

# VOCUS GROUP

Raising consumer awareness of Utilities Disputes and Powerswitch services

Submission to Electricity Authority

**PUBLIC VERSION**

24 February 2020

## INTRODUCTION

1. Vocus welcomes the opportunity to submit in relation to the Electricity Authority's consultation paper "*Raising consumer awareness of Utilities Disputes and Powerswitch services*", and related Guiding Principles, issued on 21 January 2020.
2. If you would like any further information or have any queries about this submission, please contact:

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## SUMMARY OF VOCUS' SUBMISSION

3. Vocus has the following views on the Authority's proposals to implement the Government Electricity Price Review (EPR) directive on consumer awareness:
  - (i) **Hedge market reform should be prioritised:** As we have already noted, the ban on saves and winbacks and hedge market reform are the most important elements of the EPR reforms. The Authority has announced its decision to ban short-term (up to 180 day) winbacks by the end of March. The principal focus now should be on hedge market development.
  - (ii) **The consumer awareness proposals are inefficient and poorly targeted:** Vocus considers it would be overkill, and poorly targeted, to provide information about the Utilities Disputes scheme and powerswitch "*in all consumer communications*", including "*in any introductory message when calling (or being transferred to) a call centre*".
  - (iii) **The communication requirements should be for a minimum prescribed set of communications, and not all communications.**
  - (iv) **The Authority should avoid duplication of existing regulation:** Vocus and other electricity retailers are already required to include details of the Utilities Disputes scheme on electricity invoices. The Authority proposals include unnecessary duplication.
  - (v) Before the Authority makes final decisions it should also take into account other related and overlapping requirements e.g. the obligations in relation to the Telecommunications Dispute Resolution (TDR) scheme on retailers that supply telecommunications services.<sup>1</sup>

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<sup>1</sup> <https://www.tcf.org.nz/industry/standards-compliance/customer-experience/customer-complaints/customer-complaints-code.pdf>

- (vi) **A more targeted reform might be to require that when a customer raises a complaint the retailer ensures the customer is made aware of their rights in relation to the Utilities Disputes scheme.**
- (vii) **The Utilities Disputes scheme should promote the right to switch suppliers:**  
The Utilities Disputes scheme should better promote (detail on home page etc) that consumers that are dissatisfied with their existing retailer are able to switch supplier. Changing supplier is the ultimate sanction to discipline retailer service performance and customer management.
- (viii) **It would be untenable to require Vocus to promote powerswitch** given we are not included on the powerswitch website (because we don't have a power-only construct). There is nothing in the EPR reform directive that requires the Authority to amend the Code to require ALL retailers to provide information about powerswitch.
- (ix) Basically, the Authority is proposing to require Vocus to direct all our customers to a site that will tell them to switch to another retailer, regardless of whether we provide the lowest cost/best value proposition.
- (x) **The Authority should also consider additional options to raise consumer awareness that they can switch retailer:** The Authority's starting point should be to consider the options for increasing (positive) consumer awareness that they can switch retailer (and how). Raising awareness of powerswitch is only one of the potential (non-exclusive) options. It should also include improvements that could be made to powerswitch, including providing details of all available retailers and about the limitations of its comparison tool.

#### **IMPLEMENTATION OF THE ELECTRICITY PRICE REVIEW REFORMS**

4. The Authority's proposals are part of the implementation of the Government's EPR reforms, specifically the direction to *"Improve consumer awareness of Powerswitch and Utilities Disputes"* and that *"the Electricity Authority amend the Code to require retailers to provide prominent information on their websites and customer communications about Powerswitch (or the newly merged website) and Utilities Disputes to boost consumer awareness"*. The EPR directive is relatively high level, so an important element of the Authority's role is to determine how to best give affect to the consumer awareness reforms.

#### **THE PROPOSALS ARE POORLY TARGETTED**

5. Vocus considers that the Authority's consumer awareness proposals are inefficient and poorly targeted. They go well beyond the specific requirements of the EPR reforms. It would be overkill, for example, to provide information about the Utilities Disputes scheme and powerswitch *"in all consumer communications"* [emphasis added]:

- (i) The most useful time to provide information to customers about the Utilities Disputes scheme is when they have a complaint or dispute with the retailer. Similarly, there may be benefit in providing information on the scheme to consumers in bad debt situations given the potential for dispute.
- (ii) The communication requirements should be for a minimum prescribed set of communications, and not all communications. For example, if we included details of the Utility Disputes scheme in price change letters it would likely result in spurious (and out-of-scope) complaints to Utility Disputes about the price increases.
- (iii) All customers that are supplied by Vocus and other independent retailers are already aware they can switch (they have already done so, to be supplied by Vocus). We do not have any customers that have never switched. Issues with lack of consumer awareness about switching is an issue for incumbent retailer customers only.
- (iv) Vocus does not believe we should be required to promote a website (powerswitch) that is designed to engender switching, but which does not represent our service propositions or even recognise that we exist.

## UTILITIES DISPUTES SCHEME

6. Vocus has the following comments on the Authority's Utilities Disputes scheme proposals:
- (i) **Further work on problem definition is warranted:** The Authority problem definition details that there is low consumer awareness about the Utilities Dispute scheme. This may be somewhat moot in relation to consumers that don't have any complaints about their retailer. Vocus considers that a more considered problem definition would test the extent to which consumers who have, or have had, a complaint about their retailer or an in dispute with their retailer are aware of the Utilities Dispute scheme and other options available for resolving the dispute.
  - (ii) **The Utilities Dispute scheme is an important regulatory requirement** and customer care mechanism. We have been careful to include their details on our invoices since day one.
  - (iii) **The Authority's proposal duplicates existing requirements:** The Authority has failed to acknowledge the Utilities Dispute scheme rules (Rule 12(a))<sup>2</sup> already requires that *"Each Provider must: ... promote the relevant Scheme(s) on any invoice to customers and in other relevant customer information"*. The Authority's proposed Code amendment would result in unnecessary duplication of existing requirements.

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<sup>2</sup> The General and Scheme rules for the Energy Complaints Scheme.

- (iv) **The Authority should consider more targeted options for helping raise awareness of the Utilities Dispute scheme:** Vocus does not consider that there would be much value in repeatedly referring to the service in ALL our customer communications. A more targeted form of reform, for example, might be to require that when a customer raises a complaint the retailer is required to ensure the customer aware of their rights in relation to the Utilities Dispute scheme.<sup>3</sup> Similarly, there may be benefit in providing information on the scheme to consumers in bad debt situations given the potential for dispute.

## POWERSWITCH

7. Vocus has the following comments on the Authority's Utilities Disputes scheme proposals:

- (i) **Mispecification of the problem:** The problem definition confuses the problem with the solution. The problem is not that "*Consumers want switching tools*" (a solution) or that "*some are not aware of Powerswitch*" (an issue with the effectiveness of one particular solution). The underlying problem is that the electricity retail market is not fully competitive (it is strongly oligopolistic and dominated by 5 incumbent vertically-integrated retailers), with some consumers unaware they have choice of retailer and/or consider that switching is more difficult (or risky) than it actually is.<sup>4</sup>
- (ii) **The problem definition should reflect that the lack of awareness of the ability to switch is an incumbent retailer problem:** Every electricity retail customer Vocus has (as well as other independent retailers) made a conscious decision to switch to Vocus. It would be inefficient and poorly targeted to attempt to resolve a problem that incumbent retailers have customers who have never switched and/or are unaware they can switch suppliers, by imposing regulation on non-incumbent suppliers (regulating the genuinely competitive part of the market). We note there is nothing in the Government EPR directive that requires the Authority to amend the Code to require ALL retailers to provide information about powerswitch.
- (iii) **The Authority should recognise the substantial limitations of powerswitch:** Vocus considers that considerable enhancement would be needed to powerswitch before it could be safely relied on to represent and compare different retailer's offerings. This should be undertaken before any requirements are introduced for retailers to promote the site.

The powerswitch website, for example, does not recognise the existence of Vocus as we do not have a power-only construct. Powerswitch does not currently have the capability to deal with multi-utility service offerings such as Vocus' combined

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<sup>3</sup> For example, clause 23.4.6 of the New Zealand Telecommunications Forum Customer Complaints Code requires that scheme members "ensure that information about the [TDR] Scheme's existence, procedures and scope is available to Customers when Deadlock arises, or if the Scheme Member declines to deal with a Complaint".

<sup>4</sup> This problem is detailed well in the UMR survey results Entrust submitted to the Electricity Price Review.

telecommunications and electricity packages.<sup>5</sup> At the very minimum, powerswitch should be reformed to provide details of all the available retailers (not just the retailers recognised by the comparison tool), and of the limitations of the comparison tool e.g. it doesn't handle offers where multiple services are bundled.

It would be untenable to require Vocus to promote powerswitch to our customers (by way of electricity invoices, website etc) given the scheme excludes Vocus and is presently incapable of recommending Vocus as the lowest cost supplier even where we are.

- (iv) **The Authority should also consider additional options to raise consumer awareness that they can switch retailer:** The Authority's starting point should be to consider the options for increasing consumer awareness that they can switch retailer (and how). Raising awareness of powerswitch is only one of the potential (non-exclusive) options the Authority should consider. Other options include considering how to better target (or replace) the "What's my number" campaigns, and improving the prominence of consumer rights to switch supplier on the Utilities Disputes scheme website. The latter may be particularly useful, targeted, reform as changing supplier can be an effective way of resolving consumer dissatisfaction or complaints with an existing supplier.

The only reference to switching presently on the front page of the Utilities Disputes website details complaints and problems with switching and could put consumers off considering switching supplier.<sup>6</sup>

**Tips before you switch**

13/08/2019

Media release

Utilities Disputes received 105 complaints about switching energy companies last year, mostly about unexpected fees. It's your choice if you want to switch, but we recommend taking note of these tips.

- (v) **Providing details of the level of each incumbent retailers' 'loyalty taxes' would do more to create consumer awareness of the opportunity to switch suppliers.** Vocus considers that the Authority should consider adopting UK precedent for a 'name and shame' approach to loyalty taxes.<sup>7</sup>

This could help promote awareness amongst 'sticky' customers that have not switched, or are not aware that they can switch, that they are being substantially overcharged and should look at alternative options.

<sup>5</sup> By way of example also, the site also doesn't serve to present the potential value customers can get from a spot price mechanism like Flick's "freestyle plan".

<sup>6</sup> [https://www.utilitiesdisputes.co.nz/UD/WhatsHappening/Media\\_releases/2019/Tips\\_before\\_you\\_switch.aspx](https://www.utilitiesdisputes.co.nz/UD/WhatsHappening/Media_releases/2019/Tips_before_you_switch.aspx)

<sup>7</sup> Competition and Markets Authority (CMA), Tackling the loyalty penalty Response to a super-complaint made by Citizens Advice on 28 September 2018, 19 December 2018.

## Recommendations

9.7 We are recommending eight key reforms to address the problems related to the loyalty penalty across markets.

### A. *Stopping harmful business practices*

1. Bolder use of existing enforcement and regulatory powers to tackle harmful business practices. We are launching investigations in the anti-virus software market. [\[Recommendation to regulators and action by the CMA\]](#).
2. Legislative and/or regulatory change may also be needed to tackle these practices, alongside new powers for the CMA to seek substantial fines where law is breached. [\[Recommendation to government\]](#).

### B. *Publicising the loyalty penalty to hold suppliers to account*

3. Publish metrics on the size of the loyalty penalty in key markets and for each supplier, for example in an annual joint loyalty penalty report. [\[Recommendation to regulators\]](#).

### C. *Giving people more help in getting better deals*