

Retail Advisory Group ::: Meeting number 9

Venue ::: NZICA Conference Centre, Level 7, Tower Building, 50 Customhouse Quay, Wellington

Time and date ::: 10:30 to 14:00 ::: Thursday 30 August 2012

Minutes

Present

::: Peter Allport (Chair)

Members

::: Dene Biddlecombe

::: Sue Chetwin

::: Sarah Free

::: Anne Herrington

::: Bill Highet

::: Andrew McLeod

::: James Munro

::: Nathan Strong

Apologies

::: None

In attendance

::: John Rampton (Electricity Authority, General Manager, Market Design) (from 11.30am)

::: Craig Evans (Electricity Authority, Manager, Retail and Network Markets)

::: Karen Smith (Electricity Authority, Adviser, Retail and Network Markets)

The meeting opened at 10:30.

Description of action

1 Welcome and introduction

a) Apologies

The Chair noted no apologies had been received.

b) Conflicts of interest

The Chair noted that there were no conflicts of interest and no changes to interests.

The Chair advised that Ross Hill (General Manager Legal and Compliance, Electricity Authority) is available to answer any questions new members (or existing members) might have about conflicts of interest.

Members noted the following potential conflicts of interest:

- Sue Chetwin – concern around the Consumer Switching Fund project, due to Consumer NZ being part of the What's My Number campaign and operating the Powerswitch website.

- Sarah Free – concern around the Domestic Contracting Arrangements project, due to DEUN undertaking some research for the Lines Company on providing customers with information on usage and peak usage.
- Anne Herrington:
 - concern around the Consumer Switching Fund project, due to SmartPower having submitted a tender to develop a switching tool for SMEs; and
 - concern around the Review of Options to Improve Retail Competition in Embedded and Customer Networks project, due to SmartPower having clients who own and operate embedded or customer networks, and clients with sites in embedded and customer networks.

c) Correspondence

The Group noted the following letters:

- A letter sent from Carl Hansen, Chief Executive, Electricity Authority to the Chair, to outline the additional projects on the 2012/2013 work programme the Authority proposes to assign to the Group. The Chair noted the letter would be discussed further under agenda item 2(a).
- A letter sent from Karen Collins, Senior Regulatory Advisor, Genesis Energy to the Chair, setting out insights on the medically dependent and vulnerable consumer guidelines. The Chair noted the letter would be discussed further under agenda item 4.

d) Minutes

The Chair advised the minutes of the 6 July 2012 meeting had been approved and were published on the Authority's website.

e) Actions

The RAG noted progress on the outstanding actions.

2 **Work programme update**

a) Discussion of letter from Authority to RAG on work plan

The RAG agreed to accept the proposed additional projects onto its work plan.

Members noted the most time critical project (after retailer default) is the Consumer Switching Fund, and then the Domestic Contracting Arrangements. The RAG noted the Board's requested completion dates for these projects, but members agreed the RAG should retain flexibility around timeframes as it is often unclear what is required to complete a project until partway through.

A member queried whether the Low Fixed Charge project is likely to be undertaken in the near future. The Chair clarified that the Authority Board had indicated that this is a possibility, and it remains on the Authority's 'future projects' list.

Members discussed a possible need to liaise with other agencies regarding 'fuel poverty', which is becoming a topical issue. Authority staff confirmed that initial interagency discussions had already occurred, and the RAG would be kept informed of any developments in this area.

b) Paper on work plan

The RAG noted progress on the retailer default arrangements project. Members raised some possible

inconsistencies between the version of the paper approved by the RAG and the version published on the Authority's website. The secretariat was requested to check this.

The RAG discussed the proposed timeframes for the Consumer Switching Fund project. The RAG agreed it was likely to be of most use to the Authority if it could progress this project as quickly as possible (targeting providing interim advice to the Authority by the end of February 2013) and requested the secretariat to provide a draft paper for discussion at the RAG's October meeting.

The RAG discussed the proposed timeframes for the Domestic Contracting Arrangements project.

Action	By	Date for action
9.1 – Write a letter from the Chair to the Authority, accepting the proposed additional projects onto the RAG's work plan and requesting the ability to retain flexibility with the timeframes.	Secretariat	14 September 2012
9.2 – Keep the RAG informed of any developments regarding fuel poverty.	Secretariat	Ongoing
9.3 – Check any inconsistencies in the retailer default paper between the version of the paper approved by the RAG and the version published on the Authority's website.	Secretariat	6 September 2012
9.4 – Update the projected timeline for the Consumer Switching Fund project to target providing interim advice to the Authority by the end of February 2013, ahead of final advice being provided by the end of June 2013.	Secretariat	17 October 2012
9.5 – Provide a draft paper on the Consumer Switching Fund for discussion at the October RAG meeting.	Secretariat	17 October 2012

3 Electricity and Gas Complaints Commission

Authority staff noted that the Electricity and Gas Complaints Commissioner had another commitment and could not attend the meeting.

The RAG discussed whether the Commissioner should be invited to attend a future meeting. Members noted that while it might be useful to be updated on issues such as complaints received in relation to Domestic Contracting Arrangements, much of this information is published by the EGCC in quarterly reports.

The RAG agreed it is particularly interested in hearing about the gas industry's work in the area of retailer default, and agreed to invite staff from the Gas Industry Company to provide an update at the next meeting. Members also suggested the GIC be invited to submit on the RAG's retailer default paper.

Action	By	Date for action
9.6 – Invite staff from the GIC to the next RAG meeting to provide an update on retailer default work in the gas industry.	Secretariat	17 October 2012

9.7 – Invite the GIC to submit on the RAG’s retailer default paper.	Secretariat	6 September 2012
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4 Domestic contracting arrangements: consideration of draft scoping paper

Minimum terms and conditions for domestic contracts (conveyance)

The RAG discuss the proposed scope for this limb of the project, and noted:

1. the discussion paper should clearly set out what problem we are trying to solve, and explore whether there might be a better way to achieve this, rather than developing model terms and conditions for conveyance arrangements; and
2. the discussion paper should include background on the regulatory environment, including whether distributors who currently operate under conveyance arrangements are subject to price-quality regulation under the Commerce Commission.

Members considered it would be useful to invite The Lines Company to present to the RAG on the structure of its lines charges, its perspective on conveyance arrangements and issues relating to distributors directly billing consumers.

Monitoring retailers’ compliance with their domestic contracts

The RAG considered it not necessary to progress this limb at this stage because:

1. it may cross over into the jurisdiction of other organisations, for example:
 - Consumer NZ undertakes a survey of its members (approximately 60,000) on their satisfaction with their electricity retailer; and
 - the EGCC collects complaints information, and is soon to start reporting on deadlocked complaints by retailer (the Secretariat was requested to circulate the most recent report to members and to request members be added to the EGCC’s distribution list);
2. the Authority itself is undertaking a review of retailers’ alignment with the model terms and conditions for domestic contracts (interposed), and this work might highlight any issues that need to be addressed in relation to compliance with domestic contracts. The RAG suggested that a summary report of the output of this monitoring exercise should be provided to the RAG at its next meeting. This would be for information rather than action by the RAG, unless on examination it is found that there is a high or otherwise intolerable level of non-compliance; and
3. consumers are able to seek out information on the service quality of retailers – it is not the role of the Authority to provide this to them.

Improving the operational efficiency of the arrangements to assist medically dependent and vulnerable consumers

Members noted that retailers have different approaches to managing medically dependent and vulnerable consumers – for example, some retailers require confirmation in order to be classified as medically dependent, others only seek confirmation if the consumer becomes a credit risk.

The RAG considered that a more fundamental review of the policy of the guidelines is required, rather than just ‘tweaking’ operational aspects because:

1. they have been in place for a number of years and have not been reviewed in that time; and
2. while certain objectives of the guidelines fall within the responsibility of the Authority, there are other aspects that fall under social agencies such as Work and Income or health agencies (for example, ensuring medically dependent consumers register as such, providing contingencies for unplanned outages, addressing extreme poverty cases).

The RAG discussed a possible approach would be to consider simplifying or refining the guidelines and making them mandatory (as they are essentially already viewed as mandatory by many parties).

The RAG considered it is important that the revised guidelines:

1. provide retailers with the flexibility to make commercial business decisions;
2. reduce barriers to entry by being clear on the roles and responsibilities of parties; and
3. reduce the operational costs of complying with the guidelines.

Key issues and questions discussed by the RAG included:

- whether the propensity of medically dependent consumers to not pay their bills is higher than the population in general and, if so, by how much;
- whether poor debt management processes by retailers might contribute to a seemingly high number of medically dependent consumers in debt;
- whether the \$150 limit on bonds should be reviewed;
- whether there is a correlation between the threat of disconnection or debt recovery action and a claim of medical dependency; and
- whether there is an inconsistent application of the definition of medical dependency.

The RAG requested the secretariat to circulate a link to the MD and VC guidelines.

Action	By	Date for action
9.8 – Invite TLC to present to the RAG at its next meeting.	Secretariat	17 October 2012
9.9 – Circulate the most recent quarterly report from the EGCC to the RAG.	Secretariat	6 September 2012
9.10 – Request the EGCC to add RAG members to its distribution list for the quarterly report.	Secretariat	17 October 2012
9.11 – Circulate a link to the MD and VC guidelines to the RAG.	Secretariat	6 September 2012

5 Consumer switching fund: consideration of draft scoping paper

The RAG discussed the draft scoping paper and noted the following:

- Paragraph 1.1.2 – retailers pass the levy through to consumers, so it is them who ultimately pay.
- The WMN campaign appears to have been successful in raising consumers' awareness about switching, has encouraged innovation and product development in the retail market and has reduced outlying high prices (and in some cases increased outlying low prices).
- The WMN campaign focussed on price, whereas many consumers will want to be able to compare products
- The scoping paper doesn't compare the benefits of the CSF with the costs, or discussed the payback period.
- Table 1 – should show the marginal switches completed (ie those that were made as a result of the WMN campaign) rather than total switches completed (which includes those that would have been made anyway).
- Paragraph 3.1.4 – research by PricewaterhouseCoopers showed the scale of the retailer is the most important factor influencing the price it can charge, with the largest retailers able to offer the lowest prices.

The RAG noted it is very keen to see the results of the assessment of the performance of the CSF programmes, and consider it would be useful to be informed ahead of time the measures that will be used.

Members cautioned against drawing conclusions from switching data without full information, for example, some customers may be switching every month, or a retailer may be losing numbers of customers but gaining in total volume.

Action

9.12 – Provide the RAG with the measures to be used in assessing the performance of the CSF programmes.

By

Secretariat

Date for action

17 October 2012

6 Other business

There was no other business.

7 Next meeting

The next meeting will be held on 24 October 2012.

Members noted that the meeting time may be extended beyond 2pm to allow time for a full agenda.

Sue Chetwin noted her apologies for the October meeting.

The meeting closed at 14:10.