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Raising consumer awareness of Utilities Disputes and Powerswitch Services

Genesis Energy Limited (**Genesis**) welcomes the opportunity to respond to the Electricity Authority's (**EA**) consultation paper *Raising consumer awareness of Utilities Disputes and Powerswitch Services* dated 21 January 2020.

We reiterate our support for improving consumer awareness of the electricity industry's dispute resolution scheme. We also agree that consumers should be provided with information that helps them make an informed decision on the best energy offering for them.

Simply providing more information to consumers does not, however, necessarily lead to better outcomes for consumers. While this is recognised to an extent in the consultation paper and the proposed guidance principles, there is a real opportunity to design the disclosure regime concerning these services to ensure:

- (a) the right information concerning each service is provided to consumers, at the right time and in the right way;
- (b) the efforts to improve awareness is proportionate to the current level of awareness of each service;
- (c) the risk of unintended adverse consumer outcomes is minimised; and
- (d) the disclosure obligations adapt as technology, products and services, and consumer preferences evolve.

Genesis supports a principles-based approach, but guidance principles require further consideration

We strongly support a principles-based approach, as this allows disclosures to be tailored to the circumstances. However, we recommend that the proposed principles and the guidance on their interpretation and application, be further considered and refined.

The principal reasons for this are to ensure that:

- (a) Consumers are provided the most relevant and valuable information, at the right time and in the right way

Information provided to customers varies in relevance and value, and these qualities can, and do, change at different points on their journey with a retailer. For example, information on the Utilities Disputes service is not the most relevant or valuable information for consumers at the very start of their engagement with a retailer. Rather, information such as the energy product and service features, and how these might meet their needs and preferences, are. Giving prominence to the dispute resolution service at this point may also be disconcerting for a consumer and damaging to the relationship which the retailer is seeking to build with them, as the consumer may perceive consciously or subconsciously that disputes are anticipated.

Similarly, information on the Utilities Disputes service with the right level of prominence may be appropriate in a personalised summary of key terms that form part of a “welcome pack” but inappropriate and potentially concerning for a customer, in a courtesy text or email message reminding them of an upcoming milestone or payment date, or in an interaction where such information is of little or no relevance to a consumer e.g. a query concerning their bill or updating their contact information. Likewise, where the relevant offering is a dual fuel or bundled product, care must be taken to ensure that undue prominence does not result in the electricity component overshadowing the other components.

Information on the dispute resolution service is relevant and useful when provided at the right time and in the right way. Providing this information when it is not is likely to confuse or frustrate a customer, adversely affecting their experience with the retailer.

The right balance must be struck to ensure that consumers get the information they need, when they need it. This is already a challenge and will become more so, in an increasingly information rich, time poor, world.

We therefore strongly support Principle 5 - that disclosure be appropriate to the circumstances. However, the draft guidance and examples in relation to this principle should be strengthened.

We suggest that the guidance expressly state that the context of the communication, including considerations of the customer’s needs and expectations, the stage of their relationship with the retailer and the impact on their experience as a customer, are valid considerations under this and each of the other principles. We feel that using a “customer lens” to interpret and apply the principles, is more likely to result in outcomes that are good for consumers, and a disclosure regime that is practical, cost effective and efficient for retailers.

(b) **Efforts and resources are directed at where they are needed most – raising the awareness of Utilities Disputes services**

The nature of the Utilities Disputes and Powerswitch services, and consumers' current levels of awareness of these services, are significantly different. The regulatory settings should be set to ensure that focus and resources are brought to bear on where they are most needed.

The data presented by the EA supporting the proposed Code change indicates that only 6% of consumers are aware of the Utilities Disputes service compared to 61% for the Powerswitch service. Further, the qualitative assessment of the benefits of the proposal suggests there would be a 300% increase in consumer awareness of the Utilities Disputes process as a result of the proposal. However, the proposed disclosure regime appears to treat the promotion of each service equally.

Regulatory intervention should be evidenced-based. The data presented establishes that the industry's efforts and resources should be focused more on raising awareness of the Utilities Disputes rather than the Powerswitch service. We recommend that the guidance principles be amended to acknowledge this including confirming that communications concerning Powerswitch may be provided at longer intervals than those concerning Utilities Disputes.

(c) **Minimise the risk of unintended adverse consumer consequences**

While price can be important, so too are other features and services which customers value. Recognising this, retailers have innovated their product offerings to meet this need.

Recent Genesis examples include:

- (i) Giving customers insights and control over their energy management decisions based on an informed view of their energy use and carbon footprints. We do this through functionality in our Energy IQ app, which gives our customers insights into their home energy usage, how it compares to similar homes and energy-saving tips. It also allows them to see New Zealand's electricity sector carbon emissions in real-time to help inform their home energy use and minimise their carbon footprints.
- (ii) Focussing on delivering simple, useful loyalty rewards that customers value. Our "Power Shout" programme is an example where we offer our customers free power for a period and, based on their regular electricity use, recommend the time and day when they would get the greatest value from their Power Shout.
- (iii) Providing "Clever Home" packages which give customers the ability to use technology to make their home safer and more energy efficient.

Presently, however, Powerswitch only provides price comparisons. It does not allow the comparison of non-price features that are important to customers. Consequently, and contrary to the assertion at paragraph 2.20 of the consultation paper, improving the awareness of Powerswitch may not give consumers information to help make an informed decision. Unduly promoting Powerswitch could also:

- (i) drive customers to simply focus on price, with the inability to properly compare plans and make an informed decision in relation to features which are relevant, of value and which may better suit their needs; and
- (ii) potentially confuse customers if Powerswitch is promoted despite the customer's interest or preference for non-price features.

These would be unintended adverse outcomes for consumers and could also reduce the incentive for retailers to innovate, ultimately reducing choices available to consumers.

We, therefore, have concerns about the proposals to promote Powerswitch in their current form. We suggest that the extent and regularity of the requirement to provide information on Powerswitch be reconsidered having regard to the relative levels of awareness of the Utilities Disputes and Powerswitch services, the distinct nature of these services and the current capability of Powerswitch as a comparison tool.

Measures to address these concerns would include:

- (i) providing periodic communications at much longer intervals than communications concerning the Utilities Disputes service;
- (ii) upgrading Powerswitch's capability to compare non-price features; and
- (iii) clarifying on the Powerswitch website in clear and prominent terms, what features are excluded from the comparison tool so that consumers can make an informed decision.

Strong support for an industry-led voluntary arrangement

We strongly support the EA's second alternative – an industry-led voluntary arrangement. This is preferred as:

- (a) A voluntary arrangement does not necessarily result in the two risks identified in the consultation paper: (i) changes that need to be undone once the consumer advisory council is established and further consultation is undertaken; and (ii) inconsistent levels of consumer awareness, and provision of information. The same risks arise with a mandatory scheme and as discussed below, a voluntary scheme is likely to be more adaptive.

- (b) A voluntary arrangement allows for the principles and guidelines, and measures of success, to be reviewed and tested, and changes made (including as a result of consultation with the consumer advisory council once established), far more promptly than under a mandatory arrangement. It is better suited than a mandatory one to adapt as consumer preferences, products and technology evolve.
- (c) The estimated net benefit of the current proposal is estimated at \$127,000 over ten years. This is a modest amount and may prove illusory as the estimated costs for retailers of \$10,000 per retailer for retailers with more than 150,000 ICPs and \$100,000 across the entire industry appear to have been underestimated. An industry-led approach is more likely to result in principles and guidelines that are efficient, cost effective and practical to implement and comply with. Working together with UDL, for example, should minimise the risk of unintended consequences such as UDL being inundated with customer calls that could and should have been first dealt with by a retailer (or distributor).

Retailers have a role to play in promoting awareness of the dispute resolution service with their customers and we reiterate our support for this. In this regard, Genesis already provides information on the Utilities Disputes services on the websites and bills of our two brands – Genesis Energy and Energy Online. This information is clearly and prominently set out, having regard to the context within which it is provided. In relation to our websites in particular, this information is set out in the “Contact & Support” section where customers would reasonably expect to find it, is accurately labelled and can be accessed from the home page with two mouse clicks. Although the guidance concerns a different industry, we note that this approach would fall within the guidance which the Reserve Bank of New Zealand has provided on the meaning of “clear” and “prominent” in the context of insurer disclosures.¹

An industry led voluntary arrangement, with the customer lens applied as discussed above, would be a continuation of this retailer role.

We note that the work that the ERANZ working group on the vulnerable and medically dependent customer guidelines is doing is a good example of the industry working together, and with regulators, to develop guidelines and standards in an effective and timely way.

Summary

We acknowledge the effort which the EA is making in seeking to implement the Electricity Price Review Panel’s recommendations on improving consumer awareness of the Utilities Disputes and Powerswitch services.

Improving consumer awareness of the disputes services and providing consumers with information that helps them make informed decisions are important. We believe a

¹ See *Thematic Review – Insurer Disclosures, June 2017*, Reserve Bank of New Zealand at page 10.

voluntary industry-led principles-based disclosure regime, that uses a customer lens, is the best way to achieve this. This regime would be characterised by guidance principles that are less prescriptive, with a greater emphasis given to the context in which information is provided to residential customers, their needs and objectives, and their overall customer experience.

The industry can use the draft guidance principles proposed by the EA as a starting point for developing this, with changes to ensure that:

- (a) the right information concerning each service is provided to consumers, at the right time and in the right way;
- (b) the efforts to improve awareness are directed to where they are most needed;
- (c) they evolve as technology, products and services, and consumer preferences evolve; and
- (d) they are efficient, cost effective and practical to implement and comply with.

We note that we have reviewed the ERANZ submission and support the recommendations which they have made.

Our responses to the specific consultation questions are set out in the Schedule to this letter. Should you wish to discuss any aspect of our submission further, please contact me by email: warwick.williams@genesisenergy.co.nz or by phone: 021 225 6623.

Yours sincerely

Warwick Williams
Senior Regulatory Counsel and Group Insurance Manager

**SCHEDULE
RESPONSE TO CONSULTATION QUESTIONS**

Question	Comment
<p>1. Do you agree the issues identified by the Authority are worthy of attention?</p>	<p>We reiterate our support for improving consumer awareness of the electricity industry’s dispute resolution scheme. We also agree that consumers should be provided with information that helps them make an informed decision on the best energy offering for them. Simply providing more information to consumers does not, however, necessarily lead to better outcomes for consumers.</p> <p>We recommend that the proposed principles and the guidance on their interpretation and application, be further considered and refined.</p> <p>The principal reasons for this are to ensure that:</p> <p>(a) Consumers are provided the most relevant and valuable information, at the right time and in the right way</p> <p>Information provided to customers varies in relevance and value, and these qualities can, and do, change at different points on their journey with a retailer. For example, information on the Utilities Disputes service is not the most relevant or valuable information for consumers at the very start of their engagement with a retailer. Rather, information such as the energy product and service features, and how these might meet their needs and preferences, are. Giving prominence to the dispute resolution service at this point may also be disconcerting for a consumer and damaging to the relationship which the retailer is seeking to build with them, as the consumer may perceive consciously or subconsciously that disputes are anticipated.</p>

	<p>Similarly, information on the Utilities Disputes service with the right level of prominence may be appropriate in a personalised summary of key terms that form part of a “welcome pack” but inappropriate and potentially concerning for a customer, in a courtesy text or email message reminding them of an upcoming milestone or payment date, or in an interaction where such information is of little or no relevance to a consumer e.g. a query concerning their bill or updating their contact information. Likewise, where the relevant offering is a dual fuel or bundled product, care must be taken to ensure that undue prominence does not result in the electricity component overshadowing the other components.</p> <p>Information on the dispute resolution service is relevant and useful when provided at the right time and in the right way. Providing this information when it is not is likely to confuse or frustrate a customer, adversely affecting their experience with the retailer.</p> <p>The right balance must be struck to ensure that consumers get the information they need, when they need it. This is already a challenge and will become more so, in an increasingly information rich, time poor, world.</p> <p>We therefore strongly support Principle 5 - that disclosure be appropriate to the circumstances. However, the draft guidance and examples in relation to this principle should be strengthened.</p> <p>We suggest that the guidance expressly state that the context of the communication, including considerations of the customer’s needs and expectations, the stage of their relationship with the retailer and the impact on their experience as a customer, are valid considerations under this and each of the other principles. We feel that using a “customer lens” to interpret and apply the principles, is more likely to result in outcomes that are good</p>
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	<p>for consumers, and a disclosure regime that is practical, cost effective and efficient for retailers.</p> <p>(b) Efforts and resources are directed at where they are needed most – raising the awareness of Utilities Disputes services</p> <p>The nature of the Utilities Disputes and Powerswitch services, and consumers’ current levels of awareness of these services, are significantly different. The regulatory settings should be set to ensure that focus and resources are brought to bear on where they are most needed.</p> <p>The data presented by the EA supporting the proposed Code change indicates that only 6% of consumers are aware of the Utilities Disputes service compared to 61% for the Powerswitch service. Further, the qualitative assessment of the benefits of the proposal suggests there would be a 300% increase in consumer awareness of the Utilities Disputes process as a result of the proposal. However, the proposed disclosure regime appears to treat the promotion of each service equally.</p> <p>Regulatory intervention should be evidenced-based. The data presented establishes that the industry’s efforts and resources should be focused more on raising awareness of the Utilities Disputes rather than the Powerswitch service. We recommend that the guidance principles be amended to acknowledge this including confirming that communications concerning Powerswitch may be provided at longer intervals than those concerning Utilities Disputes.</p> <p>(c) Minimise the risk of unintended adverse consumer consequences</p> <p>While price can be important, so too are other features and services which customers value. Recognising this, retailers have innovated their product offerings to meet this need.</p>
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	<p>Recent Genesis examples include:</p> <ul style="list-style-type: none">(i) Giving customers insights and control over their energy management decisions based on an informed view of their energy use and carbon footprints. We do this through functionality in our Energy IQ app, which gives our customers insights into their home energy usage, how it compares to similar homes and energy-saving tips. It also allows them to see New Zealand’s electricity sector carbon emissions in real-time to help inform their home energy use and minimise their carbon footprints.(ii) Focussing on delivering simple, useful loyalty rewards that customers value. Our “Power Shout” programme is an example where we offer our customers free power for a period and, based on their regular electricity use, recommend the time and day when they would get the greatest value from their Power Shout.(iii) Providing “Clever Home” packages which give customers the ability to use technology to make their home safer and more energy efficient. <p>Presently, however, Powerswitch only provides price comparisons. It does not allow the comparison of non-price features that are important to customers. Consequently, and contrary to the assertion at paragraph 2.20 of the consultation paper, improving the awareness of Powerswitch may not give consumers information to help make an informed decision. Unduly promoting Powerswitch could also:</p> <ul style="list-style-type: none">(i) drive customers to simply focus on price, with the inability to properly compare plans and make an informed decision in relation to features which are relevant, of value and which may better suit their needs; and
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	<p>(ii) potentially confuse customers if Powerswitch is promoted despite the customer's interest or preference for non-price features.</p> <p>These would be unintended adverse outcomes for consumers and could also reduce the incentive for retailers to innovate, ultimately reducing choices available to consumers.</p> <p>We therefore have concerns about the proposals to promote Powerswitch in their current form. We suggest that the extent and regularity of the requirement to provide information on Powerswitch be reconsidered having regard to the relative levels of awareness of the Utilities Disputes and Powerswitch services, the distinct nature of these services and the current capability of Powerswitch as a comparison tool.</p> <p>Measures to address these concerns would include:</p> <ul style="list-style-type: none"> (i) providing periodic communications at much longer intervals than communications concerning the Utilities Disputes service; (ii) upgrading Powerswitch's capability to compare non-price features; and (iii) clarifying on the Powerswitch website in clear and prominent terms, what features are excluded from the comparison tool so that consumers can make an informed decision.
<p>2. Do you agree with the objectives of the proposed amendment? If not, why not?</p>	<p>Please see comments above.</p>

<p>3. Do you agree the benefits of the proposed amendment outweigh its costs?</p>	<p>We acknowledge that the EA has prepared a simplified quantitative assessment of the costs and benefits of the proposal. We suggest that the estimated industry costs of \$100,000, with \$10,000 for a retailer with more than 150,000 ICPs is likely to be an underestimate. For context, the costs of a one off personally addressed communication campaign to our customers through digital and non-digital channels can easily exceed \$50,000. We note also that: (a) with digital assets such as an app, space is limited and highly valuable, so there is a high opportunity cost; (b) costs in implementing the proposal also include those associated with product changes and reprioritisation of workstreams, and internal process changes, including training and compliance.</p> <p>Accordingly, when costs such as these are considered, we suggest the quantified net benefit of \$127,000 over ten years is very likely to be outweighed by the costs of implementing the proposed Code amendment.</p> <p>In relation to the qualitative assessment of benefits, we would be grateful if the EA could share the assumptions behind its estimates that the changes would result in the over four fold increase in consumer awareness of the Utilities Disputes service, and the sustained increase in awareness of the Powerswitch service from 61% to 65% of consumers. These assumptions would be useful in determining how the success of the proposed changes could be measured what, if any, further changes may be required.</p>
<p>4. 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.</p>	<p>We strongly support a principles-based approach to disclosure, as this allows the communication to be tailored to the circumstances. Rather than a mandatory regime, however, we strongly support the EA's second alternative – an industry-led principles based voluntary arrangement. This is preferred as:</p> <p>(a) A voluntary arrangement does not necessarily result in the two risks identified in the consultation paper: (i) changes that need to be undone once the consumer advisory council is established and further consultation is undertaken; and (ii) inconsistent levels of consumer</p>

	<p>awareness, and provision of information. The same risks arise with a mandatory scheme and as discussed below, a voluntary scheme is likely to be more adaptive.</p> <p>(b) A voluntary arrangement allows for the principles and guidelines, and measures of success, to be reviewed and tested, and changes made (including as a result of consultation with the consumer advisory council once established), far more promptly than under a mandatory arrangement. It is better suited than a mandatory one to adapt as consumer preferences, products and technology evolve.</p> <p>(c) The estimated net benefit of the current proposal is estimated at \$127,000 over ten years. This is a modest amount and may prove illusory as the estimated costs for retailers of \$10,000 per retailer for retailers with more than 150,000 ICPs and \$100,000 across the entire industry appear to have been underestimated. An industry-led approach is more likely to result in principles and guidelines that are efficient, cost effective and practical to implement and comply with. Working together with UDL, for example, should minimise the risk of unintended consequences such as UDL being inundated with customer calls that could and should have been first dealt with by a retailer (or distributor).</p> <p>Retailers have a role to play in promoting awareness of the dispute resolution service with their customers and we reiterate our support for this. In this regard, Genesis already provides information on the Utilities Disputes services on the websites and bills of our two brands – Genesis Energy and Energy Online. This information is clearly and prominently set out, having regard to the context within which it is provided. In relation to our websites in particular, this information is set out in the “Contact & Support” section where customers would reasonably expect to find it, is accurately labelled and can be accessed from the home page with two mouse clicks. We think that this strikes the right balance in providing customers with relevant information and in an easily accessible way. Prescribing that the information be set out “on the front page of a website” or “in material without the consumer needing to read past the key messages” does not. These would be examples, as the EA points out in the</p>
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	<p>consultation paper, of making information so prominent that it overshadows the key purpose of the communication. (Although in relation to a different industry, we note that our approach would fall within the guidance which the Reserve Bank of New Zealand has provided on the meaning of “clear” and “prominent” in the context of insurer disclosures.²) Similarly, retailers, through the Electricity Retailers of New Zealand, have been working with Utilities Disputes Limited on ways to promote their dispute resolution services, including through social media.</p> <p>An industry led voluntary arrangement would be a continuation of this retailer role.</p> <p>Improving consumer awareness of the disputes services and providing consumers with information that helps them make informed decisions are important. We believe a voluntary industry-led principles-based disclosure regime, that uses a customer lens, is the best way to achieve this. This regime would be characterised by guidance principles that are less prescriptive, with a greater emphasis given to the context in which information is provided to residential customers, their needs and objectives, and their overall customer experience.</p> <p>The industry can use the draft guidance principles proposed by the EA as a starting point for developing this, with changes to ensure that:</p> <ul style="list-style-type: none">(a) the right information concerning each service is provided to consumers, at the right time and in the right way;(b) the efforts to improve awareness are directed to where they are most needed;(c) they evolve as technology, products and services, and consumer preferences evolve; and
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² See *Thematic Review – Insurer Disclosures, June 2017*, Reserve Bank of New Zealand at page 10.

	<p>(d) they are efficient, cost effective and practical to implement and comply with.</p> <p>The work that the ERANZ working group on the vulnerable and medically dependent customer guidelines is doing is a good example of the industry working together, and with regulators, to develop guidelines and standards in an effective and timely way.</p>
<p>5. Do you agree the Authority’s proposed amendment complies with section 32(1) of the Act?</p>	<p>We query the assertion that improving awareness of the Utilities Disputes process and services promotes competition in the electricity industry for the purposes of section 32(1)(a). We suggest it better fits under section 32(1)(c) - facilitating the efficient operation of the electricity industry under section 32(1)(c).</p>
<p>6. Do you have any comments on the drafting of the proposed amendment?</p>	<p>As discussed above, and as the consultation paper and guidance principles acknowledge, the disclosure of information on the Utilities Disputes and Powerswitch services to <u>all</u> consumers and on <u>all</u> communications is inappropriate.</p> <p>Clause 11.30A(1) which is the primary clause does not reflect this, and conflicts with the guidance principles.</p> <p>We suggest that Clause 11.30A(1) address these issues by specifically referring to residential consumers, and removing the reference to all consumers and all communications. It could also better reflect a principles-based approach and preserve flexibility for regulations to recognise the fast-changing nature of technology and consumer preferences, including for receiving information and engaging with their energy service providers. For example, the prominence given to websites in the proposed Code amendment may be undue if consumers prefer, or predominantly engage through, a different channel. Similarly, we suggest that the reference to the prescribed comparison website be replaced with “service” so that it would cover an app, if one were developed.</p> <p>Accordingly, we recommend the following changes:</p>

	<p>11.30A Promotion of dispute resolution scheme and electricity plan comparison website</p> <p><i>(1) Each retailer must provide clear and prominent information to <u>residential consumers</u> about the dispute resolution scheme identified under clause 3 of Schedule 4 of the Electricity Industry Act 2010 and the Authority prescribed electricity plan comparison website <u>service</u> —</i></p> <p><i>(a) on a website maintained by, or on behalf of the retailer; and</i></p> <p><i>(b) in all consumer communications (including every invoice or associated document relating to the sale of electricity).</i></p> <p><i>(2) If a distributor sends accounts for line function services directly to a <u>residential</u> consumer, it must provide clear and prominent information about the dispute resolution scheme identified under clause 3 of Schedule 4 of the Electricity Industry Act 2010 on every invoice or associated document relating to the supply of line function services. <u>to that consumer.</u></i></p> <p><i>(3) When providing information under this clause, participants specified in subclauses (1) and (2) must have regard to any guidance the Authority may publish to assist participants in complying with this clause.</i></p>
<p>7. Do you have any comments on the proposed principles?</p>	<p>Please see our response to Question 1 above.</p> <p>We reiterate:</p> <ul style="list-style-type: none"> (a) The importance of Principle 5 - that disclosure be appropriate to the circumstances, and that the guidance and examples in relation to this principle should be strengthened. (b) The guidance should expressly state that the context of the communication, including considerations of the customer’s needs and expectations, the stage of their relationship with the retailer and the impact on their experience as a customer, are valid considerations under this and each of the other principles.

	(c) The concept of disclosure being made not just in the appropriate way but at the appropriate <u>time</u> , should also be included in the guidance.
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