



Energy and Water Ombudsman (Victoria)

Resolving your electricity, gas & water complaints. Independently.

Information Sheet for Electricity Customers using 40 – 160 MWh/ year (an annual bill of between \$5,000 and \$20,000)

Choosing an electricity retailer ... think first, sign second

The Energy and Water Ombudsman (Victoria) (EWOV) has a unique complaints investigation and resolution role within the Victorian electricity industry. Daily, the EWOV's Conciliators receive, investigate and facilitate the resolution of customer complaints about many aspects of their electricity supply – billing, credit and payment services, disconnection and refundable advances, provision, supply of energy (or the failure to do so, as the case may be) and land matters (including tree clearing).

By mid-July 2001, the EWOV had received approximately 400 enquiries and investigated about 130 cases from medium and large electricity customers. We have heard first-hand about the things that customers are finding easy, problematic, confusing, frustrating and/or difficult to resolve. This is valuable, practical, real life market information that has been used by the EWOV to advise regulatory bodies. In compiling this fact sheet, our aim is to give customers and other stakeholders access to this information, and to complement information available through other sources, such as the Office of the Regulator-General (ORG).

Who can choose their electricity retailer and when?

Since 1995, increasing numbers of Victorian electricity customers have been able to choose their electricity retailer, on the basis of how much electricity they use. Up to December 2000, choice of electricity was available to large customers with annual bills of over \$20,000. Since January 2001, that choice has been extended to small - medium sized

businesses (eg. smaller supermarkets, restaurants and larger fast food outlets, small manufacturers, convenience stores, large or intensive farms), that use between 40 and 160 megawatt hours of electricity per year (40 - 160 MWh/yr). As a guide, that's an annual electricity bill of about \$5,000 - \$20,000. Some large households may also be included in this category. Once you have choice of retailer, you are called a "contestable" customer.

This fact sheet is written to help you prepare for choosing an electricity retailer and alert you to some things you should think about in making that choice. You should also consult the information on the website of the ORG that has been written for 40-160MWh/yr customers - http://www.reggen.vic.gov.au/elec_27k.htm. If you have any specific questions, you may also use the ORG's Customer Information Line - 1300 134 575.

Early in 2002, choice of retailer will be extended to all remaining electricity customers - small businesses and households. If this is you, you don't need to do anything, yet. The ORG will alert you to your options closer to the end of 2001. In the meantime, be wary of signing up to an electricity or combined electricity/gas deal too early, as it may lock you in and prevent you taking up a better deal when you are able to choose your retailer.

A complaints perspective

Contestable customers have had high expectations of lower prices, as well as good, innovative customer service. Some customers have found that electricity retailers did not anticipate these expectations and ensure that they could be met. The complaints to the EWOV have variously been about poor communication between retailers and distributors, meter

installation delays, communication system failures, delays in notification to VPX/NEMMCO, delays in information provision by the previous retailer, customers not understanding the contract they signed and customers having difficulty comparing offers when retailers applied different tariffs and bundled some charges together.

In addition to the specific areas of complaint addressed below, contestable customers contacting the EWOV have generally complained about poor customer service, particularly on the part of their new retailer, and their own frustration at not being able to negotiate a satisfactory outcome when the dispute arose.

Billing - contestable customers have complained about:

- Bills being delayed for some months
- Prices agreed in the contract not being delivered
- Bills with errors
- Multiple bills covering a range of periods
- Additional fees not specified in the contract (eg. charges for payment by credit card)
- Misleading advice being provided in contract negotiations
- Difficulty getting explanations of bills, including no follow up to their letters and phone calls.
- Difficulty in obtaining account adjustments and adequate information.

A business customer was told by his electricity retailer that future credit card payments of electricity bills would attract a 2.5% fee to cover the retailer's costs. The customer didn't consider

this fair as there was no mention of the fee in the contract he had signed and the fee was not discussed during contract negotiations. The customer also had concerns about the company's billing systems. He had received multiple bills covering a range of periods, such that he was not able to work out the exact position of his account. The EWOV contacted the customer's retailer about its credit card policy and the customer's billing history, provided the customer with information on relevant industry regulations and sought an opinion from the Office of the Regulator-General. The matter was resolved when the retailer agreed to waive the credit card payment fee and provided the customer with a detailed explanation of his accounts.

After signing a contract with a new retailer, a business customer found he was unable to obtain billing information. Then, the bills he did receive showed a higher tariff than he had agreed with the retailer. He queried the two bills he had received since neither contained any meter number or information about actual meter readings or usage. He asked both his new and former retailers for this information, but still could not get it. There was also a delay in transferring his account over from the old retailer. Each retailer blamed the other for the delay in the completion of the necessary paperwork. The customer was also told he would require a new meter installed at his own expense. Although he thought he should have been told about the meter before the contract negotiations were concluded, he agreed to cover the cost of the meter. The EWOV contacted the customer's new retailer and obtained the customer's billing details. Although the customer was still not satisfied that his new retailer had fully or clearly explained its actions with regard to his electricity account, in the interests of resolving the matter, he accepted the new retailer's offer to waive the full amount of the queried account balance, a sum of \$931.69.

A customer signed a new three year retail contract. His business then moved to new premises outside the original distribution area. In preparation for the move, the retailer and the customer signed a document that would ensure the retail agreement would continue. After the

move, the customer rang the retailer asking where his bills were. The retailer told him that it could not issue an account until the new distributor provided the customer's new customer number. The customer said he had twice completed and returned the required paperwork for this to the distributor. The retailer said the customer had not included the required National Metering Identifier number (NMI) and blamed the distributor for taking so long to provide the customer with the appropriate information. The customer received a bill from the new distributor that was four times his expected bill. He did not understand why it came from the distributor. The retailer said it was because of the delay in the transfer process and was beyond its reasonable control. The EWOV's investigation is continuing.

Contracts - contestable customers have complained about:

- Attempts to lock them into extra years in contracts, when these were options
- Contract terms not matching those of the accepted offer
- Significant delays in the customer transfer process and therefore the actual start date of their new contracts

A 750MWh/yr customer negotiated a new two year contract with the retail arm of its host distribution company. The customer signed on the understanding that the contract was for an initial two years, with an option for a further two years. At the end of the first two years, dissatisfied with the customer service provided by the retailer, the customer decided to enter a contract with another retailer. She advised her retailer that she did not wish to exercise the two-year option. The retailer stated that the contract the customer signed was for the full four years so the customer was bound by it for a further two years. The customer argued that because the contract terms did not match those of the offer she accepted, she should be released from the contract. The retailer refused. The EWOV sought independent legal advice on the contract. The advice was that the contract did differ from the accepted offer and therefore the retailer was not acting reasonably in seeking to

bind the customer. After the EWOV discussed the advice with the retailer, as a gesture of goodwill, the retailer agreed not to oppose the customer's decision to change retailer.

A 160MWh/yr customer signed a three year contract with a new retailer. This was the customer's second contestable contract, the first being a two year contract that ended in June 2000. Although the date his new contract was due to commence was 1 July 2000, in October 2000 the customer received accounts from his former retailer. Because his contract with the former retailer had expired on 30 June 2000, the issued accounts were based on premium rates and the customer calculated that he had been billed \$7,852.34 more than he should have paid under his new contract. At first the customer's new retailer asked the customer to sign a form that would have had the effect of varying the starting date of his new contract. The customer refused. The retailer then made the customer an offer of an ex gratia payment of \$4,876 for the period 1 August 2000 – 6 September 2000, excluding July 2000 because the retailer thought that the customer should have anticipated some delay in the transfer process. The customer did not accept this offer either. He said he had signed the contract in good faith, relied on it and believed it would commence on 1 July 2000 as written. Following the EWOV's investigation, the retailer increased its ex-gratia offer to \$7,852.34, which the customer accepted. In making this offer, the retailer noted that it should have defined "commencement date" more carefully in the customer's contract, for example as "1 July 2000 or when the market transfer is completed, whichever is the later" as other retailers do.

A 160 MWh/yr customer was dissatisfied with the delay in transfer from one retailer to another. The customer was originally with retailer A. On 28 June 2000, he signed a new contract with retailer B who said it would take a maximum of three weeks for his account to be transferred. However, transfer did not take place for some eight weeks. As a result of this delay, the customer claimed to have incurred extra usage charges of \$7,034.00, because he was placed on a default tariff and was exposed to pool prices. In response to his

complaint, retailer B advised him that although the contract was to commence from 6 July 2000, all parties did not sign off until 21 August 2000, and the transfer had been completed on 25 August 2000. Retailer B asked the customer to provide copies of the accounts from retailer A for the transition period. The customer sent the relevant accounts to retailer B, but received no further response. As a result, he contacted the EWOV. From the EWOV's investigation, the transfer delay was substantiated. It was agreed that retailer B would credit the customer with the difference between what he paid between 21 July 2000 and 24 August 2000 to retailer A, and what he would have been paid had he been transferred to retailer B on 21 July 2000. This amounted to \$3,189.95, which the customer accepted.

Supply - contestable customers have complained about:

- Limited or no information about how to proceed with a claim for damage
- Retail contracts containing liability exclusions and lack of clarity about the responsibilities of retailers vs distributors
- Their inability to resolve supply damage claims with either the retailer or the distributor
- Their inability to resolve reliability performance issues with either the retailer or the distributor

A business customer operating a hotel complex contacted the EWOV having had his claim for damage following an alleged outage and power surge rejected by both his retailer and distributor. The customer claimed that other businesses in the area had been affected by the same incident. The distributor, on the other hand, said it had no record of the incident. The retailer delayed resolution of the case by challenging the EWOV's jurisdiction to deal with the matter. Finally, some 12 months after the customer first contacted the EWOV, the distributor provided information to the EWOV that indicated that an event had occurred on the distribution system at the same time as the customer said the damage had occurred to his

appliances. The EWOV sought technical advice and undertook a site inspection, both of which raised questions as to whether the event acknowledged by the distributor could have caused the damage reported by the customer. The EWOV was continuing to investigate this when the customer elected not to proceed with the investigation. In withdrawing the case, the customer noted that had the technical information been provided earlier by the retailer and the distributor, the case would have been resolved much sooner.

Contestability - contestable customers have complained about:

- Not being notified of their contestable status
- Confusing notifications of their contestability status

A manufacturing customer said he was unable to obtain monthly electricity bills despite numerous calls to his retailer. And, as new machinery had been installed at the business premises, he was unable to even estimate how much the bills should be. When the account came, it was much higher than he had expected and it was based on franchise customer rates. When he queried the account with the retailer, he was told that he had not yet signed a contestable contract. Until then, the customer had thought his business was on contestable rates. The customer provided the EWOV with copies of correspondence from the retailer, some of which was confusing. One letter referred to a 'current contestable electricity contract' when in fact there was no such contract. The customer subsequently signed a contract. The retailer made an ex-gratia offer of \$3,500 and provided the customer with a financial reconciliation statement. The customer was satisfied with the retailer's response and indicated that as a result he would be more inclined to stay with the retailer for a further contractual period.

Market conduct - contestable customers have complained about:

- Pressure door to door sales techniques eg. pressure to sign up by a certain date or forego the price deal being offered
- Being pressured to sign a new contract when their existing contract has 12 months to run
- False claims eg. that the retailer has government support and/or that the customer's present retailer has a poor reputation
- Contracts not setting out actual prices eg. quoting only retail usage figures, with little or no reference to network or regulated charges
- No mention of significant metering costs
- Up-front fees eg. some brokers have charged an up-front fee of \$150, refundable if no saving is made within 1 - 3 years of taking supply from a recommended retailer
- Not being able to contact the broker a few months after signing a contract

A customer who operated a café contacted the EWOV via an interpreter. An electricity broker had offered to find him "cheaper electricity" if he paid its fee of \$150. He was encouraged to "get in quick" as the same service would later cost up to \$400. The customer received no service from the broker for almost a year. When he eventually phoned the broker because he had heard nothing, he received very general advice, which he says did not help him select an electricity retailer. He also says that it was his impression that, when he called the broker, he was calling someone's home, not a business. Where (as is this case) a broker is acting independently, rather than as an agent for an EWOV member company, the EWOV is unable to investigate the complaint. With the customer's consent, the EWOV referred the complaint to CBAV (Consumer and Business Affairs Victoria) to investigate whether the broker had breached the Fair Trading Act 1999 (Vic), including whether the broker had engaged in 'misleading or deceptive conduct'.



Energy and Water Ombudsman (Victoria)

Resolving your electricity, gas & water complaints. Independently.

Tips for making the most of electricity competition

Understand what competition is all about

- Read the information on the ORG's website (http://www.reggen.vic.gov.au/elec_27k.htm) and contact the ORG's Customer Information Line (1300 134 575) if you have a question.
- Read any information you have been, or are, sent on choice of electricity retailer.

Prepare

- Know how your business uses electricity. Look at your bills from the last two years. How much do you use? When - peak or offpeak? Are you on a demand tariff? Will your usage continue in this way for the next year or two? What length contract will suit you best?
- Take notice of the matters raised with the EWOV by other customers (see case studies and dot points, above).
- Read the Electricity Retail Code, August 2000 on the ORG's website. It sets out the rights and obligations you have now and will be a good basis for assessing new retailer offers/contracts. Any contract you are offered must be consistent with the minimum standards in this Code. Use it as a guide to your rights and obligations.
- Read the information you are sent from your present retailer.
- See if your industry association or its other members have any advice, or perhaps buying groups.
- Seek professional assistance with selecting a retailer, if you feel this is a good business decision.

Shop around, compare and ask questions

- You will receive an offer from your host retailer, and likely a number of other retailers.

- You can also contact retailers to seek offers. For the list of retailers presently operating in Victoria, see the ORG's website (http://www.reggen.vic.gov.au/elec_27k.htm).
- You may also be contacted by energy brokers, working on behalf of a retailer or working independently.
- Obtain identification details, an office address and accreditation details from anyone making you an offer.
- Look at the 'standard' offers published on the ORG's website. You can choose one of these or negotiate with any retailer for a 'market' package more specific to your needs.
- Ask for clear and specific details in writing of any deal or service you are offered, including the dates by which the services will be provided. This will also help you compare offers. Keep these as a record and to help you enforce your rights if you find you need to.
- Compare the prices per kWh you are being offered, peak and off-peak. Remember cheaper prices may also mean more concessions on your part eg. restricted payment options, charges for extra services.
- You can't choose your distributor, but you should ask about and understand your network tariff, including any demand tariff. You need to make sure you start your contract on the most appropriate network tariff for you.
- If you wish to change retailer now, it is likely that you will need an interval meter. Ask retailers about this and any ongoing costs. Be aware that when all customers become contestable in early 2002, most customers will not need a meter in order to change retailer.
- Ask whether the price you are being quoted means you will be exposed to some level of risk. Ask about VOLL insurance and force majeure insurance.
- Watch for CPI clauses and other 'pass through' clauses.

- If you have special supply needs, consider whether it is better for you to meet these through your retail contract or through a contract directly with your host distribution company. Check whether this will affect the retail price you are being offered.

Before you sign a contract

- Don't be pressured to sign, on the basis of price or otherwise. Consider your options and make sure the deal is right for you.
- If you haven't signed a new contract, you are protected by a deemed contract with your present retailer.
- Don't sign anything you do not understand.
- Beware of signing anything that commits you to unknowns eg. "network tariff charges passed through at cost", with no details of that tariff.
- Make sure the contract reflects the offer you have agreed to. Keep copies of all offers so that you can cross-check.
- Check for any additional charges or conditions, eg a penalty fee for early termination.
- Prices are important, but they are only one aspect of your contract – make sure that you are happy with all the contractual conditions that apply.
- Check the start dates and ensure you know when to expect your first account.
- Check that the contract sets out how disputes (retail and distribution) will be dealt with.

After you sign the contract

- Check your first account carefully against your contract.
- Ring your electricity company straight away if something seems wrong. If the matter is not satisfactorily resolved, ask to speak with a supervisor or manager.

If you cannot resolve the matter with the company directly, you can contact the EWOV.
 Freecall 1800 500 509 Freefax 1800 500 549 Website www.ewov.com.au