



Listen Assist Resolve

8 August 2011

Mr Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

By email: AERInquiry@aer.gov.au

Dear Mr Pattas

Re: AER's Consultation Paper - Connection Charge Guidelines: For Accessing the Electricity Distribution Network

Thank you for the opportunity to provide further comment on the Australian Energy Regulator (AER)'s Consultation Paper - Connection Charge Guidelines: For Accessing the Electricity Distribution Network.

EWOV is an industry-based external dispute resolution scheme providing alternative dispute resolution services to Victorian energy and water consumers by receiving, investigating and facilitating the resolution of complaints. During the 2010-11 financial year EWOV received a total of 64 cases involving new connection charges. Of the cases received, 16 were registered as Assisted Referrals¹, but a further 34 were registered as Unassisted Referrals². Four cases required Investigation by EWOV and two customers contacted EWOV with an Enquiry about this issue.

EWOV's jurisdiction does not extend to investigating customer complaints about contributions to the cost of capital works³. When EWOV receives contact from a customer who is dissatisfied with the price of a new connection, EWOV can only confirm whether the Distribution Company

¹ In these cases, the customer has had only one prior contact with their company or, having had more than one contact, they've chosen to give the company a further opportunity for direct resolution rather than initiating an investigation by EWOV. After providing an overview of the customer's rights and responsibilities, we refer them to a *higher level contact* within their company.

² In these cases, the customer has had no prior contact with their company. After providing an overview of the customer's rights and responsibilities, we refer them to their company's call centre when appropriate.

³ Section 4.2 (f) of EWOV's Charter

has calculated the connection charge in accordance with the methodology set out in the Guideline. Therefore, in making this submission, we base our comments on our case handling experience.

Of the complaints received during the 2010-11 financial year, EWOV found that overwhelmingly complaints involved customers:

- feeling confused about how their quote was calculated
- feeling dissatisfied with the quote provided believing that it was too high
- feeling dissatisfied and confused when a quote changed
- perceiving quotes to be unfair and unreasonable.

9.4 Refunds

Under the AER's Guideline, a customer who originally requests an extension is able to seek a refund if the connection assets they funded cease to be exclusive within seven years⁴. EWOV notes that under current provisions in Victoria, customers are not limited to a refund if another customer connects within seven years⁵. Therefore, EWOV believes that the equivalent provisions should apply under the AER's guidelines.

The AER seeks comments on its preliminary view that a \$500 refund threshold strikes an appropriate balance between a Distribution Company's administrative costs and the materiality of a refund.

EWOV believes that a \$500 refund threshold is a significant administrative cost for a customer to be expected to cover. Currently Victorian consumers who request an extension of assets are not required to reach a threshold in order to receive a refund. EWOV therefore believes that the same level of protection should be provided under the AER Guideline. EWOV notes that administrative costs will, in most cases, ultimately be borne by the end user. By factoring these costs into the overall cost of the project and permitting full refunds as new customers connect, the administrative costs will be shared between the original and subsequent customers. Distribution Companies also have the option to recover administrative costs through the regular tariff review process.

The AER seeks comments and alternative approaches to deal with the costs allocation issues where a Distribution Company provides a network extension on request of a single customer, to a standard greater than that customer requires due to the Distribution Company's network planning process.

⁴ 5.A.E.3(c) (6) of Chapter 5A (page 39 of the AER Guideline).

⁵ Clause 3.4 of the Electricity Industry Guideline Number 14.

EWOV believes that where a customer makes a request for an extension to the network, the customer should not be required to pay more than the lowest costing, technically feasible, solution. Where the Distribution Company seeks to provide an extension to a higher standard than that requested by that customer, so as to meet network planning requirements, the cost allocation for the additional capacity should be borne by the Distribution Company.

Communication with Customers

As highlighted by EWOV cases, customer confusion and concern about the calculation, application and amount of charges can lead to enquires and complaints. Given that customer concerns are generally about the information received and their understanding of this information, EWOV believes that:

- an additional section be included in the Guideline about how a Distribution Company should communicate with its customers will provide significant benefits
- all customer information from Distribution Companies should be transparent and easy to understand.

The Guideline should also provide a standard template document that all Distribution Companies must provide to customers. The document should include an explanation of the calculation, application and amount of charges the business has quoted⁶. EWOV would also support the inclusion of an obligation requiring the Distribution Company to provide clear and detailed written information about the terms and conditions under which a refund will be:

- made to the customers who have historically contributed to an extension
- contributed to by any subsequently customers who connect to the extension.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Belinda Crivelli, Senior Research and Communications Officer, on (03) 9672 4460 or at Belinda.Crivelli@ewov.com.au.

Yours sincerely



Fiona McLeod
Energy and Water Ombudsman (Victoria)

⁶ Similar to the obligations outlined under Clause 3.7.1 of the Electricity Industry Guideline Number 14.