

## **Commerce Commission notes on EDB DPP3 Workshop on quality and consumer outcomes held 27 February 2019**

### **Introduction**

- The Commission**
- Advised attendees we are in listening mode today not making any views
  - Advised in submissions that we want to understand some of your responses better

### **Material deterioration**

- The Commission**
- Asked what no material deterioration means to attendees, and what does it relate to?

- Attendees**
- In one stakeholder's view, it is deterioration in the performance of the network.
  - This creates a grey area where it is not clear what is culpable versus not culpable.
  - Cited a need to look beyond the mere statistics to changes in the operating environment
  - Linked the issue to the importance of enforcement guidelines, as it's hard to hit a target if you don't know what it is
  - Not just a matter of process certainty, but certainty about the grounds for reaching an outcome
  - Noted the need for a wider sample size when assessing whether deterioration is occurring
  - Highlighted the feedback loop between unplanned and planned performance, as planned work is undertaken to respond to declining network performance.
  - Pointed to the need to include other non-recurrent factors – environmental factors, such as car-vs-pole incidents.
  - Felt it was more important to monitor controlled versus uncontrolled (as opposed to planned versus unplanned)
  - Highlighted past examples of the impact of environmental factors, such as increased cable strike during a period of heightened reconstruction activity in Christchurch following the earthquakes, or from forest harvesting in the central North Island.
  - Drew attention to the 2-out-of-3 rule, and whether it was catching too many instances
  - Suggested the use of other options, like 3-out-of-4 or 5

### **Reference period**

- The Commission**
- Noted the divergence in views in submissions about the appropriate reference period.

**Attendees**

- More recent data would be more representative of situation. In the end it is a balancing act, and a more forward-looking approach based on planned expenditure may be preferable.
- May need a different reference period for planned and unplanned outages.
- Need to account for environmental changes which may not show up in the data set, especially in older years. Also acknowledged that five years may not be long enough
- If appropriate adjustments are not made, some suppliers may need to see a quality standard variation soon after the reset to account for specific conditions.

**Major events****The Commission**

- Discussed options for revising our approach to normalisation, and in particular the move to a 'rolling' approach to major events, rather than a calendar day approach.

**Attendees**

- Felt it was not worth the complexity, and that having undertaken internal analysis, the impact was not significant.
- Others noted that, where it is feasible, not moving to a rolling approach seems perverse, and that if it is possible to do internal testing, then it should be possible to apply in practice.
- One attendee drew a link to the quality incentive scheme, and unfairness of putting effort into restoring service and recovery, but then having to pay an incentive penalty.

**Separation of planned and unplanned outages****The Commission**

- Asked about the separation of planned and unplanned outages and noted the problems with removing all incentives from planned outages.

**Attendees**

- One stakeholder pointed to their investment in generation to limit the impact of planned outages and suggested that customers do not really care about the difference.
- Other stakeholders disagreed that customers view all outages the same, and that customers do value the notification of – and better information about – planned outages.
- The distinction between the two is not always easy to make. For example, during a storm planned work may be deferred.
- Maintaining some sort of split between the two gives EDBs more ability to explain specific causes.
- Again, a forward-looking approach may be justified.

**Incentive scheme****The Commission**

- Sought stakeholders' views on the incentive scheme, including whether it should be retained.

**Attendees**

- Financial incentives have a common theme – they’re about trade-offs. Some things, like customer connection demand, are outside EDB’s control. Quality incentive cannot be looked at in isolation.
- Quality penalties may be counter-productive, as that money may be better spent fixing the network than on compensating consumers.
- Risk of over-specifying and over-incentivising quality (as happened in Australia), which may drive overinvestment.

**Consumer engagement****The Commission**

- Asked about consumer engagement approaches, and whether EDBs have consumer engagement strategies.

**Attendees**

- One EDB discussed efforts they have undertaken visiting the communities they serve. An example was after recent outages door-knocking to understand the impact. Found this approach better than a formal panel.
- Others spoke of success with an ongoing customer advisory panel.
- Questions of how this work is funded, and whether that money might be better spent fixing the network.

**Other measures of quality****The Commission**

- Acknowledged the work undertaken by the ENA.
- Briefly listed options for additional customer-focused measures of quality and highlighted the range of views from submitters on the issues paper.
- Asked whether new measures should be included in DPP3 or, in Information Disclosure.
- Drew attention to data provided by Utilities Disputes Limited about the issues which consumers complain the most about (with respect to EDBs).
- Raised the idea of EDBs disclosing data about autoreclosers.

**Attendees**

- Discussed Guaranteed Service Level schemes, and the importance of getting the details right.
- Where the new measures are a “bolt-on” to existing measures, then they would not prefer this option.
- Consumer representatives drew attention to the importance of outage notification and standardisation across EDBs
- The issue of LV visibility was mentioned, and that it is not just important for quality reasons. Disclosure standards may drive what investments EDBs make.
- Need to avoid duplication of information gathering, where it may already exist in meter data.
- With respect to autorecloser disclosure, noted that in some cases policy decisions (like turning them off in dry summers) would affect results.

**Participating organisations:**

Counties Power

Aurora Energy

Meridian Energy

Electricity Network Association (ENA)

Wellington Electricity Lines Ltd

Major Electricity Users' Group (MEUG)

The Lines company

Vector Energy

First Gas

Powerco

KPMG (*remote*)

Network Tasman (*remote*)

Genesis Energy (*remote*)

Alpine Energy (*remote*)

Waipa Networks

Nelson Electricity

Horizon Networks

Unison

New Zealand Institute of Economic Research  
(NZIER)

Utilities Disputes

PWC

Orion

Ampli

Castalia Advisors

Top Energy (*remote*)

EA Networks (*remote*)

Eastland (*remote*)