

9 March 2007

Jenny Walton
Electricity Commission
PO Box 10041
Wellington

Dear Jenny

Approval of customer complaints resolution systems

Meridian Energy ("Meridian") appreciates the opportunity to make submissions on the Electricity Commission's ("the Commission") consultation paper 'Approval method for consumer complaints resolution schemes'. Meridian's submission is contained in this letter and the attached appendix.

Consumer Complaints Scheme

Meridian supports the approval of only one Consumer Complaints scheme. Approving more than one scheme will increase the costs and complexities of electricity disputes resolution. Meridian is also unaware of any best practice models for industry based consumer disputes resolution where two schemes are operated in tandem, for example the banking and insurance industries have one ombudsmen.

The policy rationale for an electricity industry consumer complaints scheme is to provide consumers with access to fair, efficient and expedient resolution of disputes by a body with an understanding of a highly complex industry. Approving more than one scheme will not be efficient because it will involve duplication of services which will be both confusing to customers and costly. It would also undermine the equity of all consumers having the same rights of access to the same disputes resolution body. In addition fairness, efficiency, and expediency will be significantly compromised in instances where members of different schemes are involved in a single dispute because it would be difficult to allocate responsibilities and costs of resolving the dispute between schemes. In Meridian's view, protocols between schemes will not be able to deal with such situations without increasing costs, reducing the expediency and compromising the fairness of dispute resolutions when compared to the operation of a single scheme.

Meridian is aware of concerns about the performance of industry dispute resolution services. The Commission's decision about the number of schemes to approve should not be influenced by perceptions of the performance of existing schemes. Performance is a separate issue that can be managed by the Commission's approval process and monitoring.

Meridian acknowledges and supports competition for the provision of disputes resolution services to the industry. Instead of approving multiple schemes and undermining the policy rational the Commission could tender this role for a fixed term just as it does with service provider contracts. This would provide competitive pressure on dispute resolutions service providers to provide quality services and innovate so that the electricity industry consumer complaints scheme is always adopting best practice methods of dispute resolution and meeting the needs of consumers and industry participants.

Australian Benchmarks

Meridian strongly supports the Commission's use of the 'principles' of the Australian Benchmarks as a basis for approving a complaints scheme and the use of the benchmark criteria. However, it is inappropriate to use the achievement standards proposed in the consultation paper because they are too prescriptive and many are not appropriate given the practical realities and costs associated. The benchmark criteria give sufficient guidance to both the Commission and scheme operators about what they must do to be approved, while giving scheme operators the flexibility to innovate and choose the best way to achieve the benchmark criteria. If the Commission is going to use the achievement standards it would be appropriate to develop them with both scheme operators and industry participants to ensure that they are operationally practicable.

Monitoring the performance of the approved consumer complaints scheme

Meridian considers the Commission has a role in monitoring the performance of the consumer complaints scheme. The Australian Benchmarks require decisions to be binding on scheme members but not consumers which could have the consequence that there is an inherent procedural bias. Monitoring the quality, consistency, and precedents of decisions made by a scheme will ensure that this procedural bias does not result in unfair decisions. This check on decision makers is important because unfair decisions will increase the costs to industry participants which are ultimately borne by electricity consumers.

As suggested above, Meridian considers it appropriate that this function is tendered for in a manner similar to the service provider contracts because this would create positive incentives on potential scheme providers for high quality cost competitive disputes resolution services¹.

Meridian is interested to know what the consequences of approval are. Once a scheme is approved does the scheme become a participant under the Electricity Governance Rules? If a consumer makes a complaint that is a breach of the rules will an approved scheme be required to report this to the Commission like all participants? In addition how will the Commission allocate responsibility between itself and the approved scheme for resolving a customer complaint that is a rule breach?

¹ As a benchmark the EGCCC settled 81 investigations out of 166 investigations in 2005-06 with total operating expenses of \$1,689,445, and the average time to close was 160 days. Refer EGCCC Annual Report 06

If you have any questions about this submission please contact Margaret Cooney on 04 382 7530 or at margaret.cooney@meridianenergy.co.nz.

Yours sincerely

A handwritten signature in black ink that reads "Mary Ann Mitchell". The signature is written in a cursive style with a light blue shadow effect behind the text.

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Attachment: Appendix 1 Feedback Form

Appendix 1: Feedback Form

	Question	Response
1	Do you see any problems with the Commission using the Australian Benchmarks to evaluate consumer complaints resolution schemes? If so what evaluation method should the Commission use?	<p>Meridian strongly supports the guiding principles of the Australian Benchmarks for Industry-Based Customer Dispute Resolution Schemes.</p> <p>To evaluate the consumer complaints schemes the Commission should require consumer complaints scheme operators to demonstrate that they fulfil the objectives of each benchmark criteria.</p> <p>In addition Meridian suggests the Commission consider the cost to the industry of any proposed scheme.</p>
2	The suggested level of achievement is to indicate the level at which the Commission believes the benchmark criteria would be met. Is it useful to have a suggested level of achievement for each benchmark criteria?	<p>Meridian does not support the use of achievement standards to evaluate electricity consumer complaints schemes because the standards are highly prescriptive and inflexible. They limit the opportunity for scheme operators to innovate and meet the objective of the benchmark criteria in a way that best meets the needs of consumers and industry participants.</p>
3	<p>The Commission is seeking comments on the individual benchmark criteria and achievement standards detailed in the table attached as Appendix one:</p> <p>a) Identify <u>benchmark criteria</u> that are not suitable for the evaluation of an electricity consumer complaints resolution scheme. If possible, suggest an alternative;</p> <p>b) Identify <u>achievement standards</u> that are not suitable for the</p>	<p>Benchmark Criteria</p> <p>As indicated above Meridian generally supports the benchmark criteria. Below we have detailed our concerns about particular benchmark criteria.</p> <p>Awareness and Promotion</p> <p>1.5 Meridian recommends the wording should be amended to “when a scheme member fails to deal with a complaint”.</p> <p>1.20 Meridian is concerned with this criteria. We consider it more appropriate that the scheme is neutral to legal representation so that regardless of whether there is legal representation the issues raised are fairly considered by an independent experienced decision maker.</p>

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	<p>evaluation of an electricity complaints resolution scheme. If possible, identify an alternative; and</p> <p>c) Should any additional benchmark criteria be inserted? If so, what should the additional benchmark criteria specify, and what would the achievement standard be</p>	<p><i>Independence</i></p> <p>Refer comment below regarding 6.10. about procedural bias and the need for monitoring by the Commission or an industry body.</p> <p><i>Fairness</i></p> <p>3.5 Meridian considers this benchmark should also require decision makers to demonstrate their consideration of submissions.</p> <p><i>Accountability</i></p> <p>4.1 Meridian recommends that written reports to the industry should be issued for both determinations and recommendations. This will allow the industry to improve their practices so that consumer complaints are reduced.</p> <p><i>Efficiency</i></p> <p>5.2 It is important to note that a consumer complaints scheme may be only one option available to our customers. We endeavour to inform customers of the options available to them. Meridian considers it appropriate that a complaints scheme advise customers of all their dispute resolution options in all circumstances.</p> <p><i>Effectiveness</i></p> <p>6.5 Contrary to the Commission's comment under the achievement standard, Meridian considers the Commission has a role in monitoring the effectiveness and quality of decision making by the electricity industry consumer complaints scheme. This monitoring will ensure that schemes operate in a manner which is in the best interests of both consumers and industry participants. Quality decision making is important because it will reduce the costs of complaints to the industry and consumers over time.</p>

	Question	Response
		<p>6.10 Meridian supports this benchmark criteria only where the Commission monitors the quality of decisions made by the complaints scheme or, the decision maker is a panel made up of both industry and consumer representatives.</p> <p>The Australian Benchmarks require decisions to be binding on scheme members but not consumers which could have the consequence that there is an inherent procedural bias. Monitoring the quality, consistency, and precedents of decisions made by a scheme will ensure that this procedural bias does not result in unfair decisions. This check on decision makers is important because unfair decisions will increase the costs to industry participants which are ultimately borne by electricity consumers.</p> <p>Benchmark achievement standards</p> <p>Meridian submits that it is inappropriate to prescribe achievement standards for all benchmark criteria. We recommend the Commission remove all the proposed achievement standards.</p>
4	Should the Commission approve more than one scheme?	<p>Meridian supports the approval of only one Consumer Complaints scheme. The policy rationale for an industry consumer complaints scheme is to provide the public with free access to expedient and fair resolution of their electricity disputes. Meridian is concerned that the Commission is considering approval of more than one scheme. There is significant benefit for the public in dealing with, and knowing that there is, one body equipped to handle electricity related disputes. If more than one scheme exists this value would be undermined because a consumer may have to deal with multiple schemes to resolve one dispute. In addition it is conceivable that schemes would have different approaches to resolving disputes and you could end up with both refusing to take responsibility because they deem the claim to be in the other schemes jurisdiction.</p> <p>Meridian does not think these difficulties could be overcome with information protocols, and that approving more than one scheme fundamentally undermines the policy rationale for the consumer complaints schemes. In the interests of consistency and fairness only one consumer</p>

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		<p>complaints scheme should be approved.</p> <p>This decision to approve one or more scheme should not be influenced by perceptions of performance of the existing schemes. Performance is a separate issue that can be managed by the Commission in the process of making a tradeoff between alternative schemes in the process of approving one scheme, and ongoing monitoring of the scheme once approved.</p>
5	<p>If the Commission were to improve more than one scheme, what should be required of each scheme to ensure that consumer confusion is avoided? Are the achievement standards under criteria 6.2(a) sufficient?</p>	<p>As discussed in our response to question 4, Meridian considers that the confusion resulting from approving more than one scheme can not be overcome.</p> <p>Meridian supports competition for the provision of disputes resolution services to the industry. The Commission could tender this role just as it does with other service provider contracts. This would provide competitive pressure on dispute resolutions service providers to provide quality services and innovate so that the electricity industry consumer complaints scheme is always adopting best practice methods of dispute resolution and meeting the needs of consumers and industry participants.</p>
6	<p>Is it appropriate that the Commission is able to consider applications that do not meet the level of achievement for each benchmark criterion? That is, should the Commission be able to accept alternative evidence that a benchmark principle is met to an acceptable standard even though individual benchmark criteria are not satisfied as specified by the achievement standards?</p>	<p>As stated above in our response to question 2, Meridian does not support the use of achievement standards for the each benchmark criteria.</p> <p>The Commission should approve a customer complaints scheme that is consistent with the principles of the Australian Benchmarks and fulfils the benchmark criteria.</p>
7	<p>Do you have any comments on the performance monitoring process?</p>	<p>Meridian considers the Commission has a role in monitoring the performance of the consumer complaints scheme once approved. Meridian considers it appropriate for the Commission to monitor the quality of decision making and ensure the scheme operates in a manner consistent with the benchmark criteria. Where appropriate the Commission should issue</p>

	Question	Response
		<p>directives to the scheme operator. Monitoring by the Commission will increase confidence that decisions will be made in the best interests of both consumers and industry. This may also resolve concerns of industry participants who have expressed an intention to set up their own independent consumer complaints scheme.</p> <p>As suggested above Meridian considers it appropriate that this function is tendered for in a manner similar to the service provider contracts because this would create positive incentives on potential scheme providers to offer a high quality cost competitive disputes resolution service.</p>