



14 December 2009

Kate Hudson
Electricity Commission
PO Box 10041
Wellington

by email

Dear Kate

Transparency of charge components

Thank you for the opportunity to comment on the consultation paper, *Transparency of charge components*.

Meridian is pleased that the Commission has concluded that it is not necessary for electricity retailers to separate lines and energy charges on customers' bills. In Meridian's view, customers prefer a price on their electricity bill that indicates what they are required to pay, not a conglomeration of different charges.

We consider that listing multiple charges for different components of a price largely obscures the total price, rather than making it more transparent. We believe this view is supported by the findings of the Commerce Commission prosecution of Air New Zealand under the Fair Trading Act. That case found that separating out the various components that contribute to the overall cost of a service obscures that total cost, rather than making it more transparent.

Meridian supports Option Four, with the Commission presenting the information on its own website. This ensures that the small number of consumers with an interest in this information will have access to it. We are happy for the Commission to encourage retailers to provide information to consumers on request, so long as this encouragement does not extend to compulsion.

Thank you again for the opportunity to comment. Please contact me if you have any questions on this submission.

Yours faithfully

Anthony White
Regulatory Analyst

Commission's Specific Questions

Q1: Are there any other options that have not been considered in this consultation paper that you think require further investigation?

The alternative option is that the Commission provide details on the line-energy split on the Commission's website, with no corresponding expectation on or encouragement of retailers.

Q2: Do you agree with the Commission's short-listed proposals (option 3 and 4)?

Meridian supports the fact that the Commission has moved away from its previous position that retailers should provide the lines-energy split on power bills. The short-listed proposals are preferable to the rejected options.

Meridian supports options 4. We recommend that retailers retain discretion about how to best respond to customer requests.

Q3: 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?

In Meridian's view, a simple and clear bill is more important and useful to consumers than additional information about lines/energy charge splits. We do not believe there is a net benefit to consumers of using power bills to advertise the Electricity Commission website information.

As the Commission notes in the consultation paper, consumers do not have a choice of lines company. They are not able to shop around for the cheapest lines company. They are only able to shop around for the retailer with the lowest overall price for delivered electricity, and switch to that retailer.

Q4: Do you see any implementation difficulties with meeting these proposals?

There are no implementation issues with Option Four.

We note that Option Three refers to retailers providing telephone support for customers seeking line/energy charge information. Meridian believes that there is a problem with telephone support that needs to be considered.

The Commission will be aware that there is not a single, clear metric that can be provided to customers. Rather, any information provided to customers needs to be an estimate for an average customer. It needs to be provided with caveats and qualifications.

We have observed that these types of caveats and qualifications are difficult to communicate to consumers verbally over the telephone. Some customers will receive the impression that they were given concrete and absolute figures, rather than estimates. This may lead to confusion among consumers, and potentially complaints about retailers being made to the various complaint and consumer agencies, such as the Electricity and Gas Complaints Commission, the Consumer Institute, or even the Commerce Commission. Such an outcome is clearly undesirable.