

## ENERGY OMBUDSMAN QUEENSLAND BUDGET GUIDELINES 2008-09

### REVENUE

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

Section 75 of the Act indicates this budget has no effect until it has been approved by the Minister. On 2 May 2008, the Minister for Mines and Energy approved the 2008-09 Budget for the Office of the Energy Ombudsman at \$3.483M.

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 will be raised quarterly in advance with a reconciliation at the end of each quarter.

#### **Annual Membership Fees 2008-09**

Annual membership fees for 2008-09 as outlined in s67 of the Act will be:

<b>Entity type</b>	<b>Annual Fee</b>
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

Invoices for membership fees will be forwarded to registered scheme members including incumbent members during the second week of July 2008 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 will be applied for late payments.

#### **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 the quarter to reflect year to date actual contact numbers and actual costs.

As per the Energy Ombudsman Service Charter, there are 4 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.
- 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 480 minutes (8 hours) to complete.
- Level 2 investigation – staff of the Energy Ombudsman's office have spent in excess of 480 minutes (8 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 this amount, the following practices are followed:

- member's usage of the Scheme is divided into 4 categories: complaint refer back, 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);
- level 2 investigations and determinations will be included in the end of quarter reconciliation adjustments;
- a percentage split based on 2007-08 time taken data from CAMS will be used to allocate funds between refer backs & investigations;
- funds will be allocated to level 1 & level 2 investigations based on number of cases, with a 50% loading being attached to level 2 investigations to reflect the increased time, complexity and involvement of senior staff in attempting resolution;
- contact numbers will then be used to allocate funds from within each of refer back, 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 Refer Backs and Investigations will be those costs remaining after membership fees and determination fees have been applied. The allocation to refer backs and investigations will be a percentage allocation based on the relevant proportion of time engaged during 2007-08 on these activities. This percentage will not alter during the 2008-09 financial year and has been calculated as 20% to refer backs and 80% to investigations.

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

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

#### Determinations

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.

## **CALCULATION OF 2008-09 USER PAYS FEES**

The process we are using is 2 fold – first there are the advance user pays fees for the upcoming quarter & then at the end of the quarter we reconcile to the YTD actuals and raise adjusting invoices & credit notes.

As we require the advance user pays fees in advance these processes are done in the last month of the traditional financial quarter (September, December, March & June). At the end of the reconciliations we will only be recovering the actual costs required to operate the scheme – we will not be recovering the full budget if we do not require those funds.

Whilst we can estimate the two key components to the equation of calculating the user pays fees - \$ required and number of contacts – they are just that, estimates. As a new entity there are still a lot of unknown costs and as FRC is a new market environment for Qld we are unsure what the pattern of contacts will be.

### **ADVANCE USER PAYS FEES**

To calculate the **advance user pays fees** we estimate our costs for the upcoming 3 months. We then reduce this by the annual membership fees allocated to the period (whilst the majority of the annual membership fees are received in July we allocate this revenue across the 12 month period). The budget guidelines indicate that we will only use refer back and level 1 investigations in the advance process and that a 20/80 percentage split will be used to allocate between refer backs and investigations. Putting this into an example using \$'s (these are not real figures)....

Estimated costs for 3 months	500,000
Less membership fees for period	50,000
Balance to be recovered through	
Referral back revenue – 20%	90,000
Level 1 Investigation revenue – 80%	360,000

We then use the actual contacts over the previous 3 months (as we don't yet know what contacts will be received over the upcoming 3 months) per entity to allocate these \$'s to entities. So if there were a total of 500 referral backs in the previous period & 10 of these related to company ABC then they would be allocated  $10/500 \times \$90,000$  or \$1,800 for refer backs. And if there were 300 level 1 investigation contacts of which 30 related to ABC then we would be invoicing them for \$36,000 for level 1 investigation user pays fees.

### **RECONCILIATION OF ESTIMATES TO ACTUALS**

At the same time we are calculating the advance user pays fees we also reconcile the advance user pays fees for the previous quarter to reflect actual costs and actual contacts. The 2008-09 Budget guidelines outlines that a YTD reconciliation will be done at the end of each quarter. So to calculate the costs to be recovered, we take the YTD actual costs and then reduce that by the revenue already invoiced through previous end of quarter reconciliation processes. We then further reduce this by the membership fees for the 3 month period. If there have been any determinations during the last 3 months these are also taken off – determinations are invoiced at \$4,000 per determination. The remaining balance is then allocated to refer backs and investigation user pays fees based on the same 20/80% split. If there have been any level 2 investigations during the previous 3 months, the revenue allocated to investigations will split across level 1 & level 2 investigations based on total number of cases with level 2 investigations having a 50% loading applied. This loading reflects the additional time and consultation with senior staff required to resolve these often more complex cases.

Using the above example....

Actual costs for 3 months	450,000
Less membership fees for period	50,000
Less any determinations (@ \$4,000 each)	0
Balance to be recovered through	
Referral back revenue – 20%	80,000
Investigation revenue – 80%	320,000

If we have 317 level 1 investigations & 2 level 2 investigation for the period we would allocate \$317,000 to level 1 investigations  $(317 \div (317+2+(2*50\%)) \times \$320,000)$  and \$3,000 to level 2 investigations.

We would then allocate the refer backs, level 1 & level 2 investigations user pays fees to entities based on actual case numbers. We would then compare these charges against the advance invoices and either raise further invoices or raise credit notes.