

13 February 2019

Ms Jessica Robinson
Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
SYDNEY NSW 2000

Lodged: *via online portal*

Dear Ms Robinson

Electricity Distribution Reliability Standards – Draft Terms of Reference

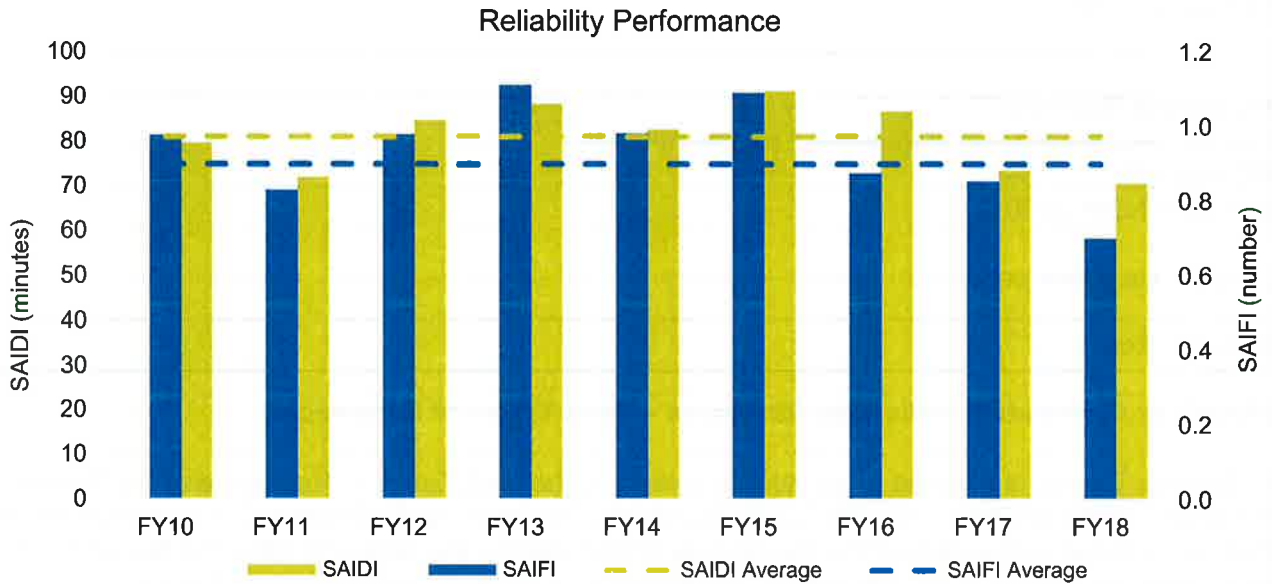
Endeavour Energy is pleased to provide comments to the draft Terms of Reference to the Review of the NSW Electricity Distribution Reliability Standards. In summary, Endeavour Energy recommends that the Tribunal seek extension to the proposed timetable for the review to allow the outcomes of other relevant reviews to be adequately considered in its findings; and to expand the terms of reference to consider the impact of emerging technologies such as stand alone power systems (SAPS), and behind the meter battery storage.

Endeavour Energy also recommends that IPART take the opportunity afforded by this review to consider more detailed matters such as harmonising the calculation of reliability metrics.

Endeavour Energy's current investment plans and reliability outcomes

Endeavour Energy has the lowest network charges in NSW and continues to place downwards pressure on end customer bills, with plans before the AER that will lock-in a decade of real price decreases for our customers. In establishing these plans Endeavour Energy engaged with end use customers and their advocates to understand their current and long term needs and preferences. These engagements have been critical in establishing and/or revising our approaches on several key issues.

The critical messages that we took from this extended engagement programme is that price is the currently the number one issue for our customers, however they did not express a desire to reduce costs at the expense of reliability and safety. The chart below illustrates Endeavour Energy's recent performance and therefore the base expectations of customers (on average) within our network area. They also demonstrate that annual performance outcomes have tracked reasonably to the long term average over the past decade.

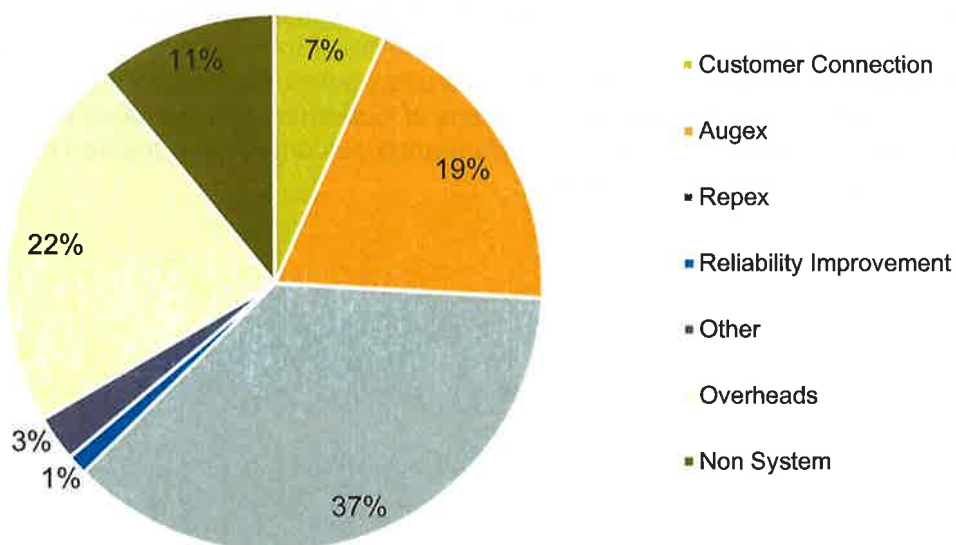


That being the case, customers and customer advocates have also expressed strong preferences that networks such, as Endeavour Energy, examine new and innovative ways of meeting the needs of customers, particularly given the current rate of innovation in the industry.

Endeavour Energy's current investment programmes are targeted towards the maintaining the existing infrastructure at current levels and meeting significant growth in Western Sydney over the coming decade. In the absence of evidence of general poor reliability, very limited spending to achieve compliance with our reliability licence conditions has been forecast.

The chart below illustrates the low level of actual and forecast investment required for reliability purposes as supported by the trends above.

Drivers of Capex 2015-2024



In light of the key investment areas, our focus has therefore been on innovation in how we approach new growth as well as examining how we may better approach replacement expenditure.

Expenditure on replacing assets is highlighting key new areas of innovation that are expected to have improvements in both the cost to serve and reliability outcomes. In particular, the advent of commercially viable SAPS however, this requires regulatory amendments to allow DNSPs to participate in delivering innovative options.

AEMC Stand Alone Power Systems Review

The AEMC has recently released its draft report on the regulatory frameworks for delivering SAPS. The AEMC review is being conducted into two parts, with the report released examining the issues and potential frameworks for a network led SAPS. The AEMC will be releasing in the near future a second report on the issues and options for non-network led SAPS, with final reports due later this year.

The AEMC review highlights two issues that are likely relevant to IPART's review.

Firstly, the AEMC review identifies the need for jurisdictional regulators to consider what if any reliability standards should be established for SAPS as part of the general protections and basis for customer negotiation in establishing SAPS (and similarly for the embedded networks review). As a SAPS will be a direct alternative for a grid connection we encourage IPART to consider these standard issues to ensure integrated and harmonised policy settings in NSW.

Secondly, SAPS will provide an alternative to grid connection that is likely to improve customer reliability outcomes in more remote areas of the network on a customer (or small group of customers) specific basis. Therefore, in determining minimum reliability protections, it would be appropriate for IPART to consider to what degree the development of SAPS may alleviate the level at which the network reliability standards need to be mandated.

AER Value of Customer Reliability Review

The AER will be undertaking a review of the value of customer reliability (VCR), with a draft report in August and final report due by the end of 2019.

The outcome of this review will be a critical input to allow IPART to consider the value that customers place on reliable supply, and therefore establish appropriate measures as required within that context. We would encourage IPART to defer the timetable for its review to ensure that it able to make the best use of the data contained in the AER's final report, and therefore promote policy consistency.

Reliability Measurement

Currently, Endeavour Energy is required to report on reliability outcomes to both IPART and the AER and Endeavour Energy recognises the appropriateness of reporting to both regulators due to their differing roles. However, Endeavour Energy is concerned that the current differences in how common statistics such as SAIDI and SAIFI are reported is unhelpful for transparent reporting of service provision to customers.

Endeavour Energy encourages IPART to review the current methodology used for reporting of reliability performance and align it with the method used for reporting to the AER to promote consistency in information reported by the NSW networks as well enhancing comparison of performance nationally.

Recommendations

Endeavour Energy recommends that the following is taken into consideration in finalising the terms of reference:

1. When considering the timing and magnitude of potential savings of changes to the reliability standards, Endeavour Energy counsels IPART to be mindful of the limited current and forecast investment in reliability specific projects. While we consider that savings are achievable when integrated with other policy activities such as the AEMC SAPS review, such savings will take several years to realise and will require the correct confluence of circumstances;
2. IPART augments the current terms of reference to ensure that the implications of AEMC's reviews of SAPS and embedded networks can be considered, as well ensuring that the review provides an integrated policy vehicle to address the issues identified by the AEMC regarding reliability standards for SAPS and embedded networks;
3. IPART extend the proposed timetable to ensure that it can utilise the AER's VCR review to the fullest extent possible to promote policy consistency and integration; and
4. IPART extends the terms of reference to include a review of how reliability measures are calculated when reporting for jurisdictional purposes recognising the current inconsistency with the same measures reported at a national level.

Should you wish to discuss this submission please contact me [REDACTED] or via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely

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Jon Hocking
Manager Network Regulation