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Energy Industry Ombudsman SA
Annual Report 2005 - 2006

Members

Founding Electricity Members

AGL South Australia Pty Ltd
ETSA Utilities
ElectraNet Pty Ltd

Founding Gas Members

Origin Energy Retail Ltd
Envestra Ltd

Joining Electricity Members

Country Energy
TRUenergy Pty Ltd
NRG Flinders
Energex
Origin Energy Electricity Ltd
Murraylink Transmission Company Pty Ltd
EnergyAustralia
Powerdirect Pty Ltd
Aurora Energy Pty Ltd
EA-IPR Retail Partnership
Ergon Energy (Joined 25 Aug 2005)
International Power (Retail) Pty Ltd
(Ceased 22 Sep 2005)
South Australia Electricity Pty Ltd
(Joined 31 Oct 2005)
Momentum Energy Pty Ltd
(Joined 12 Dec 2005)

Joining Gas Members

AGL South Australia Pty Ltd
TRUenergy Pty Ltd
Energy Australia
EA-IPR Retail Partnership

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Complaint leads to review of procedures

Ms N had contacted the gas leak emergency number to report a strong smell of gas at the front of her home. Although a technician had visited her property nothing appeared to have been done and the smell persisted. Ms N then contacted EIOSA to express her concern about this situation.

On contacting the distributor EIOSA was advised that although there was no record of any outstanding repair work they would visit Ms N's property the following day. This site visit resulted in the identification of a gas leak that was then repaired. The inspection also revealed that the cast iron gas main servicing the area was

deteriorating. The distribution company advised that it would investigate the extent of the deterioration and take appropriate corrective action.

Investigations into why the distribution company did not have any outstanding repair jobs for Ms N's leaks identified that an incorrect work order code was used which requested that the gas pressure at Ms N's property be checked rather than investigating a potential gas leak. The distributor initiated action to review the use of codes on work order requests in order to ensure a low likelihood of such a re-occurrence.

Delay in reconnection results in compensation

Mr S had his electricity disconnected for non-payment of his account. As his meter was not accessible the supply was disconnected at the service connection point on a pole outside his property. EIOSA referred the disconnection to the electricity retailer's higher-level customer relations area and a payment plan was agreed with Mr S. As a result of this agreement the retailer advised Mr S that his supply would be re-connected by midnight at the latest as required by the Energy Retail Code.

Mr S rang EIOSA again as the re-connection did not occur until the following day. EIOSA initiated an investigation into the reason for this delay.

The investigation revealed that there had been a breakdown in communication between the retailer and the distributor (the distributor is responsible

for carrying out disconnections and re-connections on behalf of retailers). The retailer had sent the electronic re-connection order to the distributor as well as an email advising that it was a pole-top re-connection. Pole-top disconnections and re-connections require a truck and crew rather than a single technician.

However the distributor did not read the email and despatched a technician who could not carry out the re-connection.

Despite Mr S contacting the distributor on a number of occasions his supply was not re-connected until the afternoon of the following day. As a result of this delay the distributor agreed to pay Mr S \$500 compensation for food spoilage and reimbursed him the \$225 charged by the retailer for the pole-top re-connection.

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Our role

The Energy Industry Ombudsman (SA) Ltd is an independent body established to investigate and resolve disputes between customers and electricity and gas companies in South Australia.

Mission statement

To facilitate the prompt resolution of complaints and disputes between consumers of electricity and gas services and members of the scheme by providing a free, independent, accessible, fair and informal service.

Guiding principles

- > We will deal with complaints in a fair, just, informal and expeditious manner.
- > We will act independently while maintaining good working relationships with members and other stakeholders.
- > We will be accessible to electricity and gas consumers in SA and will ensure there are no barriers to access such as geographic location, language, physical or mental capacity or financial status.
- > The service will be free for consumers.
- > We will make effective use of technology to assist in quality complaint handling, referral and reporting.
- > We will foster effective links with members, other complaint handling bodies, government agencies, and consumer and community organisations.

What we do

Customers can approach EIOSA about a range of matters including:

- > connection, supply and sale of electricity and gas by a member company;
- > disconnection of supply;
- > billing disputes;
- > administration of credit and payment services;
- > security deposits;
- > the impact on land or other property of actions by a member company;
- > the conduct of member companies' employees, servants, officers, contractors or agents;
- > any other matters referred by a member company by agreement with the Ombudsman and the person/s affected.

Generally customer issues are resolved by negotiation, however, the Ombudsman can resolve a complaint by making a determination that is binding on the member company, including by:

- > making a determination that the company pay compensation to the complainant;
- > directing the company to provide an electricity or gas service;
- > directing the company to amend, or not impose, a charge for a service;
- > directing the company to supply goods or services the subject of the complaint or undertake any corrective action, or other work to resolve the complaint.
- > directing a company to do, not to do, or 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.

What we do not do

The functions of EIOSA do not extend to areas such as:

- > the setting of prices and tariffs;
- > commercial activities which are outside the scope of the member's licence;
- > the content of Government policies, legislation, licences and codes;
- > matters before a court, tribunal or arbitrator;
- > customer contributions to the cost of capital works;
- > disputes between member companies.

How we do it

- > we will generally encourage customers to take up their complaint with the electricity or gas company 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 electricity or gas company, we will ask them to contact us if they have not been able to sort things out directly and are not satisfied with the company's response;
- > keep customers informed of the progress of our investigation;
- > we will be as helpful as possible to people who contact the office, whether or not we are able to assist them directly. If we cannot help, we will try to find someone who can;
- > provide interpreter, translator or other assistance to customers who have difficulties communicating with us.

Damage caused by electricity poles causes five metres of damage

A Member of Parliament contacted EIOSA on behalf of a constituent, Ms T. Damage had been caused to Ms T's house by what appeared to be an electricity surge and Ms T was not satisfied with the responses from the electricity distributor.

Because of the complexity of the sequence of events two EIOSA staff visited Ms T in her home to ensure that accurate details of her complaint were obtained.

In January 2006, during a major heatwave, a wooden cross arm on the stobie pole located in front of Ms T's home caught a surge of electricity to cause the home which burnt all of the electrical wiring and caused other damage. It took an electrical contractor over a week to replace the wiring.

Ms T's insurance company had adequately dealt with the damage claim however, she was most unhappy with the distributor's responses as to how this serious incident occurred and the lack of recognition of the serious impact this event had on her and her husband.

Following receipt of the complaint from EIOSA, the distributor undertook a detailed investigation into the responses to Ms T.

The distributor was unable to conclusively determine the cause of the event. However the most likely cause was a broken wooden cross arm on the pole which in turn caused a series of events which resulted in the standard protection equipment being bypassed. The distributor found this incident to be a "freakish" event.

As part of its investigation the distributor engaged an independent insurance assessor to assess the impact of this event on Ms T and her husband. At the conclusion of the investigation the distributor sent a letter of apology and paid Ms T \$3,700 for the difficulties and stress experienced as a result of the failure of the distribution system and the inadequate response to her concerns.

Ms T was pleased with this result.

Disconnection avoided

Mr V was experiencing problems paying his electricity accounts and had received a disconnection notice. During his discussions with EIOSA it became clear that Mr V was experiencing considerable hardship because he had lost his job.

EIOSA's priority referral to his retailer resulted in an agreed, affordable fortnightly payment plan and Mr V being placed on the retailer's hardship plan.

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Chairman's Report

I again have the pleasure of introducing a report that documents a successful year of operation by the Company and the Ombudsman Scheme.

Evidence of successful performance has come from the review of the Ombudsman Scheme that occurred during the year. The Constitution required the Board to arrange a review before 30 June of this year. The Ombudsman's report discusses it in some detail. The Board is gratified by the very favourable terms of the report and especially the responses from users and stakeholders to the inquiries made by the external reviewers. They confirm the Board's belief that the Scheme serves a useful purpose in helping consumers to deal with problems that they encounter as users of energy, which for most people is both a necessity and a significant budgetary item, and the industry in improving its standards of service.

As in the past, the Ombudsman, with the Board's strong support, has seen it as his responsibility not only to deal with the complaints and inquiries that come into his office but also to anticipate likely concerns and to encourage action by relevant parties, including the energy companies and agencies, that will avert or minimise emerging problems.

The year saw a reduction in the caseload of consumer contacts. No one can be sure of the reasons for this. It may be that the market and supply arrangements that have emerged over the last decade have become more stable and better understood. Energy companies themselves may have become more adept at dealing with issues, so that fewer reach the Ombudsman. But these are matters of speculation, and the reduction of the load

may or may not be enduring. Certainly, the Board is satisfied that cause of the decline is not to be found in the service provided by the Ombudsman and his office. The Review has confirmed that users of the Scheme are well satisfied with it.

The Board continually monitors the movement toward national regulation inasmuch as it affects consumer service and the ability of consumers to get resolution of their concerns. It is now clear that the various state governments agree upon the necessity of maintaining local Ombudsman services. This is very much the opinion of the Board. As the Ombudsman points out, however, careful attention will need to be given to the manner in which the local Ombudsman schemes relate to the national regulators, energy companies and the various governments.

The Board is, of course, responsible for the oversight of the finances of the Company, which is a non-profit body funded by its member companies. The Board maintains a balance between ensuring that the funds available are fully adequate for the Scheme's functions and avoiding excessive claims upon the members.

We were sorry to receive, in April 2006, the resignation from the Board of Craig Cock – the last of our founding Directors. Over a period of six years, Craig attended with great care and insight to the issues needing the Board's attention and was a source of many helpful suggestions. He was a member of the Budget Committee.

I referred last year to the resignation of the gas industry director Peter Vines. The resulting vacancy was filled during the present year by Phil Craig. The vacancy created by Craig Cock's resignation was filled by the election of Sue Filby.

I thank my fellow Directors for their dedication to the Board's work. Once again, I place on record my deep appreciation of the outstanding contribution of Nick Hakof, the Ombudsman, who has been well supported by his office team.

Keith Hancock

Gas disconnection caused by incorrect transfer

Ms J contacted EIOSA in August 2005 as her gas supply had been disconnected. She explained that when she contacted what she thought was her energy retailer (retailer A) she was advised that the gas supply was in another energy retailer's name.

EIOSA's investigation found that although Ms J had agreed to a market contract for gas and electricity with retailer A the gas transfer had not proceeded as retailer B had contracted Ms J's site for the sale of gas.

EIOSA contacted retailer B and found that the transfer of Ms J's gas site to that retailer had occurred because of

incorrect gas "Meter Installation Registration Number (MIRN)" details being provided by another customer. To compound the problem the "unauthorised gas use" notices were being sent to a different address and it was the lack of response to these letters that caused the disconnection of Ms J's gas supply.

EIOSA's investigation resulted in Ms J's gas site being transferred to retailer A. In addition, because of the error in transfer and the inconvenience caused, retailer B credited Ms J's gas account with \$245 leaving \$100 to be paid.

Delayed billing issue

Mr B contacted EIOSA after receiving an electricity bill for a period of 9 months. Mr B contacted his retailer in the first instance and was told that a meter exchange had taken place and due to an oversight, a bill was not sent for 9 months. The retailer applied a \$25 customer service gesture for the inconvenience caused, however Mr B was not satisfied with this outcome.

As part of the investigation into Mr B's complaint EIOSA requested the retailer to provide details of the meter exchange and the reason for the billing delay.

Investigations identified that a meter exchange took place due to a faulty hot water boost button. The distributor attended Mr B's property and exchanged the meter in August 2004. The distributor sent the relevant meter paperwork and readings to the retailer shortly after, however the retailer did not

action this until July 2005 some 9 months later causing a back bill for the amount of \$342.

EIOSA explained to Mr B that Clause 6.5 of the Energy Retail Code allows retailers to recover undercharging for energy consumed as a result of "an act or omission of the retailer or distributor" subject to conditions. These conditions include limiting the amount to be recovered to the amount undercharged in the 12 months prior to the meter reading date on the last bill and requiring the retailer to offer the customer time to pay the amount by agreed instalments over a period nominated by the customer being no longer than the period during which the undercharging occurred.

After further discussions with the retailer a further customer service gesture of \$50 was paid in addition to the original \$25 and a payment arrangement was agreed. Mr B was satisfied with the outcome.

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Attention!

Before putting into
service fill the
gear casing with
motor oil
SAE 10/30
(abt 12 imp gal)

The Board



Colleen Fitzpatrick
Director
Lutheran Community
Care



Phil Craig
General Manager
Sales and Marketing
Origin Energy
Commenced on
16 July 2005



**Professor
Keith Hancock**
Chairman
Emeritus Professor
of Economics
Flinders University



Julie Parr
Director
Family Support
Services
Salvation Army



Sandro Canale
General Manager
South Australia
AGL



Sue Filby
General Manager
Services
ETSA Utilities
Commenced on
18 May 2006



Barry McClure
Member
South Australian
Farmers Federation
Agribusiness
Committee



Craig Cock
General Manager
Business Relations
ETSA Utilities
Resigned
14 April 2006



Pia Bentick-Owens
Company Secretary
Manager
Retail Compliance
AGL

Safety and security problems resolved

Ms K purchased a property that had previously been disconnected by the electricity distributor because of unsafe wiring. The unsafe wiring had been replaced but in order to re-connect the supply the distributor had to obtain access to the electricity pit situated in the neighbour's property. Unfortunately access was denied by two metre high fences, locked gates and an occupant who was unwilling to allow access.

Ms K has two young children and contacted EIOSA because she did not know when the power

would be reconnected. On contacting the distributor EIOSA was told that because of the security and safety issues involved in accessing the neighbouring property, the distributor had been considering alternative solutions and concluded that building an additional pit at its expense was the best outcome.

During the investigation and construction of the additional pit the distributor had organised accommodation for Ms K and her family in a motel for four days at its expense. Ms K was happy with this resolution.

Inadequate explanation of a high bill

Mr B lived alone in a one bedroom flat without any heating or cooling. The only electrical appliances he had were a fridge, television and alarm clock. On receiving an unusually high quarterly bill he contacted his retailer who asked him to provide a meter reading, which he did, and he was told that the bill was correct. Mr B could not understand this, as he lives frugally and he had not changed his pattern of usage. However Mr B accepted his retailer's findings that the bill was correct.

Mr B discussed the high bill with a family member, who contacted EIOSA on Mr B's behalf. EIOSA was provided with additional information about Mr B's previous bills and found that the disputed quarterly bill was significantly higher. As a result

EIOSA investigated the complaint and asked the retailer for details of Mr B's meter readings, and what efforts the retailer had made to ensure that Mr B's meter had been read accurately.

The retailer advised that as a result of EIOSA's investigation it had arranged for the distribution company to obtain an additional meter reading. This reading revealed that Mr B had been billed incorrectly as the meter reading on his bill had been over-read by 1000 units. The retailer agreed that it had not undertaken the appropriate level of investigation when Mr B originally called them. Mr B was re-billed for the correct consumption and, at EIOSA's request was given a customer service gesture for the inconvenience caused.



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Ombudsman's Report

Activity

EIOSA received 3846 contacts in 2005/2006, a decrease of 18.3% over the previous year. This is the first time since EIOSA was launched in August 2000 that there had been a reduction in the number of contacts. This compares to increases in activity of 80% in 2002/2003, 60% in 2003/2004 and 14.8% in 2004/2005.

Of particular interest is the reduction in the two biggest complaint categories, billing and credit management complaints (a reduction of 19.2%) and competition complaints (a reduction of 29.6%).

Detailed commentary and statistics for 2005/2006 can be found in the Case Management Section on page 27.

The number of complaints and contacts that came to EIOSA are a small proportion of those dealt with by the energy companies. It is therefore not possible to draw conclusions from the reduction in 2005/2006 and particularly one that is based on one year's results only.

(Note: the SA energy market comprises 755,000 electricity customers and 370,000 gas customers).

Scheme review

Clause 23 of the Constitution of EIOSA states;

"23. Reviews of Scheme

The Energy Industry Ombudsman Scheme established by this Constitution and the Charter shall be reviewed by the Board, which shall develop proposals for its continued operation and improvement. The first review must be undertaken before 30 June 2006 and subsequent reviews at least every five years thereafter. All reviews must be conducted in consultation with interested parties, including groups representing customers of electricity and gas services and community groups representing public interest issues relevant to such services."

In August 2005 the Board engaged the services of consultants McGregor Tan Research and Kate Barnett and Associates to carry out the review. Consultants were engaged to ensure that the review was carried out in an objective and independent manner and that interviewees could be assured of confidentiality.

1. Review process

The review comprised three components:

1.1 Internal and External Stakeholders

Kate Barnett carried out structured and confidential interviews with 20 internal stakeholders and 19 external stakeholders. The internal stakeholders included Board Directors and senior staff from EIOSA's active members. The external stakeholders included representatives from a range of community service organisations, the regulatory bodies the Essential Services Commission of South Australia (ESCOSA) and the Office of the Technical Regulator and Government organisations Consumer and Business Affairs and the Department of Families and Communities.

1.2 Customer Survey

The consultants advised that a sample of 200 customers who had used the services of EIOSA would provide a credible statistical sample for extrapolation purposes. Approximately 400 energy customers were contacted in writing seeking their involvement in a survey to be carried out by McGregor Tan Research. Prospective interviewees were assured of confidentiality.

As a result of this approach McGregor Tan Research surveyed 205 customers by telephone during October and November 2005 utilising an agreed survey questionnaire.

1.3 Omnibus Survey

As part of the 2005 McGregor Tan Research "Household Omnibus Survey", five questions were asked of 404 adult South Australians in order to ascertain the level of awareness of EIOSA.

2. Outcomes

The findings of the consultants' reports were very positive:

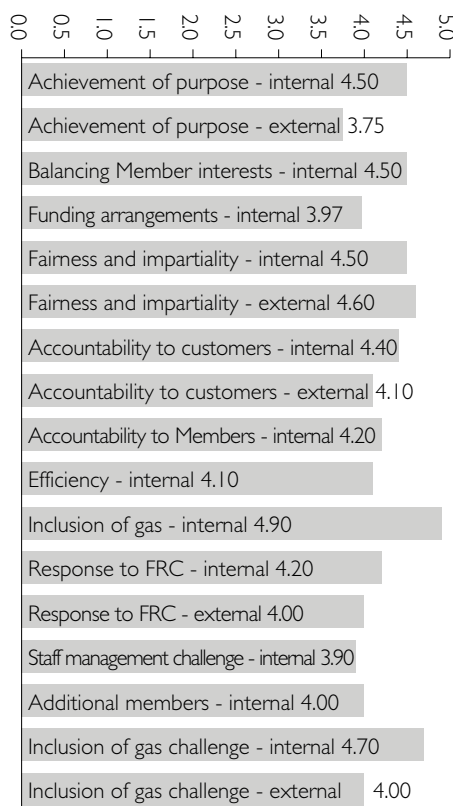
2.1 Internal and External Stakeholders

The consultants concluded that;

"the findings that emerge from the stakeholder interviews were exceptionally positive in their direction, with changes sought representing minor modifications rather than any substantial restructuring of the scheme. Where responses were given in the form of five point rating scales, the majority were 4.0 or greater and there were only two under this point (3.9 and 3.75) which in no way denote dissatisfaction"

The Consultants also found that existing networks within both the energy industry and community service sectors have been worked with effectively and that all stakeholders regard the EIOSA Scheme as fair and independent.

The bar chart at top right summarises the average ratings given on each of the issues discussed with stakeholders as part of the interview process.

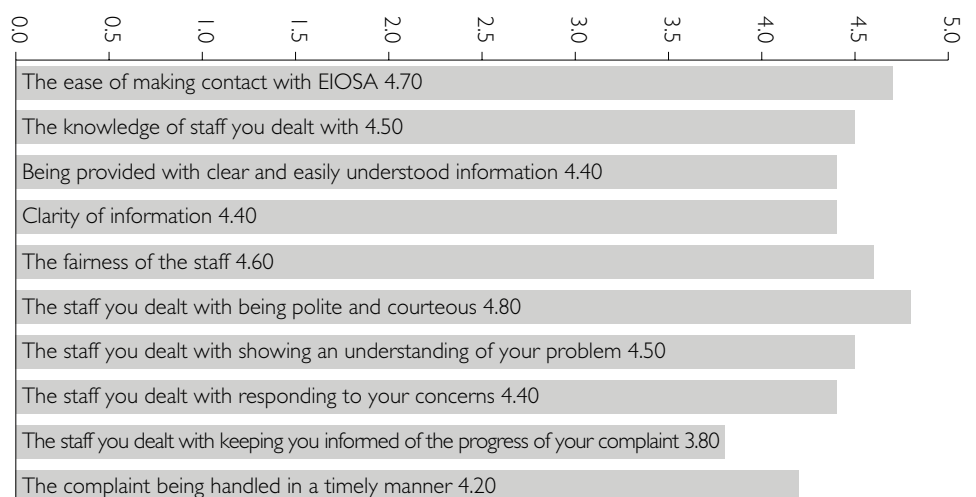


2.2 Customer Survey

Respondents were asked to rate their level of satisfaction with ten aspects of the complaint process on a scale of 1 to 5 where 5 is very satisfied and 1 not at all satisfied.

The Consultants state that generally a rating of 3.5 represents relatively high satisfaction, 4.0 very high satisfaction and 4.5 or above extremely high satisfaction. Using these parameters five of the individual aspects recorded extremely high satisfaction, four very high satisfaction levels and one relatively high satisfaction.

The Consultants reported that overall the vast majority of customers were very satisfied with the outcome of their complaint with EIOSA.



2.3 Omnibus Satisfaction Survey

Total awareness of EIOSA has increased from the 27.5% recorded in the 2002 Survey to 47%. What is particularly pleasing is that the identification of the Energy Industry Ombudsman Scheme where people would go for help at 30% is a substantial increase from the 2002 survey findings of 6%.

General Public Survey

	2005	2002
Q9 If you found yourself in dispute with an electricity or gas supplier, where would you go for help?	Mentioned EIOSA (30%)	Mentioned EIOSA (6%)
Q10 Are you aware of the Energy Ombudsman of SA	Aware (43%)	Q10 and Q11 not asked
Those who were not aware of EIOSA in Q10 were then read the following statement: Q11 The Energy Industry Ombudsman is a scheme established to resolve disputes between consumers and the electricity and gas industry. Are you aware of the Energy Industry Ombudsman of SA?	Of the total sample, aware of EIOSA after the statement was read to them (4%)	as two separate questions
Total awareness (Q10+Q11) of EIOSA	Total awareness 47%	Total awareness 27.5%

3. Recommendations

The report resulted in two recommendations that have been included in the 2006/2007 Business Plan. One involves reviewing ways in which current communication processes with members could achieve further consistency and the other is to consider providing information on the EIOSA website in South Australia's most commonly used languages other than English.

Full Retail Competition (FRC)

FRC for small electricity customers started on 1 January 2003 and for small gas customers on 28 July 2004.

The 29.6% reduction in the number of competition contacts has occurred despite the fact that transfer activity is still high. Information published by ESCOSA shows that as at June 2006;

> 448,653 small electricity customers had transferred to market contracts (this is 59.4% of the small electricity customer market), and

> 204,678 small gas customers had transferred to market contracts (this is 55.3% of the small gas customer market).

In the Case Management Section on page 27 I report that competition complaints comprise 0.2% of the approximately 257,000 customers who transferred to electricity or gas market contracts during 2005/2006. This level of complaints compared to the on-going market activity seems to indicate a competitive energy market which is operating effectively.

No competition systemic issues were identified by EIOSA during 2005/2006. However this comment must be qualified by the fact that EIOSA can only base its reports on the customer contacts received. Energy industry wide analysis is provided by ESCOSA in its Annual Performance Reports, which are based on information all licensed energy companies must provide.

During 2005/2006 ESCOSA conducted audits of retailers EnergyAustralia – IP Retail Partnership and Powerdirect to assess how these retailers were meeting the FRC obligations detailed in the Energy Marketing, Energy Retail and Energy Customer Transfer and Consent Codes.

These audits mirrored those conducted during 2004/2005 involving AGL SA, Origin Energy and TRUenergy.

The results of the audits were published by ESCOSA in April 2006.

ESCOSA concluded; "In the area of compliance with FRC obligations, the Commission regards overall compliance by the affected licensees as satisfactory and that SA consumers are receiving appropriate consumer protection as is intended by the regulatory regime, and that each licensee has in place a compliance system that is effective, and that the system is being applied in a rigorous manner." (Report on the 2005/2006 Regulatory Compliance Audits for the electricity retail sector – page 32).

and

"The Commission is of the view that the audit findings presented in this report, in combination with the high level of

activity in the local electricity retail market, provide a basis for concluding that the regulatory regime established and administered by the Commission is a key contributory factor to the successful implementation of FRC in SA." (ibid page 32).

It is encouraging to note that these audits, as did those conducted in 2004/2005, identified a high level of compliance by the retailers in meeting their FRC obligations.

National Energy Regulation

The Ministerial Council on Energy (MCE), under the direction of the Council of Australian Governments (COAG), has continued to progress the reforms of the governance arrangements of the National Energy Market.

Two new national statutory bodies were established from 1 July 2005, the Australian Energy Market Commission (AEMC) and the Australian Energy Regulator (AER). These bodies will carry out the regulatory functions and responsibilities currently carried out by State based bodies such as ESCOSA although the final details are yet to be agreed.

In June 2006 COAG approved recommendations from the MCE amending the Australian Energy Market Agreement to provide for;

"> Transfer of retail and distribution regulation (other than retail pricing) to a national framework in an agreed timeframe;

> Agreement to implement national distribution and retail functions in new national rules by 1 January 2008;

> Agreement of the longer term funding arrangements for the national energy institutions;

> A process for providing advice to jurisdictions on the effectiveness of competition in retail markets; and

> Arrangements for the certification of energy access regimes on a nationally consistent basis." (MCE – Energy Market Reform Bulletin No 68 – pages 6 and 7).

COAG also agreed on the allocation of the functions within the national regulatory distribution and retail framework to "National Functions" and "State and Territory Functions" (ibid pages 9 and 10).

Importantly I believe from an energy customer's perspective, the COAG and MCE have agreed inter alia, that one of the functions to be retained as a "State Function" is:

"17. Small customer dispute resolution – obligation for distributors and retailers to have internal dispute resolution schemes and participate in independent dispute resolution (Ombudsman) schemes." (ibid page 10).

Implications for EIOSA

The decision to retain independent dispute resolution as a State function is a welcome move however there are a number of important issues yet to be negotiated and agreed. These include;

> Currently ESCOSA is required by legislation to include in licence conditions a requirement that electricity and gas companies (as defined) join the Ombudsman Scheme.

It appears that licences will not form part of the new national regulatory framework and it is not clear at this stage how this current mandatory requirement will be retained.

> The Constitution and Charter of EIOSA contain important roles for ESCOSA eg approving the appointment of the independent Chair; nominating the three independent directors and approving changes to the Constitution and Charter.

These roles are important to ensure the independence of the scheme and will need to be replaced by other appropriate mechanisms should all of ESCOSA's current energy regulatory responsibilities be transferred to the AEMC and AER.

> From the commencement of EIOSA in 2000 there has been a positive and professional working relationship between EIOSA and ESCOSA. This has included my membership of ESCOSA's Consumer Advisory Committee, bi-monthly meetings with the Chairperson of ESCOSA and the Executive Director Regulatory Development and Implementation and meetings with other ESCOSA staff as required. The major benefit of this working relationship (and the physical proximity of the two offices) has, I believe, been the ability of EIOSA to effectively contribute to the ongoing development of energy customer protection measures in SA. If ESCOSA's energy regulatory functions are transferred to the AER in Melbourne and AEMC in Sydney different consultation mechanisms will need to be negotiated.

Industry Codes and Rules

Currently the SA energy distribution and retail functions are regulated by ESCOSA Codes and Rules including the various customer protection provisions contained in the Distribution Code, the Energy Retail Code, the Marketing Code and the Customer Transfer and Consent Code.

There will need to be extensive consultations with interested and affected stakeholders if it is intended to replace these State-based Codes and Rules with a national framework to ensure that existing SA customer rights and protections are not eroded.

Members of EIOSA

As at 30 June 2006 EIOSA has 22 members, 16 electricity members and 6 gas members (see page 14 for details).

The following changes occurred in 2005/2006;

Resignation

With the formation of Energy Australia/International Power (Retail) Partnership, International Power (Retail) ceased its electricity membership from 22 September 2005.

Joining

Three electricity members joined EIOSA demonstrating the competitive nature of South Australia's energy market.

Ergon Energy from 25 August 2005

South Australia Electricity Pty Ltd from 31 October 2005

Momentum Energy Pty Ltd from 12 December 2005

Meetings with Members

Frequent meetings have been held during the year with members covering a wide range of issues including:

- > Complaint handling processes and progress in the resolution of complaints.
- > Changes to members' executive management and customer relations structures and staffing.
- > Establishing complaint resolution mechanisms with new members and with existing members becoming active in the SA market.
- > Information from members such as new marketing campaigns and developments in hardship policies and procedures.

I place a high value on these meetings as one of the different features of EIOSA compared to similar schemes interstate is that the majority of our members are based interstate. Whilst a lot of business can be carried out by phone and email, there is no substitute for face-to-face meetings and discussions.

I believe that the relationship between the members and EIOSA continues to be positive and constructive, a view reinforced through meetings and discussions and through the findings of the Scheme Review (see page 20).

It is clear that members regard EIOSA as an important component of the competitive energy market in SA in providing an independent, free complaint resolution service for those complaints which cannot be resolved between the member and the customer.

Community awareness

Both our experience, and that of other industry ombudsman schemes, has shown that community service organisations and functions are particularly important in advancing community awareness.

EIOSA has developed positive relationships and communication channels with a range of community service organisations eg: Department of Families and Communities (particularly the Department's District Offices), SA Council of Social Service and Council on the Ageing. (see Scheme Review finding page 20)

Information about EIOSA is also provided to all State and Federal Members of Parliament and local councils.

It is encouraging to note that the EIOSA Scheme Review (page 20) found that awareness of EIOSA has increased from 27.5% in 2002 to 47%.

During the year we were again involved in a number of awareness activities, including:

- > Attendance at three PowerOn/ Staying Connected Forums organised by Origin Energy and AGL. These forums are attended by representatives from community sector organisations and provide opportunities to discuss a range of hardship issues.
- > AGL presentation on its hardship policies to community service organisations.
- > Meeting with senior staff from the Department for Families and Communities involved in concessions and other anti-poverty services.
- > Presentation to a training program for financial counsellors run by UnitingCare Wesley.

Hardship issues

It is encouraging to note both from EIOSA's experience and anecdotal comments from community service organisations, that energy companies continue to develop and improve policies and practices concerning energy hardship.

Energy hardship, particularly electricity hardship, is an important component of the wider issue of poverty. Energy providers do not of course have sole responsibility for dealing with poverty as governments have a major role. However, they must continue to play their part by providing sound customer assistance programs, flexible payment options and promoting an ethos that aims to assist disadvantaged customers.

Energy Consumers Council (ECC) Hardship Forum

The ECC was established in 2002 to advise the Government on energy policy issues.

On 23 August 2005 the ECC held a hardship Forum titled "Keeping South Australia Switched On". Participants invited included representatives from the community sector, energy retailers and government agencies. The Forum was jointly opened by the Minister for Energy and the Minister for Families and Communities.

The two major outcomes of this Forum were:

- 1. To develop a Memorandum of Understanding between the community, government and energy retailers sectors detailing best practice hardship outcomes, and

- 2. To establish an inter-sectoral task group to develop and implement collaborative strategies and services to support people experiencing hardship in making utility bill payments (this includes water bills). This group is chaired by an officer from the Department of Premier and Cabinet's Public Sector Reform Unit.

Work on these two initiatives is proceeding.

Emergency Electricity Payment Scheme (EEPS)

In his opening address to the Forum referred to above, the Minister for Families and Communities announced a doubling of the maximum payment available under the EEPS from \$200 to \$400. This is a very positive development as the \$200 had not been increased since 1987.

However as important in my view as the \$ amount are the conditions attached to EEPS, for example EEPS payments are not available for customers who have been disconnected.

It is disappointing to observe, as I did in my 2004/2005 Annual Report, that the review of the EEPS conditions has not been completed.

Energy Efficiency Program for low income households

This program was established by the Government in 2003 in partnership with community based welfare agencies with the following objectives:

- > Reduce financial hardship as a result of energy costs experienced by low-income households

- > Reduce energy use and greenhouse gas emissions
- > Improve comfort levels in low-income households
- > Develop employment opportunities in energy efficiency service

The welfare agencies involved have commented very positively about the effectiveness of the program. In addition the Australian Institute for Social Research at the University of Adelaide carried out an independent evaluation of the program on behalf of the government and in a report dated February 2006 found that the program has been a success:

“The results of the evaluation suggests that the program helped to reduce defaults on bill payments, lowering levels of disconnections and lowering levels of presentation to welfare and health sector organisations for assistance” (“An Evaluation of the Energy Efficiency Program for Low Income Households” by the Australian Institute for Social Research- page 3)

and

“In summary, the program has made considerable progress towards meeting its four objectives of reducing financial hardship, reducing energy use and carbon emissions, improving comfort levels and increasing employment opportunities in energy efficiency services” ibid page 5.

In view of these positive assessments it is surprising that the Government has only approved a short extension of this program until November 2006.

New Electricity Distribution Service Standards Guaranteed Service Levels (GSL's)

ESCOSA carried out a review of the Electricity Distribution Code (the Code) in the context of the ETSA Utilities 2005-2010 Electricity Distribution Price Determination.

Included in the resultant amendments to the Code was the introduction from 1 July 2005 of customer compensation payments where levels of electricity distribution service falls below pre-determined thresholds as detailed below:

The application of this Scheme by ETSA Utilities resulted in a number of complaints received by EIOSA following weather related outages in August, November and December 2005 and January 2006.

The implementation of this new customer entitlement experienced teething problems and I had a number of discussions with senior ETSA Utilities staff about the resolution of these problems. I am confident that ETSA Utilities now has in place appropriate systems to ensure that the Code requirements are met.

Thresholds and payment amounts – frequency of interruptions			
	Threshold 1	Threshold 2	Threshold 3
No. of interruptions in a regulatory year ending 30 June	>9 and < 12	>12 and < 15	>15
Payment	\$80	\$120	\$160
Thresholds and payment amounts – duration			
	Threshold 1	Threshold 2	Threshold 3
Duration (Hours)	>12 and < 15	>15 and < 18	>18
Payment	\$80	\$120	\$160
Notes: Payments in relation to the frequency of interruptions will be made in the quarter directly following the regulatory year (ending 30 June). Payments in relation to the duration of interruptions will be made within 3 months of the event occurring. Payments will be made in respect of the supply address, not the customer.			
The above scheme excludes:			
<ul style="list-style-type: none"> > Interruptions caused by the following: <ul style="list-style-type: none"> - Transmission and generation failures; - Disconnection required in an emergency situation (eg. Bushfire); - Single customer faults; and > Interruptions of a duration less than 30 seconds. 			

January 2006 Heatwave

From Thursday 19 to Sunday 22 January a major heatwave, the worst since 1943, was experienced in metropolitan Adelaide causing various failures to the electricity distribution network operated by ETSA Utilities.

Because of the impact of these outages the Minister for Energy required ESCOSA to conduct a formal enquiry into the network reliability and customer service performance of ETSA Utilities during this heatwave.

ESCOSA's draft inquiry report details the extent of the outages as follows:

- > 96,000 customers experienced electricity supply outages at some time during the period 19 to 22 January.
- > Approximately 84,000 were affected by high voltage network outages with 94% restored within 3 hours.
- > The remaining 12,000 customers were affected by low voltage network outages with 46% restored within 3 hours. Furthermore;
- > 650 customers were without electricity between 8 to 12 hours
- > 1,937 customers were without electricity for more than 12 hours but less than 24 hours
- > 564 customers were without electricity for more than 24 hours

Many of these affected customers tried to contact ETSA Utilities to either report the outages or to find out when their supply was likely to be restored. Unfortunately many were not able to get through to ETSA Utilities' call centre or those that could, in many cases, were not given accurate up-to-date information.

ESCOSA's inquiry into these matters is proceeding and the full details of the draft findings can be found in ESCOSA's "Inquiry into ETSA Utilities' Network Performance and Customer Response January 2006" Draft Inquiry Report at www.escosa.sa.gov.au.

Despite the extent of the outages EIOSA only received 42 customer contacts in January relating to these outages (25 about the outages and 17 about the Guaranteed Service Level payments).

I believe that the reasons for this relatively small number of calls were the quick public apology from the CEO of ETSA Utilities, and the individual visiting by ETSA Utilities employees of those customers most affected and providing the immediate payment of the Guaranteed Service Level payment and compensation for spoiled food and other losses. ETSA Utilities also placed a full-page advertisement in The Advertiser on 30 January 2006 giving details on how customers should proceed in lodging claims for compensation.

ANZEWON (Australia and New Zealand Energy and Water Ombudsman Network)

There were three meetings of ANZEWON this year including one in Adelaide in March 2006.

This Network continues to provide an important forum for the sharing of information, to discuss best practice complaint handling and to develop submissions on national issues.

Of particular interest this year to ANZEWON have been:

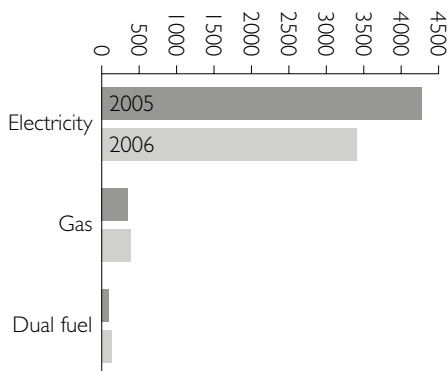
- > The on-going developments in the national regulation of the energy market. As part of this ANZEWON held meetings with the Chairman of the AEMC and the Chairman of the AER, and
- > Developments in the Queensland energy market, in particular the proposal to establish an independent electricity Ombudsman.

Case management

Overview

EIOSA received 3846 contacts in 2005/2006, a decrease of 862 (-18.3%) from the previous year. This is the first year there has been a decrease in contacts handled by the scheme from the previous year.

There were 3933 cases closed during 2005/2006 and 145 cases unresolved (in process) at the end of the year.



Electricity issues comprised 86.7% of the contacts handled by the scheme with gas accounting for 10.0% and Dual Fuel issues (mostly contract and marketing issues) comprising 3.3%.

The difference between enquiries and complaints

A contact to EIOSA can be handled as an Enquiry or a Complaint.

An Enquiry is a request for information or service. A Complaint is an expression of dissatisfaction with an energy company that is a member of EIOSA.

Enquiries

If a person with a complaint has not contacted the energy company prior to contacting EIOSA the contact with EIOSA will be recorded as an Enquiry and the customer asked to contact the companies' customer service area as it is a requirement of EIOSA's Charter for members to have had an opportunity to consider the complaint.

Many enquiries involve the provision of information and/or advice. Typically an Investigation Officer will provide information on industry codes and regulations which may apply to the customer's issues. If the issue is outside the jurisdiction of EIOSA we endeavour to provide the customer with details of appropriate referral points. The provision of timely and accurate information is an important component of EIOSA's role.

EIOSA handled 1477 contacts at Enquiry Level, 37.6% of the total contacts handled in 2005/2006.

Complaint - RHL

Where the customer has been unable to resolve a complaint with an energy company EIOSA accepts the issue as a complaint. If the customer's contact has been at the company call centre level only, EIOSA will refer the complaint to the company's higher-level dispute resolution area under EIOSA's "Refer to Higher Level" policy.

This policy is similar to other industry ombudsman schemes and provides companies with a further opportunity at a more senior level to resolve the customer's complaint. Exceptions to this RHL policy include complaints about imminent disconnections and disconnections, which are treated as urgent investigations.

Customers are advised that if they are not satisfied with the resolution or the time taken to resolve the complaint they should contact EIOSA again when we will then investigate the complaint.

Importantly EIOSA does not close RHL cases until advised by the company that the complaint has been resolved. In this way EIOSA maintains a "watching brief" over the resolution. Again as detailed above, if customers advise EIOSA that they are not satisfied with the outcome the case is upgraded as an investigation.

EIOSA handled 2096 RHL cases comprising 53.3% of the contacts handled in 2005/2006.

Complaint - Investigation

When a case has been accepted for investigation, members are asked to provide information to assist the investigation. This may include details such as the customer's billing history, previous contacts between the member and the customer relevant to the complaint, cause of the outage, whether informed consent was given as part of a market contract etc. If the customer has supporting information we ask that this also be provided.

Where appropriate EIOSA may also obtain independent technical or legal advice or seek the opinion of a regulatory body such as ESCOSA and the SA Technical Regulator.

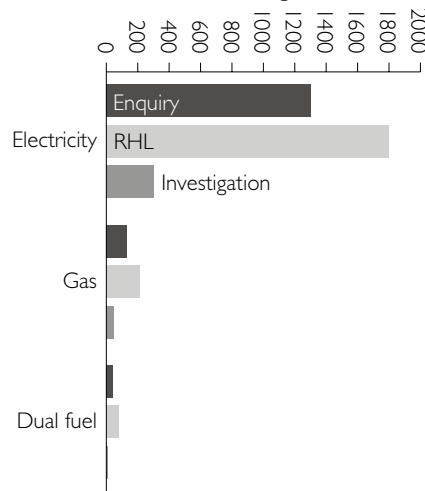
Investigations will normally also include a review as to whether the requirements and provisions of the relevant energy codes and regulations have been met.

EIOSA's aim is to establish an objective and independent view of the issues and to negotiate a fair and reasonable outcome.

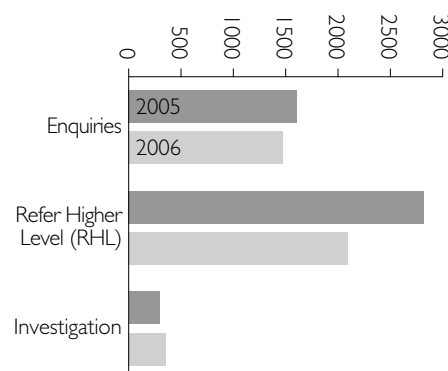
EIOSA handled 360 investigations comprising 9.1% of the contacts handled in 2005/2006.

Case Handling Levels

During 2005/2006 contacts to EIOSA were handled at the following levels:



Comparison with 2004/2005 is detailed below:



Although total case numbers have decreased, the number of investigations has increased by 22%, from 295 in 2004/2005 to 360 in 2005/2006.

Generally investigations are more complex and resource intensive.

Issues

The type of issues that were handled in 2005/2006 are outlined in the following table:

Issue	No.	%
Billing and credit management	2091	53.2
Competition	946	24.0
Customer service	135	3.4
General enquiry	145	3.7
Land	62	1.6
Provision	302	7.7
Supply quality	252	6.4
Total issues	3933	100.0

Billing and credit management

In common with other similar Ombudsman Schemes, billing and credit management issues (2091) continues to be the largest issue category (53.2%) Last year billing and credit management cases comprised 53.5% of the types of issued handled. In actual number there was a decrease in these types of cases from 2521 to 2091 cases.

Disconnections and imminent disconnections are a small but important component of this category. The chart and table below detail the number of disconnection cases dealt with in 2004/2005 and 2005/2006 and these cases as a percentage of billing cases and all cases received.

Disconnections

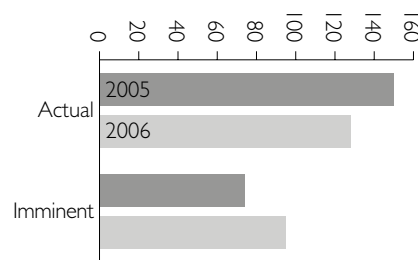
Year	No	Disconnections as a % of billing & credit cases	Disconnections as a % of total cases
2005	224	8.8	4.7
2006	223	10.7	7.6

Disconnections by Industry

Year	Electricity	Gas	Dual	Total
2005	194	30	0	224
2006	178	39	6	223

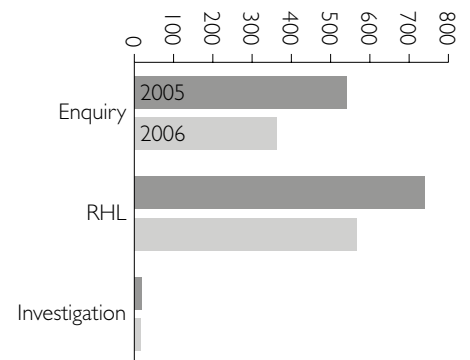
In 2006 electricity cases comprised 80% of the disconnection cases handled by the scheme compared with 87% of cases in 2005.

Actual and imminent disconnection



Competition

As the South Australian competitive energy market matures there has been a continuation of the trend for contacts to EIOSA regarding Competition to be complaints (RHL & Investigation) rather than enquiries or requests for information (see chart below) although total numbers have reduced.



Contacts to EIOSA regarding Competition issues make up a very small percentage (0.37%) of the 257,389 customers who transferred to electricity or gas market contracts during 2005/2006.

	Gas and Elect
Transfers in 2005/2006	257,389
Competition Contacts	946
Percent contacting EIOSA	0.37%
Complaints	0.2%

Supply Quality

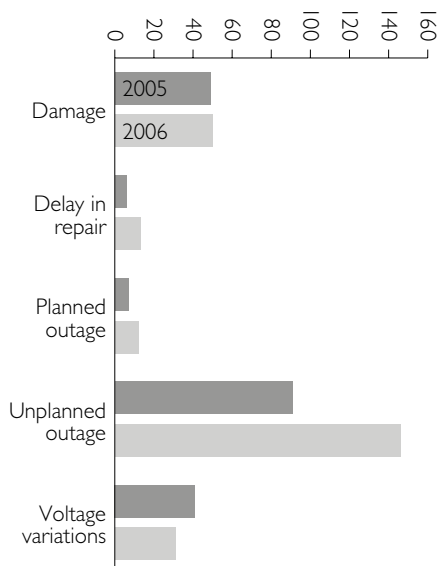
EIOSA received 252 supply quality contacts during 2005/2006 compared to 194 in the previous year.

From 1 July 2005 a new Guaranteed Service Level (GSL) payment relating to power interruptions applied in the Electricity Distribution Code, Connection and Supply Contract.

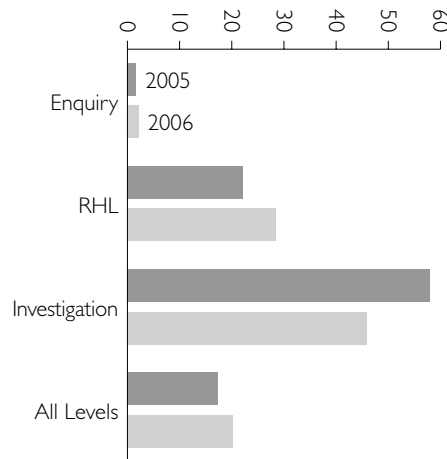
This GSL requires ETSA Utilities to make payments to customers if their level of distribution service falls below defined thresholds (see page 25).

A number of protracted outages (black-outs) occurred in August 2005, November 2005 and January 2006.

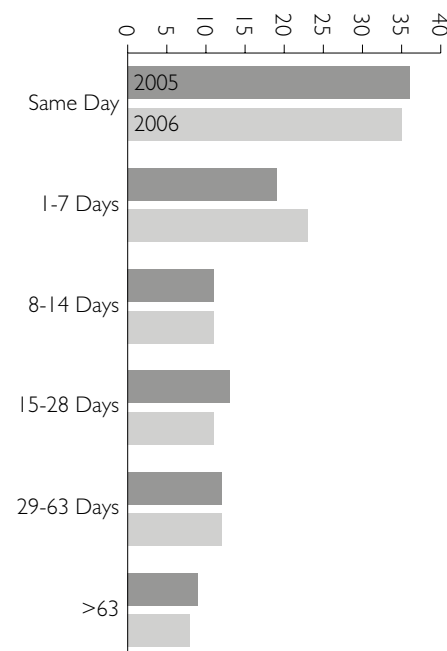
The majority of the January 2006 Unplanned Outage cases received was associated with a four-day heatwave between 19 and 22 January 2006.



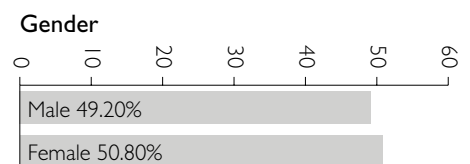
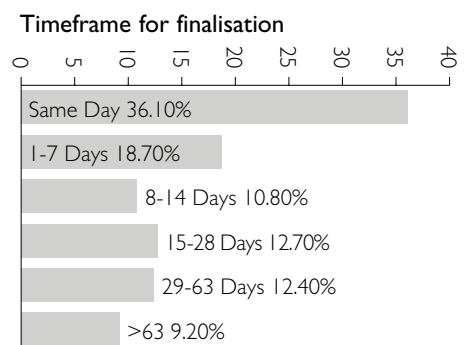
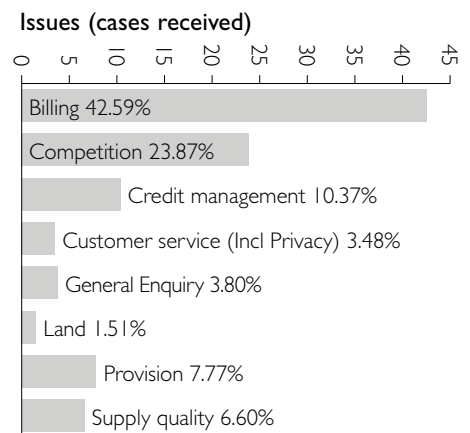
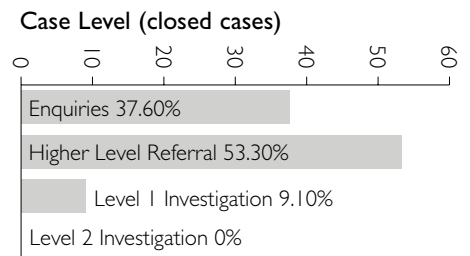
Timeframe for finalisation



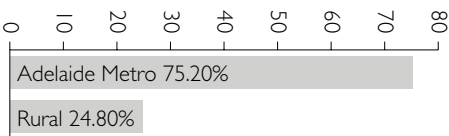
Although the more resource intensive Investigations have continued to increase, the timeframe for finalisation of cases has remained consistent with the previous year.



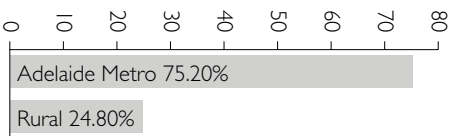
Contact statistics



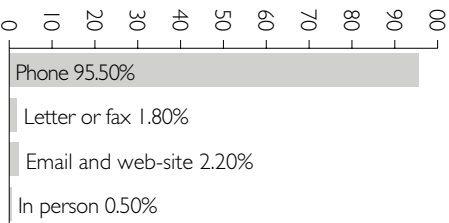
Where cases come from



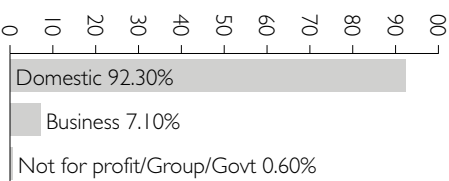
Where contacts come from



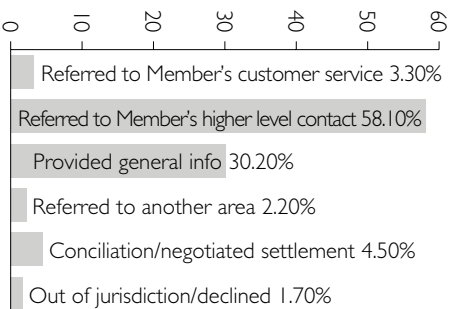
Method of contact



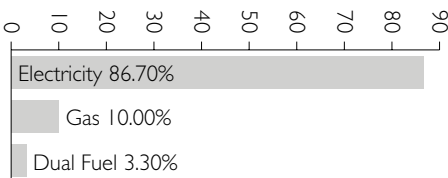
Customer types by



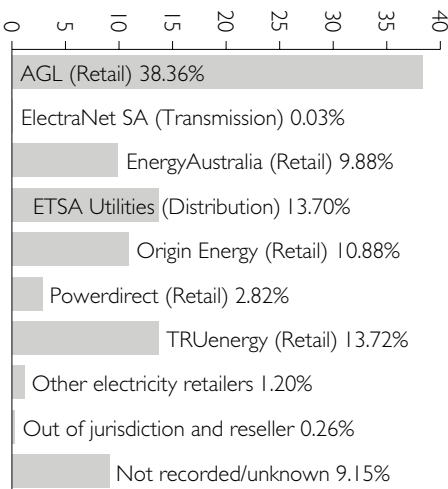
How EIO dealt with cases



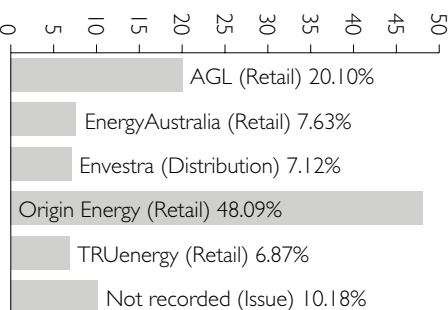
Industry



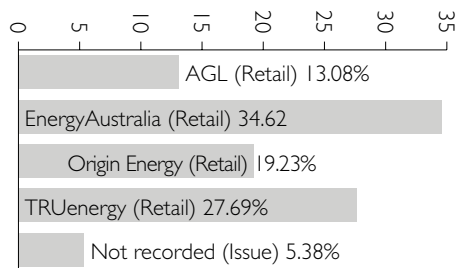
Provider - Electricity



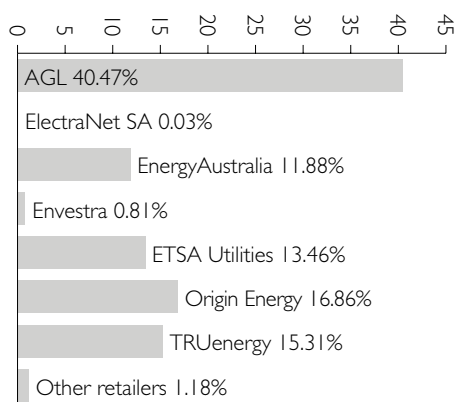
Provider - Gas



Provider - Dual fuel



Known Provider - All Fuels



Incorrect tariffs lead to higher charges

In May 2003 Mr I installed electricity power factor correction equipment in his business. Power factor correction equipment optimises the use of electricity which reduces the demand on the system and which can result in reduced tariffs.

Mr I had written to his electricity retailer to advise them of the installation of this equipment and to request that his tariff be adjusted. Mr I continued to pay his electricity bills on the understanding that the tariff had been amended.

In July 2005 Mr I received a letter from the electricity distributor advising that the tariff would be changed to reflect the fact that the power factor correction equipment had been

installed. It was on receipt of this letter that Mr I realised that his tariff had not been changed from 2003. He claimed that his business had been overcharged \$19,000 during this time.

As a result of EIOSA'S investigation into this matter the retailer acknowledged that when Mr I installed the equipment he should have been advised to discuss the tariff with the electricity distributor as the tariff should reflect the lower supply charge due to the power factor correction.

Mr I's bills were re-calculated using the correct tariff back to May 2003. This resulted in a credit of \$10,141. Mr I accepted this adjustment as a fair and reasonable outcome.

Gas meter fault causes high bill

Mr B paid a gas bill based on an estimated meter reading for \$165.10. Subsequently Mr B received a revised bill based on an actual reading for \$612.50. The previous payment of \$165.10 was credited leaving \$447.40 to be paid.

As this bill was much higher than normal Mr B contacted his energy retailer to dispute the amount. The retailer advised that a meter test would be carried out and that any credit collection activity would be suspended during the investigation. Mr B contacted EIOSA as despite this commitment from the retailer he had received a disconnection notice for non-payment.

Investigation found that the meter test had identified a fault in that a cog in the gas meter caused the '1000'

digit to move from '0' to '1' prematurely resulting in an incorrect high reading. As a result of this finding the retailer took the following action:

> Credited the bill for \$612.50 and recalculated the original bill for \$164.10 to \$147.55 leaving Mr B's account \$17.55 in credit.

> Applied a \$50 goodwill gesture to Mr B's account.

> Confirmed that Mr B's credit rating with the company was changed back to the original "good".

> Raised a complaint with the retailer's credit collection agency that debt follow up activity had occurred when the account had been put on hold.

Mr B was happy with this outcome.

case studies



Financial statements

Income statement for the year ended 30 June 2006

	2006	2005
	\$	\$
Revenues from ordinary activities	876,204	751,234
Expenses from ordinary activities	872,784	824,526
Operating surplus/(deficit)	3,420	(73,292)
Accumulated surplus at the beginning of the financial year	350,711	424,003
Accumulated surplus at the end of the financial year	\$354,131	\$350,711

Cash flow statement for the year ended 30 June 2006

	2006	2005
	\$	\$
Cash flows from operating activities		
Payments received from members	1,017,887	810,871
Interest received	20,695	19,201
Payments to suppliers and employees	(939,486)	(820,361)
Interest paid	-	-
Net cash flows from operating activities	99,096	9,711
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,295)	(9,940)
Proceeds on sale of plant and equipment	30	-
Net cash flows from investing activities	(7,265)	(9,940)
Net increase/(decrease) in cash held	91,831	(229)
Cash at beginning of year	319,444	319,673
Cash at end of year	\$411,275	\$319,444

Balance sheet as at 30 June 2006

	2006	2005
	\$	\$
Current assets		
Cash and cash equivalents	411,275	319,444
Trade and other receivables	15,219	47,024
Other	69,911	53,658
Total current assets	496,405	420,126
Non current assets		
Property, plant and equipment	94,399	113,723
Rent Bond receivable	17,100	17,100
Total non current assets	111,499	130,823
Total assets	607,904	550,949
Current liabilities		
Trade and other payables	26,233	40,653
Provisions	213,790	145,530
Other	13,750	14,055
Total current liabilities	253,773	200,238
Total liabilities	253,773	200,238
Net assets	\$354,131	\$350,711
Equity		
Accumulated surplus	354,131	350,711
Total equity	\$354,131	\$350,711

Company accountants
EdwardsMarshall
Company auditors
PricewaterhouseCoopers

Marketing misrepresentation

Ms. S contacted EIOSA to register her concern after she received a visit from a sales person representing an electricity retailer who had asked her to sign an "expression of interest." When Ms. S asked if the document was a contract, the sales representative emphasized that it was an "expression of interest" only, not a contract. However on looking through the document Ms. S could clearly see that it was a contract as it included details about the cooling-off period. However the representative continued to argue that it was not a contract and Ms. S terminated the contact.

Although Ms. S contacted EIOSA she did not want any further dealings with that retailer but agreed to send the document to this office. On examination it was clear that the document was a contract. Because of a concern that this sales approach could be a systemic issue EIOSA raised the matter with the retailer

without identifying the customer.

The retailer gave this marketing complaint its highest complaint rating which includes the actions of removing a sales representative from the field until the completion of an investigation and potentially requiring re-training before the representative is sent back to the field.

On the completion of the investigation the retailer advised EIOSA that they no longer contracted the sales representative. The retailer also gave an assurance that the terminology "expression of interest" is not included in their marketing training program. A meeting of sales representatives active in South Australia was held by the retailer to reinforce this point.

EIOSA was satisfied with the response and actions of the retailer.

Over-estimated bills

Mr W had been receiving estimated electricity bills that varied greatly from \$174 to \$1,302 per quarter when he believed his electricity use was consistent.

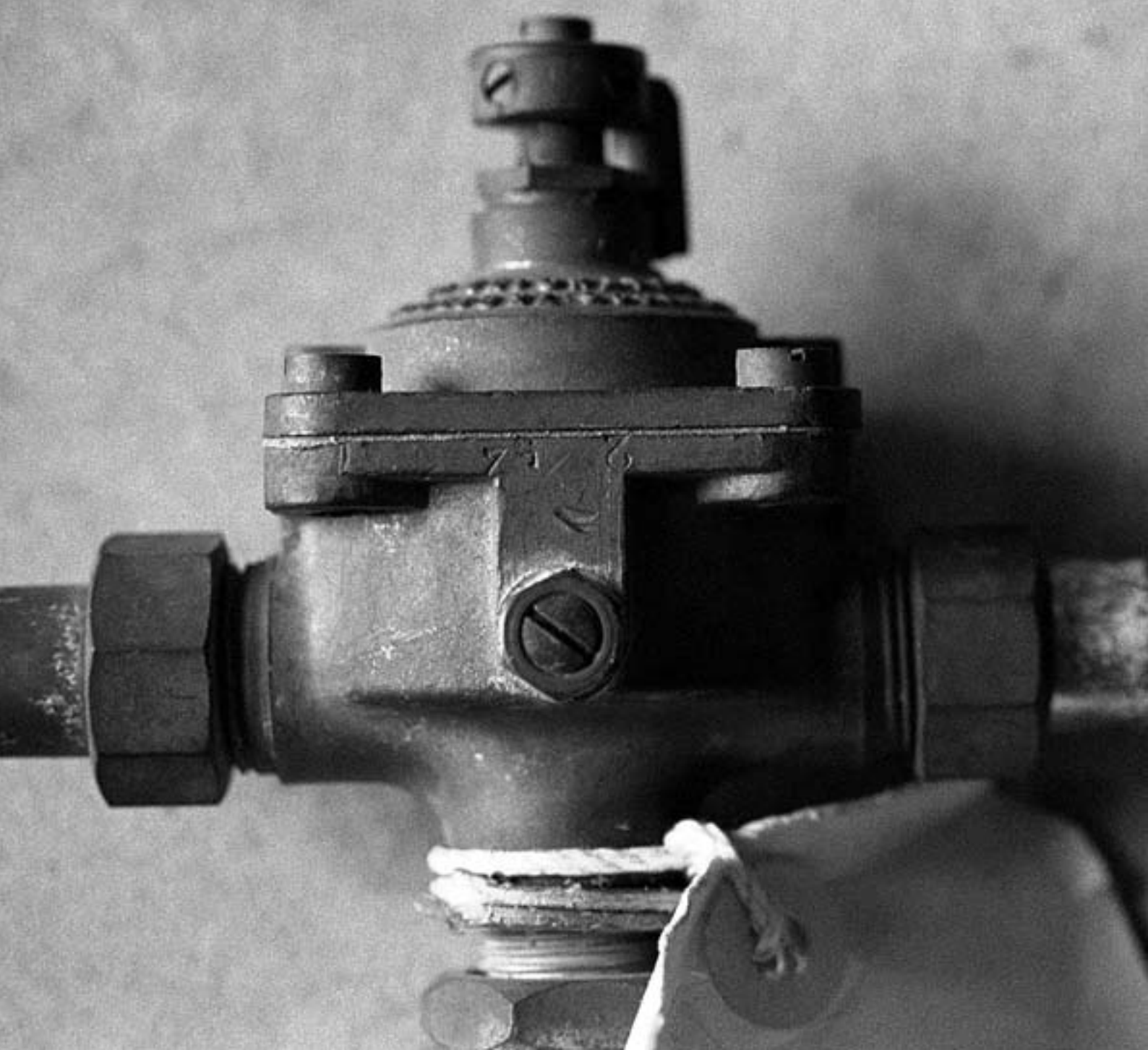
Over the 12 months period his electricity bills totalled \$2,734 and as he had only made minimal payments and had not contacted his retailer his supply was disconnected.

EIOSA's investigation found that the reason for the estimated accounts was that his meter was inaccessible behind a locked roller door. Arrangements

were made to gain access and the resultant actual meter readings identified that the estimated readings had been substantially over-estimated.

The retailer used the actual readings obtained to retrospectively adjust Mr W's bills from \$2,734 to \$274. In addition the retailer waived all fees associated with the disconnection and apologised for the over-estimation. Arrangements were also put in place to ensure that in future the meter reader had access to Mr W's meter.

case studies



Design
KateBurnsDesign

Photography (portraits)
Randy Larcombe

Photography (other)
KateBurnsDesign