

ANNUAL REPORT

**GAS INDUSTRY OMBUDSMAN
(WESTERN AUSTRALIA) LIMITED**

ACN 109 054 426

2004/2005

CHAIRMAN'S OVERVIEW

I have pleasure to present the first Gas Industry Ombudsman (Western Australia) Limited Annual Report.

The Company was registered by the Australian Securities and Investments Commission on 12 May 2004. However, there had been a lengthy period of intense activity which culminated in that event. In May 2001 the Western Australian Minister for Energy announced the establishment of the Gas Retail Deregulation Project (GRDP) to coordinate and oversee the transition of the Western Australian gas retail market to an open market. The GRDP Steering Group subsequently determined that, within an open market, small use customers would not have access to consumer protection mechanisms that they previously had enjoyed, and, after examining the situation elsewhere in Australia, determined that an ombudsman scheme would be necessary for the deregulated gas market.

In March 2002 the GRDP Steering Group endorsed the establishment of a gas industry ombudsman scheme to provide independent dispute resolution for customer complaints concerning services provided by gas suppliers.

The necessary legislation to create the statutory framework for the new scheme was drafted and was introduced into the Western Australian Parliament in June 2003. In addition to creating the framework for the scheme, it provided that all holders of gas distribution or gas trading licences within Western Australia had to be a member of an approved gas industry ombudsman scheme and be bound by determinations and directions of the scheme.

The legislation also amended the *Parliamentary Commissioner Act 1971* to enable the Parliamentary Commissioner for Administrative Investigations (the State Ombudsman) to perform the functions of the Gas Industry Ombudsman.

With the passing of the legislation, action was put in train to create a new "not for profit" public company to be funded by the members of the scheme, to appoint a Board of Directors of the proposed new company, to establish and register the new company under the *Corporations Act 2001*, and to enable the new company to enter into a service agreement with the State Ombudsman to perform the duties of the Gas Industry Ombudsman.

All of this work came to fruition in May 2004. As reported above, the company was registered on 12 May 2004. Then, on Monday, 31 May 2004 the Western Australian Government launched the fully deregulated retail gas market and the Gas Industry Ombudsman Scheme became operational.

The Board

In January 2004 the Office of Energy invited expressions of interest from persons interested in serving on the Board as Directors of the proposed company. Following a competitive selection process, the Minister for Energy - The Hon Eric Ripper MLA - nominated three members of the Board, being myself as the independent chairman, Mr Alex Errington and Ms Ricki Smith, being the two consumer representative Directors. At about the same time, the foundation Members of the Company nominated Mr Donald MacKenzie and Mr Justin Scotchbrook as Directors representing the gas retail and distribution sectors of the industry.

Ms Yasmin Broughton served as Company Secretary during the course of the year and provided excellent service to the Board. I would like to record my appreciation to Alinta Ltd for making her services available. Unfortunately, Yasmin resigned as Company Secretary following the meeting held on 14 June 2005 and Alex Errington was appointed Company Secretary in an interim capacity.

There were seven Board meetings held during the year.

The Company

As part of the preparatory work leading up to the creation of the Company, the GRDP Steering Group endorsed a Constitution, Charter and Service Agreement for the proposed company. Those documents detail the mission, structure and operational framework for the company.

The founding Members of the Company were Alinta Sales Pty Ltd, AlintaGas Networks Pty Ltd and Wesfarmers Kleenheat Pty Ltd.

Subsequently, in January 2005, BRW Power Generation (Esperance) Pty Ltd submitted an application for membership, which was approved by the Board at its meeting held on 8 February 2005.

Customer Complaints

In the course of the year 183 customer complaints were received by the Ombudsman, with 180 being resolved within ten business days and the remainder within 14 days. This very good customer service outcome reflects most favourably on the professional work of the Ombudsman's office and the Members of the scheme.

The Planned Energy Industry Ombudsman Scheme

During the year the Board was briefed on the Western Australian Government's plans to create an Energy Industry Ombudsman Scheme so that a scheme similar to the Gas Industry Ombudsman Scheme could be available to small use customers of a deregulated electricity market. The Board indicated that it was happy to cooperate with the Government's plans, which would mean that the Gas Industry Ombudsman Scheme would be expanded to provide this service as the re-badged Energy Industry Ombudsman Scheme. Consequently, an EIO Working Group with representatives from all interested parties was formed and it developed the new Constitution, Charter and Service Agreement required for the expanded scheme.

It was initially planned that the expanded scheme would commence on 1 July 2005. However, all arrangements could not be put into place by that date, and at 30 June 2005 it was expected that the expanded scheme would commence in August or September 2005. With the approach of the expanded scheme, Justin Scotchbrook submitted his resignation as a Director to make way for an electricity industry representative on the new Board. At its meeting on 14 June 2005 the Board resolved to accept Mr Scotchbrook's resignation effective from the day following the date that the Minister for Energy and the Economic Regulation Authority approved the new scheme.

Appreciation

I would like to record my thanks to my fellow Board Members for their efforts during the formation and the first year of operation of the Company. I would also like to thank the State Ombudsman and her staff for their professionalism and cooperation in making the first year of the scheme as successful as it has been.

The audited financial statements for the Company for 2004/2005, the Auditor's report and the annual report of the Ombudsman follow.

A handwritten signature in black ink, appearing to read 'P. Wilmot', is centered on the page.

Paul Wilmot
CHAIRMAN

**GAS INDUSTRY OMBUDSMAN (WA) LIMITED
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30TH JUNE 2005**

	2005
	\$
INCOME	
Recoupment of Expenditure	185,885
EXPENDITURE	
Accountancy Fees	10,800
Bank Charges	91
Computer Costs	2,830
Dispute / Complaint Costs	103,499
Directors' Fees	22,740
Filing Fees	40
Insurance	10,012
Printing & Stationery	1,424
Superannuation Contributions	26,833
Travelling Expenses	7,616
	185,885
NET LOSS	-

**GAS INDUSTRY OMBUDSMAN (WA) LIMITED
BALANCE SHEET
AS AT 30TH JUNE 2005**

	2005	2004
	\$	\$
CURRENT ASSETS		
Cash assets	986	
Receivables	44	
TOTAL CURRENT ASSETS	1,030	-
TOTAL ASSETS	1,030	-
CURRENT LIABILITIES		
Trade Creditors	1,030	-
TOTAL CURRENT LIABILITIES	1,030	-
TOTAL LIABILITIES	1,030	-
NET ASSETS	-	-
EQUITY		
Accumulated losses	-	-



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West Perth WA 6005

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West Perth WA 6872

Telephone
(08) 9321 2111

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(08) 9321 2050

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shakes@inet.net.au

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
GAS INDUSTRY OMBUDSMAN (WA) LIMITED**

Scope

We have audited the financial report, being a special purpose financial report of Gas Industry Ombudsman (WA) Limited for the year ended 30 June 2005 comprising the Profit & Loss Account, Balance Sheet, and notes to and forming part of the financial report. The company's directors are responsible for the financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of Gas Industry Ombudsman (WA) Limited and are appropriate to meet the needs of the members. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to members. We disclaim any assumption of responsibility for any reliance of this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examinations, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. The financial report is presented fairly in accordance with accounting policies described in Note 1 to the financial statements. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 of the financial statements, the financial position of Gas Industry Ombudsman (WA) Limited as at 30 June 2005 and the results of its operations for the year then ended.

Shakespeare Partners

A handwritten signature in black ink, appearing to read 'SR Thompson', is written over the printed name.

SR Thompson
Partner

5 October 2005

Partners
A Shakespeare CA
S R Thompson CA
L A Meyerowitz CA

ABN 99 850 551 508

Company particulars as at 30 June 2005:

Gas Industry Ombudsman (Western Australia) Limited

ACN 109 054 426

Registered

Address: c/- Kennerlys, Ground Floor 24 Outram Street WEST PERTH WA

Members:

AlintaGas Networks Pty Ltd
Alinta Sales Pty Ltd
BRW Power Generation (Esperance) Pty Ltd
Wesfarmers Kleenheat Gas Pty Ltd

Board:

Paul Wilmot	-	Chairman
Alex Errington	-	Member (Consumer Representative)
Ricki Smith	-	Member (Consumer Representative)
Donald MacKenzie	-	Member (Industry Representative)
Justin Scotchbrook	-	Member (Industry Representative)

Company

Secretary: Alex Errington

Accountants:

Kennerlys, Certified Practising Accountants
PO Box 1125 West Perth WA 6872

Auditor:

Shakespeare Partners, Chartered Accountants
PO Box 1257 West Perth WA 6872

ANNUAL REPORT OF THE

**GAS INDUSTRY
OMBUDSMAN
WESTERN AUSTRALIA**

2004/2005

OUR MISSION

The mission of the GIO(WA) Limited is to receive, investigate and facilitate the resolution of complaints and disputes between consumers of gas services in Western Australia and members of the GIO(WA) Scheme. The mission is founded on principles of independence, natural justice, access, equity, effectiveness and community awareness.

Contact Details

Postal address: GIO Western Australia
PO Box Z5386, St Georges Terrace
PERTH WA 6831

Fax: (08) 9220 7599

Web site: www.ombudsman.wa.gov.au/gas

Telephone: (08) 9220 7588
Freecall 1800 754 004
Interpreter Service – 131 450
National Relay Service - 1800 555 727

Office: GIO Western Australia
12th Floor, 44 St Georges Terrace
Perth WA 6000

Office Hours: Monday to Friday, 8.00 am to 5.00 pm

Gas Industry Ombudsman

WESTERN AUSTRALIA

Free, Independent and Informal Resolution of Complaints about the WA Gas Industry

Mr Paul Wilmot
Chairman
Gas Industry Ombudsman
Western Australia) Limited

Dear Mr Chairman

It is my pleasure to submit my first Annual Report as Gas Industry Ombudsman for the year ended 30 June 2005.

Yours sincerely



Deirdre O'Donnell
Gas Industry Ombudsman
Western Australia

3 November 2005

Table of Contents

Page

Ombudsman's Overview1

Establishment of the Gas Industry Ombudsman Scheme (GIO)1

Role of the GIO2

Complaint Statistics2

Complaint Handling Procedure.....4

Industry Ombudsman Benchmarks7

Liaison8

Australian and New Zealand Energy and Water Ombudsman Network (ANZEWO)9

Staff9

Training and Development..... 10

Record keeping 10

Ombudsman's overview

In this inaugural Annual Report of the Gas Industry Ombudsman (GIO) for Western Australia, I am pleased to report on a successful first year of operations.

The GIO exists first and foremost for consumers of gas services, providing them with an independent avenue which will receive their complaints and, to the extent possible, resolve them. For the complainant, access to the GIO must be as simple and straightforward as possible, and resolution of their concerns must be as informal and speedy as practicable. We have developed procedures designed to ensure that this occurs, and the fact that of the 183 complaints we received during the year, 180 were resolved within ten business days, is an important achievement.

It is also important that the GIO works well with industry Members. Complaints provide a useful source of intelligence to companies about their business processes, customer service and overall communication with consumers, and complaints that come to the GIO as an office of last resort provide an important and independent channel of feedback for Members. As well, the Ombudsman can provide practical advice and assistance to Members in relation to their complaint handling processes. Based on the statistics for this year, I am pleased to recognise the responsiveness of industry Members to concerns raised by the GIO, and to acknowledge that the high percentage of matters resolved within ten business days reflects well on their internal processes.

The GIO also maintains an important relationship with the industry regulator, the Economic Regulation Authority (ERA). A memorandum of understanding is in place which sets out our agreement to meet at least quarterly to discuss matters relevant to the operation of the GIO. As Ombudsman I am an observer at meetings of the ERA Consumer Consultative Committee, and provide a report to that Committee.

Finally, the Board of the GIO provides the governance structure that ensures the independence of the Ombudsman and the good governance of the GIO Scheme. I would like to thank the Board Chair and Board Members for their support in our first year of operations.

Establishment of the Gas Industry Ombudsman

Western Australia's Gas Industry Ombudsman Scheme was established on 31 May 2004 and I commenced as the inaugural Gas Industry Ombudsman from that date.

My serving as GIO is in addition to and separate from my role of Parliamentary Commissioner for Administrative Investigations (State Ombudsman). In 2003 the *Parliamentary Commissioner Act 1971* was amended to enable me to enter into an agreement with the governing body of the Gas Industry Ombudsman Scheme (GIO Scheme) to serve as the GIO and to allow the staff of my Office to assist me in that role. I have entered into such an agreement on a cost recovery basis. The costs of the GIO are paid for by the governing body. The costs are ultimately met by the members of the GIO Scheme, that is, the gas companies.

Role of the GIO

Under its Charter, the GIO receives, investigates and deals with the resolution of complaints and disputes from residential and small business customers about their gas company, including:

- complaints concerning the provision or supply of (or the failure to provide or supply) gas services by a gas company to a customer;
- billing disputes;
- the administration of credit and payment services for a particular customer;
- disconnection, restriction of supply and refundable advance complaints; and
- complaints from owners and occupiers of land or other property about the way in which a gas company has exercised its statutory powers in relation to that land or other property or in relation to neighbouring land or other property.

Complaint Statistics

During the period 1 July 2004 to 30 June 2005, the GIO received 183 complaints. Of these, 180 (or 98%) were resolved within ten business days without the need for investigation. The remaining three matters that progressed to investigation were resolved within 14 days of the investigation having commenced. Of these three matters, one was not proceeded with and two were resolved within 14 days of the relevant investigation having commenced.

Figure 1 below shows the number of complaints received and resolved in 2004/2005 by month.

Figure 1.

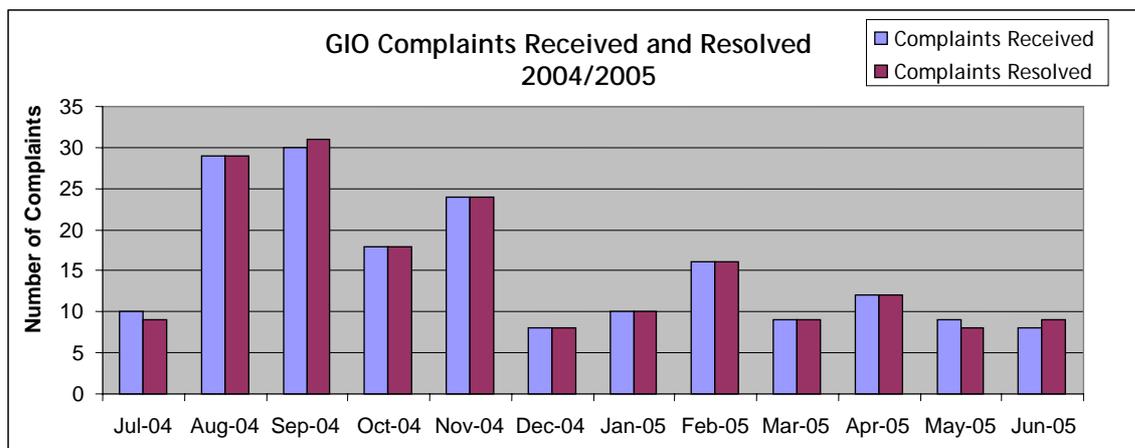
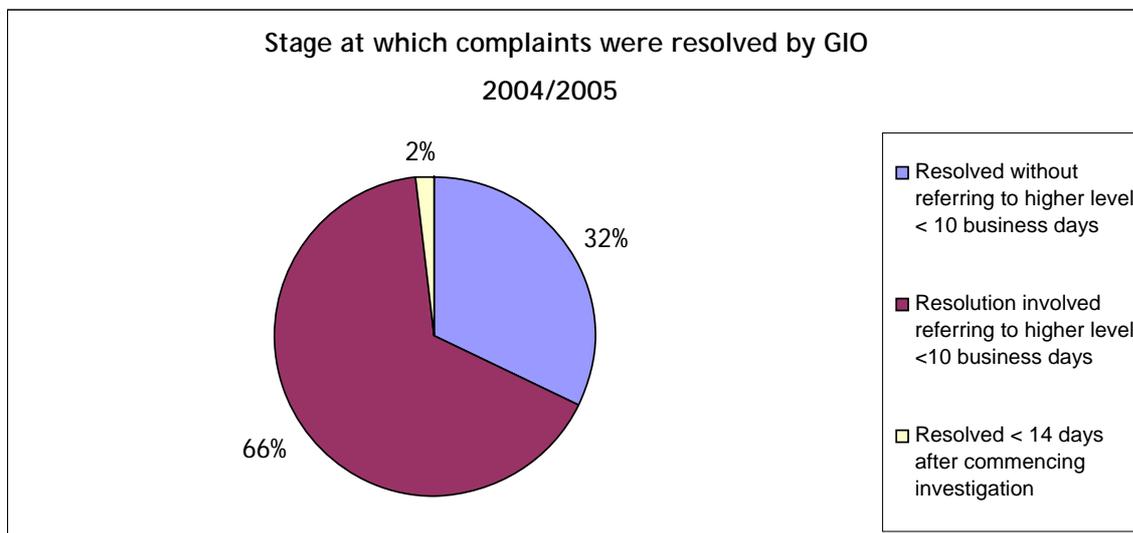


Figure 2 shows at what stage complaints were resolved by the GIO in 2004/2005.

Figure 2.



Note: If complainants have already complained to their energy supplier when they complain to the GIO we refer them to a higher level contact within the supply company.

Figure 3 shows the percentage of complaints received for 2004/2005 by issue. Billing issues were the most prevalent, accounting for 73 per cent of complaints received, followed by customer service issues with 13 per cent.

Figure 3.

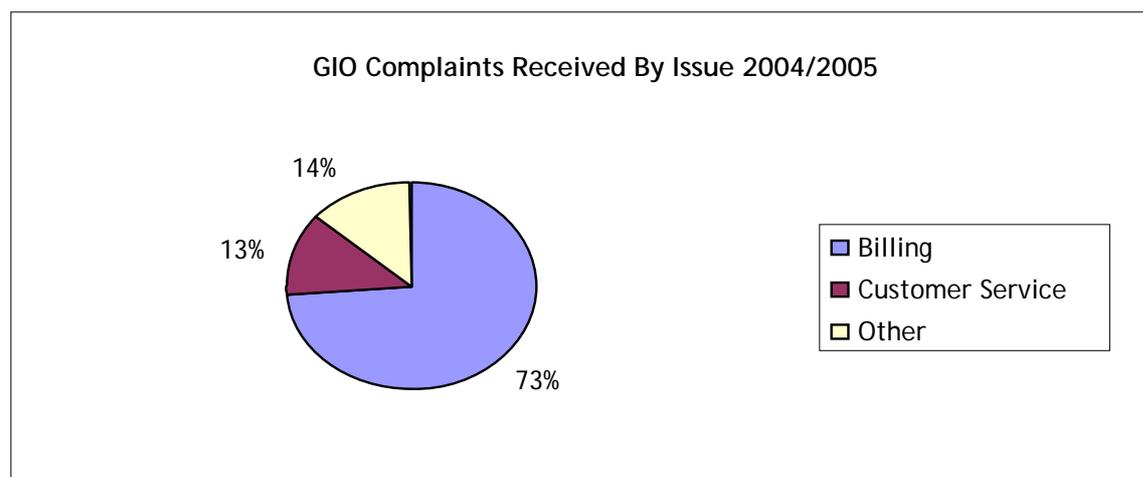
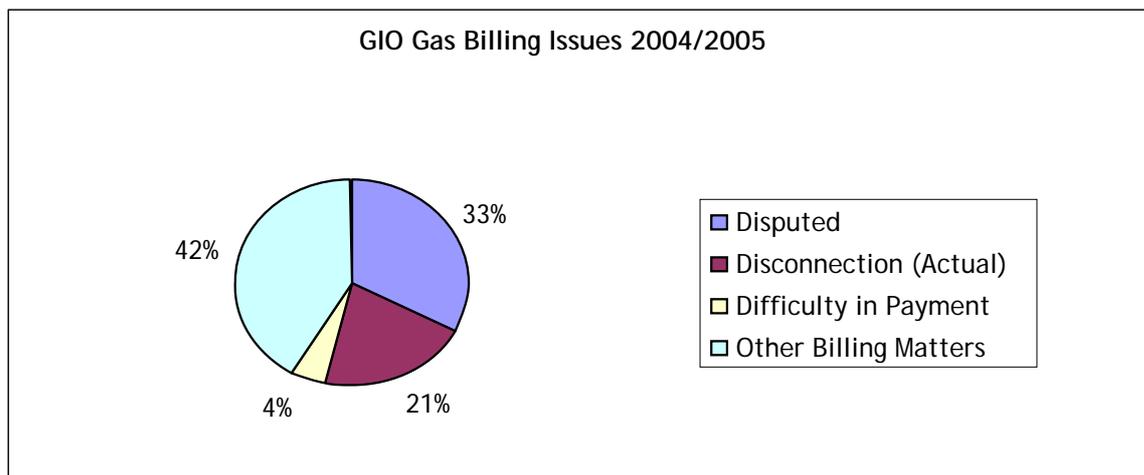


Figure 4 shows the sub-categories of billing issues for 2004/2005 by percentage. Disputed bills accounted for 33 per cent of complaints about billing, and a further 21 per cent involved actual disconnection.

Figure 4.



Case Study 1: Obtaining a refund

A customer complained that after he had notified his gas provider that he was moving to a new address in December 2004, a new account was sent to him showing he was in credit. The customer contacted his provider in December 2004 and also in January and February 2005, and wrote to his provider in March 2005 to obtain a refund, but received nothing.

After he approached the GIO, the provider posted a refund check to the customer four days later.

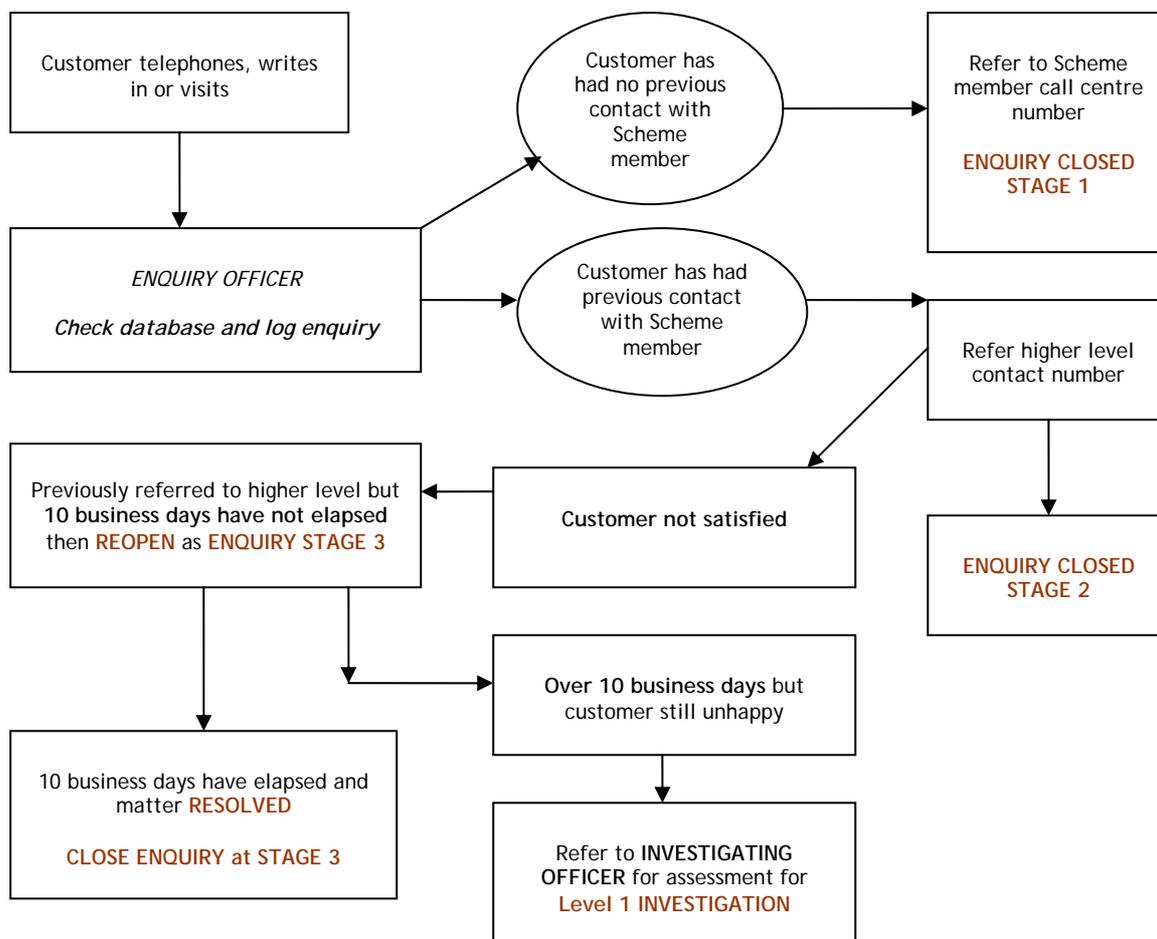
Complaint Handling Procedure

We have developed a schematic outline of our internal procedures to assist consumers and GIO Scheme Members understand the process we follow when a consumer brings a matter to us. This information is provided in our information brochure and on our website.

- Firstly, we ensure the GIO has the power to deal with a complaint.
- Then the relevant gas company is given 10 business days to consider the matter if this has not already occurred. We expect many complaints to be resolved at this initial stage.
- If we commence an investigation, the gas company must supply all relevant documentation to us within 28 days of being notified of our investigation.
- We expect most investigations will be completed quickly, but if a problem is complex, resolution may take longer.
- Our aim is to resolve all complaints within 90 days.

Charts 1 and 2 which follow show our processes for Enquiry and Investigation of Complaints.

Chart 1 - Enquiry Process

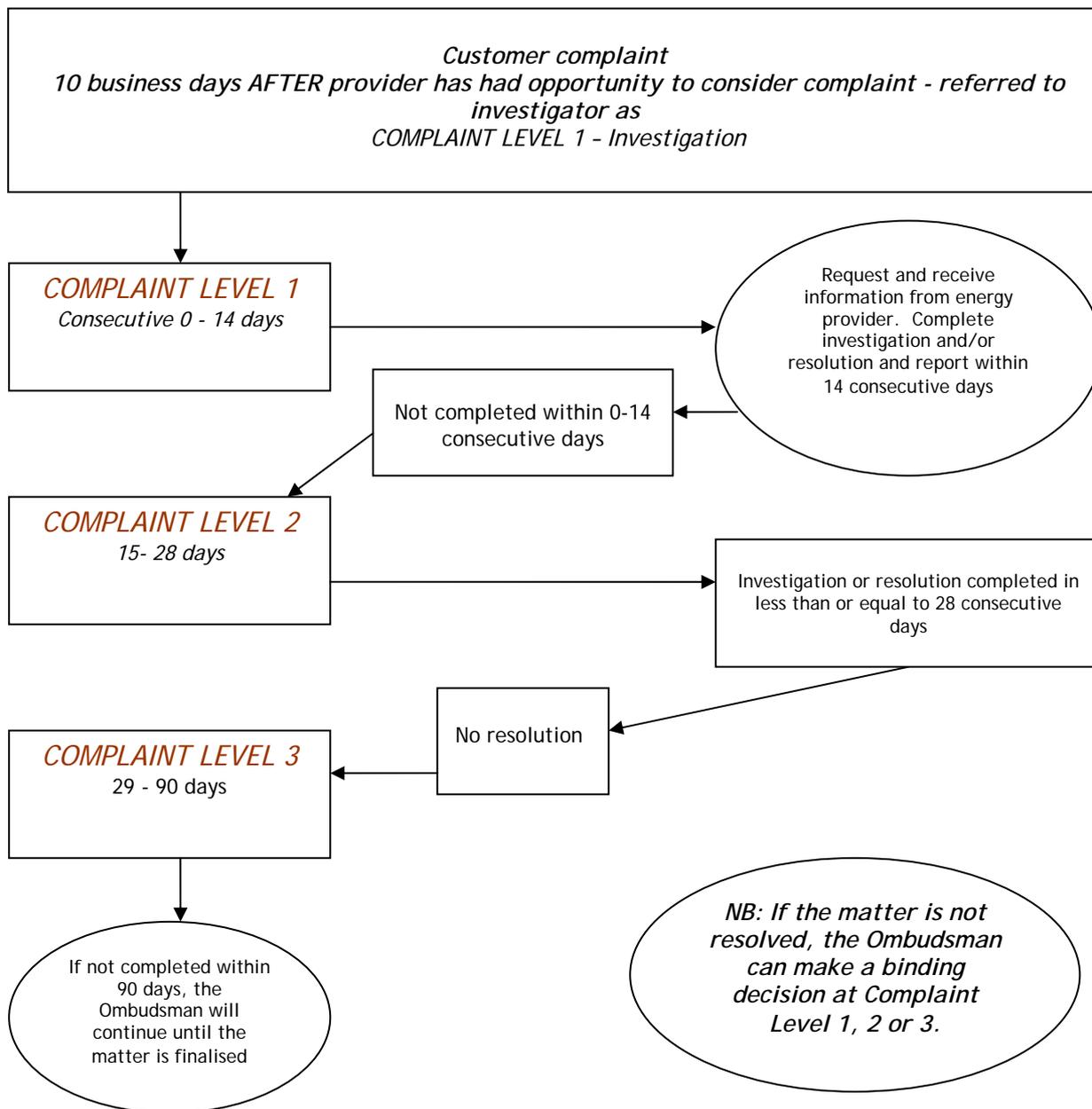


Case Study 2: Getting a gas connection and a hot water system

Customers complained that after their electric hot water system broke, they contracted to purchase a new gas system through a gas provider. However when the gas provider's installer came to install the product, there was no gas connection from the street to the house. The provider undertook to rectify the problem quickly but failed to attend to the problem at the agreed time. The customers contacted the provider a number of times about the problem and then called the GIO.

The GIO contacted the provider who subsequently advised that the work would be done the next day as a priority. The provider assisted the customers by supplying an electric kettle to enable them to have hot water that night.

Chart 2 - Investigation of Complaints Process



Case Study 3: Getting the gas supply reconnected

Customers with a ten month old baby complained that the gas supply to their new property was disconnected without notice.

Enquiries revealed that shortly after the customers moved into the property, they received a letter about lost consumption. As a consequence, the customers set up an account for the new property and began to pay their new gas account. Apparently, they had been asked to provide details of when they moved out of their old property. However, it appears that the information requested was not supplied and so their old account was not closed.

It was discovered that the customers' new payments were being credited to their old account. As a result, they had a credit on their old account and no payments recorded against their new account.

As the customers were in credit against their old account, the provider arranged for the gas to the new property to be reconnected the next day.

Industry Ombudsman Benchmarks

The GIO is guided by the benchmarks for industry-based customer dispute resolution schemes¹.

We apply the benchmarks in these ways:

1. Accessibility

The GIO imposes no cost barriers to consumers. Promotion of its existence at start-up was via advertisements in public newspapers from the Minister for Energy about gas deregulation and its benefits for citizens of WA, including the establishment of a Gas Industry Ombudsman. An education kit was prepared by the Office of Energy with a fact sheet on the GIO and a reference to the GIO in the Frequently Asked Questions.

We set up a user-friendly website and online complaint form, as well as accessible lines of communication including a freecall number for complainants outside the Perth metropolitan area, and access for deaf and hearing-impaired customers via the National Relay Service. A message about the GIO was included on bills to all gas retail customers sent out by GIO Scheme Members during the first three months of operation, rolled out over a single billing cycle.

Advice about the existence of the GIO Scheme to community groups was progressed in conjunction with the State Ombudsman's existing outreach program.

2. Independence

The GIO's governance arrangements through the structure and composition of the GIO Board provide the framework to ensure that the independence of the Ombudsman is protected.

¹ <http://www.consumersonline.gov.au/Content/selfregulation/benchmark/>

These benchmarks were developed by a working party assisted by dispute schemes, consumer groups, government and regulatory authorities, and are available on the website of the Commonwealth Treasury.

3. Fairness

Fairness is fundamental to the mission of our office, and we apply the principles of procedural fairness in our daily operations.

4. Accountability

The requirement to publish any binding determinations issued by the Ombudsman is set out in the Scheme's Charter. General information about complaint categories and complaint trends are reported to the GIO Board in the regular Ombudsman's report. Our longer-term aim is to provide regular reports to Members on complaints received by the GIO together with key information about their performance from the Ombudsman's perspective. Further, in the event that any issues of concern arise which require prompt attention, we would raise these with the Member concerned as a priority.

5. Efficiency

In order to keep track of complaints we have developed a database and a system of categorisation and escalation consistent with those used by other Australian and New Zealand Energy and Water Ombudsmen. Our standard operating procedures are designed to ensure that complaints are dealt with consistently. Our team structure and internal escalation process are also designed to ensure there is always sufficient capacity within the office to deal with complaints as they are received. And finally, where comparable data is available, we endeavour to ensure we meet the standards which apply in other industry ombudsmen schemes.

6. Effectiveness

The GIO Scheme was developed as a result of a comprehensive consultative process led by the Office of Energy and involving all key stakeholders including industry, consumers and ourselves as potential GIO. This process resulted in the terms of reference for the GIO and ensured that best practice examples were used to guide the development of the final model of the scheme.

Liaison

We place importance on establishing and maintaining positive working arrangements with Members of the GIO Scheme. This includes ensuring they understand how we operate and are able to readily contact us with questions or concerns.

We also aim to ensure that other complaint handling bodies are aware of the GIO's role and functions, and to that end, in July 2004 we ran three awareness sessions for call centre staff of the Department of Consumer and Employment Protection to explain our role. The aim of this was to ensure that consumers who call the Department with complaints that can be dealt with by the GIO are efficiently redirected to our office.

In March 2005, I signed a Memorandum of Understanding (MOU) with the Economic Regulation Authority (the ERA). In that MOU the ERA and the GIO agreed to meet at least quarterly to discuss matters relevant to the operation of the GIO. I also accepted an invitation to be an observer at meetings of the ERA Consumer Consultative

Committee (ERACCC). In June 2005 I provided a report, including statistics on complaints received by month and by issue, to both the ERA and the ERACCC.

I was also very pleased to be able to attend the launch of the Tasmanian Energy Ombudsman Scheme in Hobart on 27 June 2005, while fulfilling my duties as State Ombudsman.

Australian and New Zealand Energy and Water Ombudsman Network

As a member of the Australian and New Zealand Energy and Water Ombudsman Network (ANZEWON), I participate in meetings which usually occur quarterly, and take place on rotation at the offices of each member. These meetings include reports from each of the jurisdictions on significant consumer protection issues, and provide a forum for ensuring a consistent approach to complaint resolution, including complaint categorization and system issues. From the perspective of a small office with a new jurisdiction, membership of this group is a significant benefit. It also helps ensure that a consistent approach applies across all Energy and Water Ombudsmen. In the past year I attended the following meetings:

- Hobart (August 12 and 13, 2004); and
- Sydney (May 27 and 27, 2005).

ANZEWON members also provided significant support to GIO staff in our first year of operations. Investigating Officer Sherry Armstrong visited the Energy and Water Ombudsman of New South Wales and the Energy and Water Ombudsman Victoria in May 2005, and was provided with a detailed briefing on the operational practices and systems of these two offices.

Staff

During the year various officers of the State Ombudsman's Office assisted me in my role as GIO.

Enquiry Officer Grace Moro handled the majority of telephone enquiries. Investigating Officer Sherry Armstrong conducted investigations and liaised with Member representatives to resolve complaints. Ms Armstrong drafted a Record Keeping Plan for the GIO in accordance with the *State Records Act 2000*, as well assisting with the development of systems and procedures and the production of information for Members and consumer groups.

Acting Managers Sarah Cowie, Jane Burn and Claire Forte supervised the enquiry and investigation work, and Enquiry Officer Thaedra Frangos researched and recommended outreach activities.

Legal Officer Maria Fifield was seconded from the Legal Aid Commission to provide an analysis of the responsibilities of the GIO under the GIO Scheme.

Executive Officer Wayne Mann provided support with the development of systems and procedures including those necessary to provide monthly statistics to the Board and quarterly statistics to ANZEWON. Mr Mann also attended Board meetings and represented

me at those meetings when I was out of Western Australia. Mr Mann also managed the administrative aspects of the services agreement including the recovery of costs by the Ombudsman's Office.

Acting Assistant Ombudsman Shayne Sherman developed the database used to record enquiries and complaints and to produce statistics.

Executive Assistant Kim Harms provided secretarial assistance to myself and the Executive Officer, and Corporate Services personnel provided reception, human resource, financial, supply and information technology services.

The work done by staff of the Ombudsman's Office prior to the establishment of the GIO Scheme was significant and in this regard the contributions of Jane Burn, Grace Moro, Lana Snook and Wayne Mann are acknowledged.

Mrs Burn and Ms Moro assisted with the development of legislation and the Constitution and Charter of GIO (WA) Ltd.

Ms Snook worked with the office for a period of three months in a temporary position funded by the Office of Energy to provide administrative support and assistance so that the Office was prepared for implementation of the GIO Scheme.

Executive Officer Wayne Mann and Ms Jenny Grove from the State Solicitor's Office developed the service agreement.

Training and Development

In May 2005, Investigating Officer Sherry Armstrong completed alternative dispute resolution training provided by the Trillium Group.

Record keeping

The GIO has developed a Record Keeping Plan, as required by the *State Records Act 2000*, and this Plan is currently being implemented.

