

## Response from Contact Energy on the Electricity Authority's Retail data project issues paper

11 March 2014

Question	Response
<p><b>Q1:</b> Do you agree that there is incomplete data about retail costs and prices?</p>	<p>Contact agrees that current data provides only a limited assessment of:</p> <ul style="list-style-type: none"><li>• changes to electricity prices over time; and</li><li>• retailer comparison.</li></ul> <p>In our view the Authority's CEO Carl Hansen captured this accurately at the Downstream Conference in March when he said that current data reflected the published prices collected by MBIE and not the lower prices being paid by consumers as a result of ad hoc campaigns, fixed pricing plans, and other incentives.</p> <p>We are therefore supportive of improvements that provide more accurate data and better empower consumers to make informed choices. Before proceeding with the proposal we encourage the Authority to undertake a cost benefit analysis. The proposal is not without cost and the perceived gains of efficient decision making and improved confidence in the retail market would benefit from qualification.</p> <p>The Authority should also link this work to what consumers want, as detailed in the results of the recent UMR report into retail charge transparency.</p> <p>If the Authority do proceed with their proposal, we recommend the Authority give careful consideration to the following:</p> <ul style="list-style-type: none"><li>• How the Authority will capture terms and</li></ul>

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	<p>conditions and offer period. A significantly cheaper price may require a three year contract or only be available in certain areas. This is similar to the difference between capturing fixed and floating mortgage rates and a home owner's degree of equity. The most enticing offer may not always be available to everyone and may have caveats.</p> <ul style="list-style-type: none"> <li>• The period for which an offer is available for instance while it may have been the cheapest offer it may no longer be available.</li> <li>• How non-price attributes are captured for example fly buys, online services etc.</li> <li>• Any approach attempting to gather a complete picture of retail costs and prices is likely to result in an extremely large volume of information that will be difficult to manage, maintain, and utilise.</li> <li>• How the Authority can capture the data from all retailers in the same way so questions are not interpreted differently or provided in a different format.</li> <li>• It must also be recognised that there is a difference between the average price charged by a retailer and the current price charged. As an example if a discounted price plan was fixed for three years but only available to new customers then it would a) bring the average price down below the actual available price, and b) appear to be a price increase when customers on that plan reverted to standard prices and the average would increase correspondingly.</li> <li>• How bespoke pricing is captured e.g. large SMEs or customers with a particularly low cost to serve.</li> </ul> <p>Finally, we encourage the Authority to be crystal clear on the issue it is trying to address. We note at para 2.2.1 the Authority's comments that "Most consumers are still not motivated to spend much time investigating their energy options. That is, most consumers are not regularly exercising their ability to make decisions about retail offers and consumption choices, even though they are increasingly aware that there may be savings to be made from investigating alternatives..."</p> <p>improving retail data may not address this issue.</p>
<p><b>Q2:</b> Do you agree that the consequences of incomplete data include inefficient decisions and</p>	<p>Yes however we also note the Authority's comments at para 2.2.1 that "Most consumers are still not motivated to spend much time investigating their energy options." In our view improving retail data may not address this</p>

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reduced confidence in retail competition?	issue.
<b>Q3:</b> Do you agree that there is incomplete information about retail tariffs?	Yes.
<b>Q4:</b> Do you agree that there is incomplete information about consumption data?	Yes. However the Authority should be mindful of complexities around estimates vs reads, smart vs non-smart meters and customers with multiple registers. In our view the industry is already overly-complicated and it would be disappointing if the result of providing more transparency created customer confusion.
<b>Q5:</b> Do you agree that these issues inhibit effective decision-making by consumers?	The issues above may well inhibit effective decision-making by consumers, although they are unlikely to be the only factors.
<b>Q6:</b> Do you agree that the perception of the electricity retail market as competitive is important for the efficient operation of the electricity industry?	Yes. It is important that the retail market is both competitive and perceived to be competitive by consumers and key stakeholders.
<b>Q7:</b> 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.	No. In our view the retail market is highly competitive and is therefore more competitive than it is perceived to be by consumers. This can be evidenced by the strong acquisition and retention competition seen between retailers, the number of companies with 'no energy price increases until...' and strong campaign activity.
<b>Q8:</b> Do you agree with the objectives of part 1 – addressing the issues of incomplete data on retail prices and costs?	Yes, please see our response to Q1
<b>Q9:</b> What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 1?	Please see our response to Q1. Additionally gathering the 'real prices' associated with each consumer will result in averages being skewed by offers no longer available to new customers, however this may be covered off by part 2.  Consumption data may not be useful unless it is collected at the register level (for instance, knowing a

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	<p>particular customer used 6,783kWh in a year is great, but if they are metered as Day/Night, it would be critical to know the split of their usage down to this register level). Half hourly data would be the most useful and the most future proof, however this would require a lot of storage.</p> <p>If distributor charges are collected at the ICP level, there are issues that things like GXP based pricing or other charges are not based at the ICP. Collecting at an area level e.g. Taupo would have challenges too, it would have to be built up from the ICP level as some lines companies own and invoice multiple areas together. If it was collected at a total invoiced level, it may be difficult to reconcile back to customers due to volume/ICP counts fluctuating month to month.</p>
<p><b>Q10:</b> Are there alternative approaches that you would like the Authority to consider in part 1?</p>	<p>N/A.</p>
<p><b>Q11:</b> Do you agree with the objectives of part 2 (addressing the issue of incomplete data on tariff plans and tariffs)?</p>	<p>Yes.</p>
<p><b>Q12:</b> What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 2?</p>	<p>Please see our response to Q1. The Authority should consider the number of tariff plans and whether this is optimal.</p>
<p><b>Q13:</b> Are there alternative approaches that you would like the Authority to consider in part 2?</p>	<p>Not at this stage.</p>
<p><b>Q14:</b> Do you agree with the objectives of part 3 (consumer access to data)?</p>	<p>Yes.</p>
<p><b>Q15:</b> What comments do you have on the Authority's preliminary thinking on how to achieve the objectives of part 3?</p>	<p>It would be useful if retailers could access this data for customers who are with other retailers (with the recorded permission of the customer given privacy concerns) as realistically the acquiring retailer is the one usually being asked by the customer to make the</p>

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	comparison.
<b>Q16:</b> Are there alternative approaches that you would like the Authority to consider in part 3?	Not at this stage.
<b>Q17:</b> Do you have any comments on the approach to project presented here?	No.
<b>Q18:</b> Do you have any suggestions for topics or particular questions you would like addressed at industry workshops regarding this project?	Not at this stage.
<b>Q19:</b> Would you be interested in providing sample data to the Authority to assist us with developing detailed options?	We are keen to be involved as much as possible but remain mindful of privacy concerns.

We would be happy to discuss any of these points with the Authority.

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