

Improving transparency of consumers' electricity charges

Summary of submissions

18 September 2013

1 Introduction

- 1.1 The Electricity Authority (Authority) requested the Retail Advisory Group (RAG) to review the transparency of information on consumers' electricity charges. The objective of this project is to promote competition by ensuring consumers have timely access to sufficient information to make informed choices about their electricity supply.
- 1.2 On 9 July 2013, the RAG published a discussion paper seeking input to assist its understanding of any problems or issues relating to the availability of information about consumers' electricity charges, and feedback on preliminary options.¹
- 1.3 This paper provides a summary of the views and points raised in submissions. The RAG received 16 submissions on the discussion paper, as detailed in Table 1.

Table 1 Submissions on RAG discussion paper – Improving transparency of consumers' electricity charges

Retailers/ Generators	Networks	Consumers	Other
Contact Energy Genesis Energy Mercury Energy Meridian Energy Powershop TrustPower	Orion Powerco PwC (on behalf of 22 electricity distribution businesses) Vector Wellington Electricity Lines Limited	Counties Power Consumer Trust Energy Trusts of New Zealand Inc. Major Electricity Users' Group (MEUG) Top Energy Consumer Trust	Energy Efficiency and Conservation Authority (EECA)

2 Summary of feedback in submissions

- 2.1 This paper provides a summary of the key comments and themes in submissions. It is structured in two parts:
- feedback on the problem definition, including on the role of transparency (section 3)
 - submitters' views on preliminary options, including costs and benefits of the options (section 4).

3 Is there a problem to be addressed?

3.1 What information do consumers need about their electricity charges, and why?

- 3.1.1 The discussion paper suggested four reasons why consumers need information about their electricity charges. They were to:
- check they have been invoiced correctly
 - understand what is driving price changes

¹ The discussion paper is available at <http://www.ea.govt.nz/our-work/consultations/advisory-group/rag-transparency-consumer-charges/>.

- c) determine what they can do to reduce their bills
- d) make effective choices about their retailer.

- 3.1.2 Submitters had mixed views on the validity of these reasons, and on their importance in promoting consumer switching and hence competition.
- 3.1.3 Seven submitters explicitly said that they agreed that the issues raised in the discussion paper are of concern to some consumers (Counties Power Community Trust, EECA, Energy Trusts of NZ, Meridian, MEUG, Powershop, Vector).
- 3.1.4 EECA stated that consumers would benefit from a breakdown of their monthly electricity bill, information about their electricity consumption trends, and having ways of comparing both the quantity and the cost of the electricity they use with other similar (nearby) households. In EECA's view, this information would enable consumers to make better choices regarding their electricity use and to help them use electricity more efficiently.
- 3.1.5 Wellington Electricity expressed a similar view to EECA, stating that a pricing breakdown would enable consumers to understand what share of the bill they can influence through changes in their energy consumption, compare different retailers' charges and therefore facilitate well-informed switching, and observe movements in the relative contributions over time and thereby better understand drivers of price changes.
- 3.1.6 One submitter explicitly disagreed with the issues stated in the discussion paper (TrustPower). TrustPower did not consider there is a significant unmet need for more transparency, and considered the information required to satisfy the questions posed in the issues paper is currently available from retailers and other sources.
- 3.1.7 Five submitters were of the view that the most important information to consumers is their total annual electricity bill (Genesis Energy, Mercury Energy, Powerco, Orion, TrustPower). Contact Energy said that its own research had found that consumers' primary needs are to understand how much their bill is for and when it is due.
- 3.1.8 A number of submitters noted that the quality of service, and other service offerings (such as dual fuel, and telecommunication services) are also important elements of competition (TrustPower, Powershop, Meridian, Mercury Energy, Genesis Energy).
- 3.1.9 Powershop submitted that consumers are primarily concerned with what the price is and what they can do about it, not why it's increasing. In terms of actions that consumers can take, submitters said that they can reduce their usage or switch retailers (Contact Energy, Powershop). Orion noted consumers can also check that they are on the most suitable pricing plan for their consumption pattern, though there was some lack of clarity expressed as to how consumers go about this.

3.2 Is there a gap in currently available information?

- 3.2.1 Submitters were divided on whether there is a gap in currently available information, and therefore whether there is a problem to be addressed.
- 3.2.2 Consumer groups were generally of the view that a breakdown of pricing components should be available (Counties Power Consumer Trust, Energy Trusts of NZ, Top Energy Consumer Trust). EECA also supported a pricing breakdown.

- 3.2.3 MEUG expressed particular concern that non-household time-of-use customers have difficulty comparing proposed tariffs for bespoke assets, and that this lack of pricing information combined with concerns around monopoly pricing practices are corroding these consumers' confidence in the electricity market as a whole.
- 3.2.4 PwC (on behalf of 22 distributors) stated that there needs to be greater transparency and accuracy in the reporting of pricing components and changes to charges.
- 3.2.5 Vector cited results from its own customer surveys, which found that most customers who do not currently receive separate lines and energy charges on their invoices would find it "important and useful" to have this information.
- 3.2.6 Retailers were generally of the view that sufficient information is already available, and that consumers who seek a further breakdown or explanation of their charges can obtain this free of charge on request from their retailer.
- 3.2.7 Powershop identified some gaps in current information, including customers' knowledge of the pricing plan that they on (and whether this is the right plan for them), knowledge of their metering configuration and effective understanding of their annual usage. However, Powershop did not agree that unbundled pricing information is a significant gap in consumer information.
- 3.2.8 Submissions by some retailers stated that there are consumers who either actively do not want additional information (Contact Energy, Powershop) or are confused by more detailed information (Powershop). TrustPower said that it had provided disaggregated bills in the past but this was generally not well received by consumers, so it had moved to reduce bill complexity.
- 3.2.9 Several submitters were concerned at the lack of evidence of a problem (Contact Energy, Genesis Energy, Orion, TrustPower). Four submitters suggested that the Authority should survey consumers directly about their information needs, preferences and willingness to pay for more detailed information (Contact Energy, Genesis Energy, Mercury Energy, Powerco).
- 3.2.10 Powerco submitted that additional pricing disclosure requirements are not necessary at present, and that there should be clear evidence that mandatory additional disclosure would result in a net benefit for the option to warrant further consideration.
- 3.2.11 Meridian Energy submitted that while information on metering configuration arrangements may be difficult to access at present, it expects this will be addressed to a large extent by the implementation of the changes to Part 10 of the Code.

3.3 What's the role of transparency?

- 3.3.1 Three submitters stated that transparency is important in promoting competition (Counties Power Consumer Trust, Energy Trusts of NZ, Vector).
- 3.3.2 MEUG agreed that improved quality and timeliness of information could improve competition, and that greater transparency is an option to consider for achieving this. Counties Power Consumer Trust noted that other professional services, including telecommunications, provide a breakdown of their prices.
- 3.3.3 Four submitters were of the view that not all the issues identified are caused by a lack of transparency or are solved by increased transparency (Genesis Energy, Meridian Energy, Orion, Powershop).

- 3.3.4 While in favour of increased transparency in consumers' charging information, Top Energy Consumer Trust submitted that it is unrealistic to believe that simply making the billing information available will make the retail electricity sector more competitive.
- 3.3.5 Orion noted that this issue has previously been considered and consulted on, most recently by the Electricity Commission, and stated that the conclusion reached last time was that retailers should advise of the components of their prices at the time they notify customers of changes.
- 3.3.6 Meridian Energy stated that work on transparency should take into account the work planned by the Authority on developing a national database of retail prices.

4 Submitters' views on preliminary options

4.1 Do nothing

- 4.1.1 Four submitters expressed the view that the "do nothing" option is viable (Mercury Energy, Orion, PowerCo, TrustPower). Mercury Energy submitted that its Good Energy Monitor, which it provides at no charge to Mercury customers, is clear evidence that market-driven initiatives are fulfilling customers' desire for information and transparency. Similarly, Genesis Energy submitted that the differing levels of information provided by retailers are a competitive dynamic of the market.
- 4.1.2 Two submitters considered that future technology developments, as well as AMI saturation, will continue to improve the quality and timeliness of information that is provided to consumers (Mercury Energy, TrustPower).
- 4.1.3 Counties Power Consumer Trust stated that the "do nothing" option is unacceptable, because consumers want information to make informed choices and the electricity retailers appear to be the only industry who are not being required to supply that information.
- 4.1.4 MEUG was of the view that the status quo is "probably not" viable and, if the costs of mitigating problems with validating invoices and lack of specificity on price drivers are modest, the mitigation strategies should be implemented.

4.2 Increased role for the Authority

4.2.1 In terms of a potential increased role for the Authority, suggestions included:

- a) providing greater information/education on the industry (Contact Energy, Genesis Energy), including:
 - i) reasons for price increases and past investment in New Zealand's electricity infrastructure (Mercury Energy)
 - ii) comparisons to other countries with infrastructure of similar quality (Mercury Energy)
 - iii) more about the nature and structure of the industry and cost drivers (cost regulation) in various links in the supply chain (Genesis Energy, Orion)

Orion cautioned this should not duplicate information already provided by EECA or the Ministry of Business, Innovation and Employment (MBIE)

- b) working with MBIE to increase the range of pricing data required and reported on (Powershop)

- c) influencing Consumer Affairs to make it a condition of funding that Powerswitch is able to be used by anyone including for commercial gain (Powershop)
- d) analysis and publication of prices and margins (including cross-subsidisation across different networks) by an independent body (Top Energy Consumer Trust)
- e) publishing independent price indices (Mercury Energy)
- f) focussing on how best to support/incentivise retailers to provide consumers with sufficient information (rather than pursue mandatory interventions) (Meridian Energy, Powershop, PwC), particularly in regards to the reasons used to justify price changes (PwC)
- g) finer detail on the Powerswitch website and tools tailored to specific consumer groups, on a voluntary participation basis by retailers (MEUG).

4.2.2 Meridian Energy also suggested that more information of non-price/service utility dimensions (such as consumer satisfaction rates, EGCC complaints and alignment with minimum terms and conditions) be provided on Powerswitch and What's my number, though noted that the benefits of this additional information would need to be balanced against increased complexity.

4.3 Disclosure of pricing information by retailers

4.3.1 Three submitters supported retailers being required to provide additional pricing information (Energy Trusts of NZ, Counties Power Consumer Trust, Top Energy Consumer Trust).

4.3.2 Energy Trusts of NZ submitted that greater transparency has both direct and wider benefits. Increased access to information assists consumers make informed choices about their energy investments (including energy saving projects) and facilitates switching. This in turn enhances the national interest by promoting competition.

4.3.3 Counties Power Consumer Trust submitted that disclosure of itemised costs is important for enabling consumers to make true comparisons. Counties Power Consumer Trust also emphasised the importance of transparency around cost increases, and submitted that transparency will probably be a valuable marketing tool for retailers.

4.3.4 Four submitters did not support retailers being required to provide additional pricing information (Meridian Energy, Orion, Powerco, TrustPower).

4.3.5 Powershop submitted that retailers should be required to publish additional pricing information, but has not yet formed a view on the best and most cost-effective way to do so. Powershop suggested a range of alternative options, including:

- a) requiring retailers to disclose the estimated annual electricity cost to a customer on a particular tariff and their rate card in a readily available form (eg on their website)
- b) requiring retailers to disclose a customer's historical annual consumption (eg on request or some other readily available format).

4.3.6 MEUG submitted that the only new mandatory requirement that is needed is a requirement for all retailers to post publicly all existing tariff offers so that customers can compare for themselves offers for their specific circumstances rather than rely on the generic customer segments used by Powerswitch. MEUG suggested that mandated publication of prior tariff offers over, say, the last 12 months, may also be helpful – and that an archive of prior offers could be maintained and published by the Authority.

4.4 Form of information

4.4.1 Five submitters supported the provision of pricing breakdowns on customer invoices (Counties Power Consumer Trust, EECA, Energy Trusts of NZ, Top Energy Consumer Trust, Wellington Electricity). Several submitters supported online communications (Genesis Energy, Mercury Energy, Orion, Powerco, Powershop, Top Energy Consumer Trust, Vector). Vector submitted that clearly explained and presented trend data is a more informative and helpful way of disclosing price changes and enabling retailer comparisons than line-by-line disclosure on bills.

4.4.2 Some submitters emphasised that the method of communication needs to be tailored to the consumer segment and depends on the type of information required – there is no “one size fits all” (Contact Energy, Meridian Energy, MEUG, Powerco, Powershop, TrustPower). Contact Energy submitted that customers should be able to choose whether they receive more or less information.

4.5 Consistent representation of pricing information

4.5.1 Three submitters supported the mandatory provision of consistent representation of prices on consumers’ bills (Counties Power Consumer Trust, Energy Trusts of NZ, Top Energy Consumer Trust). Energy Trusts of NZ submitted that a mandatory, standardised approach to presentation would minimise costs. Top Energy Consumer Trust was of the view that retailers should also be required to present information on all tariffs, in a standard format, on their websites.

4.5.2 MEUG did not support a mandated template for the provision of pricing information by retailers, but its preliminary view is that consistent representation of prices is probably required for line charges.²

4.5.3 Powerco did not support mandatory disclosure of additional information, but submitted that if this option were progressed then a single mandatory disclosure template would be the simplest and lowest cost way to aid transparency and facilitate comparison between retailers. Powerco also suggested that common templates for communicating price change information, and for web-based pricing information provided by distributors, could assist transparency.

4.5.4 Seven submitters did not support a prescriptive approach to the presentation of information (Contact Energy, Energy, Meridian Energy, MEUG, Orion, Powershop, TrustPower). Specific issues raised in relation to mandating a consistent format included:

- a) **feasibility** – due to the myriad approaches to charging (Powershop, TrustPower) and complexities in relation to grid exit point (GXP) pricing (TrustPower)
- b) the potential to **stifle innovation** (Meridian Energy, Orion, TrustPower)
- c) **fairness** – a template form would disadvantage those customers familiar with the current format (TrustPower) and who want less information (Contact Energy).

4.5.5 While not supportive of a prescriptive approach to the presentation of pricing information, Meridian Energy did suggest that there could be value in a common set of standards specifying how GST and prompt payment discounts should be accounted for. Mercury Energy submitted that greater consistency between retailers in price change communications would be helpful.

² MEUG is still considering this issue and will form a view once the Authority publishes the analysis of the current distribution pricing alignment review. It is also considering the effectiveness of the Information Disclosure regime for non-standard tariff customers.

4.6 Mandatory disclosure of the component parts on consumers' bills

- 4.6.1 Three submitters supported mandatory disclosure of component electricity charges on consumers' bills (Counties Power Consumer Trust, Energy Trusts of NZ, Top Energy Consumer Trust). EECA and Wellington Electricity submitted in favour of pricing breakdowns on consumers' bills, but did not directly express a view on whether this should be mandatory. Vector also supported more transparency of pricing components as a way of promoting informed consumer choices and competition, but did not comment on whether this should be compulsory.
- 4.6.2 Benefits cited include enabling consumers to make more informed choices (Counties Power Consumer Trust, Energy Trusts of NZ) and promoting workable competition through consumer switching (Energy Trusts of NZ). Energy Trusts of NZ submitted that the differing approaches to disclosure that are currently taken by retailers makes it difficult for consumers to determine the level and drivers of energy costs that apply to them, and that having sufficient, simple data would enable them to isolate and compare fixed and variable costs and price trends over time.
- 4.6.3 Two submitters thought that the costs of this option would be minimal (Energy Trusts of NZ, Counties Power Consumer Trust) and should be absorbed by retailers (Counties Power Consumer Trust).
- 4.6.4 Counties Power Consumer Trust suggested that components could include:
- a) Transpower fee
 - b) network/distribution fee
 - c) name of the distributor
 - d) meter hire/meter reader fee
 - e) individual meter usage and rate charges
 - f) authority levy
 - g) GST component
 - h) any "export" fees for feeding back energy they have generated themselves into the national grid.
- 4.6.5 Energy Trusts of NZ submitted that the following information should be required on consumers' bills:
- a) transmission costs
 - b) distribution costs
 - c) rents for equipment
 - d) generation costs
 - e) retailing costs
 - f) regulated levies.
- 4.6.6 Energy Trusts of NZ stated that it is important to isolate movements in lines and transmission charges as these components are subject to price regulation. It submitted that showing lines company charges as a separate component on invoices is therefore an important mechanism for:
- a) ensuring that the result of lines company price regulation is visible to consumers

- b) informing consumers about how much of the change in lines company charges the retailer passes on to consumers
 - c) giving consumers a sense of the competitiveness of retailers using the same lines company for distribution.
- 4.6.7 Top Energy Consumer Trust expressed concern at the lack of retail competition in the Far North, and submitted that retailers should be required to disclose the make up of their charges, split between those charges which are imposed by monopoly suppliers and those that reflect the open, competitive market. This disclosure should be clearly presented on or attached to the monthly bill when any price change occurs.
- 4.6.8 Wellington Electricity submitted that, at a minimum, the proportional split of the following components should be separated out:
- a) transmission charges
 - b) distribution charges
 - c) energy charges
 - d) retailer charges
 - e) government and council levies.
- 4.6.9 Six submitters were opposed to the prospect of mandatory disclosure of component parts on consumers' bills (Mercury Energy, Meridian Energy, Orion, Powerco, PwC, TrustPower).
- 4.6.10 Issues raised with providing more detailed information included:
- a) **feasibility** – particularly with respect to GXP pricing based networks (Contact Energy, Meridian Energy, TrustPower). Contact Energy and Meridian Energy expressed concern at the complexity involved, with Contact Energy citing a number of “common situations” where a pricing breakdown would be overly complicated³
 - b) **cost** – the increased administrative burden on retailers (Contact Energy, PwC), which would ultimately be passed through to consumers (Contact Energy, Powerco, TrustPower)
 - c) the risk of generating **confusion** for consumers (Contact Energy, Genesis Energy, Mercury Energy, Powershop, TrustPower), which could result in consumers being less able to compare retailers' prices (Powershop, TrustPower)
 - d) the risk of **stifling innovation** (Contact Energy, Mercury Energy, PwC) and undermining the competitive advantages of retailers who currently unbundle their bills (Powerco).
- 4.6.11 Two submitters noted some retailers currently provide pricing breakdowns for their customers (Counties Power Consumer Trust, EECA). A number of submitters provided examples of the pricing information they provide on customers' invoices and online (Contact Energy, Mercury Energy, Meridian Energy, Orion, Powerco, Powershop).

³ The examples given were: where the distributor seeks to unbundle transmission from its network charges; where a customer has multiple registers and/or multiple fixed charges and/or capacity charges; dual fuel customers; differing approaches to unbundling component charges; and time-slicing of price changes.