

2 September 2011

Customer engagement
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Thank you for the opportunity to participate in the project *Customer engagement on prices for monopoly services*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

IPART's current approach to customer engagement

EWON has found IPART's current approach to public consultation to be constructive and well organised. While there is always room for further innovation, the level of information provided, the timeframes allowed and the different forms of participation that IPART provides facilitates participation by stakeholders like EWON.

As well as participating in the consultation processes surrounding energy and water pricing reviews we have participated in a number of capacity building exercises where IPART has provided education sessions about regulatory economics. We have found these sessions valuable and would encourage IPART to continue to provide workshops, training and information sessions to stakeholders.

In making Determinations, IPART is required to have regard to the protection of consumers from the abuses of monopoly power in terms of prices, pricing policies and standard of services,¹ IPART will always face challenges consulting with small end customers on complex technical issues. Generally, small customers, consumer representatives and stakeholders like EWON will not have the technical economic expertise to provide detailed arguments on cost inputs, which play such an important role in price determinations. As well, for many stakeholders it is

¹ S 15 (1) (b) of the Independent Pricing and Regulatory Tribunal Act 1992.

appropriate that their primary focus is the outcomes or impacts of IPART's work on their customer group, rather than the technical economic aspects going into the decision-making.

For EWON, as an independent dispute resolution service, it is beyond our remit to participate in, for example, the technical setting of energy or water prices or policy. EWON receives, investigates and facilitates the resolution of residential and small business customer complaints and assists in the avoidance of complaints and disputes. EWON is therefore able to provide comment based on our customer complaint data to assist IPART consider the impact of decisions on small customers.

EWON considers that the economic expertise to ensure the relevance and accuracy of technical arguments put forward by any of the regulated businesses or industry groups should remain with IPART. We have found that the IPART process of preparing a draft report, which considers and accepts or rejects various aspects of the submissions from the regulated businesses, provides us with a reasonable understanding of the complex economics involved. This provides an opportunity to then contribute to the debate in a more informed manner.

Improving customer engagement

The *Cambridge Economic Policy Associates Report*² explores a wide range of customer engagement approaches for regulators and regulated businesses. EWON supports IPART's proposal to consult further with the regulated businesses and other stakeholders on the feasibility of these approaches. EWON sees merit in discussing some of the suggestions such as, but not limited to:

1. *Feasibility of customer engagement by the regulated businesses*
 - a. IPART is required to ensure that there is consideration of social and environmental consequences of determinations.³ If a business provided an initial report on these matters, alongside the economic submission, this may ensure a higher level of input from consumer organisations whose focus is in the social and environmental arena.
 - b. While a process which requires that regulated businesses consult with customers prior to submitting price increase proposals seems

² Regulated Monopoly Service Providers and Customer Views, Preferences and Willingness to Pay, A report for IPART, June 2011

³ S 15 (1) (f) and (k) of the Independent Pricing and Regulatory Tribunal Act 1992

straightforward, the capacity of IPART to formally assess such exercises is important.

2. *Consumer Panels by IPART*

- a. EWON notes that the Australian Energy Regulator has a Consumer Consultative Committee for energy. There may be value in IPART looking at this consumer panel model for engaging with consumers, with specific terms of reference and allocated resources.

3. *Online engagement*

- a. Increasingly the internet is a communication tool for consumers. There may be ways that IPART and the regulated businesses could consult with customers via their websites. Using online tools to complement more traditional consultation approaches may reach a wider audience.

In conclusion, EWON welcomes the consideration of customer engagement strategies for IPART and the regulated businesses. In responding to this consultation we have provided comments based on our own experience of participating in a range of IPART consultations, and do not seek to represent the views of consumer groups. EWON notes that this is an ongoing project and we welcome the opportunity to be further consulted. As the report highlights, the feasibility of the various approaches needs further exploration.

If you would like to discuss this matter further, please contact me or Emma Keene, Manager Policy and Research on 8218 5250.

Yours sincerely



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