



Energy & Water  
Ombudsman NSW

This is a determination of the Energy & Water Ombudsman NSW under Clause 6 of the Constitution of the Energy & Water Ombudsman NSW scheme.

### **Introduction**

The determination relates to a claim to the electricity provider from customers for compensation for damage to a computer – Mr and Mrs L.

By way of introduction I wish to note that during its six years of operation, EWON has dealt with a large number of complaints from customers in relation to claims for damage. Overall, this has proved to be a complex and difficult area.

There appears to be no certainty for electricity suppliers or customers in relation to responsibility/liability for damage caused by electricity incidents. Although NSW electricity providers generally incorporate into their customer contracts a position of no responsibility/liability for damage caused by electricity incidents, in practice they pay many claims by customers on an ex gratia, without prejudice basis.

Electricity providers have adopted different approaches to customer claims so that there is no consistency in response across NSW utilities.

It appears that insurance companies are increasingly excluding ‘electrical’ incidents from their coverage, and directing policy holders back to their electricity provider for redress.

As a result of these factors, the position regarding claims for customers is not clear.

It is worth noting that the Essential Services Commission of Victoria has issued a guideline about compensation of customers. This guideline has had the effect of significantly reducing the need for the Energy & Water Ombudsman (Victoria) to be involved in customer claims for compensation.

In my view there does not appear to be any sound reason for an inconsistent approach by electricity providers in NSW to customer claims for damage. We cannot see any competitive advantage to a different approach by companies, and it does not seem equitable for customers to be treated differently in relation to claims depending on the distribution area in which they live. We have called for discussion of these issues by relevant stakeholders, including electricity distributors, regulatory bodies, and consumer groups.

In the absence of any clear guidelines for customer claims in NSW, it has been left to my office to investigate claims which have been denied by distributors. My determination in individual matters does not create any precedent, but simply reflects an attempt to resolve each case in relation to its individual circumstances.

I believe that the development of standards for claims in NSW will benefit customers, their electricity providers, and the general community.

### **The complaint**

On 9 October 2003 at 8.00am, an electricity installation inspector for the company attended the home of Mr and Mrs L to inspect the electrical wiring of the customers' upstairs renovation.<sup>1</sup>

The inspection involved a number of tests including insulation resistance testing of the installation by the application of a direct current of 500 volts.

At the time of the inspection the L' computer was plugged into the power point in the *On* position and the computer was switched *Off* at the switch on the computer.

Immediately following the installation inspection Mrs L noticed a strong burning smell coming from their study. Upon investigation she found the smell was emanating from the computer, and that the computer would no longer work.

The customers stated in their correspondence to their electricity provider dated 10 October 2003 that: "*At no time did the inspector suggest we turn off any electrical equipment or even enquire if any were on*".

In a letter to EWON dated 6 November 2003, Mr L noted that it seemed "totally unreasonable" that the installation inspector did not advise that he would be disconnecting supply nor enquire if they had any equipment running at the time.<sup>2</sup>

Mr and Mrs L have provided a tax invoice dated 30 September 2000 which lists the purchase cost of the computer as \$1045. The invoice also itemises the computer's components and indicates that the purchase price took account of a trade-in on an 'old PC'.

Following the failure of their computer, the Ls returned to the repair company to have the damage inspected. In an invoice dated 10 October 2003 the repair company stated that their investigation concluded that the computer was damaged by an electrical surge and that all components were faulty except the CD-RW (CD ReWritable disk).

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<sup>1</sup> The job number for the installation inspection was .....

<sup>2</sup> The electricity provider's Technical Investigation Report to EWON's expert adviser dated 27 January 2004 advised that their internal work instruction on the procedures for insulation resistance testing of electrical installations by inspectors indicates that: '*portable appliances be disconnected from socket outlets where possible*'.

Mr and Mrs L made a claim to their electricity provider for \$1,042.80 for the replacement cost of faulty computer components. The customers provided an invoice which confirmed that on 10 October 2003 they purchased replacement components for those damaged at a cost of \$1042.80.

### **The electricity provider's response**

The electricity provider has continued to stand by its original denial of the customers' claim.

The company provided EWON with an *Investigation Report* dated 10 November 2003, which sets out the basis of their position:

1. The circuit resistance testing on the new extension involved isolating supply at the safety switch and mains switch at the main switchboard.
2. As the installation is supplied by a single-phase service, there is no possibility of an 'over voltage or electrical surge' condition occurring as a result of the Inspector's work.
3. According to the claimant's statement the computer 'had not been on' at the time of the alleged failure.
4. Random failure of the computer's power supply unit is the most likely explanation for the damage the customers experienced.

The company provided EWON with a second *Investigation Report* dated 10 December 2003 in which they reiterated their position that: "*The installation has a single phase service and was isolated at the switchboard. In such circumstances there was no possibility of the installation being subject to an over voltage or 'power surge' condition*".

On 11 February 2004 the company provided information to EWON about the specific nature of the testing conducted at the L's premise on 9 October 2003. The electricity provider advised that "*there were insulation resistance tests conducted between the active and neutral conductors separately to the earth mass. No test voltage was applied between the active and neutral conductors*". The electricity provider concluded that as the elevated voltage utilised for insulation resistance testing "*is/was not applied across the active and neutral conductors*" this "*could not have contributed to the failure of the computer.*"

The electricity provider disagrees with the technical advice provided by EWON's expert, and continues to deny this claim on the basis that "*there is no evidence that the inspection of the claimant's wiring would have caused the claimed damages*".

### **Investigation by EWON**

Given the apparent coincidence of the failure of the customers' computer during the period of testing of the installation, EWON sought independent technical advice from an experienced electrical engineer.

### ***The technical advice***

EWON's independent technical adviser advised that in his view there is a strong circumstantial relationship between the equipment failure and the testing carried out by the installation inspector at the premises.

In his report to EWON dated 21 June 2004, in respect of the purpose of insulation resistance testing as outlined in AS/NZS 3017:2001 Clause 3.2, the technical adviser states:

*"...it is clear that the purpose of the insulation resistance test is to check the fixed electrical installation and not the various appliances that are connected to the installation".*

The report also notes that:

*"there is a possibility (but not probability) that the application of a test voltage when applied between active and earth could trigger the failure of a component within the power supply of the computer system".*

And further:

*"If for some reason, the application of the test voltage was inadvertently applied between active and neutral, the appliance would be subject to the full 500V DC. There is no way of knowing what the installation inspector actually did when the testing was carried out. The electricity provider state that the work was done in accordance with AS/NZS 3017:2001. However, it is always possible that an error was made during the testing. Under this condition, damage to the equipment is a higher possibility (perhaps probable)".*

In respect of the nature of the claimed damage, the expert advised:

*"...this type of failure is consistent with failure of the power supply that results in mains voltage being applied to all of the extra-low voltage components within the computer".*

And further:

*"...the failure of the computer system occurred while the computer itself was plugged into the mains, with the switch on the computer being in the 'off' position. Although the computer switch is 'off' it is an 'electronic' switch rather than a mechanical isolation switch. Accordingly, even though the switch is off, a part of the computer power supply actually remains energised and is subject to the same failure mode as could occur under conditions of mains being switched on and off.*

*In addition, in this mode, the computer would be subject to the application of any test voltages that may have been applied by the installation inspector".*

### ***EWON's analysis***

Our investigation took into account information provided by Mr and Mrs L, the electricity provider, and an independent electrical engineer commissioned by EWON to advise on the technical aspects of this matter.

Advice provided by the electricity provider to EWON on 27 January 2004 suggests that their work instruction to inspectors stipulates that 'portable appliances be disconnected from socket outlets where possible'. In the same report EWON was also informed that while 'Installation Inspectors are encouraged to comply with this advice, there are often instances where this is not practical'. In this instance it appears that the company's inspector did not provide any advice to Mrs L regarding the advisability of disconnecting appliances during the testing even though there was clear opportunity to do so. It also appears that the Installation Inspector gave no forewarning that he would interrupt supply as part of the testing procedure. It is difficult for EWON to conclude that in this situation it was unreasonable or impractical for such advice to have been provided.

The independent expert who provided advice to EWON in this matter indicated that while the exact nature of the testing procedure carried out at the L's home on 9 October 2003 was impossible to determine, an error made during the process could foreseeably have led to an appliance being subject to voltages at 500V DC. Given the risk that this may occur, even where a computer has been switched off but remains connected to an active socket, it seems incumbent on the provider to take all reasonable precautions in order to allow customers to protect their appliances.

### **Conclusion**

The electricity provider disagrees with the technical advice to EWON by our independent technical adviser. This disagreement is with the conclusion of our adviser rather than with his qualifications or expertise.

Given the available information, EWON is not in a position to comment further on the technical aspects of the claim. However, in a situation where there is credible technical information to support Mr and Mrs L's position, and where it appears that the electricity provider did not exercise all reasonable care to inform the Ls of the risk to their property, I believe it is reasonable for the benefit of any doubt to go to the customers.

Under the provision of Clause 6 of the Constitution of the Energy & Water Ombudsman NSW scheme I therefore determine that the company should pay the sum of \$1150.00 to Mr and Mrs L as full settlement of their claim. This amount consists of the replacement costs plus a small gesture acknowledging the considerable delay that has occurred in resolving this customer's complaint.

Under the EWON Constitution, this decision is binding on the electricity provider. Mr and Mrs L may elect within twenty-one days whether or not to accept this decision. If

Mr and Mrs L accept the decision, they will fully release the electricity provider from all claims, actions, etc in relation to this complaint. In the event that Mr and Mrs L do not accept my decision, they may pursue their remedies in any other forum they may choose, and the electricity provider is then fully released from the decision.

Clare Petre  
Energy & Water Ombudsman NSW  
25 October 2004