

Retail Advisory Group ::: Meeting number 12

Venue ::: Electricity Authority

Time and date ::: 09:30 to 12:05 ::: 20 February 2013

Minutes

Present

::: Peter Allport (Chair)

Members

::: Dene Biddlecombe

::: Sue Chetwin

::: Sarah Free

::: Bill Highet

::: James Munro

::: Nathan Strong

Apologies

::: Anne Herrington

::: Andrew McLeod

In attendance

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

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

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

For item 3: EGCC – presentation by Judi Jones:

::: Judi Jones (Electricity and Gas Complaints Commissioner) (from 9.50am until 10.45am)

The meeting opened at 9.30am.

Description of action

1 Welcome

a) Apologies

The Chair noted apologies had been received from Anne Herrington and Andrew McLeod.

b) Interests

Members noted changes to their interests.

Dene Biddlecombe advised that he has been appointed to the Board of Widespread Portfolios, a small NZX-listed company, which invests primarily in mining and mineral exploration companies.

c) Correspondence

The Group noted the following letters:

- A letter from the Peter Allport (RAG Chair) to Carl Hansen (Electricity Authority), providing the RAG's half-yearly report to the Board.
- A letter from Carl Hansen to Peter Allport, accepting the RAG's recommended approach for managing retailer default situations and thanking the RAG for its efforts. Members discussed the Board's concern about the potential risk for the Authority to be held responsible for the financial health of retailers that are allocated customers during the proposed retailer default process, and the Board's intention to consider whether there are alternative approaches to the mandatory allocation of customers, such as an auction or tender approach.

Members noted that they had considered including an auction or tender in the allocation process, but had decided against it because:

- any party who wished to bid or tender for the customers of a defaulting retailer would have had the opportunity to do so [at an earlier stage in the process], so a tender or auction at the allocation stage is unlikely to be very successful
- it would unnecessarily lengthen the process for managing retailer default situations, which would increase the risk to the industry, and potentially affect the required prudential security levels for both distributors and in the wholesale market.

Members considered any potential risk that the Authority would be held responsible for the financial health of retailers that are allocated customers during the proposed retailer default process is low because:

- the gaining retailer is able [incentivised] to manage its own risk by setting appropriate terms and conditions (including price) for any consumers it is allocated
- consumers are able to switch away from the retailer they are allocated to, if they consider they can get a better deal.

The RAG agreed to respond to the Authority's letter, setting out the points discussed above.

- A letter from Carl Hansen to Peter Allport, providing the Authority Board's feedback and reformulated scope on the Consumer Switching project. Members agreed to discuss this letter under agenda item 5.

d) Minutes

The Chair advised the minutes of the 28 November 2012 meeting had been approved and were published on the Authority's website.

e) Actions

The RAG noted progress on the outstanding actions and noted the following:

- Action 11.1 – Arrange to hold occasional RAG meetings in Auckland or Christchurch in 2013, and/or use video conference facilities – members agreed to discuss this action under agenda item 6.

Action

12.1 – Send a letter to Carl Hansen in response to the Board's feedback on the RAG's retailer default recommendation

By

Chair

Date for action

6 March 2013

Judi Jones joined the meeting at 9.50am

3 EGCC – Presentation by Judi Jones

The RAG invited Judi Jones to discuss issues relevant to the Domestic Contracting Arrangements project.

Judi provided background information on the EGCC scheme and gave an overview of the EGCC's recent report on six monthly statistics, which are now being published by member. Judi noted that the scheme members with the highest numbers of deadlocked complaints were those members who were either new to the market, had recently experienced rapid growth, or had implemented a new pricing methodology.

Judi noted the systemic issues arising in deadlocked complaints were billing issues for individual companies, some lines companies attempting to recover a previous occupier's debt from the new occupier, and ICP issues. There were no obvious trends in types of complaints from those distributors operating under conveyance arrangements. In terms of complainants, minority groups were generally under-represented and complaints come from income groups across the board.

Given The Lines Company's (TLC's) over-representation in the deadlocked complaints statistics, the RAG sought more information from Judi on the nature of TLC complaints. Judi advised that the majority of TLC complaints were about contract issues, disconnections or the application of TLC's demand charge. Judi considered that TLC's high profile with its customers, due to its conveyance arrangements, was likely to be a factor contributing to its relatively high level of complaints, but the nature of the complaints was not related to the conveyance arrangement per se.

Members discussed issues relating to the Low User Fixed Charge Regulations. The RAG requested the secretariat to provide more information about the Low User Fixed Charge Regulations after the meeting.

Judi advised that there weren't a significant number of complaints from prepay customers, although access to prepay is a problem for those consumers in areas where prepay is not available. For some Vulnerable Consumers, who are unable to get a retailer due to a bad credit history, this can be a significant issue. EGCC will liaise with social agencies on specific cases.

Judi noted that there are very few complaints received from Medically Dependent consumers, as retailers are very risk averse in this area.

Judi noted that there were no obvious issues with retailers' compliance with their domestic contracts.

Overall compliance with the scheme has improved. If the proposed changes to the Consumer Guarantees Act are passed, the EGCC will also have to consider complaints regarding the distributor/Transpower indemnity.

Action

12.2 – Forward members information on the Low User Fixed Charge Regulations.

By

Secretariat

Date for action

1 March 2013

Judi Jones left the meeting at 10.45am

2 Work programme update

The RAG noted the work programme update.

4 Domestic contracting arrangements – approval of issues paper

Members discussed the draft issues paper, and made the following suggestions:

- figure 2 – add a footnote to explain the difference between the consumer and the connected customer
- section 3.2 – the potential changes to the Consumer Guarantees Act in relation to prohibiting unfair contracting arrangements may have implications for the Minimum Terms and Conditions. MBIE is intending to release guidelines on unfair contracting terms
- paragraph 3.2.2 – explain why the last sentence is important
- paragraph 3.2.4 – add comments from the RAG’s discussion with Judi Jones under agenda item 3
- paragraph 4.2.1 – clarify that there are two issues: alignment of retailers’ domestic contracts with the minimum terms and conditions, and retailers’ compliance with their domestic contracts
- paragraph 5.1.2 – consider whether there is a need to tighten up the definition of a vulnerable consumer
- paragraph 5.2.7 – make this paragraph more prominent
- figure 4 – consider different options for presenting the information in this graph. For example, showing the information by retailer (without publishing retailers’ names) would indicate whether retailers take different approaches to managing their lists of medically dependent consumers
- paragraph 5.4.9 – need to consider retailers’ role in extending and managing credit for vulnerable consumers – link this discussion to the Authority’s statutory objective
- section 5 – seek feedback in the questions on medically dependent consumers and vulnerable consumers separately.

The RAG delegated authority to the Chair to incorporate the suggestions above and provide the final version of the issues paper to the Board for comment.

Action

12.3 – Incorporate the RAG’s suggestions into the Domestic Contracting Arrangements issues paper and provide the final version to the Board for comment.

By

Chair

Date for action

20 March 2013

5 Consumer switching

Members discussed the letter outlining the Board’s feedback on the draft discussion paper, and the suggested outline for revising the paper.

The RAG suggested:

- including in the paper a diagram showing all the influences on competition
- adding some additional performance metrics, such as:
 - proliferation of retailers’ rate cards

- views from consumer satisfaction surveys (for example, those undertaken by Consumer NZ or Roy Morgan Research)
- numbers of consumers who are provided retail services via online or mobile channels.

Members noted that a revised draft discussion paper would be circulated to the RAG in late February or early March 2013.

Action	By	Date for action
12.4 – Circulate a revised draft discussion paper on Consumer Switching to the RAG.	Secretariat	10 March 2013

6 Other business

- Nominations for RAG Chair – members noted the Chair’s term expires on 31 March 2013. The Secretariat advised the Board would consider nominations for Chair at the 5 March Board meeting.
- Expiry of members’ terms in 2013 – members noted the terms of three members (Sue Chetwin, Anne Herrington and Nathan Strong) expire on 31 May 2013. The Secretariat advised the Authority intends to seek nominations in early March to replace or reappoint these members.
- The next meeting is scheduled for Wednesday 17 April 2013, starting at 9.30am. Members agreed to hold this meeting via video-conference, with Bill Highet hosting at Meridian.

Action	By	Date for action
12.5 – Organise a video-conference for the April RAG meeting.	Secretariat	10 April 2013

The meeting closed at 12.05pm.