

Dr Tom Parry
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290, QVB Post Office
Sydney NSW 1230



30 October 2003

Dear Dr Parry

Review into Guaranteed Customer Service Standards and Operating Statistics – Discussion Paper DP68

Thank you for the opportunity to comment on the Tribunal's draft recommendations in the review of guaranteed customer service standards (**GCSS**) and operating statistics as outlined in the Tribunal's Discussion Paper DP68. Integral Energy wishes to make a number of comments on the draft recommendations as detailed below.

Integral as a licenced electricity distributor and retailer has a vital interest in ensuring that any service standard framework takes account of the interests of both Integral and its customers. It is also important, as IPART pointed out in their Issues Paper, that the total costs of administering any GCSS scheme should not outweigh the benefits. Accordingly, Integral would recommend the Tribunal implement a GCSS scheme that is focussed on a relatively small number of key service standards that are valued by customers.

1. Draft recommendations on GCSS for electricity distribution

1.1 Telephone services

Integral supports the Tribunal's recommendation that the current measures for the provision of telephone services should be retained as a minimum standard. However, as outlined in our earlier submission Integral believes that as no customer penalty payments are applicable it would be more appropriate for this requirement to be addressed through the licencing regime.

1.2 Appointment keeping

Integral does not support the Tribunal's recommendation to retain and modify the appointment keeping GCSS for electricity distributors. It is noted that the Tribunal has not recommended a similar GCSS for gas reticulators on the basis that gas reticulators rarely need to make an appointment with a customer to carry out their functions as these functions can normally be performed without entering the customer's premises.

Integral submits that the same argument applies to the services provided by electricity distributors. The functions carried out by an electricity distributor can be performed without entering the customer's premises or the need for the customer to be present. For consistency between gas and electricity it would be appropriate for the Tribunal to recommend that no GCSS be required for appointment keeping by electricity distributors.

As stated at page 3 in DP68:

“most stakeholders the Tribunal consulted with during its review agreed that the current GCSS for appointment keeping was inappropriate because the utilities make very few customer appointments.”

Bearing in mind the Tribunal’s requirement to minimise compliance costs it would be inappropriate for the Tribunal to recommend a **GCSS** that requires a system to be installed to track and monitor the very few times when an appointment is made with a customer.

1.3 Timely provision of services

Integral supports the Tribunal’s recommendation to retain the current **GCSS** of a payment of \$60 per day if the customer is not connected by the date agreed with that customer (up to a maximum of \$300). However, Integral believes that it is important for the Tribunal to state that the **GCSS** only applies in situations where the electricity distributor is responsible for the work. Where an Accredited Service Provider is responsible for the work then the electricity distributor should not be responsible for any **GCSS** payments.

1.4 Notice of planned interruptions

Integral supports the Tribunal’s recommendation to retain the current **GCSS** in this area.

1.5 Streetlights

Integral notes the Tribunal’s view that there are several alternative approaches to using a **GCSS** to encourage the timely repair of streetlights. These include:

- The formulation of a streetlighting code which sets out streetlighting service standards, similar to the streetlighting code that currently applies in Victoria; and
- Formal agreements between individual DNSPs and councils.

Integral would support the formulation of a streetlighting code for NSW and is prepared to nominate a representative for any working group established by IPART or the Ministry of Energy and Utilities to undertake the development of such a code. Integral believes that the development of a streetlighting code will provide minimum standards for the services associated with the design, installation and maintenance of streetlighting throughout NSW.

Until such time as a streetlighting code is formulated and implemented Integral would support the Tribunal’s recommendation that the current **GCSS** be retained. However, the draft recommendation that repairs be undertaken within a five day period is of some concern. Integral believes that there is a need to specify that the five day period is for five business days and also make explicit the type of repairs that can be completed within a five day period.

As examples of this point, Integral would expect to repair a streetlight within five business days provided that the repair only required replacement of a single lamp, lantern or piece of control equipment. Integral would not expect to repair streetlights within five business days if the repair requires extensive repairs to, or replacement of, columns and supports or extensive rewiring of the streetlighting circuits. Of course if the portion of the network supplying the streetlighting system is subject to an excluded event, as outlined in the next section on network reliability, then Integral would expect that the streetlighting **GCSS** would also be waived along with any reliability **GCSS**.

1.6 Network reliability

As stated in Integral's submission on "Review of Guaranteed Customer Service Standards and Operating Statistics" of 23 May 2003, Network reliability is a fundamental aspect of electricity distribution services that is becoming increasingly important for customers. However, it should be noted that this aspect of service is an outcome of both the performance of the DNSP and the level of resources allocated. As a result, the regulatory determination currently underway has the ability to significantly impact on network performance.

Integral believes that this aspect of service quality could be incorporated into a service quality incentive mechanism but not be part of any GCSS scheme as, while it is valued by customers, the network prices are generally set to deliver a set of average reliability standards. It is not appropriate to compensate individual customers when these average standards are not met. Rather, it is more appropriate to compensate all customers through the service quality incentive mechanism.

This point was reinforced at the public forum on guaranteed service standards when a number of stakeholders expressed the view that customers would rather resources be allocated to correcting any reliability problems than in paying them compensation. The value of any compensation will diminish the longer the reliability problems exist.

However, were the Tribunal's recommended **GCSS** on reliability to be adopted it will be necessary for the DNSPs to have systems in place that will allow them to correctly identify the individual customers affected by a breach of any reliability standard. As quoted in the PB report neither Integral nor any of the other NSW DNSPs have systems in place capable of doing this.

Integral is currently implementing its Integrated Asset Information Management Strategy (IAIMS) Program that will see the enhancement and or replacement of a number of its key asset management and works management IT&T systems to support its network business.

The IAIMS implementation program has initially focused on its core systems being the Geographic Information System (GIS) replacement, Field Inspection System (**FIS**) replacement and the implementation of a corporate equipment register and works management system. These systems were targeted first as they must be in place prior to the implementation of the more complex outage management and reporting systems that are required to improve the availability and robustness of feeder-type reliability data as contemplated by the Tribunal through the Service Quality Incentive Scheme.

Integral's current program will see the implementation of the enhanced systems to support the data model for the feeder-type reliability data by 1 July 2006 with data available by 1 July 2007. Until these systems are in place Integral will not have the ability to accurately link individual customers to particular feeders. Additional difficulties could arise if the definition of a feeder is not clarified, for example, are customers beyond a field recloser to be treated as though they are on a separate feeder? If the answer is yes, then there will be additional costs incurred to enable systems to be implemented to determine the outage data for these customers. The network configuration is dynamic as load is switched to meet day to day operations and hence the feeders that some customers are connected to will vary on a day to day basis.

Integral does not support the Tribunal's proposed mechanisms for estimating customers affected by outages from feeder level data. The approach taken by the ESC in Victoria will lead to a large number of customers being paid compensation when they have not experienced outages exceeding the minimum guaranteed standard. In the case of the approach adopted by OTTER, additional administrative costs will be incurred by Integral and in both cases there is the probability of extreme adverse publicity for Integral in either compensating ineligible customers or having to defend a flawed process.

Integral supports the Tribunal's initial view that it would be inappropriate for a GCSS for distribution network reliability to include payments for outages beyond the control of the distributor. Integral's views on excluded events were outlined in our submission of 23 May 2003 but in summary the following events should be excluded:

- Force majeure events, for example natural disasters, third party events, severe storms (where outage exceeds a threshold SAIDI impact of 3 minutes);
- Interruptions due to events in the transmission network;
- Interruptions due to the failure of customer's equipment;
- Directed load shedding events;
- Interruptions due to events associated with generation either at the transmission level or the distribution level.

As a starting point Integral would support the exclusions in terms of the Steering Committee on National Regulatory Reporting Requirements (SCNRRR) reporting for reliability. The Tribunal should also align any excluded event definitions with the data set definitions used by the Ministry of Energy and Utilities. These are summarised in the following table.

Title	Data Set
Overall interruptions	All sustained interruptions including, transmission, directed load shedding, planned and unplanned
Distribution Network interruptions – planned and unplanned	Excludes: <ul style="list-style-type: none"> • Transmission outages; and • Directed load shedding
Normalised Distribution Networks - unplanned	Further excludes outages which: <ul style="list-style-type: none"> • Exceed a threshold SAIDI impact of 3 minutes; and • Are caused by exceptional natural or third party events; and • The DNSP cannot reasonably be expected to mitigate the impact of the event on interruptions by prudent asset management.

The exclusion of any events must be unambiguous in its application. There would need to be a clear and transparent process for excluding any events but the process should not be administratively burdensome on any party. When determining exclusions from the Distribution Network data set to calculate the Normalised Distribution Network data it should be noted that, historically, Integral has excluded **all** interruptions that occur on the day of a declared event. Integral would recommend the continuation of this process.

Integral would not support a process similar to that currently in place in Victoria between the ESC and the DNSPs with respect to the exclusions from the “**S**” factor in the weighted average price cap form of regulation. This process seems to be a long drawn out process that consumes a lot of resources both of the ESC and the DNSPs and Integral believes it

would fail the requirement that the total costs of administering any GCSS scheme should not outweigh the benefits.

Integral notes the Tribunal's proposal to adopt minimum standards similar to those seen in other jurisdictions. While this would increase consistency it may not reflect what customers in NSW value or are prepared to tolerate in terms of the number and duration of outages.

If the suggested minimum standards were adopted it will be essential for the Tribunal to make it very clear that the minimum standard on the number of interruptions is for sustained interruptions only and does not include any momentary interruptions. It should also be made clear that the number of interruptions is at the **11** and **22** kV feeder level.

With regard to the minimum standard on outage duration Integral believes that it would be appropriate to allow outages longer than 12 hours where Integral and the customers affected agree to the extended outage. For instance, it may be that a customer or customers have on site generation which can sustain them through a period longer than **12** hours and hence an extended outage would have little or no impact on the customers. In these circumstances payment of a GCSS would not be appropriate. **Also**, if the network supplying a group of customers is subject to an excluded event then Integral would expect that the any **GCSS** with respect to the duration of outages would be waived.

1.7 Quality of supply

Integral notes the two quality of supply standards examined by the Tribunal, specifically, the ESC Victoria approach which imposes standards through the Distribution Code and the Ofgem (UK) "complaints based" approach.

Integral supports the Tribunal's proposal to introduce a GCSS for quality of supply and Integral believes that the Ofgem approach is the more suitable of the two options considered by the Tribunal. However, before such an approach is introduced it will be necessary for a number of matters to be addressed.

Integral believes that the requirement to investigate voltage complaints within seven working days should be modified to require the "commencement of an investigation within seven working days". Investigating voltage complaints quite often requires extensive monitoring of the supply at the customer's connection point and other locations depending upon the nature of the complaint. It would be impossible to complete voltage complaint investigations within seven working days as an investigation could require the installation of monitoring equipment, recording over a reasonable period of time, analysis of the results and then consideration of what, if any, corrective action is required.

Integral believes that the proposed requirement to correct any voltage faults within six months should not be included in any GCSS. It is not clear whether the Tribunal is referring to problems with the level of voltage, voltage unbalance, voltage fluctuation, voltage waveform distortions or voltage transients when it uses the term "voltage faults". Integral would like to further discuss this matter with IPART to more clearly understand the intent of the proposed requirement and the definition of "voltage faults".

The actions necessary to correct for the different types of voltage problems could involve major capital expenditure including significant upgrading of the distribution, sub-transmission or transmission network or the installation of network infrastructure such as voltage regulators or additional substations. Given the lead times required for the planning of such work and obtaining the necessary approvals, including local government approvals where

required, Integral believes that it would not be possible to complete all such work within six months.

2. Draft recommendations on GCSS for electricity and gas retail

2.1 Appointment keeping

Integral supports the Tribunal's recommendation that the appointment keeping **GCSS** be removed for both electricity and gas retailers.

*2.2 Other **GCSS** requirements*

Integral supports the Tribunal's recommendation that the current **GCSS** requirements in relation to:

- Telephone services;
- No disconnection except after due notice;
- Notice to be given to customer after disconnection; and
- Recommencement of supply;

be retained as minimum standards. However, as outlined in our earlier submission Integral believes that as no customer penalty payments are applicable that it would be more appropriate for these minimum standards to be addressed through the licencing regime.

3. Draft recommendations on GCSS payments

Integral supports the following draft recommendations for payment arrangements:

- Appropriate payment levels should vary between **GCSS** measures;
- Payment levels should be stated in terms of a fixed dollar amount;
- A range of \$15 to \$80 per incident is appropriate for **GCSS** payment depending on the measure in question;
- Payment should be made in the billing cycle after the service standard has occurred; and
- Where **GCSS** currently apply, but no payments are attached, it might be more appropriate to make these minimum standards licence conditions rather than **GCSS**.

Integral is concerned with the Tribunal's recommendation that payments for **GCSS** breaches should be made automatically to customers rather than on application. While the Tribunal notes that current customer tracking/data constraints mean automatic payments are not currently possible Integral is concerned with the proposal to introduce interim payment arrangements without any detail being provided as to what these interim arrangements will involve. It will be important for these interim arrangements to be relatively easy to administer so that the focus is not taken away from the longer term aim of introducing automatic payment arrangements. It will also be important to ensure that any interim payment arrangements are consistently applied by all retailers and distributors. Integral would like to work with the Tribunal to understand its thinking on these interim payment arrangements and to provide input as to the most appropriate arrangements.

4. Draft recommendations for operating statistics

Integral supports the Tribunal's recommendations that operating statistics continue to be published on an annual basis and that the collection and publication of operating statistics be extended for the gas reticulation and retail sectors.

Integral also supports the recommendation that all service quality statistics be published in a single, consolidated annual report. However, this is on the proviso that the businesses should only have to report the statistics once to a single body which would then manage the publication of the statistics and distribution of various data to relevant agencies.

This submission is provided to IPART for public release. For further information on Integral's submission, please contact Mr Frank Nevill, Regulatory and Pricing, on (02) 9853 6598.

Yours faithfully



Richard Powis
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