

Improving transparency of consumers' electricity charges

Guidelines for communications about price changes

14 April 2015



Version control

Version	Date amended	Comments
1.0	3 February 2015	Draft guidelines for consultation
2.0	14 April 2015	Guidelines finalised following consideration of stakeholder feedback

Overview

This document provides guidance for distributors' and retailers' on their communications to consumers and the media concerning price changes.

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1. Introduction

- 1.1.1 The Electricity Authority (Authority) has considered how to improve transparency of consumers' electricity charges at 'moments of truth', particularly when price changes are announced.
- 1.1.2 These guidelines set out the Authority's expectations of retailers and distributors when they communicate price changes to consumers, and when they make public comments about price changes.
- 1.1.3 The Authority considers that consumers will benefit if retailers and distributors adhere to these guidelines because communication about the reasons for price changes will improve.
- 1.1.4 The Authority expects improved communication to reduce the potential for consumers to be confused about the reasons for price changes, and to increase consumers' confidence and level of engagement in the market.
- 1.1.5 Increased consumer confidence and engagement is expected to promote retail competition and enhance the durability of the electricity market.

2. Monitoring consistency with the guidelines

2.1.1 The Authority will carry out monitoring of the notifications and statements by industry spokespeople about electricity price changes. Further steps will be taken, if necessary, in light of what is observed.

2.1.2 Initially, these steps could include publicly identifying participants whose actions are inconsistent with the guidelines, reporting and investigating non-compliance, and/or sharing the data and results with the Commerce Commission, for it to consider in accordance with its powers to enforce the Fair Trading Act 1986.

2.1.3 If the Authority continues to have concerns about the nature of industry communications about price changes, it will consider whether a more prescriptive and mandatory approach to resolving these concerns is necessary.

General approach to monitoring

2.1.4 The Authority's approach to monitoring will focus on achieving the outcomes set out in the first column of the guidelines. The guidelines show the actions the Authority considers will achieve those outcomes, but there is flexibility for participants to find new ways to deliver the outcomes the Authority seeks. For example, a participant may elect not to follow all of the actions for a particular outcome but, as long as the outcome is achieved to the Authority's satisfaction, that participant will be considered to be acting consistently with that outcome.

2.1.5 To promote consistency with the guidelines, and for continuous improvement purposes, the Authority intends to publicly identify participants who find effective, efficient and innovative ways to deliver the outcomes the Authority seeks. Over time, the Authority will seek to incorporate these actions in the guidelines.

Monitoring by exception

2.1.6 The Authority's approach will be to monitor by exception, investigating participants' consistency with the guidelines if specific concerns are brought to its attention. If such concerns seem to be relatively widespread, the Authority may consider whether more proactive monitoring is necessary.

Initial focus is on the 'consistency of statements' guideline area

2.1.7 The Authority is particularly concerned about the potential for, and adverse implications of, public disagreements and 'finger-pointing' between retailers and distributors. Therefore, the Authority's focus during the first half of the 2015 calendar year will be to monitor compliance with the outcomes in the 'consistency of statements' guideline area.

2.1.8 From 1 July 2015 onwards, the Authority will monitor compliance with all the guideline areas.

3. Guidelines for retailers’ and distributors’ communications about price changes

3.1.1 The guidelines apply to retailers and distributors when they communicate price changes to consumers, and when they make public comments about price changes.

3.1.2 The guidelines aim to ensure:

- (a) consumers receive accurate and timely information about the reason for price changes
- (b) consumers have access to meaningful information about price changes, such as the effect of price changes on monthly and annual bills
- (c) statements made to media and consumers about price changes are consistent across industry spokespersons.

Table 1: Guidelines for distributors’ and retailers’ communications about price changes

Outcome	Actions
<i>Accurate and meaningful information</i>	
1) Accurate and meaningful information is available about price changes so that interested consumers are informed of the reasons for those changes.	<ul style="list-style-type: none"> a) Retailers should calculate tariff breakdowns¹ for each consumer group.² b) Tariffs should be disaggregated to a level consistent with the drivers of the price change. c) Retailers should provide tariff levels before and after a price change. d) Consumers should be able to readily identify the following components of each tariff: <ul style="list-style-type: none"> i. energy and retail charges ii. transmission charges iii. distribution network charges.

¹ A tariff breakdown would show the components of each tariff as set out in 1) d) in Table 1.

² ‘Consumer group’ means the category of consumer determined by the distributor for the purposes of setting prices.

<p>2) Consumers receive information on the extent to which changes in transmission and distribution charges are reflected in their tariffs.</p>	<p>a) Retailers should advise consumers, at either an individual level or aggregate level for each network, how much the retailer’s transmission and distribution charges have changed, and the extent to which these changes are reflected in tariffs.</p> <p>b) Retailers should explain to consumers what cost changes the retailer has faced from the distributor, what proportion of this change they have passed on and what other costs have changed (whether energy or retail costs).</p> <p>c) Retailers should provide consumers with the information in (a) and (b) every time there are changes to the retailer’s transmission or distribution charges, even when there is no change in the consumer’s total tariff.</p>
<p>3) Distributors’ tariffs are provided to retailers in a form that is useful for tariff construction and with sufficient supporting information.</p>	<p>a) Distributors should provide retailers with sufficient information for them to reasonably determine the extent of any distribution price change and the reasons for that change in order for the retailer to be able to advise their customers.</p> <p>b) Distributor price schedules should contain sufficient information for retailers to determine the appropriate register content code applicable for each price.</p>
<p><i>Timely and accessible information</i></p>	
<p>4) Information about price changes is provided to consumers in a timely and accessible manner.</p>	<p>a) Retailers should post the tariff breakdowns on their websites and should advise consumers how to find this information in any communications about price changes they send.</p> <p>b) Retailers should put a representative sample of their bills on their websites.</p> <p>c) Retailers should invite consumers to contact them if the consumer wants additional information about price changes, such as an estimate of the impact of price changes on monthly and annual bills.</p> <p>d) Retailers should provide consumers with a link to the relevant tariff on the distributors’ website if consumers are interested in accessing this information.</p>

Consistency of statements	
<p>5) Public statements from industry spokespeople to consumers and media on price changes are accurate, precise and made in good faith, and avoid the possible confusion that can be caused by using different approaches to describing price changes.</p>	<p>a) Any participant that comments publicly on another’s pricing announcements should endeavour to use the same calculation methodology as that other participant.³</p> <p>b) Participants should not encourage third parties to make comments that would be likely to mislead consumers.</p> <p>c) If retailers intend to refer to changes in transmission and distribution charges (or any aspect of transmission and distribution) in their communications to customers or in public comments, they should notify all relevant distributors of what they intend to say at least three days before saying it (or as soon as possible for parties subject to NZX continuous disclosure obligations).</p> <p>d) Where possible, retailers and distributors should exchange information about the calculations that underpin the figures stated, and should endeavour to understand other participants’ positions before commenting publicly.</p>
<p>6) The Authority has timely access to price change notifications and public comments.</p>	<p>a) Any participant that comments publicly on another’s pricing announcements should provide a copy of the public comment to the Authority within three business days, if requested.⁴</p> <p>b) Any participant that advises consumers of price changes should provide representative examples of its price change notifications to the Authority within five business days, if requested.⁵</p>

³ Public comments include any written or spoken material in the public domain, such as media statements, advertisements and notices placed in newspapers, websites, presentations in industry forums, press conferences, media interviews, social media and ad hoc responses to media enquiries.

⁴ Emails should be sent to pricechange@ea.govt.nz.

⁵ Emails should be sent to pricechange@ea.govt.nz.