Endeavour Energy

1 July 2016

Dr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, NSW 1240

Dear Dr Boxall

RE: IPART Draft Report – Electricity Transmission Reliability Standards, December 2015

Endeavour Energy welcomes the opportunity to provide input to IPART's economic assessment and review of the NSW Electricity Transmission Reliability Standards (reliability standards) - draft report.

The draft report represents a movement away from the deterministic standards that currently apply, which limit the discretion of TransGrid to defer or reduce network investment. The recommended standards provide for a transition to a more probabilistic planning approach that allows for a small amount of expected unserved energy at each bulk supply point and explicitly provides for non-network solutions to provide reliability.

Endeavour Energy is broadly supportive of the approach outlined in the draft report. We note and welcome the cautious approach in transitioning to probabilistic planning and incorporating customer pricing impacts in the investment decision making process. We consider the relaxation of the "N-X" criteria is a suitable method to incorporate probabilistic planning concepts over time.

We support the decision to implement the reliability standard as a planning standard rather than a performance standard. However, we note that Distribution Network Service Providers (DNSPs) are subject to an outcomes based performance standard. As a result, DNSPs are subject to financial rewards or penalties under the Service Target Performance Incentive Scheme (STPIS). Therefore, it is important that consideration is given to the impacts on DNSPs of the planning standard to ensure that risks are not simply being transferred downstream to the distribution network.

The draft report seeks to address this potential imbalance in incentives, between TransGrid and the NSW DNSPs, by providing for joint planning in the interdependent Inner Sydney network. We support a joint planning approach and submit that in such circumstance the DNSPs solutions considered should offer no worse outcomes than that specified in the transmission planning standards and should not (under normal operation) result in adverse STPIS risks for DNSPs. We also consider this mechanism should be extended beyond Inner Sydney where circumstances warrant a joint planning approach. For instance, the Macarthur 66kV and 132kV Bulk Supply Points (BSP) are listed separately by IPART and each subject to an N-1 standard. However, these BSPs currently have an N level of security only, if the DNSP network is not considered, which suggests a joint planning approach would be appropriate.

In the draft report, IPART recommend that further work be done on the value customers place on reliability (VCR). We support this recommendation as a measure VCR is a relatively new measure and limited to capturing the 'willingness to pay' of the average customer. We are concerned there is a risk that customers are treated as a homogenous group when relying on VCR in a manner as the draft report has. We caution against this placing too great a weight in VCR as loss of continuity of supply can disproportionately impact vulnerable customers, particularly life support customers. DNSPs have obligations to such customers under the National Electricity Customer Framework (NECF). We therefore welcome further analysis to ensure these risks are adequately captured.

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In addition to the points discussed above, further comments on the draft report are provided below:

- Restoration times: we accept that mandated standards around supply restoration times would not be conducive to achieving greater efficiency in the investment decision making process. We also accept that supply restoration times would be difficult in practice to implement as a planning standard.

- Energy at risk: for clarity we consider the terms "load at risk" (i.e. MW) and "energy at risk" (i.e. MWh) are used. Expected unserved energy is derived from the latter, however it is also used to refer to demand (MW) in section 2.2.2 of the draft report.

- Modelling: we consider it would be beneficial for IPART to share the modelling referred to in the draft report (on a confidential basis if required).

- Probability of Exceedance (POE) forecasts: we consider the use of 50% POE forecasts is appropriate for a deterministic N-1 standard and for the small excursions of load at risk beyond N-1. However, using a 50% POE forecast may result in load at risk on peak days in 10% POE years. Therefore, we consider the use of 10% POE forecasts should be considered where an N standard applies or where levels of risk are well beyond N-1. By way of example, in Victoria, Australian Energy Market Operator (AEMO) uses a 70:30 weighting for 50% POE and 10% POE forecasts when calculating energy at risk.

In summary, Endeavour Energy is supportive of the draft report which seeks to achieve an appropriate balance between the reliability and price of electricity services without compromising the safety and security of supply. We support the proposed transmission planning standard whilst noting the importance of considering the impacts on DNSPs, who are subject to a performance standard, in joint planning scenarios. We also support the consideration of customer impacts in the draft report but consider further analysis of VCR is required to ensure that no particular customer groups are disadvantaged.

If you have any queries or wish to discuss this matter further please contact Jason Lu, Acting Manager of Asset & Network Planning at Endeavour Energy on (02) 9583 5003 or alternatively via email at jason.lu@endeavourenergy.com.au.

Yours sincerely

Ty Christopher
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