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Dear Paul

DISCUSSION PAPER – REVIEW OF HORIZON POWER'S SERVICE STANDARDS

Western Power appreciates the invitation from the Economic Regulation Authority ("the Authority") to provide feedback on the *Review of Horizon Power's Service Standards* dated July 2008 (the "Discussion Paper"). It is Western Power's understanding that following consideration of public submissions that the Authority receives, it will provide a report to the Minister for Energy detailing the changes that the Authority recommends should be made to the current service standards in the Reliability Code and any other matters that it considers relevant to the service standards framework for electricity distribution and transmission networks.

Review of the Reliability Code and Future Consultation

Western Power is supportive of the Authority undertaking a review of the Reliability Code to address any anomalies, inconsistencies and misalignments between the Reliability Code and other regulatory instruments (including the Technical Rules and Access Arrangement). Although the Discussion Paper is directly related to Horizon Power, Western Power understands that changes to the Electricity Industry (Network Quality and Reliability of Supply) Code 2005 (the "Reliability Code") may impact directly or indirectly on other businesses, including Western Power. Western Power suggests that the Authority consult with Western Power on specific changes proposed prior to making any amendments to the Reliability Code.

Aspirational versus Compulsory Targets

Having both compulsory and aspirational service standards may be acceptable because some service standards are absolutely necessary from a safety/good industry practice perspective, whilst others provide goals network operators should strive for over reasonable periods taking into account customers changing expectations and the appropriate tradeoffs between service standards, cost, available technology, resources and other competing factors. Western Power suggests that service standard targets that are affected by items predominantly beyond the control of the distributor also fall under the aspirational type.

Western Power supports the application of both compulsory and aspirational service standards when their application is appropriate to the intended outcome and that they are applied consistently and practically across regulatory instruments.

For example:

- Compulsory service standards (Third Party) – These are minimum standards required for safety and good industry practice and should be applied to third parties connecting to the network.
- Compulsory service standards (Network Operator) - These are minimum standards required for safety and good industry practice and should be applied to the network operator.
- Aspirational service standards – These are the goals to strive for in the interest of meeting or exceeding customer expectations, for example reliability service standards such as SAIDI.

Regulatory Framework – Power Quality and Reliability Service Standards

Western Power is required to operate within an electricity framework containing various legislation, arrangements, regulations and rules. Within these regulatory instruments there are a number of service standards that are too relaxed and others that are inconsistent, too narrow, impractical or unrealistic to achieve. Ideally, the service standards in the regulatory instruments should be aligned and compatible with each other. This does not necessarily mean that the service standards in these instruments should be identical.

Power quality service standard

The limits currently set in the Reliability Code ensure satisfactory service delivery to customers and the tighter limits stated in the Technical Rules ensure that there is likely to be full compliance with the Reliability Code. However, presently the Reliability Code and the Technical Rules have misalignments and inconsistencies in the application of several other power quality service standards, for example frequency and steady state voltage limits.

Service standard limits that are solely controlled by the network operator may be the same in both the Reliability Code and in the Technical Rules. However, service standard limits which are impacted by the activities of a third party connecting to a network, should be less stringent in the Reliability Code than those stated in the Technical Rules. This ensures that a margin of error or accumulation/aggregate of third party affects on the network does not place the network operator in breach of its service standard limits under the Reliability Code.

Harmonic distortion and fluctuating voltage are examples of power quality parameters primarily affected by a third party but need to be managed by the network operator.

Reliability service standards

Western Power supports that distribution and transmission reliability service standards in the *Reliability Code* are consistent and compatible with those in other regulator instruments, particularly Western Power's *Access Arrangement*.

The *Reliability Code* provides a peculiarly unique definition of a SAIDI equivalent applied to geographic areas. This is inconsistent with the *Access Arrangement* where both SAIDI and SAIFI service standards are based on SCNRRR feeder classifications.

Not only does this lead to complexity and inefficiency in reporting systems but from a customer perspective, under the current arrangements, it is possible that they could be considered coming under an Urban categorisation in the *Reliability Code* and Rural Long under the *Access Arrangement*. Clearly this can cause unwanted confusion for little benefit.

Western Power strongly recommends that the *Reliability Code* be amended to define distribution reliability standards based on SCNRRR feeder classifications only. Not only will this lead to increased efficiency and clarity but will cater for future growth and mitigates a number of other flaws based on geographical areas.

Western Power suggests that if aspirational targets for service standards are set, they should be realistic, encompass customer expectations in a substantive way, be prudent and efficient and able to be achieved in a reasonable timeframe.

In addition to these issues, Western Power highlights that some aspects of SCNRRR definitions are also ambiguous. Conventions have been historically adopted by Western Power and other distribution utilities to address these ambiguities. .

To further clarify the statement that that Western Power apply SCNRRR definition of exclusions to the distribution service standard benchmarks for the current *Access Arrangement*, Western Power notes that it currently adopts the IEEE 1366 method to calculate the outages that are excluded as outlined for "Normalised Distribution Network – Unplanned". Western Power recommends that the IEEE 1366 method be adopted in the same manner for other regulatory instruments.

Service Standard Performance Reporting Arrangements

Western Power is required to comply, monitor and report on a significant number of obligations under the *Reliability Code* and other arrangements, licenses, rules and regulations. The performance reporting process is highly resource intensive given the significant number of performance measures for each of the obligations. Western Power suggests that the Authority consider as part of its review (and any future review) whether the efficiency of reporting could be improved.

In establishing service standards, the Authority should take into consideration the practicality of monitoring and demonstrating compliance with service standard requirements.

Current and Future Reviews

Western Power looks forward to future discussions with the Authority with regard to service standards and amendments to the *Reliability Code* and other regulatory instruments that can improve the efficiency, safety and reliability of electricity supply to customers.

Should you have any queries please telephone Mark McKinnon on (08) 9326 4030.

Yours sincerely

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