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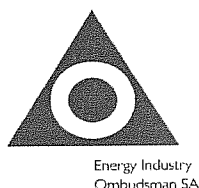
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Ombudsman SA

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10 April 2008

Dear Sir/Madam

SA Retail Review – Response to Issues Paper

The Energy Industry Ombudsman (SA) Limited ("EIOSA") welcomes the opportunity to comment on the Issues Paper "Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in South Australia" dated 14 March 2008.

In this submission the EIOSA addresses matters that are specifically of interest to the EIOSA Scheme. In relation to any other matters, no comment has been made.

EIOSA is an independent Energy Industry Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity or gas.

The areas that we comment on, in relation to the South Australian review on the effectiveness of competition, are as follows:

1. The number and types of competition enquiries arising from full retail competition and how they have been resolved;
2. The level of service customers are enjoying as a result of full retail competition; and
3. Availability of information on market offers, prices and other competition issues.

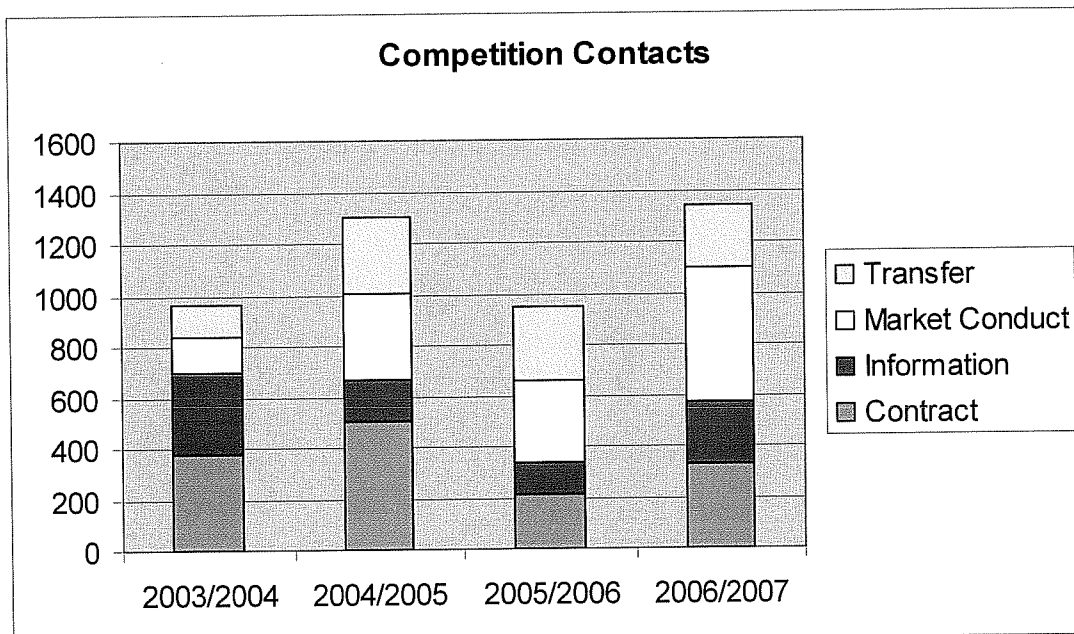
1. Competition Cases

In the financial year 2006/2007 EIOSA handled 4,846 contacts, of which 1,343 were classified as competition cases. The competition cases are the second largest category for enquiries and complaints following billing issues.

Competition cases are further classified as follows:

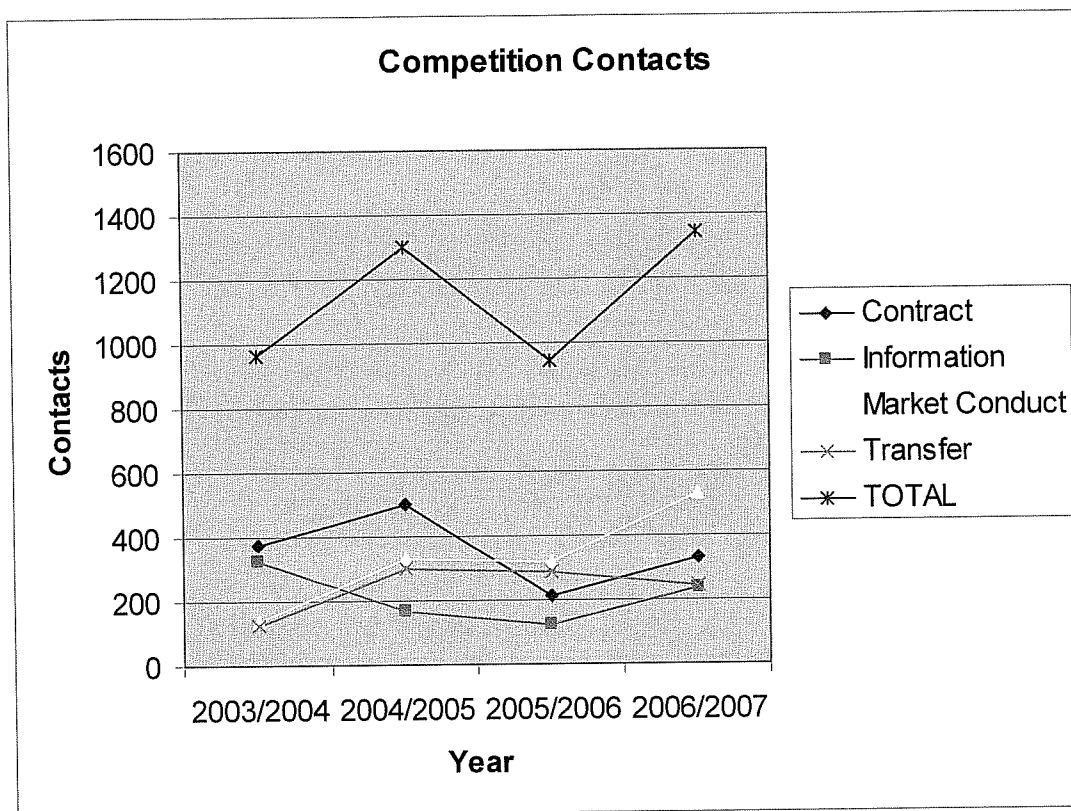
Competition Issue	Sub-issues
Contract	<ul style="list-style-type: none"> • access to contract • ability to compare market contract offers • renewal of fixed term contracts • fairness/conditions of contract • termination including exit fees
Information	<ul style="list-style-type: none"> • inability to compare market offers • who are other retailers • general enquiries eg. retailer contact numbers
Marketing Conduct	<ul style="list-style-type: none"> • misleading conduct • advertising • coercion or pressure to enter into contract • explicit informed consent
Transfer	<ul style="list-style-type: none"> • delays in transferring to new retailer • double bill following transfer • incorrect NMI or MIRN used • no longer wants to transfer

The tables below set out the number of competition contacts handled by this office since statistics for this category commenced in 2003/2004:



Competition Contacts in EIOSA

	2003/2004	2004/2005	2005/2006	2006/2007
Contract	375	502	211	331
Information	322	167	128	238
Market Conduct	139	334	321	531
Transfer	128	297	286	243
TOTAL	964	1,300	946	1,343



EIOSA has handled 825 competition cases in the first three quarters of the financial year 2007/2008 out of a total of 3,638 cases. There does not appear to be a clear upward or downward trend in competition cases, although the number of contacts appears to be directly correlated to the level of retailer activity in the market, such as advertising campaigns or door to door marketing activity.

Our experience has indicated that in many marketing conduct cases we receive there appear to be misunderstandings between the customer and the marketer, for example, where the customer has been offered something additional to enter into a contract, yet it has not translated into the actual contract, and there is no voice recording or other evidence to prove that it was to be part of the contract. In other instances customers did not even realise they were entering into a contract. In many of these cases the claims can not be substantiated, as there generally is lack of evidence on both sides, particularly in the conduct of door to door activities.

However, in our experience, the retailer has generally remedied the situation, usually by allowing the customer to return to their previous retailer without any penalty such as a termination fee. In some cases the retailer has also offered a small payment as 'customer service' gesture to the customer. Additionally, in cases where any misleading conduct or pressure to enter into a contract had been discovered, the retailer in question dismissed the staff involved or changed their marketing channels.

2. Customer Service Levels

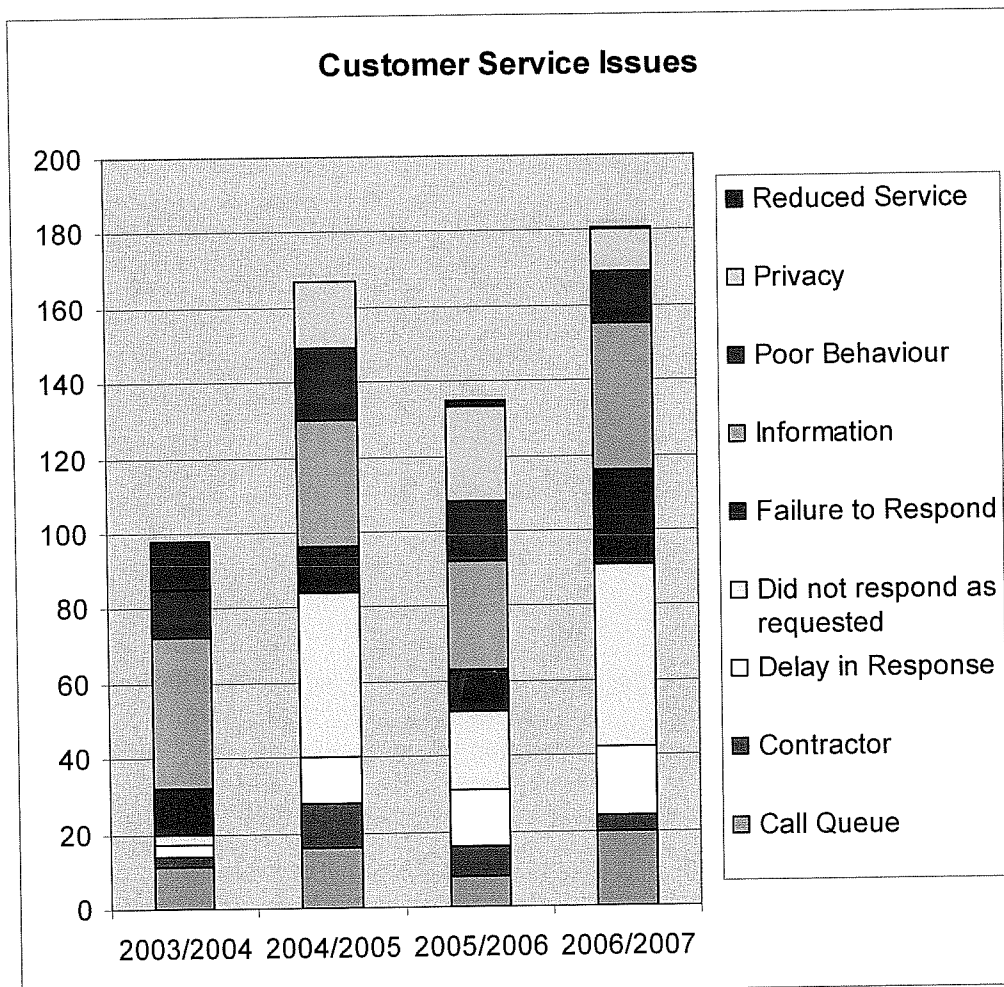
As part of the assessment of effectiveness of FRC, it is our view, that the level of customer service enjoyed by customers as a result of competition should be considered. It is not unreasonable that customers participating in a competitive market should expect to receive a base line level of service regardless of provider. The Essential Services Commission of South Australia (ESCOSA) includes, as part of their regulatory framework the requirement on retailers to report customer service

indicators. Retailers are required to regularly report to ESCOSA their telephone responsiveness to customer calls (the Retail Code target being 85% of calls answered within 30 seconds) and responding to written enquiries (the Retail Code target being 95% of written enquiries answered within 5 business days).

These statistics are published in ESCOSA's Annual Report, and are a clear indication of the level of service delivered to customers.

The majority of cases EIOSA deals with relate to the core services provided by retailers, such as billing, with the customer service issue being only a part of the complaint. For example, the customer may experience delays in resolving issues or has to call a retailer a number of times to get a refund.

The tables below show the numbers of cases EIOSA has dealt with since 2003 where customer service is the primary issue. Our observation is that the basic customer service standards retailers have to comply with have assisted in reducing the number of matters referred to EIOSA that directly relate to access to retailers and response to written enquiries.



Customer Service Contacts in EIOSA

	2003/2004	2004/2005	2005/2006	2006/2007
Call Queue	11	16	8	20
Contractor	3	12	8	4
Delay in Response	3	12	15	18
Did not respond as requested	3	44	21	49
Failure to Respond	12	12	11	25
Information	40	34	29	39
Poor Behaviour	13	19	16	14
Privacy	0	18	25	11
Reduced Service	13	0	2	1
TOTAL	98	167	135	181

YTD to 31 Mar 2008 234 Customer Service cases out of 3,638 contacts received in EIOSA

3. Availability of Information

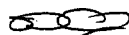
EIOSA receives a number of requests for information from customers, including how to make the decision to select a retailer, how to compare market offers and who are the retailers, as indicated in the Tables on page 2. These enquiries are classified as competition cases (under the 'Information' category).

We often refer customers to the ESCOSA Energy Consumer Tool Kit and Estimator on their website. This is an effective tool for customers to obtain not only price comparisons between different retailers, but also other information on consumer protection issues, and information on competition in the energy market.

No doubt the retailers also receive a number of enquires directly from customers. However, we believe the availability of independent information is important to the customer.

Should you require further information or have any enquiries in relation to this submission, please contact me on (08) 8216 1888 or at sandy.canale@eiosa.com.au.

Yours faithfully



Sandy Canale
Ombudsman