

Consultation Paper

Transparency of charge components

Prepared by the Electricity Commission

12 November 2009

Executive summary

The Transparency of charge components consultation paper presents the Electricity Commission's (Commission) preferred option to address the issue of transparency of charge components on consumer bills. The current Government Policy Statement on Electricity Governance (May 2009) (GPS) paragraph 39 requires the Commission to ensure that transparency of charge components are addressed in domestic customer contracts.

There has been much debate about what 'transparency of charge components' means and many parties have taken this to mean that lines charges and energy charges are unbundled on customer invoices. The Commission has considered and assessed five options for addressing the GPS requirement, and proposes two of the five options as preferred options for consultation:

The Commission's short-listed options are as follows:

- Option 3: the Commission publishes on its website the unbundled line charges for the most common tariff of each retailer using information gathered from the Ministry of Economic Development. The information would be updated semi-annually and displayed in a user friendly format (such as pie charts and graphs).

The Commission would also publish on its website annually the breakdown of line charges between transmission and distribution, and unbundled charges for commercial consumers.

Retailers would be encouraged to (i) place on their invoice wording to the effect of "breakdown of typical electricity bills between line and energy charges is available at the Electricity Commission's website [LINK TO WEBSITE] or by calling [RETAILER'S PHONE SERVICE]", and (ii) upon request, to provide information on the breakdown of typical electricity bills between line and energy charges for customers who do not have internet access.

- Option 4: as for Option 3, but the option would be limited to encouraging retailers to provide information on the breakdown of typical electricity bills between line and energy charges to customers upon request. Under this option, it is assumed that the benefit of advertising on invoices the existence of this information on the Commission's website is outweighed by: (i) cost considerations; and (ii) a reduction in the ability of retailers to design invoices that best meet customers needs.

Glossary of abbreviations and terms

Act	Electricity Act 1992
Commission	Electricity Commission
GPS	Government Policy Statement
MED	Ministry of Economic Development
Minister	Minister of Energy and Resources
Regulations	Electricity Governance Regulations 2003
Rules	Electricity Governance Rules 2003
TOU	time-of-use: usually relates to metering and pricing

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1. Introduction and purpose of this paper

1.1 Introduction

1.1.1 Paragraph 38 of the Government Policy Statement on Electricity Governance (GPS) states that the terms and conditions of contracts between domestic consumers and electricity retailers should reflect the reasonable expectations of customers. Paragraph 39 then goes on to state that the Commission should ensure transparency of charge components are addressed in contracts.

1.1.2 While the GPS does not specifically define what this means, over the years it has been assumed by some stakeholders that it relates to separating out (also referred to as unbundling) the distribution and transmission line charges from the generation/retail charges on the customer's bill. Under this assumption, the customer's electricity bill would likely include the following information:

	Bundled Bill	Partially Unbundled	Fully Unbundled
Fixed charge	x c/day	Lines: x c/day Generation/retail: x c/day	Distribution: x c/day Transmission: x c/day Generation/retail: x c/day
Variable charge	x c/kWh	Lines: x c/kWh Generation/retail: x c/kWh	Distribution: x c/kWh Transmission: x c/kWh Generation/retail: x c/kWh
Total cost	\$ x	Lines: \$ x Generation/retail: \$ x Total: \$ x	Distribution: \$ x Transmission: \$ x Generation/retail: \$ x Total: \$ x

1.1.3 This paper presents the Commission's preferred options to address the issue of transparency of charge components on consumer bills.

1.2 Purpose of this paper

- 1.2.1 The purpose of this paper is to consult with participants and persons that the Commission thinks are representative of the interests of persons likely to be substantially affected by the Commission's preferred option to address the issue of transparency of charge components on consumer bills.

1.3 Submissions

The Commission's preference is to receive submissions in electronic format (Microsoft Word). It is not necessary to send hard copies of submissions to the Commission, unless it is not possible to do so electronically. Submissions in electronic form should be emailed to submissions@electricitycommission.govt.nz with 'Consultation Paper—Transparency of charge components' in the subject line.

If submitters do not wish to send their submission electronically, they should post one hard copy of their submission to the address below.

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2 Hunter Street
PO Box 10041
Wellington 6143

Tel: 0-4-460 8860
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- 1.3.1 Submissions should be received by 4pm on 14 December 2009. Please note that late submissions are unlikely to be considered.
- 1.3.2 The Commission will acknowledge receipt of all submissions electronically. Please contact Kate Hudson if you do not receive electronic acknowledgement of your submission within two business days.
- 1.3.3 If possible, submissions should be provided in the format shown in Appendix 1. Your submission is likely to be made available to the general public on the Commission's website. Submitters should indicate any documents attached, in support of the submission, in a covering letter and clearly indicate any information that is provided to the Commission on a confidential basis. However, all information provided to the Commission is subject to the Official Information Act 1982.

2. Background

2.1 Problem definition

- 2.1.1 It is important for consumers to understand why their electricity bills are increasing. Given that there are a number of charge components incorporated in the consumer's final invoice, it has been suggested that a break down of each component be provided. It has been assumed by some parties that this breakdown of charge components will allow the consumer to determine if the charge components are reasonable and to determine where the increases in costs lie.
- 2.1.2 There is however, a fine balance between providing sufficient information to allow the consumer to determine a bill's reasonableness and providing too much information, which may cause confusion. In addition, there are other methods of meeting customer information needs. This could include publication by the Commission, or other parties, of information that explains why average New Zealand residential electricity prices have increased over time.

2.2 History

- 2.2.1 For many years trust-owned distributors and customer advocates have asked the Government and the Commission to require the separation of line charges on customer bills¹. They state that customers should know the reason for electricity bill increases, and note that there have been several cases of misleading explanations by retailers as to the reason for bill increases².
- 2.2.2 Transparency of charge components was raised in 1994, when the Electricity (Information Disclosure) Regulations 1994 included a requirement for retailers to publicly disclose, annually and within two months of a change in line charges, the amount of the line charge and the basis on which that line charge was calculated. However, the issue was so problematic and confusing to customers that this part of the legislation was removed in 1999.
- 2.2.3 The issue was next included in the December 2000 GPS as a component of domestic consumer contracts. In 2005, the Commission included separation of line and energy charges in the proposed Model Domestic Contract. However, retailers stated that feedback they received from their customers was that simplicity and clarity are important features on bills, rather than a very detailed

¹ Specifically, WEL Energy Trust, Waitaki Power Trust, Network Tasman Trust, Counties Power Consumer Trust, Energy Trusts of New Zealand, and Grey Power.

² There have been successful Fair Trading Act cases in 2003 and 2004 brought against Meridian Energy, TrustPower and Contact Energy relating to this issue.

breakdown of charge components. They stated that bill unbundling would not provide customers with additional information on which customers can act, as consumers are not able to select retailer A's line charge offering and retailer's B energy offering.

- 2.2.4 Retailers also stated that bill unbundling would increase their costs (which would result in higher prices to customers) without a corresponding increase in benefit to the consumer, and restrict their ability to offer innovative products and services.
- 2.2.5 In 2007, the Commission undertook a cost / benefit analysis to determine if it would be possible to recommend that the Model Domestic Contract Guidelines on separation of charges become a regulated requirement. Insufficient supporting evidence was found for regulation due to the lack of indication that customers would find the additional disclosure helpful; implementation costs would be passed onto customers; and there were other lower cost ways of providing this information to interested customers.
- 2.2.6 As a result, the *Proposed Changes to Interposed Model Contracts* (April 2008) consultation document proposed an option that would reduce the disclosure requirement. The consultation document proposed that retailers publish on their website details of the line and energy split for each active "standard" tariff that they have available; place notification on their invoices of exactly where the information on transparency of invoices could be accessed; and at the time of a tariff change, include within their correspondence to customers the line and energy split of all of their rates.
- 2.2.7 In their submissions on the April 2008 consultation document, several electricity trusts stated that they were not supportive of the draft proposals; they continue to support full separation of line charges on the customer's bill. Retailers were also not supportive of the April 2008 proposals, stating that it would not provide useful information to customers; would increase their costs, which would be passed through to customers; and the additional complexity required would act as a barrier to expansion/entry.
- 2.2.8 The Ministry of Consumer Affairs and Grey Power were supportive of the April 2008 proposals, although Grey Power added that it would like the information to be hosted on the Commission's website and to be presented in a format that is easy to understand. Grey Power included in its submission a link to a 2006 Network Tasman circular, which it stated provides an example of the kind of information that it considered would be useful to customers. This is included at Appendix 3.

2.3 Alternative interpretations of transparency of charges requirement

- 2.3.1 When the transparency of charge components requirement was first included in the 1994 GPS, the likely intention was unbundling the lines charges on customer bills. However, times have changed since it first became a GPS requirement, and so such an interpretation may no longer be appropriate. For example:
- historically, distributor charges included only a simple fixed charge and energy charge, and therefore could be separated out relatively simply on the customer's bills. However, some distributors have since adopted more efficient, but also more complex, wholesale-style pricing structures that cannot easily flow through to customer bills; and
 - over the next few years changes in metering technology could result in the development of new and innovative products for the retail market, such as time-of use (TOU) and critical peak pricing. Such an environment was likely not envisioned when the transparency of charge components requirement was first drafted.
- 2.3.2 In addressing this issue over the last few years, it has been noted by retailers and the Commission that the transparency of charge components requirement in the GPS does not actually require separation of line charges on the customer's invoice.
- 2.3.3 Retailers have argued and the Commission agrees that the GPS objective on transparency of line charges does not need to be interpreted as requiring unbundling of line charges on invoices, but could also be interpreted as meaning that either:
- (a) any customer can clearly see how their energy rate is broken down into its components (fixed, variable, time of use etc), or
 - (b) a breakdown of the customer's bill into line and generation/retail components is available to the customer, but does not have to be specifically disclosed on the invoice.
- 2.3.4 The Commission has therefore considered previous industry and consumer comments on the interpretation of the GPS and its requirements and developed five options for giving effect to the GPS requirement, whilst still addressing stakeholders' concerns. These options are outlined in the next section and have been assessed against the Commission's objectives and the GPS requirement.

3. Analysis

3.1 The five options

- 3.1.1 The Commission considered the following five options summarised below. The options were also assessed against the objectives described in paragraph 3.7. None of these options precludes the provision of information by the Commission, or other parties, explaining why average New Zealand residential electricity prices have increased over time.

3.2 Option 1: Distribution, transmission, and retail charges are unbundled on the consumer's invoice

- 3.2.1 In this option, distributor charges (which include distribution and transmission costs) would be unbundled on the customer's bill.³ Customers would see unbundled line charges⁴ and unbundled generation/retail charges on their monthly invoices (the tariff and total dollar amount).
- 3.2.2 The unbundled line charges may vary by retailer as a result of different methodologies used to allocate wholesale distribution rate designs between customers, and differences in timing of the flow through of distributor price increases. Graphs/diagrammes to make the information more easily understandable to customers would not be provided. Consumers would need to retain each bill to see any trends over time, and carry out their own analysis.
- 3.2.3 Implementation: The implementation of this option was proposed in the 2005 draft Model Domestic Contract Guidelines. The Guidelines would then state that "Our (retailer's) invoice will separately show the charges for the electrical energy supplied to you and the Distributor's charges for distribution of the electrical energy". However, given the previous discussions with retailers about this option, it is likely that implementation could only be achieved through regulatory means.

³ An exemption would be made for older prepayment meters that process a single charge through a card and therefore provide a limited breakdown of information.

⁴ If this option is adopted a second analysis would be required to determine if transmission costs should be shown separately from distribution costs on the customer's bill.

3.3 Option 2: Breakdown of line and energy charges for standard tariffs is made available on retailers' websites

3.3.1 In this option, a breakdown of line and energy charges would be available on the retailer's website, or by calling the retailer directly (for those that do not have internet access). A line/energy split would be provided by the retailer at the time of each tariff or rate charge (at least annually), and all tariffs published by the retailer would include a breakdown showing line and energy charges as distinct components.

3.3.2 This option was the one proposed in April 2008. This option would require retailers to disclose the unbundled line charges, but not unbundled generation/retail charges, of each tariff. Therefore, consumers would see only the proportion of the bill that related to line charges – additional calculations would have to be performed to see the remainder of the bill that came from generation and retail charges. Total dollar amounts would be provided only for average residential consumption (8,000 kWh/year), and, again, consumers would need to retain each bill to see any trends over time, and carry out their own analysis. Disclosure would be online and updated each time rates change. The unbundled line charges may vary by retailer as a result of different methodologies used to allocate wholesale distribution rate designs between customers⁵.

3.3.3 In this option, the retailer would also bear the costs of responding to enquiries from customers who do not have internet access.

3.3.4 Implementation: The implementation of this option was proposed in April 2008. The 2008 draft Model Domestic Contract Guidelines proposed that all customer invoices carry the message to the effect that "a breakdown of the line and energy charges is available at our website [x] or by calling [x]"; provide a line/energy split at the time of each tariff or rate charge (at least annually); and ensure that all published tariffs include a breakdown showing line and energy charges as distinct components.

3.4 Option 3: Publishing charge components on the Commission's website with retailer phone support

3.4.1 This proposal is a modification to Option 2 above. In this option, the Commission would undertake to gather the relevant information and publish it on its website.

⁵ Differences in timing of flow through of distributor price increases are less of an issue here as the unbundled generation/retail charge is not disclosed. A retailer not passing through a distributor price increase can therefore still show the lines charge increasing, without have to deal with adjusting downwards the generation/retail charge by the same amount to keep the overall bill the same.

For those who do not have internet access, customers would be able to access the same information by calling their retailer. It is important that the customer's primary relationship is with their retailer; if customers were directed to call the Commission for this information, a customer with a billing enquiry may quickly scan the invoice for a contact number and call the Commission by mistake.

- 3.4.2 Ministry of Economic Development (MED) data would be used to provide the unbundled bill information, which would be presented in a user friendly format (such as pie charts and graphs). Sample disclosure information is included in Appendix 4, and could include the following:
- (a) Semi-annual updates, which unbundle the most common tariff for each retailer in each distribution area between line charges and generation/retail charges:
 - (i) this will be for average size residential customers only (8,000kWh/year); and
 - (ii) a breakdown of bill increases between line and generation/retail related can be provided for various time periods.
 - (b) Annual updates which unbundle the average retail charge in each distribution area (i.e., not split out by retailer) between transmission, distribution and generation/retail:⁶
 - (i) data includes commercial and residential customers, split between small, medium and large sizes;
 - (ii) customers can select the data to be real (inflation adjusted) or nominal; and
 - (iii) a breakdown of bill increases between transmission, distribution and generation/retail related can be provided for various time periods.

Implementation: Retailers would be encouraged to (i) place on their invoices wording to the effect of "a breakdown of typical electricity bills between line and energy charges is available at the Electricity Commission's website [x] or by calling [x]" and (ii) to be responsible for providing information on transparency of charge components for customers who do not have internet access.

⁶ MED data is based on the average retail and lines rates of the most common plan in each network area. Line charge figures represent the average price charged by line companies. Retail charge figures represent the average retail price in each lines company area. Tariffs associated with the meter configuration that is most common in the network area are used. Prompt payment discounts and loyalty rebates are taken into account where available, but discounts for paying by direct debit are not.

3.5 Option 4: Commission disclosure of charge components

- 3.5.1 This is a variation of Option 3. In this option, the Commission would undertake to gather the relevant information and publish it on its website, but the option is limited to encouraging retailers to provide information on the breakdown of typical electricity bills between line and energy charges to customers *upon request*. This could be through directing consumers to information contained on the Commission's website, or to information on the retailers own website. The retailer should bear the costs of responding to enquires from customers who do not have internet access

3.6 Option 5: No disclosure

- 3.6.1 In this option there would be no requirement on the retailer to show unbundled line charges data, or to make reference to the existence of this data elsewhere. No unbundled lines charge information would be provided by the Commission.

Q1. Are there any other options that have not been considered in this consultation paper that you think require further investigation? If there are other options, please provide details and reasons for your views.

3.7 Summary of the options

- 3.7.1 The table below sets out the main elements of the options.

Table 1: Summary of main elements of options considered

Options	Option 1: Distribution, transmission, and retail charges are unbundled on the consumer's invoice	Option 2: Breakdown of line and energy charges for standard tariffs is available on retailers' websites	Option 3: Publishing charge components on the Commission's website with reference to the existence of this information on the retailer's invoice.	Option 4: Commission disclosure of charge components. No reference to this on invoice, but retailers to provide customers with this or similar information on request.	Option 5: No disclosure
Lines charge disclosed	Yes (total lines charges)	Yes (total lines charges)	Yes (transmission and distribution)	Yes (transmission and distribution)	No

Options	Option 1: Distribution, transmission, and retail charges are unbundled on the consumer's invoice	Option 2: Breakdown of line and energy charges for standard tariffs is available on retailers' websites	Option 3: Publishing charge components on the Commission's website with reference to the existence of this information on the retailer's invoice.	Option 4: Commission disclosure of charge components. No reference to this on invoice, but retailers to provide customers with this or similar information on request.	Option 5: No disclosure
Generation/retail charge	Yes	Not required	Yes	Yes	No
Granularity	Rate and total \$ for each residential customer.	Rate for each residential customer, \$ for medium sized customer.	\$ and c/kWh for the most common retailer plan for small, med and large residential and commercial customers. Ability to manipulate data. ⁷	\$ and c/kWh for the most common retailer plan for small, med and large residential and commercial customers. Ability to manipulate data. ²	n/a
Source of data	Retailer	Retailer	MED	MED	n/a
Location of unbundled lines information	Retailer invoice	Retailer website (and mailings each time prices change)	Commission website (and mailings by retailer upon customer request)	Commission website (and mailings by retailer upon customer request)	n/a
Advertising of information	n/a	One line item on invoice	One line item on invoice	None	n/a
Updates	Monthly	Monthly	Annually / Semi-annually ⁸	Annually / Semi-annually	n/a

⁷ This includes pie charts that break down bills into transmission, distribution and generation/retail components and graphs that show percentage increases in these components over time.

⁸ Semi-annual updates do not split out transmission from the distribution charges, and are for residential customers with 8,000 kWh consumption only.

3.8 Assessment framework

- 3.8.1 The Commission has determined an assessment framework based on its principal objectives and specific outcomes. The five options were then assessed against this framework.
- 3.8.2 There are several Commission objectives that impact on this issue.⁹ In order to assist the analysis, these were divided into major and minor objectives. This was to prevent selecting a solution on the basis that it met several minor objectives, when it should be rejected because a major objective was not met.
- 3.8.3 It should be noted that the splitting of objectives into minor/major categories is not based on the relative importance of these objectives to the Commission. It is instead based on the ability of the 'separation of line charges' issue to act to support or undermine the relevant objective. For example, if recommendations could have a major impact on innovation, but only a small impact on reducing barriers to competition, these objectives will be weighted accordingly.
- 3.8.4 In addition, Appendix 2 contains a table which lists the objectives and outcomes as specified in section 172N of the Act and the GPS and outlines how the proposal may help achieve the relevant objectives and outcomes.

Encourage innovation (major objective)

- 3.8.5 The Commission has a GPS requirement to encourage innovation. Specifically, the Commission is required to consider, when deciding how best to deliver on its objectives, any trade-offs between certainty and clarity on the one hand and encouraging and allowing scope for innovation on the other (paragraph 7).
- 3.8.6 The Commission considers that requiring invoices to be unbundled would make it harder for retailers to develop innovative products such as TOU, no fixed charge, critical peak pricing, and bundling electricity with other product options such as gas and internet services. Bill unbundling could also place pressure on distributors to move from efficient wholesale style pricing to simpler retail style pricing, which could also discourage innovation in distribution and transmission pricing.
- 3.8.7 Innovative product offerings could allow customers to significantly reduce their electricity bills, for example by shifting consumption into lower priced off-peak periods if such products are made available by retailers. As a result, encouraging innovation is included as a major objective.

⁹ These include (i) Electricity Act 1992 objectives to minimise barriers to competition and ensure delivered electricity costs and prices are subject to sustained downward pressure; and (ii) GPS objectives to encourage innovation, provide high quality information essential for efficient markets, promote retail competition and ensure customers are able to switch retailers with a minimum of inconvenience and cost.

Allow customers to monitor the reasonableness of charges (major objective)

- 3.8.8 The Commission has a GPS requirement (paragraph 8) to give high priority to ensuring that relevant information is made available to stakeholders and to the public at large on matters relating to the electricity sector.
- 3.8.9 Customer advocates have stated it is important for consumers to know why bills are increasing, and it is unlikely that this issue will be resolved if this objective is not met. This may be even more important now that electricity trust-owned distributors are no longer subject to price-quality regulation. As a result, this has been included as a major objective.

Reduce retailer compliance cost / barriers to competition (minor objective)

- 3.8.10 Section 172N of the Electricity Act 1992 (Act) states that the Commission must seek to achieve delivered electricity costs and prices that are subject to sustained downward pressure, and that barriers to competition are minimised. Increases in retailer disclosure requirements would increase costs and so put upward pressure on prices.¹⁰ Increased regulatory costs could also act as a retailer barrier to entry/expansion.
- 3.8.11 This has been included as a minor objective - the negative impact on customers arising from higher retailer compliance costs is not considered as significant as the potential negative impact from a reduction in retailer innovative product offerings.

Reduce customer search and switching costs (minor objective)

- 3.8.12 The Commission has a GPS requirement (paragraph 115) to put in place processes and procedures to ensure customers are able to switch retailers with minimum inconvenience and cost.
- 3.8.13 The Commission understands from its conversations with electricity lines trusts that they consider that unbundling will support this objective as customers will be able to focus on the competitive generation/retail charges only. However, the Commission remains concerned that a more complex bill could be confusing to customers, and instead increase customers' search and switching costs. The Commission understands that this view is also shared by the Ministry of Consumer Affairs.

¹⁰ Increased disclosure could also put downward pressure on prices as customers would then know who to complain to. However, this is covered in the major objective of allowing customers to monitor the reasonableness of charges above.

- 3.8.14 Customer confusion could also be higher where the unbundled line charge for a distributor is not the same between retailers.¹¹
- 3.8.15 It is therefore considered that an unbundled bill could make it harder for customers to compare offers, compared to a simpler bundled bill. However, this is included as a minor objective as the impact on customers is not likely to be as detrimental as a reduction in innovative product offerings.

Likely to be implemented without resorting to regulation (minor objective)

- 3.8.16 The Commission has a GPS objective (paragraph 2) to, whenever possible, use its power of persuasion and promotion to achieve its objectives. This objective relates to market participant acceptance – a slightly sub-optimal solution that all stakeholders agree on may be preferable to an optimal solution that is not supported by all stakeholders and yet not strong enough to justify regulation.
- 3.8.17 This is included as a minor objective, as the Commission is able to recommend regulation to ensure compliance if a cost/benefit test is met.

3.9 Assessment against the objectives

- 3.9.1 Option 1 was not selected as it undermines the objective of encouraging product innovation. Unbundled bills would make it harder for retailers to offer innovative products and services, such as time of use, no fixed charge, critical peak price, and bundling electricity with other product options such as gas and internet. The roll out of advanced meters makes it even more important to ensure customers are not restricted in getting access to these types of products, and the potential bill savings that could result.
- 3.9.2 Option 2 was not short-listed as it is highly likely to require regulation to enforce. Analysis undertaken by the Commission has found insufficient evidence to support regulation due to lack of indication that customers would find the additional disclosure helpful; implementation costs would be passed onto customers; and there were other lower cost ways of providing this information to interested customers.
- 3.9.3 Option 5 was not selected as, while it does not result in worse disclosure than provided at present, it does not allow customers or customer advocates to monitor the reasonableness of charges.

¹¹ This could occur where distributors used wholesale pricing which needs to be repackaged into a simpler retail structure rate by retailers. In addition, differences in treatments by retailers of prompt payment (retailers may apply this to the whole bill or just the generation/retail portion), and differences in timing of when the retailer passes through line charge increases can also result in differences in the unbundled lines charges between retailers.

- 3.9.4 Options 3 and 4 have been short-listed as they support the main objectives of encouraging product innovation while allowing customers to monitor the reasonableness of charges. These options assume that the reduced granularity of information (semi-annual updates of the breakdown of the most common tariff offered by each retailer in each distribution territory) is offset by the ability of consumers to obtain the data in a user friendly format.
- 3.9.5 Option 4 would be supported as the preferred option if it is demonstrated that the benefit of advertising on invoices the existence of this information on the Commission's website is outweighed by: (i) retailer cost considerations; and (ii) a reduction in the ability of retailers to design invoices that best meet customers' needs.

4. The Proposal

4.1 The Commission's proposal

- 4.1.1 The Commission has short-listed Option 3 (publishing charge components on the Commission's website and advertising the existence of this information on retailer invoices) and Option 4 (publishing charge components on the Commission's website) as providing the best solutions to meet the information needs of the consumer so they can monitor the reasonableness of their charges, and to find out where their bill increases lie.
- 4.1.2 The Commission also considers that these short-listed options will benefit retailers because all material published on the Commission's website will be provided by an independent third party at no cost to the retailer. However, the Commission considers that the retailer should provide this information upon request to consumers without internet access.
- 4.1.3 It is proposed that the Commission display on its website the unbundled line charges for the most common tariff of each retailer.
- 4.1.4 The information would be gathered from the MED and would be updated on a semi-annual basis on the Commission's website. The data would be displayed on the Commission's website in a user friendly format (such as pie charts and graphs). Sample disclosure information is included in Appendix 4.
- 4.1.5 The Commission would also publish on its website annually the breakdown of line charges between transmission and distribution, and unbundled charges for commercial consumers.

Q2. Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views.

Q3. Do you consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices?

Q4. Do you see any implementation difficulties with meeting these proposals?

4.2 Conclusion

- 4.2.1 Option 3 (Publishing charge components on the Commission's website and advertising the existence of this information on retailer invoices) and Option 4 (publishing charge components on the Commission's website) are the short-listed options, as the information disclosure allows customers to place downward

pressure on lines company and retailer prices, while not creating any barriers to retailer development of innovative products and prices.

4.3 Summary of questions

- | | |
|------------|--|
| Q1. | Are there any other options that have not been considered in this consultation paper that you think require further investigation? If there are other options, please provide details and reasons for your views. |
| Q2. | Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views. |
| Q3. | Do you consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices? |
| Q4. | Do you see any implementation difficulties with meeting these proposals? |

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Appendix 1 Format for submissions

Question No.	General comments in regards to the:	Response
1	Are there any other options that have not been considered in this consultation paper that you think require further investigation? If there are other options, please provide details and reasons for your views.	
2	Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views.	
3	Do you consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices?	
4	Do you see any implementation difficulties with meeting this proposal?	

Appendix 2 Consideration against objectives and outcomes

Objectives and Outcomes under section 172N of the Act	Response
The Commission's principal objectives are as follows:	
<p>(a) to ensure that electricity is produced and delivered to all classes of consumers in an efficient, fair, reliable, and environmentally sustainable manner; and</p> <p>(b) to promote and facilitate the efficient use of electricity.</p>	<p>Consumers will be provided with information about the charge components of their bills allowing them to monitor the reasonableness of changes in lines charges.</p> <p>The short-listed proposals allow retailers to offer innovative products such as time of use, no fixed charge and bundling electricity with gas and internet.</p>
The specific outcomes that the Commission must seek to achieve are as follows:	
(c) energy and other resources are used efficiently;	Innovative products may lead to product offerings that shift demand into lower priced off-peak periods
(d) risks (including price risks) relating to security of supply are properly and efficiently managed;	n/a
(e) barriers to competition in the electricity industry are minimised for the long-term benefit of end-users;	Unbundled bills may make it hard for consumers to compare offers and therefore reduce competition.
(f) incentives for investment in generation, transmission, lines, energy efficiency, and demand-side management are maintained or enhanced and do not discriminate between public and private investment;	n/a
(g) the full costs of producing and transporting each additional unit of electricity are signalled;	The cost of charge components will be signalled by each retailer on the Commission's website to allow consumers a one stop shop for comparison.

<p>(h) delivered electricity costs and prices are subject to sustained downward pressure; and</p>	<p>Consumers will be provided with information about the charge components of their bills allowing them to monitor the reasonableness of changes in lines charges.</p>
<p>(i) the electricity sector contributes to achieving the Government's climate change objectives by minimising hydro spill, efficiently managing transmission and distribution losses and constraints, promoting demand-side management and energy efficiency, and removing barriers to investment in new generation technologies, renewables, and distributed generation.</p>	<p>N/a</p>

Appendix 3 2006 Network Tasman circular

NetworkTasmanTRUST

Dear Network Tasman Consumer,

I am writing to you on behalf of Network Tasman Trustees to update you on several matters of interest – your recent power bill price rises, the Trust's Christmas distribution to consumers, the eco bulb campaign, trustee election results, and our community grants and loans scheme.

Adding up your power price rises

We feel it's important, as elected trustee shareholders of your local lines company that we are able to fully explain how your monthly power bills have changed over time. Your bill is a combination of charges from three different companies who combine to bring you your electricity. Here's a little about each of them and what they supply you with:

Energy Retailers – the retailers generate electricity and sell it to consumers. The retailers include Contact Energy, Meridian Energy, Genesis, Mighty River Power and Trustpower.

For the purpose of the price comparisons below we have used Contact's prices as they are the dominant retailer in our area, but other retailers offer similar prices. Contact Energy is a private company listed on the NZ stock exchange.

Transpower – is a State Owned Enterprise that distributes power through the national grid, which it owns and maintains.

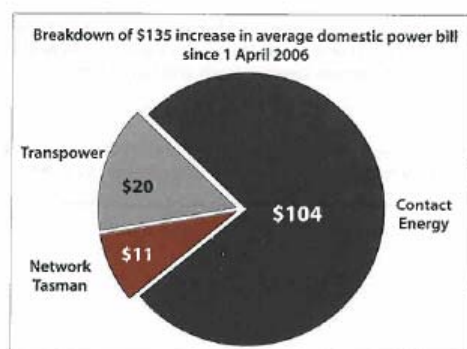
Network Tasman – owns and operates the power lines and equipment used to transport power from the national grid to your property boundary. To get electricity to your property the electricity retailers, such as Contact Energy, have agreements with Network Tasman permitting them to use the distribution network to transport electricity to you.

Understanding your power bill

The information that follows is for a typical residential consumer in the Tasman region using 8000 kWh per annum.

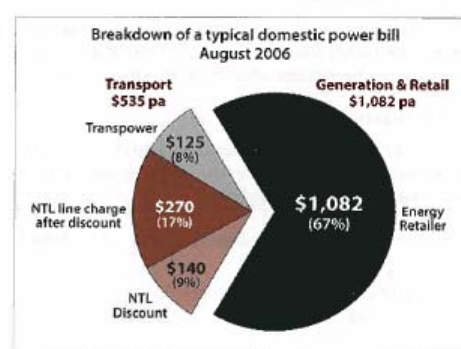
The breakdown of your 2006 price increase

Let's see how the three companies above have contributed to the recent power price rise of \$135 per year for the average residential consumer in the Tasman region:



The makeup of your annual power bill

Now let's have look at how these companies contribute to the typical total annual power bill of around \$1,617 (including GST), or about \$135 per month on average:

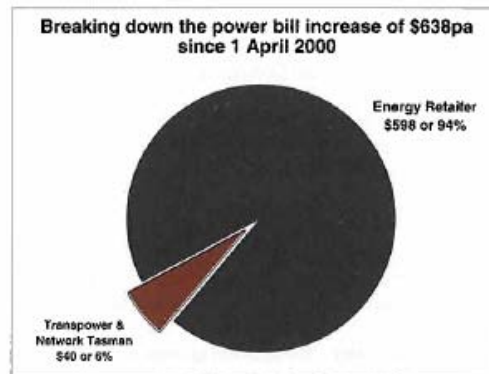
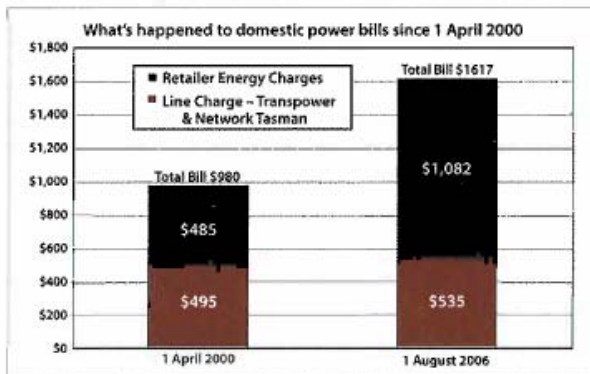


So what's happened to your power bill over the last six years?

Six years ago in 2000, an average monthly bill would have been around \$81 per month or \$980 per annum. In 2006 this annual bill is now nearly \$1620. So where has the increase come from?

Transpower and Network Tasman have been upgrading the regions supply lines. Network Tasman has spent \$30 million over the past six years and Transpower has spent over \$30 million in the last 18 months reinforcing the region's supply lines. Despite this expenditure their combined line charges to you are only \$40 per annum higher now than they were 2000 – that's an increase of \$7 per year or 1.3% per annum on average, which is less than the rate of inflation.

In comparison, Contact Energy's charges over the same period are \$598 higher – that's an increase of 19% per annum or a substantial \$92 each year on average since 2000.



The graphs above show that the major proportion of the rise in power bills is attributable to your energy retailer (eg: Contact Energy, Meridian etc).

We hope this has clarified the background of your power price rises. We want you to feel fully informed now and in the future.

More money coming to you from NT Trust's end of year distribution

Good news for our customers. We can now announce that this year's NT Trust distribution to consumers will increase from \$95 to \$100. That's because we are passing on the benefits of a successful year with our investment fund. Consumer cheques will start appearing in letterboxes about the end of November.

Ecobulb promotion exceeds expectations

The recent Network Tasman Trust offer of five eco bulbs for \$10 using the cut-out voucher has been a great success. Another 25,000 bulbs were sold, bringing the overall total to 102,000 bulbs. The campaign was developed in conjunction with local energy efficiency company Energy Mad. The trustees were extremely pleased so many people took up this energy saving offer.

Trustee election results

As you may already be aware trustee elections have recently been held. There is one new trustee – Richmond businessman Trevor Tuffnell – who takes the place of the late Peter Malone. All the other trustees –Kelvin Haycock and Albie Aubrey were re-elected for another term. The trustees who continue in office from the last elections are Ted Anderson, Gwenny Davis and Terry Kreft.

Trustee's legacy lives on

Peter Malone's contribution to the community lives on in the grants and loans scheme now named after him. Each year groups and individuals who work for the benefit of our region are publicly invited to apply for some of the \$70,000 of grants and \$200,000 in low interest loans that are available.

Application forms and loan and grant criteria are available from:

Craig, Anderson & Co,
270a Queen Street
Richmond,

Phone 03 544 6179 or you can download information from the Network Tasman Limited website – www.networktasman.co.nz.

Thank you for your time in reading this letter, which we hope has helped you become more informed about us and the electricity industry.

Yours faithfully,

Ted Anderson

Chairman
Network Tasman Trust

Appendix 4 Sample disclosure data

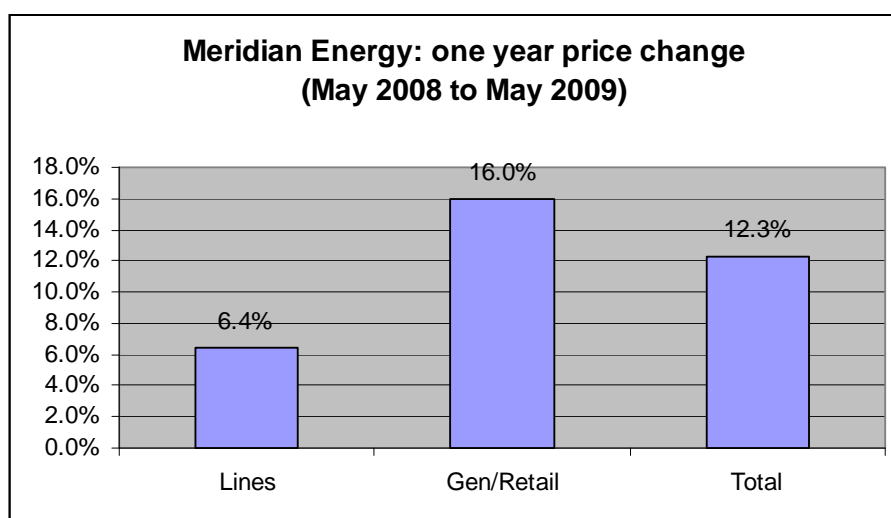
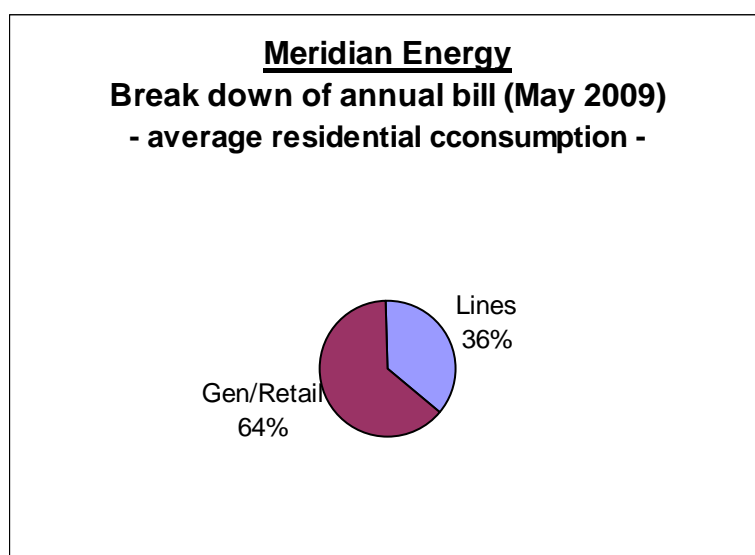
4.1 Semi-annual bill unbundling information

4.1.1 **Distributor:** Orion

4.1.2 **Customer:** available for medium sized residential customer only

4.1.3 **Retailer:** Meridian (can select alternative retailers)

4.1.4 **Time period:** One year comparison (can select longer or shorter time periods)



4.2 Annual bill unbundling information

4.2.1 Distributor: Orion (selected from a drop down menu of distributors)

4.2.2 Customer Type: Residential (can select residential or commercial)

4.2.3 Customer Size: Medium (can select small, medium or large)

4.2.4 Time period: One year comparison (can select longer or shorter time periods)

