



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 from a customer for compensation for damage to two domestic appliances – Mr Z.

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**

Mr Z made a claim to his electricity provider on the basis that at approximately 12:30pm on Saturday 7 June 2003, he and his family were at home watching television and using their video cassette recorder, when the electricity supply to their home was interrupted without warning. Mr Z stated that when supply was restored, the television and VCR failed to operate.

Mr Z submitted a claim to his electricity provider dated 4 August 2003 for \$726 for the cost of repairs to his JVC television and Panasonic video cassette recorder. Mr Z provided a copy of the invoice for these repairs to his electricity provider with his claim.

On 19 August 2004 the electricity provider wrote to Mr Z declining to pay the claim on the basis that the provider's records did not disclose any voltage variation accompanying the interruption of supply, and because it is not the electricity provider's policy to make offers of compensation in such circumstances.

Following the denial of his claim, Mr Z asked EWON to review his electricity provider's decision.

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

The electricity provider confirmed to EWON that they stood by their denial of Mr Z's claim. On 5 September 2003 the company provided the following information in support of their position:

There was a protection operation at 1:41pm on Saturday 7 June 2003 which tripped 11kV feeder [number] at a local Zone Substation.  
The protection operation initiated an auto-reclose function which operated to restore supply, however, the fault caused the feeder to immediately trip again.  
The cause of the interruption was a fault in a high voltage lightning arrestor.  
Supply to substation [number] was interrupted, which resulted in a loss of supply to the customer's premises for 1.5 hours.  
No other claims were received by the provider from other customers in the customer's area.

The FOD (Faults Outages and Damages) report attached to the provider's response to EWON stated that *two* lightning arrestors had failed.

## **Investigation by EWON**

EWON sought confirmation from the Bureau of Meteorology regarding the weather conditions in the local area on the day of the incident, 7 June 2003. This indicated fine conditions with no lightning activity reported.

On 6 November 2003 EWON spoke with the customer's repairer who indicated that the extensive component damage he observed in Mr Z's appliances suggested that the damage was not due to random failure, old age, or any other internally generated damage, but had probably been caused by some form of electrical "surge".

Given the electricity provider's position that the customer's home had been affected by an interruption of supply, but that there were no records to indicate any unusual voltage sufficient to cause appliance damage had accompanied the interruption, EWON decided to seek independent technical advice. This decision was made in order to clarify whether this failure of two high voltage lightning arrestors may have resulted in the transmission of transient voltage to the low voltage network sufficient to cause appliance failure.

### ***Technical advice***

EWON commissioned independent, expert technical advice from a qualified and experienced electrical engineer. The conclusions of this advice were:

Although the electricity provider monitors conditions on their high voltage network, no measuring devices would have been installed on the provider's low voltage network supplying Mr Z's home. The company's statement that no records exist indicating any abnormal voltage levels accompanying the interruption of supply needs to be seen in light of this.

It could be expected that during the period of the failure of the lightning arrestors, significant transient voltage would have been present on the 11kV mains, and that high frequency voltages could have travelled through the distribution transformers onto the low voltage network and into Mr Z's home.

Some electricity distributors in Australia adopt a maintenance regime whereby lightning arrestors are removed and tested. However, there is no industry standard associated with the maintenance of lightning arrestors. The provider appears to have no data regarding the type, age and cause of failure of the lightning arrestors nor does there appear to be a formal program of routine data collection of the failure rate of lightning arrestors generally (which may help to determine if a maintenance/replacement strategy should be considered).

While there were no other claims received by the company in relation to this interruption event, it is noteworthy that the fault on the network was physically quite close to Mr Z's home.

The probability is extremely low that the failure of two appliances at the same time in Mr Z's home was due to some coincidental occurrence. While the

possibility of the coincidental failure of one appliance with the disturbance on the network might have resulted in an abnormal condition between the two appliances, the probability is highest that the two failures are due to the presence of excessive transient voltage conditions on the provider's network. On the balance of probabilities, the failure of the lightning arrestors on the 11kV network resulted in the failure of the customer's television and video cassette recorder.

A copy of the independent technical advice was made available to the electricity provider. However, the company declined to review their initial decision not to compensate Mr Z.

### **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 Z's position, I believe it is reasonable for the benefit of any doubt to go to the customer.

Under the provision of Clause 6 of the Constitution of the Energy & Water Ombudsman NSW scheme I therefore determine that the provider should pay the sum of \$800 to Mr Z as full settlement of his claim. This amount consists of the repair 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 company. Mr Z may elect within twenty-one days whether or not to accept this decision. If Mr Z accepts the decision, he will fully release the company from all claims, actions, etc in relation to this complaint. In the event that Mr Z does not accept my decision, he may pursue his remedies in any other forum he may choose, and the company is then fully released from the decision.

Clare Petre  
Energy & Water Ombudsman NSW  
25 October 2004