



Energy Industry
Ombudsman NSW



9899



ANNUAL REPORT

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What We Do

The role of the Energy Industry Ombudsman NSW (EION) is to receive, investigate and facilitate the resolution of complaints and disputes, and to assist in the avoidance of complaints and disputes in the provision of energy services to domestic and small business customers in New South Wales.

It was proposed that New South Wales gas companies would join the scheme so that gas consumers would also have access to an independent dispute resolution mechanism, but to date EION deals only with matters from electricity customers or from gas customers of existing electricity members of the scheme.

People can approach the Ombudsman about a range of matters including:

- the provision or supply of (or failure to provide or supply) energy services by a member to a customer as required by a licence or agreement
- billing disputes
- administration of credit and payment services
- disconnections
- security deposits
- the way in which a company has exercised its statutory powers in relation to land or other property
- such other matters which may be referred by a member company by agreement with the Ombudsman and the complainant.

EION will deal with matters as:

- *enquiries*, where information is provided, and/or the customer is referred back to their electricity provider or other agency without the need for any contact by EION with the provider
- *consultations*, where the relevant member company is contacted to obtain information and to try to resolve the matter
- *complaints*, where a consultation has not been resolved to the satisfaction of the customer, and the matter is escalated to a complaint
- *disputes*, where a complaint has not been resolved to the satisfaction of the customer, and the Ombudsman can make a binding determination to resolve the matter.

The Ombudsman can resolve a complaint by:

- making a determination that the company make restitution to the complainant
- directing the company to provide an energy service
- directing the company to amend, or not to impose, a charge for a service
- directing the company to supply goods or services or undertake any necessary corrective or other work
- directing a company to make an appropriate correction, deletion or addition to a record
- directing a company to attach to a record a statement provided by the complainant of a correction, deletion or addition sought by the complainant, and/or
- directing a member to do, not to do, or to cease doing an act.

The Ombudsman can make determinations up to a value of \$20,000, or up to \$50,000 with the consent of the member company.

The functions of the Ombudsman do not extend to areas such as the setting of prices or tariffs which are matters within the functions of IPART (Independent Pricing and Regulatory Tribunal); commercial activities outside the scope of the member's licence; the content of government policies, legislation, licences and codes; complaints before a court or other forum; customer contributions to the cost of capital works where those works are subject to any contestable or tender process; complaints or disputes between any members of the scheme.

How We Do It

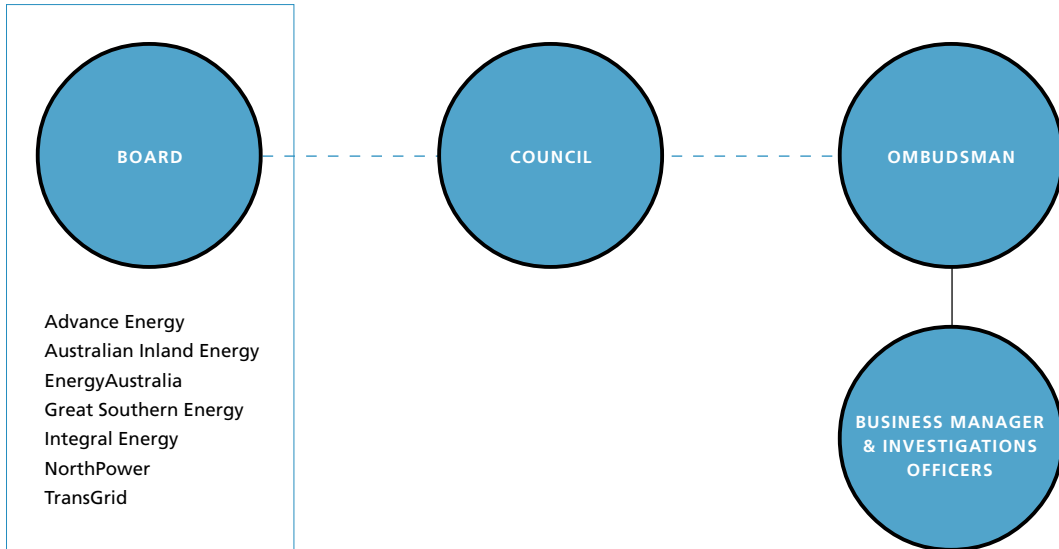
In carrying out our functions:

- We will deal with complaints in a fair, just, impartial and expeditious manner.
- We will be accessible to energy consumers in New South Wales, and will ensure there are no barriers to access such as geographic location, language, physical or mental capacity or financial status.
- We will strongly guard our independence, while maintaining good working relationships with members and other stakeholders.
- We will make optimal use of technology to assist in quality complaints handling, referrals, reporting and the like.
- We will foster effective links with relevant organisations, including members, other complaint handling bodies, government agencies, and consumer, small business, and community organisations.
- We will be financially accountable to members, and operationally accountable to members, consumers and the wider community.

In dealing with customer complaints:

- We will generally encourage customers to take up their complaint with the energy provider in the first instance so that complaints can be resolved as quickly and as close to the source as possible, unless it is difficult for the customer to do so because of factors such as age, language, or disability.
- Where we refer a customer back to their energy provider, we will invite them to contact us again if they have not been able to sort things out directly and are not satisfied with the company's response.
- We will be as helpful as possible to people who contact us, whether or not we are able to assist them directly. If we cannot help someone, we will try to find someone who can.

Structure of EION



Board of Directors

Val Duncan, Integral Energy – Chairperson
 Geoff Lillis, EnergyAustralia
 Terry Miller, Advance Energy
 Kevin Murray, TransGrid

Allan Naylor, NorthPower
 Eddy Norris, Australian Inland Energy
 Max Smith, Great Southern Energy
 Michael Sinclair, Electricity Association of NSW – Company Secretary

Members of the Council



Gae Pincus
Chairperson



Jeff Allen
Integral Energy



Ron Craggs
NorthPower



Lionel Smyth
TransGrid



Victoria Aird
Hermitage
Conveyancing
Company



Kayee Griffin
Mayor of
Canterbury



Stephen Rix
Public Interest
Advocacy Centre

Energy Industry Ombudsman NSW Highlights 1998-99

The Energy Industry Ombudsman NSW played an important role in resolving many of the customer issues raised with the office during 1998-99 and in providing information to members and other stakeholders about these issues. We:

- **resolved 70% of matters within 14 days** or referred customers back to their electricity provider with an invitation to contact us again if the issue was not resolved to their satisfaction or there was an undue delay
- **assisted people facing disconnection**, through negotiation with their electricity provider for payment by instalments, and/or through referral to welfare agencies for financial assistance and advice; disconnections comprising 19% of all customer issues, and difficulty in payment comprising 14% of all issues
- **provided comprehensive information** about customer issues and customer service to members by way of detailed quarterly reports, as well as general customer complaint information to stakeholders and the community
- **reached a broad cross section of electricity customers** throughout NSW, with representative numbers of male/female urban/rural customers as well as at different income levels
- **continued to develop positive working relationships** with member organisations
- **identified to members a range of systemic issues**, eg problems with account processes, interpretation of regulations, response to customer complaints by electricity companies
- **became a founding member of the National Electricity Ombudsman Network (NEON)** to promote consistency of approach among ombudsman offices in a national electricity market.

Message – Gae Pincus Chairperson EION Council

The year was one of significant achievement in meeting the objectives of the founders and full funders of the scheme, the government owned electricity providers, to provide independent accessible, quick, fair and equitable complaint resolution for their customers and others affected by their activities. The Ombudsman and her small but dedicated staff are also contributing to a changing customer service environment in the provision of energy services, which should help reduce customer complaints in the future.

The growth in visibility of the scheme after its public launch in June 1998 led to a dramatic increase late in 1998 in the number of complaints received. The staff numbers have of necessity been increased, and the industry members have approved an almost 60% increase in the budget for 1999-00 to meet the growing needs and expectations of the scheme.

Whilst it is important for a scheme such as this to remain small, focused and efficient, speedy and effective service is also essential to its success with consumers and its value to members. Avoiding significant backlogs of complaints is a crucial operational goal.

The commitment and skill of the Ombudsman, Clare Petre, have been crucial to the success of the scheme and the credibility and respect which it has achieved with industry, consumer and government stakeholders.

Key also to the credibility and success of the scheme has been the Energy Industry Ombudsman Council, which I have the privilege and pleasure to chair. Council members represent the interests of domestic and small business consumers, as well as of industry. All have shown dedication and commitment to the independence of the Ombudsman and to ensuring that the office has sufficient resources to meet the scheme's objectives and the considerable demands already being made of it.

The scheme is growing and changing. It is already providing complaint handling services to one member's gas as well as electricity customers, and I look forward to this jurisdiction being expanded in the coming year. I also look forward to the future membership of the scheme by new electricity retailers, as competitive supply moves down the electricity market towards full contestability for all consumers in 2001.

The early success and credibility of the Ombudsman has led to a request from Sydney Water to join the scheme. In the coming year, the scheme will become a wider independent multi-industry funded Ombudsman service, providing new challenges to the Ombudsman and her staff.

I look forward to continuing consolidation, efficient and effective complaint handling, and valuable contributions to improved customer service in the changing business environments of the utility providers which are members of the scheme.



Message – Val Duncan Chairperson EION Board of Directors

The electricity supply industry continues to change with the increasing demands being made on participating organisations, especially retail licence holders. Customer choice, Government regulation and community expectations, are but some of these.

Nevertheless, industry members of the Energy Industry Ombudsman (NSW) Ltd continue to support the operation of the Scheme, both financially and in kind.

All members have appreciated the work undertaken by the Ombudsman, Clare Petre, and her staff. Whilst industry representatives may not see 'eye to eye' with the Ombudsman on every customer complaint, it is a credit to all involved that the vast majority of matters handled by the Ombudsman's office are resolved without escalation of the matter.

Congratulations are also due to the members of the Council who have had to develop policy and processes for the Scheme during its formative years.

The industry looks forward to continued co-operation with the Scheme in order to achieve customer service levels second to none.



Message – Kim Yeadon MP Minister for Information Technology, Minister for Energy, Minister for Forestry, and Minister for Western Sydney

The Energy Industry Ombudsman NSW (EION) plays a key role in the NSW energy market, providing an independent dispute resolution mechanism for many energy customers.

The Carr Government is very proud to be associated with the Ombudsman scheme since its inception just over 12 months ago. It has been the excellent service provided by the Ombudsman and her dedicated staff that has seen the full potential of the scheme be realised.

The experience of the last year has shown what an important element the EION is in NSW's comprehensive package of consumer protection. An independent dispute resolution service promotes improved customer service for NSW electricity customers.

The Ombudsman provides advice and valuable independent dispute resolution for:-

- billing and accounts, which make up the majority of complaints received,
- customer service, and
- administration of credit and payment services.

The last year has illustrated the importance of EION's approach to resolution of issues at both the systemic and grassroots levels. Not only has the Ombudsman provided input into the long term resolution of policy issues, but immediate solutions for individual consumers.

EION has been so successful that Sydney Water will soon join the scheme. This will complement the range of other mechanisms already in place for Sydney Water customers.

It has been a busy year for the Ombudsman's office with over 2,700 complaints resolved, and it is set to get busier with the inclusion of Sydney Water.

I would like to take this opportunity to thank the Ombudsman, Clare Petre, and her staff for their excellent work over the last year, and we look forward to working with them in the year ahead to provide an even better service for NSW consumers.

Message – John Watkins MP Minister for Fair Trading

I would like to congratulate the Energy Industry Ombudsman, the Board and Council and the Ombudsman's staff on their second year of successful operation.

Not only has the Ombudsman's office dealt with nearly 3,000 matters of concern to electricity consumers, they have resolved the majority of them within seven days. An enviable track record!

The value of the Ombudsman to both customers and industry can be gauged by the fact that Sydney Water will soon be joining the scheme and AGL has also indicated its interest in doing so. This would mean that over seven million utility customers in New South Wales would have access to a free, speedy, effective and independent complaint handling mechanism.

The independence of this scheme is of particular importance to me because, as Minister for Fair Trading, I recommend the consumer and small business representatives for the EION Council. The Council is the body that ensures the policy and processes of the Ombudsman are independent of the industry members who fund its operations.

I am delighted that the office of the Energy Industry Ombudsman, with support from the utilities industry, has proven to be an effective recourse for disaffected consumers.

I look forward to continuing to work with the Energy Industry Ombudsman, the industry and my Department in striving for good customer service in New South Wales.

Message – Clare Petre Energy Industry Ombudsman NSW

Electricity is something we should never have to think about. Ideally, our lights go on and off, our appliances work, the bills are accurate and reasonable for our use and come on time.

However, the reality is different for many people in New South Wales. Last year, for example, almost 25,000 people had their electricity disconnected without request. Many of these people were low income customers who were not able to pay their accounts. Some were without power for a day or two, others for a week to several weeks. Many of the disconnected customers who contacted EION were single parents with children.

This second annual report of the Energy Industry Ombudsman NSW covers our first full year of operation. It shows a clear picture of the demand for EION's assistance, and the types of problems raised by electricity customers. It also establishes a blueprint for our future operation.

Our contact with many customers over the past year confirms the need for a specialist dispute resolution scheme in an area as fundamentally important as electricity, and justifies the initiative of the NSW electricity providers in establishing an energy industry ombudsman scheme.

In 1998 the New South Wales government made a significant decision to regulate to require electricity distributors to include information about EION on all reminder and disconnection notices. This was a very positive initiative, as it gives customers facing disconnection the opportunity to seek assistance from an independent ombudsman. Without this information, many people would not know where to go for help in trying to keep their power connected.

Assistance to customers facing disconnection has become a major part of EION's work. I believe this emphasis is appropriate, given the consequences for individuals and families of being without electricity. But customer contacts have not been limited to disconnections. Over the past year, customers have raised concerns about a range of matters including disputed accounts, fees, security deposits, quality of supply, costs of connection, placement of poles and wires, easements, and damage to appliances and equipment as a result of electricity incidents. Underlying many of these issues are complaints about customer service, such as the failure to respond to customer phone calls or letters in a reasonable time, if at all.

The focus of EION is on domestic and small business customers, and these are the majority of our callers. However, as more customers become contestable, ie are able to choose their own electricity provider, we have been contacted by a small but increasing number of these contestable customers. Their complaints include delays in transfer from one provider to another, delays in receiving accounts, and disputes about accounts. Again, there are underlying customer service issues for some of these contestable customers, in particular the apparent difficulty in getting adequate information from their supplier.



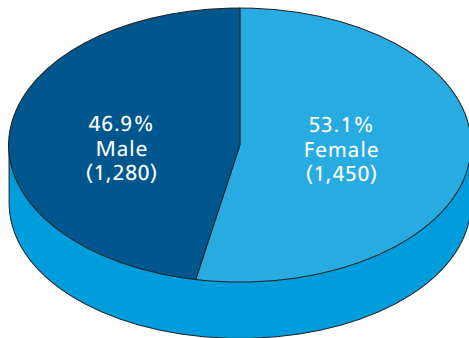
The electricity industry in New South Wales, indeed Australia wide, is undergoing rapid and significant change. This has had an impact on many customers who report feeling confused about their relationship with their electricity provider, particularly in areas such as responsibility for repairs and maintenance, and contestable work such as new connections.

It is clear that there is the potential for confusion for customers as we move towards full contestability in New South Wales. While contestability is intended to provide benefits to electricity customers through choice of supplier, I believe there are large numbers of low income people whose custom will not be actively sought by retailers because of their payment history and the costs associated with collection of their payments. Whatever difficulties some customers might pose for credit management, they cannot be left without sufficient protection of supply and service in such an essential service as electricity. These are areas which will need close attention by government, regulators, and the community.

If 1998-99 has been an eventful year, next year promises to be no less so. There has been some initial discussion about membership of the ombudsman scheme by Sydney Water, AGL, and independent electricity retailers. Potential expansion to cover these areas will give EION an appropriate multi-utility focus at a time when many companies are moving in the direction of multi-utility delivery.

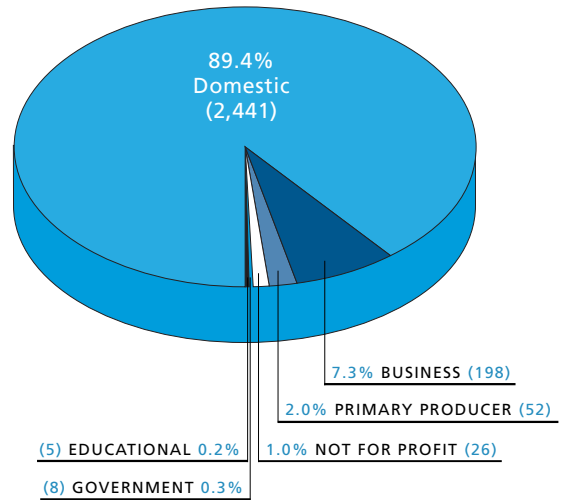
Who Contacts EION

Gender of Customer*



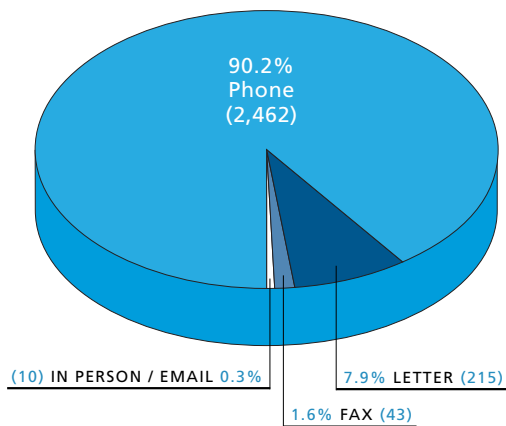
TOTAL: 2,730

Status of Customer*



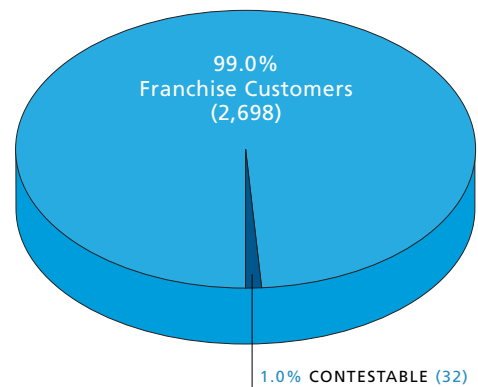
TOTAL: 2,730

Method of Customer Contact*



TOTAL: 2,730

Type of Customer*



TOTAL: 2,730

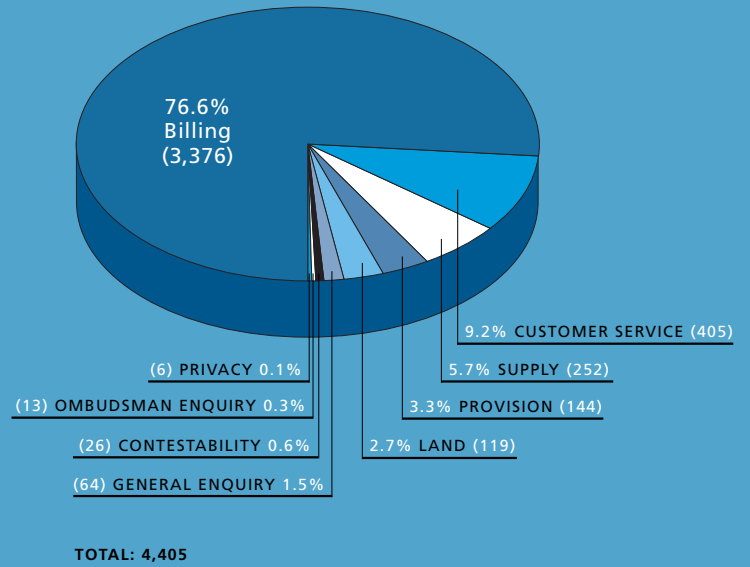
* finalised matters

How EION Handles Matters

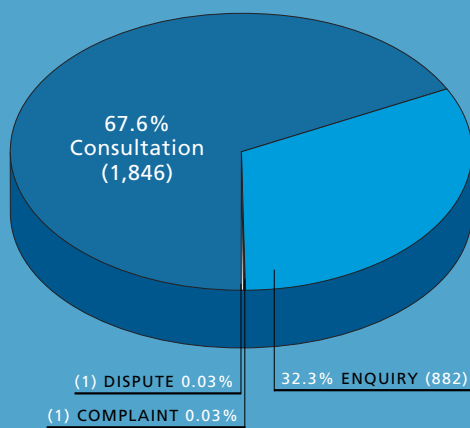
All Matters Dealt with by EION in 1998-99

OPEN AT THE BEGINNING OF THE PERIOD	81
OPENED DURING THE PERIOD	2,844
CLOSED DURING THE PERIOD	2,730
OPEN AT THE END OF THE PERIOD	195

Categories of Issues Raised#



How EION Dealt with Customer Matters*



Timeframes for Matter Finalisation

WITHIN 2 DAYS	61%
WITHIN 7 DAYS	66%
WITHIN 14 DAYS	70%
WITHIN 28 DAYS	75%
WITHIN 60 DAYS	82%
WITHIN 90 DAYS	87%
>90 DAYS	13%

TOTAL: 2,730

* finalised matters # one matter can raise more than one issue

Disconnection of Electricity

Electricity is a vital commodity which impacts on all aspects of daily life, whether in the home, the workplace or public venues.

Unrequested disconnection of electricity has a profound impact on many individuals and families when it occurs. The Annual Report of the Licence Compliance Advisory Board for 1998 reported 24,841 unrequested disconnections by NSW electricity providers. While this represents a small percentage of overall customer numbers, it represents a crisis for many of the disconnected customers.

The cases handled by EION in the past 12 months indicate that many disconnected customers are low income individuals and families who are struggling to pay for their electricity and other utilities, as well as rent and general living expenses. Electricity is clearly a commodity they cannot do without. The cases handled by EION highlight credit management practices of providers, and the need for greater flexibility in this area to meet the needs of customers.

Why are customers disconnected?

Generally a disconnection will occur if an account remains unpaid. The *Electricity Supply (General) Amendment Regulation 1998* establishes minimum standards for disconnection procedures, in particular the requirement that disconnection cannot occur until after due notice. The regulation also prescribes that no disconnections are to occur on Fridays, weekends, public holidays and after 3pm on weekdays, and that information about the ombudsman scheme is included on all reminder and disconnection notices.

When customers contact the Ombudsman's office, we consider whether the providers have followed the required disconnection procedures, and whether their approach to customers is fair and reasonable in the circumstances of each case.

EION and disconnections

In 1998-99 we handled 99 enquiries and 754 consultations regarding disconnection issues. These represented 19% of total issues dealt with by EION. The majority of customers who contacted us faced disconnection immediately or in the near future. A small but significant number had already been disconnected by the time they contacted EION – some people for a day to a few days, others for several weeks, and even months in a small number of cases.

Because of the serious impact on individuals and families of loss of electricity, disconnection matters are a priority for EION. They are usually resolved quickly, although in some cases after intensive work over a short period.

Case Studies

CASE STUDY 1: Fair and Reasonable Practice?

Ms J, the mother of two young children, felt humiliated and was greatly inconvenienced when her provider twice disconnected her electricity.

The first disconnection occurred three days after Ms J had been to the post office and paid in full the \$56 outstanding on her account.

While Ms J had received a disconnection notice for this amount, and then a new bill which also included the outstanding amount, she understood that payment of the arrears would prevent disconnection.

Ms J contacted her provider on the next business day after the disconnection and quoted the receipt number for her payment. The provider apologised for the disconnection and reconnected her.

However, Ms J's power was disconnected once again six days later. The provider had failed to find her payment on their computer system and could not contact Ms J to discuss the matter.

When Ms J subsequently contacted the provider she explained that she had already paid the arrears and had quoted the receipt number for the payment on a previous occasion. However, because she had lost the receipt in the interim, the provider would not reconnect her.

The payment had actually gone missing because the post office had inadvertently credited it to the wrong organisation. Yet the second disconnection could have been prevented had the provider followed through on the payment details Ms J had earlier supplied. Ms J contacted EION at this stage. We intervened on her behalf and Ms J's electricity was reconnected. We also negotiated a reversal of the fees applied to the account and an ex-gratia payment of \$200 for the serious inconvenience caused to Ms J.

Disconnection of Electricity

Fair and reasonable approach to customers facing disconnection

It is pleasing to acknowledge that some electricity providers in New South Wales have a very positive approach to customers facing difficulty with payment of accounts, and have taken active and innovative steps to assist customers in managing their accounts. In fact, for usually well-intentioned reasons, providers have let some customers go too long with non payment of accounts, resulting in large arrears which become overwhelming and even more of a burden for the customer.

Some providers have looked closely at their credit management practices, and are moving away from the 'one size fits all' approach to bill payment. They are offering customers a range of flexible payment options, eg periodic payment cards, direct debit, and accounts based on estimated usage with an annual adjustment. Some are also trying to identify and contact low income customers who are regularly overdue to try to help them find a payment system which best fits their budget and avoids fees for late payment and the threat of disconnection.

The major problem EION has identified in relation to payments is a lack of flexibility and an unrealistic approach to some low income customers. Many customers have requested an extension of time to pay, only to be denied. Others have been asked to pay instalments which are clearly unrealistic on any analysis of their income. We have found that customers will often agree to unrealistic demands for instalments in their desperation to maintain power, only to fail to maintain the agreed arrangements. This failure has then been viewed by some providers as a sign of bad faith by the customers, rather than a recognition that the customers were likely to fail as a result of unrealistic instalment levels.

We were concerned that a number of customers were denied an extension of time to pay their accounts by their providers, yet the providers agreed to the extension when the customers came to EION and we intervened on their behalf.

Case Study 1 and the examples in Case Study 2 illustrate how provider practices in relation to disconnections and their handling by staff in individual circumstances can impact on customers.

Case Studies

CASE STUDIES 2: Fair Treatment

- Ms G paid \$360 off her arrears of \$462. However, her provider told her they wanted finalisation of the account immediately or they would disconnect her. Ms G said she could pay the remaining \$102 in two weeks time, but the provider refused her request for this extension. We contacted the provider, who agreed to the extension.
- Ms T was facing immediate disconnection for arrears of \$182. She advised her provider that she would be paid on Monday morning and could pay the bill in full then. The provider would not grant this extension of a few days. We contacted the provider, who granted an extension to the day requested.
- Mr L received a disconnection notice. He had paid \$100 off an account of \$158. He rang his provider to request an extension until his next pension day in a few days time, but the provider refused. We rang the provider, who agreed to the extension.

CASE STUDY 3: Systemic Problems

Mr B received an account and paid it by the due date. He subsequently received a reminder from the provider. He contacted the provider and gave details of his receipt number. Yet a week later he received a disconnection notice.

Mr B again contacted the provider, received an apology from the staff member and the \$30 fee for the disconnection notice was waived. However Mr B also contacted EION as he was concerned about the provider's system for issuing disconnection notices. We contacted the provider and after discussion, we were advised that systems would be reviewed and improved as a result of this case.

Disconnection of Electricity

Problems with Disconnection Notices

When a disconnection notice is issued, it is delivered to the customer address known to the provider, and this can incur a \$30 fee.

The main issues raised by customers are the amount of the fee (which is a matter for the Independent Pricing and Regulatory Tribunal and outside EION's jurisdiction), whether the fee has been applied appropriately, and whether the notices should have been issued in the first place.

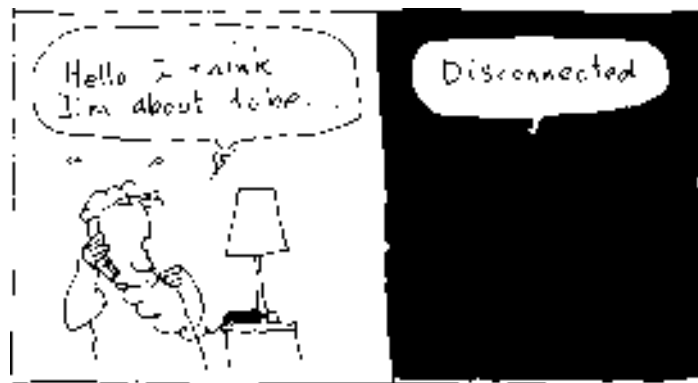
Enquiries raised 79 issues in this area and consultations 216 issues. In 62% of the consultations, we facilitated a resolution or negotiated a settlement.

Case Study 3 is an example of a problem with a provider's internal system for issuing disconnection notices.

Customers on Life Support Systems

Under the *Electricity Supply (General) Amendment Regulation 1998*, providers are not authorised to disconnect a customer's premises while any life support system that relies on electricity for its operation is in use at the premises.

Yet as Case Study 4 shows, disconnection notices are issued to customers on life support, to the great concern of customers and their families.



Case Studies

CASE STUDY 4: Supply as a Life Issue

Mr K had had a heart attack and was on a life support system. He was unable to work and was trying to negotiate a loan to clear his debts. He had a letter from his provider which guaranteed his electricity supply due to his health condition.

Mr K received a bill for \$237, including arrears of \$138, and paid \$90 off the account. Three weeks later he received a disconnection notice requiring full payment to be made in two days.

When Mr K's wife contacted the provider she was told the whole amount had to be paid. She felt that the provider showed little regard for the fact that her husband needed power for his life support system.

In subsequent discussions with the provider, Mr K's offer to repay his debt at \$20 per fortnight was rejected.

After EION's intervention, the provider finally agreed to a repayment schedule of \$20 per fortnight via a direct debit facility. While this is a satisfactory outcome, both Mr K and EION queried the provider's initial response, as a disconnection would have been unlawful.

Billing and Other Money Issues

Billing, including concerns about high bills, was the most common reason for customer contact with EION during 1998-99, with issues about associated fees and debt collection practices.

High bills

Disputed high bills led to many complaints during 1998-99. Enquiries raised 303 issues in this area and consultations 692 issues. This represented 17% of total issues raised in enquiries and 15% of total issues raised in consultations.

In our investigation of high bill disputes, we assess the customer's billing history and their electricity use. We might ask the provider to do a meter check or an energy audit with the customer. If issues remain after these investigations are exhausted, we may obtain independent advice from a billing expert.

Many customers have complained that their provider's response to a query about an account much higher than normal has been unsympathetic, with a clear message that meters are almost always right, and that if the bill is high, the customer must have used the power.

There are various circumstances which can impact on a customer's bill, but this information is often not conveyed to the customer. For example, estimates of accounts have been made prior to an actual reading, as is the case in some rural areas or where field officers have had difficulty accessing the meter. If the estimate was too low, a subsequent bill may show a high meter reading which is a 'catch up' on an under read bill from a previous period. Our investigations also have found cases where meter readers have incorrectly recorded the meter reading or where a correct meter reading has been transferred wrongly into the provider's account system.

We have suggested that the response of providers to high bill enquiries can be too defensive, or too glib in suggesting that there can be no other explanation than the customer must have used the power.

Often the customer needs assistance in identifying the cause of high consumption. For example, in some cases there is a leak in the customer's hot water service, and the customer only becomes aware of this when they receive an unusually high account. We have also found that some customers tend to underestimate their usage, or are unaware of the high consumption of some forms of heating or appliances like air conditioners and water beds. In such cases we attempt to provide the customer with as much information as possible about their electricity usage and possible ways of reducing this.

For the consultations finalised in 1998-99, we negotiated a settlement, facilitated a resolution, or sought compensation from a provider in 188 matters. This represented 43% of outcomes in disputed bill investigations. In other cases we provided detailed information to customers about their usage patterns, and about appliances which might have contributed to high electricity consumption.

In investigation of high bill cases, the use of bill comparisons, energy audits and assessment of changes in circumstances are important tools.

Case Study 5 is an example of factors which can arise in disputed accounts.

Case Studies

CASE STUDY 5: Misread Meter

Mr W had queried an account which was much higher than normal. His provider checked the meter and found that a mistake had been made in the transfer of the figures. As a result, the provider recalculated the account and issued a credit. However, Mr W contacted EION through an interpreter to say he was not satisfied, as his account was still much higher than usual.

We found that Mr W's meter had been misread on two occasions. During the same period it appeared he had changed his electricity usage through use of a new heating appliance. However, the mistakes in meter reading had caused Mr W to doubt the reliability of his accounts and made it difficult for him to accept that his changed usage might also have contributed to the higher account. We analysed his account history, consulted an independent billing expert for further advice and discussed our findings with Mr W.

At the conclusion of our investigation, the provider agreed to make a customer service payment for the inconvenience Mr W had experienced and replaced the meter with a new one which would reduce the likelihood of meter reading errors.

CASE STUDY 6: When the Due Date Isn't the Due Date

Company C was issued with an electricity account for \$472, due on August 12, and with subsequent reminders for this amount on August 19 and 31.

The company called the provider on August 31 requesting an extension until September 4 and seeking to pay \$100 immediately. The provider agreed and also requested that the company contact them on September 4.

Company C actually paid \$300 on August 31, leaving \$172 in arrears. The next bill, issued on September 11, included an amount for current consumption and the \$172 in arrears. It advised that "the balance" was due on October 6. The customer believed that this included all amounts owing.

On September 15 a field officer went to the company's premises to disconnect the power because the arrears had not been paid immediately. Despite the proprietor's wife promising that her husband would pay the arrears on his return that same day (which he did), the officer disconnected the power. Upon receipt of the arrears, the provider still refused to reconnect the power until reconnection fees were paid.

EION contacted the provider on the customer's behalf, resulting in the power being reconnected and the reconnection fees being waived.

Billing and Other Money Issues

Information on Bills

We have raised with all providers the way in which arrears are displayed on accounts, as some customers have been confused about the due date for payment of the current account and any arrears owing.

Case Study 6 indicates the problem. Following our investigation of this case, we recommended that the due date for arrears should be highlighted and separately itemised on bills so that customers could not confuse arrears with other payments owing. Based on the bill issued in this case, customers could be forgiven for believing that both the arrears and new sum were payable by the most recent due date.

Account Liability

The issue of who is liable for an electricity debt has arisen in the past year, raising questions about the legality and fairness of related debt collection activities.

Problems occur when disconnection is pending for arrears of an account in one person's name, but the provider seeks to recover from a party whose name is not on the account. Such was the situation in Case Study 7.

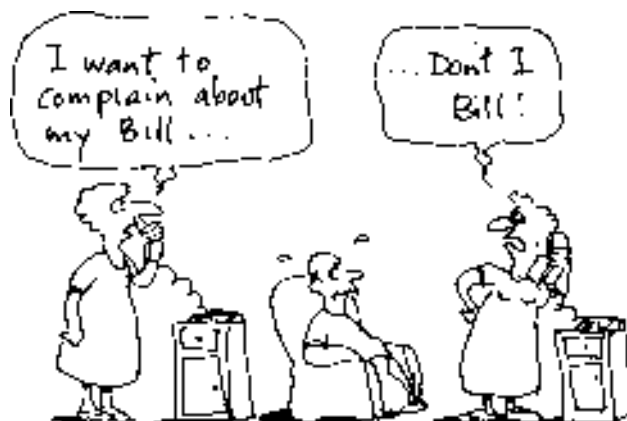
Under the *Electricity Supply Act 1996*, the person who is liable for an electricity debt is "the customer". However, provider practices in pursuing account liabilities differ, with some equating the 'customer' with the 'consumer'.

While providers regard the consumption of power as rightfully attracting a charge, under the legislation, responsibility for the charge can only be placed on the person whose name appears on the account. If a third party has consumed power, it is up to the account holder, not the provider, to make a claim against the third party for their portion of power consumed.

Inappropriate debt transfers can occur in landlord-tenant situations, where the account is in the landlord's name but the provider pursues the tenant for the arrears, or when a business defaults and debts are transferred from a business account to the customer's residential account.

Providers need to review their practices in this area, particularly where the transfer is based on advice from a third party. Processes employed by providers in setting up accounts need to be clear so that all parties understand on whom account liabilities fall.

Case Study 8 indicates the problem.



Case Studies

CASE STUDY 7: Customer Supply Contracts

Mrs C wanted to connect the power in her own name. The provider agreed on condition that she agreed to pay any arrears from the account held until that time in her husband's name. When her husband departed, he left the electricity \$500 in arrears.

We advised that the provider should not have imposed this condition on Mrs C's connection. While she had been a 'consumer' under the previous account, her husband was the 'customer' under the law and the provider should have pursued him for the debt.

The provider's standard form customer supply and connection contract equated the word 'customer' with 'consumer'. It took action against Mrs C on this basis, regardless of whether she was actually party to the customer supply contract.

After intervention by EION, Mrs C was connected as a new customer in her own right.

CASE STUDY 8: Timing is Everything

Mr D had entered into an arrangement with his provider to pay off his arrears of \$79 by instalments.

He requested but was refused an extension on the date for payment of the first instalment so that it would coincide with the date on which he received his social security benefit. The provider had advised him that if he did not conform to the dates set out in the arrangement he would be subject to immediate disconnection.

When we contacted the provider and pointed out that it would be impossible for Mr D to make the payment before he received his benefit, the due date was extended as first requested.

Billing and Other Money Issues

Debt Management

Where instalment arrangements for debt repayment are made without regard to the customer's capacity to pay, disconnection may be the result. Yet disconnection can result in a cycle that falls well short of best practice from both the commercial and customer perspectives, particularly when the customer is someone who 'can't pay' rather than 'won't pay'.

When a disconnection occurs:

- additional fees are imposed (for disconnection and reconnection);
- there is customer distress and ill will towards the provider;
- staff of the provider spend additional time resolving the issue, particularly where the Ombudsman or local MP becomes involved.

Yet faced with the potential for disconnection or the option of a repayment proposal, however framed, most customers will opt for the repayment proposal. Our experience suggests the need for:

- greater flexibility by providers, as rigid rules are not always appropriate to individual cases, for example, due dates for payment of instalments may need to coincide with social security payment dates;
- debts pursued on a timely basis that is manageable for both providers and their customers;
- repayment arrangements that address issues for the future, not simply resolve current debt problems;
- instalment arrangements for debt repayment that are based on an assessment of the customer's financial position and are therefore achievable.

Case Studies 9 and 10 show how flexibility in payment arrangements can benefit both customer and provider.

Other Fees

Providers are able to charge customers a range of miscellaneous fees, including for late payment and disconnection/reconnection, under a schedule of fees approved by the Independent Pricing and Regulatory Tribunal (IPART).

However, such fees can add a further burden to the financial problems of customers on fixed incomes, and need to be appropriately managed by providers as part of the whole debt collection process. We have been contacted by low income customers who are facing disconnection for arrears where the major proportion is fees rather than consumption.

Case Studies

CASE STUDY 9: Recognising Good Payment History

Ms E lived in a rural area and normally self-read her meter, apart from the meter reader's annual visit. However, she had only received one self-read meter card over the course of the year despite her contacting the provider several times to request more cards.

When the meter was next read by the meter reader, Ms E received a bill for \$1,107. While she had an excellent payment history, she was unable to pay this amount all at once. She contacted the provider to arrange instalments, only to be told that she must pay \$200 per fortnight, a sum also beyond her financial means.

At this stage Ms E contacted EION. We contacted the provider and proposed that \$300 be paid upfront with monthly repayments of \$150 to follow. In view of the customer's good payment history and the poor customer service she had received, this was accepted by the provider.

CASE STUDY 10: Passing the Buck

Ms B was a tenant at a property from 1993 to 1997. The electricity account was in her landlord's name and she would reimburse him for the costs as accounts fell due.

When Ms B left the premises, the landlord contacted the provider, supplied a reading of the meter, and asked that the final account be transferred to the tenant's name. This was done without any reference to the tenant.

Ms B questioned the final reading and whether the provider's actions were appropriate. After investigation, we found that the provider had acted inappropriately. The provider's customer was the landlord, and its responsibility ended with issuing him with a bill for the electricity consumed. The landlord needed to recover the amount owed by Ms B under the tenancy agreement.

The provider reviewed its procedures for transferring debts to third parties as a result of this case.

Security Deposits

Electricity providers can charge security deposits to domestic and commercial customers. Generally they are charged to domestic customers who are renting their property, as well as to commercial customers.

Providers require that the security deposit is paid shortly after the electricity is connected. The levying of such deposits raises debt collection issues, such as those discussed in 'Disconnection of electricity', although the timeframe for the payment of security deposits is usually tighter than for other fees, and customers cannot apply for financial assistance to cover them.

Security deposits were the issue in 4.16% of all cases raised with EION during 1998-99. Customer contacts related to the quantum, non-payment of interest on deposits held by the provider, and the circumstances in which deposits may be refunded. Some customers objected to security deposits being charged to all tenants, regardless of their credit history, simply because they were tenants. We were contacted by customers who faced disconnection for non payment of the security deposit rather than for electricity consumption.

The Electricity Supply Act requires that electricity providers supply customers with information about security deposits. It is important for customers to be aware of the circumstances where security deposits may be charged or waived, the amount of the deposit, whether interest is payable, and the circumstances where the security deposit will be applied or refunded.

Electricity providers may use a range of securities, including a cash deposit held by the provider, a bank guarantee, interest bearing deposit or commercial insurance levy. Electricity providers should advise customers about the full range of options open to them. Where a customer elects an option such as a commercial insurance levy, the provider should explain clearly to the customer that the insurance levy operates to insure the electricity provider and does not operate for the benefit of the customer, who remains liable for the account. Case study 11 illustrates this issue.

Supply Issues

Where customers experience high or low voltage, outages or other interruptions to the supply of power, household appliances or business equipment may be damaged. Customer claims for compensation are considered by providers and, in cases where customers remain dissatisfied, can be reviewed by EION.

Supply was the issue in the only case handled in 1998-99 which became a dispute. The Ombudsman made her first determination in the case in question, details of which are set out in Case Study 12.

EION handled 104 enquiries, 210 consultations and one dispute regarding supply, representing 2% of enquiries, 4% of consultations and the only dispute for the year.

Case Studies

CASE STUDY 11: Insurance Levy as Security

Mrs G paid a commercial insurance levy to her electricity provider as a form of security deposit for her small business. When the business ceased, the provider transferred the final account for the business to Mrs G's home account. Mrs G believed that her "insurance policy" (actually a commercial insurance levy) should cover the final account.

The electricity provider acknowledged to EION that it had not provided any information to the customer about the operation of the insurance levy, and that the customer may have been under the incorrect impression that the insurance levy was for her benefit. Given the circumstances, the provider agreed not to pursue the customer for the final account.

The provider also revised their policies in relation to insurance levies, and developed a list of frequently asked questions to assist staff in dealing with customer enquiries.

CASE STUDY 12: Compensation for Low Voltage

When Mr A found that his cooktop and wall oven did not work well, he assumed that the age of the appliances was the problem and replaced them.

On installing new appliances valued at \$3,000, Mr A found there was no improvement in performance. Mr A contacted his electricity provider and discovered that the voltage to his property was very low, and well outside the Australian standard.

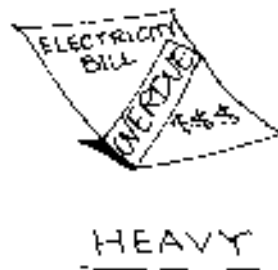
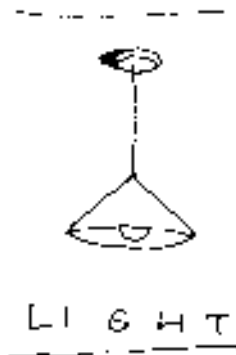
He sought redress from the provider for approximately half the cost of replacing the appliances. The provider agreed to make a payment, but even after mediation, agreement could not be reached on the amount of compensation. The provider had offered Mr A \$200, then \$400, but Mr A rejected these offers as inadequate, and brought the matter to EION seeking resolution.

As part of EION's investigation, we commissioned an independent loss adjuster to do a site visit and report. The result was a determination that the provider should compensate Mr A to the value of \$1,070, after discounting an amount for the improved value to the customer's property of the new appliances and some remodelling of his kitchen required to accommodate the appliances.

Customer Service

The complaints received by EION in the past year highlight the importance of customers receiving timely and appropriate information and responses to problems they are experiencing. Customers rarely complained to EION about customer service issues in isolation. Their customer service complaint generally followed their attempts to get information from their provider or to resolve a specific problem such as a disputed account. The lack of response by the provider, unanswered letters, unreturned phone calls, or poor attitudes by staff, exacerbated the original issue and often damaged the customer/provider relationship.

Customer service was an issue in 9% of cases handled by EION in 1998-99, with 122 enquiries, 298 consultations and one complaint.



Case Studies

CASE STUDY 13: Promises Promises

Mrs G moved house and arranged for a final reading for the following day. But the final bill she received included a period of 17 days after she moved out.

In two subsequent contacts with her provider, both initiated by Mrs G, she was assured that the account would be adjusted. Instead, over the next few months she received a number of incorrect bills and an overdue notice which did not acknowledge or make the adjustment.

Mrs G contacted EION to complain about her provider's poor customer service and attitude. After we contacted the provider, a manager agreed to contact Mrs G to sort out the problem directly. Mrs G was happy with this outcome and with the invitation to contact EION again if the matter was not resolved to her satisfaction.

CASE STUDY 14: Correspondence Not Entered Into

Mr M had written to his provider three times to dispute an emergency service fee and to request a customer service rebate as compensation for delays in converting his hot water system from Off Peak 2 to Off Peak 1.

When he contacted EION, he raised the issue of the failure of his provider to respond to any of his three letters. He said he had rung his provider, and was advised that all customer enquiries were handled by phone, not in writing.

We contacted the provider and asked them to address Mr M's issues. The provider waived Mr M's service fee and gave him a customer service payment for the delay in service.

As a result of this complaint, the provider reviewed all procedures for handling correspondence, acknowledging that a staff member had incorrectly advised Mr M that his written complaints would not be responded to in writing.

Choice of Provider: Contestability

What is Contestability?

Since October 1996 NSW electricity customers have progressively been able to choose their electricity retailer. This opportunity for customers to obtain electricity from the provider of choice is known as retail contestability. Current contestable customers include medium to large businesses, educational institutions, government agencies, hospitals and the like. Retail contestability for all customers is proposed by January 1, 2001.

How is EION Involved?

The number of contestable customers contacting EION during 1998-99 was small (1% of total cases by issue). However, their concerns indicate that among some contestable customers there is confusion about their contract arrangements, in particular, the difference between fixed network charges and variable/negotiable retail charges. Contestable customers complained about delays in implementation of contestable contracts, and disputes about prices and actual levels of saving as opposed to 'promised' savings.

From our experience with these cases, it appears that responsibility for problems lies with both parties, ie business customers who do not read their contracts closely enough and do not look past the promised savings at the actual components of the contract, and retailers who wish to highlight the savings and positive features of the contract rather than the 'fine print' of potential difficulties or costs.

Given that full contestability for all customers in NSW is fast approaching, there is a significant onus on distributors, relevant government agencies and other stakeholders to ensure customers are provided with clear and comparable information about costs, the rights and responsibilities of all parties to the contract, and the sources of assistance if disputes arise.

Caravan Parks

Many caravan park residents in New South Wales face problems with their electricity.

During 1998-99 a number of residents contacted EION to complain about the quality of the supply of electricity to their vans, or the costs associated with their power.

However they were not matters for electricity providers, as these residents were *consumers* of electricity but not *customers* of an electricity company. They generally paid a component of their rental to the park owner/manager to cover electricity usage, or they had individual meters which were read by the owner/manager. Rather than the individual residents, the park owner/manager was the sole customer of the electricity company.

This 'third party' status of caravan park residents created difficulties for them, as they were not able to approach the electricity provider regarding any problems with supply or related matters. In many cases we were also not able to assist, as the problem was one between the resident and park owner/manager, and as such, was outside the jurisdiction of the ombudsman scheme.

Circumstances of caravan park residents who contacted EION included:

- Mrs E said she could only run a television, one light and one other appliance in her van or else the circuit trips. The park owner was resisting augmentation of the supply.
- Mr V was concerned about the charges which the owner was levying for electricity usage and found it hard to understand the handwritten account which the owner gave him. He was also concerned about the quality of supply, as they had problems using the kettle and microwave at the same time.
- For the past few months Mr G had been getting bills of \$45 per month while his neighbours had an average of \$10 per month. He believed the park manager was misreading his meter every month and charging him extra.
- Mr A had lived in the caravan park for 12 years and was one of 100 residents who were unhappy about the quality of supply. He said that if he was cooking something on the stove and put the toaster or the radio on, his power went off.

We provided as much information as possible to residents about their rights and about possible other sources of assistance. However, we were concerned about the lack of rights for these residents and their subsequent vulnerability. For example, several residents asked us to send information to them in plain envelopes or to a post office box, as they feared possible recrimination if their park manager saw an envelope with the ombudsman logo on it and suspected that they had complained to EION.

We also provided information to the Department of Fair Trading about these cases, as the Department is generally reviewing the rights of caravan park residents. We will continue to monitor any complaints we receive from caravan park residents.

EION – The People

EION staff have handled many customer issues during a busy year of growth and change.

People who worked at EION during 1998-99



Clare Petre
Energy Industry
Ombudsman NSW



Helen Swan
Business
Manager



Mark Aiken
Investigations
Officer



Keith Brooke
Investigations
Officer



Annabelle Geddes
Investigations
Officer



David Rapley
Investigations
Officer

Rick Moloney
Investigations Officer
(left March 1999)

EION would also like to thank our team of casual workers, including:

Investigation Officers

Megan Phillips
Sue Chippindale
Fay Golding
Eleni Karagounis
Kim Isaacs
Veronica La Vulo
Jenny Collins

Administrative Staff

Megan Manning
Clare Moynihan

A special thanks to **Jenny Coopes** for the illustrations.

Customer Issues

Billing

- Disconnection
- Difficulty in payment
- Refused instalments
- Backbilling
- Error
- Fees
- Format
- High
- Meter
- Minimum charges
- Payment
- Pensioner rebate
- Period
- Security deposit
- Tariff

Contestability

- Billing
- Delay
- Information
- Terms of contract

Customer Service

- Contractor
- Failure to respond
- Information/consultation
- Poor attitude
- Reduced service

General Enquiry

- Electricity
- Gas
- Non energy related

Land

- Existing easement
- General environment
- Meter
- New easement
- Poles and wires
- Street lighting
- Towers
- Tree trimming/clearing

Ombudsman Enquiry

- Information

Privacy

- Details released
- Nuisance

Provision

- Delay
- Capital contribution
- Supply upgrade
- Contestable works
- Disconnection
- Interference

Supply

- Outage (planned)
- Outage (unplanned)
- Quality

Financial Statements

for the Year ended 30 June 1999

How we are funded

The seven members of the scheme provided funding for the Energy Industry Ombudsman for 1998-99.

There are two components to the fee structure – a fixed fee component and a variable or caseload component.

The fixed fee component represents 25% of the operating budget and was allocated to each member according to the number of operating licences or authorisations they held.

The variable or caseload component represents 75% of the operating budget and is levied to members on the basis of the usage of the scheme by their customers. Because there was no history of customer usage on which to base this fee for 1998-99, it was determined by customer connections for each company after a 1% allocation to TransGrid.

Early in the 1999-00 financial year both the fixed and variable fees will be reconciled to the audited figures. The variable fee will be reconciled to the customer usage of each member and form the basis of the levies to the members for the next financial year.

Balance Sheet

	1999 \$	1998 (10 months) \$
Current Assets		
Cash and Deposits	170,817	111,391
Term Deposit/Bank Guarantee	15,000	15,000
Receivables	43,671	9,804
Total Current Assets	229,488	136,195
Non-Current Assets		
Property, Furniture and Equipment	123,390	162,418
Total Non-Current Assets	123,390	162,418
TOTAL ASSETS	352,878	298,613
Current Liabilities		
Creditors	(45,247)	(44,176)
Provision Employee Entitlements	(36,954)	(3,000)
Income in Advance	(19,000)	
TOTAL LIABILITIES	(101,201)	(47,176)
NET ASSETS	251,677	251,437
Representing:		
Funds and Reserves		
Accumulated Funds	166,677	251,437
Provision for Future Commitments	85,000	–
TOTAL FUNDS AND RESERVES	251,677	251,437

Statement of Cash Flows

	1999	1998 (10 months)
	\$	\$
Cash Flows from Operating Activities		
Grants received	752,626	795,350
Interest received and Sundry income	10,581	7,898
Payments to Employees, Suppliers etc	(684,796)	(524,160)
Net Cash Inflow from Operating Activities	78,411	279,088
Cash Flows (Outflow) from Investment Activities		
Payments for Plant and Equipment	(18,985)	(167,897)
NET INCREASE IN CASH HELD	59,426	111,191
CASH AT BEGINNING OF YEAR	111,191	–
CASH AT END OF YEAR	170,617	111,191

Detailed Income and Expenditure Statement

	1999	1998 (10 months)
	\$	\$
Operating Income		
Grants Received		
Start up Funding	–	345,500
Operational Funding provided by Members	752,626	449,850
	<u>752,626</u>	<u>795,350</u>
Interest Received and Sundry Income	10,811	7,898
Gross Income	763,437	803,248
Less Expenditure		
Salaries and oncosts	384,926	125,406
Operating expenditure	301,575	175,984
Council and Board	57,696	67,744
Start Up Costs	–	182,677
Transfer – Funding in Advance	19,000	–
Total Expenditure	763,197	551,811
OPERATING SURPLUS FOR THE YEAR	240	251,437

Trevor Wise of Trevor Wise & Co. Chartered Accountants performed the audit of the full financial statements of the company.

EION in the Community

EION has developed effective links and working relationships with relevant organisations, including energy provider members, government agencies, and consumer and community organisations.

The level of local media coverage and public interest generated by our first annual report in 1997-98 suggests there is widespread community concern about the fair, effective provision of electricity services.

Important contacts made during the year include:

Community

- membership of the working group for the Energy Accounts Payments Assistance (EAPA) program
- contact with Utility Consumers' Advocacy Program (UCAP), NSW Council of Social Service (NCOSS), Smith Family, St Vincent de Paul
- meetings with Customer Councils of NorthPower and Energy Australia
- article for 'Country Web' newsletter which is circulated to 20,000 rural women in NSW

Government agencies

- Ministry of Energy and Utilities
- Department of Fair Trading
- Australian Consumer and Competition Commission
- Independent Pricing and Regulatory Tribunal
- Department of Housing
- Department of Women

Electricity Ombudsman offices

- Energy Industry Ombudsman Victoria
- Electricity Ombudsman Tasmania
- founding member of the National Electricity Ombudsman Network (NEON) with the Victorian and Tasmanian Electricity ombudsmen

Industry

- all members of the scheme
- Electricity Association of NSW
- Electricity Supply Association of Australia
- National Electrical Contractors Association
- National Electricity Code Administrator
- Sydney Water
- AGL



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Ombudsman NSW

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