

20 August 2013

Submissions  
Retail Advisory Group  
c/o The Electricity Authority  
By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

## **Improving Transparency of Consumers' Electricity Charges – RAG Issues and Options Paper**

Meridian appreciates the opportunity to submit on the Retail Advisory Group's (RAG's) "Improving transparency of consumers' electricity charges" issues and options paper.

Meridian has approached our response having considered a number of principles:

- Availability of clear information is important from the standpoint of allowing customers to assess which retailer offering best suits their circumstances.
- Incentives for innovation need to be preserved and prescriptive requirements in relation to the level of detailed information on charging that is to be provided are therefore not desirable.
- A common set of standards specifying how GST and prompt payment discounts should be accounted for could be of value.
- As the RAG and the Authority are aware, Meridian has voluntarily sought to provide additional transparency by providing information on the lines charge component of customer bills. Decisions of this sort can be appropriately made by retailers and should not be the subject of a rules-based approach.

As a final point, Meridian would like to highlight we endorse the RAG's approach of focusing the initial stages of the review on seeking to clearly define what the issues may be regarding transparency around charging information.

Further details are provided in the attached appendix containing our responses to the consultation questions.

If you have any queries regarding this submission please contact me.

Yours sincerely,



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## Appendix 1: Responses to Consultation Questions

	Question	Response
1	Do you agree with the issues raised about the transparency of consumers' electricity charges?	<p>Meridian agrees that the issues identified by the RAG (transparency around what is driving price changes, the ability to check the accuracy of invoices where prices are bundled, and guidance on how to reduce energy bills and compare retailers) are all areas that could be of concern to some consumers.</p> <p>We don't, however, consider the root cause of all of these concerns can necessarily be linked to transparency around consumer charging or that all the issues will necessarily be able to be dealt with effectively by focussing on the information that retailers provide as part of their bills.</p>
2	If so, how widespread are these issues, and what is their effect? Please provide any evidence you may have to support your view on the size and nature of these problems.	<p>In Meridian's experience it is difficult to generalise about the preferences consumers have regarding the level and type of information they receive their on electricity charges and the way it is presented.</p> <p>Like the RAG, we have also observed that there is significant variation in the practices of different retailers regarding the charging information they provide, suggesting that issues of concern to individual consumers will also differ.</p> <p>Meridian has sought to provide consumers with transparent information by referencing GST inclusive amounts and including information on lines charges in their bills. As discussed further below, as part of our 'MyMeridian' on-line energy account services we are also providing consumers with comprehensive information on daily usage and expenditure patterns.</p>

	Question	Response
3	Do you have any other concerns about the availability of information on consumers' electricity charges?	<p>As per the comments in our response to Q2, it is important to recognise there is wide variation in the information made available by different retailers.</p> <p>It also needs to be acknowledged that what might be appropriate for a customer on a 'standard' plan in terms of information on how their charges have been derived may not be suitable to provide as part of comprehensive daily reports on usage and expenditure patterns made available to customers with smart meters on time of use plans. We are concerned this type of reporting could be made to be overly complex with the addition of highly granular information on charges.</p>
4	If you are a retailer or distributor, please provide a representative sample of your consumer invoices (where applicable) and a link to any consumer pricing information on your website. Please also provide a description and/or examples of any other relevant information that you make available to consumers.	<p>Appendix 2 provides:</p> <ul style="list-style-type: none"> <li>• An example of the 'detailed information' part of a Meridian customer invoice.</li> <li>• Meridian's on-line guidance on to 'how to read my bill'.</li> <li>• An example of a Meridian 'rate card' presenting information on prices available to Meridian residential customers in the Auckland Vector network area.</li> </ul> <p>For customers with compatible meters and who reside in areas with appropriate regional network charging arrangements, Meridian also offers the 'MyEnergy' on-line service providing comprehensive information on energy usage and daily expenditure.<sup>1</sup></p>

<sup>1</sup> Further details available at: <http://www.meridianenergy.co.nz/my-account/mymeridian/>

	Question	Response
5	What other sources of information about consumers' electricity charges are you aware of?	Meridian considers that the RAG's list of sources of information is relatively comprehensive. Statistics New Zealand is another source of information.
6	What are the perceived or actual differences of the electricity industry that may warrant consideration of making more transparent pricing information available to consumers?	<p>While Meridian acknowledges the electricity industry and supply chain is relatively complex, as the RAG correctly points out, the electricity market operates as a competitive market. This establishes incentives on retailers to respond to the needs of consumers. Whether pricing information is provided to the level of detail suggested in the consultation paper is an appropriate choice for retailers recognising that if pricing information is misleading the Fair Trading Act will apply.</p> <p>We note that it is not uncommon for consumers to be provided with only the head-line rate for other types of 'essential' products (e.g. petrol).</p>
7	Do you agree with the key questions to be addressed by this project? Do you consider there are any other key questions?	<p>Meridian agrees it is important questions (a) and (b) (what information may be useful, and why? and when would the information be useful and in what form?) are addressed as part of the project.</p> <p>In Meridian's view mandatory intervention or involvement by the Authority in seeking to recover the costs of any intervention cannot be justified and we consider questions (c) and (d) (should the Authority have a say in how the costs of providing additional information should be recovered and should any disclosure guidelines be voluntary or mandatory) should be reframed to be around how the Authority can best support and encourage retailers to provide consumers with sufficient information to meet their needs.</p>

	Question	Response
8	<p>What information do consumers need to:</p> <ul style="list-style-type: none"> <li>a. check they have been invoiced correctly?</li> <li>b. understand what is driving price changes?</li> <li>c. determine what they can do to reduce their bills?</li> <li>d. make effective choices about their retailer?</li> </ul>	<p>In terms of (a), this will require consumers to have accurate information on quantities used (or at least typical usage), rates / charges / discounts, and the time period the bill covers. This information may not always be able to be verified by the consumer themselves, for instance, because the meter cannot be accessed.</p> <p>For consumers to understand what is driving price changes, we consider it is important that clear information on the reasons for the change is provided as part of a pricing letter, as per the expectations set out under the voluntary minimum terms and conditions for domestic retail contracts.</p> <p>Regarding (c), an understanding of usage and general information provided through organisations like EECA and retailers themselves on energy saving will be of assistance to consumers.</p> <p>Like (a), (d) will likely require accurate information on actual or typical usage, and applicable prices / charges / discounts and, in addition to this, the customer's current pricing plan, knowledge of metering configuration and service quality standards.</p>
9	<p>From what sources can consumers already obtain some, or all, of this information?</p>	<p>Customers will in many instances be able to source the information they need from retailers and other on-line sources. Because of the different practices retailers follow (for instance with some retailers providing only indicative information on-line on pricing) this information may be more readily available in some circumstances than others. While information on metering configuration arrangements may be difficult to access at present in some cases, we expect this will be addressed to a large extent by the implementation of Part 10 changes.</p>

	Question	Response
10	Are there any gaps between the information consumers require, and the information that is already available?	<p>As per our response to Q9, we consider access to information on metering configuration arrangements will be improved with the introduction of Part 10 changes.</p> <p>We've submitted in the past that we consider that fuller information on non-price / service quality aspects of retailers' offerings should be incorporated into the 'Powerswitch' and 'What's my number' on-line tools.<sup>2</sup> Specifically we've suggested that information on consumer satisfaction rates, EGCC complaints, and degree of alignment with the Authority's "Minimum terms and conditions for domestic contracts" is captured.</p>
11	When do consumers need information about their electricity charges?	This will differ across individual consumers. At the time of a price increase or on receiving a large bill are two possible examples.
12	What is (are) the most useful communication channels for delivering the required information?	Written communication (whether through email, letters, or website materials), or direct conversations with a retailer, depending on the type of information the customer requires.

<sup>2</sup> Refer Meridian's submission dated 4 June 2013 on the RAG's Consultation Paper '*Review of options for promoting retail competition by increasing consumers' propensity to compare and switch retailers*', available here: <http://www.ea.govt.nz/dmsdocument/15077>.

	Question	Response
13	If the Authority intervenes, should the costs be socialised across all consumers or recovered only from those consumers who want this service?	Meridian does not consider the Authority should be involved in determining how the costs of additional information provision by retailers can be recovered.
14	How much are consumers prepared to pay for such information?	No comment.
15	Do you consider the 'do nothing' option is viable? Please provide your reasons, including the costs and benefits of this option.	<p>Meridian considers it is difficult to provide a firm response to this question at this preliminary stage of the RAG's investigations.</p> <p>Meridian agrees a prescriptive approach could very well come at a cost to retailer-led innovation, suggesting an approach of not intervening at this stage would be appropriate.</p> <p>See also our responses to questions 20 and 23.</p>



	Question	Response
16	Do you consider the Authority should take a more active role in educating consumers and/or providing enhanced comparison tools? Please provide your reasons including the costs and benefits of this option.	<p>Meridian considers it will be important for the RAG to investigate in detail the role the Authority can play in educating consumers on common topics of interest as part of the next stages of its work. There will be a need for this work to take account of current work planned by the Authority to develop a national database of retail prices.</p> <p>As per our response to Q10 we consider that the 'Powerswitch' and 'What's my number' on-line tools should be broadened to capture information on indicators of service quality. Meridian agrees any expansion to these tools will need to be balanced against the need to ensure they don't become overly complex.</p>

	Question	Response
17	Do you consider retailers should be required to provide additional pricing information? Please provide your reasons, including the costs and benefits of this option. If retailers are required to provide additional pricing information, should this apply to all products? or should a retailer and consumer be able to agree to a pricing arrangement that is not subject to mandatory disclosure (such as a fixed-term contract whereby the retailer absorbs any increases in network charges for a number of years?	While we support this being considered further as part of the RAG's work, we are not able at this stage to comment definitively on the types of additional pricing information we consider may need to be provided.

	Question	Response
18	If retailers are required to provide additional pricing information, what form should this take?	See our response to Q17.
19	Should pricing disclosures also include recent history of prices, for example, trends over the past 12-18 months?	No. We are not clear what value this will add in terms of addressing the issues consumers have raised. We are also unsure how the proposal would be of assistance to customers who have remained on fixed plans or who have changed from/to a fixed rate over the 12-18 month period.
20	Do you consider retailers should be required to provide consistent representation of prices, for example, via a template?	No. In Meridian's view a more appropriate approach would be for principles to be developed specifying a set of common standards around whether pricing information should be displayed as inclusive or exclusive of GST and prompt payment discounts. As per our response to Q15, Meridian is concerned that a prescriptive approach could affect incentives for innovation.

	Question	Response
21	Do you consider retailers should be required to disclose the component parts of electricity charges on consumers/ bills? Please provide your reasons, including the costs and benefits of this option	<p>No.</p> <p>There is no clear evidence that requiring more detailed information be provided as a matter of course will effectively address the issues some consumers have raised. Some of the components, for instance metering costs, will typically fall well below 5% of the total value of the bill, and will be of limited assistance to consumers wanting to understand the main reasons why their bill has increased or how they can look to reduce the amount they pay.</p> <p>As the RAG correctly points out, it may also not always be feasible for this level of detail to be provided, for instance, because GXP pricing applies.</p>
22	If so, should it be required across all products, or should consumers be able to opt in (or alternatively, opt out)?	N/A.
23	What is your view on the option to require retailers to offer to disclose the component parts of electricity charges as a paid service?	As per our responses to questions 6, 15 and 20, Meridian has a preference for non-prescriptive approaches.

## Appendix 2: Meridian customer invoice, and on-line 'how to read my bill, and 'rate card' information '

### The detail



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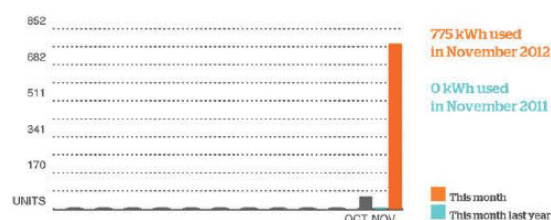
101 SAMPLE STREET, SAMPLE SUBURB, SAMPLE CITY  
ICP number 000000000000000

Your next reading will be on or around 30 November 2012  
Current charges

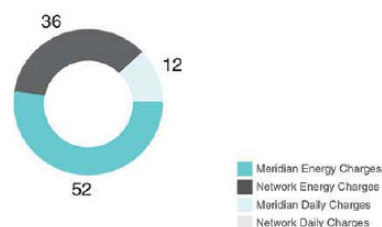
Meter 60B08E013191	19 October 2012 to 21 November 2012 (34 days)				
Readings	Latest reading	Previous reading			Units
Register 1	17652 (Actual)	- 16827 (Estimate)			= 825
Charges	Units	Meridian charge	Network charge		Total
Fixed Rate Economy 24	825	@ 14.79c \$122.03	@ 10.17c \$83.89	=	\$205.92
<b>Total</b>				\$	<b>205.92</b>

Site charges	19 October 2012 to 21 November 2012 (34 days)				
Charges	Units	Meridian charge	Network charge		Total
Fixed Rate Daily	34	@ 77.07c \$26.20	@ 0.00c \$0.00	=	\$26.20
Electricity Authority Levy Charge***	825	@ 0.24c \$1.98	@ \$0.00	=	\$1.98
<b>Total</b>				\$	<b>28.18</b>

Your recent energy use



Meridian charges vs Network charges (%)



Total amount for all meters

**\$234.10**

#### Free Complaint Resolution Process

If you have a concern about your experience with Meridian, please let us know by contacting us at 0800 496 466; PO Box 2128, Christchurch; or customer.relations@meridianenergy.co.nz. If we're unable to resolve your concern promptly our Customer Resolution Team will take responsibility for working with you to a fair resolution. If we cannot resolve your complaint you can contact the free and independent dispute resolution service provided by the Electricity and Gas Complaints Commissioner on 0800 22 33 40 or visit [www.egccomplaints.co.nz](http://www.egccomplaints.co.nz).

Meridian Energy's supply of electricity is on the basis of our standard rates, fees and charges, and our standard terms and conditions. For terms and conditions please visit [www.meridian.co.nz](http://www.meridian.co.nz) or phone us for a copy.

#### How your charges are calculated

**Total charges:** Our total electricity rates are made up of Network charges and Meridian charges. Due to the effect of rounding, the Meridian charges and the Network charges within the breakdown table may not add up to exactly the same amount as the total amount of your bill. Total charges are calculated on the total electricity rate applicable to you.

**Meridian charges:** Meridian charges include the price of the electricity you consume and the retail services we provide to you. These services include metering, billing and customer support.

**Network charges:** Network charges are based on the electricity transmission and distribution costs that Meridian is charged by the local network company.

**Electricity Authority Levy charges:** The Electricity Authority (EA) is the government organisation responsible for regulating New Zealand's electricity industry. The EA recovers the cost of performing its functions, powers and duties by way of a levy on electricity generators, retailers (like Meridian) and line owners. Meridian calculates the customer levy charge that appears on your bill by converting the cost of the EA levy payable by Meridian into a charge that appears on your bill.

[meridian.co.nz](http://meridian.co.nz)

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# The detail



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101 SAMPLE STREET, SAMPLE SUBURB, SAMPLE CITY  
ICP number 0000000000000000

Your next reading will be on or around 30 November 2012  
Current charges

10

Meter 60B08E013191	19 October 2012 to 21 November 2012 (34 days)				
Readings	Latest reading	Previous reading	Units		
Register 1	17652 (Actual)	- 16627 (Estimate)	= 825		
Charges	Units	Meridian charge	Network charge	Total	
Fixed Rate Economy 24	825	@ 14.79c \$122.03	@ 10.17c \$83.89	= \$205.92	
<b>Total</b>				<b>\$ 205.92</b>	

11

Site charges	19 October 2012 to 21 November 2012 (34 days)				
Charges	Units	Meridian charge	Network charge	Total	
Fixed Rate Daily	34	@ 77.67c \$26.20	@ 0.00c \$0.00	= \$26.20	
Electricity Authority Levy Charge***	825	@ 0.24c \$1.98	@ \$0.00	= \$1.98	
<b>Total</b>				<b>\$ 28.18</b>	

12

Your recent energy use

Meridian charges vs Network charges (%)



Total amount for all meters

**\$234.10**

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[meridian.co.nz](http://meridian.co.nz)

Available at: <http://www.meridianenergy.co.nz/my-account/my-bill/how-to-read-my-bill/>



meridian

## Vector (Auckland) Variable Residential Rates

Where applicable, a prompt payment discount will apply if invoices are paid in full by the due date.  
In addition to the rates shown below, an Electricity Authority levy charge\* of 0.19 cents per kWh (inc GST) will apply.  
Rates effective from 8 April 2013.  
Available only to Residential customers in the Vector network.

### Standard Controlled

Price Categories: A102,ARCS

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Daily	80.50	102.23	182.73	cents per day
Anytime	13.63	8.56	22.19	cents per kWh
DayNight Day	14.99	7.44	22.43	cents per kWh
DayNight Night	11.58	7.44	19.02	cents per kWh
Economy 24	13.63	7.44	21.07	cents per kWh
Night	11.58	7.44	19.02	cents per kWh

Plan ID: 32PRESS00004

### Standard Uncontrolled

Price Categories: A100,ARUS

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Daily	80.50	102.23	182.73	cents per day
Anytime	13.63	8.56	22.19	cents per kWh
DayNight Day	14.99	8.56	23.55	cents per kWh
DayNight Night	11.58	8.56	20.14	cents per kWh
Night	11.58	8.56	20.14	cents per kWh

Plan ID: 32PRESS00003





## Vector (Auckland) Variable Residential Rates

Where applicable, a prompt payment discount will apply if invoices are paid in full by the due date.  
In addition to the rates shown below, an Electricity Authority levy charge\* of 0.19 cents per kWh (inc GST) will apply.  
Rates effective from 8 April 2013.  
Available only to Residential customers in the Vector network.

### Standard Zero

Price Categories: ZERO

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Daily	80.50	0.00	80.50	cents per day
Anytime	13.63	0.00	13.63	cents per kWh
DayNight Day	14.99	0.00	14.99	cents per kWh
DayNight Night	11.58	0.00	11.58	cents per kWh
Economy 24	13.63	0.00	13.63	cents per kWh
Night	11.58	0.00	11.58	cents per kWh

Plan ID: 32PRESS00005

### Low User Controlled

Price Categories: A102,ARCL

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Low Daily	19.16	19.17	38.33	cents per day
Low DayNight Day	17.79	11.22	29.01	cents per kWh
Low DayNight Night	14.38	11.22	25.60	cents per kWh
Low Economy 24	16.43	11.22	27.65	cents per kWh
Low Night	14.38	11.22	25.60	cents per kWh

Plan ID: 32PRESL00007



## Vector (Auckland) Variable Residential Rates

Where applicable, a prompt payment discount will apply if invoices are paid in full by the due date.  
In addition to the rates shown below, an Electricity Authority levy charge\* of 0.19 cents per kWh (inc GST) will apply.  
Rates effective from 8 April 2013.  
Available only to Residential customers in the Vector network.

### Low User Uncontrolled

Price Categories: A100,ARUL

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Daily	19.16	19.17	38.33	cents per day
Low Anytime	16.43	12.34	28.77	cents per kWh
Low DayNight Day	17.79	12.34	30.13	cents per kWh
Low DayNight Night	14.38	12.34	26.72	cents per kWh
Low Night	14.38	12.34	26.72	cents per kWh

Plan ID: 32PRESL00006

### Low User Zero

Price Categories: ZERO

Tariff	Meridian Charge (Incl. GST)	Network Charge (Incl. GST)	Total Electricity Charge (Incl. GST)	Unit of Measure
Low Daily	38.33	0.00	38.33	cents per day
Low Anytime	15.55	0.00	15.55	cents per kWh
Low DayNight Day	16.91	0.00	16.91	cents per kWh
Low DayNight Night	13.50	0.00	13.50	cents per kWh
Low Economy 24	15.34	0.00	15.34	cents per kWh
Low Night	13.50	0.00	13.50	cents per kWh

Plan ID: 32PRESL00005



## Rate Descriptions

Your choice of rates is limited by the meter setup at your premises, and by the classification of your premises by the network owner.

### Low User

Low User rates are only available for your primary place of residence. If you use less than 8,000 units (kWh) per annum then low user rates may be the best for you.

### Anytime

A continuous supply of electricity. This rate will apply if your hot water cylinder is connected to a separate meter (Controlled, Night Boost or Night Meter) or if you have gas water heating.

### Economy 24

A continuous supply of electricity but there must be some part of your supply, typically either a hot water cylinder or storage heater, which is available to be interrupted from time to time.

### Controlled

A separately metered supply of electricity (usually to a hot water cylinder or storage heater) which may be interrupted for short periods. General household supply will be provided by another meter.

### Night

A separately metered night only supply of electricity which usually provides power to a hot water cylinder or storage heater. General household supply will be provided by another meter.

### Night Boost

A separately metered night supply with an additional afternoon boost, usually provides power to a hot water cylinder or storage heater. General household supply will be provided by another meter.

### DayNight Day

A day rate (typically applies 7am-11pm). Provides a continuous supply of electricity and requires a dual register meter. Must be used in combination with 'DayNight Night'.

### DayNight Night

A night rate (typically applies 11pm-7am). Provides a continuous supply of electricity and requires a dual register meter. Must be used in combination with 'DayNight Day'.

These rates and descriptions are subject to Meridian Energy Limited's published terms and conditions which shall at all times take precedence.

\*Our Electricity Authority levy charge is to recover the amount payable by Meridian to the Electricity Authority. The Electricity Authority is the government organisation responsible for regulating New Zealand's electricity industry.

Rate Card Extracted: 10APR2013:10:04:22.

Available at: <http://www.meridianenergy.co.nz/assets/PDF/For-home/Join-Meridian/Rate-cards-29-April-2013/RateCard32RESPubVectorAucklandGSTIncl.pdf>