



**Response to the Electricity Commission's
Consultation Paper on Transparency of
Charge Components**

From

Contact Energy Limited

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Introduction

Contact Energy welcomes the opportunity to respond to the Electricity Commission's consultation paper. Contact's response follows over the page.

For any questions related to this submission, please contact:

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Submission to the Electricity Commission's Consultation Paper on Transparency of Charge Components

Question

1 Are there any other options that have not been considered in this consultation paper that you think require further investigation? If there are other options, please provide details and reasons for your views.

Comments

Contact believes that the Commission has covered all reasonable options around transparency of lines charges; however, we would suggest that given the problem definition stated in section 2.1 of the consultation document, that there may be other ways of viewing this issue.

Section 2.1.1 states that:

It is important for consumers to understand why their electricity bills are increasing. Given that there are a number of charge components incorporated in the consumer's final invoice, it has been suggested that a breakdown of each component be provided. It has been assumed by some parties that this breakdown of charge components will allow the consumer to determine if the charge components are reasonable and to determine where the increases in costs lie.

Contact would like to point out that retailers who are members of the EEGC and have agreed to the codes of practice are required to give an explanation for increases to customers; and that retailers as a matter of course undertake to explain increases to customers. This should be an adequate mechanism to cover the first sentence of the problem statement; the Commission's note in section 2.1.2 regarding "publication...of information that explains why average New Zealand residential electricity prices have increased over time" (preferably by the commission) should cover general concerns.

In light of this, Contact suggests that introducing transparency of lines charges may not add much value for the vast majority of customers. However, while Contact does not believe that transparency of lines charges will add any value, we are not opposed to the Commission publishing retail and lines information on its website, provided that requirements on retailers are not costly or onerous, and that the costs incurred by the Commission in collating this information (which will ultimately be passed to customers) are minimal.

2 Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views.

It is Contact's opinion that, while both of these options are preferable to options 1 and 2, that the preferred options for the shortlist should be options 4 and 5, with an overall preference for option 5.

Contact believes that the option selected should be the option that incurs the least cost (as this will ultimately be passed to consumers) and provides a material benefit to a significant number of customers. In our experience, the demand for lines/energy split information is not high.

With this in mind, option 5 appears to be the most sensible outcome. However, out of options 3 and 4 Contact believes option 4 is likely to incur the least cost for customers, and thus would support this option.

3 Do you consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices?

Contact does not consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on retailer invoices, as;

- This would likely incur some cost (ultimately paid for by all customers);
- The information on the website would be aggregated and would not specifically reflect any particular bill or customer, which would mean that generic promotion and links from within the Commission's own website would be a more appropriate way of promoting this information to the small number of people who want to access it;

Question**Comments**

- Customers requiring this information would seek it directly from the website or their retailer anyway; and
- Given the inherent complexities on electricity bills, having further requirements would result in a more cluttered and a reduced customer experience.

4 Do you see any implementation difficulties with meeting this proposal?

Contact sees a number of potential implementation difficulties.

1) Data gathering

Network price changes and retail price changes do not necessarily occur simultaneously. Contact believes it is important for the Commission to ensure that an effective date is displayed on their website, and that all price changes are included as they occur. Retailers already provide details of any new residential pricing 15 working days prior to the effective date (as part of Low User compliance); Contact suggests this data could be used to update the Commission's website on the retail side. Network pricing is also under a disclosure regime and is available on Network websites.

2) Data

Contact suggests that given the number of networks and associated pricing plans, it is best for the Commission to restrict itself, as per the data from the Electricity Tariff Surveys undertaken by the MED, to only the most common plan (or alternatively a limited number of the most common plans) in each area.

We note that there is significant scope for error in terms of matching the data to ensure that in any given area, retailers are compared using the same pricing plan (e.g. Uncontrolled) and that the correct matching network pricing is selected. It is vital that this is done correctly. The MED data referred to above appears to do this accurately.

3) Format

Contact notes that the sample disclosure data provided in Appendix 4 of the consultation paper is very high level and may not satisfy the requirements of the few customers who seek this data. Contact suggests providing either price or bill figures in order to give customers a greater level of detail.

4) Context

Contact believes that it is critical that the methodology and assumptions, including assumptions around annual consumption, as well as the limitations of the data, are clearly explained. Areas with GXP (WDM) based pricing should be completely excluded from the website and an explanation provided to customers. Contact suggests that the total lines pricing amount (distribution and transmission) should be expressed as a single cost in order to simplify the data displayed to customers.

