



1 June 2018

The Hon Paul Green MLC
Chair, Select Committee on Electricity Supply, Demand and Prices in New South Wales
Legislative Council
6 Macquarie Street
Sydney NSW 2000

Dear Mr Green

Thank you for the opportunity to appear before the Legislative Council's *Select Committee on Electricity Supply, Demand and Prices in New South Wales* on Tuesday 8 May 2018.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity, gas and some water providers in NSW. Our comments are informed by, not only our investigations into these complaints but also from our community outreach and stakeholder engagement activities. In the complaints we receive, marketing is very often a key issue for customers.

During my appearance before the Committee you requested additional information, in relation to the types of marketing complaints my office receives. In response, please find below data which highlights the marketing complaint issues we receive as well as basic trend patterns.

While we capture details of consumers who are in receipt of rebates or benefits, we do not capture complainant's ages, and on this basis we are not able to separate our data to show marketing complaints from elderly consumers.

EWON classifies cases by primary, secondary and tertiary issues. All marketing complaints have 'Marketing' as a primary issue. In Appendix 1, Table 1 shows the numbers of marketing complaints where the secondary case issue matched 'Misleading', 'Pressure' or 'Other', further divided by tertiary case issue of 'phone', 'door to door' and 'other sales channel'. Figure 1 illustrates the same data but where the tertiary case issues of 'phone', 'door to door' and 'other sales channel' have been added together, in order to more directly address the Committee's request to compare door to door sales against phone marketing.

In Appendix 2, we have provided a number of case studies illustrating more detailed experiences of customers in relation to marketing.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely

A handwritten signature in blue ink that reads "Janine Young".

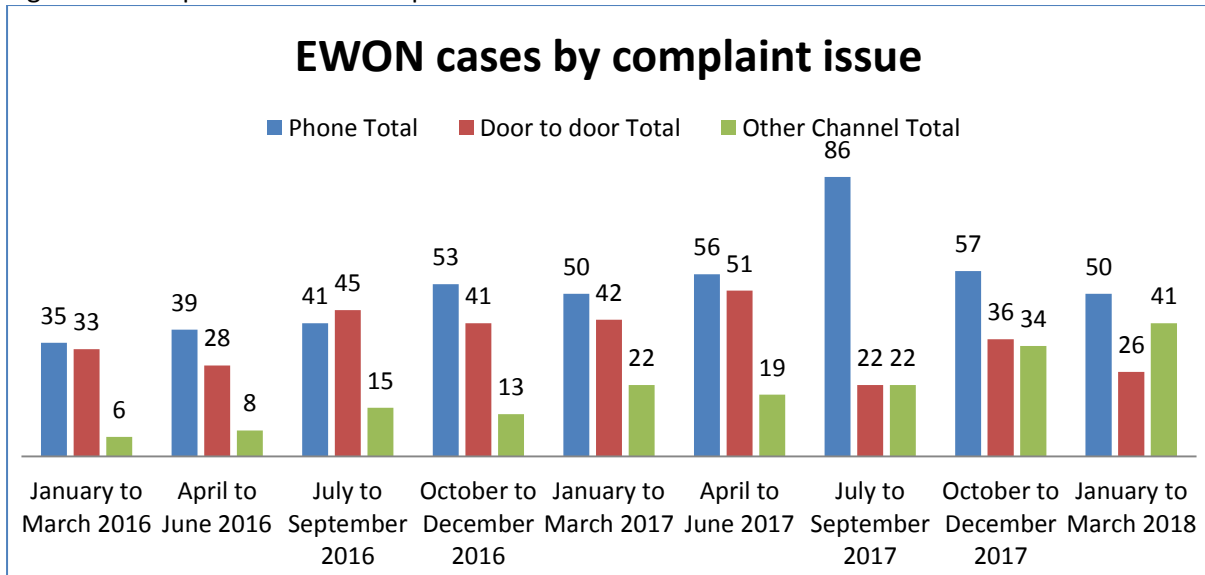
Janine Young
Ombudsman
Energy & Water Ombudsman NSW

Appendix 1

Table 1 – Marketing complaints by secondary and tertiary issue

Marketing complaints	Jan to Mar 2016	Apr to Jun 2016	Jul to Sept 2016	Oct to Dec 2016	Jan to Mar 2017	Apr to Jun 2017	Jul to Sept 2017	Oct to Dec 2017	Jan to Mar 2018
Misleading - phone	24	27	24	36	35	39	63	42	38
Pressure - phone	8	10	10	6	10	7	17	4	7
Other - phone	3	2	7	11	5	10	6	11	5
Misleading - door to door	15	17	21	30	26	35	13	27	18
Pressure - door to door	10	6	10	7	8	9	3	3	4
Other - door to door	8	5	14	4	8	7	6	6	4
Misleading - other sales channel	4	4	12	12	20	1	1	3	3
Pressure - other sales channel	0	1	1	1	2	4	8	4	3
Other - other sales channel	4	3	2	0	0	14	13	27	35

Figure 1 – complaints over time – phone vs door to door vs other



Appendix 2

Marketing cases – Legislative Council – Electricity, Supply, Demand and Prices in New South Wales – Select Committee

Marketing issues

These complaints, taken from our quarterly reports, include not just direct marketing activities by the retailer, but also marketing activities when a customer contacts a retailer about an existing account.

Case studies from our July to September 2017 quarterly report

Wrong rates quoted

Customer requests for the marketing record to be checked should be actioned.

The customer advised EWON he entered into an agreement for his electricity with the retailer over the phone and then received his welcome pack electronically. When he received his first bill under the new agreement, he found that the rates applied were not the same as the offer he had agreed to.

The customer called the retailer and was advised the rate in the bill was what he had agreed to and to check his welcome pack. After following a number of internal links in the welcome pack he found the applied rates listed. However, he considered he had been told different rates over the phone and requested the retailer to review the recording of the sales call. The customer advised EWON that the retailer declined this request. The customer wanted the call, as well as the poor customer service, to be reviewed.

The matter was referred to the retailer at a higher level with the customer's agreement, knowing he could re-contact EWON if he did not get a satisfactory outcome.

Wrong rates applied

The retailer should have checked the customer's claims rather than just telling the customer that he was wrong.

The customer advised that he accepted a phone marketing offer for his electricity account. The new retailer then issued the customer with his first bill for the period 8 June 2017 to 23 August 2017 for \$1,177 which he considered high. He found that the rates he accepted via the marketing offer were not the rates on his bill.

He contacted the retailer which said it did not offer him the rates he claimed and the rates on the bill are correct. The customer advised EWON that he had email verification of the marketing offer rates.

The matter was referred to the retailer at a higher level with the customer's agreement, knowing he could re-contact EWON if he did not get a satisfactory outcome.



Case studies continued from our July to September 2017 quarterly report

Verbal terms different to written terms

Specific terms offered verbally should match the written terms that are then sent to the customer.

The customer advised EWON that she had agreed to transfer on the basis of an offer over the phone. When the welcome pack arrived it did not include the agreed contract terms so she contacted the retailer and was again advised about the same verbal contract terms she had agreed to. She was then transferred internally twice more and the retailer's final advice was that the welcome pack terms were correct.

The retailer said it could not offer the terms she was told over the phone. She considered this to be poor customer service and unprofessional. She was seeking a review of the contract terms that she was twice offered verbally.

The matter was referred to the retailer at a higher level with the customer's agreement, knowing she could re-contact EWON if she did not get a satisfactory outcome.

Transfer without consent

A customer agreeing to look at an information pack is not explicit informed consent for a new contract.

The customer advised EWON that when he contacted his retailer concerning his gas account the customer service representative tried to get him to transfer his electricity account, which was with another retailer. The customer said he agreed to have some information sent for his consideration but at no time did he agree to transfer the account. He was advised that an information pack would be sent and a timeframe of 10 days would apply for him to opt in or out. The pack did not arrive and a month later he received a text message from the retailer indicating that his electricity account had been successfully transferred.

The following day he received a notice stating he had been quoted the wrong rates and the agreement he had entered into was more expensive than his original account. The customer considers he had been misled and contacted the retailer to object and request to be returned to his original retailer. He did not receive an assurance that this would occur. The customer considered the marketing practice used, and the lack of information provided, showed poor customer service. He sought assistance from EWON in getting his account returned to his original retailer.

The matter was referred to the retailer at a higher level with the customer's agreement, knowing he could re-contact EWON if he did not get a satisfactory outcome.

Door to door marketing behaviour

It is the responsibility of a retailer to ensure that any door to door marketers are properly trained, polite and responsive to customers.

A customer advised that he had been contacted by a door to door salesman who had knocked loudly three times. The customer said that when he complained, the salesman became abusive and used profanities. The customer said that he contacted the retailer however it failed to follow up as promised. This matter was referred to the retailer at a higher level, the retailer failed to contact the customer and EWON attempted to facilitate contact. The retailer again failed to contact the customer. EWON contacted the retailer.

The retailer said that the customer's complaint was investigated and that the salesman claimed that the customer was abusive. The retailer confirmed that the salesman had been given a verbal warning for his behaviour and confirmed that sales staff were instructed to not respond inappropriately to customers, regardless of their behaviour.

The retailer agreed to provide the customer with a written apology. The retailer also placed the customer on a do not contact list.

The customer was satisfied with this outcome.

Marketing of retention offers

Offering a customer better terms to remain a customer is still marketing and should be undertaken with the same level of accuracy as any other marketing.

A customer arranged to transfer his account after receiving a high bill. His retailer then contacted him and made him a retention offer with a 25% discount which he accepted. When he received his next bill he discovered that the discount was a pay on time discount. The customer said that he would not have agreed to this as he paid his bills through Centrelink at \$50 a fortnight. The customer was also concerned that his rebate would not be paid on his new account. The customer refused a referral to the retailer and requested EWON to investigate.

The retailer responded to EWON and said that the customer's billing was correct and that the discount was dependent upon paying on time. The retailer offered the customer a \$200 credit because of the misunderstanding and also indicated that, if the customer wanted to transfer, no early termination fee would be charged. The retailer also confirmed that the customer was receiving a rebate.

The customer was satisfied with the retailer's response to his complaint.

Wrong rates offered by marketer

Market offers can be complex and it is a retailer's responsibility to provide correct information about their own offers. Where there is a mistake, a retailer should acknowledge this and explain to the customer the various options, not just demand payment.

A customer accepted a phone marketing offer in May 2017. When he received his next bill he discovered that the rates were much higher than those originally offered. He contacted the retailer and was informed that the rates he was being billed were correct and they did not offer him lower rates. The customer said that he had an email verifying the lower rates. This matter was referred to the retailer at a higher level.

The customer returned to EWON dissatisfied with the retailer's response. It acknowledged that he had been sent the wrong rates but that he had to pay what he was now being charged.

An EWON investigation found that the quote given to the customer was for a single rate tariff while the customer's meter was configured for a time of use tariff. To assist in resolving this matter, the retailer agreed to waive the balance of the customer's account (\$517). EWON provided advice on how the customer could compare the two tariffs and decide which suited his consumption. EWON also provided advice on how the customer could request a tariff change from his retailer.

The customer accepted this outcome.

Wrong offer marketed to customer

Mistakes in market offers easily result in customer dissatisfaction.

A customer said that he agreed to an offer by a door to door marketer. It was a two year fixed rate offer and he was given a contract with the fixed rate box ticked. The second invoice he received had a price increase and he contacted his retailer. Its response was that he should not have been on a fixed rate contract and that he had to pay the bill. The customer then received a disconnection warning, despite the fact he was disputing the bill.

EWON investigated and the retailer responded that it offered a contract with a fixed discount but with variable rates or alternatively a contract with fixed rates but no discount. The offer that had been made to the customer was made in error and it had advised the customer that he had to choose between the two offers available. The retailer said that if the customer chose the fixed rates over the discount offer it would result in a credit of \$91. The retailer also offered a \$100 customer service gesture. The customer was unhappy that the deal he was offered by the marketer would not be honoured and felt that the retailer was breaking a contract.

The customer reluctantly accepted the retailer offer of credits (which reduced his arrears from \$507 to \$315) but indicated that he was extremely dissatisfied with the retailer and he intended to transfer to a new retailer.