



Energy Industry Ombudsman SA
Annual Report 2006/07

Members

Energy Industry
Ombudsman (SA) LTD

Members

Founding Electricity Members

AGL South Australia Pty Ltd
ETSA Utilities
ElectraNet Pty Ltd

Joining Electricity Members

Aurora Energy Pty Ltd
Country Energy
EA-IPR Retail Partnership
(Trading as Energy Australia)
Energy Australia Pty Ltd
(Ceased to be a Member
4 September 2006)
Flinders Power Partnership
Jackgreen (International) Pty Ltd
(Joined 26 February 2007)
Momentum Energy Pty Ltd
Murraylink Transmission Partnership
Origin Energy Electricity Ltd
Powerdirect Australia Pty Ltd
(formerly Ergon Energy)
Powerdirect Pty Ltd
Red Energy Pty Ltd
(Joined 18 December 2006)
South Australia Electricity Pty Ltd
Sun Retail Pty Ltd formerly Energex
(Ceased to be a Member 30 June 2007)
TRUenergy

Founding Gas Members

Origin Energy Retail Ltd
Envestra Ltd

Joining Gas Members

AGL South Australia Pty Ltd
Energy Australia Pty Ltd
(Ceased to be a Member
4 September 2006)
EA-IPR Retail Partnership
(Trading as Energy Australia)
TRUenergy

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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.

The Board

The Board

Chairman

Professor Keith Hancock AO

Emeritus Professor of Economics,
Flinders University

Directors

Sandro Canale
General Manager, South Australia, AGL
(until 1 September 2006)

Phil Craig
General Manager, Sales and
Marketing, Origin Energy
(until 4 January 2007)

Sue Filby
General Manager Services, ETSA Utilities

Colleen Fitzpatrick
Director, Lutheran Community Care

Sean Kelly
General Manager, Energy Regulation, AGL
(from 24 November 2006)

Mark McCabe
General Manager, Customer
Transaction Services, Origin Energy
(from 5 January 2007)

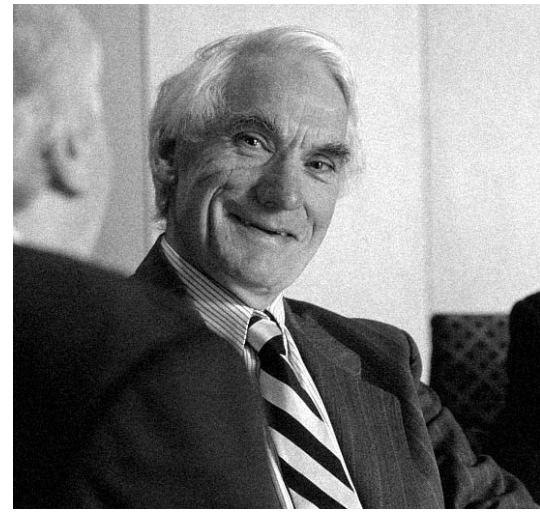
Barry McClure
SA Farmers Federation
Agribusiness Committee

Julie Parr
Director Family Support
Services, Salvation Army

Company Secretary

Pia Bentick-Owens

Chairman's Report



The Energy Industry Ombudsman Scheme provides a free service to small consumers of electricity and gas. It allows the independent investigation and resolution of complaints made by consumers who believe that they may not have been fairly treated by suppliers. The Ombudsman also tries to anticipate systemic problems that may give rise to consumer dissatisfaction and seeks to persuade suppliers to take action to minimise them. The Scheme began in 2000.

The day-to-day work of the Scheme is done by the Ombudsman and his staff, who are employed by the Company. Responsibility for the efficient and effective operation of the Scheme rests with the Board of Directors, but this responsibility does not extend to the control or review of the Ombudsman's handling of individual cases. The Board monitors the Scheme's work load and the timeliness of its handling of complaints. The Board, with the assistance of a budget sub-committee and the Ombudsman, fixes the annual budget and reviews performance against budget. Normally, the Board meets monthly.

In my previous report, I commented on a fall in the Scheme's work load in 2005/06, in comparison with 2004/05. In 2006/07, the load increased again and exceeded the level of two years earlier. (The relevant statistics are provided in the Ombudsman's report). As I said last year, fluctuations such as these are difficult to explain. The relevant factors probably include the weather, price changes, some marketing efforts of companies and the speed and efficiency of the member companies in dealing with their customers' problems. The Ombudsman consults with the companies so as to encourage improvement in this part of their businesses.

Having been advised by Nick Hakof, the present Ombudsman, of his intention to retire at the beginning of 2008, the Board in November 2006 set in train a program for the selection of his successor. As part of that program, the position was advertised in May 2007. The process of selection was ongoing at the end of June.

During the year, there were two changes in the membership of the Board. Sandro Canale, who had been an electricity industry Director since December 2000, resigned in September 2006, and, in November 2006, Sean Kelly was elected to replace him. Phil Craig, a gas industry Director since July 2005, resigned in January 2007 and was replaced by Mark McCabe. I warmly thank Messrs Canale and Craig for their valuable contributions as Directors. Sue Filby, elected as an electricity industry Director in May 2006, was re-elected in November 2006.

In 2006, the Ombudsman and I commented on the pleasing outcome of an external review of the Scheme commissioned by the Board. The Constitution requires that such reviews are conducted every five years. Although there was no review in 2006/07, the Board is confident that the high standards of performance revealed by the previous year's review were maintained.

The format of Ombudsman's schemes under national regulation of the energy industries remains uncertain. There is little likelihood, however, of the present state-based schemes being replaced by a single national Ombudsman. At present, there are constitutional links between Energy Industry Ombudsman (SA) Limited and the Essential Services Commission of South Australia. The role of the Commission may be significantly affected by the move to national regulation. When this occurs, the relation of the Ombudsman Scheme to the regulatory authority will have to be reviewed.

The Ombudsman and his staff continued during 2006/07 to give outstanding service to small-scale users of electricity and gas and to the industries. I thank them sincerely. I also thank my fellow Directors for their diligent and imaginative contributions to the success of the Company.

Keith Hancock

Estimated bills delay identification of hot water costs

Ms P moved into a rental property and received the first quarterly electricity bill for \$150 which she paid. The following quarter's bill was much higher and when she queried this with the retailer she was advised to disregard it and a bill for \$150 was sent. However when she received her third quarterly bill she found that it totalled \$2,500 and included amended bills for electricity used since she moved in. Ms P again rang the retailer and was advised to disregard the bill as it was an error. A new bill of \$1,500 was then received which the retailer assured Ms P was correct.

Ms P contacted EIOSA as she was concerned about the number of amended bills she had received and that they were all estimated bills despite there being clear access to the meter. She had also checked her meter box after receiving the last "correct bill" to find that the hot water service was switched to day rates, probably by the previous tenants.

In response to EIOSA's investigation the retailer confirmed that actual meter reads had been received from the distributor and that an accurate, amended bill should have been provided much sooner than it was which could have caused Ms P to identify the hot water issue earlier.

The retailer had already provided Ms P with a \$200 customer service gesture. However, following EIOSA's involvement the retailer credited the customer's account with an additional \$400, the difference between the peak charges and the off peak charges the customer would have been charged if the hot water service was on off-peak after the first bill had been issued.

Independent assessment of damage claim

Mr A is a farmer who irrigates for 6 months of the year. After spending \$2000 on maintenance for his 17 year old bore pump before the start of the irrigation season the pump stopped working on its first night back in operation. Mr A contacted his electrician to check the supply line which was fine. The pump supplier checked the pump and identified the pump motor was damaged and advised Mr A it could not be repaired. As a result Mr A purchased a new motor however after a week of operation the pump failed. The pump supplier identified that once again the motor was damaged and sent the motor back to the manufacturer for testing. The manufacturer's opinion was that low voltage had caused the damage.

Mr A contacted his electricity distributor and voltage testing was carried out. The test results indicated that although the voltage to Mr A's property was within the Australian Standard it was at the lower end and an upgrade to the electricity supply to Mr A's property was required. The distributor completed the upgrade and Mr A purchased another motor.

Mr A lodged a compensation claim with the distributor to cover the cost of the two replacement motors. The distributor agreed to cover the cost of the second replacement motor however denied the claim for the first replacement motor on the basis that the original motor had no retained value as it was 17 years old. EIOSA engaged the services of an independent loss adjuster to assess this response and the investigation found that the original pump motor did have an indemnity value of \$1280. After further consultation between the distributor and EIOSA the distributor agreed to pay the indemnity value of the original pump. Mr A expressed his satisfaction with the outcome.

Misleading sales conduct

One Saturday morning Mr D was doorknocked by a sales representative for an energy retailer. The marketer explained that he was conducting a survey on behalf of Mr D's gas retailer and that if Mr D agreed to participate in the survey and remain with that retailer for his gas supply he would be paid \$150.

Mr D agreed and was asked some general questions. The marketer then explained to Mr D that he could obtain his electricity from the same company selling him gas but Mr D explained that he was happy with his electricity retailer and did not wish to change. The marketer then asked Mr D to sign a form to enable him to be paid the \$150, which Mr D did. After the marketer left Mr D read the paperwork and realised that he had signed a contract to change his electricity retailer.

Mr D phoned the retailer represented by the marketer and was advised the contract would be cancelled. Despite this advice Mr D received a letter from the retailer some two weeks later welcoming him as an electricity customer. Although a further call resulted in an apology and an assurance that the cancellation would be actioned Mr D contacted EIOSA expressing concern whether the cancellation would be actioned and that the marketer's conduct had been misleading.

The subsequent investigation by the company found that the marketer had not followed the approved script promoting the company's offers. The company wrote to Mr D apologising for these actions and confirming that the contract had been cancelled. The marketer's services were dispensed with.

Incorrect tariff for seven years

The electricity distributor inspected the two electricity meters on Ms D's property as one of the meters on the property was not recording any consumption. The distributor confirmed that one of the meters was faulty (this was replaced) and also advised that the electricity consumption on the other meter was being charged at a commercial tariff.

Ms D contacted her electricity retailer and was advised that the commercial tariff had been billed since she moved in 7 years ago. Ms D was adamant that when she applied for the electricity she had requested a domestic tariff as the premise was used as a domestic residence only and wrote to her retailer requesting an adjustment on the account for the 7 year period that she had been billed the commercial tariff. Ms D's retailer changed the tariff to domestic and offered to adjust the past 12 month's bills. Ms D was not satisfied with this outcome and contacted EIOSA.

EIOSA's investigation found that the retailer would only adjust the accounts for 12 months on the basis that going back further was the responsibility of the distributor as the error occurred prior to the deregulation of the electricity market in South Australia. The distributor's investigation identified that when Ms D applied for the electricity connection she had requested a domestic supply. It was therefore agreed that Ms D's accounts should be adjusted for the 7 year period and she received a refund of \$3530.

Ombudsman's Report

Activity has increased

EIOSA received 4846 contacts in 2006/07, an increase of 1,000 contacts or 26% over 2005/06. This increase compares to a decrease of 18% in 2005/06, the first time EIOSA experienced a decrease since the scheme was launched in August 2000.

The largest increases were experienced in the areas of "billing and credit management" (372 or 18%) and "competition" (397 or 42%) over 2005/06. Decreases were experienced in the distribution issues "provision" (-50 or 17%) and "supply quality" (-47 or 19%). Detailed commentary and statistics can be found in the Case Management Section on page 16.

Because of this increase in activity the Board in December 2006 approved the recruitment of an additional Investigation Officer who commenced in April 2007.

(NOTE: the SA Energy Market comprises around 755,000 electricity customers and 370,000 gas customers which potentially fall within the jurisdiction of the scheme).

National energy regulation

Work has continued during 2006/07 under the direction of the Ministerial Council on Energy (MCE) to develop new national governance arrangements for the electricity and gas industries.

These new arrangements will involve the transfer of energy regulatory functions from State based regulators such as the Essential Services Commission of SA (ESCOSA) to the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC).

Ombudsman Schemes

Importantly from the perspective of energy customers, the MCE has agreed that the independent Ombudsman dispute resolution schemes will remain State based functions and that retailers and distributors will continue to be required to participate in these independent schemes.

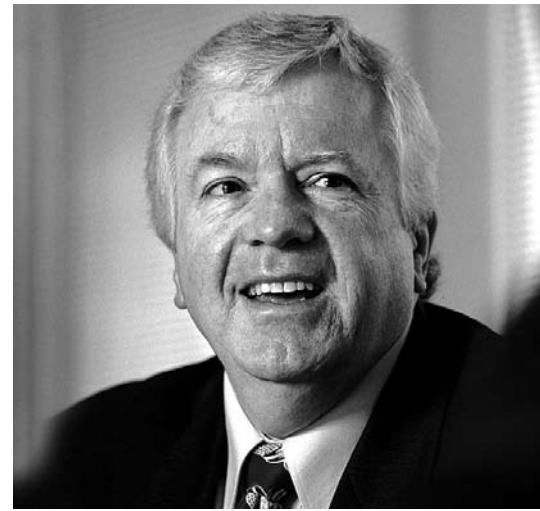
Industry codes and rules

In SA, ESCOSA has put in place Codes and Rules which amongst other things detail the various customer protection measures for small energy customers. These State based Codes will be replaced by national rules administered and regulated by the AER.

Considerable work has been carried out by the Retail Policy Working Group established by the MCE to develop recommendations on the regulation of non-economic distribution and retail functions to be transferred to the AER. This work included the release of five Working Papers and in June 2007 a composite Consultation Paper for comment.

The members of the Australia and New Zealand Energy and Water Ombudsman Network (ANZEWO) have spent considerable time reviewing and responding to the Working Papers and Consultation Paper. In particular I wish to acknowledge the extensive and excellent work carried out by the staff of the two biggest members, the Energy and Water Ombudsman NSW (EWON) and the Energy and Water Ombudsman (Victoria) (EWOV).

In responding to these reform issues our key considerations have been to endeavour to ensure the long term interest of consumers of this essential service through the provision of appropriate and consistent consumer protection measures which will also provide certainty and confidence to energy retailers operating in this national market.



Implications for EIOSA

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 has been the ability of EIOSA to contribute effectively to the ongoing development of energy customer protection measures in SA. When ESCOSA's energy regulatory functions are transferred to the AER in Melbourne and AEMC in Sydney different consultation mechanisms will need to be negotiated and established.

As similar issues will arise in the other States ANZECON invited the Chairmen of the AEMC and the AER to its meeting in Sydney in November 2006 to commence discussion about future relationships.

Meetings with members

As demonstrated by the 2006/07 transfer activity discussed in the Competition Section, the SA energy market continues to be a very active one.

Most of EIOSA's members are based interstate and I place a high value on the opportunity to meet with representatives from those members when in SA. A number of meetings have been held during the year covering a range of issues including:

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

The 2005/06 Scheme Review found that EIOSA had developed strong and constructive relationships with all stakeholders including the members of the scheme. It is evident that the members regard EIOSA as an important component of the competitive energy market in SA and value the provision of an independent and free complaint resolution service for those complaints which cannot be resolved between a member and the customer.

Community awareness

The independent review carried out in 2005/06 also found that the scheme has developed strong relationships with the community sector. This is important as both our experience and that of other industry ombudsman schemes has shown that community service organisations are vital in advancing community awareness of the schemes.

Information about EIOSA is provided to the District Offices of the Department for Families and Communities, community sector organisations, all State and Federal Members of Parliament and local councils. During the year I was involved in a number of awareness activities:

- > In August 2006 I gave a presentation to AGL's Consumer Council.
- > I attended the Annual Conference of the SA Financial Counsellors Association in September 2006
- > The SA Association of Major Community Organisations invited me to give a presentation on energy hardship in February 2007.
- > In February 2007, together with a staff member, I attended the annual AGL's Financial Counsellors Forum.
- > During May 2007:
 - >> I gave a presentation about EIOSA to ETSA Utilities' Customer Consultative Panel
 - >> I attended, with a staff member, the Energy and Financial Disadvantage Forum organised by the Port Pirie UnitingCare Wesley.

>> Together with a staff member I gave a presentation on energy competition and marketing to the Whyalla Anti-Poverty Forum.

> In June 2007 I gave a presentation about EIOSA to 22 financial counselling students attending a financial counselling course organised by UnitingCare Wesley Adelaide.

Systemic issues

The major role of EIOSA is to resolve complaints about electricity and gas services that are unable to be resolved directly between a customer and the energy company.

However, EIOSA also plays an important role in identifying systemic issues ie. an issue or change in policy and/or practice by a member which affects, or has the potential to affect, a number of customers. Our independent contact with customers enables us to identify and report to members and ESCOSA facilitating early corrective action.

Marketing issue

In one week in November 2006 EIOSA received 15 customer complaints concerning the marketing practices of an energy retailer. Two common themes were that the sales pitch seemed to imply that the retailer was associated with ETSA Utilities (the electricity distributor) and that the marketers were aggressive and in some cases rude.

These cases were referred to the retailer and ESCOSA as they involved issues of misleading conduct and putting undue pressure on customers, both of which are breaches of the Energy Marketing Code.

Following an urgent investigation by the retailer, EIOSA and ESCOSA were advised of the following actions;

- > The services of a telesales representative and a contracted sales channel were terminated;
- > All of the terminated sales representative's contracts completed in the previous month were reviewed and those customers contacted to ascertain whether they wished to remain with the retailer or be transferred to another retailer of choice.
- > The retailer amended the marketing script to avoid confusion about ETSA Utilities.
- > The retailer conducted refresher training with all of its telesales representatives.

Action required on expiry of Fixed Term Contracts

Clause 1.8 of the Energy Retail Code requires a retailer to advise a customer no earlier than 40 business days and at least 20 business days prior to the expiry of a fixed-term contract of the following information:

- > The date on which the fixed term market contract expires
- > New terms and conditions which will come into effect after the expiry date if the customer does not elect before the expiry date to enter into a new contract with the retailer or another retailer
- > Existence of other contractual options that may be available; and
- > Ability of the customer to choose a retailer from whom it wishes to purchase energy.

EIOSA received two complaints concerning the same retailer which indicated that the timelines referred to above had not been followed. Subsequent investigation by that retailer identified that approximately 850 customers had not been contacted because of a system problem.

The retailer advised EIOSA and ESCOSA that these contracts would be processed manually and that this process would be completed by the end of September 2007. This retailer no longer offers fixed term contracts.

Daily usage graphs

In late 2004 the Electricity Act 1996 and the Gas Act 1997 were amended to include a new licence condition requiring retailers to include information on bills regarding:

- > A customer's energy consumption during the preceding 12 months;
- > The retailer's daily charges for energy during the period to which the account relates;
- > The customer's ability to obtain advice through ESCOSA about reducing energy consumption and about energy consumer choices; and
- > The level of greenhouse gas emissions associated with the customer's energy consumption.

During the investigation of an electricity complaint EIOSA found that the customer's bill did not show the energy consumption during the preceding twelve months or the greenhouse gas emissions, as required.

This issue was referred to the retailer and an investigation identified that these omissions were the unexpected result of a system enhancement and affected (or in the case of customers yet to be billed potentially affected) approximately 25,000 customers on green tariffs. A systems "fix" will correct this problem by September 2007.

Summer tariff incorrectly applied

A customer contacted EIOSA to complain that his electricity bill covering the period March 2007 to June 2007 was incorrectly calculated. The tariff includes a higher tariff for electricity used from 1 January 2007 to 31 March 2007 but his bill was calculated at the higher summer tariff for the whole period ie. past 31 March 2007.

This matter was referred to the retailer and the subsequent investigation found that approximately 4,500 customers were affected by the non-transition from the higher summer tariff to the lower tariff that applies for the rest of the year.

As required by clause 6.6 of the Energy Retail Code ("overcharging") the retailer cancelled the incorrect bills and re-billed customers at the correct rate.

Energy Hardship

In the August 2007 ESCOSA Report "Review of Retail Electricity Price Path" the Commission comments on the issue of vulnerable customers and makes the following comments:

"As a final matter, the Commission observes that within submissions on both themes discussed above was the concept of vulnerable customers. While it was not explicit in the submissions, it was perhaps implicit in those submission that the price path should, in some direct sense, attempt to address the particular characteristics of such customers.

To the extent that such concerns exist, the Commission considers it important to note that it does not regard the standing contract or the price path as an appropriate tool to address vulnerability concerns. That is not to say that it is not cognizant of the need to ensure that customers accessing the standing contract are not disadvantaged and, moreover, can remain on that contract without becoming disadvantaged or becoming further disadvantaged.

Overall, however, for the reasons set out below, the Commission is of the view that the price path and the standing contract are but one small element in a broader social context in terms of vulnerability, access and poverty. Perhaps more important, in terms of the work undertaken by the Commission, are the various protections put in place for all small customers, not just those on standing contracts, through the Energy Retail Code." Page A23

(This report is available on www.escosa.sa.gov.au)

Under the Energy Retail Code retailers are required to have in place measures to assist customers experiencing payment difficulties in meeting their financial obligations. For example the Code requires a retailer when offering a payment instalment plan to take into account information from the residential customer about that customer's energy usage needs and capacity to pay.

In addition to the Energy Retail Code requirements, energy companies have in recent years recognised the need to move away from the traditional credit collection model to one which assists customers experiencing genuine hardship manage their bills and stay connected to an essential service. The programs (often termed hardship policies and practices) can involve specially trained staff working with customers to identify realistic, affordable and flexible payment plans as well as managing past debt and future usage. As part of these policies some companies have developed a number of incentives, for example matching a payment when the customer has completed an agreed payment cycle.

Governments also have an important role in assisting low income households pay their energy bills e.g. the SA Government electricity pensioner concession and the Electricity Emergency Payment Scheme.

It is most encouraging to note that under the auspices of the Department for Families and Communities the work of the Utility Debt and Financial Hardship Working Group has continued and that a final report is expected shortly. The aim of this work is to have the government, the energy sector and the community sector working together to share, integrate and improve the services to those people experiencing financial difficulties paying utility bills.

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

ANZEWON held three meetings this year in Perth, Sydney and Hobart.

Major items of business this year has included:

- > The move to National Energy Regulation (see comments in 'National Energy Regulation')

- > Responding to draft legislation introduced by the Queensland Government to establish an independent Energy Ombudsman as part of the introduction of full retail competition in that state. (In June 2007 Mr Barry Adams was appointed to this position and he will become a member of ANZEWON.)

- > Making a submission to the Productivity Commission Issues Paper "Customer Policy Framework".

Staff

Because of the increase in activity the Board approved the appointment of an additional Investigation Officer who commenced in April 2007.

EIOSA is a small office comprising 8 staff (7.15 FTE) and since its commencement in 2000 has been fortunate in being able to recruit excellent staff with a commitment to a high level of independent dispute resolution service.

I acknowledge their commitment and professionalism in successfully meeting the challenges of a very busy year.

The Board

I appreciate the support and encouragement given to the Scheme and myself by the Directors. In particular I acknowledge the support provided to me by the Chairman, Keith Hancock.

Nick Hakof

Assistance with gas connection for recent immigrant

Mr A contacted EIOSA as he had been without gas for three days. Mr A had only recently arrived in South Australia from Sudan and had limited knowledge of English.

Through an interpreter organised by EIOSA, Mr A explained that he had moved into his house several weeks earlier but had not advised the retailer of this. This resulted in his gas having been disconnected. Mr A had contacted the retailer the previous day and had been advised that the gas would be re-connected, however, at the time of contacting EIOSA this had not occurred.

When EIOSA contacted the retailer we were advised that the gas had been connected but that Mr A would need to turn it on at the meter and re-light his gas appliances. Because of EIOSA's concern that Mr A may have difficulties with the re-lighting instructions the retailer arranged for a technician to attend the property. In view of the particular circumstances the usual charge for this service was waived.

Retailer chose not to recover undercharge

Ms B signed a market electricity contract and changed retailers based on the cheaper tariff they offered her. She was on a pension and paid her electricity bills in advance through deduction from her pension payments. After three years she received notification from her retailer that they had made an error with the tariff she had been charged since commencement of the account and had back billed her for twelve months which is the maximum a retailer can recover undercharging resulting from an error. This action wiped out her existing credit balance of \$300 and left her account in debit for \$200.

Ms B contacted EIOSA after making a number of telephone calls to her retailer as she was told to keep making the same \$86 per month payments but she was concerned this only covered her previous bills and so would not cover future bills at the correct tariff plus the \$200 back bill.

As a result of EIOSA's referral the retailer contacted Ms B to advise that the \$200 debt would be written off as a goodwill gesture. A new payment plan was also established to cover future consumption at the correct tariff.

Ms B was very happy with the outcome.

Forged signature on contract

Mrs G was approached by a door to door marketer to sign up with a different electricity retailer. Mrs G told the marketer that she would not sign anything without discussing the offer with her husband who was not home at the time. The marketer left the information with Mrs G and said that she would ring back in two weeks.

A little time later Mrs G received a letter from the retailer welcoming her as a new customer. She rang the retailer to query this and was told that they had a signed contract on record. Mrs G's son then contacted the retailer to obtain a copy of the contract. When Mrs G read the contract she claimed that the signature on it was not hers. It was at this stage that Mrs G contacted EIOSA.

As part of our investigation we asked for copies of all the information as well as a sample of Mr and Mrs G's signatures. In comparing the signature on the contract with the sample signatures it was clear that the signature was not either of theirs.

The retailer appropriately regarded this as a serious case of misconduct and the marketer's service was immediately terminated. Although the retailer believed that the matter was an isolated incident it was raised with the sales team as an example of unacceptable conduct.

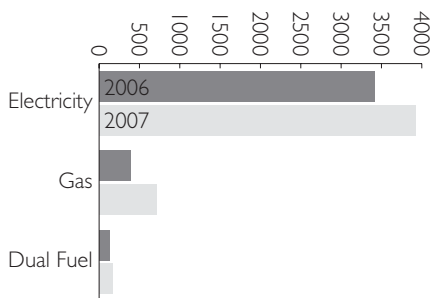
The retailer cancelled the contract, apologized to the customer in writing and provided a customer service gesture of \$100 in recognition of the distress caused to the customer.

Case management

Overview

EIOSA received 4846 contacts in 2006/07, an increase of 1000 contacts (26%) from the previous year.

There were 4802 cases closed during 2006/07 and 192 cases unresolved (in process) at the end of the year.



Electricity issues comprised 81.7% of the contacts handled by the scheme with gas accounting for 14.8% and Dual Fuel issues (mostly contract and marketing issues) comprising 3.5%.

The difference between enquiries and complaints

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

An Enquiry can be a request for information or a complaint where the member has not had an opportunity to consider the concern 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 company's 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 2462 contacts at Enquiry Level, 51.3% of the total contacts handled in 2006/07.

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 1954 RHL cases comprising 40.7% of the contacts handled in 2006/07.

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.

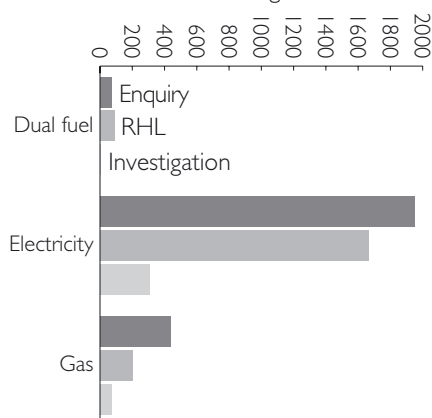
Investigations will normally also include a review as to whether the requirements and provisions of the relevant energy codes and regulations have been met.

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

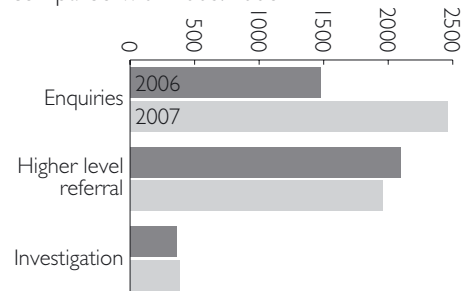
EIOSA handled 386 Investigations during 2006/2007.

Case handling levels 2006/07

During 2006/07 contacts to EIOSA were handled at the following levels:



Case Stage levels in 2006/07 compared with 2005/2006:



The number of Enquiry cases received in 2006/07 has increased by 66.7% (985 cases) over the previous year.

RHL case numbers have decreased, the number of investigations has increased by 7.2%, from 360 in 2005/06 to 386 in 2006/07.

Generally investigations are more complex and resource intensive.

Issues

The type of issues that were handled in 2006/07 compared to 2005/06 is outlined in the following table:

Issues (closed cases)	05/06 %	06/07 %
Billing	42.9%	39.7%
Competition	24.1%	28.0%
Credit Management	10.2%	9.7%
Customer Service (Including Privacy)	3.4%	3.8%
General Enquiry	3.7%	7.6%
Land	1.6%	1.7%
Provision	7.7%	5.2%
Supply Quality	6.4%	4.3%
Total	100%	100%

Billing

In common with other similar Ombudsman Schemes, Billing issues (1907) continue to be the largest issue category (39.7%) Last year Billing cases comprised 42.9% of the types of issues handled.

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 2005/06 and 2006/07 and these cases as a percentage of billing cases and all cases received.

Disconnections

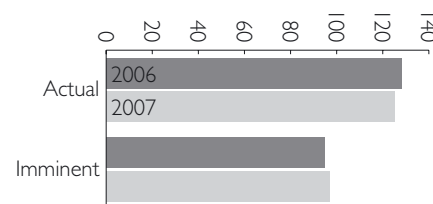
Year	No.	Disconnections as a % of billing & credit cases	Disconnections as a % of total cases
2006	223	10.7	7.6
2007	222	9.4	4.6

Disconnections by industry

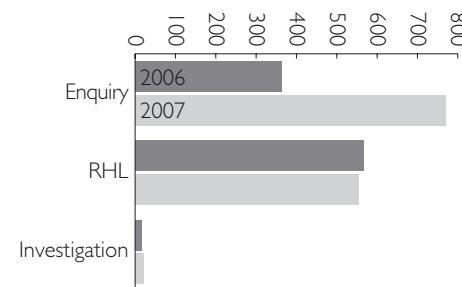
Year	Electricity	Gas	Dual	Total
2006	178	39	6	223
2007	152	66	4	222

In 2007 electricity cases comprised 68% of the disconnection cases handled by the scheme compared with 80% of cases in 2006.

Actual and imminent disconnection



Competition



The major increase in the number of Competition cases received by EIOSA occurred in the "Enquiry" stage. Total contacts to EIOSA regarding Competition issues make up a small percentage (0.54%) of the approximately 247,000 customers who transferred to electricity or gas market contracts during 2006/07.

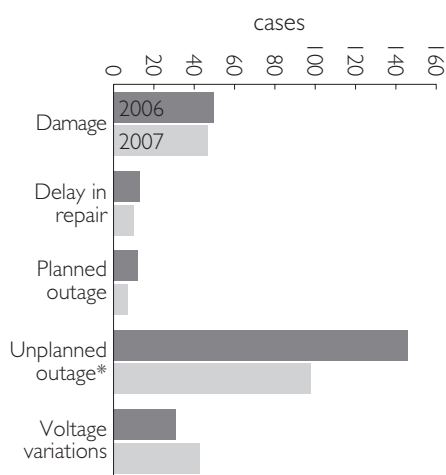
Independent research by consultants First Data Utilities and VaasaETT indicates that in terms of customers switching contracts, SA has the third most competitive energy market in the world behind Victoria and the UK.

An important marketing development this year was the launch by the Federal Government on 4 May 2007 of the “Do Not Call Register”.

Domestic customers who do not want to receive unsolicited telemarketing calls can join this Register by signing up on www.donotcall.gov.au or phoning 1300 792 958. Substantial fines can be imposed if telemarketers breach the Do Not Call Register Act.

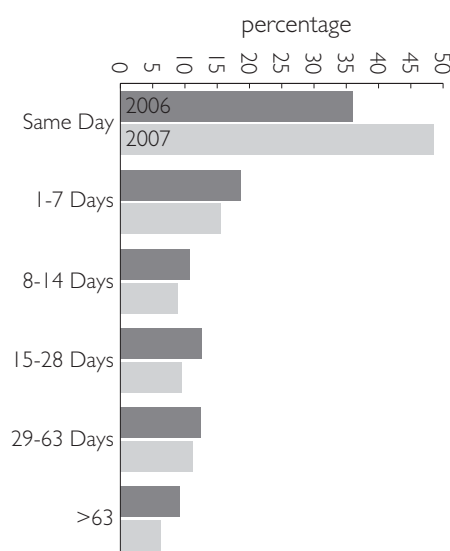
Supply Quality

EIOSA received 205 supply quality contacts during 2006/07 compared to 252 in the previous year- a decrease of 47 (18.7%).

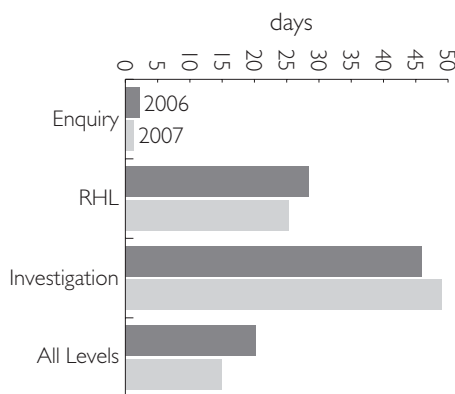


* Note: A substantial number of the Unplanned Outage cases in 2005/06 related to the January 2006 heat wave outages.

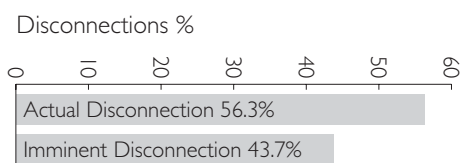
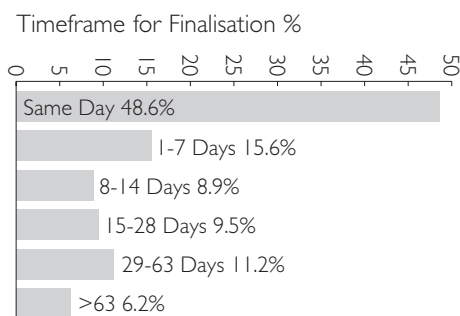
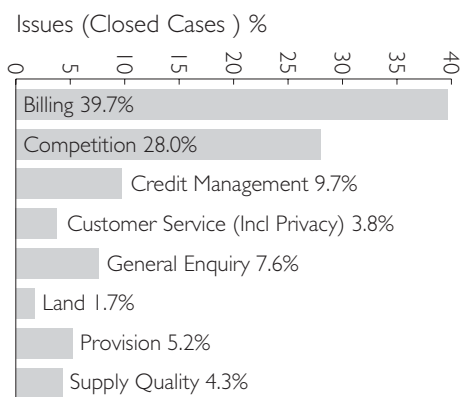
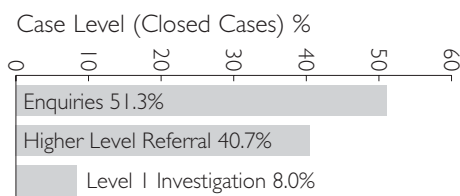
Timeframe for finalisation

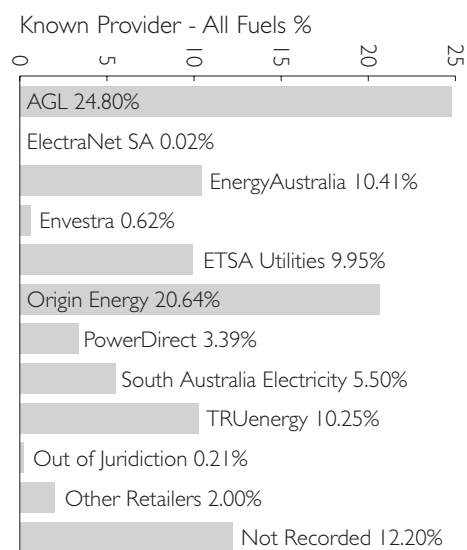
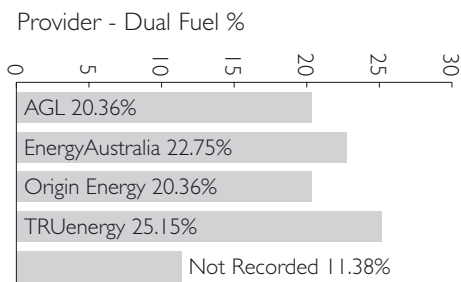
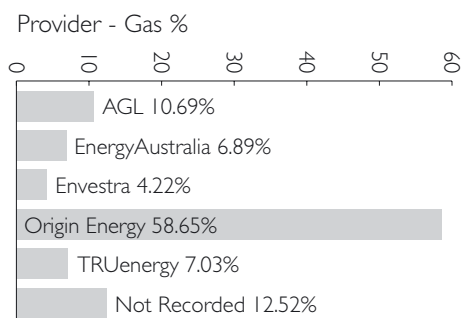
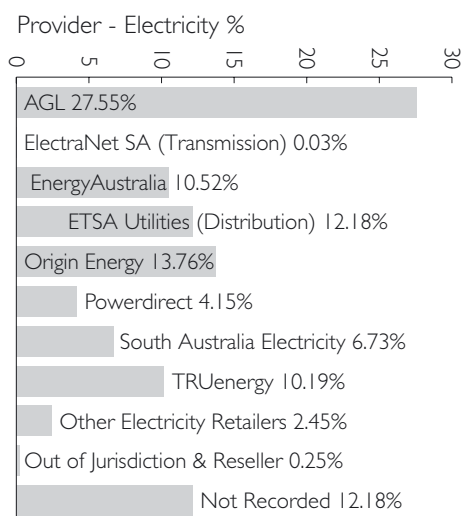
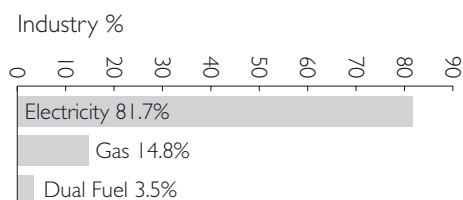
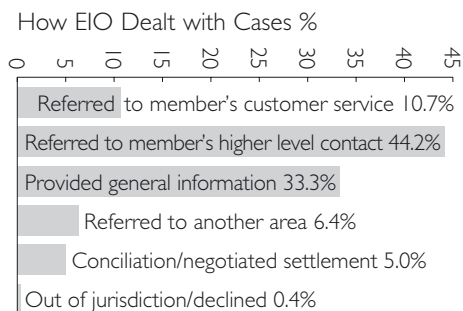
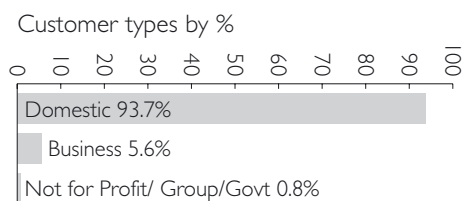
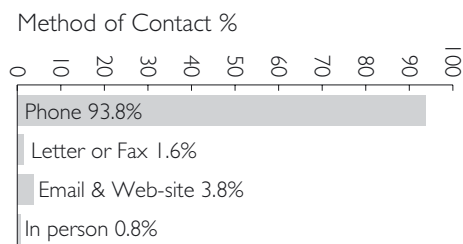
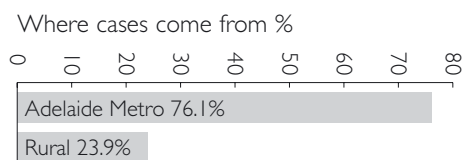
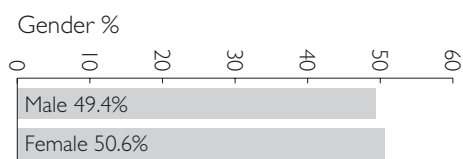


Although the more resource intensive Investigations have continued to increase, the timeframe for finalisation of cases has decreased due to the increase in the number of less complex Enquiry cases.



Contact statistics





Investigation results in large refund

An incorporated sporting club became concerned about high electricity bills. On behalf of the club Mr F had contacted the club's electricity retailer about the bills and was advised that a faulty time switch on the 2-rate meter (off-peak and peak) had caused all the electricity usage to be recorded and billed at the peak rate, instead of off-peak usage being recorded and billed at the cheaper off-peak rate.

The club had then written to the retailer detailing past usage and asking for the paid bills to be re-calculated and as there had been no response for over 5 weeks Mr F contacted this office.

EIOSA carried out a detailed review of the club's usage pattern over several years in order to identify the commencement of the time switch fault to enable billing adjustments to be made. This review resulted in the retailer making billing adjustments going back more than 5 years and providing the club with a refund of \$14,500.

Incorrect meter details leads to wrong bills and disconnection

In October 2006 Ms O returned home to find that her electricity had been disconnected. She remained without power for 30 hours which resulted in the food in the fridge and freezer being spoilt.

The electricity distributor, which carries out disconnections on advice from retailers, had left a card in the letterbox. When Ms O contacted them she found that the disconnection had been requested by a retailer she was not contracted to.

Ms O contacted her retailer and was advised that the National Meter Identifier (NMI) number and the meter number on the card left by the distributor did not match their records for Ms O's property. At this stage Ms O contacted EIOSA as she felt that no one was taking responsibility for what had happened or to clarify the situation with regard to her meter details.

EIOSA's investigation commenced by contacting the National Energy Market Management Company (NEMMCO) to clarify the metering issues. NEMMCO independently operates and administers the wholesale electricity market and manages the Market and Transfer Solution System (MSATS) which assigns a NMI and the appropriate meter number/s for each supply address in the National Electricity Market. The NMI number is used by all electricity retailers to initiate transfers from one retailer to another requested by consumers.

The information obtained from NEMMCO identified that the NMI and meter number details on MSATS for Ms O's address were incorrect and were in fact her neighbour's supply address. It seems likely that this mistake occurred at the time the property was subdivided in 2002.

Over a period of four years or so this incorrect information resulted in three electricity retailers billing Ms O for usage at a different address and the disconnection in October 2006 as it was Ms O's neighbours who had requested a final reading because they were moving.

As a result of this complex investigation and EIOSA's negotiations with the three retailers Ms O's details on MSATS were corrected, the incorrect payments credited and correct bills issued, bills totalling \$770 were written off and Ms O was reimbursed \$400 for the spoilt food.

Direct debit for a large bill causes problems

Mr J runs a small business and uses his credit card to pay his bills, including his suppliers, by direct debit. This form of payment enables Mr J to obtain monthly discounts from his suppliers. When Mr J attempted to use his credit card for a long weekend holiday the transaction was refused. After making enquiries with his bank Mr J learnt that his electricity retailer had debited his credit card with a \$9,500 bill. The retailer explained to Mr J that they had incorrectly billed him for several years and that the \$9,500 represented a billing adjustment as well as his current bill.

On the grounds that he had not received any prior notification of this debt Mr J requested that the retailer reverse the credit transaction and that he be properly informed of the incorrect billing details. When after two weeks and many phone calls to the retailer he had still not received a refund he contacted EIOSA.

As part of EIOSA's investigation process the retailer refunded Mr J's account with the \$9,500. EIOSA's investigation found that although Mr J had been billed incorrectly for some years the retailer had breached the Energy Retail Code which limits, in the case of retailer and/or distributor undercharging errors, recovery of under billing to twelve months from the date of the last meter reading. In addition, the Code requires that in such cases customers must be offered time to pay up to 12 months.

As a result of these errors the retailer took the following action:

- > Amended Mr J's bills to reflect 12 months undercharging.
- > Reimbursed Mr J for the cost of the bank and accountant fees, time lost in dealing with this issue and having to cancel his holiday.
- > Reimbursed the loss of discounts from Mr J's suppliers and wrote to the suppliers explaining the situation.
- > Issued a communication to their billing staff reinforcing the undercharging regulatory requirements.
- > Issued a letter of apology to Mr J.

The total value of the monetary compensation was \$4,200.

Inadequate response to high bill complaint

Mr T's daughter had received several high electricity bills with the latest bill being \$852 for 49 days. As the charges on her bills continued to increase she became more careful with her usage and she was so concerned that she had started cooking on the BBQ rather than use the stove. Mr T and his daughter had contacted the retailer on a few occasions to query the bills. The retailer had the meter tested and informed Mr T that the bills were correct.

Mr T contacted EIOSA and advised that he had arranged for an electrician to visit his daughter's premises to check for any faulty appliances and was told that the appliances were operating accurately and that the electrician couldn't account for the high usage. They were monitoring their usage closely, obtaining their own readings twice a day, and making every effort to determine how they were using this amount.

The appropriate authorisation was obtained from the daughter for Mr T to act on her behalf. Following referral by EIOSA, the retailer contacted Mr T and after investigation found there had been an overcharge of 10,000 kWhs. The retailer had arranged for the old meter to be replaced by a current model to prevent any re-occurrence of this error and amended the bills over the total eight-month period Mr T's daughter had been residing in the premise. This action reduced the total outstanding by \$1750.

Mr T expressed considerable frustration at the level of service received from the retailer as he felt that if the retailer had properly reviewed the billing at the time his daughter had originally made contact it would have saved considerable stress for his daughter and inconvenience to his wife and himself. Mr T had travelled over 100kms and made numerous telephone calls in trying to have the matter sorted.

In recognition of the inconvenience to Mr T and his daughter, the retailer provided a customer service gesture of \$320 and met the costs incurred for the electrician and the meter test.

Financial statements

Income statement for the year ended 30 June 2007

	2007 \$	2006 \$
Revenues from ordinary activities	844,242	876,204
Expenses from ordinary activities	920,173	872,784
Operating surplus/(deficit)	(75,931)	3,420
Accumulated surplus at the beginning of the financial year	354,130	350,710
Accumulated surplus at the end of the financial year	\$278,199	\$354,130

Cash flow statement for the year ended 30 June 2007

	2007 \$	2006 \$
Cash flows from operating activities		
Payments received from members	849,715	1,017,887
Interest received	19,692	20,695
Payments to suppliers and employees	(900,880)	(939,486)
Net cash flows from operating activities	(31,473)	99,096
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,758)	(7,295)
Proceeds on sale of plant and equipment	-	30
Net cash flows from investing activities	(57,758)	(7,265)
Net increase/(decrease) in cash held	(89,231)	91,831
Cash at beginning of year	411,275	319,444
Cash at end of year	\$322,044	\$411,275

Balance sheet as at 30 June 2007

	2007 \$	2006 \$
Current assets		
Cash and cash equivalents	322,044	411,275
Trade and other receivables	15,005	15,219
Other	101,903	69,911
Total current assets	438,952	496,405
Non current assets		
Property, plant and equipment	126,510	94,399
Rent Bond receivable	17,100	17,100
Total non current assets	143,610	111,499
Total assets	582,562	607,904
Current liabilities		
Trade and other payables	10,174	8,818
Provisions	256,545	213,790
Other	37,644	31,165
Total current liabilities	304,363	253,773
Total liabilities	304,363	253,773
Net assets	\$278,199	\$354,130
Equity		
Accumulated surplus	278,199	354,130
Total equity	\$278,199	\$354,130

Company accountants
EdwardsMarshall
Company auditors
PricewaterhouseCoopers

