

12 April 2018

Mr Hugo Harmstorf  
Chief Executive Officer  
IPART NSW  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Hugo

### **ENSMS PERFORMANCE MEASURES REVIEW**

Endeavour Energy appreciates the opportunity to provide input into IPART's review of the reporting requirements for ENSMS performance measures.

Endeavour Energy has the view that, in order to minimise the regulatory burden, the reporting requirements should be no more than are necessary to demonstrate that our network is achieving the objectives set out in the Electricity Supply (Safety and Network Management) Regulation 2014. Furthermore, we agree with IPART's approach to using existing business reporting wherever possible as this will also minimise the cost to customers of regulatory compliance.

Please see attached Endeavour Energy's answers to the specific questions asked in the issues paper.

### **Further Enquiries**

I trust that this response addresses the matters raised in your letter. We would be happy to discuss any of the issues in more detail if required. Please direct any enquiries to our Manager Electrical Safety & Performance, [REDACTED]

Yours sincerely

[REDACTED]

Rod Howard  
**Acting Chief Executive Officer**

## Response to questions in issues paper

1	Do you agree with the proposed assessment criteria for the review?
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IPART proposes four assessment criteria by which performance measures must be assessed for inclusion in the performance report. Endeavour Energy agrees that these measures are appropriate, although we note that the assessment of the benefit to the public or IPART associated with collecting any specific piece of information is inherently subjective and difficult to compare to the cost associated with its collection.

2	How does each ENO assess the performance of their electricity network safety management system against the objectives of the ESSNM regulation?
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Endeavour Energy's ENSMS includes a number of formal safety assessments (FSA) that collectively address the risk that we will fail to meet the objectives of the ESSNM regulation. Each of these FSAs includes key result indicators, both leading and lagging, that enable an assessment of the performance of the ENSMS. These indicators are reported monthly to an executive committee charged with oversight of the performance of the ENSMS. In addition, reporting of key asset performance measures provides information on the performance of our asset management system which, by implication, impacts on the achievement of the ESSNM regulation objectives.

3	How should the ENOs bring performance measurement results to the attention of their customers and the public?
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Endeavour Energy currently publishes all required regulatory information on its website [www.endeavourenergy.com.au](http://www.endeavourenergy.com.au) and we consider that this is an appropriate mechanism for bringing the information to the attention of our customers and the public.

4	What information should not be in the public domain? Why?
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As a general rule Endeavour Energy believes that all information relating to the performance of our network should be made available to the public. In some situations, generally relating to the findings of incident investigations, Endeavour Energy may wish to protect its legal position by establishing legal professional privilege around the investigation findings, which will not therefore be made publicly available. There may also be situations in which the publication of certain information may be prejudicial to public security or safety, such as information concerning risks to critical infrastructure. Endeavour Energy's legitimate commercial interests may also be impacted by the publication of certain risk-related information and we would therefore not wish such information to be made publicly available. We would expect that we could discuss these situations with IPART on a case-by-case basis.

5	When consulting with external stakeholders while preparing the electricity network safety management system performance report and formal safety assessments, what have ENOs discovered about the information and measures of performance the public is most interested in?
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In consultation with external stakeholders, the feedback generally received by Endeavour Energy is that network safety, in all its aspects, is considered to be a hygiene factor that people generally expect Endeavour Energy to deliver to a high standard. The actual quantitative measurement of this is not generally of interest except when a significant network safety incident occurs. There can then be significant interest in the factors that are perceived to impact on the risk of the particular incident type occurring.

6	Is there value in combining the electricity network safety management systems reporting and bushfire preparedness reporting into one performance report?
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Endeavour Energy recognises that currently the electricity network safety management systems report and the bushfire preparedness report fulfil two different roles, which may be best addressed by two separate reports. There is however, currently duplication of information between the two reports that should be resolved. As the bushfire preparedness information report is effectively Tier 3 and Tier 4 information in relation to bushfire risk, it is reasonable to include this in the ENSMS Performance Report, which would eliminate duplication of reporting. The timing of a combined report would however need to be considered in more detail to ensure that information provided is timely and relevant, particularly to the assessment of bushfire risk. Endeavour Energy would be pleased to discuss this in more detail with IPART if it was considered that a combined performance report was the preferred option.

7	Do the current reporting timelines need to be modified to improve IPART's visibility of bushfire preparedness activities?
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Endeavour Energy does not support any change to the current reporting timelines for bushfire preparedness activities. The bushfire danger period is based on an annual seasonal cycle therefore annual reporting cycles are considered appropriate.

At Endeavour Energy the majority of work to prepare for the upcoming bushfire season takes place in the four months leading into the start of the season. Unless IPART was intending to increase the reporting frequency for bushfire preparedness activities substantially, it is unlikely that increased reporting would provide any additional visibility into our preparedness activities. Furthermore, by bringing the reporting deadline forward, a misleading view of the state of network readiness would be gained by virtue of the fact that work continues until the start of the season.

8	Is more frequent reporting (eg, quarterly) of key information required to ensure the objectives in the electricity network safety management system are being appropriately achieved throughout the year?
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More frequent regulatory reporting increases the cost which ultimately flows through to customer power bills and this is not supported by Endeavour Energy. It is expected that more frequent reporting should only be considered necessary by IPART if a particular performance issue had been identified that IPART wished to gain better visibility of. If this were the case, it is expected that a more appropriate response by IPART would be to discuss the issue in a collaborative manner with the ENO, in a similar manner to that employed by IPART when it wished to understand the processes used by ENOs to meet IPART's incident reporting requirements.

Ultimately IPART may decide to use the powers that it has under the ESSNM regulation to obtain the required information than to impose more frequent reporting across the board.

9	Should IPART adopt a dual assurance approach to measuring the performance of the electricity network safety management system and bushfire risk management?
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As stated in the issues paper, leading measures of performance are forward looking and input based while lagging measures are retrospective and output based. From an asset manager's perspective, a dual assurance approach to performance measurement is necessary as it enables proactive work to take place to manage the asset to achieve desired outcomes. The more leading measures of performance that exist, the better asset management programs can be developed to manage the risk of adverse outcomes.

The degree to which a dual assurance approach should be adopted by IPART should be determined by the degree to which IPART wishes to take a proactive role in understanding network risk.

10	Do you agree with the tiered approach proposed for performance measures?
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The safety triangle is a useful model for considering performance measures and the definition of different tiers assists in understanding where risk management and asset management activities should be focused, particularly at Tier 3 and Tier 4. As the triangle indicates however, there will be multiple measures of performance at Tier 3 and Tier 4 for each Tier 1 measure, and the choice of those to be reported needs to be made with care.

Defining and gathering performance information at each tier should be done with a purpose, recognising that the collection and reporting of information has a cost. When we gather this information, it is on the basis of a risk assessment that has determined that the information will enable asset management programs to be developed that will result in a net benefit to our customers and other stakeholders. It is expected that IPART would apply a similar cost-benefit analysis when determining the lower level measures to be reported.

11	How would the Tier 1 and Tier 2 measures relate to the regulatory objectives?
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It is expected that there may be a small number of Tier 1 and Tier 2 measures for each of the five objectives listed in the ESSNM regulation. For example, for the objective related to protection of the environment may include measures such as the number of network-initiated fires and the number of environmental incidents reported to the EPA. Criteria for the differentiation between Tier 1 and Tier 2 incidents would align with those used to differentiate between incident categories defined in IPART's Incident Reporting Manual (for fires) or as defined by the EPA and relevant environmental protection legislation (for other environmental incidents).

12	What are the Tier 1 and Tier 2 performance measures that could be used to assess the overall and comparative performance of each ENO?
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In general, Tier 1 and Tier 2 reporting should consist of a summary of the major incident and incident category incidents defined in IPART's Incident Reporting Manual. It is however, considered important that the performance measures proposed align with the five objectives detailed in the ESSNM regulation. As there is currently not good alignment between the Incident Reporting Manual and the regulation, the following clarifications are proposed:

*Worker Safety*

- Lost Time Injury Frequency Rate (LTIFR) for employees and contractors to the ENO. Note that this is a standard measure of worker safety performance that enables performance to be compared across industries and it would not be proposed that raw numbers of injuries are also reported. (Tier 1 measure).
- Number of lost time injuries suffered by employees of ASPs while working on the ENO network. (Tier 1 measure)
- Total number of worker injuries (employee, contractor and ASP) where no lost time is recorded. (Tier 2 measure).

It is noted that since lost time injuries include both category 1 and category 2 incidents these proposed measures do not align well with the current Incident Reporting Manual. LTIFR is however a measure that Endeavour Energy uses for all of its management reporting and is commonly used as a measure of worker safety performance across a range of industries and is therefore considered to be an appropriate measure of the performance of our safety management system.

*Public Safety*

- Number of public injury incidents reported as a major incident in accordance with IPART's Incident Reporting Manual (Tier 1 measure).
- Number of public injury incidents reported as an incident in accordance with IPART's Incident Reporting Manual (Tier 2 measure).

### *Protection of Property*

- Number of property damage incidents reported as a major incident in accordance with IPART's Incident Reporting Manual (Tier 1 measure).
- Number of property damage incidents reported as an incident in accordance with IPART's Incident Reporting Manual (Tier 2 measure).

### *Protection of the Environment*

- Number of network-initiated bushfires. Differentiate Tier 1 and Tier 2 events by size of fire. The current criterion of the RFS Commissioner taking charge of the fire under S44 of the Rural Fires Act should not be included as other factors may influence this which are not relevant to the severity of the fires reported.
- Number of environmental incidents reported to the EPA under the requirements of the Protection of the Environment Operations Act.

### *Safety Arising from Loss of Supply*

- Organisational SAIDI and SAIFI. These are normalised results that provide a proxy for the impact on the broad range of customers and connected load types, the safety of which is either directly impacted by a loss of supply or have an indirect impact such as the impact that loss of supply to traffic signals may have on road safety.
- Number of breaches of NECF requirements that relate to the notification of planned outages to life support customers. It is noted that this measure is required to be reported to the AER and therefore may not need to be reported again to IPART.
- Number of incidents involving a loss of supply to critical infrastructure as defined in our ENSMS.

13	Should Tier 1 and Tier 2 performance measures be normalised and what factors should be used to normalise?
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Normalisation of performance measures will be important to enable stakeholders to make appropriate comparisons between the results reported by different ENOs. Recognising that benchmarking of performance between different companies is a complex task, the focus here should not be to account for the range of environmental factors that differentiate the NSW ENOs but to provide some high level normalisation of performance measures that allow some comparisons to be drawn between companies. The following normalising factors are therefore proposed:

*Worker safety:* for employees and contractors to the ENO, the number of safety incidents should be normalised by million hours worked. This provides a standardised safety reporting measure. We do not have access to this information for ASP incidents and it will only be possible to report on the total number of ASP safety incidents (non-normalised).

*Other objectives:* the appropriate normalising factor is related to the size of the network. Length of lines or network area would be appropriate factors for IPART to consider.

14	How should factors outside of the control of the ENO be captured when reporting Tier 1 and Tier 2 performance measures?
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Factors that impact on the occurrence of Tier 1 and Tier 2 events that are outside the control of the ENO such as storms and floods should be discussed in the performance report as part of textual commentary to be provided as required.

15 For the critical controls in place, what are the Tier 3 and Tier 4 performance measures that IPART could use to assess the performance of the electricity network safety management system?

While there may be some commonality between ENOs for Tier 3 and Tier 4 performance measures, these generally evolve over time in response to particular issues or risks that the business has identified. The approach to measuring the performance of these controls needs to recognise that the criticality of controls and therefore the associated Tier 3 and Tier 4 performance measures will evolve over time, and a prescriptive approach to reporting performance may not be appropriate.

AS5577 requires the development of formal safety assessments to manage risks to the safe performance of our network. These FSAs include a discussion of the key controls and associated key result indicators. To provide the ENOs the flexibility to manage risks effectively and IPART to have confidence that risks are being identified and managed appropriately over time, performance reporting at this level should be based on the content of the FSAs. IPART's audit regime can be used if necessary to determine that the content of the FSAs is appropriate for managing the identified risks and that the performance measures are therefore also appropriate.

16 What process should IPART adopt within the reporting manual to allow ENOs to evolve Tier 3 and Tier 4 performance measures over time?

Refer to the response to question 15 above.

17 How should IPART assess the accuracy and quality of the data reported by the networks?

IPART should initially use comparison of results, both against the equivalent measures for previous years and against equivalent results provided by other ENOs to determine if reported results are within an expected range. Unexpected or unusual results may be discussed collaboratively with the ENO to enable IPART to understand the data collection process and any potential discrepancies in the reported data. This process would be similar to the one recently undertaken by IPART to understand the processes used by ENOs to meet IPART's incident reporting requirements and the quality of information provided in these reports.

Ultimately IPART may decide to use the auditing powers available to it to determine whether reported information is of the appropriate accuracy and quality.

18 Should a Bushfire Mitigation Index be developed and reported?

A bushfire mitigation index provides a high level risk measure that represents the weighted sum of a number of lower level measures. While such an index may provide a simple snapshot of bushfire risk level, it is likely that individual businesses may consider different weighting factors to be more appropriate for their individual circumstances, making comparison across businesses difficult. Such an index is more likely to be useful to show trends in risk level over time, particularly in the lead into a bushfire season. Index values reported only annually however are unlikely to show useful trends.

It is considered that reporting of the individual risk measures that would make up such an index would provide more useful information about the level of bushfire risk that a network is exposed to.

Endeavour Energy does not support the use of a bushfire mitigation index as a performance reporting measure.

19 Should the Bushfire Mitigation Index calculation method be consistent across all ENOs?

Refer to the response to question 18 above. Variations in the environmental conditions and operating practices across ENOs mean that a consistent calculation methodology may mean that the same index value represents different risk levels for different ENOs, reducing the usefulness of the index as a performance measure.