

31 October 2003

Dr T. G. Parry
Chairman
Independent Pricing and Regulatory Tribunal of NSW
Level 2, 44 Market Street
PO Box Q290
QVB Post Office
SYDNEY NSW 1230

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 (GCSSs) and Operating Statistics (DP68). This submission by AGL Gas Networks Limited (AGLGN) reflects the point of view and interests of a gas reticulator.

General:

In previous submissions, AGLGN 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 GCSSs 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). 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:

AGLGN 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.

We note, and accept in principle, the proposals to introduce GCSSs relating to 'timely provision of new services' (s4.2.3) and 'notice of planned interruptions to supply' (s4.2.4) with corresponding new operating statistics categories (Table 4). However, our endorsement is subject to appropriate criteria/definitions being developed. In addition, we are concerned that the proposal to introduce GCSS payments could give rise to unnecessary additional costs, when the Network Code already provides a vehicle for ensuring that minimum standards are met. The fact that AGLGN does not have a direct relationship with the consumer is a significant contributing factor to the issues we have identified.

1. Definition of the relevant criteria:

Timely provision of new services

- The current commitment for a standard connection on line of main is 20 business days from the date AGLGN receives the retailer's acceptance of AGLGN's offer of a connection on that basis. Any other type of connection is the subject 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.

In terms of a GCSS, timely provision of new services should be defined by reference to the "date agreed in writing with the retailer" since AGLGN has no direct relationship with the consumer in the matter. In addition, AGLGN has no control over the nature of any commitments the retailer may give the consumer, so it can only be held accountable for performance of its agreement with the retailer. There must also be provision for the completion date to be changed by agreement with the retailer and/or to accommodate any delay resulting from unforeseen circumstances e.g. from non standard site conditions discovered at the time of connection for which no provision had been made in the offer.

- A prolonged period of wet weather can cause severe disruption to the new connection work schedule. AGLGN cannot be held accountable for meeting "timely provision" targets in those circumstances.
- AGLGN should not be subject to penalties where the retailer has withheld agreement to a date (or changed date) unreasonably.
- Many new connections are to new homes where the customer is generally the developer or builder and not a gas retailer on behalf of a 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.

Notice of planned interruptions to supply

- The AGLGN Network Code (clause 13.1) requires AGLGN to use best endeavours to provide Retailers and affected Customers with at least 5 business days' advance notice of planned interruptions to supply.

AGLGN notifies retailers through established B2B processes. Consumers are provided with the required advance notice by AGLGN 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, AGLGN 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 AGLGN 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 (see section 2 below).

- It would be inappropriate to classify routine aged meter replacements as "planned interruptions" – at present the consumer is notified in advance by letter, 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 AGLGN'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. A requirement to provide notice that is more precise than at present would be likely to lead to inefficiency, and additional costs, in contractor operations.

2. GCSS payments and implementation:

The Tribunal's principal reason for proposing GCSS payments for timely provision of new services and giving notice of planned interruptions appears to be a desire for uniformity between electricity and gas. We are concerned that the Tribunal may not have taken account of the full implications, including the costs and benefits¹, of the draft recommendations.

It is not clear what level of payments the Tribunal has in mind for failures to meet the proposed 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. The draft recommendations also allude (p21) to a need for interim arrangements as a step to the proposed objective of having GCSS payments made automatically to affected consumers. We are concerned that the draft recommendations provide insufficient detail for us to comment on these important matters.

We confirm that it would not be possible for AGLGN to make GCSS payments at all, let alone automatically, with current systems. The fact that AGLGN does not have a direct relationship with the consumer is a significant factor. In particular, AGLGN does not have a billing relationship with the consumer and in most instances does not even have a reliable record of the name of the consumer at a meter address (or the consumer's mailing address if it is not the meter address). Even if AGLGN 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 AGLGN to credit the retailer's network transportation charges. This would in turn require that arrangements be established

¹ Refer Terms of Reference, Clause 3.

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 AGLGN that it accepted liability, before making the payment. Disputes, with associated costs, are likely.

In either case the system and administration costs for both AGLGN 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 clauses 16.1 and 13.1 respectively of the AGLGN 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. The two service attributes, once clearly defined, would be reported as GCSSs and performance monitored against the requirements of the Network Code. Below-standard performance would be addressed through the Code – a GCSS payment scheme, with its associated costs and inefficiency, is unnecessary.

Please contact Warwick Tudehope (02) 9922 8929 if you require any further information on this submission.

Yours sincerely

Robert Wiles
General Manager
Regulation and Policy