Ref: LZ:JC

31 October 2003

Dr Tom Parry Chairman Independent Pricing and Regulatory Tribunal Level 2, 44 Market Street PO Box Q290 **QVB Post Office NSW 1230**

Dear Dr Parry

Response to Discussion Paper DP68 – Review into Guaranteed Customer Service Standards and Operating Statistics – Draft Recommendations

Country Energy welcomes the opportunity to provide a submission to the Discussion Paper DP68 released in September 2003 by the Tribunal. The attachment provides Country Energy's position in relation to the draft recommendations contained in the discussion paper.

Country Energy provides gas and electricity distribution and retail services. The review of guaranteed customer service standards and operating statistics provides an important opportunity to review service standards applicable to electricity and gas services.

Service reliability and quality are issues of prime importance to Country Energy. Country Energy is dedicated to providing excellence in gas and electricity services and has demonstrated its commitment to continuously improving services, particularly in narrowing the service gap between rural and urban areas. While Country Energy is supportive of most of the draft recommendations in the discussion paper, we are concerned with the Tribunal's proposal to introduce a minimum performance standard for electricity distribution reliability given the long radial nature of our electricity distribution network, and the proposed response times for electricity quality of supply investigation/rectification and streetlight repairs.

If you have any questions or wish to discuss this response, please contact Ms Terri Benson 02 6338 3424 or Mr Lawrence Zulli on 02 6883 4547.

Yours sincerely

Craig Murray Managing Director

Att. 1



RESPONSE TO DISCUSSION PAPER DP68

Review into Guaranteed Customer Service Standards and Operating Statistics

Draft Recommendations





TABLE OF CONTENTS

1. In	ntroduction	1
2. D	raft Recommendations on GCSS for electricity distribution	1
2.1	Telephone services	1
2.2	Appointment keeping	1
2.3	Timely provision of services	1
2.4	Notice of planned interruptions	1
2.5	Streetlights	2
2.6	Network reliability	2
2.7	Quality of supply	6
3. Draft Recommendations on GCSS for gas distribution		8
3.1	Telephone services	8
3.2	Appointment keeping	8
3.3	Timely provision of services	9
3.4	Notice of planned interruptions to supply	9
3.5	Network reliability	9
4. D	raft recommendations on GCSS for electricity and gas retail	9
4.1	Appointment keeping	9
4.2	Other GCSS requirements	9
5. D	raft recommendations for operating statistics	9



1. Introduction

Country Energy welcomes the opportunity to provide written comments in relation to the Tribunal's Discussion Paper '*Review into Guaranteed Customer Service Standards and Operating Statistics – Draft Recommendations*'.

Service reliability and quality are issues of prime importance to Country Energy. Country Energy is dedicated to providing excellence in gas and electricity services and has demonstrating its commitment to continuously improving services, particularly in narrowing the service gap between rural and urban areas.

The review of guaranteed customer service standards and operating statistics provides an important opportunity to review service standards applicable to electricity and gas services.

Country Energy's response covers each of the issues that have been addressed in the Discussion Paper.

2. Draft Recommendations on GCSS for electricity distribution

2.1 Telephone services

The Tribunal's draft recommendation is that the current measures should be retained as a minimum standard for all DNSPs, either as a GCSS, or as a specific, separate licence condition, as suggested by one DNSP.

Country Energy agrees with the Tribunal's draft recommendation.

2.2 Appointment keeping

The Tribunal's draft recommendation is to retain and modify the appointment keeping GCSS so that distributors are required to 'make and keep' appointments within a specified time window.

Country Energy notes the inconsistent treatment between electricity and gas distributors. Further consultation may be required in the development of this GCSS to clearly determine the circumstances under which the electricity distributor is required to 'make and keep' an appointment, for example, does this requirement only relate to the core distribution business or does it extend to making appointments for contestable works.

2.3 Timely provision of services

The Tribunal therefore recommends that the current GCSS be retained in this area. The Tribunal also considers that current GCSS payment levels in this area appear to be broadly appropriate.

Country Energy agrees with the Tribunal's draft recommendation.

2.4 Notice of planned interruptions

The Tribunal's draft recommendation is therefore to retain current GCSS in this area.

Country Energy agrees with the Tribunal's draft recommendation.



2.5 Streetlights

If an alternative approach (such as those described above) is not introduced, the Tribunal's draft recommendation is that the current GCSS in relation to streetlights be retained, but that repairs be undertaken within a five day period.

In a recent discussion paper '2004 Electricity Distribution Review – Preliminary Analysis' released by the IPART Secretariat, the favoured view of the Secretariat was that there is scope for the exclusion of construction and maintenance services relating to the provision of public lighting services. Country Energy was generally supportive of this view and indicated that public lighting customers should have the right to install, operate and maintain public lighting schemes in their own right and that the provision of these services should not be restricted to distributors. Additionally, Country Energy is supportive of formal agreements between local councils and providers of public lighting services.

An option proposed by the Tribunal is the introduction of a responsiveness objective for the repair of public lights. However the Tribunal acknowledges that:

"...further work would be needed to consider, for example, whether different targets would be needed for rural and urban areas..."

While the repair of public lighting in urban areas is generally feasible within the proposed five working days, circumstances can arise that prevent a distributor from meeting this objective for all lights. There are situations where access can be prevented, or certain conditions need to be met before repair work can commence, that can delay immediate access to the site using an elevated working platform, for example access to bridges and roundabouts.

In remote villages, Country Energy believes a ten working day objective would be a more achievable performance objective. The repair of public lights within five days in these remote localities is not achievable. Country Energy has implemented strategies to limit the effects of streetlight outages and to improve the availability of lighting in these locations through the introduction of bulk lamp change practices and formal streetlight patrols. Repairs are generally undertaken when sufficient streetlight faults are present that would warrant a visit to the remote location. This can occur once a fortnight depending on the distance from the nearest field service centre. This is supplemented by repair work programmed with other maintenance works in that area to ensure the most effective use of resources and by streetlighting patrols carried out by on-call staff.

Country Energy believes that a more practical objective would be to require electricity distributors to complete 85% of all streetlight repairs within five working days in urban areas and 85% of all streetlight repairs within ten working days in remote villages.

2.6 Network reliability

The Tribunal's draft recommendation is that GCSS for network reliability be introduced, with penalty payments towards the upper end of the \$15 to \$80 range where minimum standards are not met. The Tribunal considers it likely that minimum standards similar to those seen in other jurisdictions would be appropriate and would increase consistency. That is, a minimum standard of no more than nine interruptions per twelve month period in CBD and urban areas, and no more than 15 interruptions per twelve month period in rural areas. GCSS payments would also be payable where individual customers experienced interruptions lasting longer than twelve hours. The Tribunal invites comment as to whether these ESC Victoria/OTTER minimum standards should also be adopted for NSW.

A key issue for Country Energy in this review is the proposed requirement to observe minimum standards for reliability given the nature of our electricity network and the accuracy of our present reliability information systems. Under the Tribunal's proposal the electricity



distributor would be required to make payments to customers that receive reliability levels below a certain predetermined level.

Country Energy in previous submissions to the 2004 electricity distribution price review has provided little support for the introduction of minimum standards for reliability. We believe that there is little or no justification for implementing minimum standards for reliability at this time for the following reasons.

- It is likely that any consequential benefit is disproportionate to the cost of implementation and administration.
- The implementation of minimum reliability standards depends crucially on the ability of the distributors to identify the individual customers affected by interruptions. The information systems currently employed by Country Energy do not allow accurate determination of the customers impacted by an interruption. To identify the individual customers affected by the interruption will be particularly costly to implement.

Also, Country Energy's billing systems do not handle payments to customers. The cost of modification to incorporate this aspect alone is likely to outweigh any perceived benefits. Further, when the cost of collecting, processing and maintaining the necessary data is considered, it is evident that such a proposal must only proceed if there is clear and sound justification.

The Discussion Paper is silent in this regard.

- The establishment of minimum reliability standards requires sound and robust historical data, which is not available at this stage. Similar to the proposed introduction of an 'S' incentive factor, the minimum reliability performance objectives must only be implemented when it can be demonstrated that meaningful, reliable, repeatable measurement systems that are unaffected by externalities are available to deliver the appropriate incentive. Performance objectives that are arbitrarily set provide perverse incentives to the distributor.
- The value that customers place on a distribution service attribute should be incorporated into the setting of minimum reliability standards. To be effective, minimum reliability standards must be meaningful to customers, reflecting material service requirements. However a customer preference study specific to electricity distribution in NSW has yet to be completed.

Additionally, the determination of an appropriate threshold at which the electricity distributors would be required to make payments to customers must be meaningful and representative of performance and not set arbitrarily. Thresholds must recognise customer expectations and satisfaction levels. Again a customer preference study must be completed for this to be effectively implemented.

• Minimum reliability standards are intended to influence and provide incentives for the distributor's response to specific performance levels and to a lesser degree, compensate customers for some of the inconvenience caused by a failure to meet service levels.

In our opinion the electricity distributors have a natural commercial incentive to maintain and improve service standards, and do not require the implementation of an 'artificial' regulatory mechanism to achieve this objective. Further payments under this scheme have more symbolic meaning and provide at best a minor incentive to the distributor.

It is therefore questionable whether the setting of a numerical minimum standard and the introduction of a compensation payment scheme would have any additional effect on a distributor's performance and asset planning practices, particularly in rural and regional service areas.



• Country Energy's distribution network has been historically planned and developed to deliver levels of reliability, which ultimately depend on design. This has been influenced by intrinsic design factors such as customer density, terrain, service area, and the harmonisation of these factors with the economically viable cost of service provision.

There are service level gaps between customer expectations and the capability of rural systems to deliver high levels of service. That is, there will always be customers connected in rural and remote areas with lower levels of service quality due to the characteristics of the long radial network and its exposure to environmental factors.

It is not possible to eliminate this service level gap without huge capital investment.

- Payments for not meeting minimum reliability standards has the potential to engender adversarial relationships between Country Energy and our customers due to a perceived absence of service quality or customer care, which Country Energy is firmly against.
- Country Energy is not aware of any significant complaints or any systemic incidents in our electricity distribution network, which indicate a real need to introduce minimum reliability standards to address reliability issues.

The Discussion Paper provides no evidence in this regard.

The introduction of minimum reliability levels could be revisited at a future time when systems are in place to monitor individual customer performance and only in accordance with the principle that the likely costs are balanced against any perceived benefits.

At this time, the introduction of minimum reliability standards (and payment of compensation) should be left as a voluntary option. This would allow individual distributors to pursue "internal" minimum reliability standards, where it is believed they would enhance customer service, improve overall service efficiency, and to develop direct experience with their implementation. The activity level of the voluntary scheme could be monitored. This would provide comfort to the Tribunal that the distributors are driving service level improvements. Customer views on these voluntary arrangements could be monitored as part of customer satisfaction surveys.

Notwithstanding the above, if minimum reliability standards are established a conservative approach must be taken. There are a number of issues relating to the design of the minimum reliability scheme that must be resolved prior to implementation.

• The scheme must positively reinforce the relationship between Country Energy and the customer.

There is a need to consider the settlement of disputes that may arise over eligibility for payments. The scheme must be designed to minimise the number of disputes. The options proposed by the Tribunal are unlikely to achieve this result, unless the distributors can identify individual customers specifically affected by the interruption.

- Payments must be made to the individual customers affected by the interruptions to avoid rewarding unaffected customers. It is inappropriate to provide 'global' compensation to all customers connected to a feeder as proposed by the Tribunal.
- The size of the proposed payment to be made to customers should be commensurate with the value placed by customers and set to limit the extent of the financial risk faced by the electricity distributors.
- The scheme must be designed to ensure that the outcome is economically neutral to the distributor.



- The scheme must be administratively simple and cost effective to implement. The distributors will be required to implement and modify systems to collect and monitor information for the minimum reliability indicators, modify billing systems or introduce payment systems to credit the account of customers direct with a specified amount. There are also the on-going management and maintenance of these systems and processes.
- It is necessary to ensure that the threshold for the payment of minimum standards are set at a level that addresses the more extreme incidences of low reliability, taking into account the inherent design of the network.
- Country Energy has previously suggested that there might be some scope for looking at aspects of supply relating to the worst performing rural feeders for the introduction of minimum reliability standards. This would provide a reference point for assessing the impact of our proposed expenditure programs in the forthcoming network regulatory period to gradually improve reliability to worst served rural customers.
- The extent to which reliability indicators are presently measured is most important for integration into a minimum standards scheme.

The selected measures must reflect factors that electricity distributors are able to mitigate and control, to ensure that they provide appropriate commercial incentives for electricity distributors to drive service level improvement.

• There must be consideration for the exclusion of 'reliability events' that electricity distributors are unable to control or influence.

Country Energy has provided a list of reliability events in our previous submissions in relation to the 'S' factor that are equally applicable to minimum standards. For completeness these events are listed below.

- Force majeure events such as extreme storms, bushfires and other natural disasters;
- Other major impact events on system performance where, for example, design limits of the distribution network are exceeded;
- Other rare events that the distributors would not reasonably be able to foresee or mitigate the impact thereof such as supply interruptions requested by emergency service organisations or NEMMCO;
- Interruptions resulting from within the individual customer's premise due to the failure of customer owned equipment;
- Interruptions resulting from safety related problems associated with the customer owned equipment;
- Incidents affecting electricity supply caused by third parties where distributors could not reasonably mitigate these;
- Interruption events resulting from the transmission network or from another distributor where inter-distributor arrangements are in place;
- Interruptions resulting from failure of transmission connected and distribution connected generation.

Additionally, adjustments should also be made for the following circumstances:

- Planned interruptions;
- Individual faults where the customer agrees to remain without supply for an extended period; and
- Interruptions lasting less than 1 minute.

Planned interruptions should not be included to avoid penalising planned work to improve supply reliability. Momentary interruptions should be excluded because of measurement



difficulties and the distortions that result from combining sustained and momentary interruptions in one measure.

Country Energy has not incorporated any additional costs in relation to the implementation of minimum standards, or the expected costs associated with making compensation payments, in our revenue submission for the forthcoming regulatory period. Country Energy considers that the expected costs of systems and administration must be recognised (including the expected costs of the minimum service payments) and provided for in full in the distributors' revenue requirements for the forthcoming period, as a full pass-through void of any side constraint limitations.

2.7 Quality of supply

The Tribunal's draft recommendation is to introduce a GCSS that requires DNSPs to investigate voltage complaints within seven working days. The Tribunal invites comment on the applicability of OFGEM's requirement that any voltage faults are corrected within six months.

The main parameters of voltage quality are frequency, magnitude, waveform and symmetry of the phases. There are a number of voltage quality issues that can affect a customer's supply including voltage fluctuations including under-voltage and over-voltage, switching transients, flicker, and more subtle problems such as harmonic distortion and phase unbalance. The first round of the Wollongong University power quality survey found over-voltages as the biggest power quality issue that is faced by the electricity industry.

Country Energy's carries out an investigation and analysis to identify potential voltage problems in the network when a customer experiences a quality of supply problem. In conjunction with the investigation, relocatable power quality monitoring devices may be installed to monitor parameters on the effected part of the network or at the customer's installation.

Country Energy continues to implement asset management strategies to improve quality of supply and responsiveness. We have made a significant commitment by appointing a team of power quality technicians across the service area to respond to and undertake quality of supply investigations. Country Energy works closely with the customer when undertaking an investigation and manages the process of evaluation to ensure a prompt solution. Country Energy also works actively with customer groups and local communities who may be impacted by deterioration in supply quality. In our experience, these joint approaches are an effective mechanism in meeting the timely needs of customers and identifying areas for remedial work before significant customer problems are experienced.

As was indicated in our April 2003 revenue submission, Country Energy believes that the most practical quality of supply performance monitoring is the number of verified 'steady state' customer voltage complaints investigated as presently reported to the Ministry of Energy and Utilities. Comparative performance reporting is a simple and effective regulatory instrument that provides the necessary commercial discipline and incentive on the distributor to maintain and improve quality of supply and should continue to be implemented. We believe this to be a more workable instrument as compared to the proposals put forward by the Tribunal.

Where a customer enquiry is made Country Energy makes every endeavour to be responsive to the customer's need. Our objective to quality of supply issues, as detailed in our April submission, is that enquiries are thoroughly investigated and managed to ensure that all possible sources of the problem are analysed and detected and that the most effective and efficient long term solution is implemented. A 'rushed' investigation and fix in order to meet ridged response times will not enable Country Energy to achieve this objective. In our opinion the imposition of a responsiveness objective will add little to the delivery of quality of supply to customers.



Country Energy disagrees with the Tribunal's view that a complaint based performance measure creates a perverse incentive for customers to complain. Customer perceptions of quality of supply are important, and even if a real voltage quality situation does not exist, a customer perception of poor quality is as much a concern to Country Energy as actual poor supply quality. All enquiries need to be effectively managed.

In the Draft Recommendation paper, the Tribunal has proposed to introduce a GCSS that would require electricity distributors to investigate voltage complaints within seven working days and to correct any voltage faults within six months.

Country Energy delivers electricity to a customer base geographically dispersed across some 582,000 square kilometres. The network consists of in excess of 180,000 kilometres of line, over 300 zone substations, and thousands of distribution feeders of varying lengths with some feeders over 400 kilometres in length. Our network is unlike most other electricity distribution networks in the world, and greatly different from the regulated entities in the United Kingdom. The Tribunal's proposed seven day objective for investigating voltage faults is unworkable in rural and remote areas and not achievable in any of our regions.

It is noted that the Tribunal has not clearly defined the term 'investigate' in the Discussion Paper. The investigation process involves a trip to site, spending several hours on site, the fitting of monitoring equipment (if required), leaving the equipment connected for at least one week to provide an appropriate sample of data in order to record the problem, the retrieving of the monitoring equipment, analysing of the data retrieved and then getting back to the customer. The investigation process itself without any further analysis takes at least two weeks. The long distances that need to be travelled can increase the length of time required. In some cases, monitoring equipment may need to be reinstalled due a malfunction of the voltage data logger.

There are other key points to note in respect to power quality investigations.

Distributors are able to identify steady state voltage regulation problems that arise either due to emerging system capacity constraints, failure or incorrect setting of voltage regulation equipment or incorrect transformer tap settings, or where the problem may be either in the high or low voltage distribution network. Recurring quality of supply problems such as voltage flicker, interference from other disturbing loads, harmonic interference, and interference from faulty network equipment are also able to be investigated.

However short term voltage problems is a different issue. Some investigations can take six months to resolve due to the intermittent nature of the faults and the effects of weather. These voltage quality problems relate to "spikes", "power surges", "sags", and "lightning strikes" that are beyond Country Energy's control or influence and can be difficult to trace as these events are extremely short lived in nature. The investigation process is difficult, as the causing event may have passed and is not repeated. There is no effective monitoring equipment that can record short term variations that can be permanently installed and analysed effectively. Devices for effective monitoring of transient voltages are expensive and require detailed analysis to interpret results. These are generally used to investigate specific problems that would greatly exceed the seven day timeframe proposed by the Tribunal. The ridged approach as proposed by the Tribunal would be unworkable in this respect. For many voltage excursion events, the cause may never be known with any certainty.

The Tribunal must recognise that distributors need flexibility in the area of quality of supply investigations. To impose unreasonable time frames on the investigation process is impractical and unworkable. We believe that the proposals will be ineffective, particularly in rural areas, and will not lead to the most effective long-term solution being implemented for the customer. The responsiveness timeframes set by OFGEM may be appropriate for London, however there is little applicability to the operation of electricity networks in rural and regional New South Wales.



What then is a reasonable time to complete an investigation? Country Energy would suggest at least four weeks in rural areas and six weeks in remote areas for general steady state voltage problems. However the investigation may take much longer depending on the circumstance and the type of voltage problem being investigated as detailed above.

Country Energy believes that a more workable and achievable objective is to initiate a response to a customer's quality of supply enquiry within seven working days. This response could be in the form of an appointment with the customer to initiate the investigation process. At the time of the initial visit, the quality of supply problem would be initially assessed and given appropriate responsiveness, for example, an elevated neutral-earth voltage would be rectified immediately. The key to this approach is for the customer's issue to be initially assessed and then for the investigation to proceed based on the information at hand to ensure the most effective outcome.

The Tribunal has also proposed the correction of any voltage fault within six months. An electricity distributor is generally able to rectify steady state voltage problems within six months where it relates to the low voltage network, or where the problem exists in the customer's low voltage installation.

However, rectification in some cases may involve substantial subtransmission or distribution network augmentation if the quality of supply problem relates to emerging capacity constraints that lead to more widespread voltage degradation. Augmentation work, such as the construction of new feeders or zone substations, to rectify a capacity problem has lead times of two to three years. For augmentation at a subtransmission level distributors are required to undertake consultation in accordance with the current demand management code of practice, and prior to the construction of subtransmission lines the distributor must undertake corridor/easement selection, environmental reviews, and negotiations with landowners. The six month response time for rectification works will not be achievable for subtransmission augmentation. Additionally, the rectification of voltage problems in rural areas may involve augmentation or a complete rebuilt of a rural distribution high voltage feeders that cannot be carried out within the proposed six month timeframe.

The investigation response and rectification timeframes that are proposed by the Tribunal would lead to significant cost increases for Country Energy if they were introduced. The cost implications have not been included in our expenditure projections for the forthcoming regulatory period. Prudent cost increases to implement the Tribunal's proposals would need to be recognised in regulated revenues for the forthcoming regulatory period.

3. Draft Recommendations on GCSS for gas distribution

3.1 Telephone services

The Tribunal's draft recommendation is that it is not necessary to introduce a GCSS in relation to telephone services for gas reticulators.

Country Energy agrees with the Tribunal's draft recommendation.

3.2 Appointment keeping

The Tribunal's draft recommendation is that no GCSS in relation to appointment keeping be introduced for gas reticulators.

Country Energy notes that Tribunal's draft recommendation is inconsistent with the requirement for electricity distribution. However, we believe the Tribunal's proposed treatment of appointment keeping is practical and in keeping with the functions carried out by gas distributors.



3.3 Timely provision of services

The Tribunal's draft recommendation is that a GCSS in relation to the timely provision of services should be introduced for gas reticulators. This standard should require reticulators to connect customers by the date agreed with the customer, or to make a GCSS customer payment for each day that connection is delayed.

Country Energy agrees with the Tribunal's draft recommendation. The Tribunal's draft recommendation will align gas distribution with the requirement for electricity distribution. The cost implications of this new obligation must be recognised by the Tribunal in the upcoming gas distribution price review.

3.4 Notice of planned interruptions to supply

The Tribunal's draft recommendation is that a GCSS for notice of planned interruption to supply be introduced for gas reticulators, similar to the GCSS for electricity distributors described in section 4.1.4.

Country Energy is generally supportive of the Tribunal's draft recommendation and will align gas distribution with the requirements in electricity distribution. The cost implications of this new obligation must be recognised by the Tribunal in the upcoming gas distribution price review.

3.5 Network reliability

The Tribunal's draft recommendation is that no GCSS should be introduced for gas reticulation in relation to network reliability, but that performance should be monitored using data now being collected by the MEU.

Country Energy agrees with the Tribunal's draft recommendation. Country Energy agrees that current reliability byels for gas distribution are high. Customers tend not to be adversely affected by gas interruptions and therefore the costs of introducing a GCSS system would outweigh any benefits. As discussed above, reporting to the Ministry and comparative reporting is the preferred regulatory instrument.

4. Draft recommendations on GCSS for electricity and gas retail

4.1 Appointment keeping

The Tribunal's draft recommendation is that the appointment keeping GCSS should be removed for both electricity and gas retailers.

Country Energy notes that Tribunal's draft recommendation is inconsistent with the requirement for electricity distribution. However, the Tribunal's proposed treatment of appointment keeping is practical and in keeping with the functions carried out by the retailers.

4.2 Other GCSS requirements

The Tribunal's draft recommendation is that these requirements should be retained as minimum standards, either as GCSS or as licence conditions.

Country Energy agrees with the Tribunal's draft recommendation.

5. Draft recommendations for operating statistics

The Tribunal's draft recommendations in this area are that:

- operating statistics continue to be published on an annual basis
- all service quality statistics be published in a single, consolidated annual report



• the collection and publication of operating statistics be extended for the gas reticulation and retail sectors.

Country Energy agrees with the Tribunal's draft recommendations.