

11 August 2017

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

Dear Mr Pattas

**RE: AER *Draft Distribution Reliability Measures Guidelines***

Endeavour Energy appreciates the opportunity to provide feedback to the Australian Energy Regulator's (AER) *Draft Distribution Reliability Measures Guideline*. We consider the reliability framework is well supported through the Service Target Performance Incentive Scheme (STPIS) and jurisdictional reliability and performance licence conditions. We welcome modifications that would further enhance the integrity of the framework and lead to improved customer reliability outcomes.

The AER is required to develop and administer the Guideline in accordance with clause 6.28 of the National Electricity Rules (NER). This follows the Australian Energy Market Commission's (AEMC) 2014 *Review of Distribution Reliability Measures* final report which recognised that variation in reliability performance measures makes it difficult to undertake meaningful comparison of reliability performance between distribution network service providers (DNSPs). The Draft Guideline seeks to establish a common set of reliability measures and definitions as recommended by the AEMC. Endeavour Energy supports several of the approaches proposed in the Draft Guideline including:

- Changing the threshold of a sustained interruption from 1 minute to 3 minutes. This would allow greater flexibility in network automation design, incentivise investment in lower cost solutions and further encourage timely operator action.
- Promoting the use of MAIFle in preference over MAIFI. Reporting multiple interruptions in quick succession as a single event better reflects the diminished impact on customers of interruptions which follow the initial outage.
- Including transmission network interruptions. These outages should be included in a DNSP's reliability performance when it can be independently established that the cause was undeniably the result of a DNSP's actions.

Although the Guideline has the potential to improve the consistency and transparency of reliability reporting across the NEM, we have identified three key issues that require further consideration.

Definition of Urban Feeder

We are concerned that the AER's proposal that prohibits our current ability to manually reclassify feeders may lead to adverse customer reliability outcomes. Endeavour Energy's current practice is to reclassify a relatively small number of feeders (approximately 100 out of 1475 feeders for each report) into alternative categories that better reflect the feeder characteristics and customer expectations. These decisions are scrutinised as part of our annual regulatory audit and are commonly approved. Circumstances that contribute to the need to reclassify feeders include:

- Greenfield development - new feeders may only be lightly loaded during the initial stages of development. Consequently, they may be deemed a short rural feeder which contradicts the classifications for comparable feeders in nearby developments.
- Commercial premises - several large businesses within the geographical centre of our network (e.g. warehouses, distribution centres etc.) are supplied via relatively short feeders that are shared by few customers. Feeder length and low load volatility often results in a short rural classification despite their location within an urban zone.

- Urban/rural feeders – feeders that supply many customers within an urban area and then extend to supply customers in rural locations often results in a short rural feeder classification. These urban customers are disadvantaged by not having the same reliability protections as other nearby residents supplied by more localised feeders.

The AER has stated it does not agree with allowing feeder reclassification outside of the proposed definition because the purpose of common definitions is to provide regulatory certainty, consistency for reporting purposes and to limit gaming<sup>1</sup>.

Endeavour Energy argues flexibility is necessary to enable feeders to be aligned to a more intuitive classification. The prospects for gaming would be limited because in a vast majority of instances, we would seek to apply this discretion to allow short rural feeders to be reclassified as urban. The more stringent performance targets and conditions imposed on urban feeders would enhance customer reliability protections and ensure customer expectations align with feeder classification. In cases where the proposed definition results in a change in classification from the previous year (e.g. urban to short rural), we believe manual alignments to the higher classification standard should be permitted. This would prevent unexpected reductions to customer reliability protections resulting from changes to a feeder's historical classification.

#### Unmetered Customers

Endeavour Energy includes unmetered connections in reliability performance measures. Our ability to exclude unmetered customers for this purpose is hampered by the limited functionality of our ageing Outage Management System (OMS). Unmetered connections are embedded in the system to an extent that a material amount of investment would be required to remove them from interruption statistics.

We are planning to introduce a replacement system with improved functionality that would enable us to provide reliability measures exclusive of unmetered connections. Given the relatively low impact these connections have on overall reliability performance, we request to be allowed to include unmetered connections until our new OMS becomes operational in mid-2019.

#### "Worst Served" Customers

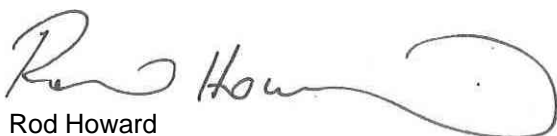
The Draft Guideline requires DNSPs to report on the reliability outcomes of customers who experience unsatisfactory reliability levels. The AER proposes to define these customers as;

*'customers who suffer from a disproportionate number of faults, compared with the network average customer, as greater than four times of the Network average for unplanned SAIDI on a three-year rolling average basis. We consider that this threshold level should capture approximately 10 per cent of all customers.'*<sup>2</sup>

We are concerned setting a threshold that attempts to capture 10% of total customers risks requiring a disproportionately burdensome effort in developing and maintaining a database which, for Endeavour Energy, would include approximately 96,000 customers. Furthermore, given the effectiveness of the incentives to improve reliability performance through IPART's individual feeder performance reporting requirements and Guaranteed Service Level (GSL) scheme, we would support a definition that more closely aligns with established and accepted jurisdictional measures.

Endeavour Energy wishes to encourage the AER to continue working collaboratively with jurisdictional regulators to better understand the full impact of feeder classification discontinuity on regulatory reporting compliance and customer reliability. If you have any queries or wish to discuss this matter further please contact Jon Hocking, Manager of Network Regulation on (02) 9853 4386 or alternatively via email at [jon.hocking@endeavourenergy.com.au](mailto:jon.hocking@endeavourenergy.com.au)

Yours sincerely



Rod Howard  
**Chief Operating Officer**

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<sup>1</sup> AER, *Draft Distribution Reliability Measures Guideline*, June 2017, p.18.

<sup>2</sup> Ibid, p.24.