



22 April 2014

Amber Miller
Senior Policy Officer
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By email: escosa@escosa.sa.gov.au

Dear Amber

Re: Envestra's Jurisdictional Service Standards for the 2016-21 Regulatory Period
"Issues Paper"

Envestra is pleased to provide comment on the review of service standards applicable to the South Australian natural gas distribution network. Envestra is commencing work on its Access Arrangement revisions for the 2016/17 to 2020/21 period and it is important for Envestra to take into account any change to its regulatory obligations and the cost impact of those changes.

Envestra has reviewed the Issues Paper released by the Commission and provides comments which are attached to this letter. The Commission's issues have been set out in a box and are then followed by Envestra's comments.

Envestra trusts that this submission is of assistance to the Commission and would be happy to elaborate on any aspect of this submission if required.

Yours sincerely

Ralph Mignone
Manager Engineering & Technical Regulation

Issue 1.

Should Envestra be required to consult with customers in relation to service standards? If so, what should the parameters for consultation be and on what areas of service (e.g. reliability and/or customer service) should Envestra be required to engage with its customers?

As noted in the Issues Paper, the AER, as part of the “Better Regulation” program, has released its Final Consumer Engagement Guideline (the Guideline). This Guideline stemmed from a desire by the AER, rule makers and different levels of government for a much greater emphasis on consumer engagement by service providers.

The AER states in the Guideline that service providers should undertake consumer engagement so they can provide services that better align with the long term interests of consumers. Consumer engagement is therefore intended to provide an essential input into the AER’s consideration of whether a regulatory proposal is consistent with the National Gas Objective.

The AER notes in its Guideline that it will, on a case by case basis, have regard to how a service provider engaged with consumers and accounted for the long term interests of those consumers in its regulatory proposal. To this end, the recently established Consumer Challenge Panel is tasked with advising the AER on the effectiveness of a service provider’s consumer engagement.

There is therefore already a regulatory requirement for Envestra to actively engage with stakeholders on its regulatory proposal. Importantly, effective consumer engagement should not occur only for the purpose of a regulatory review, but should instead be an ongoing process. Envestra therefore does not consider that ESCOSA should impose an additional regulatory requirement to that which already exists in the AER Guideline.

The Guideline may require Envestra to make some changes to the way it provides gas distribution services. The Guideline is a new requirement imposed on Envestra, and as such, we are currently in the process of developing “fit-for-purpose” consumer engagement strategies. We envisage that service standards will be an important element of consumer engagement.

That aside, Envestra currently undertakes various levels/types of customer consultation. Providing superior customer service has always been important given that gas is a fuel of choice. The types of customer consultation already undertaken include surveys and customer focus groups, which are used as an important input into understanding those aspect of our product/service that are most valued by customers.

Envestra intends to liaise with ESCOSA once it has further progressed its consumer engagement strategy.

Issue 2.

Should Envestra have the same/similar customer service obligations as energy retailers, SA Power Networks and SA Water (i.e. telephone and written responsiveness standards and targets)? Are any other customer service measures considered more appropriate?

Envestra does not believe it should have similar customer service obligations as energy retailers, SA Power Networks and SA Water because the method of service delivery is fundamentally different. Unlike SA Power Networks and SA Water, Envestra does not have a call centre (except for leaks and emergencies) and has limited direct contact with customers – customers' primary contact remains with their retailer. While the *National Energy Retail Law* (NERL) introduced a direct contractual relationship between Envestra and its customers, this covers only a small portion of a customer's energy interface with a distributor.

Before and after the commencement of the NERL the main points of communication are:

- Leak and emergency calls;
- Connection enquiries; and
- Customer complaints (both through retailers and direct).

Regarding leak and emergency calls, because this is a safety matter, priority is placed on the swiftness of addressing gas leaks. Consequently there has never been in the history of gas distribution (over 150 years) in SA, a systemic problem in the response times to leak and emergency calls.

On connection enquiries, these come in via electronic means and via telephone, and all connections are completed within 20 business days.

On customer service generally, in the past the Commission has used a combination of the number of complaints reported by Envestra and the number of complaints handled by the energy Ombudsman (EWOSA) as an indicator as to how well Envestra is responding to the needs of its customers.

Historically, Envestra receives a small number of complaints (considerably lower than gas retailers) including those complaints received by EWOSA, a fact also stated in EWOSA's 2012-13 Annual Report.

By way of measure, in the past 2 calendar years Envestra received only 74 Ombudsman complaints, and of those only 1 has been escalated to the 'Facilitation Stage.'

The low percentage of gas distribution complaints received by EWOSA is consistent with complaints being handled adequately by Envestra's internal complaint handling procedures, rather than being referred to EWOSA as a last resort mechanism.

In the 2012-13 EWOSA Annual Report, the EWOSA noted that it has received 2,337 gas-related cases (including both retailer and distributor cases) as opposed to 16,921 related to electricity. Given that the scheme covers approximately 835,000 electricity customers and 425,000 gas customers, one would expect more gas-related cases, but this is not the case.

Furthermore only 6% of all cases received (again both retailer and distributor cases) were in relation to “Customer Service,” the other classifications being billing, sales and marketing, general enquiries, credit management, provisions, supply quantity and land. Given these findings, Envestra believes that the low volumes indicate that Envestra is responding to the needs of its customers and that a similar customer service obligation to that of other utilities and retailers is not necessary.

As to an appropriate customer service measure, Envestra proposes that it continue to provide the Commission with the total number of complaints and category of complaints in its Annual Operation Information Report.

In summary, Envestra considers that any decision to impose new regulatory obligations should only be made in response to addressing an identified problem with customer service, particularly where additional costs will be incurred in meeting any new standard. Envestra notes that it currently provides a very high level of customer service, and that therefore there is no demonstrated need for any additional customer service standards to apply to the business.

Issue 3.

Noting that the measures are currently used in Victoria, should Envestra be required to monitor and report on network reliability in South Australia using SAIDI and SAIFI? Are any other reliability measures considered more appropriate?

While Envestra does not report SAIDI and SAIFI in Victoria, we note that the Essential Services Commission of Victoria calculates these parameters from data provided by distributors. However, our experience is that these measures are not very useful indicators in the gas industry. This is because, unlike in electricity, outages are infrequent (as the assets are largely underground), and when they do occur, generally affect only a very small number of customers. For example, in South Australia consumers (on average) can expect to experience a 1-hour unplanned loss of supply about once in every 46 years. (And when outages occur, they are more likely to be as a result of third party damage, and not due to Envestra’s operations).

The current reporting in Victoria (of total “minutes of supply lost”) largely reflects that there are three distributors operating under a similar environment in that state. This provides some limited use for the information as it allows relative comparisons between the businesses. Even so, the three businesses record the relevant information in a different manner, and as such, direct comparisons are of limited use.

As noted in respect of the previous question, Envestra also considers that there should be a clearly demonstrated need/reason for collecting this information. Given the nature of our assets, the reliability performance of Envestra is high (unlike, say electricity distribution, where the majority of the assets remain above ground). Envestra therefore does not consider there is any reason to warrant the reporting of SAIDI and SAIFI in South Australia. In South Australia, a more refined/detailed regulatory reporting system is already in place whereby Envestra provides detailed reports on every major interruption to gas supply (which would be of a magnitude to impact SAIDI and SAIFI), and this provides a greater level of granularity than is possible through a parameter like SAIDI and SAIFI . Envestra believes that the information

contained in the current reports is of greater value and comprehension to consumers compared with the SAIDI and SAIFI figures which are essentially mathematical parameters with no real context.

Each year the Office of the Technical Regulator also publishes an annual Technical Report which contains summaries of Envestra's regulatory incidents, descriptions of major outages, third party damages and leakage volumes, etc. These reports are published online and publically available to consumers and again Envestra believes they are of greater value to consumers in relation to the reliability of the network rather than SAIDI and SAIFI figures.

Despite this, Envestra will monitor and report SAIDI and SAIFI if submissions to the Issues Paper put forward a strong desire for this information to be publicly reported, noting that there will be a system implementation cost in doing so.

Issue 4.

Is a revised UAFG target required for the 2016-2021 regulatory period? Are any other approaches to managing UAFG more appropriate than a UAFG target?

When a UAFG target was first set in 2010 by ESCOSA for the current regulatory period, the level of UAFG was at record levels. Since that time, and despite network growth, the level of UAFG has receded to levels not seen since 2005. This has led to the UAFG target being achieved well ahead of the end of the current regulatory period.

Consequently Envestra does not consider there to be a strong reason to maintain a UAFG target, particularly given the strong commercial and safety incentives on Envestra to minimise UAFG. Furthermore, history has demonstrated that attempts to forecast UAFG with any precision are futile, given the numerous factors involved. (Hence if any target is to be set, Envestra proposes that it continue to be set on a "best endeavours" basis).

Envestra's approach to managing UAFG is closely monitored and audited by the Office of the Technical Regulator, which includes regular reporting of UAFG levels. Envestra believes that this approach and oversight provides adequate regulatory control, particularly given the extensive powers of the Technical Regulator in this area.

Issue 5.

Should Envestra be required to investigate areas of service where GSL payments should be made to individual customers? Are there any areas of service that should be subject to a GSL payment scheme?

Envestra is aware that GSL schemes are a common part of the service standards framework in the electricity sector. This is not, however, a reason to impose similar schemes on other gas

distribution businesses. Again, Envestra is not aware of any areas of poor performance, or any need or desire more generally, warranting the additional cost of a GSL scheme.

As already noted, and unlike the electricity distribution sector, relatively few outages occur on the gas distribution network. This is because gas distribution pipes are buried underground, and as such, are far less exposed to weather events (or accidental damage). Most electricity outages occur when there are storms or heat waves, events that do not impact gas supply.

While gas outages are uncommon, when they do occur they can often go unnoticed by the customer as repairs are usually completed before the customer returns home. Importantly, such outages do not impact on key appliances like refrigeration and/or the use of air-conditioners during heat waves. These facts are likely to limit the consumers' willingness to pay for the indirect (reporting systems) and direct (GSL payments) costs required to implement a GSL scheme.

Notwithstanding the above, Part 7 of the recently introduced *National Energy Retail Law* established an 'opt in-opt out' regime for State governments, in relation to enabling customers to make small claims for compensation from distributors. The regime would have relied upon national regulations and local instruments to firstly apply the regime to the relevant jurisdiction, and then to define what a claimable incident is, in order to operate. The South Australian Government's position upon commencement of the Law was that it was not necessary to apply Part 7 in South Australia given that current arrangements (utility voluntary compensation measures and Ombudsman measures) were working effectively and if additional measures were applied, it would result in additional imposts to distributors and consumers, for little or no additional benefit to small customers. Envestra believes that there has been no material change in circumstances since that decision was made.

Issue 6.

Are there any other issues that should be considered as part of this review?

Refer to the attached “**Table of Comments**” for Envestra’s suggested amendments to the following regulatory instruments under the administration of the Commission:

Gas Distribution Licence;
Gas Distribution Code;
Gas Metering Code;
Gas Industry Guideline No. 1; and
Energy Industry Guideline No. 4.

TABLE OF COMMENTS

LICENCE

Gas Distribution Licence - Envestra Limited (ACN 078 551 685) as last varied on 28 August 2013

Common Seal	Typo – “30 June 2006” should be “6 July 2006” in accordance with the Variation History or alternatively the Variation History should be amended from “6 July 2006” to “30 June 2006” - whichever is the correct date.
Schedule 1 Definitions	<ul style="list-style-type: none"> • Insert “(SA)” at the end of the “Gas Act 1997” under “Act” • Remove definition of “AEMO” as there is no reference to it in the licence. • Amend definition of “Explicit Informed Consent” to remove reference to “the relevant retailer” in section (b) and insert “distributor.” • Remove definition of “Gas Distribution Code” as there is no reference to this in the licence. • Remove definition of “Gas Metering Code” as there is no reference to it in the licence. • Remove definition of “retail market procedures” as there is no reference to them in the licence. • Remove definition of “small customer” as there is no reference to them in the licence.

GAS CODES

Gas Distribution Code (GDC/06) as last varied 5 September 2013

Clause 1.7.3 Reporting to the Commission	When amending the Gas Distribution Code for the commencement of the National Energy Retail Law in South Australia, the Commission advised in its Post-NECF Review of Regulatory Instruments Final Decision (page 14-15) that this clause was introduced to be consistent with electricity reporting and “strengthen reporting to provide comment as to performance improvement strategies on aspects that did not meet the required standards.” Envestra is not clear as to what this means however in any case submit that this sub-paragraph be removed as consistency with electricity-specific jurisdictional standards is not an appropriate reason given the fundamental differences in services provided. Furthermore the connection and supply contracts (as defined within the Code as being “the model standard (deemed contract) or negotiated contract established between a customer and the distributor in accordance with National Gas Law) now fall within the remit of the AER and any non-compliances with these contracts should be reported to the AER not the Commission.
Schedule 1 Definitions	<ul style="list-style-type: none"> • Insert “(SA)” at the end of the “Gas Act 1997” under “Act” • Pending the Commission’s decision on clause 1.7.3, remove the definition for “connection and supply contract.”

Clause 2.1.1	Delete sub-paragraph. This clause was designed to cover gas lights, which traditionally were not metered. There are few gaslights in existence in South Australia. Those which do exist are connected to a meter, and all new connections are metered.
Clause 2.1.2	Delete sub-paragraph. Requirements covered by Retail Market Procedures and Envestra's access arrangement.
Clause 2.2.1	Delete as covered by Retail Market Procedures and Envestra's access arrangement, which set out the requirements when interval meters must be installed.
Clause 2.2.2	Delete sub-paragraph as superfluous. Envestra must install the correct type of meter under the appropriate circumstances, and reporting of all such circumstances does not appear to have a purpose.
Clause 4.2.1	Delete sub-paragraph. Duplicate obligation with clause 99 of the <i>South Australian Retail Market Procedures</i> . Note clause 99 is only applicable for "move-in's." A move-in is defined as an event where a small use customer commences occupation of premises and there is an associated change of user for the delivery point which supplies gas to the premises. The Gas Metering Code does not distinguish between customer type.
Clause 4.2.2	Delete sub-paragraph. Duplicate obligation with clause 158(1)(a) of the <i>South Australian Retail Market Procedures</i> (in relation to actual and special meter reads) and clause 157(3)(a)(ii) (for substitute meter reads). Note clause 157(3)(a)(ii) requires "prompt" notice, which is defined in clause 11(2) as "close of business on the next business day."
Clauses 4.3.	Delete section. It is not clear to Envestra as to the purpose of this section, since collection of metering data is covered by the Retail Market Procedures (and to the extent a customer wishes any special data service, this is negotiated with relevant parties).
Clause 4.4.1(a)	
Validation and substitution of metering data	Delete sub-paragraph. Duplicate obligation with clause 153 of the <i>South Australian Retail Market Procedures</i> .
Clause 4.4.1(b)	
Validation and substitution of metering data	Delete sub-paragraph. Duplicate obligation with clause 157(1) of the <i>South Australian Retail Market Procedures</i> .
Clause 4.4.2(a)	
Validation and substitution of metering data	Delete sub-paragraph. Duplicate obligation with clause 153 of the <i>South Australian Retail Market Procedures</i> .
Clause 4.4.2(b)	
Validation and substitution of metering data	Delete sub-paragraph. Duplicate obligation with clause 157(1) of the <i>South Australian Retail Market Procedures</i> .
Clause 4.4.3	Delete sub-paragraph. Duplicate obligation with clause 157(1) for substitution of the metering data and clauses 157(3)(a)(ii) (basic meters) and 157(3)(iii) (interval meters) for providing the substituted metering data to the retailer.
Clause 4.4.4	
Validation and substitution of	Delete sub-paragraph. Duplicate obligation with clause 157(3)(a)(ii) (basic meters) and clause 157(3)(iii) (interval meters).

metering data	
Clause 4.4.5	Delete sub-paragraph. Duplicate obligation with clause 157(3)(a)(ii) (basic meters) and clause 157(3)(iii) (interval meters).
Validation and substitution of metering data	
Clause 4.5.1	Delete sub-paragraph. Duplicate obligation with clauses 153 and 156(1)(a) of the South Australian Retail Market Procedures.
Estimation of metering data	
Clause 4.6.1(a)	Delete sub-paragraph. Duplicate obligation with clause 168(1)(a) and (2) of the South Australian Retail Market Procedures (for both basic and interval meters).
Storage of metering data	
Clause 4.6.1(b)	Delete sub-paragraph. Duplicate obligation with clause 168(1)(b) and (2) of the South Australian Retail Market Procedures (for both basic and interval meters).
Storage of metering data	
Clause 4.7.1	Delete sub-paragraph. Duplicate obligation with clause 167(4) of the <i>South Australian Retail Market Procedures</i> .
Access to metering data	
Clause 4.7.5	Delete sub-paragraph. Duplicate obligation with clauses 158(1)(a) and 158(1)(b) of the <i>South Australian Retail Market Procedures</i> .
Access to metering data	
Clause 6	Amend the definition for "actual meter reading" if clauses 4.4.1(b) and 4.4.2(b) are deleted.
Definitions	
Schedule 1 – Validation, Substitution and Estimation – Interval Metering Installation	Transfer this schedule to the South Australian Retail Market Procedures. Sub-appendix 2.2 in the procedures already refers back to this schedule hence it is Envestra's recommendation that the information be contained under the one instrument.
Schedule 2 – Validation, Substitution and Estimation – Basic Metering Installation	

GUIDELINES

Gas Industry Guideline No. 1 (GIG 1/6) as last varied on 28 February 2014

Proforma OP 3 (f)	The category of " <i>number of incidents involving the attendance of a fire brigade or emergency service related to a gas leak</i> " should be reworded to reflect that Envestra is only to report such incidents when there is a high risk of fire or explosion as agreed with the OTR.
Technical Information	

Energy Industry Guideline No. 4 (EG4/) as last varied on 5 September 2013

Clause 3.5.1 and Annexure A6 Relevant Obligations: Gas Distribution Licence	Envestra notes that there are no Type 2 obligations listed in Annexure A6, however there is a requirement in clause 3.5.1 to provide quarterly compliance reports to the Commission on Type 2 obligations. Envestra propose that clause 3.5.1 be amended to insert the word "where applicable" after "Type 2 obligations" to address this anomaly.
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