

**SUBMISSION ON DISCUSSION PAPER
“GAS DISTRIBUTION: MONITORING SERVICE QUALITY”**

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1 February 2003

1. Introduction:

The Queensland Competition Authority is to be congratulated on this discussion paper which canvasses the main issues involved with service quality in gas distribution systems. The Department of Natural Resources and Mines, which has the jurisdiction over gas safety in many areas of fuel gas storage, transportation and use, as well as other technical matters such as gas quality and measurement has an especial interest in seeing service quality monitored from a safety and technical perspective.

Having a State-wide inspectorate, it can also assist in the gathering of data, the reporting of problems experienced in the field, practical verification of reported data, “on-site” inspections where needed and, in many cases provide meat on the bare bones of numerical statistics.

The Paper raises a number of issues which need to be carefully considered, as there are elements of joint jurisdiction which arise. As a general principle, it is recommended that QCA enter into a Memorandum of Understanding with the Department of Natural Resources and Mines to ensure that the introduction and ongoing administration of the final QCA legislation is carried out in a co-operative and efficient manner without “gaps” and without duplication.

The “deregulation” of the gas industry has brought with it a number of predictable, but nonetheless undesirable outcomes. The effect of competition on a small market means that the larger consumers, who have the power to negotiate favourable contracts, do very well. The smaller consumers, who have in the past been protected by either deliberate or fortuitous cross subsidisation and sympathetic legislation, do relatively poorly. The past few years have seen a move away from the “cradle to grave” philosophy which typified the old gas utilities, towards a hard-nosed business approach. To this end, downstream interactions have changed significantly. A few examples:

- Industrial installations used to be checked out by gas company engineers before being put on line. This has largely been abandoned.
- Emergency response has been reduced with some gas authorities unwilling to attend an emergency “downstream of the meter” or otherwise “outside their jurisdiction”.
- Cost-cutting measures have meant a neglect of timely maintenance resulting in excessive leakage reports in some areas.
- Customer telephone calls are often answered interstate, and there is alienation between the customer service officer and the consumer. In the recent

Canberra fires, a worried consumer contacted the gas company about disconnecting gas as houses were catching fire. It was reported that *“the operator said he was in Sydney and asked what I expected him to do – then he hung up on me”*

- As a general (and actually stated in one case) principle, gas suppliers will now conform to the requirements of legislation, but no more than that. Interestingly, none of the above situations was enshrined in legislation – the previous policies had been simply those of a “good corporate citizen”.

The above is not meant to imply that the gas distributors are not performing well. There is a long history of excellence in this area and, in most cases it has been maintained. However, there will be an increasing need to ensure that the bar is not lowered as commercial pressures take hold.

2. Specific Responses:

2.0 General:

The parameters specified in Appendix C are all quantitative and result in a simple number. These numbers, while important, will not give a real measure of service quality – in fact no set of numbers will suffice. For example, an increase in the number of outages could be due to a whole raft of reasons, each with a specific responsibility to the service provider ranging from full responsibility to none at all. Other data will be needed to provide a full picture of service provision and its quality, including reports from the Petroleum and Gas Inspectorate who, as part of their job, establish and report on root cause of many incidents.

The concept of “user pays” when looking at distribution systems needs to be carefully considered. In many cases the affected parties are not users at all, but are simply part of an affected community. An example would be a serious gas leak in the CBD. This could lead (and has in the past led) to such consequent events as –

- Closure of roads (traffic disruption/people late/deliveries missed)
- Evacuation of buildings (work disruption)
- Shutdown of consumers (loss of business)
- Emergency Services costs (police/fire/ambulance)

Only in one case (the third) are we dealing with gas users.

The concept of an industry funded ombudsman is very attractive and would address the major missing link which currently exists, that is the inability of users to address their concerns to anyone of rank. The customer call centres are manned by people, often in another State, who have very limited ability (or it seems desire) to answer any but the most trivial questions. Experience in the Petroleum and Gas Inspectorate shows that detailed problems or disputes are often ignored and only the most determined of complainants eventually gets satisfaction (through their local MP or the Minister).

Of the interstate models which have been considered, the South Australian model has a certain attraction. On the safety side the “Gas Technical Regulators Committee (GTRC) which represents the technical regulators of all Australian States and Territories and New Zealand has been working on a common set of KPI’s using SA as the model. The use of nationally agreed KPI’s allows for benchmarking between jurisdictions and for the establishment of “industry best practice”.

2.1 Particular aspects of service quality that are of value to users and how best to collect information on these measures.

To answer this question we must look at it from a number of perspectives because as the man said “oils ain’t oils” or in our case “users ain’t users”.

We are dealing here with three distinct levels of users, normally titled “industrial”, “commercial” and “domestic”. Although many happy arguments can be had trying to define the precise boundaries between these three categories, the normal understood meanings (industrial = factory, commercial = fish & chip shop, domestic = residence) are good enough for our purposes.

These categories are strongly preferred to the relatively artificial “small user” and “large user” referred to in the discussion paper.

Industrial consumers, being the largest users and also being blessed, in most cases, with in-house expertise, are the least concerned with the concepts of customer service. They enforce any provisions they require by contract and, generally are in a position to impose their requirements on suppliers. Any disputes are resolved by processes already agreed in contract and so Government involvement is, and should be, minimal. However, this group of consumers has the most to lose, certainly in money terms, from any failure of supply. In some cases, precipitate failure can lead to damage to plant as well as product and sales losses. To this group of consumers, security of supply is their greatest need and the loss of it their greatest fear.

Commercial consumers have much less “clout” and, if they are subject to contract, they have very little room to negotiate (the exception is major chains like McDonalds or KFC). They have very specific needs such as continuity of supply and assistance in technical matters. The first because their business is often utterly dependent on gas (who wants cold raw fish & chips?) and the second because they have no ability to keep gas skills “in house”. In cases of dispute, they often have the need to have the support of an independent arbiter. Commercial consumers want a reliable gas supply, want prompt attention to their complaints and want the option of having a third party (Government?) to assist resolving their problems.

Domestic consumers, the lowest energy users are at the far end of the gas “food chain” and are the most powerless of all. Paying for gas on tariff schedules over which they have no influence, let alone control, treated in some cases harshly by the service providers in cases of failure to pay accounts and, some would claim, seen as a necessary nuisance by companies who seem now

to see themselves as providers of a product, not of a service. Security of supply is important, but usually not critically so in the short term. However long term lack of supply could have serious consequences. Consumers worry about gas safety strangely, given the statistics, much more so than about electricity. They need to have a point of contact to answer safety questions, report leaks (which are then attended to promptly) and answer technical (not very technical) questions. They need assistance with the choice of appliances, suitability of appliance types and assistance with choice. This sort of assistance has traditionally never been supplied by electrical distributors, but has typified gas reticulators. It is recognised that some of these services should (but often are not) provided by standard retailers.

There is another class of “user” which needs to be considered. These are the gas installers, those who lay pipework beyond the meter and install appliances. This class needs a point of contact for advice and assistance. They need to be assured that supply is sufficient to meet the demands of installer appliances. They need answers to technical questions and they need a place to report problems. While Government does play a role here, the gas distributor needs to retain some downstream expertise.

2.2 Whether service quality measures should be restricted to those directly under the control of the service provider and whether selected measures should be qualified to exclude extraneous events, and how these might be defined.

It is recommended that service quality measures be restricted in two ways –

- (a) To those measures which are under the control of the service provider; and
- (b) To those which are not already being monitored for safety purposes under the relevant legislation.

As an example, gas quality, which is mentioned in the paper, fails both these tests. The quality of natural gas is determined and controlled by gas producers and service providers have no control over it at all. The matter of gas quality is covered comprehensively in the present Gas Act and will be dealt with even more rigor in the new Petroleum and Gas (Production and Safety) Act. The quality standard will be the new Australian Standard for Natural Gas which already forms part of a national agreement. There is a minor issue which may need consideration which is any contamination of the gas while traversing the reticulation system which could impact on users. Contaminants could typically include water, oil or dust.

With respect to outages, it is recognised that some could be caused by influences outside the control of the service provider, but in many cases, further investigation may reveal a different story. For example, a council worker digs through a gas main. There are a number of possibilities –

- The service provider had supplied all the correct information and the council worker was irresponsible;
- The service provider had provided incorrect information about the main location;
- The service provider would not provide suitable information;
- The council worker did not ask for any information.

In the above cases (and these are but a few of the possibilities) there is clearly varying degrees of culpability on the part of the service provider.

2.3 The relative merits of adopting minimum or average service quality measures.

It is strongly recommended that minimum measures be adopted either on their own or in conjunction with average measures. Using averages alone is always subject to abuse, where outlying examples of woeful performance can be hidden in a sea of mediocrity. But once again we must be careful not to give too much credence to numerical statistics. To lay a gas pipe well it is sometimes necessary to dig deeper, and so it is with quality monitoring.

2.4 Any other matters which should be taken into account in designing a service quality-monitoring regime.

Service quality includes –

- Identifying the needs
- Determining the extent of these needs
- Having strategies in place to address those needs
- Reacting in proper and timely fashion
- Maintaining records

It will be interesting to compare the proposals of industry with those already in place in other jurisdictions.

There needs to be consideration taken of response to gas leaks and other emergency situations. It is intended to invoke these as Key Performance Indicators under the Petroleum and Gas (Production and Supply) Act but it would be useful to discuss these issues further with QCA.

2.5 Should the Authority seek to adopt measures that are comparable with those collected in other jurisdictions?

Yes. A service quality regime which could not be compared with other relevant jurisdictions would be far less useful than which could. One major judgement of excellence is “benchmarking” with other like organisations and this can only be done when measuring regimes are comparable. It would be a useful exercise of the Authority to contact other jurisdictions with a view to establishing a “common core” of parameters.

2.6 Should the Authority seek to align service quality measures for gas with those already developed for electricity distribution?

In a word, No. There are significant differences between the gas and electricity industries and the KPI's on which they can be judged. To slavishly follow another industry would lead to a less precise set of measures. However, there may be useful synergies in some areas and in general, wheels should only be reinvented when a different type of wheel is required.

2.7 What service quality-related information, if any, is currently collected by service providers?

This question is best answered by the service providers.

2.8 What are the possible data collection costs associated with the measures proposed in Appendix C?

This question is best answered by the service providers.

2.9 What measures of reliability are relevant to the Queensland gas distribution networks?

We need to consider what is meant by the word “reliability”. Reliability certainly means continuity of gas supply at the appropriate pressure and with the proper quality. It means answering telephones promptly by people who know what they are talking about and can take the necessary action. It means treating users with dignity and, where then occasion requires it, sympathy. It means being a source of advice and assistance to users, specialist organisations and the community. It means being a responsible citizen when it comes to gas safety. It means undertaking maintenance, reinforcement and extension in line with community needs.

2.10 Is there a need to distinguish between the reliability of different pressure sections of the network?

It would certainly be appropriate to distinguish between different sections of networks, but not necessarily to do so on the grounds of pressure. For example, given the sensitivity of the Brisbane CBD, where a gas leak or outage could have very serious consequences, it may be proper to have specific statistics to apply there (and indeed to Surfers Paradise CBD, Rockhampton, Gladstone to a lesser extent).

2.11 Could measures of technical quality usefully be employed in the monitoring regime and, if so, what measures would be most appropriate?

Technical quality, which is invariably associated with safety is already monitored by an extensive inspection and audit regime under the current Gas Act and will be continued and reinforced under the forthcoming Petroleum and

Gas (Production and Safety) Act. It should not be duplicated by QCA. Further discussion is recommended here.

2.12 How do users interact with network operators in relation to customer services?

There is a temptation to be quite cynical here. Basically, network operators have been withdrawing from customer services over the past few years as competitive forces take over. Users generally have no united voice (there is not a gas users association) and individually have little ability to demand better service.

2.13 Is customer service an aspect of service quality that should be included in the monitoring regime and, if so..

Yes.

2.14 What measures of customer service should be considered?

The first step here is to find out what the customers want, then see what services should be offered by service providers and those to be offered by others. I can feel a survey coming on. Interestingly, I have been asking various “dignitaries” in the industry how they are getting on with their responses to the QCA discussion paper and none seem to have heard about it. This begs the question about the quality of the responses which will be forthcoming.

2.15 What is the appropriateness of the information contained in the data collection outline (Appendix C) and associated definitions?

- Distribution customer total numbers – OK
- Customer numbers divided into large/small – Does give some information but could be extended to capture more detailed evidence about the traditional markets (domestic/ commercial/ industrial).
- Length of distribution mains – OK but should also include length of mains laid in current year and those proposed for the following year.
- Gas Consumption – small class – Would such information be useful? Are we talking here about average consumption? If so, it would be a relatively meaningless figure.
- Gas Consumption – large class – see above, but more so.
- Unaccounted for gas – OK to measure in TJ, but more often expressed as a percentage. There should be a requirement for the distributor to explain high values and say what is to be done about it. This has a safety connotation and should be done in conjunction with the Petroleum and Gas Inspectorate.
- Planned customer interruptions – OK
- Number of unplanned outages – OK but include the number of customers involved in each outage.

- Number of customers affected – OK, but on an outage by outage basis, not an average.
- Number of hours of gas supply lost – OK, but on an outage-by-outage basis, not an average.
- Calls to call centre hotline – OK but include data such as time to answer “*please hold, your call is important to us...please hold, your...*” and the time taken to resolve the call.
- Complaints – number and nature – OK, but details may be needed.

2.16 Should any additional information be included?

Yes. Here are a few ideas –

- There needs to be a measure of satisfaction with the performance of the distributor with respect to consumers. One way would be to commission a survey of consumers who have had contact with the distributor. This could be done at the cost of the distributor, but would have to be independent, and ask searching questions to have any value.
- How many customers had service disconnected during the year and, of those, how many were reconnected within 7 days? (are there many “capricious” shut-offs?)
- What arrangements are made for transfer of ownership or tenancy? (who pays for gas used/leaked during vacancy?)
- Gas leaks reported/attended and timeliness information (Note this will be covered under the Petroleum and Gas (Production and Safety) Act).

2.17 How often should such information be reported to the Authority?

Annually.

2.18 Is there value in publishing service quality information reported by service providers?

Yes, it acts as an enormous incentive to the recalcitrant.

2.19 Is any of the information sought in Appendix C likely to be commercially sensitive?

Some will say “yes”, but the real answer is “no”.

2.20 What quality of information should be provided for service quality monitoring purposes?

Any information provided must be verifiable and, without this, the QCA will be told what it would like to hear. The exact processes to be used would vary with the measure, but it would not be cost effective to verify every parameter every time. Random verification audits are a powerful weapon against porkies.

2.21 Is there a need to go beyond service quality monitoring and consider implementing a service quality incentive regime for gas distribution?

There is a need to go beyond the monitoring mentioned above, but not necessarily by providing an incentive scheme. Other issues need to be considered. Gas distributors and their servants are the “face” of the gas industry to the public. It is to them that the public, consumer and non-consumer alike turn for advice, for safety and for prompt resolution of their concerns, whether they be valid or not, whether they be users or not.

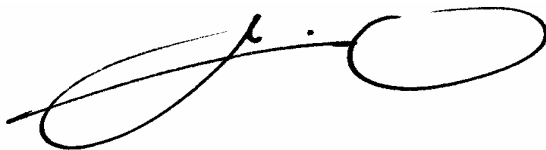
3. Conclusion:

The Discussion Paper is really a questionnaire designed to canvas options rather than a statement of alternative policies. There now will be significant work in considering the various (and probably contradictory) opinions. The intertwining of requirements and statutory requirements and responsibilities between QCA and NR&M needs to be carefully handled. As suggested in the introduction, a MOU will be the ultimate answer, but in the first assistance it is recommended that the Petroleum and Gas Inspectorate be involved in the ongoing development of the Service Quality model.

4. Recommendations :

It is recommended that –

- 4.1 QCA involve the Petroleum and Gas Inspectorate of NR&M in the ongoing development of the Gas Service Quality model;
- 4.2 The South Australian model be considered as a possible one to develop for Queensland;
- 4.3 The concept of an industry funded ombudsman be further considered;
- 4.4 QCA note the comments in the above document and agree to work closely with NR&M to avoid duplication and unnecessary inefficiencies.
- 4.5 QCA agree in principle to the development of a Memorandum of Understanding with NR&M to establish ongoing co-operative arrangements.



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1 February 2003

