing a scheme which encourages distribution network businesses to both maintain and improve reliability, where the costs are reasonable to do so, is imperative.

It appears that the Service Target Performance Incentive Scheme (STPIS) has performed reasonably well in encouraging reliability improvements, particularly in terms of reducing the number or frequency of electricity supply disruptions. However, for many customers, the duration of an outage plays a major role in the inconvenience and cost of an outage. Losses associated with spoiled groceries can be substantial for households, particularly for low-income earners and large families. Many businesses also suffer losses with having to throw out stock during a relatively long outage and many lose business, by not being able to remain open. Such businesses cover a broad spectrum and include supermarkets and delis, cafes and restaurants, as well as hairdressers and bakeries, to name a few.

Therefore, we support changes to the STPIS which place a greater importance on reducing the duration of electricity supply disruptions and encourage distribution businesses to improve their response times to such disruptions, where it is not excessively costly to do so.

Given the increasing issues with reliability, we also support the design element of the STPIS which only enables distribution businesses to retain financial rewards where improvements to reliability are maintained over time.

However, we are also aware that some of the issues with electricity security and reliability, particularly in South Australia, are outside the control of distribution businesses. For such circumstances, such as when there is an instruction for load-shedding or a catastrophic weather event, the STPIS needs to be designed to recognise this, so that distribution businesses are not unduly penalised.

With regards to establishing a Distribution Reliability Measures Guideline, we support the development of a guideline for defining reliability measures that will provide for the direct comparison of distribution reliability performance across jurisdictions.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



Antony Clarke
Policy and Research Officer
Energy and Water Ombudsman SA