

**Electricity distribution and retail licences:
compliance report for 1999/2000**

Report to the Minister for Energy

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

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1 INTRODUCTION

In November 2000, the NSW Government transferred to the Independent Pricing and Regulatory Tribunal of NSW responsibility for administering the licensing of NSW electricity distribution and retail businesses, and reporting on the extent of their compliance with licence conditions.

Formerly, the Ministry of Energy and Utilities administered the licensing of electricity businesses, and the Licence Compliance Advisory Board (LCAB) prepared annual licence compliance reports. The LCAB ceased to exist in February 2000 and thus did not complete its report on licence compliance during 1999/2000.

The first function of the Tribunal in its new role has been to complete the LCAB's task of reporting on compliance with the licensing regime, as administered by the Ministry during 1999/2000.¹

On the basis of information provided by licensees, the Tribunal has assessed that nine licensees have not complied with some licence conditions. In some cases, these follow similar instances of non-compliance in 1998/99. The Tribunal is writing to each licensee asking them to explain why they have not complied with some conditions of their licence and give reasons why the Tribunal should not recommend remedial action or penalties.

The Tribunal is aware of various problems associated with the licensing regime that were identified by the LCAB in its previous reports (section 2.3 below). The Tribunal will work with the Minister for Energy to find ways of improving the licensing regime in the context of full retail contestability. This may involve the Minister asking the Tribunal to conduct a review of the regime.

However, until a review and any changes to the regime are complete, the Tribunal considers that licensees should comply with the current regime. Early in 2001, the Tribunal will write to licensees to confirm the current reporting requirements for 2000/01.

2 NSW ELECTRICITY LICENSING REGIME

This section outlines key elements of the electricity licensing regime² in 1999/2000, problems with the regime already identified by the LCAB, and the Tribunal's new role.

2.1 The regime

The *Electricity Supply Act 1995* establishes the statutory basis for licensing electricity distributors and retail suppliers in NSW. In addition to the licence conditions contained in the Act, further conditions have been added by the Electricity Supply (General) Regulation 1996 and by the Minister for Energy.

¹ Section 87(1) of the *Electricity Supply Act, 1995*, as amended by the *Independent Pricing and Regulatory Tribunal Act, 2000*.

² The Licence Compliance Advisory Board's compliance report for 1998/99 provides a more detailed explanation of the licensing regime.

The Minister has also issued a series of Ministerial Guidelines, compliance with which is required by several licence conditions. These guidelines provide the substantive content of licence conditions by covering:

- the requirement to lodge licence plans periodically, addressing matters such as customer service, safety and compliance management, and nominating performance targets
- key performance indicators against which licensees must report their performance
- a requirement for retailers to prepare strategies to achieve greenhouse gas reduction targets, and to report their performance in achieving such reductions
- the information upon which distributors and retailers must report annually to demonstrate compliance with licence conditions
- the process by which licensees are to have their annual compliance reports independently appraised.

Distributors must adopt and report their compliance with an accounting separation code of practice approved by the Tribunal.

The Electricity Association of NSW has developed voluntary codes of practice which have been 'recognised' by the Ministry. Licensees must report in their licence plans and in their standard form customer contract where they have not adopted a recognised code of practice.

All distributors (and some other electricity network operators who are exempt from being licensed as distributors) also report to the Ministry on their compliance with network management and safety requirements. The obligation to report on network management information is a distribution licence condition.

2.2 Licence conditions in 1999/2000

Separate licences are required to conduct electricity distribution and retail supply businesses.³ Although the six NSW distributors operate retail businesses within the same corporate structure, they must keep their distribution and retail businesses at arm's length.

Each distributor retains franchise (non-contestable) customers within its geographic monopoly and competes with other retailers for non-franchise (contestable) customers across NSW. Seventeen independent retailers are also licensed to compete for non-franchise customers across NSW. Different licence conditions and reporting requirements apply in respect of retail supply to franchise and non-franchise customers.

³ The Minister may grant distribution and retail supply licences under sections 14 and 33 of the *Electricity Supply Act, 1995* respectively.

2.2.1 Distributors' licence conditions

Standard distributor licence conditions include obligations to:

- hold a retail supplier licence and a National Electricity Market registration, and satisfy NEMMCO's technical and prudential requirements for NEM registration
- separate distribution business affairs from the licensee's other affairs
- provide customer connection services under a customer connection contract, and to comply with the Act and its regulations in preparing and entering into those contracts
- amend standard form customer connection contracts to facilitate the delivery of guaranteed customer service standards
- provide connection services to 'exempt persons' under certain conditions only
- prepare and adhere to licence plans which protect customers and ensure the effectiveness of the industry's reforms, eg standards of service, enquiries and complaints management, risk management, the quality of electricity work in customers' installations, and safety issues
- report in terms of licence plans and compliance with licence conditions
- explore demand management strategies before augmenting or expanding a distribution system
- deliver any government social programs for electricity, as required
- pay the electricity distributor's levy to the NSW Government.

2.2.2 Retail suppliers' licence conditions

Standard retail supplier licence conditions include obligations to:

- hold a National Electricity Market registration, and satisfy NEMMCO's technical and prudential requirements for NEM registration
- if the retail supplier is also an electricity distributor, to be the retail supplier of last resort for all customers within its distribution district
- supply electricity to franchise customers under defined circumstances only, and then under a contract prepared and entered into in accordance with the Act and its regulations
- amend standard form customer supply contracts to facilitate the delivery of guaranteed customer service standards
- provide supply to, or receive supply from, 'exempt persons' under certain conditions only
- prepare and adhere to licence plans, which protect customers and ensure the effectiveness of the industry's reforms, eg standards of service, enquiries and complaints management, and licence compliance management
- report in terms of licence plans and compliance with licence conditions
- develop and negotiate strategies with the Minister for Energy to achieve reduced (and independently verified) greenhouse gas emissions

- have these strategies audited by the Environment Protection Authority at least every three years
- develop 1, 3 and 5 year plans for energy efficiency, demand management and alternative energy sourcing strategies
- report annually in relation to specified matters including implementation of its demand management strategy, greenhouse gas emissions arising from production of electricity for retail supply, and performance in meeting minimum standards of service under customer contracts
- not discriminate against persons on the basis of their association with alternative sources or forms of energy or demand reduction systems
- deliver any government social programs for electricity, as required.

2.3 Problems with the regime

From 1996/97 to 1998/99, the LCAB prepared licence compliance reports annually with support from the Ministry. The LCAB identified non-compliances by licensees,⁴ but did not recommend actions to be taken against those licensees.

Critical of the licensing regime, the LCAB recommended changes to:

- a) focus the regime on the Government's customer, community and environmental objectives
- b) establish a robust performance reporting system based on consistent measurement of meaningful information on each licensee's performance against those objectives
- c) require licensees to disclose key performance information to their customers and the public
- d) improve the processes for independent appraisal of licensees' compliance reports to allow the LCAB to rely upon them as a source of independent assurance.⁵

The LCAB argued that the licensing regime was failing to improve standards of service to customers because it relied on licensees nominating their own performance targets in licence plans.⁶ Although the plans included performance targets for nominated performance indicators, the indicators were poorly defined, making it impossible to measure or compare performance.⁷ Furthermore, some licensees amended their plan at the end of year when they reported their compliance against that plan.⁸

⁴ See for example, Licence Compliance Advisory Board Annual Report 1999, *Report to the Minister for Energy and Minister for Fair Trading on Licence Condition Compliance by Licensed Electricity Distributors and Retail Suppliers in New South Wales in 1998-99*, October 1999, p 28.

⁵ op cit, p iii.

⁶ op cit, p 57.

⁷ op cit, p 56.

⁸ op cit, p 33.

2.4 Changes to the licensing regime in 2000

Licence administration has been transferred to the Tribunal. The Ministry will continue to provide policy advice to the Minister and to regulate network management.

The Tribunal's responsibilities are to:

- a) monitor and report on compliance
- b) recommend that the Minister: grant, vary, transfer or cancel licences; impose, vary or cancel licence conditions; impose sanctions or require remedial action for any breach
- c) impose small sanctions or require remedial action (to the value of \$10,000 on day 1 and \$1,000/day thereafter).

The Tribunal will work with the Minister for Energy to find ways of improving the licensing regime in the context of full retail contestability. This may involve the Minister asking the Tribunal to conduct a review of the regime.

Until it has reviewed how the regime is operating and consulted with industry and other relevant stakeholders, the Tribunal will maintain the current licensing and reporting requirements.

3 THE TRIBUNAL'S ASSESSMENT OF COMPLIANCE

This section identifies breaches of licence conditions during 1999/2000. The Tribunal's assessment of licence compliance is based on the licence condition compliance annual report of each licensee, together with the associated independent appraisal report which the licensee is required to provide.

The Tribunal has assessed that nine licensees have not complied with various licence conditions. In some cases, these follow similar instances of non-compliance in 1998/99. The Tribunal is writing to the relevant licensees asking them to explain why they have not complied with some conditions of their licence and to give reasons why the Tribunal should not recommend remedial action or penalties.

Some licensees have commented in their compliance reports that they perceive no value in complying with certain licence conditions or were unclear about some licence conditions (discussed in section 3.2.1 below). Until any review of the licensing regime and any changes to licence conditions are complete, the Tribunal intends that the current regime should be complied with. Early in 2001, the Tribunal will write to licensees to confirm the current reporting requirements for 2000/01.

3.1 Non-compliance with licence conditions

CitiPower and Yallourn Energy did not lodge licence plans for 1999/2000. Notwithstanding previous comments by the LCAB on problems with licence plan requirements, licence plans are a central element of the regime as it currently stands.

Origin Energy, CitiPower, Powercor, and Yallourn Energy lodged greenhouse gas abatement strategies and reported their performance against these (see Appendix 2), but did not lodge further environmental plans as required.

Powercor, Great Southern Energy, Integral Energy, NorthPower, Advance Energy and Australian Inland Energy did not report their performance against some or all of the required customer service performance indicators. Powercor did not provide this information in 1998/99 either.⁹

Some licensees were late in submitting required documents, did not comply with minor reporting requirements¹⁰ or submitted apparently incorrect information which the Tribunal is clarifying. These instances demonstrate that some licensees' compliance management systems are inadequate.

3.2 Plans and reports lodged by licensees

Licensees were required to lodge licence plans and environmental plans. They must report their performance against their licence plans in their licence compliance reports.

The Tribunal believes the information in these plans and reports should be available publicly as they provide some information on the performance of licensees' businesses.

3.2.1 Licence plans

In February 2000,¹¹ licensees were required to submit draft licence plans for review by the LCAB.¹² Compliance reports were to be lodged in August 2000, reporting against final licence plans, incorporating the LCAB's amendments, and reporting on performance in respect of some customer service performance indicators. The LCAB did not review the draft licence plans before its term expired in February 2000.

During 1999/2000 the Ministry proposed removing licence plans from the licensing regime and introducing different performance indicators for 1999/2000. When the Government decided to transfer licence administration to the Tribunal, the Ministry abandoned its proposals, thus avoiding multiple changes to the regime in a short time period.

⁹ op cit, Table 4.3, p 27.

¹⁰ For example, all licensees must provide an explicit statement of compliance with NEMMCO's technical and prudential requirements for NEM registration. One distributor omitted this statement, but the independent appraiser confirmed that the distributor held the NEM registration.

¹¹ op cit, Appendix 5.

¹² Section 4.3.1(a), *Guidelines and Requirements Policy*.

Many licensees subsequently reported in terms of their draft licence plans in their annual compliance report. Others have reported against their 1998/99 plans, or have not reported against all the key performance indicators nominated in the Ministerial Guidelines. Appendix 1 provides a summary of licensees' performance in terms of particular performance indicators and other licence conditions. Echoing views expressed by the LCAB, the Tribunal believes there are considerable limitations on the usefulness and reliability of some of this performance data.

The Tribunal regards non-reporting against nominated key performance indicators as a serious breach of a licensing regime. The Tribunal is reviewing the key performance indicators set down for licensees.

3.2.2 Environmental strategies

The Ministry reports annually on electricity retailers' performance in respect of greenhouse gas emissions. The LCAB has published these reports, which provide a detailed explanation of the regime, as an appendix to its own report. Continuing this practice, the Tribunal has included the Ministry's report as Appendix 2 to this report.

Figure 3 in Appendix 2 shows performance against benchmark by each NSW retailer for 1998/99 and 1999/2000. In 1999/2000 most retailers fell further behind their greenhouse gas emission benchmarks than they had been in 1998/99.

3.2.3 Network management plans

Distributors are required to supply information on network reliability, quality of supply, reliability of supply and network safety as specified in the Ministry's common Network Management Plan Reporting requirements.

Information provided by the NSW distributors is combined with similar information provided by other network operators (Snowy Mountains Hydro Authority, Rail Access Corporation, and TransGrid) to form a network management report published separately by the Ministry. In early 2001 the Ministry expects to publish its 1999/2000 network management report.

APPENDIX 1 INFORMATION ON PERFORMANCE INDICATORS

Table A1.1 Electricity Distributors: key performance indicators

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
Guaranteed Customer Service Standards (KPI B)							
KPI B(1)(a) – Timely Provision of Connection Service							
Total number of connections provided by licensee for existing premises and new premises where work is undertaken by licensee	#	27,302	2,043	12,421	18,011	131,573	89,264
KPI B(1)(b) – Compensation Paid for Delays							
Number of connections not provided on or before the agreed date	#	61	0	1	5,415	16	23
Percent of total number of connections not provided on or before agreed date	%	0.22	0	0.01	30	0.001	0.02
Total \$s of compensation paid during the reporting period	\$	7,860	0	300	60	400	2,460
KPI B(2)(a) – Timely Notice of Planned Interruptions to Supply							
Total number of planned interruptions to supply	#	1,687	363	25,203	2,613	2,516	2,470
Number of planned interruptions where licence holder has failed to provide at least 2 business days' notice of any interruption to the customer's supply							
- Numbers	#	18	4	20	N/P	14	4
- % of total interruptions	%	1.06	1	0.08	N/P	0.56	0.16
Number of planned interruptions in excess of time notified							
- Numbers	#	5	35	0	303 ¹	72	0
- % of total number of planned interruptions	%	0.3	9.6	0	11.6 ¹	2.86	0
KPI B(2)(b) – Compensation Paid for Inadequate Notice or Interruption for Longer Than Indicated in Notice							
	\$	460	0	400	20	114,980 ²	80
KPI B(3)(a) – Provision of Telephone Hotline for Faults and Difficulties in the Licence Holder's Electricity Works							
Telephone number of licence holder's service that operates 7 days 24hours, being a telephone service							
(i) that operates on a number to which a person can be connected for the price of a local telephone call and							
(iii)that can receive notice of and give information concerning, faults and difficulties in the licence holders electricity works	Tel: #	132830	1300655909	131388	132358	131003	132080

1. Estimated.

2. This figure includes compensation paid for a number of connection problems beyond those covered by KPIB(2)(b).

N/P denotes a mandatory performance indicator which has not been provided.

N/A denotes a voluntary performance indicator which has not been provided.

Table A1.1 Electricity Distributors: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
KPI B(3)(b) – Provision of Telephone Hotline for Customer Connection Services							
Telephone number of the licence holder's service that operates during business hours, being a telephone service that operates on a number (different from the number of any telephone service provided in KPIB(3)(a)) to which a person can be connected for the price of a local telephone call	Tel: #	N/P	N/P	131535	N/P	131002	132066
Connects to human operator	Y/N	Y	Y	Y	Y	Y	Y
Call drop-outs & abandoned calls	#	13,693	32	6.8%	20,242	558,500	2.7%
Average waiting time before call is transferred to a human operator	min:sec	00:25	00:14	00:32	00:21	04:15	00:21
KPI B(4)(a) – Timely Repair of Faulty Streetlights							
Total number of reported streetlight faults	#	1,755	221	30,948	4,845	14,102	9,052
Number of times licence holder has failed to repair faulty streetlights on or before the date agreed between the licence holder and any eligible customer as the date by which the repair is to be completed	#	2	0	327	N/P	344	12
Time to repair streetlights	days	1.46 days	3.62 days	9.7 days	N/P	94% within 3 days; 98% within 5 days	4.23 days
KPI B(4)(b) - Compensation paid for Delays							
Total dollars of compensation paid during the reporting period	\$	30	0	4,905	1,215	5,160	180
KPI B(5)(a) - Punctuality in Keeping Appointments							
Number of times licence holder (or agent) was more than 15 minutes late for an appointment with customer (or representative) regarding a distribution matter	#	0	0	0	N/P	1	0

Table A1.1 Electricity Distributors: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
KPI B(5)b) – Compensation Paid for Late Appointments							
Total dollars of compensation paid	\$	0	0	0	0	25	0
KPI C1 – Complaints **							
Total # of complaints	#	874	138	2,932	305	N/P	1,662
KPI C2 – Number of Unrequested Disconnections by Category							
Number of disconnection by category							
- failure to provide security	#	0	1	6,554	6	8,128	N/P
- failure to pay amount due	#	1,862	413	N/P	6,730	N/P	6,718
- failure to provide access	#	0	0	0	0	N/P	0
- obstruction of authorised person	#	0	0	0	0	N/P	0
- is not a party to an electricity supply contract	#	0	0	0	0	N/P	0
- there is no customer supply contract under which electricity supply can continue	#	0	0	0	622	N/P	0
KPI C3 - Unrequested Disconnections on Weekends or Public Holiday							
Total number of unrequested disconnections	#	0	0	0	0	0	0
Number of unrequested disconnections on Friday, Saturday, Sunday, Public Holiday or day immediately preceding a public holiday, or after 15:00 on any other day	#	0	0	0	0	0	0
Number above as % of unrequested disconnections	%	0	0	0	0	0	0
KPI C4 - Unrequested Disconnections Without Due Notice							
Number of unrequested disconnections without due notice	#	0	0	0	1	1,737 ³	0
% of total disconnections	%	0	0	0	0	21.4	0
KPI C5 - Disputes with Customers Regarding Connection							
Number of disputes regarding connection							
- Residential	#	0	0	2	0	0	N/A
- Business	#	0	0	1	0	0	N/A
- CSOs	#	0	0	0	0	0	N/A
- Total	#	0	0	3	0	0	38

3. This figure is for disconnections during July and August 1999

** Information regarding breakdown of complaints was requested. Due to lack of uniformity, that breakdown is not recorded.

Table A1.1 Electricity Distributors: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
LC 2.2 - Obligation to Connect							
Refusal to connect following application?	Y/N	N	N	N	N	N	N
Number of refusals to connect							
- failure to provide security	#	0	0	0	0	0	0
- failure to pay amount due	#	0	0	0	0	0	0
- failure to provide access	#	0	0	0	0	0	0
- obstruction of authorised person	#	0	0	0	0	0	0
- not a party to electricity supply contract	#	0	0	0	0	0	0
- has a contract under which supply is discontinued	#	0	0	0	0	0	0
- Total	#	0	0	0	0	0	0
LC 2.3 - Customer Connection Services to be Provided Under Customer Connection							
Customer and connection contracts used for all customer connection services?	Y/N	Y	Y	Y	Y	Y	Y
LC 3.2 - Obligation to Comply with Network Operator's Authorisation							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
LC 3.3 - Technical and Prudential Criteria							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
LC 3.4.2 - Separation of Distribution System Business							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
LC 3.4.3 - Separate Accounting and Business Records for its Distribution System Operative Functions							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
Report to IPART	Y/N	Y	N	Y	Y	Y	Y
LC 3.4.4 - Allocation of Costing of Resources used for Distribution and other affairs							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
LC 3.4.5 - Compliance with Minister's Guidelines on Compliance with 3.4							
Statement of Compliance	Y/N	Y	Y	Y	N	Y	Y
LC 3.5.1 - Changes to SFCCC							
Have any changes been made to the SFCCC in the reporting year?	Y/N	N	N	Y	Y	N	Y
LC 3.5.2 - Compliance with Act's Provisions for Negotiated Customer Connection Contracts							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	N

Table A1.1 Electricity Distributors: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
LC 3.5.3 - Negotiated Customer Connection Contracts							
Any negotiated customer connection contracts?	Y/N	Y	N	N	N	N	Y
Disclosure of and provision of SFCCC?	Y/N	Y	Y	Y	Y	Y	N
How many did not receive SFCCC?	#	0	0	0	0	0	1
LC 3.7.2 - Plans Must Comply with Minister's Guidelines							
Statement of Compliance	Y/N	Y	Y	Y	Y	Y	Y
LC 3.8.1 - Conduct of Affairs Under Licence, General Corporate							
Certified under ISO9000, or would it satisfy for certification?	Y/N	N	N	Y	N	Y	N
Inquiries and complaints management procedures comply with AS4269?	Y/N	N	N	Y	N	N	Y

Table A1.2 Retail Suppliers to Franchise Customers: key performance indicators

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
Provision of Telephone services for customer contact (KPI 6)							
Telephone number provided by licensee:	Tel #	132795	1300650477	131535	132356	131002	132066
- Operating during business hours							
- Local call fee only							
- For customer accounts & customer supply services							
a. Number of occasions when overloaded	#	4,507	N/P ¹	0	0	N/P ²	N/P
b. Average duration of overload events	#	N/P	N/P ¹	0	0	N/P ²	N/P
c. Average waiting time for automated answer	Min:sec	N/A	N/A	N/A	N/A	N/A	N/A
d. Average waiting time for human answer	Min:sec	00:29	N/A	00:36	00:37	04:15	00:21
e. Number of dropouts and abandoned calls	#	4,073	N/P ¹	87,601	9047	558,500	25,990
f. Number of calls regarding billing	#	17,248 ³	N/P ¹	369,570	118,580	1,128,300	413,919
g. Total Number of calls	#	194,449	N/P ¹	1,592,777	152,558	1,611,857	962,602
Punctuality in Keeping Appointments (KPI 5a & 5b)							
Total Number of appointments made	#	2,402 ³	N/P	7,057	2,147	N/P	N/P
Number of times licensee more than 15 minutes late for appointment with customer	#	0	0	6	8	1	0
Number of compensation payments made for 2.	#	0	0	6	0	1	0
Do you pay compensation automatically?	Y/N	Y	N	N	N	Y	Y
Total value of these compensation payments.	\$	0	0	150	0	25	0
When licensee is authorised to discontinue supply on grounds arising from standard form customer supply contract (KPI 7)							
Number of times discontinuance occurred on a Friday, Saturday or Sunday	#	0	0	0	0	0	0
Number of times discontinuance has occurred on a public holiday, or on a day preceding a public holiday	#	0	0	0	0	0	0
Number of times a discontinuance has occurred after 15:00 on any other day	#	0	0	0	N/P	0	0
Discontinuance without due notice (KPI 8)	#	0	0	6	0	0	0
Total authorised discontinuances to supply	#	1,862	N/A	6,548	N/A	N/A	N/A

1. Call centre capacity exceeded, 1st quarter 2000.
2. Continuing problem with telephone system.
3. Estimated.

Table A1.2 Retail Suppliers to Franchise Customers: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
Complaints (KPIs 1 & 3)							
Number of:							
a. Written customer complaints to licensee	#	19	16	N/A	N/A	N/A	N/A
b. Customer telephone complaints to licensee	#	825	72	N/A	N/A	N/A	N/A
c. Customer complaints made by other means	#	30	N/A	N/A	N/A	N/A	N/A
Total customer complaints	#	874	88	N/A	164	N/A	N/A
Number of:							
a. Residential customer complaints	#	153	N/A	38,174 ⁴	104	N/A	N/A
b. Customer complaints re. Bills	#	247	47	8,032 ⁵	154	10,208	686
c. Complaints concerning implementation of Government Social Program	#	0	N/A	6,551	30	N/A	N/A
d. Business customer complaints	#	94	N/P	8,032	20	N/P	N/P
Days to resolve complaints	#	1.81	2.8	44	5	6	3
Disputes (KPIs 2 & 4)							
Total number of billing disputes	#	0	0	376	188	0	0
Number of residential customer billing disputes	#	0	0	112	116	0	0
Number of business customer billing disputes	#	0	0	16	14	0	0
Number of disputes involving social programs	#	0	0	213	58	0	0
Average number of days to resolve disputes	#	0	0	17	3	0	0
Number of unresolved disputes at year end	#	0	0	25	2	0	0
Obligation to supply (LC 2.1)							
Number of authorised refusals to supply	#	0	0	0	0	0	0
Number of authorised refusals to supply due to customers':							
a. failure to provide security	#	0	0	0	0	0	0
b. failure to pay amount due	#	0	0	0	0	0	0
c. refusal or failure to give access to premises by an authorised officer, or obstruction of authorised officer	#	0	0	0	0	0	0

4. Residential customer complaints including complaints about community service obligation payments.

5. Complaints by business customers only.

Table A1.2 Retail Suppliers to Franchise Customers: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
Discrimination Prohibited (LC 2.2)							
Number of complaints	#	0	0	0	0	0	0
How many unresolved as at 30 June 2000?	#	0	0	0	0	0	0
How many unresolved within 28 days during 1999/2000 year?	#	0	0	0	0	0	0
Supply of electricity under Customer Supply Contracts (LC 2.4)							
Customer supply contracts used for all customer supply service	Y/N	Y	Y	Y	Y	Y	Y
Performance meeting minimum standards of service in Regulations (LC 3.1.4 (c)) – supply only							
Did Licence Holder refer to their performance in its Annual Report	Y/N	Y	Y	Y	N	Y	Y
Performance							
Number of times timely notice of planned interruptions to supply inadequate	#	18	4	20	N/P	14	4
Compensation paid	\$	360	0	400	20	114,880 ⁶	80
Number of appeals regarding classification of customer as contestable	#	0	0	N/A	0	0	N/A
Number of appeals regarding charges payable	#	247	0	N/A	0	N/A	N/A
References to EWON	#	99	19	376	187	760 ⁷	4
Number of requests for internal, alternative dispute resolution	#	0	0	6	0	0	0
Number of Arbitration events	#	1	0	0	0	0	0
Non-compliance with LC 3.2(a) (LC 3.2(b))							
Instances of non compliance	#	0	0	0	0	0	0

6. This figure represents compensation paid for a range of connections matters.

7. This figure represents total contacts by customers with EWON.

Table A1.2 Retail Suppliers to Franchise Customers: key performance indicators, cont'd

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy	NorthPower
Non-compliance with LC 3.3 Technical & Prudential (LC 3.3)							
Instances of non-compliance	#	0	0	0	0	0	0
Customer supply contracts (SF) (LC 3.5.1)							
Changes necessary to SFCSC	Y/N	N	N	Y	N	Y	Y
Necessary changes made	Y/N	0	0	Y	0	Y	Y
Customer supply contracts (SF) (LC 3.5.3)							
Negotiated CS contract with franchise customer	Y/N	N	N	N	N	N	N
Conduct of affairs under licence (LC 3.8)							
ISO 9000 certified or qualified?	Y/N	N	N	Y	N	N	N
Compliance with AS 4269?	Y/N	N	N	Y	N	N	Y
Information about compliance (LC 3.9)							
Report provided	Y/N	Y	Y	Y	Y	Y	Y
Certification by CEO	Y/N	Y	Y	Y	Y	Y	Y
Authorisation of Board	Y/N	Y	Y	Y	Y	Y	Y
IA supplied	Y/N	Y	Y	Y	Y	Y	Y

Table A1.3 Retail Suppliers to Non-Franchise Customers: key performance indicators

Key Performance Indicators	Measure	ACTEW Energy	Citipower	AGL Electricity	Ergon Energy	Ferrier Hodgson Electricity	Energex	Origin Energy	Powercor	TXU Electricity	United Energy	Yallourn Energy
Complaints (KPIs 1 & 3)												
Number of:												
a. billing complaints	#	0	0	2	4	9	0	0	N/P	0	4	0
b. contractual complaints	#	0	0	1	0	0	0	0	N/P	0	0	0
c. complaints relating to continuation of retail supply	#	0	0	0	0	3	0	0	N/P	0	0	0
Days to resolve complaints (KPI 3)	#	0	0	3	126	2	3	0	N/P	0	5	0
Disputes (KPIs 2 & 4)												
Total number of billing disputes	#	0	0	0	2	0	0	0	N/P	0	0	0
Number of contractual disputes	#	0	0	0	1	0	0	0	N/P	0	0	0
Number of disputes relating to continuation of retail supply	#	0	0	0	0	0	0	0	N/P	0	0	0
Average number of days to resolve disputes	#	0	0	0	203	0	0	0	N/P	0	0	0
Number of unresolved disputes at year end	#	0	0	0	0	0	0	0	N/P	0	0	0
Discrimination Prohibited (LC 2.2)												
Number of complaints	#	0	0	0	0	0	0	0	0	0	0	0
How many unresolved as at 30 June 2000?	#	0	0	0	0	0	0	0	0	0	0	0
How many unresolved within 28 days during 1999-2000 year?	#	0	0	0	0	0	0	0	0	0	0	0
Supply of electricity under Customer Supply Contracts (LC 2.4)												
Customer supply contracts used for all customer supply services	Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Non-compliance with LC 3.2(a) (LC 3.2(b))												
Instances of non compliance	#	0	0	0	0	0	0	0	0	0	0	0
Non-compliance with LC 3.3 Technical & Prudential (LC 3.3)												
Instances of non-compliance	#	0	0	0	0	0	0	0	0	0	0	0

Delta Electricity, Energy 21, Macquarie Generation, Resi Power and RMB Australia have been omitted from this table because they had no retail sales during 1999/2000.

Table A1.3 Retail Suppliers to Non-Franchise Customers: key performance indicators, cont'd

Key Performance Indicators	Measure	ACTEW Energy	CitiPower	AGL Electricity	Ergon Energy	Ferrier Hodgson Electricity	Energex	Origin Energy	Powercor	TXU Electricity	United Energy	Yallourn Energy
Conduct of affairs under licence (LC 3.8)												
ISO 9000 certified or qualified?	Y/N	N	N	N	N	N	N	N	Y	N	N	N
Compliance with AS 4269?	-	N	Y	N	N	N	N	N	Y	Y	Y	N
Information about compliance (LC 3.9)												
Report provided	Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Certification by CEO	Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Authorisation of Board	Y/N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
IA supplied	Y/N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y

Table A1.4 Distributor/Retail Suppliers to Non-Franchise Customers: key performance indicators

Key Performance Indicators	Measure	Advance Energy	Australian Inland Energy	EnergyAustralia	Great Southern Energy	Integral Energy ⁸	NorthPower
Complaints (KPIs 1 & 3)							
Number of:							
a. billing complaints	#	5	0	484	10	N/P	1
b. contractual complaints	#	1	0	121	0	N/P	1
c. complaints relating to continuation of retail supply	#	0	0	11	0	N/P	0
Days to resolve complaints (KPI 3)	#	2	0	27	5	6	6
Disputes (KPIs 2 & 4)							
Total number of billing disputes	#	0	0	2	0	0	0
Number of contractual disputes	#	0	0	3	0	N/P	0
Number of disputes relating to continuation of retail supply	#	0	0	0	0	N/P	0
Average number of days to resolve disputes	#	0	0	33	0	N/P	0
Number of unresolved disputes at year end	#	0	0	0	0	N/P	0

8. Integral claims that, due to confidentiality provisions, disclosure of this information would render Integral liable for breach of contract

APPENDIX 2 MEU REPORT ON GREENHOUSE GAS EMISSIONS

COMPLIANCE BY ELECTRICITY RETAILERS WITH REPORTING REQUIREMENTS FOR ELECTRICITY SUPPLIED AND ASSOCIATED GREENHOUSE GAS EMISSIONS

Report provided by the Ministry of Energy and Utilities

Background

Electricity retailers are required to report annually on the principal greenhouse gas emissions arising from the production of electricity supplied to customers in NSW, on the sources of electricity and on the proportion of the total derived from each source. Section 9 of 'Further Environmental Guidelines and Requirements', July 1997 (the 'Environmental Guidelines') specified the information to be provided to the then Licence Compliance Advisory LCAB. Greenhouse gas emissions are to be calculated in accordance with the methodology detailed in 'Greenhouse Gas Emissions from Electricity Supplied in NSW: Emissions Workbook', June 2000 (the 'Workbook').¹³

The 1999/2000 reports submitted by electricity retailers have been reviewed for compliance with these requirements. Further information has been sought where necessary. Data were also obtained from the major generating organisations (Delta Electricity, Macquarie Generation, Pacific Power and the Snowy Mountains Hydro Electric Authority) and the transmission organisations (TransGrid and the National Electricity Market Management Company). A consultant (Dr George Wilkenfeld) provided expert analysis relating to the pool greenhouse gas intensity and the analysis of retailer emissions.

Emission Benchmarks

The Environmental Guidelines incorporate an objective of reducing principal greenhouse gas emissions from electricity supplied to NSW customers to 5 per cent below the NSW 1989/90 per capita level by 2000/01. The 5 per cent objective was based on a judgement as to what level of emissions reduction would be both challenging and achievable with present technology within that timeframe. A formula in the Environmental Guidelines allows translation of the Statewide objective into individual 'retailer apportioned benchmarks' in proportion to their market share, taking into account reductions in electricity sales ('sales foregone') through retailer initiatives.¹⁴

¹³ The 2000 Workbook supersedes the 1999 Workbook, but there are no changes in the fundamental methodology and retailer emissions calculated using the 1999 and 2000 Workbooks can be compared directly. The *Natural Resources Legislation Amendment (Rural Environmental Services) Act, 1999* amended the *Electricity Supply Act 1995* in a number of ways, in particular by inserting the following Clause 6A in Schedule 2:

(6A) For the purpose of subclause (6), in calculating greenhouse gas emissions from electricity supplied to customers in New South Wales, net reductions in greenhouse gases resulting from sources such as carbon sequestration (within the meaning of Section 87A of the *Conveyancing Act, 1919*) by planted forests may be taken into account in accordance with a methodology approved by the Minister [for Energy].

This change will be proclaimed on 1 July 2000. However, forest carbon sequestration will not be allowed as an offset against emissions until after 1 July 2001, by which date it is intended that an appropriate forest carbon sequestration accounting methodology will be approved and published.

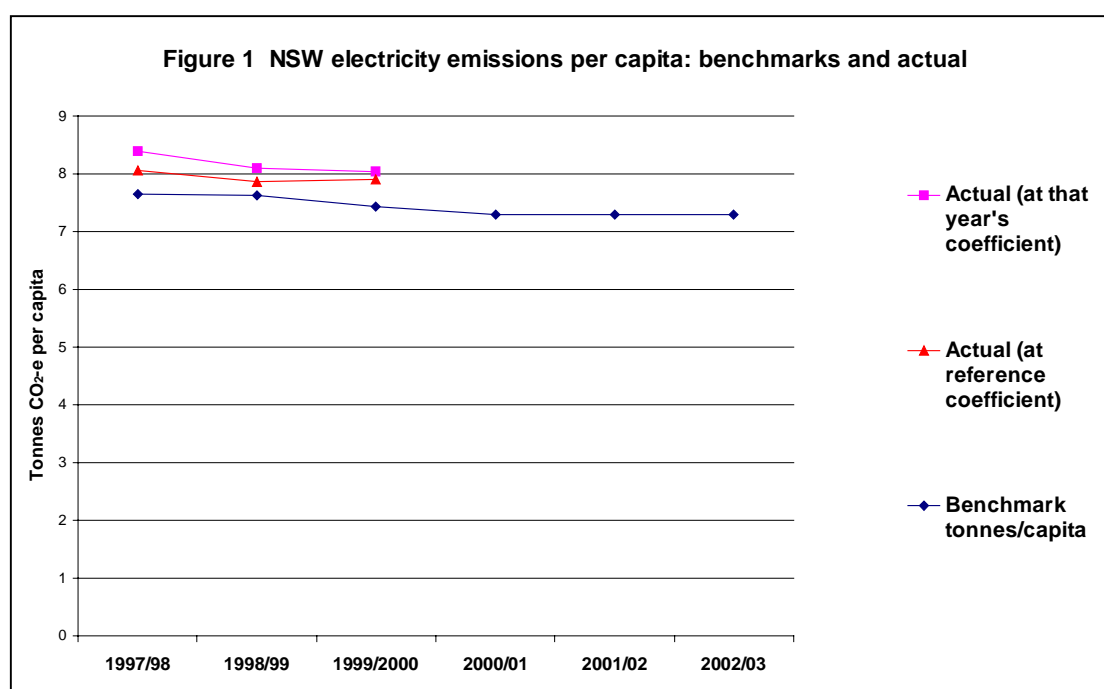
¹⁴ In February 1999 the then Minister for Energy endorsed a methodology for calculation of Sales Foregone: *Greenhouse Gas Emissions from Electricity Supplied in NSW: Framework for Calculation of Electricity Sales Foregone*, February 1999. 1998/99 was its first year of application.

In 1989/90, greenhouse gas emissions from electricity supplied in NSW were 7.65 tonnes CO₂-equivalent (t CO₂-e) per capita. The annual benchmarks reduce uniformly from 1997/98 such that the 5 per cent per capita reduction is reached in 2000/01. In 1999/2000 the benchmark is 7.44 t CO₂-e per capita and in 2000/01 it is 7.27. Under the Environmental Guidelines, benchmarks beyond 2000/01 remain at the 2000/01 per capita level.

Sales and Emissions Outcomes for 1999/2000

In 1999/2000 total electricity sales in NSW (the sum of sales by retailers and direct sales) were 58,492 GWh, 2.3 per cent higher than in 1998/99. The associated greenhouse gas emissions, calculated in accordance with the Workbook, were 51,463 kilotonnes of CO₂-e, 0.3 per cent higher than in 1998/99.

On the basis of a revised population estimate of 6,411,680 at 1 July 1999, emissions per capita were 8.03 tonnes in 1999/2000 compared with 8.09 in 1998/99. Even though actual emissions per capita declined, the benchmark reduction was greater still, so the excess over the benchmark increased: from 6.1 per cent in 1998/99 to 7.7 per cent in 1999/2000. Figure 1 illustrates how the benchmark changes over time, and also shows the per capita emissions achieved in each year to date.



For electricity retailers, aggregated emissions exceeded benchmarks by 7.7 per cent. The greenhouse gas emissions reduction strategies which retailers negotiated in 1998 projected that overall retailer emissions would exceed benchmarks by 1.7 per cent in 1999/2000. However, the greenhouse gas intensity of electricity supplied by the pool, which was outside the control of retailers, was about 1.5 per cent higher than the 'reference value' of 0.854 kg CO₂-e/kWh used for strategy development. This difference accounted for about a quarter of the excess of emissions over strategy projections. The rest of the excess was due to three factors:

- Higher growth in NSW electricity consumption: in 1999/2000, retail electricity sales were 5.3 per cent higher than projected when the strategies were developed.

- Less development of new zero- and low-emissions generation than projected in the strategies.
- Less electricity sales foregone: retailers projected a total of 666 GWh of sales foregone from energy efficiency programs and similar activities during 1999/2000, but achieved a total of 212 GWh (down from 220 GWh in 1998/99).

Figure 2 illustrates each retailer's emissions in comparison with its benchmark in 1999/2000. A positive percentage value indicates the extent to which emissions exceeded the benchmark, and a negative value indicates the extent to which emissions were below the benchmark. The only retailers where performance was better than the benchmark were Integral Energy and Origin. Under the Workbook rules, this 'surplus benefit' was returned to the pool before the emissions of other retailers were calculated. All other retailers' emissions were above their benchmarks: CitiPower by 0.8 per cent, Australian Inland Energy (AIE) by 2 per cent, and the others by margins ranging from 6 per cent to 15 per cent.

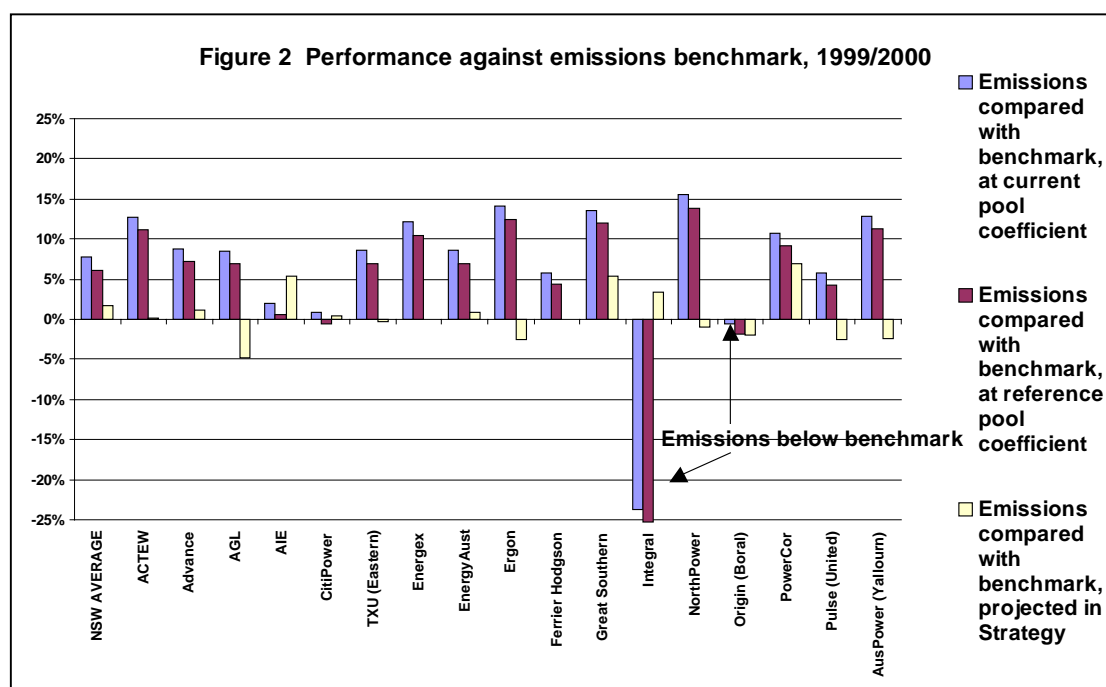
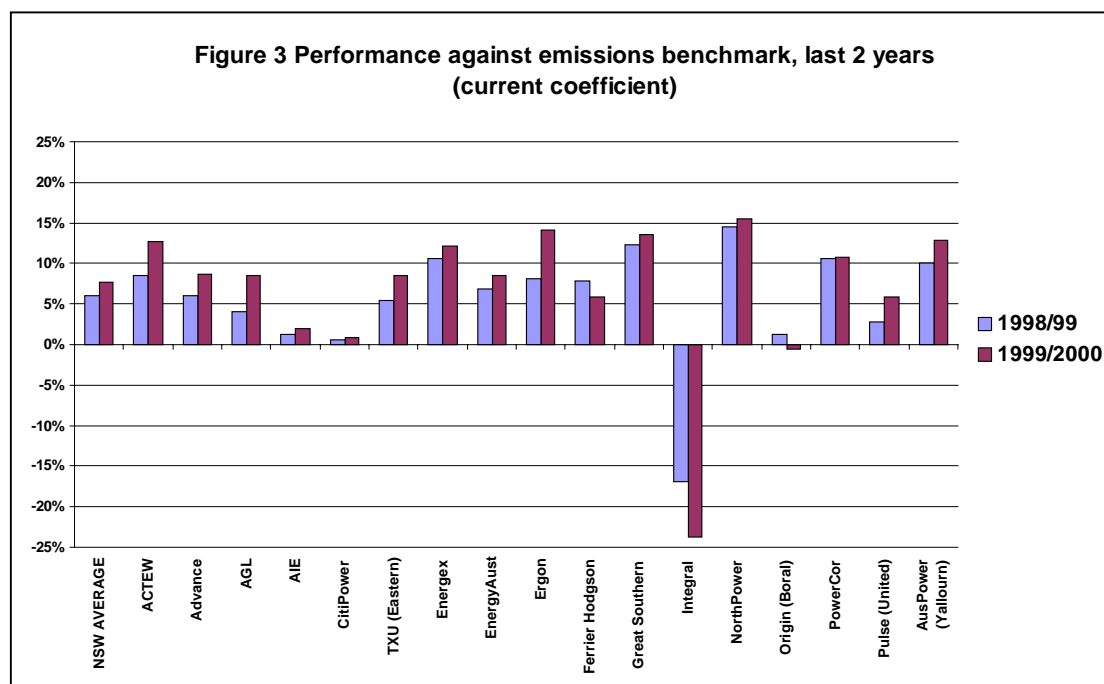


Figure 3 indicates the performance against benchmark of each retailer in the past two years (at the pool coefficient current in that year).¹⁵



Factors Affecting Emissions

The emissions for each retailer depend on six main factors:

1. The emissions-intensity (in kg CO₂-e per kWh) of the electricity supplied from the 'NSW pool'. This value is also called the 'pool coefficient'. It varies from year to year, as discussed later.¹⁶
2. The proportion of the retailer's energy sourced from the NSW pool, compared with the proportion from 'assigned' sources of lower emissions-intensity than the pool.
3. The emissions-intensity of the assigned sources, if any: intensity values may be zero (eg renewable energy generation), low (eg gas-fired combined heat and power, or 'cogeneration') or even negative (eg landfill methane generation).
4. The magnitude of energy sales under accredited GreenPower schemes: the higher the GreenPower sales in NSW, the greater benefit a retailer derives from low-emissions generation located outside NSW, all else being equal (this incentive was included in the methodology in order to encourage GreenPower sales).
5. The amount of electricity saved through energy efficiency and other programs and measures initiated by the retailer (in GWh sales foregone).
6. The transmission and distribution losses associated with the retailer's energy sales.

¹⁵ The performance against benchmark was calculated by MEU, taking into account the final pool coefficient after return of surplus benefit and correcting an error in the application of the methodology by Energex.

¹⁶ The "NSW pool" is a concept defined in the Workbook, and differs in important respects from the structure of the National Electricity Market.

Retailers have no direct influence over the emissions-intensity of the NSW pool, or over transmission and distribution losses.

Variations in pool coefficient

Retailers as a group sourced about 97.7 per cent of their electricity from the NSW pool (compared with 97.4 per cent in the previous year), so the pool coefficient was obviously a dominant factor in determining their emissions. Because it is very difficult to predict the exact pool coefficient in advance, retailers used a value of 0.854 kg CO₂-e per kWh (the value in 1996/97) as the 'reference value' when developing their greenhouse gas emissions reduction strategies.

The pool coefficient was 0.889 kg CO₂-e per kWh in 1997/98, then declined to 0.878 in 1998/99 and 0.866 in 1999/2000. There was very little change in the physical pattern of generation underlying the pool coefficient in the past year. The main factors pushing the coefficient downward were a 0.25 per cent decline in the emissions-intensity of coal fired generation and a 12 per cent reduction in the methane emissions associated with coal production, due mainly to changes in coal sourcing. On the other hand there was a 1 per cent fall in hydro production, which pushed the coefficient upward.

Greenhouse Gas Reduction Strategy Performance

Figure 2 also illustrates what each retailer's emissions would have been in comparison with its benchmark had the greenhouse gas-intensity of the pool remained at 0.854, the reference value. The average margin by which retailer emissions exceeded benchmark would have been 6.1 per cent, compared with 7.8 per cent at the actual pool coefficient of 0.866.

Figure 2 provided a quantitative illustration of the extent to which each retailer implemented its strategy for 1999-2000. The third bar for each retailer compares the *projected* emissions in the retailer's strategy with its *actual* emissions in 1999/2000.

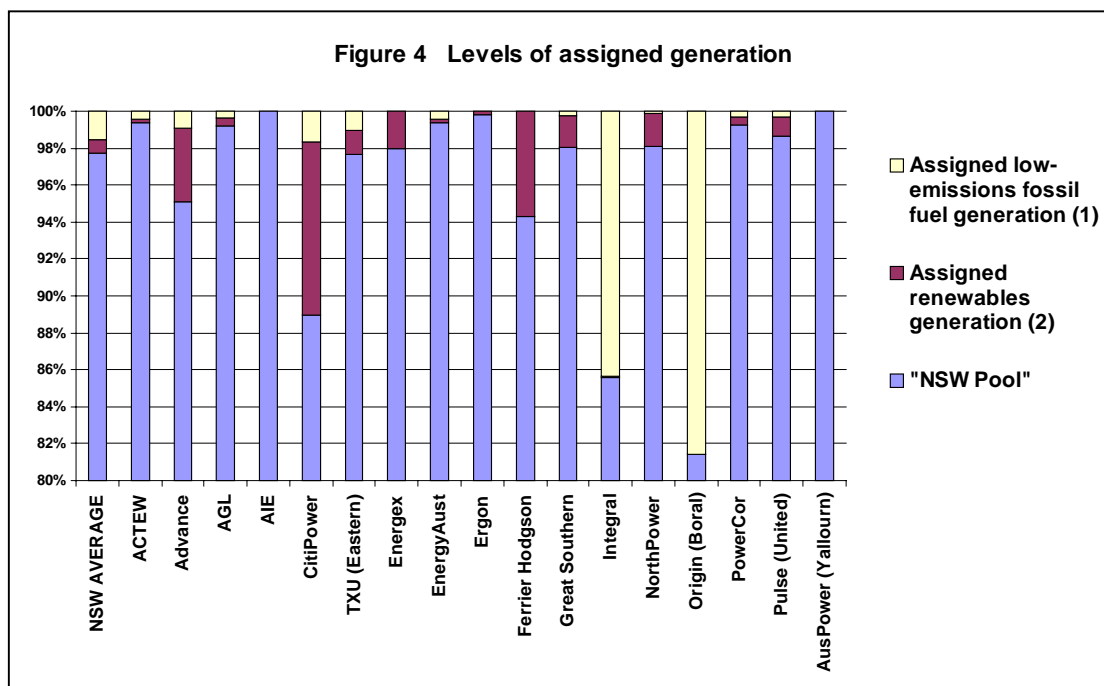
If the third bar is about the same value as the second bar, the retailer's greenhouse gas reduction performance was more or less as predicted in its strategy. If the third bar gives a lower value than the second bar, then greenhouse gas reductions in 1999/2000 were less than had been projected in the strategy.

On average, retailer emissions were 6.1 per cent over benchmarks (at the reference pool coefficient), compared with an average projection of 1.7 per cent higher in the strategies. Few retailers achieved a performance better than or equal to their projections.

Assigned Generation, Renewable Energy and GreenPower

Retailers obtained an average of 2.3 per cent of their electricity from 'assigned' sources other than the pool. Figure 4 indicates, for each retailer, the share of energy sourced from assigned generation. About 33 per cent of assigned energy was from renewable sources (hydro, landfill, biomass, wind and solar) and 67 per cent from other low-emissions sources (waste coal mine gas and natural gas-fired cogeneration). The renewables share of assignments was lower than in the previous year (44 per cent).

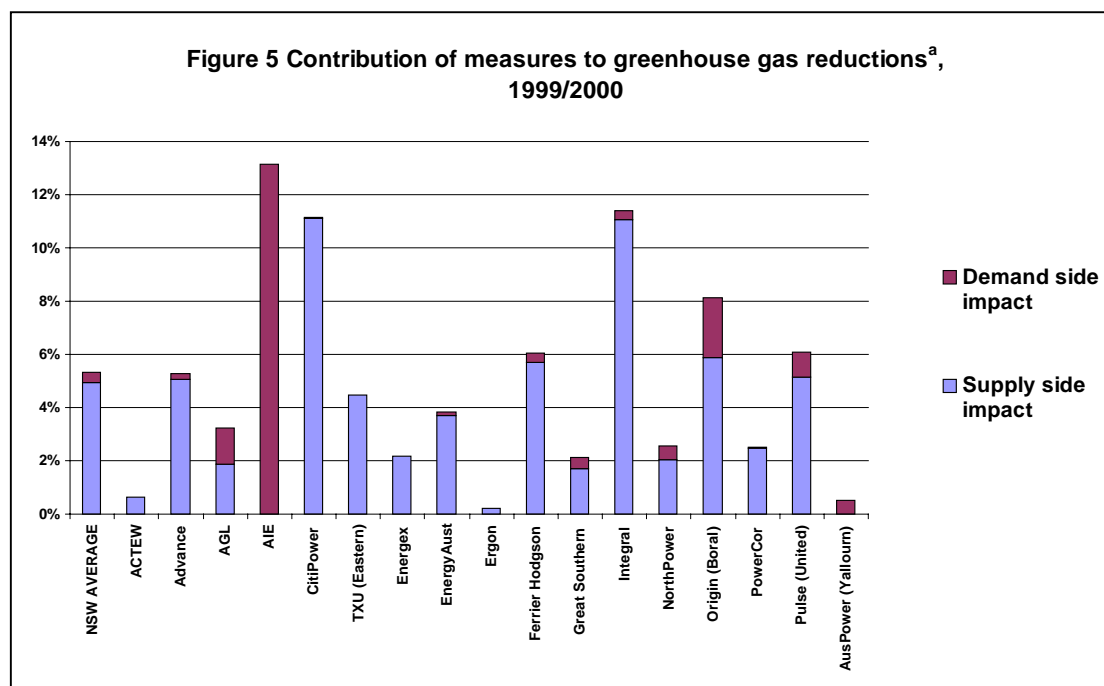
Ten retailers made sales to NSW customers under accredited GreenPower schemes. GreenPower sales increased by more than 60 per cent, from 98.2 GWh in 1998/99 (0.19 per cent of all retail sales) to 158.8 GWh in 1999/2000 (0.32 per cent of all retail sales). Retailers are required to source at least as much electricity from renewables as they sell under GreenPower schemes. This requirement was exceeded by a wide margin: the retailers with GreenPower schemes sourced, in aggregate, over 2.3 times as much energy from renewables as they sold under GreenPower.



Supply Side and Demand Side Measures

For retailers, supply side greenhouse gas reduction measures involve obtaining assigned energy from low-emissions sources, and demand side greenhouse gas reduction measures involve programs to encourage greater efficiency of electricity use among customers, cogeneration at customer sites etc. Both types of measures will help retailers meet their benchmarks. Supply side measures will reduce emissions, while successful demand side measures (energy sales foregone, or 'ESF') will raise the apportioned benchmark, so that emissions can be higher for the same level of electricity sold, all else being equal.

Figure 5 shows the extent to which each retailer reduced its emissions relative to what they would have been without any supply side or demand side measures at all; ie if the retailer had sourced 100 per cent of its electricity from the pool, and had zero energy sales foregone. Figure 5 also shows the relative contribution that supply and demand side measures played for each retailer.



- (a) Compared with what emissions would have been if all of the retailer's electricity had been sourced from the NSW pool, and there were no demand side measures.

The total impact of the measures undertaken by retailers as a group was that emissions were 5.3 per cent lower than if no measures had been in place. Supply side measures accounted for over nine-tenths of this reduction. All retailers implemented some reduction measures. Three relied on supply side measures only, one on demand side measures only, and the rest on a mixture of the two.

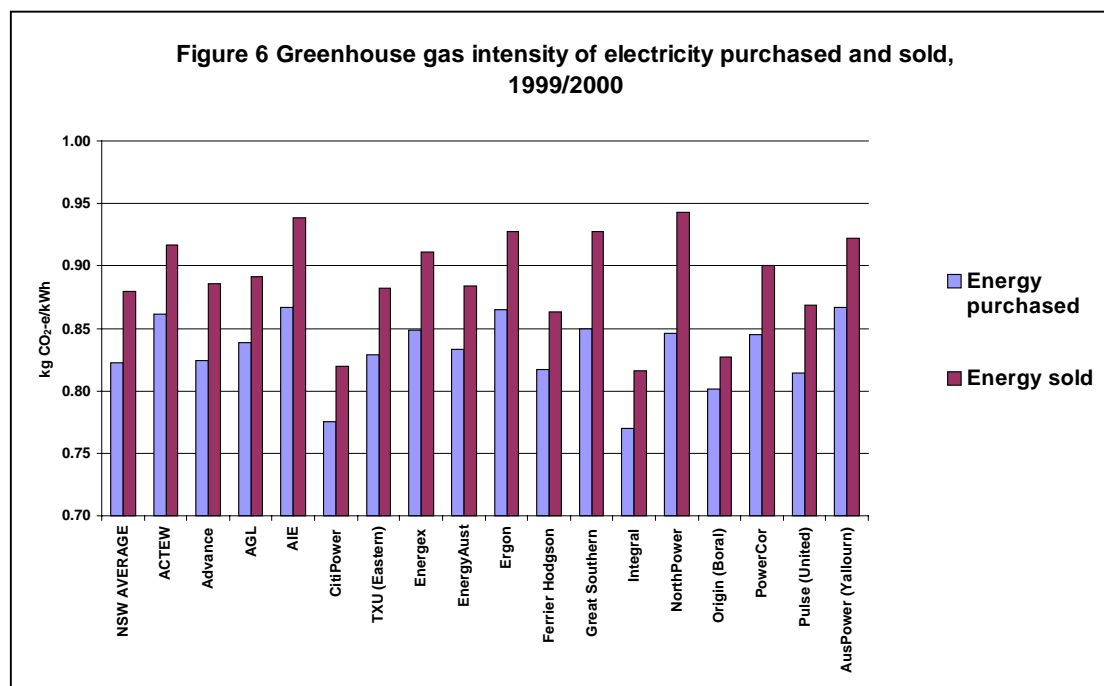
Greenhouse gas-intensity of electricity purchased and sold

It is possible to calculate the greenhouse gas-intensity of electricity purchased and sold by each retailer. The former depends on the share of purchases from the pool, the emissions-intensity of the pool and the characteristics of assigned generation, if any. The latter depends also on the transmission and distribution losses associated with each retailer's customers.

Nearly all retailers now have customers in two or more of the six NSW distribution areas, so the NSW average loss factor for each retailer is calculated by dividing the retailer's total losses by its total sales. However, six of the distributors still have many franchise customers, and the majority of all their sales, within one distribution area, so the loss characteristics of that distribution area will have a major influence on their weighted average losses.

All else being equal, a retailer with a higher weighted average loss factor would have a higher emissions-intensity per kWh delivered, even if its emissions-intensity per kWh purchased were the same.

Figure 6 illustrates this by showing both values for each retailer: the difference between the two is due to losses. The average emissions intensities for all retailers in 1999/2000 were 0.822 kg CO₂-e per kWh purchased and 0.879 kg CO₂-e per kWh sold. These were lower than in 1998/99 (0.832 and 0.897 kg CO₂-e per kWh respectively), and the smaller difference between the pairs of values indicates a reduction in average losses. However some retailers experienced significantly higher losses than the average, as shown by the large differences between their intensity values in Figure 6.



Supply side initiatives

Most of the energy from low-emissions assigned generation came from sources in existence or committed prior to the implementation of the greenhouse gas reduction objectives. The following new projects were commissioned during 1999/2000:

- a new coal mine waste gas pipeline from Westliff colliery to Appin colliery near Wollongong in NSW. This increased the use of mine waste gas for generation at Appin
- a green waste to energy (SWERF) generation project at Whyte's Gully, Wollongong
- a gas-fired generation project at Ladbroke Grove, in the southeast of South Australia.

In addition, a number of small PV sites came on line, and there was a marked increase in the use of biomass fuel co-firing to supplement coal at Liddell power station, operated by Macquarie Generation.

APPENDIX 3 ELECTRICITY DISTRIBUTORS AND RETAILERS

Distributors

Advance Energy
Australian Inland Energy
EnergyAustralia
Great Southern Energy
Integral Energy Australia
NorthPower

Retailers

ACTEW Energy Ltd
Advance Energy
AGL Electricity Ltd
Australian Inland Energy
CitiPower Pty Ltd
Delta Electricity
Energex
Energy21 Pty Ltd (has applied for cancellation)
EnergyAustralia
Ergon Energy
Ferrier Hodgson Electricity Pty Ltd
Great Southern Energy
Integral Energy Australia
Macquarie Generation (has applied for cancellation)
NorthPower
Origin Energy
Pacific Power
Powercor Australia Ltd
Resi Power (has applied for cancellation)
RMB Australia Ltd (has applied for cancellation)
TXU Electricity
United Energy
Yallourn Energy