

The role of the Energy Ombudsman and the proposed Water Ombudsman

**ERA Water Regulatory Managers Forum
26 March 2009**

Chris Field, Energy Ombudsman



energy ombudsman
WESTERN AUSTRALIA

Overview of Presentation

- The role of the Energy Ombudsman
 - History
 - Why did WA adopt an Industry Ombudsman model?
 - Structure and Governance
 - Principles
 - Operation

Overview of Presentation (cont'd)

- The role of the Energy Ombudsman (cont'd)
 - Jurisdiction
 - Statistics 2007-08
 - Performance 2007-08
 - Industry as stakeholder and shareholder



Overview of Presentation (cont'd)

- Proposed Water Ombudsman
 - Creating an Energy and Water Ombudsman
 - Industry and customer benefits

History of the Energy Ombudsman

- The current scheme began as the Gas Industry Ombudsman on 31 May 2004.
- Following the expansion of the scheme to include electricity members, it became the Energy Ombudsman on 22 September 2005.

Why did WA adopt an Industry Ombudsman model?

- As gas and electricity markets have deregulated across Australia over the last decade, industry Ombudsmen have been seen as a key part of market reform.
- Industry-based Energy (or Energy and Water) Ombudsmen have been created in Victoria, New South Wales, Queensland, Tasmania and South Australia.
- Benefits of industry schemes include their timeliness, cost-effectiveness, specific expertise, and opportunity to integrate additional utilities in the future, such as water.

Structure and Governance of Energy Ombudsman

- The Energy Ombudsman is a company limited by guarantee, governed by the Corporations Law, its Constitution and Charter and relevant regulations.
- Board - Independent Chair, two consumer representatives, two industry representatives.
- The Western Australian Ombudsman undertakes the role of the Energy Ombudsman under a services delivery arrangement with the Board.
- Staff - Director, Energy Ombudsman, Wayne Mann and an additional three FTE equivalents.



Principles

- Similar to nearly every other industry-based dispute resolution scheme (both energy schemes and other schemes) in Australia, the Energy Ombudsman observes the principles set out in the (then) Department of Industry, Science and Tourism Benchmarks for Industry-based Customer Dispute Resolution Schemes.

Principles (cont'd)

- **Accessibility:** The Ombudsman provides a free service to all residential and small business customers.
- **Independence:** The Ombudsman is independent of both consumers and providers.
- **Fairness:** The Ombudsman always observes procedural fairness and decisions are based on transparent criteria.
- **Accountability:** The Ombudsman publically accounts for its performance.

Principles (cont'd)

- **Efficiency:** The Ombudsman provides informal and speedy resolution of disputes.
- **Effectiveness:** The Ombudsman has comprehensive governance arrangements and undertakes reviews of its performance.

Operation

- The Energy Ombudsman receives, investigates and facilitates resolution of disputes from small use customers about their electricity or gas provider.
- Definition of small use customers:
 - Electricity: Uses less than 160 megawatt hours of electricity per annum, approximately \$30,500 per annum.
 - Gas: Uses less than 1 Terajoule of gas per annum, approximately \$8,000 per annum, for example, a small bakery.



Jurisdiction

- We do not investigate cases unless the energy provider has had an opportunity to first resolve the dispute.
- We cannot investigate complaints about:
 - How prices or tariffs are set;
 - Commercial activities that are outside the provider's licence to supply electricity or gas;
 - The content of Government policies;

Jurisdiction (cont'd)

- Complaints which are specifically under consideration by any court or tribunal, or which have been considered by such bodies previously;
- Any matter specifically required by legislation only to be handled by the Economic Regulation Authority or another government authority;
- Events beyond the reasonable control of the provider; and
- Bottled gas.



Statistics 2007-08

- We received 1,093 complaints comprised of:
 - Electricity: 953 complaints (87%)
 - Gas: 140 complaints (13%)
- Major complaint issue is billing:
 - 51% of electricity cases
 - 66% of gas cases

Performance 2007-08

- 96% of electricity complaints were resolved in ten business days.
- 95% of gas complaints were resolved in ten business days.
- These figures represent Australian best practice.

Performance 2007-08 (cont'd)

- A very recent review of the Energy Ombudsman scheme showed that:
 - The Energy Ombudsman meets the previously mentioned industry benchmarks and scheme objectives;
 - Overall, the Energy Ombudsman is operating at a very high level;
 - 100% of Members considered the scheme was a good way to resolve complaints, procedurally fair and that processes are confidential; and
 - Over 90% of Members considered that they have very positive relationships with the Energy Ombudsman's office.



Industry as shareholder and stakeholder

- Industry are the shareholder members of the scheme – they own the scheme and properly have considerable input into its governance.
- We maintain excellent working relationships with our Members, both operational staff and senior management.
- We undertake ongoing consultation and contact with Members.

Proposed Water Ombudsman

- As part of a broader legislative package, Government is considering the establishment of a Water Ombudsman.
- The existing Energy Ombudsman scheme could be extended to form an Energy and Water Ombudsman in WA.

Benefits of an Energy and Water Ombudsman

- There are several benefits to an Energy and Water Ombudsman scheme:
 - **Community acceptance:** An Energy and Water Ombudsman is independent of the Government of the day, consumers and providers, and has the credibility, standing and acceptance among the community that comes from that independence.
 - **One-stop shop:** An Energy and Water Ombudsman provides a one-stop shop for consumers of essential utility services who have not been able to resolve a dispute with their service provider.



Benefits of an Energy and Water Ombudsman (cont'd)

- **Cost-effectiveness:** While Industry Ombudsman schemes are generally recognised to be a necessary cost, that does not mean they should not be provided at least cost. The Energy Ombudsman scheme is committed to providing the lowest cost independent dispute resolution scheme it can to its Members. Indeed, existing Members benefit from very considerable scale and scope efficiencies from the placement of the Energy Ombudsman scheme in the office of the Western Australian Ombudsman, as would new Water Members.



Benefits of an Energy and Water Ombudsman (cont'd)

- **Timeliness:** An Energy and Water Ombudsman would resolve disputes extremely quickly, informally and generally without the need for recourse to determination. Indeed, on this last point, I have now occupied the position of Energy Ombudsman for two years and despite my power to make a binding decision against an industry member, I have not had to do so once.

Benefits of an Energy and Water Ombudsman (cont'd)

- **Accountability:** An Energy and Water Ombudsman should be, and is, accountable to its Members and the Regulator.
- **National consistency:** Energy and Water Ombudsman schemes have already been created in Victoria and New South Wales.