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Electricity Authority
Level 7, Harbour Tower
2 Hunter Street
Wellington

Vector Limited
101 Carlton Gore Rd
PO BOX 99882
Auckland 1149
New Zealand
+64 9 978 7788 / vector.co.nz

Submission on Raising Consumer Awareness of Utilities Disputes and Powerswitch Services

Introduction

1. This is Vector Limited's (Vector) submission on the Electricity Authority's (the Authority) consultation paper, *Raising consumer awareness of Utilities Disputes and Powerswitch services*, dated 21 January 2020.
2. As a company that is majority owned by consumers, Vector supports initiatives that promote increased awareness by consumers of the services available to them and the entities providing those services. This contributes to instilling confidence and increasing mass participation in the electricity market. It enables consumers to make more informed choices about the entities they purchase electricity from and sell it to.
3. We consider the Authority's proposed amendment to the *Electricity Industry Participation Code 2010* (the Code) relating to Utilities Disputes to be a duplication of existing requirements under *The General and Scheme rules for the Energy Complaints Scheme of Utilities Disputes Limited* (the Scheme rules). We believe it is unnecessary and would not deliver the most efficient and effective outcome for consumers. We discuss our views below.
4. We also make suggestions for greater clarity and avoidance of confusion around the scope of the Authority's proposal relating to electricity distributors.
5. No part of this submission is confidential. Vector's contact person for this submission is:

Luz Rose
Senior Regulatory Specialist
Luz.Rose@vector.co.nz
04 803 9051
6. We support the submission of the Electricity Networks Association on this consultation.

Responses to consultation questions

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

7. Vector considers it important that consumers who have complaints about their electricity service provider(s) are explicitly and consistently made aware that they may complain to Utilities Disputes if they are not satisfied with the outcome of the complaint dealt with by their provider's complaints handling system. This is currently provided for under section 12.g of the Scheme rules.
8. Section 12.a of the Scheme rules requires Scheme members, which include all electricity retailers and distributors, to "promote the...Scheme...on any invoice to customers and in other relevant customer information". We consider this obligation, as set out in the Scheme

rules, to be the appropriate mechanism for ensuring that consumers, particularly small consumers, who have issues with their provider are aware of the Scheme. We consider the proposal to codify a similar requirement to be an unnecessary duplication and would not be the most cost-effective solution.

9. The consultation paper notes that the Authority:

. . .expect[s] most complaints should be referred to Utilities Disputes by the provider”...

[paragraph 2.6]

10. In our view, the above expectation may not necessarily – and at all times – be the best outcome for consumers. Under existing Scheme arrangements, the provider and consumer must try to resolve the consumer’s complaint before it can be escalated to Utilities Disputes. We believe that incentivising the resolution of complaints at this point would be more cost effective and result in better consumer satisfaction than having more complaints referred to Utilities Disputes. Referral of consumer complaints to Utilities Disputes, that could have been resolved between the provider and consumer, attracts much higher transaction costs which are borne by the Scheme, its members and eventually small consumers. It could also potentially lengthen the time required to resolve complaints.
11. Furthermore, the expectation that most complaints should be referred by the provider implies that consumer awareness would not be a barrier to the escalation of complaints to Utilities Disputes.
12. We suggest that the Authority undertake a more ‘nuanced’, quantitative analysis of various parts/stages of the consumer complaint resolution process. This would shed light on which outcomes are better for consumers overall and for subsets of consumers such as low-income and vulnerable consumers.
13. In the case of Powerswitch – more of an area for retailers – we note that there is currently little assistance available for consumers to identify whether they would be better off on advanced pricing plans such as ‘time of use’. We would encourage the further development of the Powerswitch website to include comparisons which incorporate analysis of more advanced and innovative plans. We believe more can be done by the Authority and/or Powerswitch to promote switching and enable consumers to determine whether they are on the most beneficial plan.
14. Vector supported the Authority’s recent Code amendment to prohibit saves and win-backs, as recommended by the Electricity Price Review Panel. We consider that the 180-day prohibition on win-back activity strikes the right balance between limiting opportunities for aggressive price discrimination while ensuring all consumers retain access to the best available deals in the retail market.

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

15. For the reasons stated in our response to Q1, Vector does not consider the Authority’s proposed Code amendment to be necessary or the appropriate solution.

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

16. As indicated in our response to Q1, we suggest that the Authority undertake a more ‘nuanced’, quantitative analysis of the ultimate costs and benefits of various aspects of the complaint resolution process to consumers.
17. The consultation paper states that:

Only distributors that directly bill consumers are required to provide clear and prominent information.

[paragraph 3.4]

18. Based on the above definition, it is our understanding that the proposed amendment will not apply to Vector's electricity distribution business. However, the Authority's *Guiding Principles – Information paper*, which forms part of this consultation, prescribes that:

All consumer communications are considered in scope, not just customers the retailer or distributor has a contractual relationship with.

[Table 2, page 7]

19. The above definitions create confusion as to which distributors are covered; it is possible that all distributors could, in fact, be covered. While Vector's electricity distribution business issues invoices directly only to a small number of consumers, we perform several tasks that involve communicating directly with potentially hundreds of thousands of small/residential consumers. These include, for example, issuing planned outage notices and communicating directly with consumers through letters, notices, emails, texts, social media, or phone calls about planned maintenance activity, connections, restoration of faults, vegetation, and other network activities.
20. It would be impractical for a distributor to include information about Utilities Disputes in all of the above forms of communications, particularly where the network issue necessitates timely resolution that requires the network's focused attention. It would therefore not be appropriate to impose this requirement on distributors, whether they directly bill only a small number of consumers or not. The costs of fully complying with this obligation is disproportionately onerous as the above forms of communication could occur multiple times within a day or an hour.
21. We propose an amendment to the Authority's proposed Code amendment in our response to Q6 to remove the potential confusion that could be caused by the above definitions.

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.*

22. As indicated in our responses above, we do not see the need to codify this requirement which duplicates an existing requirement on all members of Utilities Disputes' Energy Complaints Scheme.
23. We suggest that the Authority collaborate with Utilities Disputes to explore options on how to make this existing requirement more effective. Seeking insights from the consumer advisory council that the Government intends to establish should also be considered.

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

24. In our view, initiatives that increase awareness of consumer services efficiently and effectively certainly comply with the Authority's objective, provided for under section 32(1) of the *Electricity Industry Act 2010*. This involves the promotion of competition in, reliable supply by, and efficient operation of, the electricity industry for the long-term benefits of consumers.
25. By duplicating an existing requirement and assuming consumer benefits are greater if more complaints are referred to Utilities Disputes (which will increase costs), the Authority's proposed Code amendment falls short of meeting the efficiency aspect of its objective.

26. The goal for awareness of Utilities Disputes should be for consumers who have raised a complaint with their provider. The consumer survey that the consultation is based on (page 6 of the consultation paper) is against the general population regardless of whether the respondents have lodged a complaint and is not a good metric for determining whether current notification requirements are adequate. Modern consumers generally assume that they contact their service provider first to resolve a complaint about services, and if they are notified of the Utilities Disputes option at that point, it would be a more efficient use of resources than attempting to educate every consumer about something many of them may never use.

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

27. As indicated in our response to Q3, the identification of distributors that are within the scope of the Authority's proposal need to be clarified. Should the Authority proceed with its proposed Code amendment, we recommend that section 2 be amended, as follows:
- (2) If a distributor sends accounts for line function services directly to a 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 to those consumers. For the avoidance of doubt, this requirement does not apply to distributors that only direct bill a small number of consumers who have a connection to the distributor's network containing metering installations of metering category 4 or 5.

Q7: *Do you have any comments on the proposed principles?*

28. See our response to Q3 regarding the confusion created by seemingly conflicting descriptions of which distributors are subject to the proposed Code amendment. To avoid any doubt, we suggest that "all consumer communications" be explicitly excluded from the scope of the proposed amendment and removed from Table 2 on page 7 of the *Guiding Principles – Information paper*.

Concluding comments

29. More broadly, raising consumer awareness of the approved dispute resolution scheme and prescribed electricity plan comparison service is a multi-faceted endeavour. While the increasing number of emerging services in the electricity market could generate new and more complaints, ensuring that competition and innovation are not stifled would ensure that service providers themselves face stronger incentives to resolve complaints expeditiously and deliver better services so they can retain existing customers and attract new ones.
30. We are happy to discuss any aspects of this submission with the Authority.

Yours sincerely
For and on behalf of Vector Limited



Richard Sharp
Head of Pricing and Regulatory Compliance