



Submission on the EC/GIC Consultation Paper: Proposal to Approve a Joint Electricity and Gas Complaints Resolution Scheme – March 2009

20 April 2009
Ministry of Consumer Affairs

<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>The EGCC is supported by MCA as it:</p> <ul style="list-style-type: none">- Is a long standing scheme, having been established in 2002- has demonstrable experience, and a permanent staff base with expertise in legal areas, dispute resolution and technical aspects.- currently enjoys the most widespread membership of any existing electricity and gas complaints scheme- enjoys the support of consumer ombudsman in other sectors, including the Banking Ombudsman, and the Australia New Zealand Ombudsman Association (ANZOA), which provides the EGCC with networking and support opportunities- generally operates according to established best practice, in particular according to the Australian Benchmarks for Industry-Based Customer Dispute Resolution Schemes (which we understand are currently being developed into an ISO Standard).
<p>Q2: Do you have particular areas of concern that would lead to you making suggestions for changes to the EGCC Scheme?</p>	<p>As recommended by the EC and GIC, MCA would like to see the scheme rules amended regarding constitutional changes. MCA considers that it is a significant problem if industry members are able to "capture" the scheme through an effective veto power. In particular, MCA is concerned with a two tiered system whereby a council or body with consumer and industry representation may vote for a constitutional change, but the resolution must then pass through a purely industry-based body. Previous discussions with ombudsman from various sectors have highlighted this as a significant area of concern.</p> <p>MCA notes that the resolution in the Member's Council on April 3 2009 to amend the two tiered system did not pass.</p>
<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?</p>	<p>Yes, MCA strongly supports approval for an indefinite term, provided that an independent review process is in place.</p> <p>It is extremely important that consumers have access to a stable and reliable consumer dispute resolution mechanism. A stable scheme also builds up a recognizable brand to consumers over time. Anecdotal evidence suggests that sector-specific dispute resolution schemes can take some years before consumers are generally aware of them.</p>

	<p>MCA believes that a fixed term can create uncertainty for a scheme wishing to make long-term investments, retain staff etc. A scheme needs incentives to invest in its organizational capacity. It is considered that an effective independent review process is a better mechanism for ensuring an approved scheme continues to perform adequately.</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>There may be some transition issues concerning limitation periods and retroactive application.</p> <p>For instance, there may be an issue with jurisdiction over disputes that arose before a company was a member of the scheme. If complaints are taken from the date that the member was required to join the EGCC, then there may be equity issues – previous members have longer “liability” periods simply because they were members of the EGCC before it was approved.</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>There is also a benefit to the industry, rather than just consumers, of having an independent complaints resolution body. Such a body ultimately improves the public perception of the industry as a whole. Dispute resolution can save individual companies money, as it avoids unnecessary protraction of consumer complaints, or complaints being taken to court. It also helps to resolve systemic issues within the industry.</p> <p>Consumer dispute resolution should be seen by the industry as providing an excellent customer relations tool.</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, as noted the benefits are largely intangible, so the scoring system seems to be a reasonable way of comparing between options.</p> <p>From an industry perspective, companies may only care about the allocation of costs or benefits to them directly, rather than the overall costs and benefits to the economy.</p>
<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>Yes, they appear to be reasonable</p>
<p>Q9: Do you agree that the Approved Scheme option (approving the EGCC) is the best of the reasonably practicable options?</p>	<p>Yes. The EGCC option also benefits from a sense of industry involvement which regulated options can not achieve. International experience suggests compliance is generally best secured when industry is involved and engaged with a scheme.</p> <p>The regulated options may achieve compliance “on paper”, but an industry-based solution is more likely to generate a culture of compliance.</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?

MCA supports one approved scheme. One scheme avoids downwards competitive pressure on costs and standards, and the problem of having a consumer's retailer and distributor members of different schemes.

Multiple schemes do not create competition in the sense that is beneficial to the consumer. A consumer cannot shop between schemes, as their choice is dictated by whichever scheme their retailer (and/or distributor as the case may be) is a member of. Due to this fact, multiple schemes encourage a downwards competitive pressure to save on costs for members, rather than competition to create better service standards for consumer complainants.



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