



Final Decision

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

**SUPPLY INTERRUPTIONS JANUARY-
FEBRUARY 2009**

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1 Introduction

CitiPower, Jemena, Powercor, SP AusNet and United Energy applied to the AER to exclude supply interruption events that occurred during January and February 2009 from the supply reliability service incentive scheme under the Essential Services Commission of Victoria's (ESCV) Electricity Distribution Price Review 2006-10 (Price Review). These supply interruption events are:

- applications by Jemena, SP AusNet and United Energy regarding wide-scale supply interruptions on 29 and 30 January 2009 resulting from load shedding due to a shortfall in generation capacity
- applications by CitiPower, Jemena, United Energy and Powercor regarding wide-scale supply interruptions on 28, 29 and 30 January 2009, and 8 February 2009 under the exclusion criterion for excluding exceptional events where the level of supply interruptions exceeds the threshold for exclusion set out by the ESCV
- application by SP AusNet regarding an outage event at South Morang Terminal Station on 4 February 2009 due to the failure of transmission connection assets
- application by Powercor regarding an outage event at Geelong Terminal Station on 26 February 2009 due to the failure of transmission connection assets.

On 28 August 2009 the AER released a draft decision on the distributors' applications. Submissions on the draft decision closed on 25 September 2009. CitiPower, Powercor and Jemena all provided submissions to the AER's draft decision.

This paper outlines the AER's final decision on the applications to exclude supply interruption events that occurred during January and February 2009.

1.1 The role of the Australian Energy Regulator (AER)

As part of the transition to national regulation of energy markets, the AER is exercising certain powers and functions previously undertaken by the ESCV. The new responsibilities are conferred upon 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 final decision under 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 into 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 better than the target levels, then its distribution tariffs will rise in subsequent years. If the reliability level is worse than the target levels, then the distribution tariffs will fall.

- Guaranteed service level (GSL) 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.

Further interruption on the financial incentive scheme is contained in the 2006-10 Price Review final decision papers available from the ESCV's website.²

1.3 Exclusions from the Financial 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
- supply interruptions on a day where the unplanned sustained interruption frequency, summed across all network types, exceeds set thresholds.

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

² The previous ESCV Distribution Price Review is located here:

www.esc.vic.gov.au/public/Energy/Consultations/Electricity+Distribution+Price+Review+2006-10/Electricity+Distribution+Price+Review+2006-10.html

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.

1.4 Structure of this paper

- Chapter 2 provides an overview of the supply interruption events and the AER's draft decision.
- Chapter 3 provides an overview of any submissions received by the AER.
- Chapter 4 states the AER's final decisions regarding the distributors' applications.

2 Summary of the supply interruption events and the AER's draft decision

2.1 Summary of the supply interruption events

2.1.1 Applications by Jemena, SP AusNet and United Energy regarding supply interruptions on 29 and 30 January 2009—shortfall in generation capacity

The distributors advised that the extreme weather conditions on 29 and 30 January 2009, where temperatures in Melbourne exceeded 43 degrees Celsius on each day, resulting in higher power usage, transmission network failures and the need for load shedding. The distributors applied to have the associated supply interruptions excluded from the service incentive scheme on the grounds that the sustained supply interruptions were caused by load shedding due to a shortfall in generation and the failure of the shared transmission network.

Jemena advised that, on 29 January 2009, SP AusNet's Transmission Control Room, acting under instruction from the National Electricity Market Management Company (NEMMCO),³ directed Jemena to begin load shedding at 3.18pm due to the tripping of the Basslink interconnector, which removed 730 MW of power transfer capacity from the transmission grid. The total load shed by Jemena was approximately 37 MW through 9 distribution feeders, resulting in supply interruptions to 18,022 customers. The impact of the event on Jemena's performance indicators was an unplanned system average interruption duration index (SAIDI) figure of 3.35 minutes and a SAIFI figure of 0.059.

SP AusNet advised that it was directed by NEMMCO to shed 67.05 MW of load on 29 January 2009 and 70.06 MW on 30 January 2009. The load shedding events caused sustained interruptions to 67,779 customers over the two days and resulted in a SAIDI figure of 3.58 minutes and a SAIFI figure of 0.11.

United Energy advised that it was directed by NEMMCO to shed 67.5 MW of load on 29 January. The load shedding event caused sustained interruptions to 26,755 customers and resulted in a SAIDI figure of 13.73 minutes and a SAIFI figure of 0.0429.

2.1.2 Applications by CitiPower, Jemena, United Energy and Powercor—wide-scale supply interruptions on 28, 29 and 30 January 2009, and 8 February 2009

Jemena, CitiPower, United Energy and Powercor applied to have the wide-scale supply interruptions that occurred on 28, 29 and 30 January, and 8 February 2009 excluded from the calculation of the S factor and the obligation to make low reliability GSL payments. The distributors advised that the extreme weather conditions on these day, where temperatures in Melbourne exceeded 43 degrees Celsius, resulting in higher power usage, network faults and the need for load shedding.

³ NEMMCO's functions have been transferred to the Australian Energy Market Operator (AEMO).

The applications were made on the grounds that the unplanned sustained interruption frequency, summed across network types, for the 24-hour periods on 28, 29 and 30 January 2009, and 8 February 2009 exceeded the respective exclusion thresholds for each distributor under the service incentive scheme, as contained within the *2006-10 Price Review, Final Decision Volume II*.

2.1.3 Application by SP AusNet for outage event at South Morang Terminal Station on 4 February 2009

SP AusNet applied to have an outage event at the South Morang Terminal Station (SMTS) excluded from the calculation of the S factor and the obligation to make low reliability GSL payments. The event was caused by the incorrect tripping of the 220/66 kV B3 Transformer at the SMTS. The incident occurred on 4 February 2009 and caused the sustained outage of the Thomastown - Kilmore South - Seymour - Rubicon A - Murrundindi - Kinglake - Doreen - SMTS 66 kV sub-transmission loop.

The application was made on the ground that the supply interruptions were caused by a failure of transmission connection assets.

2.1.4 Application by Powercor for outage event at Geelong Terminal Station on 26 February 2009

Powercor applied to have the outage event at Geelong Terminal Station due to the tripping of the 66 kV Busbar No.4 excluded from the calculation of the S factor and the obligation to make low reliability GSL payments. The incident occurred on 26 February 2009 and caused the outage of the GTS-Waurn Ponds 66kV line.

The application was made on the grounds that the supply interruption was caused by a failure of transmission connection assets.

2.2 AER's draft decision

The AER released its draft decision on 28 August 2009, approving all applications by the distributors to exclude the interruption events, as outlined above, from the calculation of the S factor and the obligation to make supply reliability GSL payments because all these supply interruption events met the relevant exclusion criteria. The draft decision can be found on the AER's website.⁴

⁴ <http://www.aer.gov.au/content/index.phtml/itemId/727827>

3 Submissions received

Three submissions were received from Jemena, CitiPower and Powercor. All submissions supported the AER's draft decision.

4 Final decision

The AER has not received any information that would lead it to amend its draft decision. The AER therefore confirms its draft decision to approve the supply interruption events as outlined in the section 2.1 for exclusions from the calculation of the S factor and from the obligation to make GSL payments for low reliability.