



4th June, 2003

Ms Emma Kelso
Review of Energy Guaranteed Customer Service Standards and Operating Statistics
Independent Pricing and Regulatory Tribunal
PO Box Q290, QVB Post Office,
NSW 1230

570 George Street
Sydney NSW 2000
Telephone 13 1525
+61 13 1525
Facsimile (02) 92692830
www.energy.com.au

Address all mail to
GPO Box 4009
Sydney NSW 2001
Australia

Dear Ms Kelso

REVIEW OF GUARANTEED CUSTOMER SERVICE STANDARDS AND OPERATING STATISTICS

Thank you for the opportunity to comment on the Issues Paper published by you on 1st April 2003.

IPART nominated four key issues that stakeholders should address:

- What aspects of service quality should be measured through Guaranteed Customer Service Standards (GCSS) and/or operating statistics?
- At what level should service standards be set?
- When should compensation be paid if the standard is not met, and how much compensation is appropriate?
- How often should operating statistics be published?

EnergyAustralia Network responds to the issues on which you sought comment in the attachment.

George Maltabarow
General Manager-Network

Encl



REVIEW OF GUARANTEED CUSTOMER SERVICE STANDARDS AND OPERATING STATISTICS

1. Introduction

In response to a request from the Minister for Energy, the Independent Pricing and Regulatory Tribunal of NSW is reviewing Guaranteed Customer Service Standards (GCSS) and operating statistics for gas and electricity businesses.

This review covers reticulation and retail supply services in the gas industry and distribution and retail supply in the electricity industry. Its principal aim is to evaluate the current arrangements, and recommend any changes required *"to achieve improved compliance with Government policy objectives and to better reflect the reasonable service expectations of small retail energy customers."*

In its Issues paper released 1st April 2003, IPART has nominated four key issues that stakeholders should address, as follows:

- What aspects of service quality should be measured through GCSS and/or operating statistics?
- At what level should service standards be set?
- When should compensation be paid if the standard is not met, and how much compensation is appropriate?
- How often should operating statistics be published?

The Tribunal has asked that in considering each issue and the options for addressing it, stakeholders bear in mind the need to ensure that the total costs of administering any GCSS scheme (for both the regulator and regulated company) would not outweigh the benefits.

2. Applicability of GCSS

GCSS and the collection and publication of operating statistics are two of several tools regulators use to create incentives for regulated companies to provide adequate service quality to their customers. Current NSW DNSP licensing regimes cover various Acts, Regulations, Market Operations Rules and formal reporting requirements – these are all designed to assure the MEU and IPART of compliance with defined requirements. The term Guaranteed Service Level (GSL) is also used to define minimum service levels, some of which also carry financial penalties for sub-standard performance.

GCSS establish the minimum standard of service that a utility is required to deliver to customers in a range of service areas. In some cases, they also require the utility to compensate the individual customer when it fails to meet that standard.

GCSS are mechanisms for ensuring individual customers are provided with services that are maintained above a minimum standard. It is considered that these will only be effective if:

- The aspect of service covered by the mechanism is valued by the customer;
- The minimum standard is set at a realistic level in line with customers expectations;
- The payment required under the GCSS is able to be readily calculated and made to the individual customer impacted; and
- The aspect of service covered is within the capability (financial or otherwise) of the licence holder to deliver.

The above criteria limit the applicability of many of the proposed GCSS. These considerations are outlined in the response to specific issues below.

It is also submitted that there is a need to distinguish the different segments of the service standards framework and the purpose for which reporting or regulation is proposed. It is further argued that GCSS are mechanisms designed to ensure that services to individual customers are maintained at certain levels. They are not effective as tools to influence the overall performance of the network. Other mechanisms such as

published performance measures and service incentive mechanisms built into the regulatory determination provide more appropriate incentives to improve performance generally.

3. Response to specific issues raised by the Tribunal

What aspects of service quality should be measured?

The Tribunal seeks comment on whether all three aspects of service quality [service reliability; quality of supply; and customer service] should be reflected in GCSS and operating statistics arrangements.

EnergyAustralia believes that for both Service Reliability and Quality of Supply, annual reporting as currently exists is the most appropriate measure. Our systems currently report aggregate or system level performance and do not allow for 'drilling down' to the individual customer level. These reports are used to help determine capital projects to support the long term Network planning activities

EnergyAustralia believes that this aspect of service is an outcome of both the network operator's performance and the level of resources allocated to the provision of this service. As a result, in the same way that price and service levels should be considered jointly from a regulatory perspective, from an operational perspective, it is not possible to separate network performance from the level of resources used to deliver that outcome.

It may be appropriate to regulate certain narrow aspects of network performance via a GCSS such as advice and duration of planned interruptions. In this area of network performance, it may be possible to identify those customers affected and provide compensation if deemed appropriate as and when connectivity to the NMI level becomes available. However, in this context it should be noted that many planned interruptions and assorted performance outcomes are solely under the control of external ASPs.

To date, network reliability is currently reported at global and regional levels and not on the basis of network characteristics eg: CBD (heavily interconnected), Urban (interconnected) and Rural (radial). The accuracy of global and regional measures is reasonably good as indicated in the recent review of network performance reporting, commissioned by IPART. However, reporting on the basis of network characteristics is a recent initiative on national regulatory reporting arrangements, which is in the process of being implemented. This initiative is supported, but it should be recognised that this reporting is at an initial stage and the scope for error is greater, at least initially.

Network performance is not currently measured on an individual customer basis. It is possible to integrate geographic and customer information systems to provide this information and it is planned that this would occur during the next regulatory period. As a result, it would not be possible to implement an effective GCSS in the area of network reliability at this stage.

Power quality and momentary interruptions are also an area of potential concern for some customers, particularly those using particularly sensitive equipment eg: computers.

EnergyAustralia currently has monitoring equipment at 6 strategic locations within its network. It is planned to increase this to around 30 locations by the end of the next regulatory period. In addition, there is scope to use the functionality of more advanced metering technology currently being installed for larger customers, to provide additional information in this area. Given the difficulty in measuring power quality at a customer level, particularly for smaller customers, EnergyAustralia believes that it is more appropriate to set targets for this aspect of performance at a regional or system level. In the case of larger customers, scope exists for distributors and customers to negotiate particular supply arrangements separately.

The accurate measurement of the level of momentary interruptions is not currently possible either on a regional or customer level. The feasibility of measuring this aspect of network performance will be investigated over the next regulatory period.

EnergyAustralia supports the linking of price and service outcomes and agrees with pursuing the implementation of a service incentive mechanism. It should be recognised that the introduction of a mechanism such as this is a complex issue.

IPART released a new issues paper DP63 on 16th May 2003 'Providing Incentives for Service Quality in NSW Electricity Distribution', a detailed response to this will be separately provided.

Customer Service

Excluded services are contestable and as such are not generally suitable for GCSS because of the competitive nature of the service. It is important also to recognise that it must be practical to compensate customers on an individual basis. The majority of current NSW GCSS relate to aspects of customer service. However EnergyAustralia believes some existing GCSS should be removed or modified as detailed below in the Table and notes.

Which aspects should be measured as GCSS and which as operating statistics?

The Tribunal invites comments on the appropriate split of measures between GCSS and operating statistics. For example, is the current split appropriate, or should any adjustments be made?

Area of Service	GCSS	Penalty Payable to Customer	EnergyAustralia preferred view
Telephone hotlines	Requirement for provision of information and operation of hotline 24hours/7days	None	Should not be a GCSS – already covered in IPART Licence Reporting Schedule B
Punctuality in keeping appointments	Requirement to pay compensation if more than 15 minutes late for an appointment	\$25	Should not be a GCSS – type of appointments, duration and preponderance of ASP activity in contestable services.
Timely provision of services	Requirement to pay compensation if connection service delayed.	\$60 per day (max \$300)	Should not be a GCSS – this is a contestable service and as such EnergyAustralia currently only undertakes about one third of connection services – the bulk being undertaken by external ASPs and are outside EnergyAustralia control.
Planned interruptions to supply	Requirement to provide prior notice of planned interruptions and the expected duration of any planned interruption	\$20	GCSS – however note should be taken that increasing interruptions are being undertaken by external ASPs and performance outcomes are outside EnergyAustralia control. Not possible to identify till connectivity is achieved down to the NMI level.
Repair of faulty streetlights	Requirement to pay compensation for failure to complete repairs by an agreed time	\$15	GCSS – however it is increasingly difficult to identify ownership of streetlights, maintenance provider, location of light to customer premises, second tier customer implications (how to pay). This is anticipated to become an excluded service and made fully contestable – we believe this should be removed as a GCSS at that time.

Telephone hotlines – the provision of the hotline is a minimum standard under the distribution licence and is reported as Schedule B of the Annual DNSP Licence Compliance Reports to IPART.

Schedule B requires details as follows:

- Network hotline number for faults and difficulties;

- No of calls made to the service;
- Number of calls dropped out or abandoned; and
- Number of calls answered by human operator in 30 seconds.

Punctuality in keeping appointments – EnergyAustralia does not currently have a specific system to accurately track and monitor appointments, these by their very nature are very difficult to track – typically we could be negotiating the location of a connection point with a customer on site.

With increasing proportions of appointments relating to contestable services, these are now undertaken by ASPs – hence the relevance of this GCSS is declining over time.

Timely provision of services – Connection of services is a contestable activity. Only one third of current contestable connection services are now carried out by EnergyAustralia External ASPs account for the bulk and are not subject to penalty – consequently EnergyAustralia believes this should be withdrawn as a GCSS.

Planned interruptions to supply – whilst we agree that this should remain a GCSS, note should be taken that increasing numbers of events are triggered by external ASPs for which EnergyAustralia should not be penalised within the GCSS

Repair of faulty streetlights – should remain a GCSS only as long as the Distributor is responsible for repairs and maintenance – should this work move to ‘excluded service’ in the move to further contestability, then the GCSS should be withdrawn. It is believed that contractual arrangements between the responsible party and their service provider would be the most effective mechanism for maintaining service standards in this service area.

What is measured in other jurisdictions?

The Tribunal invites comment on the extent to which examples from other jurisdictions can inform the choice of GCSS measures in NSW, and on the desirability of adopting particular measures used elsewhere.

EnergyAustralia believes the informative examples quoted in the Issues Paper are relevant only in as much as they balance the debate against standards being applied in NSW reflecting ‘customer expectations’ as currently understood. The standards quoted reflect local conditions and whilst it is useful to observe standards in other jurisdictions they should be seen in the context of local requirements and may not be appropriate in NSW.

How can GCSS and operating statistics best reflect customer preferences and reasonable expectations?

The Tribunal invites comment on how the results of recent customer surveys might be used to help inform choice of measures for GCSS and operating statistics.

Previous surveys (Aurora and ACOSA) of customer expectations have tended to concentrate on residential customers thus giving only limited insight into a complex picture. It is suggested that customer surveys would be useful in gathering accurate information on the expectations of both residential and commercial customers in both rural and urban environments.

EnergyAustralia has an unusually high inner city transitional rental customer base, who would be expected to have very different preferences to rural domestic customers.

Are robust data available to measure service quality?

The Tribunal seeks comment on options for creating incentives to improve data quality and availability, and for overcoming the constraints that inadequacies in this area place on what can be

measured as GCSS and operating statistics. It also welcomes views on how it might deal with any changes in a regulated company's measured performance due to improved data accuracy.

EnergyAustralia has an on-going commitment to improving our data capture and processing abilities, this was adequately reported on in the IPART commissioned paper¹.

A key driver in our data systems integrity will be our GIS program. Progress is as follows:

- Initial phase of conversion from paper record to digital is scheduled to complete in Jul 2003
- Process has been established to capture new assets to the GIS
- Processes established to correct errors in data

In setting appropriate levels of the frequency and duration of interruptions, EnergyAustralia believes that it is important that different targets should be set for different network types (eg: CBD, Urban and Rural). However, the level of accuracy of reliability data would need to be taken into account when defining guaranteed service standards for these different network segments.

Should the arrangements include provisions to exclude the impact of events outside the utility's control?

The Tribunal invites comment on whether any events should be excluded from GCSS and operating statistics, and if so, the way in which this might be done.

EnergyAustralia believes that events outside our ability to control should be excluded when determining Network performance, these should include:

- Transmission network events;
- Force majeure – natural disasters, severe storms major weather related events, and terrorist attacks;
- Failures due to customer's equipment;
- Directed load shedding events; and
- Generation failure events

At what level should standards be set?

The Tribunal invites comment on the ways in which standard levels should be set.

EnergyAustralia support the proposal that threshold standards be set reflecting recent EnergyAustralia Network performance and customer preferences

Determination of potentially differing standards between residential and business customers (willingness to pay for higher service) in rural or urban environments requires much future work before meaningful cost effective solutions are determined capable of being translated into GCSS measures.

When should compensation be payable?

The Tribunal invites comment on whether compensation should be payable on certain measures, as it currently is, and if so, which ones.

EnergyAustralia believe that Planned Interruptions (\$20) and Streetlight Repair (\$15) are appropriate payments with two provisos:

- Firstly: any payment should be made promptly so that the customer is able to relate the payment to the incident; and

¹ Reliability Measurement – Review of NSW Distribution Network Service Provider's Measurement and Reporting of Network Reliability, PB Associates October 2002.

- Secondly: consideration should be given to eliminating GCSS payments to customers altogether and replacing with a penalty levied against the DNSP for performance failure above a pre-determined threshold. This meets the requirement to be 'cost effective' in terms of implementation – but more importantly, it gives the DNSP the incentive to improve the systems to the benefit of all customers.

What level of compensation should be payable?

The Tribunal invites comment on appropriate levels for compensation, if applied, including comments on the most appropriate methodologies for determining compensation levels.

As the Issues Paper rightly points out, the value that customers attach to particular service standards should be taken into account when deciding how much compensation should be payable when a company fails to meet that standard. Customer valuation of service standard breaches is impossible to quantify and will vary significantly between customers, according to the time of day, week and season. Valuations may vary further, depending on the severity of the breach.

In view of the difficulty in estimating cost reflective levels of compensation, it is recommended that compensation levels should be set at the low end of the likely range.

How should compensation be paid?

The Tribunal invites comment on whether compensation payments should be made automatically wherever possible, or whether customers should be required to apply for compensation, as is currently the case.

EnergyAustralia supports the premise of compensation being subject to claim only. Current data base restrictions make it impossible to identify accurately all customers (NMLs) affected by such events as planned interruptions until such time as systems are developed.

In supporting the proposal for payment by claim only, EnergyAustralia Network acknowledges our responsibility to communicate applicable GCSS to all our current and future customers.

Currently the booklet 'EnergyAustralia & You' describes the existing GCSS that are contained in the Connection Contract in Section 2 'EnergyAustralia Network & You'

How often should operating statistics be published?

The Tribunal invites comment on the most appropriate frequency for the publication of operating statistics, including the option for this to vary depending on the statistic in question.

EnergyAustralia supports the continued publication of Annual operating statistics as required by the current DNSP Licence. It is also suggested that DNSP's, IPART and MEU should regularly review the industry performance measures to ensure they are relevant.

Operating Statistics are also subjected to external independent appraisal as part of the Annual DNSP Licence Compliance review process.