



11 March 2014

Electricity Authority
PO Box 10041
Wellington 6143

Submission by Community Energy Action Charitable Trust on the Electricity Authority's Retail Data Project Issues Paper

Thank you for the opportunity to comment on the issue of retail data, and to provide input on the Authority's views and intentions. Community Energy Action is a private charitable trust based in Christchurch whose main focus is providing energy services to vulnerable households and working to alleviate energy poverty. We have been operating since 1994 and have provided energy services to over 20,000 households in Christchurch and the wider Canterbury region.

We have organised our response under four main issue areas, as well as some comment on additional work we would like to see undertaken.

Issue 1 – Retail cost and price data

- We agree that there is incomplete data about retail costs and prices, and we endorse the Authority's intention to address this issue.
- We largely endorse the Authority's proposed approach; accessing and collating retailer data.
- We disagree with some of the Authority's rationale, in particular the presumption that better data (and analysis of data) will improve consumer perception about competition in the market. While this may occur, for some customers, equally, additional data plus a properly carried out segmentation analysis, may show that some consumer segments are significantly disadvantaged, and such analysis may reinforce perceptions from those that lack confidence in current market arrangements.

We understand that the Authority is tasked with promoting competition and efficient operation in the market. However gathering, analysing and reporting data should be undertaken without prejudging the possible consequences. We would say that the main benefit from improving data, and improving the analysis of data, is that we will get closer to the 'truth' of price trends within existing market arrangements. This understanding will be of benefit to all.

Issue 2 – Retail tariff data

- We agree that better data on retail tariffs could be provided. But we are not convinced that the Authority has advanced a solution that necessarily fits the nature of the problem.

- ‘Poor information about tariffs’ appears to have been selected as the major reason for consumers not being motivated to spend much time investigating their energy options. But previous work carried out for the Authority identified a much broader range of barriers to switching. They include distrust about the longer term benefits, anxiety about process, lack of confidence in the financial arrangements, inertia, loyalty to the incumbent or existing supplier, and non-price benefits.
- The Authority’s thinking - to create a ‘comprehensive and robust’ retail tariff database - would have some benefits, but we think it might make only a small difference to consumers addressing their energy issues, and would only partly address some of the other barriers mentioned above. Some of the proposed switching benefits from the database are potentially overstated (e.g. the wider publicity of selective offerings – although ironically we think that this could be a good thing from an equity viewpoint¹).
- The implications of making the more comprehensive database available only to an intermediary (an ‘authorised party’) needs to be spelt out. We would urge that consumers continue to have direct access to comparative retail tariff information, provided by an independent agency. One of the benefits of the current Powerswitch site is that it is run at arm’s length from the industry by an independent and respected consumer group, Consumer NZ. If there are deficiencies in the public data currently provided on tariff options, we would urge the Authority to ensure that sites such as Powerswitch are informed by the improved database.

Issue 3 – Consumer electricity consumption data

- We agree that customer consumption data is lacking, and that this can be a barrier not only to switching but to the adoption of new tariffs (such a time-of-use tariffs).
- Future retailer offerings may involve more time-of-use tariffs. We think therefore that if the Authority wishes to achieve any significant traction in this area it will need to focus on mechanisms to allow a customer to gain access to time-of-use profile data. This may well be linked to the roll-out timeframe for smart meters.
- The Authority’s proposed solution currently lacks specificity – “a process could be designed....’. The Authority has also avoided discussing charges for data; we note that some retailers currently charge to access historical data. We await more detailed options from the Authority, and would be interested in commenting further.

Issue 4 – Consumer perceptions of competition

- We think consumer perceptions of competition broadly align with the diverse and segmented nature of the retail consumer market. These perceptions will reflect views about the structure and ownership of the sector (e.g. the reality that significant parts of the electricity supply chain are monopolies), and the situation that consumers themselves face or see others facing. For example, well informed and motivated consumers who regularly assess retailer offerings will no doubt

¹ Selective offerings are made, presumably, so that they can be selective. We would anticipate that many such offerings would disappear if they were to be publicised widely. Actually, losing selective discounts might be a good thing because the selective discounts offered to some customers are presumably paid for by those customers that are not switching (and in some cases these are vulnerable customers who may not be able to easily shift), thus contributing to the higher prices that they pay.

believe the market is workably competitive; those who see current market arrangements as disadvantaging sectors of the community will believe otherwise.

- We think that rather than trying to ‘talk up’ the benefits of competition, attention should be focused on areas where there are issues e.g.:
 - The market for pre-payment meters (see further below)
 - Achieve transparency on transmission/distribution charges on all retail customer bills so it is clear to consumers where price changes are coming from.

Other issues/suggestions

Community Energy Action’s primary concern is the social implications/ consequences of arrangements in the electricity market. The Authority has stated that social outcomes are not part of its statutory objective. While we accept that specific social outcomes may fall outside of its brief, the competition and efficiency objectives of the Authority inevitably have social implications. We would argue that the Authority is in a unique position to collect a range of information that would be useful to those who do have a responsibility for social outcomes. The retail data project offers this opportunity, allied with additional monitoring of competition and efficiency issues within the sector. Hence we would encourage the Authority to:

- Outline in more detail the market segmentation that could be achieved through analysis of retail price and cost information (Issue 1). We would be keen to learn the extent to which vulnerable groups could be identified and analysed.
- Provide a more detailed understanding of disconnections for non-payment. The current quarterly collection published by the Authority is useful, but we think that this could be enhanced by further explanatory information from retailers.
- Customer indebtedness – this was highlighted at the Downstream Conference 2014 as a significant issue for retailers. We think this retail market factor should be monitored by the Authority (e.g. numbers, level of debt, debt write-offs).
- Encompass within the retail data project a specific focus on pre-payment meters. This is clearly an area where competition is not working because a number of local markets now have only one pre-payment meter provider, and costs to consumers are regularly 10-20% higher than the cheapest non-prepayment option available (and sometimes much more). We are surprised the Authority has not given this issue more attention. We think the Authority should be monitoring and reporting this market (e.g. meter numbers, distribution, market segmentation, retail prices paid, level of competition and efficiency, access to historical consumption data).

Thank you for the opportunity to comment. We would be happy to provide further input to assist further.

Yours sincerely

Ian McChesney,
Trustee