

25 January 2021

Mr Brett Everett
Director, Pricing
NSW Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
NSW 1240

Submitted via [online submission form](#)

Electricity Distribution Reliability Standards – Draft Report

Dear Mr Everett,

Energy Networks Australia welcomes the opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal's (IPART) [Electricity Distribution Reliability Standards Draft Report](#).

Energy Networks Australia (ENA) is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Key messages

- » ENA supports the removal of jurisdictional reliability standards that are duplicated by the national regulatory framework, which incentivises distributors to maintain and improve reliability.

In particular, ENA supports the removal of overall reliability standards from NSW DNSPs' licence conditions (recognising the national overlap) and instead the targeting of a required minimum level of service with jurisdictional reliability standards.
- » ENA supports IPART undertaking detailed consultation with NSW DNSPs to ensure that the optimisation model is fit for purpose and accurately reflects the circumstances faced by the NSW DNSPs.
- » The introduction of a jurisdiction-specific DER reporting scheme needs to be balanced against the potential overlap with national reform, and consequential future changes. ENA supports IPART undertaking detailed consultation with NSW DNSPs to ensure that the costs of adhering to the jurisdictional DER reporting requirements do not exceed the benefits to customers or networks.

Given the pace of national reform, a best endeavours approach to jurisdictional DER reporting is likely to be appropriate to mitigate against avoidable system and implementation costs.

Support the removal of duplication with national reliability standards

ENA supports IPART's view that the NSW jurisdictional licences should complement, and not duplicate, the Australian Energy Regulator's (AER) national regulatory framework.

Overall standards

ENA supports the draft recommendation to remove overall reliability standards from NSW Distribution Network Service Provider's (DNSP) licence conditions. The overall reliability standards in licence conditions have become less fit-for-purpose over time as they do not consider customers' willingness to pay and duplicate the incentives included in the AER's national framework.

The national regulatory framework incentivises efficient investment in reliability outcomes for customers. The Service Target Performance Incentive Scheme (STPIS) rewards reliability improvements while the Efficiency Benefit Sharing Scheme and Capital Expenditure Sharing Scheme incentivise DNSPs to spend efficiently. The STPIS factors in customers' willingness to pay through the Value of Customer Reliability, ensuring that the level of reliability incentivised is in line with customer interests.

ENA supports IPART's conclusion that the AER's regulatory framework is adequately incentivising an efficient level of reliability and that there is no need duplicate this outcome in jurisdictional licences.

ENA's July 2019 [Rewarding Performance](#) report found that improvements to customer reliability across the National Electricity Market (NEM) from 2006-2018 will deliver \$6.6 billion of discounted benefits to customers with current real rates of return¹.

Minimum standards

ENA supports the draft recommendation to target a required minimum level of service using NSW DNSPs' licence conditions. Minimum standards should provide assurance to customers that the worst performing feeders are being monitored and their service outcomes improved where it is efficient to do so.

Modelling considerations

IPART has developed an optimisation model to estimate the long-term efficient levels of System Average Interruption Duration Index (SAIDI), informed by an estimation of the efficient amount of expected unserved energy per year for each feeder.

The NSW DNSPs are best placed to work with IPART to ensure that the model accurately depicts the actual circumstances faced by individual feeders on the NSW networks. **ENA encourages IPART to undertake detailed consultation with NSW DNSPs to ensure that the optimisation model is fit for purpose and accurately reflects the circumstances faced by the NSW DNSPs.**

¹ Energy Networks Australia, [Rewarding Performance](#) (2019), p. 11.

The model has been developed specifically for the purpose of informing the minimum level of service provision for customers on a given length of NSW distribution feeder. Given the importance that we place on fit-for-purpose regulation, ENA believes that it would be inappropriate to rely on the model for purposes separate to informing IPART's NSW reliability standards review. We also suggest that this point be made clear in IPART's final report to ensure that the model outputs are not misinterpreted by stakeholders or used for a purpose that was not originally intended.

In addition, we recommend further collaboration with the NSW DNSPs to ensure that the proposed Guaranteed Service Level scheme is designed efficiently so that it does not impose inefficient costs on all customers.

Distributed Energy Resources reporting requirements

IPART's draft decision is to establish new Distributed Energy Resources (DER) reporting requirements that would require DNSPs to disclose information relevant to the quality of service provided to DER customers. ENA supports information provision where it results in net benefits to customers, however, IPART's draft reporting requirements do not consider the cost of adherence nor does IPART identify specific benefits for customers.

There may be aspects of the proposed reporting requirements that NSW DNSPs are currently unable to meet. For example, DNSP's systems may not be designed to track some of the reporting requirements and the system changes required to do so would come at a cost to networks and subsequently to customers. **ENA recommends that IPART undertake further consultation with NSW DNSP's to ensure that the costs of adhering to the reporting requirements are not disproportionate to the benefits to customers.**

IPART has acknowledged the coinciding national DER programs, such as the [Distributed Energy Integration Program](#) that aims to maximise the value of DER for all energy users, and the [three rule change requests](#) lodged with the Australian Energy Market Commission that propose access, pricing and incentive arrangements for DER.

It is feasible that IPART's proposed DER reporting requirements, if enacted, could be superseded by more comprehensive national reporting requirements for all NEM distributors. This could result in more expansive system upgrades and costs, meaning that system upgrades to enable compliance with IPART's DER reporting requirements are at risk of becoming outdated.

Given the pace of national reform, a best endeavours approach to jurisdictional DER reporting is likely to be appropriate to mitigate against avoidable system and implementation costs. This approach would balance the potential benefits of jurisdictional DER reporting with the level of cost for DNSPs to report against each requirement in Box 6.1², noting the potential for redundancy as national processes conclude.

² IPART, [Review of the Distribution Reliability Standards Draft Report](#) (Oct 2020), p. 67.

We once again welcome this consultation and thank IPART for the opportunity to provide input and extending the submission deadline. If you wish to discuss any of the matters raised in this letter further, please contact Chris Gilbert, Senior Economic Advisor, at cgilbert@energynetworks.com.au.

Yours sincerely,

A handwritten signature in black ink that reads "Garth Crawford".

Garth Crawford

General Manager, Economic Regulation