



Final Decision

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

**SUPPLY INTERRUPTION EVENTS
July–December 2010**

6 May 2011

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Contents

1	Introduction	1
1.1	The role of the AER	1
1.2	The ESCV's service (reliability) incentive scheme	1
1.3	Exclusion from the service incentive scheme	2
1.4	Structure of this paper	3
2	Summary of the supply interruption event, AER's draft decision and submissions received	4
2.1	Outage event at Morwell Terminal Station (MWTS) on 28 November 2010	4
2.2	AER's draft decision	4
2.3	Submissions	4
3	Final decision	5

1 Introduction

SP AusNet applied to the AER to exclude one supply interruption event that occurred between July and December 2010 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 final decision on SP AusNet's application.

No other distribution businesses sought exemptions for supply interruption events for the July-December 2010 period.

The AER published its draft decision on 22 March 2011 proposing to approve SP AusNet's application and invited stakeholders to provide submissions in response to the draft decision. No submissions were received by the AER. This paper presents the AER's final decision regarding this supply interruption event.

1.1 The role of the AER

In considering SP AusNet's application, 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 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 interruptions¹ in a calendar year, or if they experience a cumulative supply interruption time longer than the specified number of hours.

¹ Supply interruptions shorter than one minute are classified as momentary interruptions.

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

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 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>.

1.4 Structure of this paper

Chapter 2 provides an overview of the supply interruption event, the AER's draft decision and the submissions received by the AER.

Chapter 3 states the AER's final decision regarding SP AusNet's application.

2 Summary of the supply interruption event, AER's draft decision and submissions received

2.1 Outage event at Morwell Terminal Station (MWTS) on 28 November 2010

SP AusNet advised that, due to incorrect current transformer (CT) ratio setting, a protection mal-function occurred at 7:33 pm on 28 November 2010 at MWTS. This mal-function resulted in momentary outage of three 66 kV feeders supplied by the 66 kV Bus No.1 of MWTS.³

As a result of the loss of 66 kV in-feed, customers connected to the seven 22 kV distribution feeders from Bairnsdale (BDL), three from Cann River (CNR), six from Maffra (MFA), eight from Moe (MOE), three from Newmerella (NLA), four from Sale (SLE) and eight from Warragul (WGL) distribution zone substations experienced a momentary supply interruption.

SPI PowerNet, the transmission service provider, has since corrected the CT ratio setting.

2.2 AER's draft decision

After reviewing the application and satisfied that this application met the relevant exclusion criterion, the AER proposed in its draft decision to approve SP AusNet's application to exclude the supply interruption event at Morwell Terminal Station on 28 November 2010, due to incorrect setup of protection equipment at this terminal station, from the calculation of the S factor and the obligation to make low reliability GSL payments. This draft decision can be found on the AER's website.

2.3 Submissions

The AER did not receive any submissions about this supply interruption event.

³ Detailed description of the mal-function can be found in the draft decision paper.

3 Final decision

The AER has not received any information that would lead it to amend its draft decision. The AER therefore confirms its decision to approve SP AusNet's application to exclude the supply interruption event at Morwell Terminal Station on 28 November 2010 from the calculation of the S factor and the obligation to make low reliability GSL payments.