

Northpower's submission to the Gas Industry Co and the Electricity Commission on the proposal to approve a joint Electricity and gas Complaints resolution Scheme

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The May 2008 GPS on Electricity Governance section 32 sets out the previous Government's expectations on a complaints resolution system.

The Government expects any approved complaints resolution system to include the following features:

an independent, complaints resolution scheme that is consistent with international best practice in the field of consumer complaints resolution systems (for example the Australian Benchmarks for Industry based Consumer Dispute Resolution Schemes which were developed in consultation with the New Zealand Ministry of Consumer Affairs)

a decision-making process and administration of the scheme that is independent of scheme members

membership by all distributors (including Transpower) and retailers

robust internal complaints-handling processes within all member companies

a document that sets out the minimum standards of conduct for scheme members

self-funding by the industry

compensation for consumers where appropriate is practical and resolves disputes quickly and cost-effectively without unduly protracted or costly processes."

Northpower agrees generally with these expectations and that if a compulsory scheme is required the current EGCC scheme used by the vast majority of lines companies is probably the most appropriate vehicle for a single nationwide complaints resolution scheme. The Labour Government's May 2008 GPS, under the current economic and political climate coupled with concerns over the escalating cost of electricity, should be modified to ensure that it is giving value and is efficient in time and cost. The scheme must also be fair and just and consistent with common law.

Northpower does however have serious concerns over the current "cost per resolution" of the current EGCC scheme and the implications of this on fair decision making. These costs could lead to "under duress" based settlement to avoid the costs incurred in obtaining resolution of disputes by the current EGCC.. Northpower wherever it can uses the Small Claims Tribunal to resolve disputes. Northpower finds this a very fair and cost effective method of resolution and quickly sorts out any vexatious claims.

Northpower believes that the current EGCC method of resolution is too legalistic and far more effort should be made in adjudicating claims in a similar manner to the Small Claims Tribunal.

Northpower questions the need for an EGCC scheme when the Small Claims Tribunal, as used by most businesses in New Zealand, is available at very little cost.

The answers to Commissions questions are shown in italics.

Q1: Do you agree that the EGCC Scheme arrangements represent an appropriate basis for a single nationwide complaints resolution scheme for electricity and gas?

Partially Agree The EGCC does represent an appropriate basis for a single nationwide complaints resolution scheme for Electricity and Gas if this is required. . However it does need modification to reduce costs

Q2: Do you have particular areas of concern that would lead you to making suggestions for changes to the EGCC Scheme?

Yes The cost of resolution using the EGCC can amount to many times the amount in dispute. Northpower, when ever it possibly can, uses the Small Claims Tribunal which is quick and cheap and has a high level of acceptance by both parties.

The current EGCC approach is too legalistic. There appears to be a disproportionate amount of effort that goes into each claim and it is this that creates the cost which far outweighs the amount in dispute.

The end result of this is that it is far more cost effective for lines companies to pay up on any dispute that goes deadlock than get EGCC to resolve it. This is effectively blackmail and thus unfair with the potential of payments being made for unjustified or vexatious claims.

The EGCC scheme should be modified to operate in a similar manner to the Small Claims Tribunal with adjudication to keep costs down and get practical commonsense solutions.

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?

No Approval should be on a fixed term so that there is a chance to make major changes should major dissatisfaction occur with the process. During the term there should still be independent review processes to encourage cost effective performance.

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?

Yes The transition to an approved EGCC Scheme should be relatively straight forward.

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?

No. As stated in response to Q2 a low cost scheme similar to the Small Claims Tribunal is an appropriate option. A specialist adjudicator / conciliator with knowledge of the electrical and gas industry could provide appropriate and cost effective resolution to disputes.

Q9: Do you agree that the Approved Scheme option (approving the EGCC Scheme) is the best of the reasonably practicable options

Partially agree. The EGCC scheme needs modification to reduce costs as detailed in answer to Q2

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?

No, Costs are already too high. We have observed that clarification of asset ownership and associated responsibilities (i.e. service lines) at a regulatory level would greatly assist with resolution of many claims – avoiding ongoing need to dispute resolution.