

TO: ELECTRICITY COMMISSION

submissions@electricity commission.govt.nz

FROM: COUNTIES POWER CONSUMER TRUST
P O Box 580
PUKEKOHE 2340

DATE: Monday, 14 December 2009

SUBJECT: Consultation Paper – Transparency of charge components

Attention: Kate Hudson
Electricity Commission
Level 7, ASB Bank Tower
2 Hunter Street
P O Box 10 041
WELLINGTON 6143

SUBMISSION TO THE ELECTRICITY COMMISSION ON

CONSULTATION PAPER - TRANSPARENCY OF CHARGE COMPONENTS ON CONSUMER BILLS

Counties Power Consumer Trust is the 100% owner of the lines company Counties Power Limited.

Counties Power Consumer Trust has consistently lobbied for a split of line and energy charges on consumers electricity bills and continues to do so.

In response to the questions posed in the Commission's Consultation paper Counties Power Consumer Trust offers the following answers:

Q 1. Are there any other options that have not been considered in this consultation paper that you think require further investigation?

Answer: Yes, a further option is to encourage the separate 'direct billing' by lines companies (of their lines charges) and by energy retailers of their energy charges.

This is currently being done by The Lines Company against what is understood to be considerable opposition by energy retailers. Quote by CEO of The Lines Company "Regarded as the pariah of retailers." There is a lack of synergy between billing for capacity (as is the case of the lines business) and consumption (as is the case of the energy retailer). Peaks do not necessarily coincide and are in different overall areas.

A side advantage for a number of trust owned lines companies would be the ease of compilation of beneficiary rolls for distributions (and control over distributions) and for elections of trustees.

Q 2. Do you agree with the Commission's short-listed proposals (options 3 and option 4)?

Answer: No, of the options presented in the consultation paper, option 1 is the only one acceptable to Counties Power Consumer Trust.

Q 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?

Answer: No, with the imminent demise of the Electricity Commission this option is no longer viable.

Q 4. Do you see any implementation difficulties in meeting this proposal?

Answer: Yes, with the imminent demise of the Electricity Commission it will not provide this information. The Ministry of Economic Development provides limited information capable of analysis.

COUNTIES POWER CONSUMER TRUST COMMENTS ON ELECTRICITY COMMISSION CONSULTATION PAPER - TRANSPARENCY OF CHARGE COMPONENTS

Option 1: Distribution, transmission and retail charges are unbundled on the consumer's invoice.

This is the option preferred by Counties Power Consumer Trust. It is currently provided by Mercury Energy to customers in significant parts of the Vector lines company area. (Example attached at Appendix A.)

In the consultation paper under the heading **2 Background, 2.1 Problem definition at 2.1.1**, the point is made that it is important for consumers to understand why their electricity bills are increasing. Whilst this is a valid point it is submitted that it is just as important for individual consumers to understand where their electricity bills are increasing so that they can seek an explanation either from the provider of the lines component or the provider of the energy component.

At 2.1.2 in the consultation paper, comment is made that there is a fine balance between providing sufficient information to allow a consumer to determine a bill's reasonableness and providing too much information which may cause confusion.

This is indeed a valid point. However all a consumer probably wants to know is

“why has the bill increased and who has increased (or reduced) it?”

The Mercury bill referred to above has, since the separation of line and energy charges commenced, had increases and reductions in several areas. Daily charges and kWh charges have varied both in Mercury and Vector's components. Meter charges have been added and varied as have Electricity Commission charges. (Refer attached spreadsheet at Appendix B of a domestic customer with the annual usage of 8,000 kWh.) Consistently then, the customer becomes able to require explanations from the appropriate supplier at any or every price change.

Importantly from the Trust's point of view this also provides monitoring information of its lines company's performance and public accountability and removes the opportunity for energy retailers to unfairly blame the lines company. This point is acknowledged in the consultation paper under the heading 'History'.

It is noted in the consultation paper (2.2.3) that “In 2005, the Commission included separation of line and energy charges in the proposed Model Domestic Contract...”

It was reported at “2.2.4 Retailer also stated that bill unbundling would increase their costs (which would result in higher prices to customers) without a corresponding increase in benefit to the consumer, and restrict their ability to offer innovative products and services.” In other words, “to hide the lines company's cost component on particular invoices.”

It is to be noted that Mercury Energy is recently reported as having significantly increased its customer base in the face of competition from other retailers. (N Z Herald 14.12.2009 page B16)

In the consultation paper at 2.3.2 it is stated: "Retailers have argued and the Commission agrees that the GPS (Government Policy Statement) objective on transparency of line charges does not need to be interpreted as requiring unbundling of line charges on invoices, but could also be interpreted as meaning that either

- (a) any customer can clearly see how their energy rate is broken down into its components (fixed, variable, time of use etc), or
- (b) a breakdown of the customer's bill into line and generation/retail components is available to the customer, but does not have to be specifically disclosed on the invoice."

The May 2008 Government Policy Statement (GPS) on Electricity Governance stated as follows:

"Domestic consumer contracts

17. The Commission should ensure that the terms and conditions of contracts between domestic consumers and electricity retailers (and where applicable, contracts between domestic consumers and electricity distributors) reflect the reasonable expectations of consumers.

18. The Commission should ensure the following matters are addressed in contracts:

- transparency of charge components
- frequency of billing
- company-specific arrangements for dispute resolution
- arrangements for informing consumers about planned outages
- arrangements for the benefit of low-income domestic consumers as described below."

It is submitted that the Electricity Commission has misinterpreted this GPS on the basis of arguments put forward by retailers and that the only real interpretation could be that charges made by different suppliers should be transparent. Additional information would be supplementary.

The Consultation Paper includes an Analysis

"3.2 Option 1: Distribution, transmission, and retail charges are unbundled on the consumer's invoice

3.2.1 In this option, distributor charges (which include distribution and transmission costs) would be unbundled on the customer's bill. Customers would see unbundled line charges and unbundled generation/retail charges on their monthly invoices (the tariff and total dollar amount)."

COMMENT: This option would show which supplier charges what dollar amount.

"3.2.2 The unbundled line charges may vary by retailer as a result of different methodologies used to allocate wholesale distribution rate designs between customers, and differences in timing of the flow through of distributor price increases. Graphs/diagram's to make the information more easily understandable to customers would not be provided. Consumers would need to retain each bill to see any trends over time, and carry out their own analysis."

COMMENT: Customers are interested particularly in any price increases and who is responsible for that increase. If their bill is high because they have used more electricity, they will know and if it is higher than normal because of a price increase they will also know and also who to ask about the price rise. The media, given the opportunity through transparency of charges, may well ask the question for them. Customers may notice an immediate price increase or may only become aware of it over time. e.g. More expensive this winter than last. They are still entitled to know who, if any, has increased the prices, if it is a price and not a usage issue.

“3.2.3 Implementation: The implementation of this option was proposed in the 2005 draft Model Domestic Contract Guidelines. The Guidelines would then state that “Our (retailer’s) invoice will separately show the charges for the electrical energy supplied to you and the Distributor’s charges for distribution of the electrical energy”. However, given the previous discussions with retailers about this option, it is likely that implementation could only be achieved through regulatory means.”

COMMENT: The electricity industry is a regulated industry and a simple regulation forcing transparency of charges would not greatly increase the regulatory framework. Indeed whatever the Electricity Commission finally recommends it will probably require some form of regulation. Unnecessary costs would be avoided as compliance should/would be the role of the Commerce Commission. Options 3 and 4 simply increase compliance costs through additional work for the Electricity Commission or its successor. Mercury Energy already provides this information, probably to the majority of its domestic consumers. It is also probably less costly to run a full reporting programme on all bills rather than being forced into significant work to answer any specific individual queries as suggested in option 3.

Finally there will always be attempts by electricity Lines Companies and Energy Retailers to justify their prices. It is only when individual customers know the relative transparent charges on their specific bills that they can call the publicity into question.

Recently (3.12.2009) Doug Heffernan CEO of Mighty River Power (Mercury Energy) commented on National Radio that in the Auckland area “The majority of price rises in the last five years have come from the monopoly lines company. Ironically those price rises have been approved by the Commerce Commission.”

And further; “in the Auckland area price rises have gone up by about four percent over the last five years.” Whilst this is quite probably correct the choice of a five year time period was selective as over a longer time period the price increases have been much higher by the retailer than the lines company.

It is submitted that true transparency of charges will enhance competition. Reference to the internet and websites will inform only relatively few consumers and entail additional unwarranted expense. It is important that like can be compared with like and when quotes are provided by energy retailers they are not fudged by the hiding of lines charges within an overall quotation.

Front side of Mercury Energy Electricity Invoice

044983 / 512/442 49832 21/06/2009
Statement/Tax Invoice
 GST Number 71 048 870

PF O'Brien
 4 McCall Place
 Opapeke
 Papakura 2113



Mercury Energy

Mighty River Power Limited
 Trading as Mercury Energy

Actual reading **Your account number**

For account enquiries please **0800 10 18 10** (7:30am - 9pm Mon to Fri, 9am Sat - 5pm Sun) **441-098-037**

Recent transactions

12 Oct 09	Opening balance	\$231.43
02 Nov 09	Direct debit payment 02 Nov 09 - Thank you	\$208.28cr
02 Nov 09	Discount for prompt payment credited	\$23.12cr
Balance		\$0.00

Current account summary

Net current charges	\$169.17
GST at 12.50%	\$21.14
Total current charges (please see Current account details)	\$190.31
Discount for prompt payment	\$19.04cr
Discounted amount due	\$171.27

The following additional discount is included in this bill:
EasyPay Discount **\$2.31**
 Please refer to the Current account details section(s) of your bill.



Your child could be our star!

We are giving one child the chance to light up the dazzling Christmas tree at Coca-Cola Christmas in the Park. Our winner will be the star of the show, with VIP seats, a deluxe picnic hamper and a \$500 Westfield voucher. Plus, there is a stack of VIP passes up for grabs. Enter now at www.mercury.co.nz/christmas.



Mercury Energy is proud to have been awarded the Entrant Mark. (Awarded 2008/09)

www.mercury.co.nz

FAULTS: For all faults phone VECTOR Limited on 0508 VECTOR (0508 832 967)

MID-OR Limited GST No. 10 008 279

Direct debit transaction - no action required

Account number 441-098-037

The schedule below sets out the payments that will be direct debited from your bank account on the due date(s) specified, UNLESS YOU INSTRUCT US OTHERWISE BY THE CANCELLATION DATE(S) also specified below.

DIRECT DEBIT ARRANGEMENT(S)

Due date	Type of payment	Payment amount	Cancellation date
02 Dec 09	Current charges	\$171.27	30 Nov 09



Mercury Energy

Private Bag 92008
 Auckland

APPENDIX A

Back side of Mercury Electricity Invoice showing the split

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Meter reading(s) For the period 13 Oct 09 to 11 Nov 09

The next approximate date we will read your meter is 10 December 2009

Meter	Current reading	Units used
Standard - A - inclusive	1381 (actual)	598 (actual)

Current account details - for the period 13 Oct 09 to 11 Nov 09

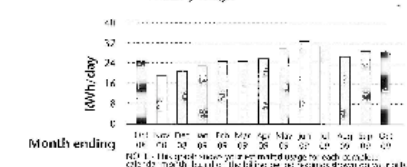
Charge type	Unit	Rate	Amount	Unit	Rate	Amount
Variable usage charge						
Standard - A - inclusive	783 kWh	@ 9.41 cents/kWh	\$73.84	@ 8.15 cents/kWh		\$64.77
Daily fixed charge	30 days	@ \$4.70 cents/day	\$14.10	@ 16.67 cents/day		\$5.00
Metering	30 days	@ 17.55 cents/day	\$5.27			
EasyPay discount			\$2.31			
Electricity Commission levy	783 kWh	@ 0.5 cents/kWh	\$3.92			
Subtotal			\$97.38			\$74.77
GST at 12.50%			\$12.17			\$9.97
Totals			\$109.55			\$84.74
Discount for prompt payment *			\$19.04			\$6.00

Total current charges (Mercury Energy plus Vector Limited) **\$190.51**

Usage information

Cost per day for the period(s) shown above **\$6.34/day**

Electricity usage



HEM/091111-01-01 and 11 Nov 09

* Discounted by Vector Energy for prompt payment discount

APPENDIX B

Spreadsheet of annual use showing the benefits of seeing the monthly breakdown of charges

Based on actual invoices from Mercury Energy to
Peter O'Brien

4 McCall Place, Papakura

Electricity Period From	Mercury Electricity Retailer																			Vector Lines Business										Average Daily Cost
	Usage Days	Daily Usage	Daily c/day	Usage c/kWh	Daily Cost	Usage Cost	Daily c/day	Hire Cost	Easy Pay Discount	Elect. Comm.	Mercury Total	Usage kWh	Daily c/day	Usage c/kWh	Daily Cost	Usage Cost	Vector Total	TOTAL	GST	Gross Total	Discount 10%	Net Total								
13/10/2009	365	8,000	21.92	64.70	9.43	236.16	754.40	0.18	64.09	-2.32	12.00	1,064.32		16.67	8.53	60.85	682.40	743.25	1,807.56	225.96	2,033.52	203.35	1,830.17	5.01						
1/04/2009	365	8,000	21.92	64.70	9.43	236.16	754.40	0.18	64.09	-3.73	12.00	1,062.91		16.67	8.53	60.85	682.40	743.25	1,806.15	225.78	2,031.93	203.19	1,828.74	5.01						
14/02/2009	365	8,000	21.92	64.70	9.43	236.16	754.40	0.18	64.09	-3.54	12.00	1,063.10		16.67	8.06	60.85	644.80	705.65	1,768.74	221.10	1,989.85	198.98	1,790.86	4.91						
10/10/2008	365	8,000	21.92	64.70	9.43	236.16	754.40	0.18	64.09	-3.30	23.20	1,074.54		16.67	8.06	60.85	644.80	705.65	1,780.18	222.53	2,002.72	200.27	1,802.45	4.94						
1/04/2008	365	8,000	21.92	55.15	9.13	201.30	730.40	0.17	62.09	-2.90	13.60	1,004.47		16.67	8.06	60.85	644.80	705.65	1,710.12	213.77	1,923.89	192.39	1,731.50	4.74						
7/12/2007	365	8,000	21.92	55.15	9.13	201.30	730.40	0.17	62.09	-2.66	13.60	1,004.71		14.72	6.88	53.73	550.40	604.13	1,608.84	201.12	1,809.96	181.00	1,628.96	4.46						
1/04/2007	365	8,000	21.92	49.13	8.68	179.32	694.40	0.17	62.09	-2.77	13.60	946.63		14.72	6.88	53.73	550.40	604.13	1,550.76	193.85	1,744.61	174.46	1,570.15	4.30						
1/04/2006	365	8,000	21.92	49.13	8.68	179.32	694.40	0.17	62.09	-2.54	13.60	946.86		12.78	6.08	46.65	486.40	533.05	1,479.91	185.00	1,664.91	166.49	1,498.42	4.11						
20/02/2006	365	8,000	21.92	49.13	8.68	179.32	694.40	0.17	62.09	-2.64	13.60	946.76		11.43	5.38	41.72	430.40	472.12	1,418.88	177.37	1,596.25	159.63	1,436.63	3.94						
1/07/2005	365	8,000	21.92	30.72	8.83	112.13	706.40	0.16	58.84	-2.97	13.60	887.99		11.43	5.38	41.72	430.40	472.12	1,360.11	170.02	1,530.13	153.01	1,377.12	3.77						
1/05/2005	365	8,000	21.92	30.72	9.00	112.13	720.00	0.16	58.84	-2.64		888.32		11.43	5.38	41.72	430.40	472.12	1,360.44	170.06	1,530.50	153.05	1,377.45	3.77						
7/10/2004	365	8,000	21.92	30.72	8.99	112.13	719.20	0.16	58.84	-2.34		887.82		10.47	4.92	38.22	393.60	431.82	1,319.63	164.96	1,484.60	11.74	1,472.86	4.04						
1/04/2004	365	8,000	21.92	26.46	7.82	96.58	625.60	0.16	58.84			781.02		10.47	4.92	38.22	393.60	431.82	1,212.83	151.61	1,364.45	136.44	1,227.99	3.36						
30/09/2003	365	8,000	21.92	26.46	7.82	96.58	625.60	0.16	58.84	-3.26		777.77		10.00	4.70	36.50	376.00	412.50	1,190.27	148.79	1,339.06	133.91	1,205.15	3.30						
27/03/2002	365	8,000	21.92	22.12	6.79	80.74	543.20	0.16	58.84	-2.48		680.30		10.00	4.70	36.50	59.19	95.69	775.99	97.00	872.98	87.30	785.69	2.15						
24/01/2002	365	8,000	21.92	38.24	6.79	139.58	543.20			-2.76		680.02	136.82	11.26	5.28	41.10	422.40	463.50	1,143.52	142.94	1,286.45	128.65	1,157.81	3.17						
27/04/2001	365	8,000	21.92	35.00	6.00	127.75	480.00					607.75	127.75	11.26	5.28	41.10	422.40	463.50	1,071.25	133.91	1,205.16	120.52	1,084.64	2.97						
Introduction of split billing, Mercury & Vector													995.00							995.00	124.38	1,119.38	111.94	1,007.44	2.76					
24/03/2001	365	8,000	21.92	60.00	9.70	219.00	776.00																							

Electricity Period	Usage		Electricity				Metering		Power	Vector														Average		
	Days	kWh	Daily Usage	Daily c/day	Usage c/kWh	Daily Cost	Usage Cost	Daily c/day	Hire Cost	Easy Pay	Save Credit	Mercury Total	Usage kWh	Daily c/day	Usage c/kWh	Daily Cost	Usage Cost	Vector Total	TOTAL	GST	Gross Total	Discount 10%	Net Total	Daily Cost		
\$ Increase from 27/04/2001																										
to 13/10/09															456.57					279.75						745.53
% Increase															75.12%					60.36%						68.74%
\$ Increase from 7/10/2004																										
to 13/10/09															176.50					311.43						357.31
% Increase															19.88%					72.12%						24.26%

Figures highlighted denote increases.