



4 August 2015

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

Retail data project: Access to tariff and connection data – Consultation paper

Meridian appreciates the opportunity to comment on the above consultation paper. This submission is also provided on behalf of Powershop.

Our submission comprises this cover letter and Appendix One containing our responses to questions from the consultation paper.

Meridian agrees with facilitating the release of headline tariff data via multiple avenues

Meridian agrees with making ‘headline’ tariff information more accessible through the adoption of a modified version of the Authority’s ‘alternative 1’ proposal.

In its draft clause 11.32G(1), the Authority proposes specifying ConsumerNZ as the primary avenue for making tariff information available. This is in contrast to Sapere’s suggestion regarding competition in comparator websites having a critical role in ensuring consumer needs are best met over the long run.¹ Meridian therefore suggests this clause is adjusted to remove the reference to ConsumerNZ to allow retailers the option to disclose the information using their websites or other agents. Consumers have diverse needs and preferences and it is important the Code avoids uniform solutions.

At the Authority’s 23 June 2015 ‘Reconciliation Participant Forum’, it was indicated that it was the Authority’s intention to have the Code provide for the release of the type of tariff information made available to Powerswitch by retailers. One issue to consider is precisely how customised tariffs and other types of exceptions are to be handled. Given there are many months before implementation, Meridian considers that there would be merit in the Authority holding a focussed industry workshop to discuss this issue, and our suggested

¹ Refer in particular page 3 of Sapere’s accompanying report, available: <http://www.ea.govt.nz/dmsdocument/19495>, where it is claimed: “Competition in comparator websites is likely to better meet consumer needs over the long run as these websites innovate to draw in customers.”

modification above, prior to finalising its Code amendments. Working constructively with industry will assist to give confidence in a highly visible component of competition in the industry.

Voluntary format standards are needed

Meridian agrees voluntary standards for tariff file formats are needed, as the Authority has proposed. We are concerned that a consumer's ability to make accurate comparisons may otherwise be put at risk. Having the standards provide clear guidance on factors like the expected treatment of discounts and bundled service offers and allow for certain provisos to be specified (for instance, requesting retailers are contacted for individualised quotes) will be important.

The Privacy Commissioner's advice is required on connection data proposals

It is unclear from the paper whether the Authority has received feedback as yet from the Privacy Commissioner regarding its intention to release certain connection data. The Commissioner's perspectives on the privacy implications involved are of paramount importance and need to be obtained and disclosed ahead of the Authority taking its final decisions. In our view including physical address information as one of the items for release could create particular privacy risks. We request the proposed inclusion of this information is discussed in detail with the Commissioner and re-considered by the Authority.

Further consideration needed of accreditation standards for comparison service providers

The need for further consideration of comparison service accreditation standards was raised in discussions held at the Authority's 23 June 2015 'Reconciliation Participant Forum'. Incomplete advice on spot price risk was referred to in the discussions as a possible example of the type of risk standards could address. Meridian agrees there is a need for further work in this area. Accreditation standards feature in markets overseas (e.g. the U.K) and we are concerned that without their introduction consumers may not be provided with advice that is reliable.

Further details on certain points raised above can be found in Appendix One attached.

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

Yours sincerely,

A handwritten signature in blue ink that reads "Alannah MacShane".

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Appendix One: Responses to Consultation Questions

	Question	Response
1	Do you agree that the current arrangements for accessing retail tariff plan data and connection data mean that consumers face higher-than-necessary transaction costs identifying electricity-related offers available to them? Please give reasons with your answer.	<p>Transaction costs are only one of a range of factors that may affect levels of consumer engagement and switching behaviour. The Authority’s research confirms this, for instance with only 2.3% of 695 respondents to UMR’s recent survey of switching attitudes citing a “lack of information on best deals available” as their main reason for not switching.² The paper’s dominant focus on previous UMR research suggesting that less than half (45%) of consumers find it easy to compare electricity charges misses this fuller picture.</p> <p>Powerswitch and other price comparison sites provide many consumers with a suitably low cost / low effort way of obtaining the type of tariff information they need. Retailers themselves may also be able to provide a good source of information at low cost to the consumer, including in some instances lower offers from alternative providers. For the subset of consumers interested in comparing the tariffs of multiple retailers using up to 34,040 units of actual half-hourly usage data, we accept the process will at present be time consuming.</p>
2	Do you agree that a Code amendment would lower consumers’ transaction costs more quickly than would market forces? Please give reasons with your answer.	<p>Meridian considers facilitating greater accessibility of ‘headline’ tariff and connection information will provide market players with a good base level of information to improve their services and consistency of experience for consumers. Because of the diverse needs and preferences of consumers, it is critical the Authority avoids ‘one-size fits all’ solutions and allows market players the flexibility to go on to use the information to provide the services consumers value. As we suggest in our response to Q3, we do not consider the Code should specify ConsumerNZ as the single large scale avenue for making the information available.</p>

² Full report available here: <http://www.ea.govt.nz/dmsdocument/19155>

	Question	Response
3	<p>Under alternative 1 do you have any comments or suggestions about all retailers being required to provide retail tariff plan information to ConsumerNZ, and having to provide that same retail tariff plan information to any person who requested it?</p>	<p>It is our preference that enacting Code amendments are drafted in a more open way to what the Authority has proposed. Having ConsumerNZ specified as the only conduit for tariff information, like draft clause 11.32G(1) prescribes, precludes alternative providers from doing the same and retailers from supplying the information on their website rather than through Powerswitch. We request that the Code is re-drafted to ensure these alternatives are kept open. One way of achieving this could be to adjust the provisions as follows:</p> <p>11.32G Retailers must provide information about generally available retail tariff plans</p> <p>(1) Each retailer must provide information about all of its current generally available retail tariff plans:</p> <p>(a) <i>on their website; and/or</i></p> <p>(b) <i>to any agent deemed an approved agent by the Authority.</i></p> <p>(2) If any person asks a retailer to provide information about 1 or more of the retailer's retail tariff that it has provided or provides <i>in accordance with clause 11.32(G)</i> or provides ConsumerNZ for use on Powerswitch, (whether or not the information relates to a generally available retail tariff plan), the retailer must give the requested information to the person—</p> <p>(a) in the case of a retail tariff plan about which the retailer has submitted <i>or otherwise disclosed under clause 11.32G(1) information to ConsumerNZ for use on Powerswitch</i>, no later than 5 business days after receiving the request; and</p> <p>(b) in every other case, at the same time that the retailer submits <i>or discloses the information as per clause 11.32G(1) to ConsumerNZ for use on Powerswitch</i>.</p> <p><i>....An approved agent is any company or agent that provides an energy price comparison service for consumers and is listed on the Authority's approved list....</i></p> <p><i>...Approved list is a list published by the Authority on its website, as may be revised or updated from time to time.</i></p> <p>Meridian requests that an industry workshop is convened to discuss how the provisions could best provide for a fuller set of avenues for making information available and any other issues arising from the consultation.</p> <p>Meridian agrees that having a voluntary standardised file format is essential. Without it, consumers and</p>

	Question	Response
	Q3 (continued)	<p>their agents may not get the consistency of information needed to make accurate comparisons. It is not clear whether, for instance, without a standardised format consumers would receive clear information on discounts of the type that are quoted upfront but not made available for several years. Having the suggested formats provide for the information to be disclosed with certain caveats will be important, for instance explaining a customer will need to contact an individual retailer to obtain a tariff quote specific to their needs (whether low user or otherwise, residential or non-residential etc.). Expected standards for bundled tariffs and appropriate levels of granularity in terms of distribution charges will be other important factors for the voluntary standards to address.</p> <p>Meridian agrees with the proposed focus on 'headline tariffs'. As the paper suggests, requiring the release of more extensive information on tariffs carries with it risks of discouraging innovation in tariff offerings.</p>
4	Under alternative 2 do you have any comments or suggestions about retailers being required to publish information about their generally available retail tariff plans on their websites?	Meridian agrees with the concept of allowing retailers to publish the information on their websites. It is our preference the Authority's 'alternative 1' code amendments are adjusted in the way we suggest in our response to Q3 to allow for this.

	Question	Response
5	Under alternative 2 do you have any comments or suggestions about the requirement to supply retail tariff plan information using standardised file formats and structures?	As we indicate in our responses to Q3 and Q11, Meridian favours instead having 'alternative 1' arrangements with voluntary format standards apply.
6	Under both alternatives do you have any comments or suggestions about making publicly available the connection data held in the registry that is set out in appendix D?	<p>Table 1 of Appendix D incorrectly categorises certain connection data as relating to "Trader Events" when in fact the information is supplied to the registry via "Distributor Events" (i.e. by distributors, not retailers).</p> <p>Like the paper recognises, address information will not be needed for comparing different tariffs in many instances and carries with it a risk it could be converted into personal information with relative ease. As per our response to Q8, we request the Authority (if it has not already done so) obtains advice from the Privacy Commissioner on its assessment of privacy implications.</p> <p>Meridian is unsure of the value / relevance of the distribution charge loss category code.</p> <p>Like with tariff data, connection information will need to be disclosed with certain caveats. For example, it will need to be made clear that the information has been compiled from the best information available from registry records at that time. One instance where this could be required is if records of meter type (e.g. Anytime) used from the registry to prepare quotes varies from what a consumer's current tariff rate (e.g. Economy24) would suggest. This could also assist in dealing with the risk discussed in Appendix D of the paper regarding limitations in registry address information creating the potential for incorrect connection data to be returned.</p> <p>Tendering for the system / web face development work is in our view important to ensure its cost effectiveness. It may also create a more 'user-friendly' platform.</p>

	Question	Response
7	Do you agree that the objectives of the proposed alternatives are appropriate and consistent with the Authority's statutory objective? Please give reasons if you disagree.	The Authority in the paper focuses on efficiency effects from reducing time and effort for consumers, retailers and other service providers to obtain the relevant information. Having the information used and provided in a way that works for consumers will be critical to this. Market players need to be allowed the flexibility to determine how this can be best achieved.
8	Do you agree that the connection data which the Authority proposes to make publicly available is not personal information?	<p>If it has not yet done so, we request the Authority confirms with the Privacy Commissioner it agrees with its assessment. As we detail in our cover letter and response to Q6, we consider the Authority's proposal to include address details in the connection-related information proposed for release should be a particular focus of the further discussions / considerations.</p> <p>It is claimed in the paper that release of the specific connection information proposed by the Authority is permitted by a Principle 11 exception of the Privacy Act. Central to this position is the view that the information was obtained and would be made available to promote retail competition. Meridian considers the validity of the Authority's claim is questionable on two fronts. Firstly, it is not clear to us whether consumers have been adequately notified of the information's purpose as relating to retail competition. Also, we consider it is arguable that the purpose is more closely linked with efficient operation of the market.</p>
9	If you disagree, please give reasons and suggest a way to address the privacy issue(s) you have identified.	Refer response to Q8.

	Question	Response
10	Do you agree with the assessment of gross benefits, costs and net benefits? If not, please explain your reasoning.	<p>No. We consider the Authority's analysis overstates the benefits and potentially underestimates the costs involved.</p> <p><i>Comments on assessment of benefits</i></p> <p>In essence, the Authority's estimate of 10 year, PV benefits in the region of \$1.8 - \$5 million presumes the proposals will encourage at least 5% of consumers that do not typically switch to do so and to achieve savings of at least \$160 from their switch. With switching rates estimated to be ranked highest in the world³, and fewer than half of respondents to UMR's <i>Charge Transparency</i> survey indicating interest in power-related information, this makes the Authority's estimates seem optimistic.</p> <p>Meridian accepts it is difficult to quantify the dynamic efficiencies involved. We consider, however, the overseas case studies considered in determining that benefits will be in the 'many millions' are of tangential relevance only to the context at hand.⁴ As the Authority's paper acknowledges, it is not always clear that the studies properly distinguish economic effects from welfare transfers in their analysis.</p> <p><i>Comments on assessment of costs</i></p> <p>We would like to understand more about how frequently information would be required to be disclosed for the Authority's 'alternative 2' tariff information option. If the information is to be disclosed more frequently than monthly, we consider the Authority's estimate of between \$505k – \$1.7 million for collective retailer 'alternative 2' implementation costs significantly underestimates the costs involved.</p> <p>While discussed elsewhere in the paper, the Authority's analysis does not account for third party providers charging consumers fees for their services.</p>

³ According to VaasaETT estimates due to be finalised shortly for the 2013 year. At 19.5%, New Zealand switching rates for the 2012 year were ranked by VaasaETT as second highest in the world.

⁴ With the case studies focused on in the Authority's paper both U.S based and focused on the telecommunications sector for one example.

	Question	Response
11	Do you have any comments or suggestions about whether the additional gross benefits of alternative 2 outweigh its additional costs vis-à-vis alternative 1? Please give reasons with your answer.	<p>Meridian favours the Authority's 'alternative 1' tariff data proposal.</p> <p>This proposal is more in line with the small scale/'trial and error', market-type solutions the Authority's Code amendment principles give preference to.</p> <p>As we describe in more detail in our response to Q10, it is also our view that the sizeable net benefits claimed by the Authority are highly uncertain and that the costs of 'alternative 2' may have been understated.</p>
12	Do you agree that both of the proposed alternatives are preferable to other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective.	<p>Yes, subject to 'alternative 1' being amended in the way we suggest in our response to Q3.</p> <p>While a centralised dataset of tariff information has its appeal as a concept, we do not consider this a viable option due to the number and variation of tariffs on offer across the industry.</p>
13	Do you agree with the Authority's assessment that the proposed Code amendment for each of the proposed alternatives meets the requirements of Section 32 of the Act? Please give reasons if you do not.	See our responses to Q7 and Q10.

	Question	Response
14	Do you agree with the Authority's assessment of the two proposed alternative options against the Code amendment principles? Please give reasons if you do not.	Please refer to our response to Q11.