

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

June to December 2014

9 December 2014

Note: This paper has been prepared for the purpose of the Retail Advisory Group. Content should not be interpreted as representing the views or policy of the Electricity Authority.

1 Introduction

1.1.1 This report outlines the activities of the Retail Advisory Group (RAG) during the period June 2014 to December 2014. The RAG's terms of reference require the Chair to report on the RAG's 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 June to December 2014.

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)	3 of 3

Member	Affiliation	Term of appointment	Meeting attendance
Suzanne Chetwin	Chief Executive Officer, Consumer NZ	1 June 2013 to 31 May 2015 (second term)	3 of 3
Allen Davies	GreyPower	1 August 2014 to 31 July 2016 (first term)	2 of 3
Ewan Gebbie	Executive Officer, Energy Management Association of New Zealand (EMANZ)	1 June 2013 to 31 May 2015 (first term)	3 of 3
Alan McCauley	General Manager Retail, Meridian Energy	1 November 2013 to 31 May 2015 (first term)	3 of 3
James Munro	General Manager Customer, Mighty River Power	1 August 2014 to 31 July 2016 (third term)	2 of 3
Nick Robinson	General Manager, Corporate Affairs, Contact	1 August 2014 to 31 July 2016 (first term)	3 of 3
Nathan Strong	General Manager Business Assurance, Unison Networks	1 June 2013 to 31 May 2015 (second term)	3 of 3
James Tipping	Regulatory Strategy Manager, Trustpower	1 August 2014 to 31 July 2016 (first term)	3 of 3

2.1.2 The RAG held three meetings in the period – 5 August, 10 September, and 9 December. All meetings were held in Wellington, but some members attended by teleconference.

2.1.3 The RAG had nine members for the period.

- 2.1.4 Three new members commenced their two-year terms on 1 August 2014: Allen Davies (GreyPower); James Tipping (Trustpower); and Nicholas Robinson (Contact Energy). James Munro (Mighty River Power) commenced his third two-year term on 1 August 2014.

3 Activities of the Group

- 3.1.1 The RAG and the Authority discussed the RAG's work plan for 2014-15 at the RAG's 5 August 2014 meeting. The RAG work plan for 2014-15 comprises the following projects:
- a) review of domestic contracting arrangements – the RAG made a recommendation to the Board in April 2014 and is preparing further advice on a specific aspect of the recommendation as requested by the Authority Board
 - b) review of barriers to group switching and mass-market aggregation – this project was started in October 2013 and recommendations were made to the Authority Board in October 2014
 - c) review of secondary networks – this project was started in April 2014 and is ongoing
 - d) research project: effects of Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 – this project was started in December 2014.
- 3.1.2 In addition, as requested by the Board, the RAG made a submission on the Authority's consultation paper (Improving transparency of consumers' electricity charges) in September 2014.

3.2 Review of domestic contracting arrangements

- 3.2.1 The RAG was requested to review 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 was 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 made its recommendations to the Authority Board in April 2014 following a two-stage process:

- a) the RAG released an issues paper in April 2013 seeking feedback about the issues and problems with domestic contracting arrangements,¹ and received 13 submissions²
- b) the RAG released an options paper in November 2013 seeking feedback on options for addressing the problems identified with the operational effectiveness of the domestic contracting arrangements,³ and received 11 submissions.⁴

3.2.4 The Authority Board considered the RAG's recommendations in June 2014 and requested clarification of the recommendation for facilitating access to information about medically dependent consumers in emergency situations. Specifically, the Authority Board requested advice from the RAG about the potential liability and privacy issues that the Authority may face from housing medically dependent consumer data centrally (e.g. in the registry).

¹ Retail Advisory Group, Domestic Contracting Arrangements Issues Paper, available at: <http://www.ea.govt.nz/development/work-programme/retail/domestic-contracting-arrangements/consultations/#c1938>.

² Submissions and summary of submissions, RAG Domestic Contracting Arrangements Issues Paper, available at: <http://www.ea.govt.nz/development/work-programme/retail/domestic-contracting-arrangements/consultations/#c1938>.

³ RAG Domestic Contracting Arrangements Options Paper, available at: <http://www.ea.govt.nz/development/work-programme/retail/domestic-contracting-arrangements/consultations/#c1939>.

⁴ Submissions and summary of submissions, RAG Domestic Contracting Arrangements Issues Paper, available at: <http://www.ea.govt.nz/development/work-programme/retail/domestic-contracting-arrangements/consultations/#c1939>.

- 3.2.5 The RAG has considered these issues at its August, September and December 2014 meetings. In addition, the RAG is considering the benefits to the consumer switching process from storing certain information about MDCs in the registry. If this were to be done it would be with the intention of preventing MDCs “falling through the cracks” during the consumer switching process and being accidentally disconnected because their MDC status is not known. Such disconnection could, for example, occur if the MDC were moving premises.
- 3.2.6 The RAG is deferring for now its recommendation to the Authority that information about MDCs should be held centrally. The RAG is in agreement that, before consideration is given to storing any information about MDCs centrally and accessibly, such information must be accurate.
- 3.2.7 The RAG recommends the retailer working group focussing on improving outcomes for vulnerable electricity consumers should consider whether aligning electricity retailers’ respective processes for managing MDC information will facilitate improvements in the accuracy of MDC information captured and stored by retailers.
- 3.2.8 The RAG expects to be in a better position to report on the merits of holding MDC information centrally after the matter has been considered by the retailer working group or similar group.
- 3.3 Review of barriers to group switching and mass-market aggregation**
- 3.3.1 In August 2013 the Authority requested the RAG undertake a review of barriers to group switching and mass-market aggregation. The purpose of the project was to examine the benefits of consumers establishing or joining buying groups / aggregation schemes, and to investigate whether there were barriers inhibiting group switching.
- 3.3.1 The RAG completed its review in September 2014. Its findings and recommendation were presented to the Authority Board at the Board’s meeting of 5 November 2014.⁵
- 3.3.2 The RAG recommended the Authority take no specific action in respect of group switching and mass market aggregation in New Zealand, but continues addressing general barriers to consumer switching.

⁵ Retail Advisory Group, RAG report: Barriers to group switching and mass market aggregation, available at: <http://www.ea.govt.nz/development/work-programme/retail/group-switching/outcome/retail-advisory-group-report/>.

3.3.3 The RAG notes that the Authority Board has accepted the RAG's recommendation.

3.4 Review of secondary networks

3.4.1 The RAG was requested to consider the competition effects of embedded networks, customer networks and network extensions (referred to as a review of secondary networks). In particular, this project aims to address a potential problem with the ability of retailers to compete to supply consumers on embedded and customer networks.

3.4.2 The RAG discussed the scope and approach of the project on 9 April 2014 and requested that the secretariat develop a detailed paper describing the problem and outlining a preferred option.

3.4.3 The RAG considered the problem and options at its 9 December 2014 meeting. The RAG requested the following further information be included in the paper to be provided at its February 2015 meeting:

- a) the customer impacts of the existing arrangements, including reliability and value
- b) the contrast between the responsibilities and obligations of local network owners and secondary network owners
- c) the costs and benefits of options, including rationalising the number of types of secondary networks.

3.5 Research project: effects LFC Regulations

3.5.1 The Authority requested the RAG to investigate the competition and efficiency effects of the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (LFC Regulations) and the effects of the LFC Regulations on CRE.

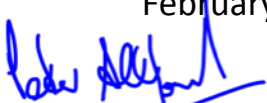
3.5.2 The RAG discussed the scope and approach to the project at its 9 December 2014 meeting.

3.5.3 The RAG agreed the scope is to review and quantify the effects of the LFC Regulations on competition, reliable supply and efficiency to determine the net benefits or net dis-benefits. The RAG noted that it has not been asked to recommend alternatives to the LFC Regulations.

3.5.4 The RAG agreed to a two-stage approach to initially focus on operational efficiency issues and then focus on competition and reliability issues.

Additionally, the RAG agreed that it would progress the project initially relying on member discussions, but with input from relevant parties if necessary.

- 3.5.5 The RAG noted that a paper providing background information and considering issues relating to the LFC Regulations would be presented at its February 2015 meeting.



Peter Allport

Chair, Retail Advisory Group