

1 March 2017

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

By email: AERInquiry@aer.gov.au.

Service Target Performance Incentive Scheme and Distribution Reliability Measures Guidelines

Dear Mr Pattas

Energy Networks Australia welcomes the opportunity to make a submission to the Australian Energy Regulator's (AER's) Issues Paper on the review of the Service Target Performance Incentive Scheme (STPIS) and development of a Distribution Reliability Measures Guideline.

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

Energy Networks Australia agrees with the AER that customers have generally benefited though the application of the scheme. Outcomes from the scheme appear consistent with customer expectations and therefore changes to the scheme which would change the incentive rates for SAIDI and SAIFI do not appear to be justified.

We support many of the changes consistent with the AEMC recommendations while outlining concerns with approaches regarding several proposed changes. We look forward to further engagement on these issues.

Should you have any additional queries, please feel free to contact Brendon Crown on (02) 6272 1555 or bcrown@energynetworks.com.au.

Yours sincerely,



John Bradley
Chief Executive Officer

Service Target Performance Incentive Scheme - Amendment

Discussion paper for response

Contents

Overview	3
<hr/>	
The Current STPIS and observed outcomes	4
<hr/>	
Distribution Reliability Measures	7
<hr/>	
STPIS Specific Issues	13
<hr/>	
Future of STPIS	16
<hr/>	

Overview

Energy Networks Australia supports incentives in reliability which reflects its value to customers, informing the extent of measures taken to improving existing levels of reliability and avoid deterioration to service levels.

The Service Target Performance Incentive Scheme (STIPS) has been in place since 2009, and Energy Networks Australia agrees with the AER that it is timely to review the scheme – particularly in the context of recent changes to the NER, requiring the AER to publish a distribution reliability measures guideline (DRG). This submission is in response to both proposed changes to the scheme and the development of the DRG.

Energy Networks Australia agrees with the AER that the scheme has been successful. The AER’s analysis, outlined in the issues paper, demonstrates that customers have benefited from overall reductions in the frequency and duration of power supply outages.

However, in its issues paper, the AER states the average time to restore power has increased substantially compared to historic levels. The AER attributed this to a potential problem in the current STIPS design regarding the ratio of the reward/penalty incentive rates between SAIDI and SAIFI. Energy Networks Australia is of the view, however, that these outcomes are probably more driven by the substantial improvements in frequency of outages than any other factor.

Our submission highlights that outcomes from the scheme appear consistent with customer expectations and therefore changes to the scheme which would change the incentive rates for SAIDI and SAIFI are not justified.

Other changes consistent with the AEMC recommendations are largely supported by Energy Networks Australia. This includes the use of MAIFIE as the standardised measure of momentary interruptions, adjusting the MAIFI threshold to 3 minutes, clarification of major event days, and simplification in the application of the scheme. This submission outlines reasons why Energy Networks Australia does not support changes to include planned outages in the scheme, and why it doesn’t support asymmetric outcomes or changes to basing financial rewards/penalties on energy not supplied.

Energy Networks Australia would like to engage further with the AER on several issues including the inclusion of poor performing feeders, target adjustments, feeder classification and S-Factor calculations.

The Current STPIS and observed outcomes

The AER makes a number of observations which it considers warrant a review of the scheme design regarding the ratio of the reward/penalty incentive rates between SAIDI and SAIFI. Energy Networks Australia has not had the opportunity to assess the AER's analysis which suggests some variability in outcomes between different businesses, but some general trends. The AER's observations are summarised below:

- » AER states supply reliability has improved overall while individual results are varied:
 - Only United Energy reported significant deterioration in performance of supply reliability.
 - CitiPower reported slight improvements in SAIFI but deterioration in SAIDI.
 - Average supply restoration for SAPN (CBD) and Jemena's urban networks were better than the previous period and Energex performance had not changed.
- » AER states for all other networks the average supply restoration times were longer
- » AER notes the ratio between the SAIFI and SAIDI incentive rates approximately equals the CAIDI and implies that the reward for 1 SAIFI is equivalent to 60-90min of SAIDI reduction for a typical urban network
- » AER considers the ratio may encourage businesses to focus on network automation
- » AER notes that as CAIDI increases so would the ratio of incentive rates between SAIFI and SAIDI
- » The AER believes that generally speaking CAPEX investment tends to improve SAIDI and opex tends to improve SAIFI.

Consultation Questions 1 -3

The AER would like views on the appropriateness of the current approach for setting the ratio of the relative reward/penalty rates between SAIDI and SAIFI, which is very close to the duration of a typical outage time, or CAIDI.

Would allocating a higher incentive rate to the SAIDI measure--by allocating a higher proportion of the energy value to this measure--provide a more balanced approach between incentives to improve reliability through capex and opex, and provide a more even improvement to all customers?

If yes, what should be the relative weights between SAIDI and SAIFI incentives?

Currently there is a slight difference between the ratios for SAIDI and SAIFI incentive weights across the CBD, urban and rural networks (the Wn factor of equations (1) and (2) of STPIS, see appendix C). Should a uniform ratio be applied to all network types?

The analysis by the AER is inconclusive and certainly not sufficient to justify a change to the scheme. In the first instance, there is some variability in the outcomes between businesses and it appears that the observation period may be too small to draw significant conclusions.

Notwithstanding this, the outcomes presented appear to be a function of the success of the STPIS, rather than any failure in its design.

Reducing the outage frequency by 1 in a SAIFI measure has a dual benefit, in that it changes the SAIDI impact of that event to zero. So it is likely that the effect of network investment to reduce SAIFI has been to also reduce to zero a number of outages that may have had a duration shorter than the average. As the AER acknowledges total duration has generally fallen across businesses, so the higher average duration is likely to be the result of residual outages with longer duration time.

In other words, expenditure to eliminate short duration outages can result in the average duration increasing.

Energy Networks Australia does not agree with the AER's position that. "...distributors may have been incentivised to invest more in capex to improve SAIFI rather than opex to improve SAIDI under the current incentive framework.¹" Capex can be used to improve both SAIFI and SAIDI. For example, an auto-recloser will lower overall duration without supply to the extent it reduces the frequency of outages. While

¹ Issues Paper, page 16

increased investment in opex is likely to assist in the prevention of faults (eg. vegetation management is an example of this).

Experience from our members suggests that capex invested to improve SAIFI and SAIDI delivers better outcomes in terms of service reliability and value for money than opex initiatives to deliver SAIDI alone.

As noted above, there is the potential for the reported average duration time (SAIDI) to increase where effective measures to address SAIFI avoid outages of shorter-than-average duration. Additionally, there are likely to be several exogenous factors that could have resulted in businesses not being able to reduce SAIDI. These factors are likely to vary in impact across different network businesses and can include:

- » increase in the quality of outage duration reporting;
- » increase in average traffic times to access and repair faults; and
- » an increase in poor weather conditions (outside 'Major Event Days' or MEDs).

Customer Expectations

Results are not uniform across all businesses but the evidence presented from member businesses suggests:

- » customers are not generally seeking improvements in reliability if it is likely to substantially increase costs;
- » in terms of the focus of performance improvement, generally customers prefer lower frequency of outages rather than a lower duration over the same number of outages.

These customer expectations would appear to support current arrangements which provide moderate incentives for capex investment to reduce both outage frequency and durations. The analysis appears to suggest that network businesses are pursuing outcomes which are relatively low cost but which provide benefit to both SAIDI and SAIFI.

In respect of whether a uniform application should apply to different network types, there is some evidence that residential customers in some in remote/rural networks generally prefer shorter and more frequent outages over longer and infrequent outages. This differs to the results of other networks and is likely to reflect the fact that SAIDI rates are likely to be higher in more remote network areas. These outcomes also need to be considered in the context of the customer's perception of value. Specifically, these same customers may not be willing to trade-off the improvement in SAIDI with the additional cost that may be required to achieve the improvement.

Changing the incentive mix in a way that increases the relative penalty for deterioration of SAIDI performance has the potential to force network businesses to increase operating costs over time, with no guarantee of improvement in performance. Similarly, network businesses may be less incentivised to invest in tools that reduce both SAIDI and SAIFI outcomes. Neither of these outcomes appear to be in the customers' best interest.

Unless there is additional clear evidence demonstrating that a higher incentive rate to the SAIDI measure would materially enhance the operational effectiveness of the current STPIS, then there is no justification for a proposed uniform change to incentive weights for SAIDI and SAIFI.

Moreover, Energy Networks Australia considers that analysis of different customer preferences within various network types should also be informed by an assessment of the perceived customer value, including their judgements on the relative trade-offs between reliability and cost. Incentive should focus on delivering the best value for the customer based on their expectations.

Distribution Reliability Measures

Energy Networks Australia notes the AEMC requires the AER to publish a Distribution Reliability Measures Guideline to establish reliability measures and provide a standard for common measures, so they are consistent and comparable across networks.

The AEMC recommended common definitions for a number of measures compared to what is currently applied. The main difference proposed is the change in the threshold level of MAIFI from 1 - 3 minutes, which the AER has initially supported.

We also note the AER is considering treatment of exclusions, feeder definitions, system wide approaches for worst served customers and measurement and collection of data for other parameters. Our responses to the questions are outlined below.

MAIFEE

Consultation questions 4 and 5

Should MAIFIE be implemented as the standardised measure for momentary interruptions?

Energy Networks Australia supports MAIFEE as the preferred measure for the following reasons:

- » It is a better measure of the impact of the interruptions on customers.
- » It has been used in Victoria since the implementation of the incentive schemes.
- » It is preferred over MAIFI which may discourage or limit the incentive for DNSPs to apply more than a single automatic restoration attempt.
- » It is less likely to be skewed by different operational practices.
- » It allows for more meaningful intra and inter regional comparisons and is therefore more reliable for benchmarking.

It is worth clarifying that many distribution businesses are unable to provide MAIFle data without significant systems investment. While Energy Networks Australia supports the use of this measure, the AER should recognise the ability of businesses to report on it. At least initially, Energy Networks Australia consider it should be applied to businesses which are currently able to report on it.

Even if the definition for performance comparisons was set at 3 minutes, should the STPIS provide flexibility to change the MAIFI threshold to a value other than 3 minutes to balance the cost of the technologies available to the distributors, the forgone unmeasured unserved energy and customers' preferences?

Energy Networks Australia supports the proposal to adjust the MAIFI threshold to three minutes. Such an approach is consistent with AEMC recommendations, the IEEE standard and approaches in other jurisdictions (eg. OFGEM). The extended threshold will potentially drive future improvements in automated restoration to the benefit of all customers, e.g. Fault Detection, Isolation and Recovery (FDIR) and self-healing networks.

There are concerns regarding the implementation of these arrangements in some jurisdictions. For some networks, the systems may not provide sufficient accuracy of outage times to back-calculate historical SAIDI, SAIFI and MAIFI using the new threshold. There may be a need to ensure that customers are fully engaged on proposed changes as well.

A number of ENA members had concerns about the proposal for a flexible, moving threshold above or below 3 minutes. Changes to the current STPIS should maintain or enhance regulatory certainty. The introduction of a mechanism allowing the AER to change the MAIFle threshold from time to time appears to depart from the intent of the Guideline to provide consistency and comparability. The STPIS should be prescriptive in the application of MAIFle across DNSPs if the AER intends to use this information for benchmarking purposes.

There may be exceptions to this where systems are unable to support the immediate application of the 3 minute threshold or to balance technology investments which have already been committed.

To minimise confusion and duplication, MAIFle thresholds reported to the AER and jurisdictional regulators should be consistent. Energy Networks Australia would encourage the AER to work with jurisdictional regulators to implement a common definition so that the MAIFle threshold reported to all regulatory bodies has a fixed reference point.

Exclusions

Major event days and exclusion from performance measures

Energy Networks Australia recognises that the AEMC recommended that, when

considering the underlying performance of the network:

- » removal of events beyond control of the network from calculation of Major Event Days (MEDs)
- » catastrophic events from the database of interruptions.

The AER recognised the conclusions from the AEMC, but also noted:

- » there is no objective measure of catastrophic events
- » there is substantial heterogeneity between networks
- » if no suitable method can be identified the AER will not change the current MED exclusion method
- » there may be legitimate reasons to exclude such events from STPIS measures
- » given the nature of such events, the AER does not consider it will impact STPIS normal operations.

Consultation Questions 6-8

What method should be applied to identify catastrophic days so that it is able to consistently, reasonably and universally operate across all distributors?

Given catastrophic days are already excluded under the MED framework, should such events be treated differently from the "major event days" concept under STPIS?

Should distributors be permitted to exclude a transmission outage event if the event is caused by the action, or inaction, of that distributor?

In respect of MEDs, Energy Networks Australia supports:

- » the continuance of the 2.5 beta method, noting the method is applied in many countries
- » flexibility for a higher standard where appropriate.

The inclusion of catastrophic days results in the MED threshold being artificially inflated. Ergon Energy has observed that in the past years the MED threshold calculations for their business have been severely skewed away from a statistically normal value by the inclusion of events resulting from Tropical Cyclone Larry in 2006 and Tropical Cyclone Yasi in 2011

Energy Networks Australia considers an appropriate methodology should be developed with industry to remove certain catastrophic events from the dataset. There is general support for IEEE 4.15 beta method as a reasonable method to identify more extreme outliers and it could be applied consistently across all distributors.

Energy Networks Australia generally supports the principle that DNSPs should not be

permitted to exclude a transmission outage event if the event is caused by the action, or inaction of that DNSP.

However, the proposed change would require careful consideration to be workable, such as a clear approach to defining the “primary cause”. For instance, if a distributor is responsible for transmission planning, then the consequence of transmission outages should be borne by the distributor where *planning* was determined as the primary cause of the outage event. In this instance, planning must be confidently deemed to be the primary cause, and not the subsequent timely implementation, availability management or maintenance provided by the TNSP.

Assigning responsibility between DNSPs and TNSPs is therefore not always clear cut and an unclear framework which includes such an exemption could result in lengthy dispute resolution processes. This will ultimately result in inefficient processes and will not achieve improved performance for the benefit of the customer. In any case, if the event exceeds the MED threshold, it should still be excluded as this method is independent of cause.

Definition of feeders

Energy Networks Australia notes that the AEMC did not make major changes to feeder definitions. However the AER is consulting on the issues identified by the AER including:

- » Classification changes between feeder categories
- » Whether classifications are always intuitive for customers
- » The concept of CBD classification
- » Feeders which supply a variety of customers

Consultation Questions 9 and 10

The AER would like views on the current definitions and their feeder classifications

Historically, only feeders supplying the central business districts of the capital cities of each jurisdiction have been classified as CBD feeders for STPIS purpose. Should this practice be maintained?

Energy Networks Australia supports the view that wholesale changes to a significant number of feeders impact the measured reliability of the affected feeder classifications which impacts the operation of the incentive. Changes should therefore be considered with caution.

However, in relation to the definition of CBD feeders, both the AER and AEMC found that the concept of CBD means different things for different parties. Energy Networks Australia members would like to work with the AER to establish how the scheme can

allow for consistency in outcome while also allowing for some flexibility in different jurisdictions.

Planned interruptions

Response to questions 11 and 12

Should planned outages be included in the STPIS? What is the value/cost of a planned outage?

What considerations should we take to address the potential safety related issues in order to enable the introduction of incentives to reduce planned outages?

Although planned interruptions should continue to be monitored, we would urge the AER to evaluate the cost/benefit trade-off and be informed by the preference of customers before committing to inclusions of planned outages in an incentive scheme.

Governance processes and regulatory obligations already exist for planned interruptions in terms of advance customer notice. A reduction of outage duration in planned outages is already incentivised by benefits through improving operational efficiency. By contrast, the introduction of planned interruptions as a STPIS measure may increase the cost of operating and augmenting networks. It is unlikely that these additional costs would align with the value customers place on avoiding planned interruptions. There is also a risk that attempting to incentivise a reduction in planned interruptions would lead to an increase in unplanned outages.

Previous consultation in this area also pointed to a risk of incentivising increases in live line work activity, with the obvious potential for cumulative implications for safety and risk management. As a matter of principle, schemes should be designed in a way that is cautious in relation to potential safety and risk implications.

Monitoring the worst served customers and GSL payments

Energy Networks Australia agrees with the AER that both the S factor and the GSL payments schemes provide an incentive to improve reliability. GSL payments in particular provide additional incentive for electricity distributors to improve the reliability of worst served customers. The AER will be aware that members have a range of strategies in place for maintaining reliable performance with some businesses having additional jurisdictional requirements in this regard.

Consultation question 13

The AER would like views on what level of supply interruptions is considered worst served?

It is unclear whether the AER intends to collect information for reporting purposes or whether it intends to expand the STPIS to include elements of poor performing feeders. In either case, it is vital that any proposed changes recognise existing jurisdictional approaches to GSL payments and reporting of poor performing feeders.

The AER correctly notes that GSL schemes apply in each jurisdiction to require payments to be made directly to the worst served customers (in the case of reliability) or where certain levels of service are not met. Some jurisdictions also require networks to report on poor performing feeders. For example, the NSW Reliability and Performance Licence Condition for Electricity Distributors requires member businesses to report quarterly on poor performing feeders which are identified using jurisdictionally determined thresholds.

Consistent Approach to measure outages

Consultation Questions 14 and 15

Do you consider that improved standardisation would increase the effectiveness of STPIS?

Energy Networks Australia agrees that standardisation would improve the consistency and accuracy of STPIS. Improved standardisation will also increase the effectiveness of the STPIS, with the greatest benefit coming from improved accuracy in benchmarking between utilities.

Members are aware however that currently the capturing and reporting of electrical interruption data varies between jurisdictions, which is likely to reflect the systems and processes of electricity distributors within those jurisdictions. It is likely that any standardisation process will inevitably involve costs being imposed on those distributors which need to adapt their existing reporting systems and processes to meet a standardised arrangement.

Changes to standardise feeder categories may require members to back-cast performance when proposing targets set under STPIS and will require changes to the reporting applications and associated software.

Energy Networks Australia considers that the AER should only proceed with changes to the current STPIS definitions if they believe the benefits of increased standardisation, such as more meaningful benchmarking, are justified against the costs which will be passed on to customers in order to meet standardised requirements.

In this context, members note there is a difference in the definition of unplanned

interruptions between that contained in the NECF legislation and that in the STPIS. This has caused some confusion and system work-arounds. Standardisation of this definition would provide greater clarity and efficiencies for DNSPs.

Should unmetered supplies be included in the performance measure?

Unmetered supply is not currently included in the performance measure, there would be significant costs involved in identifying and including unmetered supply into existing reporting systems. While the establishment of a scheme could provide incentives for improved performance for unmetered supplies, it is unclear at this stage what form this incentive would take in terms of:

- » the value of customer reliability that would be attributable to unmetered supply
- » the reporting requirements, and consequent systems and processes.

Similar to the issue of standardisation, the inclusion of unmetered supplied should only be included in performance measures when the costs of implementing and applying the scheme being passed on to customers are worth the benefits of incentives for improved performance (which will also be passed on to customers).

STPIS Specific Issues

Adjusting the targets where the reward or penalty exceed the revenue cap under STPIS

Consultation question 16

What is the appropriate method to adjust the target when the performance improvement or deterioration results in the financial reward/penalty that exceeds that cap level?

Energy Networks Australia notes that the AER is seeking views on a clear method based on a sound hierarchy, which reflects users' values, to determine adjustment values when a distributor's actual performance is much better or worse than the performance targets.

There were different understandings by Energy Networks Australia members as to what any adjustment mechanism contemplated was trying to achieve. At this stage we are unclear on how any adjustments would operate to promote the scheme. Energy Networks Australia seeks further clarification of the problem the AER is trying to resolve, including an example showing analysis that demonstrates how, in principle, the approach provides a more positive outcome in the long term interest of customers.

Balancing the Incentive to maintain and improve reliability with the incentive to reduce expenditure

Consultation question 17

Do you consider that allowing distributors to retain the same proportion of the value of reliability improvements as they do capital and operating expenditure reductions will promote economic efficiency?

Energy Networks Australia notes and supports the need to balance changes in one incentive regime with changes in another. There appears no basis for adjusting the balance between existing schemes. Departures from the current balance “mix” should be based on clear justification.

A symmetrical financial incentive scheme

Consultation question 18

We would like views on whether the scheme should continue to operate in a symmetrical way, i.e. penalties are incurred at the same rate as rewards

Energy Networks Australia emphasises that the scheme exists to provide benefits in the long-term interests of consumers, rather than network service providers.

At this stage, there does not appear to be an argument in favour of movement to an asymmetric incentive scheme that would be in the long-term interest of customers. The AER addressed this issue when developing the STPIS in 2008. The AER concluded that a symmetrical STPIS more closely approximated the operation of the competitive market. Energy Networks Australia is not aware of any new evidence that would substantiate a movement away from the conclusion reached by the AER at the scheme’s inception.

Asymmetric incentives would dampen the distributor’s incentives to actively search for innovative solutions that improve service quality and is likely to result in higher overall costs being passed through to customers compared to a symmetrical arrangement.

How to link with distributor engagement findings seeking changes to reliability level

Consultation question 19 and 20

Should consumers' preferences be reflected through the capital and operating expenditure funding level, or through the STPIS incentives, or a combination of both measures?

Which input factors of the STPIS should be, or could be, made flexible to reflect consumers' preference on reliability level, for example the VCR rate, level of revenue at risk and the major event day exclusion criterion (which determines the coverage of the reliability measures).

Energy Networks Australia considers that, generally, the existing regulatory framework provides sufficient flexibility for the AER to allow for consumer preferences being reflected in capital and operating expenditure funding levels and the application of incentive schemes.

At a more granular level however, there is an argument to allow the STPIS to be even more flexible to respond to and vary the incentive / value of a customer type or locality, as opposed to simplification of the current scheme which disaggregates across 3-4 feeder categories representing a broad and diverse customer base. It should be noted that improvements to achieve this refinement would come at the expense of that simple feeder categorisation.

If STPIS were customer class specific and regional or locality specific it would improve the flexibility and responsiveness of the scheme, but it would also limit the ability to benchmark performance between distributors. Nevertheless, the AER may wish to consider opportunities for some businesses to propose alternative approaches to incentives beyond existing feeder categories where customer value can be demonstrated.

Similarly, there may be arguments to allowing flexibility in VCR rates and the level of revenue at risk based on different consumer preferences and willingness to pay for reliability. But this is best dealt with at a DNSP specific issue as part of discussion around the regulatory proposal and only after engagement with customers.

Such arrangements should be considered as exceptions that are demonstrated in the NSPs proposal rather than opening the scheme to uncertain outcomes. The introduction of uncertain discretion into the input factors of the STPIS has the potential to create uncertainty that may impact the ability of members to make effective long term planning and investment decisions.

Other minor refinements to the scheme

Question 21

We would like views on the current approach for s-factor calculations. Specifically, should the calculation of s-factor be simplified, and how?

We would like views from stakeholders on what other clarification is needed for the GSL section of the current STPIS scheme

Energy Networks Australia supports the investigation of any changes that may result in the simplification of the STPIS. In particular, any changes that may make the STPIS more accessible to customers. Further discussions would be welcomed in moving toward a more simplified approach, noting:

- » there would be benefit in demonstrating how more simplified approaches are calculated and applied to a range of different control mechanisms;
- » any transition to a new approach must avoid any opportunity for DNSPs to be disadvantaged or risk not being able to recover revenues that had previously been determined in justifying STPIS improvement investments.
- » specific consideration should be given to inter-period transition to ensure there is no confusion over how the recovery of the mechanism is applied through prices within a regulatory period and between regulatory periods.

Future of STPIS

Consultation questions 23-26

In what way could the STPIS be changed to reflect the needs of consumers with storage or other similar technologies?

Storage Technologies

Energy Networks Australia believes the uptake of storage is likely to increase significantly over the next decade and this is likely to require a number of responses at the pricing, regulatory and asset management levels.

Member businesses are now experiencing circumstances where customers interrupted have requested networks not to re-energise the connection for a period while they are self supplying their energy needs. Energy Networks Australia would like to work with the AER on how to change arrangements to ensure businesses are not penalised where customers have requested not to have power restored for a particular time.

At this stage however this type of customer represents a small proportion of the overall customer base. Given that the current scheme design represents an aggregated view of residential, commercial, industrial and agricultural customers across the coarse feeder level categories, it would be difficult to amend the entire incentive scheme to reflect changes amongst a small sub-category of customers.

Other Distributed Energy Resources

It is likely that the AER will need to respond to the transformation of the energy sector over the next decade in a range of regulatory functions and the consideration of STPIS impacts are probably best left to a broader consideration of the regulatory landscape associated with energy market transformation.

The existing STPIS is not based directly on the energy-not-supplied. Do you think it would be preferable to base the financial reward or penalty directly on the energy not supplied? How shall we measure the social harm associated with network outages?

The existing STPIS is estimated as the product of the outage duration (and frequency) of an average customer and the incentive rates for the SAIDI (and SAIFI). Do you think it would be preferable to base the average outage duration and frequency on energy not supplied (KWH) or load (KVA)?

Should the AER move away from service quality measures mainly based on SAIDI and SAIFI measures? If not, how do we know when we have reached that point? What other measures should be considered?

Basing incentive rates on energy-not-supplied would require robust and accurate load profile data at the customer level which most jurisdictions do not currently have and which would add a level of complexity. In addition the existing STPIS is based on customer metrics and valued from VCR studies on customer impact. It is not clear how the AER would apply this to an *energy not supplied* basis. The AER would need to inform network businesses and consumers of the benefit of transitioning to this process, compared to the status quo.

Similarly, Energy Networks Australia does not support a move away from service quality measures based on SAIDI and SAIFI at this point in time. Members recognise that the current scheme is likely to have an expiry date at some point in the future but how these changes are dealt with should be considered as part of a broader look at regulatory change in light of energy transition.