

Submission on 15 Minute Planned Interruption Consultation
Department of State Development
Energy Markets and Programs Division
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RE: Change to notice requirements relating to planned interruptions of energy supply – Discussion Paper August 2014

Dear Department,

As the peak body for the community services sector in South Australia, SACOSS has a long-standing interest in the delivery of essential services. Our research shows that the cost of basic necessities like electricity impacts greatly and disproportionately on vulnerable and disadvantaged people. Our advocacy is informed by our members; organisations and individuals who witness these impacts in our community.

Thank you for the opportunity to comment on the Discussion Paper. SACOSS notes the Discussion Paper's view [p6] that:

“South Australia has operated under the existing arrangement that allows 15 minute planned interruptions to occur without 4 days notification for many years without concern. Unless there is a sufficient reason to move away from the existing arrangements the status quo may be the best option.”

On face value this seems reasonable and SACOSS is not opposed to this sentiment. However, it would help make a more complete case if the number of events each year (i.e. how many customers are affected by this) was included in the Discussion Paper and for some consideration to be given to work on the Value of Customer Reliability (VCR). Further, it is unclear that customers are in fact able to distinguish the role of “planned” events amongst their other power outages so to say ‘without concern’ may not be accurate.

Our responses to the Discussion Paper's four main questions are attached. In summary, we are of the view that engaging with customers has to be core business for SAPN and SACOSS is not convinced that continuing the derogation for ever is in the long term consumer interest. Current trends in technology and the eventual roll out of Advanced Metering Infrastructure (AMI) in SA should lead to much reduced costs for providing advanced notice of planned interruptions. This may then change customers' willingness to pay for the derogation's removal. SACOSS is therefore not supportive of the removal of a requirement to revisit the arrangements in the future.

The SACOSS preference is for the derogation to be revisited in 5 years' time as part of the standard regulatory cycle.

We thank you in advance for your consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Silva on 8305 4211 or via jo@sacoss.org.au.

Yours sincerely,



Ross Womersley
Executive Director

Question – Customer Complaints

1 Are stakeholders aware of any customer complaints relating specifically to planned interruptions of less than 15 minutes?

If so, can stakeholders provide information about the extent of the complaints?

SACOSS is not aware of any specific complaints but is of the view that it would be rare for customers to be able to distinguish a “planned interruption of less than 15 minutes” from any other outage they may experience. In this respect it is our recommendation that a lack of direct evidence of customer complaints not be interpreted as customer satisfaction with the status quo.

As illustrated in SA Power Networks *Talking Power* customer engagement project¹, we know that customers prefer less outages (and they prefer them to be less frequent not just shorter in duration), the difficult question is how much they are willing to pay it. This is discussed further in this submission.

SACOSS would also like to draw attention to SAPN’s obligations in respect to life support customers (NERR Part 7 Rule 125 “Distributor obligations” (2)(d): “give the customer at least 4 business days written notice of any planned interruptions ...” which also references Rule 90. SACOSS is aware of compliance activity enforced by the AER in other NECF

¹ <http://talkingpower.com.au/>

jurisdictions in relation to life support customers² and would like an assurance that this obligation is not compromised by the final decision.

Question – Amending Regulation 14(b)

- 2 Do stakeholders support amending Regulation 14(b) of the National Energy Retail Law (Local Provisions) Regulations 2013 to allow an electricity distributor operating in South Australia to carry out a planned interruption to a customer’s supply for less than 15 minutes without the need to provide 4 business days’ notice?**

In our experience, the approach to these matters often taken by economic regulators is to refer to measures of customer willingness to pay for shorter or less frequent outages. AEMO publishes estimates of the Value of Customer Reliability (VCR)³ and is nearing the end of a major project that will provide updated VCR estimates⁴.

When applying VCR to this policy question, an upper bound could be to assume that providing advanced notice of planned interruptions has the same value as an avoided outage. In effect from a customer’s perspective, getting notified is assumed to be as valuable as avoiding the outage altogether.

Current indicative VCR estimates for SA range from around \$10/kWh for households to over \$50/kWh for many businesses. A household figure of around \$10/kWh implies that, on average, customers are willing to pay \$10 to avoid losing a kWh of consumption to an outage. In application, that kWh could represent a load of 1kW running for an hour or 2kW for half an hour or 4kW for 15 minutes.

A simplifying assumption is to assume that each “planned interruption of less than 15 minutes” results in one kWh of lost consumption. Each of these interruption *events* can then be valued at the VCR of around \$10 for households or \$100 for small business.

The Discussion Paper does not provide any information on how many of these planned events are expected to occur each year and the mix of customers that would be affected. However, the \$2.1m in additional costs nominated by SAPN would have to result in additional notification of at least 200,000 residential customers per year for there to be considered an overall willingness to pay. For small businesses, which place a much higher value on avoiding outages, a VCR of \$100 implies that the additional notifications would need to benefit about 20,000 small businesses each year.

This simplified analysis implies that around a quarter of households and small business customers would need to benefit from the advanced notice provided by removal of the derogation for it to be cost effective. This seems highly unlikely and would suggest that removing the derogation is not cost effective. However, more detailed analysis should be performed by the Department based on the same number and type of *events* used by SAPN to derive their \$2.1m cost estimate.

² “AER takes enforcement action on life support obligations” at www.aer.gov.au/node/18953

³ www.aemo.com.au/Electricity/Policies-and-Procedures/Planning/National-Value-of-Customer-Reliability-VCR

⁴ www.aemo.com.au/Electricity/Planning/Value-of-Customer-Reliability-review

Question – Compliance Costs

- 3 In light of ongoing concerns with the impact of increasing electricity prices, is it in the best interest of consumers to retain South Australia’s existing arrangements to avoid any increase in costs to consumers?**

SACOSS does not want to see any customer paying more than necessary for essential services such as electricity and does not believe, on the information available, that the additional cost can be justified. However, we are also of the view that more information would allow for a more objective view on how much customers value this service. We encourage the Department to consider the concept of VCR in making its final decision.

Question – Amendment of Regulation 14(b)

- 3 Do stakeholders consider it necessary to time limit Regulation 14(b) to a specific date and if so, on what grounds?**

SAPN has increasingly sophisticated communications options and the *Talking Power* project has made it clear to them that customer engagement is increasingly important.

Engaging with customers has to be core business for SAPN and SACOSS is not convinced that continuing the derogation for ever is in the long term consumer interest. Current trends in technology and the eventual roll out of Advanced Metering Infrastructure (AMI) in SA may lead to much reduced costs for providing advanced notice of planned interruptions. This may well change the willingness to pay for the derogation’s removal.

In summary, the SACOSS preference is for the derogation to be revisited in 5 years’ time as part of the standard regulatory cycle.