



1 March 2017

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Dear Chris,

RE: Issues paper: Reviewing the STPIS and establishing a new Distribution Reliability Measures Guidelines

United Energy (UE) appreciates the opportunity to comment on the AER's Issues paper. The issues paper appropriately builds on the recommendations from the AEMC's final decision published in September 2014.

UE would like to acknowledge the ENA's submission on this issues paper. UE agrees with the views presented in the ENA's submission and would like to comment on the following key issues:

1. Appropriateness of the current framework: change to the ratio of SAIDI to SAIFI

UE does not agree with the AER's suggestion that there should be a change to the ratio between SAIDI and SAIFI. The AER does not present any evidence to suggest that the businesses focus their expenditure on reducing SAIFI and neglects that of SAIDI. It is also possible that the higher duration is likely the result of residual outages with longer duration time as the AER has acknowledged that total duration has generally fallen across the businesses from a decrease in SAIFI. Further, UE does not accept the assertion that Capex only addresses SAIFI and Opex only addresses SAIDI. Expenditure on automated sectionalisation and restoration of supply addresses both SAIFI and SAIDI.

2. Continued use of MAIFle and support for 3 minute MAIFI

Since the implementation of STPIS, Victoria has used MAIFle as the measure for momentary interruptions. This measure is possible in Victoria due to the availability of monitoring systems and associated data that allow for the capture of this information accurately.

MAIFle is considered more accurate in quantifying the impact of interruptions on customers. It eliminates the inaccurate representation that the operation of auto-reclose has on the restoration of supply. Additionally it is preferred over MAIFI which may discourage or limit the incentive for DNSPs to apply more than a single automatic restoration attempt.

UE supports the introduction of a three minute MAIFI threshold as recommended by the AEMC. The three minute threshold allows for consistency with the AEMC's recommendations, IEEE standards and the approaches in established jurisdictions like OFEGM. In our view the best customer outcome possible after an outage has occurred is to restore supply as quickly as possible. The STPIS should encourage the use of technology to restore supply quickly rather than manual based operations. Our view is that a three minute threshold provides the right incentives to minimise the overall length of outages.

3. Improved Standardisation to increase effectiveness of the scheme

UE agrees that a consistent approach to measure outages will increase the effectiveness of the STPIS and accuracy in benchmarking between utilities. The definitions and recommendations of the AEMC shows the intent of standardisation to enable a broader understanding of the reliability performance of the distribution businesses

among the multiple jurisdictions. Additionally this will also allow the AEMC apply a more consistent approach to the framework in the event that it feels the need to re-visit the thresholds that underpin the targets.

4. Definitions of feeders and feeder classifications

UE agrees that feeder classification, or part thereof, should be intuitive to customers and represent a reasonable reflection of expected performance. Therefore UE believes that using an auto circuit releaser (ACR) to sectionalise a feeder between urban and rural based on load density is appropriate where such devices are installed.

UE also proposes that feeders should be classified on a weather corrected basis where a DSNP undertakes such forecasts as part of its normal business. This prevents feeders moving from urban to rural and then back again over a number of years. This would again be more intuitive to customers and their expectations concerning performance levels.

UE however does believe that a level of caution must be exercised by the AER in its application/enforcement of these recommendations. Distribution business in the various jurisdictions have different reporting and system configurations that will require update from any changes to definitions regarding feeder categories, outage metric measures and other changes to be considered from this consultation. These changes should only be effected once it is agreed that the benefits of standardisation from are justified against the costs which will be passed down to the customers in order to meet the necessary requirements.

5. Exclusions

UE supports the removal of catastrophic days based on IEEE 4.15 beta method to reasonable identify more extreme outliers for exclusion prior to the application of the 2.5 beta method to identify the MED threshold. This application reduces any potential skewing of the threshold due to abnormally large event similar to the 'heat wave' experienced by UE in 2008.

6. Calculation based on outage metrics rather than energy not supplied

UE would not agree with future STPIS measures based on energy not supplied. We believe that such measures would fail the intent of standardisation of reliability measures across the NEM due to the lack of customer load profile data that does not exist anywhere else relative to Victoria from the proliferation of SMART meters.

7. Flexibility in the primary purpose of STPIS

The AER has stated that the primary purpose of the STPIS is to provide the incentives to the distribution businesses to:

- maintain the existing level of supply reliability and;
- improve the reliability of supply where customers are willing to pay for these improvements.

UE believes customers should be consulted on the price and service level offering being offered by the business. In accepting a lower price, customers may be prepared to accept a lower level of service rather than an improving level as stated by the AER.

Additionally some evidence exists that customers value lesser outages over duration of outage as part of their supply. Continuing with the context of rising electricity prices, consumers should be given the choice of services relative to the amount that they are willing to pay for. The AER would do well to understand whether the scheme in itself can provide an additional incentive, without changing the ratios of the primary drivers of the mechanism.

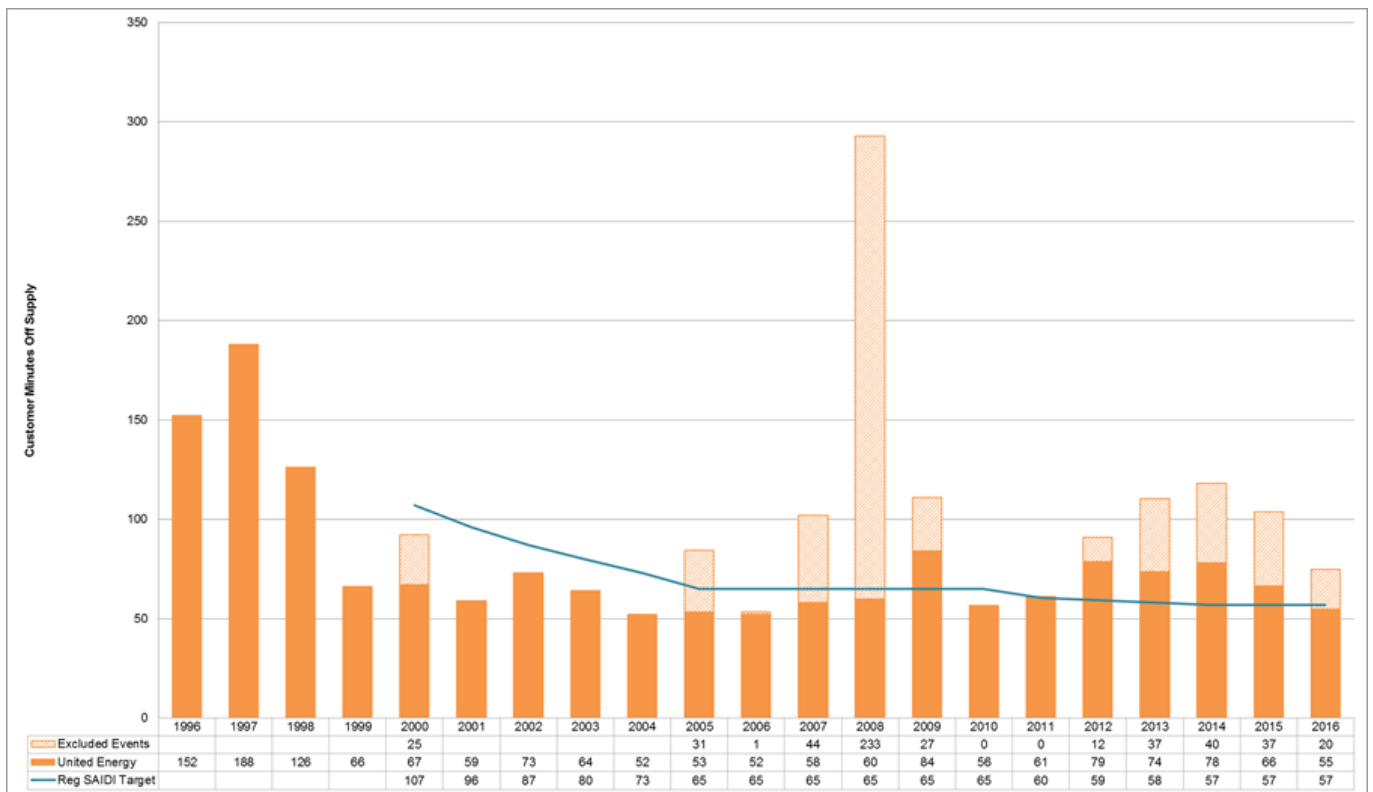
8. "Significant deterioration" of UE's reliability since 2011

The issues paper states that (Page12, Final Paragraph):*"The charts in Appendix B present the details of the business-wide average number of unplanned outages (SAIFI) and the average total duration of unplanned*

supply outages (SAIDI) of each of the Queensland, South Australian and Victorian distributors. Based on the observed results, the scheme appears successful in delivering improvements in supply reliability as:

- Only United Energy reported significant deterioration of performance.”

UE disagrees with the AER’s assertion that our reliability has been declining. We believe that the AER has selectively used RAW S factor data since 2011 to paint a negative picture of our reliability performance. Reliability is a long term measure and we would like to put on record our significant improvements since we have been operating on an incentive based reliability system. See the graph below that illustrates this point:



If you have any further queries regarding this submission, please do not hesitate to contact me on (03) 8846 9758.

Kind Regards,

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