

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

Final Decision – Executive Summary

June 2015



Enquiries concerning this report should be addressed to:

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

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: escosa@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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.

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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
EWOSA	Energy and Water Ombudsman SA
GSL	Guaranteed Service Level
NERL	National Energy Retail Law
NERR	National Energy Retail Rules
NGL	National Gas Law
NGR	National Gas Rules
SAIDI	System average interruption duration index
SAIFI	System average interruption frequency index
SRMTMP	Safety, Reliability, Maintenance and Technical Management Plan
UAFG	Unaccounted for Gas

EXECUTIVE SUMMARY

The Essential Service Commission of South Australia (the Commission) has made its final decision on the jurisdictional service standards to apply to Australian Gas Networks (AGN) for the 2016-2021 regulatory period. This review has determined that AGN's current service levels are appropriate and should be maintained for the 2016-2021 regulatory period.

Participants in AGN's stakeholder engagement program were generally satisfied with AGN's gas distribution services and reluctant to pay for improvements to current service levels. High levels of customer satisfaction are further supported by the consistently low number of complaints received by AGN and the low proportion of complaints that required escalation to the Energy and Water Ombudsman SA.

While service improvements are not required, the Commission has refined its reporting framework for AGN for the 2016-2021 regulatory period to remove regulatory duplication and clarify the roles and responsibilities of the Commission, the Technical Regulator and the Australian Energy Regulator (AER).

AGN will be required to report to the Commission on its responsiveness to public reports of potential gas leaks and customers experiencing poor reliability outcomes. The revised reporting framework will provide the necessary data to monitor any material changes in current service levels that may require service standards with performance targets in the future.

A Guaranteed Service Level Scheme will not be introduced for the 2016-2021 regulatory period as the costs of such a scheme (which are borne by customers) outweigh the likely benefits at this time. The Commission will monitor the instances of multiple interruptions and long duration interruptions in the network during the period to provide an evidence base for future decisions on this matter.

AGN¹ 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 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.³

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>.

³ Two reviews have been undertaken by the Commission, the first in 2006 and the second in 2010.

AGN is subject to five-yearly regulatory revenue determinations, undertaken by the AER. 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 allows 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.

Final Decision

The Commission has introduced new reporting requirements for AGN for the 2016-2021 regulatory period in the following areas:

- ▲ **responsiveness to public reports of potential gas leaks** - responsiveness to the initial telephone call, attendance at the site of the reported leak and repair of the leak within an appropriate timeframe for the classification/severity of the individual leak, and
- ▲ **customers experiencing poor reliability** - the number of customers experiencing multiple interruptions within a year and/or long duration interruptions.

Responsiveness to potential gas leaks

Based on AGN's satisfactory leak management performance 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 high levels of customer satisfaction expressed in AGN's stakeholder engagement program⁴ and the low level of complaints received by AGN.⁵

Accordingly, there appears to be no need to increase current service levels, and hence the Commission's jurisdictional service standards should not impose material additional costs.

While the review has not suggested that gas leak responsiveness service standards with performance targets are required, AGN has recognised that its customers want more information on how it responds to gas leaks.

Efficient gas leak identification and management practices present an important public safety issue beyond AGN's direct customer base. Refined public reporting on AGN's responsiveness to potential gas leaks will:

- ▲ provide the South Australian community with confidence that AGN is continuing to respond to concerns about potential gas leaks in a timely manner

⁴ Deloitte's Stakeholder Insights Report for AGN is available at <http://stakeholders.agnl.com.au/r169/media/system/attrib/file/53/Deloitte%20Stakeholder%20Insights%20Report.pdf>

⁵ AGN received an average of 0.2 complaints per 100 customers over the period 2009-10 to 2013-14. An average of 2 per cent of those complaints required escalation to EWOSA. Further details on AGN's performance is available at <http://www.escosa.sa.gov.au/gas-overview/reporting-and-compliance/annual-performance-reports.aspx>

- ▲ allow customers to make future decisions about appropriate service/cost trade-offs with reference to current service levels, and
- ▲ provide the Commission with the necessary data to monitor any material changes in current service levels that may require service standards with performance targets in the future.

Commencing in 2016-17, the Commission will publicly report on AGN's responsiveness to potential gas leaks on a quarterly basis.

Monitoring customers experiencing poor reliability

While AGN's network is highly reliable, and customers did not express a willingness to pay for improvements to current reliability levels, it is important to identify whether any customers are experiencing poor reliability, relative to AGN's average performance.

Commencing in 2016-17, the Commission will publicly report on customers experiencing multiple interruptions and/or long-duration interruptions on an annual basis.

Guaranteed Service Level Scheme

While AGN identified a level of customer support for providing adequate compensation for customers that experience loss, damage or inconvenience, particular areas of service where AGN is not currently meeting customers' expectations have not been identified.

Accordingly, the Commission will not introduce a Guaranteed Service Level Scheme for AGN for the 2016-2021 regulatory period.

Next steps

To give effect to the decisions set out in this Final Decision, the Commission will amend AGN's gas distribution licence, the Gas Distribution Code and Gas Industry Guideline 1 by the end of 2016.

This Final Decision will form an input into the AER's determination of AGN's gas distribution prices for South Australian customers for the 2016-2021 regulatory period. The Commission's reporting requirements under this Final Decision should not have a material cost impact for AGN.



The Essential Services Commission of South Australia

Level 1, 151 Pirie Street Adelaide SA 5000

GPO Box 2605 Adelaide SA 5001

T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

