



11 March 2014

Submissions
Electricity Authority
By email: submissions@ea.govt.nz

Issues paper – Retail data project

Meridian and Powershop appreciate the opportunity to submit on the 'Retail data project' issues paper. This submission is provided on behalf of both parties. Meridian and Powershop support the EA's intent to address perceptions and realities of retail pricing levels, as well as the issues around tariff and consumption data which influence consumers to switch.

Meridian and Powershop consider that a key issue with price and cost data has been the inconsistency of reporting MBIE survey data, particularly relating to discounts (prompt payment, electronic payment, acquisition and retention). As a result, any commentary on reported data has been misguided and remedying it is critically important. The Electricity Authority, MBIE and Statistics NZ must collaborate to ensure reporting and data provision requirements are efficient, minimise duplication, and do not discourage new entrants. Getting changes to the MBIE data bedded down, understood, and communicated has the potential to address many of the inconsistencies in the existing data.

Consumers want to be able to make informed decisions about who supplies their energy, and have confidence that a decision to switch will realise the assessed benefits. To achieve this, Meridian and Powershop consider that tariffs from different retailers must be quoted in an agreed format to enable a consumer to compare costs and other attributes in all circumstances (online, door-to-door). This is a change that does not require a material change to data collection or provision: same data, better format.

In conjunction with standardising the tariff/cost data, improving the ability of consumers to estimate their consumption will enable them to make a robust decision about who supplies their energy. Meridian and Powershop support the initiatives to make a consumer's

consumption data available to them in a standard format. We also support an “opt in” approach for consumers to make their data available to third parties.

There is no silver bullet approach for handling tariff and consumption data which will work for every consumer in every instance. However, there are some simple improvements to existing arrangements that will probably assist most consumers most of the time. Meridian and Powershop’s recommended alternatives/additions to the Authority’s proposals on the three topics covered in the issues paper are.

Prices and costs

- Implementation of MBIE’s proposed price monitoring changes. Especially the addition of the quarterly sales survey including standardised component reporting of all discounts, and segmentation by ANZSIC code.
- Enhance the MBIE price monitoring by requiring regional segmentation. This does not currently form part of the MBIE reporting requirement.

Tariffs

- Standardised definitions of key terms in all customer communications.
- Introduction of a standard reporting structure for tariffs that allows any tariff to be compared to any other tariff. Meridian’s view is that all tariffs should have to be stated as an annual charge in dollars based on actual consumer consumption data, including GST and reported both inclusive and exclusive of all discounts.
- All online sites showing tariff comparisons to include statistics or links to non-price metrics e.g., customer service, EGCC complaints and generation sources.
- Establishment of a free and independent service (customer advocate) for consumers to advise them on the best tariff available to them from all suppliers. Publicising the existence of this service could be mandatory on customer invoices.

Consumption:

- Retailers should ensure customers are aware they are able to access their consumption data via applications such as MyMeridian and Powershop’s online application.

Meridian agrees with the Authority that the impact of issues around price, tariff, and consumption data on competition should be assessed. While the survey data referenced in the issues paper has shed some light on the potential issues, the magnitude is not clear. Further work should allow the Authority to clearly define the problem in each case so as to ensure the proposed options are aligned. The development and consultation of options planned for late 2014 should include a cost-benefit analysis that assess a range of options and accounts for the

scale of benefits, upfront development costs, ongoing industry costs, and any detrimental impacts of these on new entry. ”

Further details are provided in appendix 1 containing our responses to the consultation questions.

If you have any queries regarding this submission please contact me.

Yours sincerely,

A handwritten signature in blue ink that reads "Kelly O'Dea". The signature is written in a cursive, flowing style.

Kelly O'Dea
Regulatory Analyst

DDI 04 382 7529
Mobile 021 686 015
Email kelly.odea@meridianenergy.co.nz

Appendix 1: Responses to Questions

	Question	Response
1	Do you agree that there is incomplete data about retail costs and prices?	<p>Meridian agrees that additional detail on retail cost and price data is beneficial. The key issue in this area relates to inconsistent reporting especially of discounts for prompt and electronic payment and acquisition and retention. For this reason, MBIE consulted in November 2013 on improvements to their price monitoring data. As a result, the proposed MBIE quarterly survey reporting structure includes:</p> <ul style="list-style-type: none"> • Sales survey approach • Standardisation of gross revenue reporting • Component reporting including debits and credits for payment timing, acquisition and retention credits and multi product discounts • Separate reporting of line charges • All reporting on a GST exclusive basis • ANZSIC code segmentation • Non-cash benefits (reported at a retailer level only) <p>A useful addition would be to have the survey data collected on a regional basis. Meridian supports the extension of the MBIE survey to include regional data. This would be a step in the right direction for arriving at a data series for reporting on retail costs and prices that provides a reasonable degree of certainty and transparency (i.e., a “complete” data set in this context).</p>

	Question	Response
2	Do you agree that the consequences of incomplete data include inefficient decisions and reduced confidence in retail competition?	<p>The resolution of MBIE survey data is one contributing factor of many to inefficient decisions and reduced confidence in retail competition. The proposed changes to the MBIE survey data will provide a far improved dataset for assessing retail costs and prices. Meridian suggests caution in striving for “complete data” as the drive for perfection may distract from the initial intent. The Centralised Data Set illustrates the complexities with this sort of task.</p> <p>While data forms the input to any analysis, the same data has been used to argue opposing points of view about retail market competitiveness. Improved data will better inform analysis but it does not directly follow that this will improve either decision making or confidence in retail competition. Meridian supports a dataset that is fit for purpose rather than complete.</p>
3	Do you agree that there is incomplete information about retail tariffs?	<p>Meridian’s view is not so much that tariff information is incomplete but that it isn’t available to consumers in a form that is easily understood or able to be used to aid switching decision making. The end goal of improved tariff information is for consumers to be able to have confidence they have found the best annual charge which meets their needs, and then act on this information and potentially switch.</p> <p>Caution is needed in this area as full transparency of all tariff information may lead to consumer confusion rather than clarity. As noted in Question 12, price is not the only driver of switching decisions, so a balanced approach should be taken to providing this information.</p>
4	Do you agree that there is incomplete information about consumption data?	Meridian’s view on consumption data is similar to our view on tariff information. It is not so much that the data is incomplete as it is not readily available to the consumer in a form that easily aids switching decision making.

	Question	Response
5	Do you agree that these issues inhibit effective decision-making by consumers?	Yes, Meridian agrees that the format of the available information on tariffs and consumption can inhibit decision making by some consumers. For many consumers, it potentially makes little difference.
6	Do you agree that the perception of the electricity retail market as competitive is important for the efficient operation of the electricity industry?	<p>Yes, as perceived competition issues may lead to a high level of political and regulatory uncertainty which can have a chilling effect on investment.</p> <p>Meridian agrees that consumer perception can influence their engagement with purchase decisions. So if perception can be increased to an acceptable level, this must be more efficient.</p>
7	Do you consider that the various survey findings on perception of competitiveness in the retail energy market align with reality? Please describe your understanding of current perceptions of retail competition.	<p>The survey findings reflect the complexity of the electricity industry with high levels of ‘unsure’ responses especially from consumers. Meridian’s view is that perception lags reality in two respects:</p> <ul style="list-style-type: none"> • the ‘story’ of the competitiveness of the retail market has not been well told and this is hampered by the price and cost data being based largely on rack rate tariffs rather than actual “as billed” charges including all discounts and credits available. • awareness of competitiveness is not universal. Awareness is higher for those motivated to assess savings available and switch, or those directly targeted as part of acquisition campaigns. There is a portion of the market both unengaged and unaware who are also more likely to be in need of the savings on offer. <p>Meridian’s view is that a dissatisfaction of price rises/levels over time can get confused with assessments of market competitiveness. For example, increasing prices do not necessarily equate to a non-competitive market. The causes of the perceptions around competitiveness are not clear from the survey results. Any regulatory response to address consumer perceptions must therefore consider carefully which aspects of consumer belief can be influenced.</p>

	Question	Response
8	Do you agree with the objectives of part 1?	<p>The objectives as stated in simple terms are to facilitate better decision making, enable effective retail market monitoring and promote widespread recognition of the efficient operation of the market.</p> <p>Yes, Meridian agrees with these objectives.</p>
9	What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 1?	<p>The Authority's preliminary thinking is to develop a comprehensive and robust set of data on retail prices and costs at a consumer level including consumption data and distributor charges. Meridian's view is that moving to data collection at the consumer level may not be required. The objectives may be able to be achieved at lower cost by focussing on a robust set of data where the reporting requirements are standardised and well understood and a limited number of segmentations provide a satisfactory regional and consumer segment breakdown.</p> <p>The key price and cost reporting issues that currently exist are:</p> <ul style="list-style-type: none"> • tariff based (representative customer) reporting as opposed to full sales surveys • non-standardised reporting of key components e.g. handling of GST, prompt payment discounts, marketing and promotional credits due to acquisition and retention activity, etc... • Lack of robust segmentation reporting e.g. regional, consumer segment, ANZSIC code <p>The proposed MBIE survey data appear to meet these requirements in terms of robustness and addressing the issues around currently reported data (with the exception of regional reporting).</p> <p>An important aspect of the proposed solution must be to minimise duplication of reporting in different formats to different agencies as this will negate any benefit from having a single robust source of the truth and cause confusion. Meridian strongly supports collaboration between the Authority, MBIE and Statistics NZ to ensure standardisation of reporting and to minimise unnecessary duplication of reporting requirements. These could be a deterrent for new entrants.</p>

	Question	Response
10	Are there alternative approaches that you would like the Authority to consider in part 1?	Yes, please see the response to question 9. Meridian supports consideration of moving forward with MBIE's proposed changes to price monitoring with an enhancement to include regional segmentation as an alternative to collection of consumer level data.
11	Do you agree with the objectives of part 2?	<p>The objectives as stated in simple terms are to promote competition by facilitating comparison of offers and switching, reduce barriers to providing energy services to consumers and to promote widespread recognition of efficient market operation.</p> <p>Yes, Meridian largely agrees with these objectives and considers the first objective regarding switching to be the most important.</p>

	Question	Response
12	What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 2?	<p>Meridian's view is that the key to the appropriate solution in this area is to understand what consumers want. The Retail Advisory Group (RAG) recently commissioned consumer research in relation to charge transparency. The research revealed the following:</p> <ul style="list-style-type: none"> • Respondents are mostly satisfied with how their power bills are laid out and express limited interest in receiving more detailed charge-related information. However, there is some confusion around trying to make comparisons between companies. So while there is little interest in more detail, there is solid interest in a standard rate that could be used to easily compare the overall charge across providers. • Respondents were most interested in energy-related information that concerned pricing with over two thirds (67%) saying they were interested in a benchmark rate that could be used to compare pricing across companies. • Less than half (45%) of respondents thought that it was easy to compare what power companies charged for their services and 27% felt that it wasn't easy. Older respondents (over 60 years) were less likely (38%) to find it easy to compare charges compared to 51% of those fewer than 45 years. Respondents who felt it wasn't easy to compare charges held this view mainly because the power companies had different rates and plans, mentioned by 28% of these respondents, followed by difficulty in understanding what you are being charged (25%) and a lack of transparent information (22%). When these respondents who claimed it was not easy to compare power company charges were asked what could be done to improve this situation, the most popular response was to provide a standard comparable rate across power companies (30%), followed by more transparent information (25%). • The information respondents were most interested in including in their power bill included the different rates their company offered (74%) and a graphic that showed how their power usage compared to other similar households (66%). • There were moderate levels of interest in how power companies operate with half declaring interest in sources of generation and views of their customer service (51% and 50% respectively).

	Question	Response
12	Cont.	<p>Respondents were asked how useful a range of sources and types of information were on electricity prices. The most useful types of information were: A standard benchmark rate per unit of power, so you can compare prices with other power companies (75% declared useful). This was followed by 73% of respondents who indicated that, 'an independent website that compares the prices of different power companies' would be useful. Also in the top three was, 'the different rate or plans offered by all the power companies on an independent website' (68% useful).</p> <p>The Authority's preliminary thinking is to develop a comprehensive and robust set of data on retail tariff plans and tariffs including discounts and incentives and registry based ICP data including NSP, distribution tariff code and metering configuration.</p> <p>Meridian's view on the tariff database is similar to our view on the price and cost database. The objectives in part 2 may be able to be achieved by a lower cost alternative than the collection of all tariff data. The research data above clearly shows that consumers are interested in standardisation to aid comparison, rather than detail. By creating a standard reporting structure for tariff comparison, customers can more easily compare offers and have confidence that they are getting the best deal. Meridian's view is that all tariffs should have to be stated as an annual charge in dollars based on actual consumer consumption data, including GST and reported both inclusive and exclusive of all discounts.</p> <p>One of the difficulties with standardisation of tariffs is the lack of standardisation regarding line charge pass through. With the many and varied line charging methodologies there is no simple method of standardising line charge pass through across retailers. This hinders comparison of energy charges as the underlying line charges are not necessarily the same.</p> <p>The survey results above show interest from consumers on factors other than price, these include customer service statistics and generation sources. Meridian supports encouraging consumers to think in terms of overall service and not just price. In determining the best solution in this area the industry needs to think more broadly than just price in assisting consumer decision making.</p>

	Question	Response
13	Are there alternative approaches that you would like the Authority to consider in part 2?	<p>Please see our response to question 12 for background to the suggestions made here.</p> <p>Meridian would like the Authority to consider the following improvements to informing consumer decision making and switching activity as alternatives or additions to the comprehensive tariff database:</p> <ul style="list-style-type: none"> • Standardised definitions of key terms in all customer communications • Introduction of a standard reporting structure for tariffs that allows any tariff to be compared to any other tariff. Meridian’s view is that all tariffs should have to be stated as an annual charge in dollars based on actual consumer consumption data, including GST and reported both inclusive and exclusive of all discounts. Comparable charges published on switching sites should then be able to be used for commercial purposes. One of the largest difficulties in comparing tariffs is accounting for the differences in rates quoted incl. or excl. GST and prompt payment discounts. • All sites showing tariff comparisons to include statistics on customer service, EGCC complaints and generation sources. • Establishment of a free and independent service (customer advocate) for vulnerable consumers to advise them on the best tariff available to them from all suppliers. Publicising the existence of this service could be mandatory on customer invoices.
14	Do you agree with the objectives of part 3?	<p>In simple terms the objectives are to promote competition by facilitating comparison of offers and switching, reduce barriers for retailers and energy service providers to compete for customers and to promote widespread recognition of efficient market operation.</p> <p>Yes Meridian agrees with these objectives.</p>

	Question	Response
15	What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 3?	<p>The Authority's preliminary thinking is to enable access by consumers to their consumption history in a standardised format enabling comparison of tariffs based on their own usage patterns.</p> <p>It is unclear from the paper how the EA envisages the data provision would occur.</p> <p>Meridian supports consumer access to consumption data and the ability for a consumer to give access to the data to third parties on a "by request" or "opt in" basis. We do not support open access to any party due to unintended consequences around privacy (e.g., consumer load is flat so consumer might be on holiday) and competition (e.g., retailers making uninvited offers to consumers with specific load patterns with no ability for the consumer to opt out). Enabling tariff comparison based on a consumer's own usage patterns and in future based on 'how my consumption pattern might change if I modified my behaviour' basis are worthy goals.</p> <p>The design of the standardised format will require considerable thought especially if the data is to remain useful in relation to tariff innovation in the future. It should account for the needs of the consumer in terms of both the data resolution (e.g., half-hourly, annual total) and the form that the data is provided (e.g., paper copy, electronic).</p>
16	Are there alternative approaches that you would like the Authority to consider in part 3?	<p>Meridian notes that most retailers are providing access to detailed consumption data and usage history via applications such as MyMeridian, Powershop's online application etc. Consumers interested and engaged in the market are making the most of this information not only to inform switching behaviour but also to inform consumption behaviour.</p>

	Question	Response
17	Do you have any comments on the approach to project presented here?	<p>Meridian's view is that we have very little data other than the UMR survey on charge transparency that articulates customer views on these issues. Allowing time in the development process to further investigate customer views if little customer feedback is received on the issues paper should be prioritised and the timelines adjusted if need be.</p> <p>The tight timeframe detailed in the issues paper may not be realistic particularly if there is any change from the initial proposals. Any regulatory response to address consumer perceptions must consider carefully which aspects of consumer belief can be influenced. A need to balance the complexity of the data with the consumer desire for simplification means a measured approach is warranted.</p>

	Question	Response
18	Do you have any suggestions for topics or particular questions you would like addressed at industry workshops regarding this project?	<p>A range of questions are listed below:</p> <ul style="list-style-type: none"> • What are the key tools that consumers believe assist them in making a switching decision and how do these vary across customer groups? • The proposals on tariffs seem geared towards assisting residential consumers with single supplies. How does the Authority envisage these proposals assisting for example a larger Agribusiness consumer with 2 or 22 sites who is trying to achieve the best overall service offering? • What are the learnings from comparing the January 2013 UMR survey and late 2013 UMR survey commissioned by the RAG? • What lower cost incremental alternatives to the initial proposals exist? • How does the Authority envisage maintaining the accuracy of the databases given the complexity and constantly changing nature of the data? Has any thought been given to the number of tariffs given the low fixed charge requirement doubles the number of tariffs on offer? Will the database be adaptable in future if we get to the point where tariffs are offered on an individual basis to specific customers? • Is there a plan to consolidate reporting requirements across the EA, MBIE, Stats NZ? • Is the complexity of the data requirements in the proposals in itself a barrier to entry for new retailers? • What metrics will the EA use to assess the retail market in addition to switching? • What is the impact of consumers being on a fixed term/price tariff on their survey responses?

	Question	Response
19	Would you be interested in providing sample data to the Authority to assist us with developing detailed options?	Meridian is interested in contributing to further discussion of the detailed options including the potential provision of data.