

Commerce Commission notes on EDB DPP3 Workshop on Quality of service held 16 August 2019

Introduction

The Commission

- Introduced the workshop, where it sits in the process, and why we are holding it.
- Thanked stakeholders for submissions on our draft decisions. Outlined the areas that we considered could benefit from further discussion.

Normalisation

The Commission

- Explained the incremental changes to its normalisation methodology through each DPP reset, from the “pure” IEEE methodology in DPP1 to the proposed rolling methodology for DPP3. Showed that each incremental change has reduced the impact of major events.
- Acknowledge that the proposed approach deviates further from the IEEE methodology, noting that any form of rolling would be a deviation. However, the quantum of major events identified was considered broadly consistent with the intended outcome of the IEEE method.
- Responded that deviating from the IEEE method is appropriate as it does not adequately capture major events (especially for smaller EDBs), is confined to one calendar day, assumes a log-normal distribution of interruptions, and may capture events not part of the initial major event.
- Noted that issues with the end dates were identified which were problematic. It was also uncertain of the value added of assessing only the SAIDI applicable to each half-hour, rather than accruing all to the start of an interruption, given the added complexity.
- Demonstrated an example, provided by an EDB, of a two-day snow storm which was not identified as a major event by proposed methodology but was identified previously.¹
- Acknowledged that we will investigate the profile of major events and do further testing of the proposed methodology against some live examples. We invited EDBs to send further examples of such events to us for consideration.
- Noted that extending the rolling to a 24-hour time span will not reduce complexity, however, we are open to extending this. We

¹ The tool is now available at:

<https://public.tableau.com/profile/commerce.commission.regulation#!/vizhome/SAIDIandSAIFviewer-EDBDPP3consultation/Interruptionsbyhour>

explained that we attempted to capture events that go on longer than three hours through the rolling mechanism, for example, if threshold is continuously met then it is normalised

- Asked whether the half hour resolution causes a level of complexity. We noted that the s 53ZD data indicates it is possible, however, are open to readdressing what the increments are used are if not materially different.
- Explained the three-hours is both backwards and forward looking to recognise different major event profiles. We acknowledged this means that major events could be normalised for 5.5 hours rather than 3.

Attendees

- Considered it a big assumption to aggregate all the SAIDI to the start of an interruption event. Asked whether the Commission considered spreading the relevant SAIDI over the duration of the event.
- Suggested that duration of the period provides a more accurate reflection of availability to respond to an event. For example, repair crews still tied up working on the initial major event cannot respond to the further outages immediately.
- Raised the situation where an event causes two outages which could be more than 3 hours apart
- Asked whether we looked at the potential for more false positives, whether we are normalising the right events?
- Noted that as soon as you narrow the time window you have less information to average out for a major event, and that the assumption about a sudden large interruption followed by slow restoration does not apply in all situations.
- Questioned why events need to roll both forward and backwards.
- Asked if we have looked into the profile of major events, and asked whether we were planning to release the tool used to visualise interruptions.
- Noted that under the draft proposal, reporting for compliance purposes would be more complicated.
- Pointed to a potential perverse incentive go to new event rather than finish fixing the first event. The time that the organisation is under stress and how it responds to things Having short periods doesn't reflect the operational reality of having to stand people down from one event before looking at another and finishing the first.
- Noted that in some cases EDBs will not be able to respond in certain situations – as Civil Defence may direct them elsewhere.

Extreme event standards

The Commission

- Outlined the draft decision approach to extreme events.
- Talked through some of our reasoning for the extreme event standard, noting that it is distinct from the no material deterioration policy that sits behind the existing quality standards.
- Noted the response in submissions, and that there was a sense this could lead EDBs to consider high-impact low-probability events (also noted that this was the intent).
- Gave the Gas Transmission major event standard as an example of the type of standard we proposed.
- Asked attendees how they treat major events internally in terms of investigation and reporting practices, and what they would define as an extreme event.
- Noted the difficulties with the current definition, and asked about suggestions for amending it.

Attendees

- Repeated points from submissions about the seriousness with which EDBs and their boards treat quality breaches, and that because of this there is a risk of uneconomic levels of investment to avoid extreme interruptions.
- Asked whether it was possible for an EDB to exceed the threshold of an extreme event, but following an investigation find that it was not breached.
- Noted the cost of providing this information, but felt this was proportionate.
- Pointed to the importance of gathering more information before imposing an obligation, and suggested the Commission look to information provided in AMPs and under its information gathering powers.
- Noted with reference to the gas transmission standard that this was proposed for distribution, but that the Commission decided not to implement it for GDBs.
- Highlighted that the standard as currently proposed imposes penalties for events that are not of the same magnitude (particularly for smaller EDBs). Questioned whether this was fair for EDBs with limited resources or highly radial networks.
- Pointed to the need for a good understanding on the criteria that applies for a breach, and that these are still lacking. Suggested that maybe the important focus for the next five years was to build towards this.
- Noted the difficulties with the current cause definitions. Used the example of a lightning strike that exposes latent defective equipment, and the ambiguity about how that ought to be categorised.
- Pointed the Commission to risk matrices in AMPs as a source for the kinds of events EDBs consider extreme risks.

Notification incentive

The Commission

- Briefly outlined the draft decision proposal for a notification incentive, and the reasons for proposing it.
- Noted the importance of notification to consumers being able to plan for an interruption.
- Referenced submissions about the difficulties of a four-hour window, and asked what a more realistic length would be.
- Asked attendees what their approach to planning planned outages is, and how they deal with situations where affected customers have conflicting preferences about timing.
- Asked what channels distributors consider the most successful for getting in touch with customers prior to an outage.
- In response to a question, said that we did not have information on how common not proceeding with a planned interruption is.

Attendees

- Questioned what the point of defining a specific length of window was.
- Suggested that around eight hours was the average duration of a planned interruption (either through a working day or overnight). Recommended the Commission analyse interruption data to determine average duration and the extent of any variation, especially across companies.
- Repeated the point raised in submissions that notification of alternative days is common practice.
- Asked whether the Commission had considered the audit implications of the definition, and whether we had discussed the issue with auditors.
- Pointed to the EA's work on default distribution agreements, and their potential relevance to the timeframes for notifying retailers.
- Pointed out that there can customer-facing and cost benefits from longer outages, in particular the ability to bundle work into a single outage rather than multiple smaller ones.

General discussion

The Commission

- Gave a brief update on progress on engaging with distributors about the SAIFI recording issue.

Attendees

- Asked about the ability of EDBs whose data is currently non-compliant to provide compliant data, and the process for doing so.

Participating organisations:

Electricity Networks Association (ENA)
Network Waitaki (*remote*)
Powerco (*in person and remote*)
Eastland Network (*remote*)
Horizon Networks (*in person and remote*)
PriceWaterhouse Coopers (*telephone*)
PowerNet (*remote*)
New Zealand Institute of Economic Research
(NZIER)

Unison Networks
Orion NZ
Vector Lines
Wellington Electricity
Top Energy (*remote*)
WEL Networks(*remote*)
Alpine Energy (*remote*)
Mercury Energy (*remote*)