

3 March 2020

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

By email: AwarenessofUDandPS@ea.govt.nz

Raising consumer awareness of Utilities Disputes and Powerswitch services: Consultation paper

Contact Energy Ltd (Contact) agrees it is important for consumers to be aware of the existence of Utilities Disputes and switching tools and plan comparison services such as Powerswitch.

The key messages in our submission are as follows:

1. We support guidelines for clear, consistent, simple and appropriate levels of prominence for the promotion of UDL on bills, through the complaints process and on provider websites, as well as contextual and relevant promotion of Powerswitch. We recommend guidelines be implemented over regulations, as a highly regulated approach risks hindering innovation, incurring increased costs for consumers, and is unlikely to keep pace with rapidly changing technologies.
2. We propose the requirement to include information for both Powerswitch and Utilities Disputes on all communications is disproportionate to the existing level of awareness, and far beyond requirements in other industries.
3. The principle of 'prominence' as currently described may have unintended impacts and be impractical through some communication channels e.g. push notifications on mobile devices. It may confuse consumers, drive a significant additional volume of complaints to UDL that should have been directed to the provider in the first instance, and increase costs.

We would also like to indicate our support for ERANZ's submission on this consultation.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mel Crocombe".

Mel Crocombe
Head of Pricing Strategy

RESPONSES

Q1. Do you agree the issues identified by the Authority are worthy of attention?

We agree it is important for consumers to be aware of the existence of switching tools and plan comparison services such as Powerswitch, and the dispute resolution body. While we support the broad objectives of the proposal we consider that the requirement to include information for both Powerswitch and Utilities Disputes on all customer communications with a high level of prominence is disproportionate to the existing level of awareness, and far beyond requirements in other sectors such as telecommunications or banking. We note that it is now possible to use data and available technology to enable contextual relevance and targeted promotion, which is significantly more effective than applying a blanket approach.

We also suggest that Utilities Disputes and Powerswitch should not be grouped together; the role each plays for consumers materially differs, as does existing awareness levels and the appropriate way to maintain or raise further awareness.

Utilities Disputes (UDL)

The consultation paper proposes that consumer awareness of the dispute resolution scheme is low. However, in reality consumers are well aware they should attempt to resolve their complaint directly with their provider before escalating to UDL. Providers are already obligated to promote UDL at least twice during any complaints process (in addition to the requirement to promote UDL on bills), so awareness is higher in consumers who have raised a complaint. If some providers are failing to meet their existing obligations, we suggest there is a need for some level of enforcement.

As more competitors enter the industry, retailers are increasingly incentivised to prioritise customer service, resolve complaints quickly, and guarantee a high level of customer satisfaction. Less than 1% of Contact's complaints resolved internally result in the customer entering the UDL process.

In the consultation paper, it records that 6% of complaints received were referred to UDL by the provider, however 63% were from a 'Provider bill' (ultimately still from a provider) and many of the other categories such as 'Own knowledge', 'Other provider', 'No referral recorded', 'Unknown' could be partially or fully attributed to providers. As a result, provider referrals to UDL make up between 69% - 85% at a minimum.

We recommend that the existing requirements to include information on UDL work effectively and already meet the main objective. Further promotion across all communications would be unlikely to significantly increase awareness for target consumers, i.e. those who have been unable to resolve a dispute with their provider. We support guidelines for appropriate prominence of UDL on bills, through the complaints process, and on provider websites.

Powerswitch

The consultation paper notes that some consumers are unaware of plan comparison services including Powerswitch, or even that they are able to switch providers.

However, we consider there is already a high level of consumer awareness of switching options as the Authority's 2018 survey states that 61% of consumers prefer using price comparison websites to make switching decisions; of which a number currently exist, including Powerswitch, SwitchMe, Glimp, CompareBear, and NZ Compare. There are over 30 companies who retail electricity, and data shows that over a fifth of consumers switch providers each year indicating healthy retail competition.

We recognise the importance of ensuring consumers are provided with information however suggest given existing levels of awareness, it is inappropriate to promote Powerswitch on every communication and in every 1:1 interaction. We also note a potential perverse outcome may be to incentivise some providers to avoid communicating with consumers in order to avoid drawing their attention to Powerswitch.

Providers should not become the sole marketing engine for a third party website; promotion must be in a contextually relevant way (such as a marketing campaign like What's My Number) to avoid disengaging the target audience.

We recognise Powerswitch is a valuable resource for customers looking to investigate their options however the site also needs to account for innovative approaches to pricing, bundling or non-price related value. We recommend Powerswitch regularly works with the Authority and providers to ensure providers are compared fairly and that New Zealanders can make informed choices on the best option for their circumstances.

Q2. Do you agree with the objectives of the proposed amendment? If not, why not?

See our response to Q1

Q3. Do you agree the benefits of the proposed amendment outweigh its costs?

We believe the assessment of the costs may be significantly understated.

Providing clear and prominent information on websites and all consumer communications requires a significant number of costly changes from providers. For example it would require a review and update of all communications, both system generated and ad hoc (potentially hundreds per provider), design costs, development costs for changes to system generated communications and websites, training for front line representatives, and ongoing costs to ensure continued compliance. In addition, if all 1:1 interactions were required to include reference to UDL and Powerswitch, it could lead to higher handle times, potentially impacting customer experience or even requiring providers to hire additional staff. These increased costs would apply to all providers individually.

Additional costs would also be incurred by UDL if they were promoted to the extent proposed, as a number of unnecessary complaints would be referred to UDL in the first instance rather than to the provider. This may well incur further costs for UDL to cope with the increased volume.

We would expect that any increases in cost would ultimately be passed to consumers.

Q4. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

As noted in our responses to previous questions, we do not believe that the current proposal will contribute to the efficient operation of the industry.

In general, our preference is for guidelines over regulations, and information being shared in a sensible, contextually relevant way. A highly regulated approach is likely to hinder innovation with traditional communications methods such as bills and also with new products and technologies, and is unlikely to keep pace with a rapidly changing industry.

We anticipate guidelines for providers would recommend an appropriate approach to include information on provider websites (although not at the top of the front page as suggested in the proposed guidelines; this is an impractical requirement given that over half of consumers now use a mobile device instead of a desktop PC to access the internet, and may also lead to a significant uptick in complaints prematurely directed to UDL.)

We consider the current requirements around UDL are efficient and appropriately targeted and should remain in place.

We note the success of marketing campaigns for What's My Number in the past. Targeted marketing may be a more effective approach to further raise awareness for switching sites specifically.

Q5. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

As written, we do not believe the proposed amendment is the most efficient way to achieve the objectives, and risks producing perverse outcomes, such as:

- Increasing costs to consumers (as compliance costs will ultimately be passed through);
- Incentivising providers to avoid communicating with customers, in order to avoid promoting Powerswitch;
- Hindering innovation with traditional communications methods such as bills and also with new products and technologies.

Q6. Do you have any comments on the drafting of the proposed amendment?

We favour guidelines over regulations as prescriptive regulations are likely to stifle innovation and increase ongoing compliance costs which will ultimately be passed to customers.

However we suggest the key aspect of the draft that requires amendment is 1(a) which references "*all customer communications...*"

We suggest the following alternative "*in relevant customer communications, where practicable...*" Guidelines could then be utilised to give guidance on the meaning of "relevant" and "practicable."

We propose this change has a number of benefits:

1. The word "all" is in conflict with the guidance in the consultation, as there are already exceptions (such as text messages);
2. It allows for the fact that promotion of UDL and a plan comparison website is impractical in some forms of communication (such as text messages or push notifications);
3. Restricting the requirement to relevant communications will increase the efficiency of the message, and simplify communications for customers;
4. Guidelines can be revised over time, as new technologies, forms of communication, and products come to market.

Q7. Do you have any comments on the proposed principles?

We agree with the majority of proposed principles and for any information provided to be clear, consistent, simple and appropriate. However, we do not support the principle of 'prominence' as it is described and suggest there may be a number of unintended consequences.

An inappropriate level of prominence risks UDL being inundated with a large volume of complaints that should have been directed to providers in the first instance, and will drive unnecessary cost and delay in processing genuine cases.

Promoting UDL and Powerswitch on the front page of retailer websites is an impractical requirement given that over half of consumers now use a mobile device instead of a desktop PC to access the internet.

Over a million New Zealanders in the working age population have limited literacy - [43% of adult New Zealanders have literacy below Level 3](#), which is considered to be the skill level required to participate fully in work and daily life. The principle of 'prominence' requires a significant amount of additional information at or above the key messages in all communications (including a large number of communications where this information is not relevant) and we are concerned that this will further complicate an already complex industry and disadvantage those New Zealanders who struggle with literacy.