

31 October 2003

Dr T. G. Parry
Chairman
Independent Pricing and Regulatory Tribunal of NSW
Level 2, 44 Market Street
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Dear Dr Parry

Review into Guaranteed Customer Service Standards and Operating Statistics

Thank you for the opportunity to comment on the Tribunal's proposed recommendations from its review into Guaranteed Customer Service Standards and operating statistics. This submission is made by ActewAGL Distribution (ActewAGL). Our comments reflect the point of view and interests of a gas reticulator.

In previous submissions, ActewAGL has stressed the importance of basing decisions of the type now being considered on consumers' declared preferences and willingness to pay, as established through a properly conducted quantitative study. It is therefore of concern to us that the draft recommendations for GCSS are directed at "aspects of service quality that small retail customers are likely to consider important" (page 11) and that proposed GCSS payments are set so as "better to reflect the likely priorities of customers" (page 11). Please note that ActewAGL has recently carried out a detailed quantitative and qualitative willingness to pay study and we would be pleased to provide a presentation to the Tribunal regarding the key findings of this study.

Given the potential for introduction of inefficiencies, we believe it is unwise to base such important decisions on supposition, however well considered. We are nevertheless reassured by the Tribunal's statement that "any [additional costs for the energy utilities associated with the GCSS scheme, including any increase in the expected value of GCSS payments that must be made, and any increased costs associated with setting up and administering new GCSS payment arrangements] should be taken into account when setting regulated utility allowed revenues for price cap calculations, subject to [the Tribunal] verifying that the projected costs involved are efficient." (page 11).

Response to Draft Recommendations

ActewAGL agrees with the Tribunal's draft recommendations that no GCSS should be established for Telephone services (s4.2.1); Appointment keeping (s4.2.2); and Network reliability (s4.2.5) and that, in the latter case, performance monitoring should continue to be based on data provided to MEU.

However, we disagree with the proposal to introduce a GCSS relating to timely provision of services (s4.2.3) for the following reasons:

- The ActewAGL Minimum Network Standards (Network Code) already requires ActewAGL to use best endeavours to provide a new standard connection on line of main within 20 business days from the date ActewAGL receives the retailer's acceptance of ActewAGL's offer of a connection on that basis. Any other type of connection is subject to a specific offer to the retailer which includes a time to complete (measured from the date of acceptance) that is consistent with the nature of the connection.
- On the above basis, any proposed GCSS for timely provision of services should be defined by reference to the "date agreed in writing with the customer" where the starting point for negotiation will be 20 business days. There must also be provision for the completion date to be changed by agreement with the customer.
- A prolonged period of wet weather, or other issues beyond our control, can cause severe disruption to the new connection work schedule. ActewAGL cannot be held accountable for meeting "timely provision" targets in those circumstances.
- Many new connections are to new homes where the customer is generally the developer or builder and not a gas consumer. Particularly in new developments, the lead times and the nature of the relationships are such that it is inappropriate and unnecessary for such connections to be subject to the proposed GCSS.

We note, and accept in principle, the proposal to introduce GCSS relating to notice of planned interruptions to supply (s4.2.4) with corresponding new operating statistics categories (Table 4). However, our acceptance is subject to several important matters of detail as follows that are referred to in the draft recommendations and must be resolved before any scheme can be implemented:

- It would be inappropriate to include routine aged meter replacements as "planned interruptions" – at present consumers are notified in advance, defining a two week window within which the replacement is expected to take place. The actual timing of the replacement within that window is determined by ActewAGL's contractor. Given that the bulk of meter replacements cause very little if any disruption, it is inappropriate that this activity be included in the reportable statistics for planned interruptions or that it be subject to any GCSS payment.
- The ActewAGL Minimum Network Standards (Network Code) already requires ActewAGL to use best endeavours to provide Retailers and affected Customers with at least 5 business days' advance notice of planned interruptions to supply. ActewAGL notifies retailers through established B2B processes.

Consumers are provided with the required advance notice by ActewAGL or its contractor delivering a notification card to the street address of the meter. However, it is not always possible to ensure delivery of a card at an address. For example, and particularly where the occupant has a separate mailing address, premises may not have a letter box or similar receptacle for delivered articles. Even when a card is left at an address, ActewAGL cannot be certain that it will be collected.

Under such a system it is unclear how a consumer's claim to a payment on application (or entitlement to an automatic payment) would be established or verified. The fact that

ActewAGL has no direct relationship with the consumer and has no reliable record of the identity of the consumer at a particular meter address is a further impediment .

The level of GCSS payments envisaged

It is not clear what level of payments the Tribunal has in mind for failures to meet the proposed timely provision and notice GCSSs. The implication is that they should be the same as those that currently apply for electricity i.e. \$60 per day to a maximum of \$300 for failure to meet the timely provision standard, and \$15 for failure to give at least two days' notice of a planned interruption or to complete the work within the time advised. We are concerned that the draft recommendations provide insufficient detail for us to comment on these important matters.

Implementation

We confirm that it would not be possible for ActewAGL to make GCSS payments at all, let alone automatically, with current systems. The fact that ActewAGL does not have a direct relationship with the consumer is a significant factor. In particular, ActewAGL does not have a billing relationship with the consumer. Even if ActewAGL had the information necessary to verify consumers' entitlements and make direct payments e.g. by cheque, the cost per transaction would be high and inefficient.

There are at least two alternatives. One option could be for ActewAGL to credit the retailer's network transportation charges. This would in turn require that arrangements be established with retailers to ensure that the correct consumer is identified, and the credit flows through to that consumer's account. Another might be for the retailer to make the payment on a reimbursement basis, in which case it would probably be necessary for the retailer to obtain confirmation from ActewAGL that it accepted liability, before making the payment. Disputes, with associated costs, are likely.

In either case the system and administration costs for both ActewAGL and the retailer are likely to be substantial for what we would expect to be a relatively small number of payments. Costs per transaction are likely to be high and inefficient. Moreover, it is not clear that all of those costs would be recoverable, particularly where they are incurred by a retailer.

In submissions made previously in connection with the Tribunal's review of licensing/authorisation arrangements, we have stressed that it is inappropriate for such instruments to include the likes of GCSSs and performance reporting requirements. We also note that standards for timely provision of new services and giving notice of planned interruptions are already established in the ActewAGL Minimum Network Standards (Network Code) which is an enforceable document. We believe it is possible to achieve the objective of ensuring the maintenance of minimum standards by utilising these existing structures.

In summary, ActewAGL believes that the introduction of GCSS in the form proposed would result in significant system and business process changes and costs for very small corresponding benefits to consumers.

Please contact Dale Weber on (02) 6248 3842 if you require any further information on this submission.

Yours sincerely

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ActewAGL