

Retail Advisory Group ::: Meeting number 20

Venue ::: Electricity Authority, Level 7, ASB Bank Tower, 2 Hunter Street, Wellington

Time and date ::: 9:26 to 12:00 ::: Wednesday 12 February 2014

Minutes

Present

::: Peter Allport (Chair)

Members

::: Dene Biddlecombe

::: Sue Chetwin

::: Sarah Free

::: Alan McCauley

::: Andrew McLeod

::: James Munro (from 9.40am)

::: Nathan Strong

Apologies

::: Ewan Gebbie

In attendance

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

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

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

For the item on Correspondence:

::: Blair Robertson (Electricity Authority, Adviser, Retail and Network Markets) (from 9.26am until 9.32am)

For the item on Group Switching:

::: Vince Smart (Electricity Authority, Adviser, Retail and Network Markets) (from 11.10am until 12.00pm)

The meeting opened at 9:26am.

1 Welcome

a) Apologies

The Chair noted apologies had been received from Ewan Gebbie.

b) Interests

The interests register was updated by Peter Allport, Sarah Free and Dene Biddlecombe. Other members noted no changes to their interests.

c) Correspondence

The RAG considered the following letter:

- A draft letter from Peter Allport to Carl Hansen on the RAG's proposal for increasing consumers' propensity to compare and switch retailers – the RAG approved the letter and attached

recommendation for provision to the Authority.

d) Minutes

The Chair advised the minutes of the 20 November 2013 meeting had been approved and were published on the Authority's website.

e) Actions

The RAG noted that all actions from the previous meeting had been completed.

Action	By	Date for action
20.1 – Provide the Authority with the RAG's recommendation on consumer switching.	Secretariat	4 March 2014

Blair Robertson left the meeting at 9.32am.

2 **Work plan update**

The RAG noted the work plan update.

The secretariat provided further explanation of the projects in section 5.2 of the paper. The RAG requested the secretariat to circulate a copy of the Retail data project issues paper.

The Secretariat advised the RAG that the 9 April 2014 RAG meeting would likely include a joint session with the Wholesale Advisory Group to discuss the Authority's 2014/2015 work programme.

Action	By	Date for action
20.2 – Provide the RAG with a copy of the Retail data project issues paper.	Secretariat	19 February 2014

James Munro joined the meeting at 9.40am.

3 **Domestic contracting arrangements**

The RAG discussed the draft summary of submissions and approved it for publication on the Authority's website.

Members agreed with the main themes arising from submissions, and supported the draft recommendations set out in the paper.

The RAG noted the lack of submissions from consumer groups and raised concerns about the RAG's ability (and the Authority's ability in general) to adequately capture views from the demand side on relevant issues.

The secretariat was requested to draft a letter from the RAG to the Authority, noting members' concerns about consumer engagement to date, and suggesting strategies for how to better engage with consumers.

Members discussed how the RAG can best co-ordinate with MBIE on social welfare issues relevant to the medically dependent and vulnerable consumer guidelines. The RAG agreed to invite staff from MBIE to attend the next RAG meeting to discuss these issues.

Members discussed the recent increase in disconnections which has driven political interest in this space and may prompt regulatory action from MBIE. The RAG raised considerable concerns about the potential for unintended consequences if such actions are undertaken without co-ordinating with the Authority.

The secretariat was requested to draft a letter from the RAG to the Authority, noting these concerns, and suggesting the Authority remind MBIE of the obligation in section 113 of the Electricity Industry Act, that the Authority's advice must be obtained and considered before regulations are made for the purpose of promoting fair treatment by distributors and retailers of domestic consumers.

The RAG also noted it has the ability to invite observers from MBIE to attend RAG meetings if there are issues to be discussed which intersect with both MBIE's fairness objectives and the Authority's CRE objectives.

Action	By	Date for action
20.3 – Publish the summary of submissions on the review of domestic contracting arrangements options paper.	Secretariat	26 February 2014
20.4 – Draft a letter from the RAG to the Authority noting concerns about consumer engagement and potential lack of co-ordination on issues relating to disconnections for non-payment	Secretariat	12 March 2014
20.5 – Invite a staff member from MBIE to attend the March RAG meeting to discuss social welfare issues relevant to the medically dependent and vulnerable consumer guidelines.	Secretariat	12 March 2014
20.6 – Draft a letter from the RAG to the Authority, suggesting the Authority reminds MBIE of the obligation in section 113 of the Electricity Industry Act to obtain and consider the Authority's advice before regulations are made for the purpose of promoting fair treatment by distributors and retailers of domestic consumers.	Secretariat	5 March 2014

4 Improving transparency of consumers' electricity charges

The RAG discussed UMR draft report on the consumer survey and considered no changes were required.

Based on the findings in the report, the RAG concluded that:

- consumers want information they can act upon, such as information on electricity usage
- consumer bills are not the best communication channel for providing such information, and breaking out the components on bills would not help consumers make better decisions
- if there are barriers to consumers getting actionable information, then this should be addressed as part of the retail data project.

The secretariat was requested to draft the RAG's recommendation for consideration at the March RAG meeting.

Action

20.7 – Draft the RAG’s recommendation for the Improving transparency of consumers’ electricity charges.

By

Secretariat

Date for action

14 March 2014

Vince Smart joined the meeting at 11.10am.

5 Barriers to group switching

Members discussed the draft discussion paper and provided the following comments:

- modify the language so that the focus is less on facilitating buying groups, and more on removing any barriers to group switching
- include the extent to which existing buying groups have been successful in saving consumers money
- distinguish genuine regulatory barriers from other factors which may limit group switching and mass market aggregation
- question 3 – rephrase, as the draft wording leads to an obvious answer (yes). Preferred wording is “Do you consider that aggregation by consumers has potential to address the issue of uneven bargaining power between individual residential customers and retailers in NZ’s retail electricity market? If not, why not?”
- include a comment on the potential for aggregation schemes to encourage or facilitate their members to adjust their profiles through pricing, information or by providing or subsidising technology solutions
- section 4.3 – include more detail on why some buying groups are more successful than others, particularly why commercial buying groups are more likely to succeed than residential groups
- section 4.5 – include discussion on saves and win-backs
- Section 4.7.3 – include the issue of whether a buying group can act as an agent for consumers in updating the registry

The secretariat was requested to incorporate members’ comments into the discussion paper and circulate a revised draft to the RAG for approval.

Action

20.8 – Circulate an updated discussion paper on Barriers to group switching, incorporating members’ comments.

By

Secretariat

Date for action

14 February 2014

6 Other business

- Confirmation of meeting papers:
 - the RAG requested the final version of the UMR report to published with the RAG papers, rather than the draft version
 - the RAG confirmed all other papers considered at today’s meeting should be published on the Authority’s website.

- The next meeting is scheduled for Wednesday 12 March 2014, in the Electricity Authority Board room.
- The Chair proposed the RAG meetings for August and November 2014 be moved to either a week earlier or a week later, depending on members' availability. The secretariat was requested to email members to obtain their availability for these alternative dates.

Action

20.9 – Email members regarding their availability for the proposed alternative dates for the August and November RAG meetings.

By

Secretariat

Date for action

26 February
2014

The RAG meeting closed at 12:00 pm