



**QUEENSLAND  
CONSUMERS**  
ASSOCIATION

**A non-profit, volunteer  
organisation, advocating to  
advance the interests of  
consumers in Queensland**

*Secretary:*  
*Max Howard*  
*33 Dracon Street*  
*Regents Park Q 4118*

*Telephone: 0419 678 395*

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**SUBMISSION ON QUEENSLAND COMPETITION  
AUTHORITY'S DRAFT DECISION ON SERVICE  
QUALITY INCENTIVE SCHEME FOR ELECTRICITY  
DISTRIBUTION SERVICES IN QUEENSLAND**

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## **BACKGROUND**

The Queensland Consumers Association is the peak body for consumer groups in Queensland. The Association's members work in a voluntary capacity. The Association is a member of the Consumers' Federation of Australia, the peak body for all consumer groups.

Electricity distribution service quality is vitally important to Queensland consumers. Consequently, the Association is extremely interested and involved in service quality and the associated numerous and complex issues.

This involvement has included:

- in November 2000, submission of a detailed written response to a Queensland Competition Authority (QCA) Issues Paper;
- on 21 February 2003, participation in a QCA workshop on options for incorporation of a service quality incentive regime into its regulatory arrangements; and
- discussions with QCA staff on the draft report on the development of an electricity distribution service quality regime dated 11 August 2003 prepared for QCA by Meyrick and Associates and Pacific Economics Group (Meyrick/PEG).

On 16 February 2004, QCA sought the Association's comments on its draft decision on a service quality incentive scheme for the electricity distribution services in Queensland, dated February 2004.

This submission has been prepared following: consideration of the draft decision, the Meyrick/PEG report, and interstate arrangements; and discussions with QCA staff.

The timing of this service quality initiative is opportune given the recent storms and resulting widespread blackouts experienced by many consumers. The reaction of consumers to delays in having power restored, and problems with the Energex Call Centre, highlight the importance of a reliable supply of electricity coupled with good customer service systems.

The subsequent review, to be headed by PwC partner Daryl Somerville, will assess matters that are clearly relevant to service quality. The Association will be very interested, therefore, in the review team's findings and their relevance to the QCA's future regulatory arrangements.

Service quality is becoming increasingly more important for consumers as they way they work and live changes. For example, more and more people work from home and outages affect their ability to earn an income. Many households also contain sensitive equipment, such as computers. Therefore, outages, voltage variations, surges and momentary interruptions are likely to have greater impact than in the past.

Equitable access to high levels of service quality is also becoming more important for consumers, especially those in rural and regional Queensland.

## **QUEENSLAND CONSUMERS' ASSOCIATION'S OBJECTIVE AND GUIDING PRINCIPLES ON ELECTRICITY DISTRIBUTION SERVICE QUALITY**

The Association's consideration of service quality and the draft decision reflects its objective and guiding principles on this issue. These are shown below.

### ***Objective***

*The equitable supply of electricity of an acceptable quality and price to all Queensland consumers.*

### ***Guiding Principles***

1. Current and future consumer requirements and willingness-to-pay for service quality should dominate decision-making.
2. Cost of improving quality of services should not result in excessive or unpredicted increases in prices in general or for specific consumer groups.
3. Delivery of required levels of service quality should be efficient and effective.
4. Achievable, specific, measurable, reliable and verifiable standards should be set, wherever possible and appropriate.
5. All major components of service quality, especially reliability of supply, should be included in any new arrangements and others if possible for example voltage variation and momentary interruptions to supply.
6. An integrated approach should be taken recognising the numerous factors influencing service quality.
7. The experiences of other states/territories and countries should be taken into account.
8. Consumers and consumer organisations should be consulted and informed about the development and implementation of any measures.

## **COMMENTS ON DRAFT DECISION**

### ***Overall Views***

1. The Association supports in principle the inclusion of service quality considerations in the QCA's next regulatory arrangements.
2. The draft decision for a three level arrangement recognises the need and scope to build service quality targets into the annual determinations of distributor revenue caps. The proposed arrangement should also provide greater predictability of the impacts of any measures on electricity prices. Therefore, the Association sees merit in the proposed three level approach. However, the Association can only make a firm judgment when the numerous details have been finalised and estimates of the likely impacts on prices in general, and for specific consumer groups, are available. The Association welcomes further consultation and discussions with QCA on the development of the arrangements.

### ***Information for Decision-Making***

3. The Association is concerned about the apparent current paucity of publicly available information in Queensland about:

- consumer service quality requirements, priorities, and willingness-to-pay for improvements; and
- current levels of service performance relative to other distributors in similar situations.

The public release of all existing information on these matters would result in a better-informed public debate.

4. The Association supports the undertaking of further research on Queensland consumers' quality needs, willingness-to-pay, etc, provided that:

- relevant existing research and experiences are critically reviewed before funds are provided for any major new studies;
- such research takes full account of consumers' actual experiences, knowledge of actual and potential effects of service problems, awareness of probabilities of adverse events, and knowledge of any existing compensation schemes or other forms of redress for problems caused by poor quality services; and
- wherever possible, such research is part of, or complements, national research.

5. The Association also supports the undertaking of further research on, and the monitoring of, the absolute levels and trends in the performance levels of the Queensland distributors and relative to other distributors in relevant areas.

### ***Indicators of Service Quality***

6. The Association understands that the indicators of service quality most likely to be included in the new arrangements relate to reliability measures (frequency and duration of outages), and number of complaints. In this regard, the Association:

- considers that wherever possible the new arrangements should include other quality parameters, eg voltage variation and momentary outages, either in the main arrangements or in other ways;
- has major reservations about the use of number of complaints as a measure of service quality performance because of:
  - potential difficulties with the definition and measurement of service quality complaints;
  - the likelihood that many consumers simply do not complain at all about poor service quality because they are not aware of avenues to complain, or can see no use in complaining; and
  - the potential disincentive for distributors to improve customer knowledge of avenues for complaints.

If number of complaints is used as an indicator/measure of service quality in the regulatory arrangements, it should have a very low weighting in the assessment of trends and the calculation of any distributor incentives/penalties.

### ***Penalty and Compensation Payments***

7. The draft decision refers to the use of guaranteed service level (GSL) payments in Victoria (eg \$80 per customer who experiences service levels below specific levels) and their proposed use in Tasmania, NSW and SA. However, they are not referred to specifically in the draft decision, nor is the payment of compensation for actual losses incurred due to inadequate quality of service. The Association considers such arrangements can provide distributors with precise and targeted information about the quality of service being provided and can result in powerful incentives for them to improve standards across the networks, in particular problem areas, and with specific quality problems. GSLs and compensation systems also can be of major benefit to consumers and greatly increase consumer understanding of, and participation, in service quality arrangements. The Association recommends that GSL level payments **and** compensation schemes be included in the service quality regime and that any GSLs in the regime:

- be on the basis that all breaches result in payments, (not as in the distributors' current GSL arrangements where payments are only made if a customer requests them);
- cover important aspects of service quality; and
- be adequately publicised.

The benchmark in the private sector for service charters is the AAMI insurance company. See <http://www.aami.com.au/customer/fcharter.htm> The distributors should be matching this standard.

### ***Worst Service Levels***

8. The Association notes that the proposed new South Australian system will focus on improvements for customers with the worst service levels rather than on system averages. The Association considers it important that any regulatory arrangements in Queensland include measures to improve and monitor the quality of service for consumers with the worst service levels. In addition, consumers who consistently receive a significantly lower quality of service should pay less, or receive compensation.

### ***Consumer Information***

9. The Association notes that section 3.1.2 of the Meyrick/PEG report referred to roles for “beyond the boundary” equipment to smooth out dips, surges etc. in the development of an efficient service quality regime. The Association agrees with this view and considers that distributors should do much more to help household consumers become more aware of, and make well-informed decisions about the selection and use of equipment for the management of voltage dips, surges, outages etc. for computers and some other highly sensitive household appliances. Consideration should be given also to incorporating the provision of this information in the regulatory arrangements, and of information to help consumers to select and use electrical equipment to reduce the creation of quality problems.

## ***Disputes***

10. Dispute handling between the distributors and their customers is a major component of service quality, but hitherto does not appear to have been considered by the QCA. The Association's main concerns are:

- Unlike every other state in the National Electricity Market (NEM), disputes in Queensland are handled by a government office – the Electricity Consumer Protection Office (ECPO). The ECPO does not meet the benchmarks for alternative dispute resolution (ADR) schemes developed by the Federal Bureau of Consumer Affairs<sup>1</sup> applied to most other sectors of the economy<sup>2</sup>, including the electricity Ombudsman in other states. The Association has written and lobbied extensively on this issue for a number of years. Copies of submissions detailing the Association's arguments can be supplied if requested.
- Because of the importance to consumers of claims to the distributors for compensation, GSL payments etc, the distributors' internal dispute resolution performance should be monitored and included in the service quality regime. The Australian Standard on complaint handling (AS4269) could be useful in this regard. It is also important that customers be adequately informed about grounds and avenues for compensation and other claims, claim procedures and processes, and dispute resolution provisions.

The contact persons for this submission are:

***Ian Jarratt - ph 07 37195475 or  
Fiona Guthrie - ph 07 33697247***

***Cherie Dalley  
President Queensland Consumers Association***

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<sup>1</sup> Benchmarks for Industry-Based Customer Dispute Resolution Schemes, Consumer Affairs Division, Federal Department of Industry, Science and Tourism (now part of Treasury), 1997.

<sup>2</sup> Dispute handling under the Financial Services Regime explicitly refers to the benchmarks. The independent Ombudsman offices in other NEM states, were set up based on these benchmarks and measure their performance against the criteria.