

ENERGY OMBUDSMAN QUEENSLAND BUDGET GUIDELINES 2009-10

REVENUE

Section s74 of the *Energy Ombudsman Act 2006* (the Act) stipulates that the Energy Ombudsman, in consultation with the Advisory Council, must prepare a budget of estimated costs for the next financial year before 31 March each year.

Section 74(2) of the Act indicates this budget has no effect until it has been approved by the Minister. On 8 May 2009, the Minister for Natural Resources, Mines and Energy approved the 2009-10 Budget for the Office of the Energy Ombudsman at \$4,879,310.

Section 75 of the Act indicates that the energy ombudsman must also, in consultation with the advisory council, prepare budget guidelines, including guidelines for the working out and structure of user-pays fees.

Part 8, Division 2 of the Act provides for the Energy Ombudsman's functions to be funded by an annual membership fee and quarterly user pays fees imposed on each scheme member. Annual membership fees will be invoiced at the beginning of each financial year. User pays invoices relating to operational costs will be raised quarterly in advance with two reconciliations during the year, end of December and end of June. User pays fees relating to the "Replacement Case Management System" project will be invoiced separately as detailed below.

1. Annual Membership Fees 2009-10

Annual membership fees for 2009-10 as outlined in s67 of the Act will be:

Entity type	Annual Fee
Energy entity providing customer connection services under only 1 energy Act	\$ 5,000
Energy entity providing customer connection services under 2 energy Acts	\$ 10,000
Energy entity providing customer retail services under only 1 energy Act	\$ 5,000
Energy entity providing customer retail services under 2 energy Acts	\$ 10,000

Section 4 of the *Energy Ombudsman Regulation 2007* outlines a variation to membership fees for Dalby Regional Council and Roma Regional Council with their fees being:

- Dalby Regional Council, \$250 for each provision prescribed under section 67(1)(a)(i) and 67(1)(c)(i) of the Act;
- Roma Regional Council, \$50 for each provision prescribed under section 67(1)(a)(i) and 67(1)(c)(i) of the Act.

Invoices for membership fees will be forwarded to registered scheme members during the second week of July 2009 or within 2 weeks of the entity being registered as a scheme member with Energy Ombudsman Queensland (EOQ).

As per s66(4) these fees are payable 14 days after the scheme member receives the invoice. Penalties may be applied for late payments.

2. User Pays Fees

Under section 68 of the Act it is the responsibility of the Energy Ombudsman to calculate the user pays fees for each scheme member each quarter and to invoice those members no less than 14 days but no more than 1 month before the end of each quarter.

User-pays fees are invoiced prior to the commencement of each quarter and will be adjusted at the end of December and the end of June to reflect year to date actual contact numbers and actual costs. The same methodology of allocating costs to specific scheme members will be used for both the advance invoice and the reconciliation adjustments, the difference being estimates will be used for the advance process with actual data being used in the reconciliation adjustments.

In 2009-10 user pays fees will be split between operational costs and project costs. Included in the approved 2009-10 budget of \$4,879,310 is a budget of \$484,700 specifically related to the costs associated with the replacement of the case management system project. As such a different methodology will be used to allocate project related user pays to scheme members.

2.1. Operational User Pays Fees

As per the Energy Ombudsman Service Charter (currently being updated), there are 5 levels of contact under the user pays funding model:

- Complaint refer back – the matter needs to be referred back to the scheme member for action.
- Complaint Referral to Higher level – with agreement from the customer EOQ will provide the customer's contact details directly to the scheme member's customer advocacy team to make direct contact with the customer
- Level 1 investigation – staff of the Energy Ombudsman's office are required to contact the scheme member to investigate the matter. A level 1 matter will not take more than 240 minutes (4 hours) to complete.
- Level 2 investigation – staff of the Energy Ombudsman's office have spent in excess of 240 minutes (4 hours) on the matter.
- Determination – if a matter cannot be resolved, the Energy Ombudsman may consider the matter and either make a binding order against the scheme member or dismiss it.

In applying a member usage approach to apportion these amounts, the following practices are followed:

- member's usage of the Scheme is divided into 5 categories: complaint refer back, complaint referral to higher level, level 1 investigations, level 2 investigations, and determinations;
- every case is logged, together with the time (in minutes) spent dealing with the case;
- as determinations are charged at a flat fee of \$4,000 per determination, time is not recorded once a case changes from investigation to determination;
- a dispute will only be recorded against one level (level 1 investigation, level 2 investigation or determination) at any one point in time;
- contact data in these calculations will relate to those contacts that have been closed during the period the contact data is being collected for;
- projected usage by members for invoicing purposes will be based on actual number of contacts recorded by the EOQ staff through the EOQ Complaints Management System (CAMS);
- based on their inconsistent nature, level 2 investigations and determinations will not be included in the advance invoicing and will be included in the reconciliation adjustments;
- a percentage split based on 2008-09 time taken data from CAMS will be used to allocate funds between complaint referrals (complaint refer back and complaint referral to higher level) and investigations;
- funds will be allocated to complaint referrals (refer back and referral to higher level) based on numbers;
- contact numbers will then be used to allocate funds from within each of refer back, referral to higher level, level 1 and level 2 investigations to scheme members;
- enquiries and complaint referrals that are not able to be allocated to a specific scheme entity are not included in data used in the billing process, and are treated as general overhead expenses.

Costs to be recovered from Complaint Referrals (refer back and referral to higher level) and Complaint Investigations will be those costs remaining after membership fees, project costs and determination fees have been applied. The allocation to complaint referrals and complaint investigations will be a percentage allocation based on a proportion of time calculated from 2008-09 complaint data. It is envisaged that this

percentage will not alter during the 2009-10 financial year and has been calculated as 20% to complaint referrals and 80% to complaint investigations.

Costs to be recovered from complaint referrals will, where appropriate, be allocated to complaint refer back and complaint referral to higher level based on the number of cases with a 50% loading being applied to complaint refer to higher levels.

Costs to be recovered from complaint investigations will, where appropriate, be allocated to level 1 and level 2 investigations based on the number of cases with a 50% loading being applied to level 2 investigations.

Costs allocated to refer backs, referral to higher level, level 1 investigation and level 2 investigations will then be allocated to each scheme member entity, based on the number of contacts within each of these categories.

Determinations will be charged in arrears at a flat rate of \$4,000 per determination. These charges will be included in the end of quarter adjustments associated with the actual usage reconciliation.

2.2. Replacement of Case Management System Project User Pays Fees

As there are no capital costs associated with this project, it is anticipated that all costs will be expensed at the time services or products are delivered. Approximately 90 percent of the anticipated costs are fixed and will be required in the first phase of the project. EOQ will invoice 100% of these costs in advance in July 2009 with a reconciliation of the actual costs towards the end of the 2009-10 financial year.

Following consultations with the Advisory Council to the Energy Ombudsman the following methodology will be used to allocate these project costs to EOQ scheme members:

- 10% of the project costs to be allocated to the distribution entities with the remaining 90% being allocated to retailer entities
- of the 10% allocated to distribution entities, 90% to be allocated to electricity distributors with the remaining 10% to gas distributors
- the allocation to the retailer entities is to be 50% from market share and 50% from complaints received between 1/7/07 to 30/4/09
- once this allocation has been made to the retailers, Ergon's retail entity allocation has been reduced by the 10% allocated to the distributors in recognition of their large customer base that is not impacted by FRC

APPROVED / NOT APPROVED



Barry Adams
Energy Ombudsman Queensland

10/6/2009