

Chair's half-yearly report to the Electricity Authority Board

July to December 2013

3 December 2013

1 Introduction

1.1.1 This report outlines the activities of the Retail Advisory Group (RAG) during July 2013 to December 2013. The RAG's terms of reference require the Chair to report on its progress against its work programme every six months to the Electricity Authority (Authority).

1.2 Role of the RAG

1.2.1 The RAG was established to provide independent advice to the Authority on the development of the Electricity Industry Participation Code 2010 (Code) and market facilitation measures, focusing on the relationships between the retailer, distributor and consumer.

1.2.2 The RAG undertakes projects that are assigned by the Authority, focusing on:

- a) development of the retail electricity market, including matters relating to the retailer/consumer interface, the retailer/distributor interface and the consumer/distributor interface, the distributor/embedded generation interface and advanced metering infrastructure
- b) priorities for developing:
 - i) the Code, especially in regard to Parts 6 (Connection of distributed generation), 10 (Metering arrangements), 11 (Registry information management) and 15 (Reconciliation)
 - ii) market facilitation measures in regard to retail market services.

2 Membership of the RAG

2.1.1 The RAG can have up to nine members, including the independent Chair. Table 1 gives details of the RAG's membership and members' meeting attendance for July to December 2013.

Table 1: Retail Advisory Group membership details

Member	Affiliation	Term of appointment	Meeting attendance
Peter Allport, Chair	Independent	1 April 2013 to 31 March 2015 (second term)	5 of 5
Dene Biddlecombe	Independent	1 August 2012 to 31 July 2014 (second term)	4 of 5
Suzanne Chetwin	Chief Executive Officer, Consumer NZ	1 June 2013 to 31 May 2015 (second term)	4 of 5

Member	Affiliation	Term of appointment	Meeting attendance
Sarah Free	Domestic Energy Users Network	1 August 2012 to 31 July 2014 (second term)	4 of 5
Ewan Gebbie	Energy Management Association of New Zealand (EMANZ)	1 June 2013 to 31 May 2015	5 of 5
Alan McCauley	General Manager Retail, Meridian Energy	1 November 2013 to 31 May 2015	1 of 1
Andrew McLeod	General Manager Electricity, Powerco	1 August 2012 to 31 July 2014	5 of 5
James Munro	General Manager Retail, Mighty River Power	1 August 2012 to 31 July 2014 (second term)	4 of 5
Nathan Strong	General Manager Business Assurance, Unison Networks	1 June 2013 to 31 May 2015 (second term)	3 of 5

2.1.2 The RAG held five meetings between July and December 2013.¹ All meetings were held in Wellington, with three held at the offices of the Authority and two held at the NZICA Conference Centre.

2.1.3 The RAG had eight members for most of the reporting period, but Alan McCauley was appointed on 1 November 2013, bringing the RAG's membership up to nine members.

3 Activities of the Group

3.1.1 The RAG and the Authority agreed on the RAG's work plan for 2013-14 in October 2013, following discussions in August and September. The work plan comprises the following projects:

- a) review of options for promoting to consumers the benefits of comparing and switching retailers
- b) review of domestic contracting arrangements
- c) improving transparency of consumers' electricity charges
- d) barriers to group switching

¹ The Group met on 17 July, 21 August, 18 September, 16 October, and 20 November.

- e) consideration of options to improve retail competition in embedded and customer networks
- f) research project: effects of Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004.

3.2 Review of domestic contracting arrangements

- 3.2.1 The RAG is reviewing domestic contracting arrangements, including an assessment of:
- a) whether to develop minimum terms and conditions for the relationship between consumers and distributors (where the distributor has a direct relationship) and retailers (referred to as conveyance model arrangements)
 - b) whether to more closely monitor retailers' behaviours by monitoring their compliance with their domestic contracts, for example, by collecting and reporting consumer complaints data
 - c) the potential to improve the operational efficiency of the arrangements to assist medically dependent and vulnerable consumers.
- 3.2.2 The objective of this project is to examine the operational effectiveness of aspects of the domestic contracting arrangements, and to identify and recommend alternatives that promote competition in, reliable supply by, and efficient operation of the electricity industry for the long-term benefits of consumers.
- 3.2.3 The RAG is taking a two-stage approach to this project, by first consulting on an issues paper to ensure the RAG clearly understands the problems it is being asked to address, followed by a second round of consultation on a discussion paper to consider options for addressing those problems.
- 3.2.4 The issues paper was published in April 2013 and received 13 submissions. The options paper was published in November 2013, with submissions due on 17 December.
- 3.2.5 The RAG is seeking feedback about three possible changes to the domestic contracting arrangements:
- a) introducing/developing voluntary minimum terms and conditions for domestic contracts when there is a conveyance model arrangement
 - b) improvements to the operational efficiency of the arrangements to assist medically dependent and vulnerable consumers, including potentially establishing a central repository of information about medically dependent and vulnerable consumers, for example, in the registry
 - c) encouraging retailers to develop processes for working with social agencies to improve coordination and management of vulnerable consumer issues.

3.2.6 The RAG expects to make a recommendation to the Board in April 2014.

3.3 Review of options for promoting to consumers the benefits of comparing and switching retailers

3.3.1 The RAG is reviewing options for promoting retail competition by increasing consumers' propensity to compare and switch retailers. The objective of this project is to consider the performance of the Authority's What's My Number (WMN) campaign and associated initiatives and to identify what actions (if any) the Authority can take to promote to consumers the benefits of comparing and switching electricity retailers from 30 April 2014.

3.3.2 The RAG released a discussion paper in April 2013 and received nine submissions. The RAG advised the Board in September 2013 that it was waiting for the results of the Ministry of Business, Innovation and Employment (MBIE) evaluation of the Consumer Switching Fund before making recommendations on this project.

3.3.3 The evaluation report was not finalised in time to be considered at the RAG's November 2013 meeting, but the RAG has considered the draft findings and the implications of these for any advice to the Board on options for promoting to consumers the benefits of comparing and switching retailers.

3.3.4 The RAG expects to provide its recommendation to the Board in December 2013.

3.4 Improving transparency of consumers' electricity charges

3.4.1 The RAG has been requested to review whether there should be more transparency around consumers' electricity charges, and to identify and recommend alternatives that promote competition by ensuring consumers have timely access to sufficient information so they can understand their bills, see what is driving price changes and make choices about their retailer.

3.4.2 The RAG is taking a two-stage approach to this project, by first consulting on an issues paper to ensure the RAG clearly understands the problems it is being asked to address, followed by a second round of consultation on a discussion paper to consider options for addressing those problems.

3.4.3 The RAG released an issues paper in July 2013. The RAG considered the feedback in September 2013 and was concerned by the lack of consumer feedback to the extent that members thought they needed more fulsome consumer input to progress the project. The RAG discussed options for obtaining consumer feedback and concluded that consumer surveys would provide a better understanding about consumer information requirements. The results of these surveys will be available in February 2014. This means that the RAG is not going to make a recommendation to the Board in March 2014 as currently scheduled in the work plan. The RAG expects to make recommendations to the Board in August 2014.

- 3.4.4 The RAG is somewhat concerned that the feedback to the issues paper was primarily from participants, with many participants suggesting that there is no real issue with transparency of consumers' electricity charges. However, despite the strong consumer voice on the RAG, the RAG does not consider it has received a sufficient range of consumer views to balance participants' views, and to enable the RAG to make an informed recommendation to the Board.
- 3.4.5 The RAG considers that focus groups/surveys are an effective way of identifying consumer preferences and appreciates the Authority's support in undertaking this work. The RAG intends to build different forms of consumer engagement into each project, for example, making sure to invite relevant consumers to submit and meeting with relevant consumers. The RAG will continue to work with the Authority staff in developing an engagement strategy and undertaking consultation.

3.5 Barriers to group switching

- 3.5.1 The RAG has been requested to review any barriers to group switching and mass-market aggregation. The purpose of the project is to examine the benefits of consumers aggregating by establishing or joining buying groups (group switching) and to investigate whether there are barriers inhibiting group switching.
- 3.5.1 The RAG discussed the project objectives and approach at its October 2013 meeting and requested a more in-depth and broader examination of the potential benefits and costs of group switching. The RAG is keen to learn from overseas experiences with buying groups and is gathering more information to better understand the factors contributing to buying groups' success or otherwise.
- 3.5.2 The RAG expects to release a discussion paper outlining the issues and options for this project in March 2014, and intends to make a recommendation to the Board in August 2014.

3.6 Review of options to improve retail competition in embedded and customer networks

- 3.6.1 This project aims to address a potential problem with the ability of retailers to compete to supply consumers on embedded and customer networks. This matter potentially has wider effects on competition because there is anecdotal evidence that in some circumstances gaining a contract to supply a chain of business customers can be frustrated if one of those business customers operates in an embedded or customer network and cannot switch.
- 3.6.2 The RAG is scheduled to begin this project in April 2014.

3.7 Research project: effects of low fixed charge regulations

- 3.7.1 The purpose of this project is to examine the effects on efficiency and competition of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulation 2004 (LFC Regulations) and to identify better means of achieving the objectives of the LFC Regulations.
- 3.7.2 The RAG agreed the project plan and approach with the Board in October 2013 and is scheduled to begin this project in 2015.



Peter Allport

Chair, Retail Advisory Group