

6th March 2009



Mr Paul Reid
Assistant Director, Monitoring
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Paul

Horizon Power appreciates the opportunity to comment on the draft 'Incident Reporting Manual for Electricity, Gas and Water Licensees'. Horizon Power has limited its detailed responses to areas pertaining to electricity though our general comments may be applicable across all licensees.

Horizon Power is of the view existing reporting mechanisms, as contained in the Compliance Manual and our Integrated Regional Licence, combined with the requirement to prepare and submit Licence Performance and Asset Management System audits, provide sufficient information to the Authority for regulatory purposes. Should fine-tuning be required to address particular issues, amendments to these instruments may be appropriate following analysis of costs and benefits of introducing additional regulation. Creating a further set of reporting requirements, and thus imposing an additional cost burden on licensees for no demonstrable benefit does not lend itself to regulatory best practise.

Horizon Power is also concerned that comparison with activities of regulators in other jurisdictions needs to be approached with some care. Regulatory information gathering targeted at managing price manipulation is not applicable in the Western Australian context, and certainly not applicable in regional Western Australia where Horizon Power operates.

Horizon Power's comment on specific matters is attached. Should you have any questions with respect to any of the issues raised, Horizon Power would welcome the opportunity to discuss them further with the Authority. Please contact Mr Frank Buttigieg (6310 1939) to arrange a meeting.

Yours sincerely

DAVID TOVEY
MANAGER GOVERNANCE & COMPLIANCE

Attachment

Glossary:

Electricity Act – the term Electricity Act, used throughout the document to mean the Electricity Industry Act 2004, may be confused with the Electricity Act 1945. The full title of the act should be used.

Energy Act –the term Energy Act, used throughout the document to mean the Energy Coordination Act 1994, may be confused with the Energy Operators Powers Act 1979. The full title of the act should be used.

Incident – The current definition is subjective and should be reworded to ‘...an event that has caused significant damage, loss or disruption to customers or endangered the safety or health of a person or the environment’.

Outage – In the electricity industry ‘outage’ refers to an interruption of supply, not an incident impacting on availability of equipment. In many instances, plant not being available will not result in a cessation of supply to customers. The definition as it currently stands would also capture both planned and unplanned instances, broadening reporting requirements considerably.

Zone substation – This definition is not clear. If the Authority is describing a substation from which distribution feeders emanate perhaps the following would provide greater clarity: "a substation servicing distribution feeders of a voltage typically 6.6kV, 11kV, 22kV or 33kV."

Section 2.2

Interaction with Compliance Reporting Manuals

The Authority already has access to information from Horizon Power in the event of an incident (not necessarily resulting in a breach of obligations) under item 29.1 of the Integrated Regional Licence. Information gathered through such a request is likely to be more useful to the Authority than the broader range of information gathered under the proposed Incident Reporting Manual.

Section 2.3

Consistent with Good Regulatory Practice

The State Government has recently implemented a regulatory gateway process built on Commonwealth developed ‘Best Practice Regulation Guidelines’. Whilst the methodology may not be mandatory, it does stress the need to consider the costs and benefits of regulation prior to implementation. Analysis of the objectives of the proposed incident reporting manual measured against the cost to business (and subsequently to the consumer) does not appear to have been undertaken.

The Authority also raises the issue of information available to the public. It should be noted that where information is provided to a regulatory authority other than the Authority, the information is already available to the public through the channels appropriate to the situation.

Section 2.4

Uses of Information

The draft manual does not clearly articulate the end use of the information. The Authority has extensive powers it may exercise to assess and test the performance of licensees and the proposed incident reporting manual requirements, in capturing matters unrelated to compliance with licence obligations, does little to enhance this capacity at a cost to licensees.

Section 4.4

Timeframes for Submitting Incident Reports

Section 4.4.1 and 4.4.2 specify time frames for providing reports which seems at odds with Section 4.4's reference to providing sufficient time to deal with the immediate impacts of the incident.

Horizon Power believes the 24 hours for a Priority 1 incident and 72 hours for a Priority 2 incident are insufficient to provide anything other than very basic information and certainly not the level of detail specified in 4.2.

By comparison, other regulatory authorities, whilst requiring immediate notification of an incident, request the briefest summary of information possible, usually consisting of date, time and 'yes/no' response to a series of questions, perhaps a brief description and a local contact. This is typically followed by a comprehensive report up to 20 working days later (using Energy Safety as an example).

Information provided to other authorities within tight timeframes is also required as they must act on information provided. This is not typically the case with the Authority as provision of data is for information purposes only.

Section 5

Incidents to be Reported by all Licensees

Table 2 requires 'incidents or events related to the operation of a licence' where the licensee is required to inform a responsible Minister of State to be reported to the Authority. Horizon Power is required to submit documents of a confidential nature to Ministers that may fall within the scope of that proposed that should not be provided to the Authority.

Table 2 also requires ERA notification of any incident other than those already detailed in the manual that has the potential to, or has attracted, significant interest from the media, other regulatory authorities or government agencies. Such a requirement is subjective and has the potential to lead to non-compliance by a licensee, despite the discretionary nature of the obligation.

Section 6.1

Electricity Generation Incidents

"Significant adverse impact" requires definition to enable licensees to assess each situation in order to determine what may or may not be reportable.

Reference to the Electricity (Licensing) Regulations 1991 is incorrect and should refer to the Electricity (Supply Standards and System Safety) Regulations 2001.

Horizon Power is concerned about the forced outage information to be provided. Generation plant may be made unavailable for a variety of reasons with no external impact. This type of information might be useful to a regulatory authority where a generator may seek to manipulate spot prices. This is not the situation within Horizon Power's area of operations.

Section 6.2

Electricity Transmission Incidents

Horizon Power does not monitor the availability of Telstra (or any other telecommunications company) services in any of our regional centres. As such we would not be in a position to comply with this reporting obligation as it pertains to provision of services from those organisations.

Horizon Power would be required to alter its current agreements with Service Providers to provide the level of detail being requested. It is unclear how provision of this information would benefit the Authority.

Horizon Power does not currently capture the loss of load > 0.1 system minute as our systems are not managed by a central source and our information systems are not designed to measure loss of load in this manner. Horizon Power is not in a position to advise the cost of developing information systems to meet such a requirement.

Section 6.3

Electricity Distribution Incidents

'Unplanned Interruption' requires further definition to be useful. For example, does it include cyclones or other major events? Horizon Power would need to establish processes to ensure data sets could meet a 24/72 hour reporting framework – it currently takes some weeks at times to cleanse databases to provide accurate data on some events. In addition, Horizon Power does not capture data other than at feeder level for most of our supply networks. Loss of supply to 50% of customer premises would be impossible to determine using existing systems.

Horizon Power is also concerned at the timeframes of outages that require reporting. A 15 minute timeframe does not recognise the environment within which we operate, often in quite remote areas. Line patrols are often required prior to reinstatement of supply which often results in outages longer than the 15 minute threshold proposed.

Horizon Power is also concerned about the introduction of an 8 hour measure. On what basis has this been determined?

Section 6.4

Electricity Retail Incidents

The Authority will need to provide clarification on what is meant by 'systematically issuing customer bills incorrectly calculated'. Horizon Power has measures in place to monitor incorrect bill calculations and rectify prior to invoicing. Where incorrect bills are issued due to calculation error, specific reports are written to identify the bills affected and the matter is addressed.