



Networks

Report on the service quality incentive regulations for gas network operators and ERDF

2009-2010 Report

Synthesis

The latest natural gas transmission network tariffs, called “ATRT₄”, and the tariffs for natural gas distribution network, “ATRD₃”, as well as the 3rd tariffs for using the public electricity networks, “TURPE 3”, constitute a regulatory framework offering incentives to gas transmission and distribution operators, as well as the electricity distributor ERDF ⁽¹⁾, to control their costs and improve the quality of service provided for network users.

For gas and electricity distribution system operators (DSO), the incentive-based regulation for quality of service implemented through the tariffs is complementary to the supervision powers of the licensing authorities. It operates by means of concession contracts which imply that the concessionaire has to deliver activity reports and that the licensing authorities have to publish monitoring reports of the concessionaire’s activity. The licensing authorities act on the local level, whereas the incentive regulation is of national scope. The actions of the licensing authorities and of the Energy Regulatory Commission (CRE) contribute together to assess and enhance the quality of service of the DSO.

As the service quality monitoring exercises are conducted successively, the analysis will become more refined as a greater data history is acquired.

In 2009 the CRE published the first annual quality monitoring report for the gas network operators GrDF, GRTgaz and TIGF. The innovation brought by this report is that it includes the local distribution companies (LDC) for natural gas and the electricity distributor ERDF. The monitoring of service quality provided by GrDF and the LDCs is a yearly exercise: from 1st July 2009 to 30th June 2010; the one for GRTgaz and TIGF covers 18 months: from 1st January 2009 to 30th June 2010. ERDF service quality monitoring

covers the period from 1st August 2009, the date of coming into force of TURPE 3, until 30th June 2010 (11 months).

The first observation of this report is that the operators, having already implemented the service quality monitoring mechanism, are following the progress of all the indicators set up with the tariffs, and that the other operators have done what is necessary in terms of tools and resources to set up the measures required by the tariff rules. Almost all the indicators are now being monitored and are published regularly by the gas network operators. However, ERDF does acknowledge a degree of delay in the publication on its Internet site of some of the service quality indicators.

The preferred contact of the end consumers being the supplier, this report does not pre-judge relations between the suppliers and the end consumers.

Globally speaking, the quality of service from the gas network operators and ERDF has been improving gradually over the period of the monitoring, or has stabilised at a satisfactory level for the areas that are most important for the correct functioning of the market. Some objectives set by the tariffs have been met or even exceeded, which earns financial bonuses for the operators in question.

This second service quality monitoring report on the gas network operators and ERDF is going to be used by the CRE, in consultation with all the market players, to refine the incentive mechanisms already in place. The experience it has

(1) NB: It has not been thought worthwhile to set up a service quality monitoring mechanism for the electricity transmission system operator (RTE), as part of TURPE 3 as, firstly, the RTE is already monitored by means of annual reports sent by the RTE to the CRE and, secondly, the CRE approves the access contract models and the procedures for processing requests to connect to the public transmission networks (which is not the case for distribution).

acquired during the previous financial years will mean that it will be possible to better target the processes to be monitored and better adjust the objectives set.

Comparative analysis of the performance of electricity and gas network operators

The work of the gas and electricity network operators share some characteristics, which is demonstrated by the construction of service quality monitoring indicators that are close in terms of definitions and calculation perimeters.

This first comparative analysis of operator performance, taking into account the specifics of each energy and infrastructure, has revealed that, for equivalent processes (timetables for the carrying out of services, meeting appointment deadlines, the handling of end consumer complaints, the availability of call centres and IS portals), the performance of the operators is relatively close and stable and at a good level.

The next tariff changes may lead, subject to the specifics of each energy type, to a greater harmonisation of the service quality monitoring indicators for gas and electricity, and thus make a more thorough comparative analysis possible in subsequent CRE reports.

GrDF service quality review

Since 1st July 2009 GrDF has been following the progress of the service quality monitoring indicators provided for by the ATRD3 tariff, with the exception of an indicator related to connection.

Overall, the improvement in GrDF service quality that was observed last year has been maintained, even if progress is still to be made in certain areas to meet the objectives set by the tariff. This improvement is noticeable particularly in

the key areas for the proper functioning of the market, for which the indicators are subject to a financial incentive. So:

- the functioning of the GrDF “OMEGA”⁽²⁾ information system, which plays a key role in the correct functioning of the market, has continued to improve over the monitoring period. The rate of publication of consumption readings by the OMEGA Suppliers portal has improved greatly to attain an average level of 99.7% in June 2010, for all types of reading. The improvement curve for the availability of this portal continues the improvement that began last year, and regularly attains 100% weekly availability. Finally, the rate of deviation from the contractual perimeter of alternative suppliers and of the processing of a month’s rejections during the following month is improving very rapidly and is reaching excellent levels, thanks to the actions of GrDF to limit rejections and improve processing thereof: the targeted objectives defined by the tariff have been exceeded;
- the handling by GrDF of suppliers’ complaints within 30 calendar days has been stable for the monitoring year, and compared to the previous year, despite an increase of almost 20% of suppliers’ complaints;
- the quality of data transmitted by GrDF to the TSOs to calculate the allocations of gas quantities at the transmission/distribution interface points (PITD) has been maintained at a good level;
- time necessary for handling end consumer complaints was maintained at the good levels achieved the previous year but deteriorated in the 2nd quarter of 2010, particularly in June 2010 following a peak of complaints (a rise of 24% compared to the previous month). On the other hand, the accessibility of call centres improved appreciably, particularly for the

(2) OMEGA (Opening of the energy market and transport management): information system of GrDF, managing transport data and associated customer processes, providing communication between the DSO and the suppliers (all supplier requests have to pass via the OMEGA Suppliers portal) via a secured Internet site.

“Safety Rescue” number, because of the training initiatives set up by GrDF for the use of its telephone service;

- time for providing the main GrDF services (service activation, deactivation and connections) have slightly improved; except for the deactivations, because of the rise of 16% in deactivations due to the economic crisis;
- the environmental impact of GrDF was measured for the first time; the DSO emitted 762.8 ktonnes CO₂ equivalent of greenhouse gases into the atmosphere between 1st January 2009 and 31st December 2009.

From 1st July 2009 to 20th June 2010, the GrDF service quality monitoring indicators, with financial incentives, generated a total of €1.1M in bonuses for GrDF, which will result in an increase in its tariff⁽³⁾, and which breaks down as follows:

- €1.28 M in bonuses;
- €0.18 M in penalties.

Moreover, around €3,000 in penalties due to appointment deadlines not met, the DSO being at fault, have been paid directly to suppliers who made the complaint.

An update of GrDF indicators took place on 1st July 2010 after consultation with market players, notably as part of the Gas workgroup (GTG).

Finally, with this second GrDF service quality review, the CRE is considering the introduction of new changes to the quality monitoring mechanism, such as:

- the monitoring of GrDF distribution deviation accounts;
- the monitoring of reference annual consumption (CAR);
- the setting up of a detection mechanism for appointments missed by GrDF, notified by end

consumers, or detection by GrDF itself without notification from the suppliers;

- the reevaluation of the amount of some of the financial incentives and the level of certain objectives.

Review of the quality of service of the natural gas LDCs

Since the 1st of July 2009, the natural gas LDCs have set up almost all of the quality of service monitoring indicators provided for by the ATRD3 tariffs, with the exception of one indicator for Veolia and three indicators for Réseau GDS. A delay in the deployment of the latter's information system (IS) has also resulted in the incomplete monitoring of eight other indicators. Gaz de Barr has pooled its information system with Réseau GDS, which has led to the same difficulties concerning the monitoring of quality of service indicators. One indicator monitored by Vialis is also incomplete for computing reasons.

Overall, the quality of service of the LDCs has improved over the monitoring period and reached a good level. This improvement is particularly significant in the key areas for the proper functioning of the market, for which the indicators are subject to a financial incentive. Thus:

- the Régaz and GEG information systems worked very well. The availability of their supplier portals reached a very good level in the case of GEG and excellent in the case of Régaz;
- the LDCs' handling of supplier complaints within 30 calendar days was constant over the year monitored, with the exception of Régaz, whose results were varied, but the company has taken the necessary measures to remedy the situation;
- the quality of the data transmitted by Régaz and Réseau GDS to the TSOs for calculating the allocations of gas quantities at the transmission-distribution interface points improved slightly and achieved excellent results: the

(3) The financial incentives have a direct effect on the authorised revenue of the operator and, so, on its tariff, which covers the authorised revenue.

objectives defined by the tariffs were exceeded on many occasions;

- time necessary for handling end consumer complaints improved slightly. The accessibility of call centres improved more significantly, especially in the cases of the Régaz «Safety Rescue» number and the de Gédia «Reception» number;
- time for providing the main LDCs services (bringing into and taking out of service) improved slightly.

From the 1st of July 2009 to the 30th of June 2010, the financial incentives applied to the LDCs were almost nil, due to the good results they achieved, the fact that certain financial incentives were only implemented from the 1st of July 2010 onwards and the low number of events recorded.

As for GrDF, an update of the LDC indicators took place on the 1st of July 2010, after consultation with the market players, particularly within the framework of the GTG.

At this stage, the main future development of the mechanism seems to be the continuing harmonisation of the areas of monitoring of the LDCs that share a specific tariff (number of indicators, frequency,...) and with GrDF.

Review of the quality of service of GRTgaz and TIGF

On the 30th of June 2010, GRTgaz and TIGF implemented all the indicators to monitor the quality of service as required by the ATRT₄ tariffs. The trends recorded in 2010 were positive:

- the quality of the relationship between the TSOs and the shippers has made progress. The quality of the readings at the consumption points on GRTgaz and TIGF networks improved in the 1st half of 2010 compared to 2009. The levels of availability of the portals of the two TSOs remained very satisfactory. Finally, the

TSOs almost systematically reached the tariff related objectives concerning the times for handling shippers' requests for reservations of capacity on the main network;

- the quality of the data sent by the TSOs to the DSOs for calculating the allocations of quantities of gas at the transmission-distribution interface points improved significantly: in 2009, the objectives set by the tariffs were not met on several occasions (especially by TIGF), whereas in the 1st half of 2010, the two TSOs systematically exceeded the basic objective and often the target objective. Conversely, time for sending out to the DSOs the temporary assessments of the quantities delivered at the transmission-distribution interface points deteriorated in the case of TIGF during the 1st half of 2010;
- the two TSOs emissions of greenhouse gases into the atmosphere did not follow the same trend. During the 1st half of 2010, GRTgaz emissions were very slightly reduced compared to 2009. By way of contrast, TIGF emissions increased significantly in the 1st half of 2010 following renovation work and testing operations on its network.

From the 1st of January 2009 to the 30th of December 2009, the monitoring indicators for the quality of service of the TSOs generated in total €840 k of bonuses for GRTgaz and €506 k of penalties for TIGF, which will be taken into account in their respective tariffs ⁽⁴⁾.

In the 1st half of 2010, the the monitoring indicators for the quality of service generated €1.8 M of bonuses for GRTgaz on account of the good results recorded. TIGF obtained €404 k of bonuses.

This second evaluation of the GRTgaz and TIGF quality of service shows a net improvement in

⁽⁴⁾ The financial incentives have a direct effect on the operator's authorised revenue and, therefore, on its tariff, which covers the authorised revenue.

the TSOs' performance, encouraging the CRE to propose an upgrade of the objectives set by the tariffs starting from the 1st of April 2011.

Finally, the CRE has initiated an audit of the monitoring of quality of service by GrDF, GRT-gaz and TIGF. The results of this audit could be taken into account during the next upgrade of the mechanism.

Review of the quality of service of ERDF

As the continuity of electricity supply has been dealt with in an ad hoc report, it is not part of the scope of the 2009-2010 report on operator service quality.

The setting up of the service quality monitoring indicators was completed by the end of September 2010. ERDF has resolved the IS problems that delayed the setting up of certain indicators related to connection and prevented it from providing a complete history of data for business market customers.

ERDF has been rather late in publishing the service quality indicators on its web site in relation to the TURPE 3 explanatory statement, which stipulates that ERDF should communicate the methods of publication to the CRE three months after the tariffs come into force, at the latest. ERDF is currently doing work on this subject.

Overall, ERDF has achieved a good level of performance over the whole monitoring period. Nevertheless, improvements are still possible in several areas.

With regard to final consumers, the results of indicators related to the times for performing the most frequently requested services (bringing into service) and which contribute to the efficient working of the market (changes of supplier) are good, in relation to the ERDF commitments in

its catalogue of services. Nevertheless, improvements are possible.

With regard to network users (final consumers and producers), the indicators related to the number and handling by ERDF of network user complaints shows that ERDF's relationship with the network users is good and stable.

Furthermore, ERDF has been able to manage the sudden strong increase in connection requests from network users causing congestion at the level of the «electricity connection» reception, the sending of connection proposals, connection work and commissioning. Rationalisation of the request handling process has enabled ERDF to limit the deterioration in the indicators related to connections. Though the number of connection requests has stabilised, improvements are still desirable, especially with regard to the time for sending out technical and financial proposals.

With regard to the suppliers, the results of indicators related to readings and billing, as well as the monitoring of the availability of the ERDF interfaces devoted to suppliers, lead to the conclusion that the quality of the services offered by ERDF to suppliers is good, or even very good, and stable.

Finally, the indicators subject to a financial incentive almost systematically exceed their target:

- as the calculation of bonuses paid and the penalties charged to the expense and revenue claw-back account is made over a financial year, the financial incentive from the 1st of August 2009 to the 31st of December 2001 is calculated pro rata (5/12th of the annual incentive). €125 k will be added to the balance of the expense and revenue claw-back account at the end of the tariff related period to the benefit of ERDF on account of the quality of service. This sum corresponds to the maximum level of bonus that could be paid to the expense and

revenue claw-back account on account of the incentivised regulation of service quality ⁽⁵⁾;

- in the case of indemnities paid directly to users over the period from the 1st of August 2009 to the 31st of June 2010, ERDF paid €5.5 k of indemnities over Q3 2009 - Q2 2010 period on account of planned appointments not kept.

In accordance with the TURPE 3 explanatory statement, the CRE may propose adjustments to the list and definition of service quality monitor-

ing indicators not subject to financial incentives on the basis of this report's conclusions. In particular, the CRE is considering creating an indicator for monitoring the sum of indemnities paid due to lateness in sending a connection proposal.

(5) In the explanatory statement for the TURPE 3 tariffs, the maximum annual bonus that can be paid to the expense and revenue claw-back account on account of the incentivised regulation of service quality has an upper limit of €300,000. Calculated pro rata, this sum amounts to €125,000 over the period from the 1st of August 2009 to the 30th June 2010.



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