Economic Regulation Authority

Final decision on proposed revisions to the access arrangement for the Western Power Network 2022/23 – 2026/27

Attachment 9: Service standard benchmarks and adjustment mechanism

31 March 2023

D2590000

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Note

This attachment forms part of the ERA's final decision on proposed revisions to the access arrangement for the Western Power Network for the fifth access arrangement period (AA5). It should be read with all other parts of the final decision.

The final decision comprises all of the following attachments:

Final decision on proposed revisions to the access arrangement for the Western Power network 2022/23 – 2026/27 – Decision Overview

Attachment 1 – Price control and target revenue

Attachment 2 – Regulated asset base

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1. Summary

This attachment deals with:

- The adjustment to target revenue for service standard performance during AA4.
- The service standard benchmarks proposed for AA5.
- The service standard adjustment mechanism proposed for AA5.

The service standards adjustment mechanism ensures that efficiencies are not achieved at the expense of service standards and that improvements in service standards are made only where they are valued by customers.

Power outages over the 2021/22 summer across the electricity system highlighted the importance of energy security and reliability for the community. During this review, the ERA has engaged directly with regional customers to better understand their customer experience and any concerns they have. It is clear to the ERA that many regional customers are experiencing a very poor level of service.[1] This was also observed in the independent report conducted by Michelle Shepherd for the Minister for Energy.

Since AA3, the access arrangement has included "service standard benchmarks" (based on the 97.5th percentile of performance achieved over the previous five years) and "service standard targets" (based on the average performance over the previous five years).[2] Engagement with stakeholders indicated that including "service standard benchmarks" and "service standard targets" in the access arrangement created confusion about what standard Western Power was expected to deliver.

To remove confusion and ensure the standards Western Power must meet are clear, in the draft decision, the ERA removed the service standard targets from the access arrangement. In addition, rather than setting the benchmarks at minimal performance levels as is currently done, the draft decision required them to be based on the average service standard performance over the AA4 period except in the case of rural long feeders.

The draft decision noted Western Power has legislative reliability obligations under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* (NQ&R Code). The current CBD, urban and rural short system average interruption duration index (SAIDI), which measures the average number of minutes per customer of outages, is well within the prescribed limits in the NQ&R Code. However, outage performance for rural long feeders is not. In the draft decision the ERA required the service standard benchmark for rural long SAIDI to be set at the level required under the NQ&R Code.

[1] Approximately 100,000 customers are on rural long feeders. On average and after excluding planned outages and outages outside Western Power's control, these customers experienced 713 minutes of outages compared with CBD, urban and rural short customers who experienced 14, 118 and 210 minutes respectively. Furthermore, many customers within the rural long customer group experienced significantly higher outages than the average with around 10% experiencing between double and up to 7 times the average reported performance. The average performance for the approximately 320,000 customers on rural short feeders is significantly better than for rural long feeders, however, about 15 per cent experienced outages between double and up to 10 times the average.

[2] The rationale for setting the service standard benchmarks at such a low level of performance was on the basis that they were the minimum standard that should be achieved. The service standard targets were based on average performance achieved on the basis that it was the level of service customers were satisfied with.

In addition, the draft decision required the following amendments:

- The adjustment to AA5 target revenue for service standard performance during AA4 will need to be updated to reflect actual performance in 2021/22.
- The call centre service standard benchmark in AA5 must be set on average performance over the AA4 period.
- The service standard benchmarks for reference services D1 to D13 for AA5 must be amended to be consistent with the specific time periods specified in the Metering Code or Code of Conduct and apply to each individual performance of the relevant service.
- The call centre performance measure must be retained in the service standard adjustment mechanism.

In its revised proposal, Western Power implemented the required amendments to:

- With the exception of the rural long system average interruption duration index (SAIDI), calculate the AA5 service standard benchmarks based on the average performance over the AA4 period adjusted for anticipated changes in service reliability and where individual penalty caps applied during the AA4 period.
- Remove the service standard targets in the service standard adjustment mechanism and replace them with the service standard benchmarks (as amended in the draft decision).
- Update the adjustment to AA5 target revenue to reflect actual performance in 2021/22.
- Set the call centre service standard benchmark on average performance over the AA4 period.
- Retain the call centre performance measure in the service standard adjustment mechanism.

Western Power did not accept the required amendments to:

- Set the rural long SAIDI at the level required under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* (NQ&R Code) of 290 minutes.[3]
- Amend the service standard benchmarks for reference services D1 to D13 to be consistent with the specific time periods specified in the Metering Code or Code of Conduct and apply to each individual performance of the relevant standard.

The ERA has maintained these requirements in the final decision.

The ERA acknowledges that improving regional reliability is likely to be costly, and customers are unlikely to be willing to pay the entire cost required. However, 290 minutes is the SAIDI required standard under the NQ&R Code and, as such, is a legislative requirement which Western Power must, so far as is reasonably practicable, meet. Western Power did not present an overall plan in its proposal to achieve that requirement.

If Western Power does not meet the rural long service standard benchmark set in the final decision it will be subject to a financial penalty at the next access arrangement review. For example, if it performs at the level it is proposing for the AA5 benchmark it will incur an annual penalty of around $22 million. This will be offset by any positive amounts it achieves on other

[3] The NQ&R Code standard is calculated at 30 June each year by taking the average total length, in minutes, of interruptions to supply during each year of the period of 4 years ending on that date and then taking the average of the 4 annual figures. The network service provider must meet this standard “so far as is reasonably practicable”.

service standard measures and there is an overall cap of about $18 million on the total net penalty (or reward).

To provide an incentive for Western Power to develop a plan to properly address rural long reliability, a capital allowance equal to the estimated penalty ($88 million) has been included in forecast expenditure for AA5.

The allowance must be used to develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in some pilot areas. The ERA expects that Western Power will consult with customers to identify specific rural long areas for expenditure designation under this measure and will then work with the relevant local community to develop the lowest cost option to seek to improve reliability for that community. The ERA will require regular reports from Western Power on progress and will include updates in the annual service standard performance report. The allowance will be subject to the investment adjustment mechanism, so if Western Power does not invest the money as intended the allowance will be returned to all customers at the next review.

Providing Western Power invests the allowance effectively to develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas, the service standard adjustment penalty relating to the difference between 290 minutes and the service standard benchmark proposed by Western Power (733.5 minutes) will not be imposed.

The ERA expects Western Power to demonstrate how the additional $88 million forecast distribution capital expenditure included in the final decision is being used to incentivise identification of innovative solutions to deliver improved rural reliability as well as quantify the costs and practicalities of bringing rural long reliability in line with the NQ&R Code requirements. This will better inform meaningful engagement with rural long customers and policy makers to develop standards that are acceptable and at a reasonable cost.

As noted in the draft decision, during AA5, Western Power's performance will continue to be assessed based on the average performance for all customers included in the service standard performance measure. However, the ERA will increase Western Power's annual reporting requirements to focus on specific areas of the network where performance is below average. This includes most of the rural long feeders and some of the rural short and urban feeders. The first step will be to establish and publish the performance of each individual feeder and requiring Western Power to explain the reasons for any under-performance and any measures it is taking, or planning to take, to address the under-performance.

Summary of final decision

- The rural long SAIDI must be no worse than the NQ&R Code standard of 290 minutes.
- The service standard benchmarks for reference services D1 to D13 for AA5 must be amended to be consistent with the specific time periods specified in the Metering Code or Code of Conduct and apply to each individual performance of the relevant service.

The reasons for the ERA's final decision in respect of the matters relevant to service standards and details of required amendments are set out in this attachment.

2. Adjustment to target revenue for service standard performance in AA4

The current access arrangement includes service standard benchmarks and service standard targets. The service standard targets are used in the service standard adjustment mechanism contained in section 7.5 of the current access arrangement to determine whether Western Power should receive a reward or penalty for its performance.

If actual performance is better than the target, Western Power receives a reward. If actual performance is worse than the target, Western Power incurs a penalty. The reward and penalty rates that apply for each service standard are set out in the access arrangement and were based on the value of customer reliability. During the current access arrangement period the service standard adjustment mechanism applied from 2019/20 as the access arrangement came into effect from 1 July 2019.

2.1 Western Power's initial proposal

In its initial proposal, Western Power forecast a cumulative positive adjustment of $2.4 million for transmission network services, a net deduction of $44.1 million for distribution network services and a net reward of $0.2 million for the call centre performance in respect of the AA4 period in its proposal for AA5.

Table 1, Table 2 and Table 3 below summarised performance for the transmission, distribution and call centre service performance measures respectively. The tables included the service standard target, actual performance and the total reward or penalty payable for each performance measure in the service standard adjustment mechanism.

Table 1 AA4 transmission service standard performance, $ million real June 2022

		2017/18	2018/19	2019/20	2020/21	2021/22 f/cast	Total reward or penalty
Circuit availability (% of total time)							
Target	%	N/A	N/A	98.5	98.5	98.5	
Actual	%	99.1	98.7	98.8	98.5	98.5	
(Penalty) / reward	**$**	N/A	N/A	1.5	0.0	0.0	1.5
Loss of supply event frequency >0.1 and </= 1.0 system minutes							
Target	No.	N/A	N/A	17	17	17	
Actual	No.	11	13	15	14	14	
(Penalty) / reward	**$**	N/A	N/A	0.2	0.3	0.3	0.8

		2017/18	2018/19	2019/20	2020/21	2021/22 f/cast	Total reward or penalty
Loss of supply event frequency >1.0 system minutes							
Target	No.	N/A	N/A	3	3	3	
Actual	No.	6	2	3	2	2	
(Penalty)/reward	**$**	N/A	N/A	0.0	0.2	0.2	0.4
Average outage duration (minutes)							
Target	minutes	N/A	N/A	784	784	784	
Actual	minutes	560	523	751	976	976	
(Penalty)/reward	**$**	N/A	N/A	0.2	(0.3)	(0.3)	(0.4)
Total transmission (penalty)/reward	**$**	N/A	N/A	1.9	0.2	0.2	2.4

Source: Western Power, Access arrangement information: Access arrangement revisions for the fifth access arrangement period.

Table 2 AA4 distribution service standard performance, $ million real June 2022

		2017/18	2018/19	2019/20	2020/21	2021/22 f/cast	Total reward or penalty
SAIDI - CBD (minutes)							
Target	minutes	N/A	N/A	17.7	17.7	17.7	
Actual	minutes	1.3	14.7	22.8	14.1	14.1	
(Penalty) / reward	**$**	N/A	N/A	(0.2)	0.1	**0.1**	**0.0**
SAIDI - Urban (minutes)							
Target	minutes	N/A	N/A	106.8	106.8	106.8	
Actual	minutes	104.5	104.2	134.3	118.0	118.0	
(Penalty) / reward	**$**	N/A	N/A	(11.6)	(5.5)	**(5.5)**	**(22.6)**
SAIDI – Rural short (minutes)							
Target	minutes	N/A	N/A	188.6	188.6	188.6	
Actual	minutes	151.9	178.3	218.3	210.2	210.2	
(Penalty) / reward	**$**	N/A	N/A	(4.2)	(3.4)	**(3.4)**	**(11.0)**

		2017/18	2018/19	2019/20	2020/21	2021/22 f/cast	Total reward or penalty
SAIDI - Rural long (minutes)							
Target	minutes	N/A	N/A	677.7	677.7	677.7	
Actual	minutes	718.1	663.5	737.5	713.5	713.5	
(Penalty) / reward	**$**	N/A	N/A	(3.4)	(2.1)	**(2.1)**	**(7.6)**
SAIFI – CBD (number of instances)							
Target	No.	N/A	N/A	0.12	0.12	0.12	
Actual	No.	0.04	0.11	0.20	0.26	0.26	
(Penalty) / reward	**$**	N/A	N/A	(0.3)	(0.3)	**(0.3)**	**(0.9)**
SAIFI – Urban (number of instances)							
Target	No.	N/A	N/A	1.09	1.09	1.09	
Actual	No.	1.03	0.95	1.14	1.13	1.13	
(Penalty) / reward	**$**	N/A	N/A	(1.6)	(1.3)	**(1.3)**	**(4.2)**
SAIFI – Rural short (number of instances)							
Target	No.	N/A	N/A	1.96	1.96	1.96	
Actual	No.	1.59	1.78	2.11	1.94	1.94	
(Penalty) / reward	**$**	N/A	N/A	(1.5)	0.2	**0.2**	**(1.1)**
SAIFI – Rural long (number of instances)							
Target	No.	N/A	N/A	4.29	4.29	4.29	
Actual	No.	3.96	3.83	3.77	4.25	4.25	
(Penalty) / reward	**$**	N/A	N/A	2.9	0.2	**0.2**	**3.3**
Total distribution (penalty)/reward	**$**	N/A	N/A	(19.9)	(12.1)	**(12.1)**	**(44.1)**

Source: Western Power, Access arrangement information:

Table 3 AA4 call centre performance service standard adjustment mechanism adjustments, $ million real June 2022

		2017/18	2018/19	2019/20	2020/21	2021/22 f/cast	Total reward or penalty
Call centre performance (% calls responded to within 30 seconds)							
Target	%	N/A	N/A	92.0	92.0	92.0	
Actual	%	91.7	91.7	92.6	91.9	91.9	
(Penalty) / reward	**$**	N/A	N/A	0.2	0.0	**0.0**	**0.2**

Source: Western Power, Access arrangement information: Access arrangement revisions for the fifth access arrangement period.

2.2 Submissions on initial proposal

No submissions were received in relation to the performance data for all AA4 service standard benchmarks and targets, or the calculation of the adjustment to target revenue in AA5 for service standard performance during AA4.

2.3 Draft decision

The ERA reviewed the adjustment amounts to ensure they had been calculated correctly, consistent with and in accordance with the service standard adjustment mechanism in the current access arrangement.

Western Power had based the calculation for the 2021/22 year on forecast performance. The draft decision noted that an adjustment would be made in the final decision to reflect actual performance.

Draft decision required amendment 1

The service standard adjustment mechanism adjustment to target revenue in AA5 must be amended to reflect actual service standard performance for 2021/22.

2.4 Western Power's revised proposal

In its revised proposal, Western Power updated its calculation of the service standard adjustment mechanism adjustment to target revenue to use actual service standard performance for 2021/22.

As a result, the transmission reward for 2021/22 increased by $3.7 million reflecting a better than forecast performance in circuit availability. The distribution penalty for 2021/22 increased by $12 million reflecting worse than forecast performance on urban and rural long feeders.

2.5 Submissions on the revised proposal and draft decision

No submissions were received.

2.6 Considerations of the ERA

The ERA has reviewed the adjustment amounts to ensure they have been calculated correctly, consistent with and in accordance with the service standard adjustment mechanism in the current access arrangement.

3. Service standard benchmarks for AA5

The access arrangement must include service standard benchmarks for each reference service.[4] The service standard benchmarks must be reasonable and sufficiently detailed and complete to enable a user or applicant to determine the value represented by the reference service at the reference tariff.[5]

The current access arrangement includes the following service standard benchmarks:

- Transmission entry and exit reference services:
  - Circuit availability, which measures the availability of the transmission network. Circuit availability is based on the actual circuit hours available for transmission circuits divided by the total possible defined circuit hours available. It includes planned and unplanned outages.
  - Loss of supply event frequency, which measures the frequency of events where loss of supply occurs (except due to planned outages) to transmission connected customers on reference services and is reported separately for events exceeding 0.1 system minutes and 1.0 system minute.
  - Average outage duration, which measures the average duration in minutes of all unplanned outages on the transmission network for customers on transmission reference services.
- Distribution entry, exit, bi-directional, capacity allocation, and remote direct load control/limitation reference services:
  - System average interruption duration index (**SAIDI**) for urban areas, rural-short and rural-long feeders and the Perth central business district, which measures the average number of minutes per customer of outages on the distribution network in a year.
  - System average interruption frequency index (**SAIFI**) for urban areas, rural-short and rural-long feeders and the Perth central business district, which measures the average number of interruptions per customer in a year.
  - Call centre performance, which measures the percentage of calls responded to in 30 seconds or less.

The AA4 service standard benchmarks for the transmission and distribution network reference services set out above in Table 2 and Table 3 were based on the 97.5th (or 2.5th) percentile of actual performance over the previous access arrangement period (AA3).

Streetlighting service standard benchmarks are:

- relevant service standards that apply to all distribution network reference services; and
- repair times in respect of the relevant reference services for streetlighting.

A range of exclusions from the AA4 service standard benchmarks are included in the current access arrangement as follows:

[4] Section 5.1(c) of the Access Code.

[5] Section 5.6 of the Access Code.

- Transmission network reference services:
  - Outages and peak demand for customers receiving a non-reference service.
  - Planned interruptions (except transmission circuit availability which includes planned outages but capped at 14 days).
  - *Force majeure* events.
  - Interruptions caused by a fault or other event on a third-party system.
  - Momentary interruptions (less than one minute).
  - The duration of each interruption is capped at 14 days.
- Distribution network reference services SAIDI/SAIFI:
  - Interruptions caused by a fault or other event on the transmission system.
  - Planned interruptions.
  - A day on which the major event day threshold, applying the "2.5 beta method", is exceeded.[6]
  - *Force majeure* events.
  - Interruptions caused by a fault or other event on a third-party system.
- Call centre:
  - Calls abandoned by a caller in four seconds or less of their postcode being automatically determined or when a valid postcode is entered by the caller.
  - Calls abandoned by a caller in 30 seconds or less of the call being placed in the queue to be responded to by a human operator.
  - All telephone calls received on a major event day which is excluded from SAIDI and SAIFI.
  - A fact or circumstance beyond the control of Western Power affecting the ability to receive calls to the extent that Western Power could not contract on reasonable terms to provide for the continuity of service.

As set out in the framework and approach document published on 9 August 2021, the ERA decided that:

> The method for calculating the loss of supply event frequency, average outage duration, SAIDI, SAIFI and call centre performance benchmarks should continue to be based on the 97.5th (or 2.5th) percentile of actual performance over the previous period.

[6] This method excludes events which are more than 2.5 standard deviations greater than the mean of the log normal distribution of five financial years of SAIDI data. The major event day threshold is determined at the end of each financial year for use in the next financial year. The data set comprises daily unplanned SAIDI calculated over the five immediately preceding financial years after exclusions are applied. Where the logarithms of the data set are not normally distributed, the Box-Cox transformation can be applied to reach a better approximation of the normal distribution.

If Western Power applies the Box-Cox transformation it must:

- Demonstrate that the natural logarithm of the data set is not normally distributed.
- Provide the calculations that demonstrate the application of the Box-Cox transformation method.
- Demonstrate that the resulting data set is normally distributed or that the normality of the data set is improved.

Western Power must include in its access arrangement proposal details of any planned disruptions, new investment or changes to maintenance activities that would affect service standard performance, so that the service standard benchmarks can be adjusted if appropriate. For example, any forecast improvements in SAIDI and SAIFI due to the installation of stand-alone power systems.

The following changes must be made to specific measures:

- Circuit availability must be removed.
- Western Power must commence preparation for a new service standard based on the market impact component of the AER's service standard performance incentive scheme.
- Transmission unplanned outages affecting distribution connected customers must be included in SAIDI and SAIFI. The transmission service standards must be reviewed to ensure they only include outages affecting transmission connected customers.
- The *force majeure* exclusion must be deleted from the SAIDI and SAIFI service standards.
- A new clause must be added to the relevant measures to exclude load interruptions caused or extended by a total fire ban or direction from a local or state government body or state or federal emergency services, provided that a fault in, or the operation of the network did not cause, in whole or part, the event giving rise to the direction.

3.1 Western Power's initial proposal

Western Power proposed the following amendments to its current service standard benchmarks:

- Transmission outages affecting customers on the distribution network would be included in the distribution SAIDI and SAIFI measures.
- Transmission service standards would include only outages affecting transmission-connected customers.
- The force majeure exclusion would be removed, and new exclusions would be added to distribution SAIDI and SAIFI measures for total fire bans and directives from emergency services.
- Circuit availability measures had been removed.

Western Power proposed to base the service standard benchmarks on the 97.5th percentile of actual performance over the AA4 period as required by the framework and approach, except in the case of the benchmark for call centre performance.

In relation to the call centre, Western Power proposed to set the service standard benchmark at the same level as the AA4 service standard benchmark. Western Power also proposed to remove the measure for call centre performance from the service standard adjustment mechanism.

Western Power submitted that, if it were to set the service standard benchmark for call centre performance based on actual performance over the AA4 period, the service standard benchmark would increase compared with the AA4 service standard benchmark. Western Power considered this would require investment to achieve improved call centre performance in the AA5 period.

Western Power submitted that the findings of its consumer engagement program identified that customers were not willing to pay more for better call centre response times compared to the response times currently experienced. Instead, most customers (75 per cent) preferred to experience slightly longer call centre response times in exchange for an improvement in other service channels available to them such as digital (e.g. Western Power website, Facebook), provided that there was no overall increase in their bills to achieve this improvement.

Western Power also noted that its data on customer engagement demonstrated a significant increase in digital engagement. It noted that in the past two years, website traffic had increased 76 per cent, from 4.6 million page views in 2018 to 8.2 million in 2020 and social media channel engagement (likes, shares, comments, inbound enquiries, link clicks) had increased 349 per cent from 235,000 in 2018 to more than 1.05 million in 2020.

Western Power indicated that it would collect performance data from both phone and digital service channels over the AA5 period that would enable it to propose relevant customer service performance measures in the AA6 period.

Western Power's proposed service standard benchmarks are set out in Table 4. As the revised access arrangement does not commence until 1 July 2023, the AA4 service standard benchmarks were retained for the 2022/23 year.

Table 4 Proposed service standard benchmarks for AA5

Performance measure	Unit	AA4	2022/23	From 2023/24 onwards
Distribution				
System average interruption duration index (SAIDI)				
CBD	Minutes	33.7	33.7	35.2
Urban	Minutes	130.6	130.6	138.9
Rural short	Minutes	215.4	215.4	236.9
Rural long	Minutes	848.3	848.3	812.5
System average interruption frequency index (SAIFI)				
CBD	Number of events	0.21	0.21	0.44
Urban	Number of events	1.27	1.27	1.33
Rural short	Number of events	2.34	2.34	2.28
Rural long	Number of events	5.70	5.70	4.71
Calls responded to in 30 seconds	Per cent	86.8	86.8	86.8

Performance measure	Unit	AA4	2022/23	From 2023/24 onwards
Transmission				
Loss of supply event frequency				
>0.1 and ≤1 system minutes	Number of events	26	26	4
>1 system minutes	Number of events	7	7	2
Average outage duration	Minutes	1,234	1,234	1,746
Street lighting				
Repair times for Perth Metropolitan area	Days	5	5	5
Repair times for major regional towns	Days	9	9	9
Ancillary services				
Streetlight LED Replacement Service	Note[7]			
Supply abolishment service	Days	15	15	15
Remote de-energise service	Days	1	1	1
Remote re-energise service	Days	1	1	1
Site visit to support remote re-energise service				
Standard response time				
Metropolitan area	Days	N/A	N/A	1
Regional area	Days	N/A	N/A	5
Urgent response time				
Perth Metropolitan area	Hours	N/A	N/A	3
Metropolitan area	Days	N/A	N/A	1
Regional area	Days	N/A	N/A	1
Manual de-energise				
Metropolitan area	Days	MSLA[8]	MSLA	1
Regional area	Days	MSLA	MSLA	5

7 As soon as reasonably practicable in accordance with good electricity industry practice.

8 Model Service Level Agreement. Service standards are defined in Metering Code Model Service Level Agreement.

Performance measure	Unit	AA4	2022/23	From 2023/24 onwards
Manual re-energise				
Standard response time				
Metropolitan area	Days	MSLA	MSLA	1
Regional area	Days	MSLA	MSLA	5
Urgent response time				
Perth Metropolitan area	Hours	MSLA	MSLA	3
Metropolitan area	Days	MSLA	MSLA	1
Regional area	Days	MSLA	MSLA	1

3.2 Submissions on initial proposal

Submissions relevant to the proposed service standard benchmarks and service standard adjustment mechanism for AA5 were received from the Australia Microgrid Centre of Excellence, Australian Energy Council, Collgar Wind Farm, Perth Energy, WALGA, WACOSS, Shire of Mingenew and the WA Expert Panel.

Matters raised included:

- A lack of data, information transparency and accountability for Western Power regarding network performance in regional areas.
- Performance measures focussed on reliability in those parts of the network consistently delivering less reliable supply should be considered.
- Network reliability should be appropriately incentivised and improved in poor reliability areas of the network.
- Investment requirements to improve reliability should take into consideration the future evolution of the network (for example, areas identified for future stand-alone power systems), to understand the opportunity cost of the investment and whether funds would be better allocated elsewhere.
- Service standards should not exceed a consumer's willingness to pay for service quality levels. It would not be a desirable outcome should service standards be raised to the point where it leads to more consumers disconnecting due to financial hardship or being forced to ration their electricity use to the point where it affects their health and well-being.
- Policies and processes for power restoration during fire season, including the network settings during fire season and policies on physical inspections prior to re-energisation after a fault, particularly if there is a Total Fire Ban in place.
- Ensuring service standard incentives do not discourage innovative ways to restore power during a Total Fire Ban.
- Communications with customers during outages, including how long the outage will last.

- The proposed service standard benchmarks for reference services D1 to D13 were not consistent with the requirements under the Code of Conduct.[9]

3.3 Draft decision

As required under the Access Code, Western Power included a service standard benchmark for each reference service.

The ERA considered Western Power had amended the definitions of the current service standard benchmarks in accordance with the framework and approach:

- Transmission outages affecting customers on the distribution network would be included in the distribution SAIDI and SAIFI measures. This ensures that customer outages caused by transmission outages (for example faults on the single circuit transmission line to the Goldfields) are included in SAIDI and SAIFI.
- The force majeure exclusion had been removed from SAIDI and SAIFI. As set out in the framework and approach, the force majeure exclusion is not required as it is already adequately dealt with under the calculation of major event days.
- A new exclusion applied to distribution SAIDI and SAIFI measures that allowed Western Power to exclude time when it is unable to access a site due to a total fire ban or directions from emergency services. Following on from the Shepherd report, the ERA understood Western Power had been required to review how it could better manage the network during total fire bans to minimise the duration of outages for customers. The ERA considered that this exclusion for SAIDI and SAIFI would improve information and increase transparency around when total fire bans extend the duration of outages. The draft decision noted that Western Power will be required to provide specific details of any time claimed under this exclusion in the annual service standards report. This will include providing evidence that Western Power had done everything it could to restore power as quickly as possible.

Consistent with the framework and approach, Western Power's proposed benchmarks were based on the 97.5th percentile of actual performance during AA4 adjusted for anticipated changes in service reliability and where individual penalty caps applied during the AA4 period.

However, in light of the concerns arising from significant outages over the summer and the independent inquiry conducted by Michelle Shepherd for the Minister for Energy, the ERA had given further consideration to the service standards in the access arrangement and considered that a departure from the framework and approach was necessary.

Stakeholder submissions on the ERA's issues paper raised concerns about a lack of data, information transparency and accountability for Western Power regarding network performance in regional areas. Stakeholders considered the performance measures should focus on reliability in those parts of the network consistently delivering less reliable supply and should ensure Western Power is appropriately incentivised to improve performance in poor reliability areas of the network.

[9] The services are supply abolishment, remote load/inverter control service, remote de-energise and re-energise services, site visit to support remote re-energise service, and manual de-energise and re-energise.

Since AA3, the access arrangement has included "service standard benchmarks" (based on the 97.5th percentile of performance achieved over the previous five years) and "service standard targets" (based on the average performance over the previous five years).

The service standard targets are used in the service standard adjustment mechanism discussed in the next section. If Western Power exceeds the service standard target it receives a financial reward. If performance falls below the target, Western Power incurs a financial penalty.

The rationale for setting the service standard benchmarks at the 97.5th percentile of performance achieved over the last five years was on the basis that they were the minimum standard that should be achieved. The service standard targets were based on average performance achieved on the basis that it was the level of service customers were satisfied with.

The Access Code requires the access arrangement to include service standard benchmarks but does not specify a requirement for service standard targets. Having both benchmarks and targets is causing confusion for customers about what level of service Western Power is expected to deliver.

To remove confusion and make clear what service standard Western Power is expected to deliver, the ERA considered it would be better to discontinue the current practice of including both service standard benchmarks and service standard targets in the access arrangement. Instead, only service standard benchmarks should be included in the access arrangement.

However, rather than setting the benchmarks at minimal performance levels as is currently done, they should be based on the current service standard performance. This can be achieved by using the method currently used to set the service standard targets (i.e. average performance over the previous five years). Removing the confusion caused by having both service standard benchmarks and service standard targets will ensure the standards Western Power must meet are clear and Western Power can be held accountable.

The ERA also had regard to the legislative reliability obligations Western Power has under the *Electricity Industry (Network Quality and Reliability of Supply) Code 2005* (NQ&R Code). In particular, Section 13 sets out standards for power interruption duration that the network operator must, so far as is reasonably practicable, ensure is not exceeded.

- Perth CBD – 30 minutes
- Urban areas other than Perth CBD – 160 minutes
- Any other area of the State – 290 minutes.

The draft decision noted that the current average performance for CBD, urban and rural short SAIDI was well within the prescribed limits in section 13 of the NQ&R Code.[10] However, average outage performance for rural long feeders was not.

The rural long service performance has deteriorated over AA3 and AA4 and is much worse than the prescribed limit in the NQ&R Code of 290 minutes.[11] Furthermore, many customers

[10] Reported SAIDI in 2020/21 for the CBD, urban and rural short feeders was 14.1, 118 and 210 minutes respectively.

[11] Reported SAIDI in 2020/21 for rural long was 713 minutes.

on rural long feeders are experiencing a much lower level of service than the average SAIDI reported for rural long feeders.

As the NQ&R Code is a legislative obligation, the ERA considered the service standard benchmarks in the access arrangement should not be set below the standard of NQ&R Code requirements. Consequently, the ERA proposed the AA5 service standard benchmark for rural long feeders should be set at 290 minutes rather than basing it on actual performance during AA4.

The draft decision noted that, as with any legislative obligation related to providing covered services, Western Power can seek funding for those costs in its access arrangement. The ERA recognised Western Power would likely need to review its cost estimates in its response to the draft decision and that, as raised in submissions, affordability may be an issue if a significant increase in expenditure was required.

> **Draft decision required amendment 2**
>
> With the exception of rural long SAIDI, the transmission and distribution service standard benchmarks must be calculated based on the average performance over the AA4 period adjusted in AA5 for anticipated changes in service reliability and where individual penalty caps applied during the AA4 period. The rural long SAIDI must be no worse than the NQ&R Code standard of 290 minutes.

The current service standards are set and measured on an average basis. Consequently, within each feeder category there are customers who experience better and worse performance than the average. This is particularly the case for rural feeders.

Approximately 100,000 customers are on rural long feeders. In 2020/21, on average and after excluding planned outages and other exclusions, these customers experienced 713 minutes of outages with around 10 per cent experiencing between double and up to seven times the average reported performance. The average performance of 211 minutes for the approximately 320,000 customers on rural short feeders was significantly better than for rural long feeders, however about 15 per cent experienced outages between double and up to 10 times the average.

Tightening the requirement for average performance for rural long feeders will also better incentivise Western Power to target those poor performing areas. The ERA considered disaggregating the benchmarks further to target poor performing areas. However, as the NQ&R Code standards are specified at an aggregate level (rather than applying to individual customers) and the disaggregated data that the ERA has been able to obtain is not robust, it did not propose to do so for AA5. The draft decision noted this was a policy matter and the ERA would take it up with Energy Policy WA.

Although, for the reasons above, the ERA did not disaggregate the benchmarks for AA5, the ERA noted it would increase reporting requirements for the annual service standard report to focus on specific areas of the network where performance was below average and require Western Power to explain the reasons for the under-performance and the measures it was taking to address the under-performance.

In relation to Western Power's proposal to reduce the service standard benchmark for call centre performance, the ERA recognised that customers communicate in different ways but telephone calls remained an important means of communication for many customers. The ERA did not consider it would be appropriate at this stage to reduce the call centre service performance. Similar to the required amendment for transmission and distribution service

standards, the call centre service standard benchmark should be based on average performance over AA4.

Draft decision required amendment 3

The call centre service standard benchmark in AA5 must be set on average performance over the AA4 period.

Synergy raised concerns about the service standard benchmarks for some services that are dealt with under the Metering Code or Code of Conduct, for example de-energise and re-energise times. Western Power had proposed the service standard benchmarks would be based on an averaged number of business days calculated over a 12-month period. This is not consistent with the requirements in the Metering Code or Code of Conduct, which specify a time period for each de-energise or re-energise process. The service standard benchmarks must be consistent with any legislative obligations.

Draft decision required amendment 4

The service standard benchmarks for reference services D1 to D13 for AA5 must be amended to be consistent with the specific time periods specified in the Metering Code or Code of Conduct and apply to each individual performance of the relevant service.

3.4 Western Power's revised proposal

In its revised proposal, Western Power has:

- Amended the transmission and distribution service standard benchmarks to set them on the average performance over the AA4 period adjusted in AA5 for anticipated changes in service reliability and where individual penalty caps applied during the AA4 period as required by draft decision required amendment 2.
- Amended the call centre service standard benchmark to set it on the average performance over the AA4 period as required by draft decision required amendment 3.

Western Power did not set the rural long SAIDI at 290 minutes as required by draft decision required amendment 2. It has proposed the service standard benchmark should be based on average performance during AA4.

Western Power updated service standard benchmarks for metering services which partially addresses draft decision required amendment 4. However, it has proposed to set the service standard benchmarks at 95 per cent of actual performance over the past five years.

3.5 Submissions on the revised proposal and draft decision

Synergy supports the draft decision required amendment that the rural long SAIDI must be no worse than the NQ&R Code standard of 290 minutes. Its submission:

- Notes that Western Power has not implemented the ERA's required amendment despite requesting an additional $182 million for targeted reliability improvements in rural areas.
- Considers the approach of averaging service standards across the four broad feeder categories lacks transparency and incentives to improve service performance in those parts of the network experiencing the worst reliability outcomes. This makes it challenging for retailers to support their customers and advocate for improved

performance. It is also frustrating for the actual customer who experiences poor performance while Western Power maintains that they are meeting their service standards.

- Considers the use of broadly averaged service standards does not incentivise efficient investment in and operation of the network, as it encourages a focus of effort on service performance where there are large numbers of connection points relative to low customer density areas such as at the fringe of grid. Synergy considers the broadly averaged service standards have not provided the necessary transparency on whether WP's investments have effectively met community expectations.
- Supports the view that there should be a more direct set of incentives conferred on Western Power to improve customer outcomes in poor performing areas of the network and would welcome steps towards moving to locational service performance measures as soon as practicable.
- Includes the following comments on the SAIDI incentive rates:
  - It notes Western Power does not appear to have updated the energy consumption figures in its revised proposal to reflect the latest demand forecast.
  - It queries why the AA5 value of customer reliability for rural long customers is lower than for AA4.
  - It seeks confirmation that WP's proposed incentive rates result in suitable performance incentives.

3.6 Considerations of the ERA

With the exception of rural long SAIDI, the ERA is satisfied Western Power has complied with draft decision required amendment 1 in principle. However, the ERA has found some errors in the calculations of the service standard benchmarks and has corrected them in this final decision.

Western Power has not complied with the draft decision requirement to set the rural long SAIDI at 290 minutes.

In its revised proposal, Western Power states that it recognises the importance of network performance and customer experience, especially in relation to rural long feeder performance. Western Power agrees with the intent of the ERA to improve the performance of rural long feeders. However, it considers the effect of the draft decision with respect to the rural long feeders would require Western Power to significantly improve network reliability (and its investment in the network) above current levels to meet the NQ&R Code requirements, or face penalties under the service standard adjustment mechanism.

Western Power considers this is a departure from the approach adopted by the ERA in existing approved access arrangements, which based the service standards on current service standard performance (i.e. the average performance over the previous five years). Western Power considers that the same approach should apply across all feeder types and measures to improve clarity and consistency within the mechanism.

Western Power notes the investment plan in its initial proposal was aimed at maintaining overall reliability levels and managing the technical challenges associated with the integration of DER. However Western Power acknowledges the importance of reliability to the community, the feedback from the ERA in the draft decision and feedback from its own customer engagement process.

In recognition of this, Western Power states it is proposing a Rural Long Targeted Reliability Program. It says this program will focus on the most under-performing rural long feeders, irrespective of other factors such as accessibility and customer numbers, that may have in the past led to a de-prioritisation of investment against other priorities. In addition, Western Power states it will continue its strategy of the ongoing transition to a modular grid with a meshed urban network, hybrid network in the urban fringe and autonomous networks in rural areas which will improve customer outcomes overall.

Western Power states it tested its proposed approach with its customer reference group. It states that, overall, participants generally expressed a preference for the approach presented by Western Power rather than the approach taken by the ERA in the draft decision. Western Power states that the customer reference group considered Western Power's approach was more realistic, future-focused and had wider benefits to the community.

Western Power commented that:

- Residential customers, especially Urban and Rural short, are unlikely to be willing to pay for Western Power to meet the 290-minute rural long SSB outlined in the Draft Decision
- Costs and how they would be spread across residential customers were again highlighted as a key factor and concern in relation to customers' willingness to pay, with Western Power's proposed approach generally expected to be a lower-cost alternative
- Concerns were also raised regarding feasibility, with participants questioning the high expected costs and area of investment, i.e., the relatively small number of rural long customers that would benefit from investment.

The experience of rural customers is unlikely to have been captured in the feedback Western Power obtained from its customer reference group. The ERA considers broader consultation is needed on this issue, including seeking views directly from the regional communities affected.

As set out in the draft decision, the NQ&R Code is a legislative obligation and the ERA considered the service standard benchmarks in the access arrangement should not be set below the standard of NQ&R Code requirements.

The current average performance for CBD, urban and rural short SAIDI is well within the prescribed limits in section 13 of the NQ&R Code.[12] However, average outage performance for rural long feeders is not.

The rural long service performance has deteriorated over AA3 and AA4 and is much worse than the prescribed limit in the NQ&R Code of 290 minutes.[13] Furthermore, many customers on rural long feeders are experiencing a much lower level of service than the average SAIDI reported for rural long feeders.

Consequently, the ERA proposed the AA5 service standard benchmark for rural long feeders should be set at 290 minutes rather than basing it on actual performance during AA4.

The draft decision noted that, as with any legislative obligation related to providing covered services, Western Power can seek funding for those costs in its access arrangement. The ERA recognised Western Power would likely need to assess the cost of meeting the standard

[12] Reported SAIDI in 2020/21 for the CBD, urban and rural short feeders was 14.1, 118 and 210 minutes respectively.

[13] Reported SAIDI in 2020/21 for rural long was 713 minutes.

and that, as raised in submissions, affordability may be an issue if a significant increase in expenditure was required.

In its revised proposal, Western Power proposed additional expenditure of $182 million to improve performance on six of the worst performing feeders supplying 6,458 customers in total. The average SAIDI for the feeders selected ranges between 1,514 minutes to 3,656 minutes. The proposed expenditure is based on desktop studies and assumes that over half of the cost is for microgrids and the remainder for network expenditure.

Western Power indicated the likely improvement in performance for these feeders would be between 25 to 50 per cent, which would still leave performance worse than either the NQ&R Code standard of 290 minutes or average rural long performance during AA4 of 772 minutes. The cost of achieving this performance improvement would be approximately $28,000 per customer serviced by these six feeders – but smeared across all SWIS customers.

The ERA acknowledges that improving regional reliability is likely to be costly, and customers are unlikely to be willing to pay the entire cost required. However, 290 minutes is the legislative requirement and Western Power must, so far as is reasonably practicable, meet that requirement.

Western Power has not presented an overall plan to gradually improve reliability on rural long feeders. Although Western Power proposes improvements to six feeders during AA5, 73 feeders (86,000 customers) out of the 84 rural long feeders (100,000 customers) have an average SAIDI greater than 290 minutes and 43 feeders (35,000 customers) have an average SAIDI greater than the overall average rural long performance of 772 minutes.

Using as a guide the costs presented by Western Power for the six worst performing feeders the likely costs for applying this strategy across the rural long network would be prohibitive and unlikely to meet the 290 minutes reliability standard for all rural long customers.

If Western Power does not meet the rural long service standard benchmark set in the final decision it will be subject to a financial penalty at the next access arrangement review. For example, if it performs at the level it is proposing for the AA5 benchmark it will incur an annual penalty of around $22 million. This will be offset by any positive amounts it achieves on other service standard measures and there is an overall cap of about $18 million on the total net penalty (or reward).

To provide an incentive for Western Power to develop a plan to properly address rural long reliability, the final decision adds a condition to the service standard adjustment mechanism so that, if Western Power can demonstrate that it has spent a corresponding amount to the penalty for rural long to develop and trial or implement new strategies to improve rural long reliability, the rural long penalty will not be deducted from AA6 target revenue.

A capital allowance equal to the estimated penalty ($88 million) has been included in forecast expenditure for AA5.

The allowance must be used to develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas. Although without seeing an overall strategy it is difficult to form a conclusion, the ERA considers it is unlikely that just addressing the worst performing feeders will solve the regional reliability issue in a timely and cost effective manner.

The ERA expects that Western Power will consult with stakeholders and customers to identify pilot areas and will then work with the relevant local community to develop the lowest cost

option to solve the reliability issue for that community. The ERA will require regular reports from Western Power on progress and will include updates in the annual service standard performance report. The allowance will be subject to the investment adjustment mechanism, so if Western Power does not invest the money as intended it will be returned to all customers at the next review and Western Power will incur the penalty under the service standard adjustment mechanism.

The ERA expects this work will enable quantification of the cost and practicalities of bringing rural long reliability in line with the NQ&R Code requirements. This will better inform meaningful engagement with customers and policy makers to develop standards that are acceptable and at a reasonable cost.

As noted in the draft decision, during AA5, Western Power's performance will continue to be assessed based on the average performance for all customers included in the service standard performance measure. However, the ERA will increase Western Power's annual reporting requirements to focus on specific areas of the network where performance is below average and require Western Power to explain the reasons for the under-performance and the measures it is taking to address the under-performance.

For the reasons set out above, the ERA maintains its draft decision requirement that the rural long SAIDI must be set at 290 minutes. As described above, an amendment has been made to the service standard adjustment mechanism so that, if Western Power can demonstrate that it has invested the rural long reliability fund of $88 million included in forecast expenditure for AA5 in this final decision, to effectively develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas, the penalty relating to the difference between 290 minutes and the service standard benchmark proposed by Western Power (733.5 minutes) will not be imposed.

Required Amendment 1

- The rural long SAIDI service standard benchmark must be set at 290 minutes.
- Errors in the calculation of the distribution and transmission service standard benchmarks must be corrected.
- The service standard adjustment mechanism must include a new clause stating that, if Western Power can demonstrate that it has spent the rural long reliability fund of $88 million included in the final decision to effectively develop and implement an overall plan to address regional reliability, including implementing solutions that improve reliability in pilot areas, the penalty relating to the difference between 290 minutes and the service standard benchmark Western Power proposed (733.5 minutes) will not be imposed.

The ERA is not satisfied that Western Power has complied with draft decision required amendment 4.

Western Power has proposed to set the service standard benchmarks for metering reference services at 95 per cent of actual performance over the past five years. As identified in Synergy's submission, this is not consistent with the draft decision requirement that the service standard benchmarks must apply to each individual performance of the relevant service.

Required Amendment 2

The description of the service standard benchmarks for reference services D1 to D13 must clarify that the service standard benchmark applies to each individual performance of the relevant service.

4. Service standard adjustment mechanism

The access arrangement must include a service standard adjustment mechanism that will apply at the next access arrangement review.[14]

The amendments discussed in the previous section on service standard benchmarks are also relevant to the service standard adjustment mechanism.

The current service standard adjustment mechanism includes the following performance measures:

- Transmission network services:
  - Circuit availability.
  - Loss of supply event frequency.
  - Average outage duration.
- Distribution network services:
  - System Average Interruption Duration Index (SAIDI) for urban areas, rural-short and rural-long feeders and the Perth central business district.
  - System Average Interruption Frequency Index (SAIFI) for urban areas, rural-short and rural-long feeders and the Perth central business district.
  - Call centre performance.

The current distribution network service adjustment rates (penalties and rewards) were determined based on values of customer reliability published by AEMO in 2014 for South Australia.

The transmission network service adjustment rates are based on a percentage of revenue (one per cent) that are allocated across the transmission service standard measures.

Under section 7.5 of the current access arrangement the total target revenue adjustment under the service standard adjustment mechanism may be positive (net reward) or negative (net penalty). The target revenue adjustment under the service standard mechanism is subject to the following caps under sections 7.5.8 and 7.5.9 of the current access arrangement:

- The sum of the rewards or penalties for the transmission network each year is capped at one per cent of total transmission revenue.
- The sum of the rewards for the distribution network each year is capped at one per cent of total distribution revenue and the sum of the penalties is capped at 2.5 per cent.

As set out in the framework and approach document published on 9 August 2021, the ERA's decision on the service standard adjustment mechanism to apply in AA5 was:

> The current service standards adjustment mechanism with the following amendments will apply for the AA5 period.
>
> - The service standards targets must be set at the average annual level of performance achieved in the AA4 period, adjusted for anticipated changes in service reliability and where individual penalty caps applied during the AA4 period.

[14] Section 6.30 and 6.32 of the Access Code.

Western Power must include details of any planned disruptions, new investment or changes to maintenance activities that would affect service standard performance, in its access arrangement proposal so that the service standard targets can be adjusted if appropriate. For example, any forecast improvements in SAIDI and SAIFI due to the installation of stand-alone power systems.

- The relevant changes to the method for calculating service standard benchmarks must be included in the service standard adjustment mechanism.
- Rewards and penalties for SAIDI and SAIFI must be based on the latest Value of Customer Reliability report prepared by the AER.
- Rewards and penalties for transmission service standards must be based on the revenue attributable to customers connected to the transmission network and receiving reference services.
- The individual caps on penalties must be removed.
- The overall caps for rewards and penalties are one per cent of target revenue.

4.1 Western Power's initial proposal

Western Power's initial proposed service standard targets are set out in Table 5.

Table 5 Initial proposed service standard targets for AA5

Performance measure	Unit	Target
Distribution		
System average interruption duration index		
CBD	Minutes	13.7
Urban	Minutes	118.5
Rural short	Minutes	197.9
Rural long	Minutes	704.3
System average interruption frequency index		
CBD	Number of events	0.17
Urban	Number of events	1.23
Rural short	Number of events	2.02
Rural long	Number of events	4.33
Transmission		
Loss of supply event frequency		
>0.1 and ≤1 system minutes	Number of events	1
>1 system minutes	Number of events-	1
Average outage duration	Minutes	852

Western Power proposed to remove call centre performance from the service standard adjustment mechanism. This is discussed in more detail in section 3.1 of this document.

As required by the framework and approach document, Western Power updated the value of customer reliability based on the latest report published by the Australian Energy Regulator. A comparison of Western Power's updated customer reliability estimates which incorporate the AER measures with the values used for AA4 is shown in Table 6.

Table 6 Value of customer reliability estimates, real $ at 30 June 2022, per kWh

	AA4	AA5
CBD	55.7	43.3
Urban	47.2	42.3
Rural short	45.8	40.9
Rural long	47.1	40.4

Table 7 shows Western Power's proposed adjustment rates for the distribution network service standards.

Table 7 Proposed service standard adjustment mechanism rates for AA5 period distribution network service standards, $ real at 30 June 2022

Performance measure	Unit	AA4		AA5 proposed	
		Reward	Penalty	Reward	Penalty
System average interruption duration index					
CBD	Minutes	$33,022	$33,022	$21,195	$21,195
Urban	Minutes	$488,162	$488,162	$393,457	$393,457
Rural short	Minutes	$156,416	$156,416	$159,066	$159,066
Rural long	Minutes	$57,381	$57,381	$48,918	$48,918
System average interruption frequency index					
CBD	Number of events	$31,939	$31,939	$11,175	$11,175
Urban	Number of events	$317,708	$317,708	$253,131	$253,131
Rural short	Number of events	$100,351	$100,351	$103,786	$103,786
Rural long	Number of events	$60,483	$60,483	$53,056	$53,056

Table 8 shows Western Power's proposed adjustment rates for the transmission network service standards.

Table 8 Proposed service standard adjustment mechanism rates for AA5 period transmission network service standards, $ real at 30 June 2022

Performance measure	Unit	AA5	
		Reward	Penalty
Loss of supply event frequency			
>0.1 and ≤1 system minutes	Number of events	$254,899	$84,966
>1 system minute	Number of events	$254,899	$254,899
Average outage duration	Minutes	$507	$380

Consistent with the ERA's final decision in the framework and approach document, individual caps on the penalties have been removed from the service standard adjustment mechanism in Western Power's proposal and the overall caps for rewards and penalties for AA5 was proposed as:

- for the distribution service standard benchmarks, based on one per cent of the distribution reference service customer target revenue
- for the transmission service standard benchmarks, based on one per cent of the transmission reference service customer target revenue.

4.2 Submissions on initial proposal

The submissions received that were relevant to the proposed service standard benchmarks and service standard adjustment mechanism for AA5 are set out in section 3.2 of this document.

4.3 Draft decision

As discussed in the section on service standard benchmarks, in the draft decision the AA5 service standard targets in the current service standard adjustment have been removed and replaced with the service standard benchmarks.

The draft decision noted that, as the method for setting the service standard benchmarks had been amended to be consistent with the method previously used to set the service standard targets, Western Power would continue to be incentivised to maintain current service standard performance. If it fails to meet current service standard performance (the benchmark) it will be penalised and if it exceeds current service standard performance (the benchmark) it will be rewarded.

The ERA acknowledged the service standard adjustment mechanism is a relatively blunt instrument that is designed to incentivise Western Power to maintain performance. The penalties and rewards are based on a high-level assessment of the value of customer reliability taken from a study performed by the AER that may be different from the value specific customers place on reliability. Furthermore, any rewards and penalties from the mechanism are included in overall target revenue and shared equally across all network customers.

With the adjustments made in the draft decision, the ERA considered the mechanism would more effectively incentivise Western Power to maintain reliability that is currently satisfactory and improve areas of poor reliability.

However specific compensation for customers affected by poor performance falls outside the scope of the access arrangement. Customer compensation for poor performance is dealt with under the NQ&R Code that specifies the payments Western Power must make to customers. The draft decision noted this was a policy matter and the ERA would take it up with Energy Policy WA.

Western Power had proposed to remove the call centre performance measure from the service standard adjustment mechanism. As discussed in section 3.3, although many customers are using different communication channels, telephone calls are still an important customer communication channel. The ERA considered it was premature to remove it from the service standard adjustment mechanism.

Draft decision required amendment 5

The service standard targets in the service standard adjustment mechanism must be removed and replaced with the service standard benchmarks (as amended in this draft decision). The call centre performance measure should be retained in the service standard adjustment mechanism.

4.4 Western Power's revised proposal

In its revised proposal, Western Power has addressed the requirements of draft decision required amendment 5 by:

- Removing and replacing the service standard targets in the service standard adjustment mechanism with the service standard benchmarks.
- Reinstating the call centre performance measure in the service standard adjustment mechanism.

4.5 Submissions on the revised proposal and draft decision

The submissions received that were relevant to the proposed service standard benchmarks and service standard adjustment mechanism for AA5 are set out in section 3.5 of this document.

4.6 Considerations of the ERA

The ERA has reviewed Western Power's revised proposed service standard adjustment mechanism and is satisfied that it complies with the draft decision required amendment.

As identified in Synergy's submission, some input assumptions for calculating the incentive rates had not been updated. In addition, the ERA's amendments to total target revenue also affect the incentive rates.

The ERA has updated these values and amended the incentive rates in this final decision. The updated incentive rates are shown in TableTable 9 and Table 10.

Table 9 Final decision service standard adjustment mechanism rates for AA5 period distribution network service standards, $ real at 30 June 2022

Performance measure	Unit	AA4		AA5	
		Reward	Penalty	Reward	Penalty
System average interruption duration index					
CBD	Minutes	$33,022	$33,022	22,591	22,591
Urban	Minutes	$488,162	$488,162	419,383	419,383
Rural short	Minutes	$156,416	$156,416	169,547	169,547
Rural long	Minutes	$57,381	$57,381	52,141	52,141
System average interruption frequency index					
CBD	Number of events	$31,939	$31,939	9,845	9,845
Urban	Number of events	$317,708	$317,708	275,785	275,785
Rural short	Number of events	$100,351	$100,351	109,524	109,524
Rural long	Number of events	$60,483	$60,483	22,653	22,653

Source: ERA target revenue model

Table 10 Final decision service standard adjustment mechanism rates for AA5 period transmission network service standards, $ real at 30 June 2022

Performance measure	Unit	AA5	
		Reward	Penalty
Loss of supply event frequency			
>0.1 and ≤1 system minutes	Number of events	150,000	150,000
>1 system minute	Number of events	300,000	300,000
Average outage duration	Minutes	487	487

Source: ERA target revenue model