



20/7

9 April 2009

Bronwyn Christie
Electricity Commission
PO Box 10041
Wellington

Dear Bronwyn

SUBMISSION ON PROPOSAL TO APPROVE A JOINT ELECTRICITY AND GAS COMPLAINTS RESOLUTION SCHEME

Thank you for giving us the opportunity to comment on the Proposal to Approve a Joint Electricity and Gas Complaints Resolution Scheme. I am responding on behalf of Energy Direct NZ Limited (EDNZ), formerly a trading division of Wanganui Gas Limited.

We agree with the assessment in the paper that the existing EGCC scheme would be the most appropriate basis for a single nationwide complaints resolution scheme for electricity and gas, but only if all retailers and distributors are members. Without complete membership, complainant and enforcement benefits will not be realised in full, and the costs may outweigh them.

If you would like to discuss our comments further please contact me by email at tara.gannon@energydirectnz.co.nz or by phone on DDI 06 349 2055. Alternatively you can contact our General Manager, Michael Ram, by email at michael.ram@energydirectnz.co.nz or by phone on 06 349 0129.

Yours sincerely

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Energy Trading Manager

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QUESTION	COMMENT
<p>Q1: Do you agree that the EGCC Scheme arrangements represent an appropriate basis for a single nationwide complaints resolution scheme for electricity and gas?</p>	<p>Yes, we agree that using the EGCC scheme is the most practical option. The EGCC scheme already covers the majority of retailers, distributors and complaints and use of this scheme would have the lowest transition impact.</p>
<p>Q2: Do you have particular areas of concern that would lead you to making suggestions for changes to the EGCC Scheme?</p>	<p>Yes, we do have some concerns relating to how the costs associated with complaints are currently recovered. The current operating costs are high, and we would like to see these reduced.</p> <p>Attributing all variable costs (which make up 63% of the total costs to be recovered) to the EGCC member responsible for the complaint does not consistently result in fair outcomes:</p> <ul style="list-style-type: none"> • Member organisations may “give in” to complainant to avoid the expense of the level 1 facilitation, level 2 investigation and level 3 rulings processes, even if they are in the right. • High costs will deter member organisations from referring complaints to the scheme. Even if a claim is ultimately dismissed by the EGCC, it is often more cost effective to settle the claim by compensating the customer before the complaint is passed to the EGCC for consideration. This means that the customer may receive compensation from the retailer where it is not due. <p>We do understand that some variable costs need to lie with the EGCC member that the complaint relates to, to encourage effective internal complaint resolution processes. However, we believe that these costs are currently too high and would prefer for more of these charges to be recovered through the fixed levy.</p>

QUESTION	COMMENT
<p>Q3: Do you agree that approval should be on the basis of an indefinite term, while encouraging cost-effective performance through the independent review process? If not, do you have any additional observations on the merits of a fixed-term?</p>	<p>No, we would prefer a fixed-term appointment. It is very important to ensure that the chosen Complaint Resolution Scheme is efficient and cost effective, and believe that a fixed-term appointment is the best way to achieve this.</p> <p>We appreciate that the Gas Industry Company would prefer to ensure that the Complaint Resolution Scheme is cost effective through an independent review every three years. However, unless full cost and efficiency benchmarking information is available for another complaint resolution scheme within New Zealand which has:</p> <ul style="list-style-type: none"> • A similar volume of complaints; • A similarly sized customer base; • Complaints of the similar nature and complexity; <p>It would be difficult to determine whether the system is truly cost effective.</p>
<p>Q4: Do you agree that the transition to an approved EGCC Scheme should be relatively straight-forward? Do you have any views on how the transition should be managed?</p>	<p>Yes, we agree that the transition should be relatively straight forward, particularly as most complaints are already managed by the EGCC.</p> <p>There could be some issues for complaints in process with complaints schemes other than the EGCC.</p> <p>The paper proposes that complaints in process with other schemes should continue to be handled by those schemes, rather than transferring to the new scheme.</p> <p>We would prefer a guideline for complaints to be transferred to the new scheme at a future date, perhaps a month after the new scheme comes into effect, although individual complaints could be considered on a case by case basis.</p> <p>The reason for this is that complaints can take a long period to resolve, and it would be unfair to expect other providers to continue to provide service for a handful of complaints that are still ongoing several months after another service provider has taken over.</p>

QUESTION	COMMENT
<p>Q5: Do you agree that the Service Provider Regulated Scheme and the Fully Specified Regulated Scheme are the only reasonably practicable options to approving an applicant scheme, which meet the proposed regulatory objective? If not, what other reasonably practicable options exist in your view?</p>	<p>Yes, we agree that the scheme may need to be regulated in some way to ensure that all energy retailers and distributors become members and the requirements of the existing regulations are met.</p> <p>EDNZ is currently a member of the EGCC scheme. We may not continue our membership if we are not required to under regulation.</p>
<p>Q6: Do you agree that the costs and benefits set out in the table are the main costs and benefits that need to be considered? If not, what other costs and benefits would you suggest?</p>	<p>Yes, we agree that the costs stated in 7.4 cover the main costs and benefits associated with the scheme.</p>
<p>Q7: Do you agree that the simple scoring system set out in the table is a reasonable way of comparing costs and benefits across the options?</p>	<p>Yes, while it is not perfect, we agree that the simple scoring system is reasonable.</p> <p>We disagree with some of the scores applied to the costs and benefits, in particular:</p> <ul style="list-style-type: none"> • Set up and transition costs: service provider regulated scheme +3 rather than +2 as the costs as the costs are likely to be closer to those for the fully regulated scheme than for the approved scheme. • Operating costs: service provider regulated scheme +3 rather than +2 as the costs are likely to be higher than those for the approved scheme. • Complainant benefits: approved scheme +2 rather than +3. As membership would not be enforced for retailers and distributors, not all complainants would be able to have their complaints resolved through the scheme.
<p>Q8: Do you agree that the range of weighting of costs and benefits in the table are reasonable? If not what alternative weightings would you suggest?</p>	<p>We agree that the cost weightings and the rationale behind them are reasonable. We would expect operating costs to be at the upper end of their limit and governance costs to be at the lower end.</p>

QUESTION	COMMENT
<p>Q9: Do you agree that the Approved Scheme option (approving the EGCC Scheme is the best of the reasonably practicable options?</p>	<p>Yes, we do, but only if all retailers and distributors become members. If membership is not complete there will not be a significant improvement on the existing arrangements in terms of outcomes for complainants or efficiency of enforcement.</p> <p>Based on the assessment in the paper the costs may have been understated for the service provider regulated scheme. We believe that the costs should sit more evenly between the approved scheme and fully specified options, rather than just above the approved scheme option.</p>
<p>Q10: Do you agree that the Approved Scheme option (approving the EGCC Scheme) would yield overall benefits that are reasonably material and that these benefits would outweigh the slight increase in overall costs that could be expected relative to the Status Quo?</p>	<p>If all parties become members, then yes, we believe that the benefits of a single scheme would outweigh the costs.</p> <p>As stated above, the benefits described in the paper will only be achieved if all retailers and distributors become members of the scheme. If they do not, many of the benefits will either be non-existent (complainant benefits for complainants who do not have access to a scheme) or minimal (enforcement benefits if the industry continues to use more than one scheme).</p>

