

24 April 2014

Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

Dear Sir/Madam,

I write to you in relation to the Issues Paper released on Envestra's Jurisdictional Service Standards for the 2016-2021 regulatory period.

Executive Summary

South Australian businesses rely on low cost reliable energy and in a deregulated market, it is important that ESCOSA sets gas service standards which meet the expectations of communities in both metropolitan and rural & regional South Australia. While imposing unnecessary costs on Envestra should be avoided, it is also critical that gas service standards result in a level of performance which is acceptable across the entire State. Although the current regulatory requirements imposed on Envestra may be less intensive than for other regulated companies, ESCOSA should ensure there is adequate evidence to support imposing additional regulations onto Envestra, particularly given the associated costs which will be ultimately passed back onto small customers, including small businesses at a time when the underlying cost of gas is already under significant pressure.

Background

Business SA has a significant number of manufacturing members and we are concerned about the forecast rise in gas prices expected in coming years which will only be compounded if east coast gas shortages are not resolved. Although issues of price rises in the underlying commodity are outside ESCOSA's control, any service standards imposed upon Envestra should not add unnecessary costs to the end user. While ESCOSA should always strive to minimise the regulatory burden upon network businesses, there is heightened importance to do so in a period where significant price rises in the underlying commodity are expected.

Business SA makes the following comments on ESCOSA's Issues Paper:

1. We are not convinced of the need for Envestra to have mandated customer consultation. We are not aware of similar obligations being imposed interstate and although there are such obligations imposed on SA Power Networks and SA Water, both provide services which have proven more susceptible to community impacts.

While not deriding the importance of imposing service standards on Envestra, there should be no additional requirement for Envestra to engage customers, particularly given the cost of such consultation ultimately gets passed back to customers, including small businesses. Given ESCOSA has adequate expertise and already engages stakeholders in relation to Envestra's service standards, to impose another layer of regulation on Envestra is unnecessary.

If ESCOSA were to impose customer consultation requirements on Envestra, it would need to establish that the existing policies and procedures that Envestra employs to consult with its customers are somehow inadequate. ESCOSA should not assume that another regulatory impost will necessarily result in a more economically efficient outcome.

Issues of reliability and quality in relation to power and water supply are a legitimate concern for businesses and households and it is appropriate for SA Power Networks and SA Water to engage stakeholders directly in order to mitigate their concerns. While gas reliability is equally important, at present there is no general sentiment amongst the business community that gas reliability is posing any substantive issues.

In a survey of Business SA members conducted during March 2014, 94.6% of respondents were satisfied with the level of gas reliability provided by Envestra.

2. While it may not seem unreasonable to impose the same or similar customer service obligations on Envestra as other regulated companies such as SA Power Networks and SA Water, ESCOSA should determine whether or not this is necessary for a gas distributor. If it is deemed that Envestra are adequately handling customer service obligations without the impost of regulation, the net benefit of the regulation is unlikely to be positive given the inherent costs involved.

Notwithstanding that the intention to seek consistency across industries is understandable, as a State we need to constantly ask ourselves whether imposing additional regulation is necessary and ultimately affordable. A Government's role is to intervene in the event of market failure and Business SA has not been convinced of a market failure in this area.

3. In relation to Envestra's gas distribution reliability performance in South Australia, it is not unreasonable for ESCOSA to be able to access appropriate data in order to monitor Envestra. Considering Envestra already measures and reports on the reliability performance of its Victorian network using the SAIDI and SAIFI indices, Business SA supports a move to require Envestra to monitor and report on gas network reliability in South Australia using the same measures.
4. While Envestra may be required to make Guaranteed Service Level (GSL) payments in Victoria, again we are not convinced that Envestra's reliability performance necessitates such a scheme being in place for South Australia; at least not for now. If ESCOSA were to mandate such a scheme for Envestra in future, it would have to emanate from a real issue with reliability which could be determined from ESCOSA having access to appropriate reliability performance data as discussed above.

Who We Are

As South Australia's peak Chamber of Commerce and Industry, Business SA is South Australia's leading business membership organisation. We represent thousands of businesses through direct membership and affiliated industry associations. These businesses come from all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely



Nigel McBride
Chief Executive Officer