

AUSTRALIAN GAS NETWORKS JURISDICTIONAL SERVICE STANDARDS FOR THE 2016-2021 REGULATORY PERIOD

Draft Decision – Executive Summary

March 2015



REQUEST FOR SUBMISSIONS

The Essential Services Commission of SA (**the Commission**) invites written submissions from all members of the community on this paper. Written comments should be provided by **Friday, 10 April 2015**. It is highly desirable for an electronic copy of the submission to accompany any written submission.

It is Commission's policy to make all submissions publicly available via its website (www.escosa.sa.gov.au), except where a submission either wholly or partly contains confidential or commercially sensitive information provided on a confidential basis and appropriate prior notice has been given.

The Commission may also exercise its discretion not to publish any submission based on length or content (for example containing material that is defamatory, offensive or in breach of any law).

Responses to this paper should be directed to:

Australian Gas Networks Jurisdictional Service Standards for the 2016-2021
Regulatory Period - Draft Decision – Executive Summary

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The Essential Services Commission of South Australia is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

TABLE OF CONTENTS

Glossary of Terms	ii
Executive Summary	1
1. Background	4
1.1 Economic regulation of AGN	4
1.2 Safety and technical regulation of AGN	8
2. Consultation to develop the proposed jurisdictional service standards	9
2.1 Issues Paper	9
2.2 AGN’s stakeholder engagement program	10
2.3 Consideration of submissions	11
3. Proposed Framework	12
3.1 Are network reliability service standards with performance targets required?	12
3.2 Performance monitoring and reporting	13
3.3 Responsiveness of the leaks and emergencies telephone number	14
3.4 Responsiveness to public reports of gas leaks	16
3.5 Reporting on network reliability and major interruptions	18
3.6 Levels of unaccounted for gas	20
4. Guaranteed Service Level Scheme	22
4.1 Nature of a GSL scheme	22
4.2 Stakeholder feedback	23
4.3 Draft Decision	24
5. Next Steps	25

GLOSSARY OF TERMS

AEMA	Australian Energy Market Agreement
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AGN	Australian Gas Networks Ltd (formerly Envestra Ltd)
Commission	Essential Service Commission of South Australia
ESC Act	Essential Service Commission Act 2002
ESCV	Essential Services Commission of Victoria
GSL	Guaranteed Service Level
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NGL	National Gas Law
NGR	National Gas Rules
SRMTMP	Safety, Reliability, Maintenance and Technical Management Plan
UAFG	Unaccounted for Gas
USAIDI	Unplanned system average interruption duration index
USAIFI	Unplanned system average interruption frequency index

EXECUTIVE SUMMARY

This review has not identified any areas of Australian Gas Networks' (AGN) service that require improvement through the introduction of service standards with performance targets.

Over the five year period 2009-10 to 2013-14, AGN has:

- ▲ answered approximately 93 per cent of the average of the 13,500 calls per annum to its Leaks and Emergencies telephone line within 30 seconds
- ▲ responded to around 94 per cent of the average of 9,500 public reports of potential gas leaks within two hours
- ▲ had a low number of major interruptions, with an average of 15 unplanned interruptions affecting the supply of gas to five or more customers, and
- ▲ achieved the June 2016 unaccounted for gas target early, despite network growth and lower than forecast levels of mains replaced.

While this review has not identified any areas of service that require improvement through service standards with performance targets, additional transparency around AGN's performance is required.

An enhanced public reporting framework will provide greater assurance to the South Australian community that AGN is managing its network appropriately. It will also provide the necessary data to monitor any material deteriorations in current service levels that may require service standards with performance targets in the future.

Submissions on the draft positions put in this paper are due by close of business Friday, 10 April 2015. Following consideration of the issues raised in the submissions, the Final Decision will be released in May 2015.

Australian Gas Networks (AGN)¹ is the owner of a natural gas distribution network in South Australia. Economic regulation of the gas distribution services provided by AGN is undertaken jointly by the Commission and the Australian Energy Regulator (AER).

The Australian Energy Market Agreement (AEMA)² provides for State and Territory Governments to retain responsibility for developing service reliability standards to ensure network security and reliability (**jurisdictional service standards**). The South Australian Government has delegated this function to the Commission. Two reviews have been undertaken by the Commission, the first in 2006 and the second in 2010.

¹ Formerly Envestra Ltd. AGN's assets are operated and maintained by APA Asset Management under a long-term operating and management agreement.

² The AEMA provides for State and Territory Governments to retain responsibility for developing jurisdictional service standards. The Commission is responsible for developing, implementing and administering the jurisdictional service standards for AGN. Refer Annexure 2 of the Australian Energy Market Agreement 2004 (AEMA) as last amended in December 2013 at <http://www.scer.gov.au/files/2014/01/Final-Amended-AEMA-Dec-2013-signed.pdf>.

AGN is subject to five-yearly regulatory revenue determinations, undertaken by the Australian Energy Regulator. The current determination will end on 30 June 2016. It is appropriate to consider and review the jurisdictional service standards prior to the commencement of a new revenue regulation period for AGN. This will allow AGN to ensure its Access Arrangement proposal for the 2016-2021 regulatory period includes consideration of the expenditure required to deliver service levels determined by the Commission.

Consultation to develop this Draft Decision

Initial feedback was sought from the South Australian community on jurisdictional service standards for AGN through an Issues Paper released in March 2014.

Following the close of the consultation period on the Issues Paper, AGN commenced a stakeholder consultation program to test its customers' willingness to pay for certain initiatives it was considering implementing over the 2016-2021 regulatory period. In order to better inform the service standard setting process, the Commission agreed to delay the preparation and release of its Draft Decision to incorporate any relevant findings from that program.³ The Commission worked with AGN to ensure that the stakeholder engagement program tested service areas relevant to the Commission's current review.

Draft Decision

This review has not identified any areas of service that require improvement through the introduction of service standards with performance targets. Accordingly, there appears to be no need to increase current service levels, and hence the Commission's jurisdictional service standards should not impose additional costs.

This review has focused on two particular areas of AGN's service:

- ▲ responsiveness to public reports of potential gas leaks, from the initial telephone call through to attendance at the site of the leak, and
- ▲ customers experiencing poor reliability, measured through the number of customers experiencing multiple interruptions within a year and/or long duration interruptions.

Based on AGN's satisfactory performance in these areas over the five year period 2009-10 to 2013-14, improvements to the levels of service provided by AGN are not proposed for the 2016-2021 regulatory period. This decision is supported by the customer insights drawn from AGN's consultation program, which identified, amongst other things, that the majority of participants are generally satisfied with AGN's current service levels and response times.⁴

Further, while AGN identified a level of customer support for the proposition that adequate compensation should be available for customers that experience loss, damage or

³ The Commission's Draft Decision was previously scheduled to be released in August 2014, with the Final Decision to follow in December 2014.

⁴ The results of AGN's engagement program to date are set out in Deloitte's Stakeholder Insights Report, available at http://stakeholders.agnl.com.au/_r169/media/system/attrib/file/53/Deloitte%20Stakeholder%20Insights%20Report.pdf

inconvenience, particular areas of service where AGN is not currently meeting customers' expectations have not been identified. Accordingly, the Commission is not proposing to introduce a Guaranteed Service Level Scheme for AGN for the 2016-2021 regulatory period. However, the Commission notes that AGN will continue to provide its own compensation scheme.

While the review has not suggested that service standards with performance targets or a Guaranteed Service Level Scheme are required, it has highlighted the need for customers to have greater transparency around the service that they pay for and receive.

Efficient gas leak identification and management practices also present an important public safety issue beyond AGN's direct customer base. Enhanced public reporting on AGN's responsiveness to potential gas leaks will provide the South Australian community with confidence that AGN will respond to concerns about potential gas leaks in a timely manner. Enhanced performance reporting will also provide the Commission with the necessary data to monitor any material deteriorations in current service levels that may require service standards with performance targets in the future.

Consultation to finalise the jurisdictional service standards

The Commission invites submissions on the draft positions put in this paper, or any other issues considered relevant to the review of AGN's jurisdictional service standards for the 2016-2021 regulatory period. Submissions to the Commission are due on or before close of business **Friday, 10 April 2015**. All submissions will be placed on the Commission's website, subject to any confidential material being excluded. Following consideration of the issues raised in the submissions, a Final Decision will be made in May 2015.

AGN is also currently inviting submissions on its response to the stakeholder feedback it has gathered through its engagement program to date. Submissions on its *Insights and Implementation* report are due by close of business **Thursday, 26 March 2015**.⁵

⁵ Details on how to provide submissions to AGN are available at http://stakeholders.agnl.com.au/r173/media/system/attrib/file/57/Insights%20and%20implementation%20report_FINAL.pdf



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