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Improving transparency of consumers' electricity charges

1. Vector welcomes the opportunity to respond to the Retailer Advisory Group's (RAG) consultation paper titled, *Improving transparency of consumers' electricity charges* (consultation paper), dated 9 July 2013.
2. Vector's contact person for this submission is:
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3. Vector supports the RAG's overall objective to promote competition and improve consumers' access to electricity supply information. To ensure benefits can be realised, Vector considers that information needs to be delivered to consumers in a clear and useful form. Vector's reasons are as follows:
 - **Consumers generally want more information...**
Vector agrees with the RAG's view that consumers want more information and transparency around price changes. Vector's own customer surveys indicate that most of the customers who do not currently receive separate lines and energy charges on their invoices believe that they would find it more "important and useful" to have the different charges split.¹
 - **...But consumers can only effectively use the information if they can understand the information**
The energy supply chain and thus, energy charges, are complex - not least for consumers. Hence, a balance needs to be struck to ensure that

¹ See Vector's submission to the Electricity Commission, *Submission on Transparency of Charge Components*, dated 14 December 2009; which provides key findings from Vector's customer surveys.

consumers are not left confused and unable to understand the information – i.e. information should be clear and require minimal effort to understand.

For instance, in simple terms electricity charges are made up of an (unregulated) energy charge, and (regulated) transmission and lines charges. From a consumer perspective, knowing whether a price change, or a change to the components of prices is due to the energy, transmission or lines component would help them to compare retailers' price offerings. E.g., if information was provided to consumers which demonstrated that there was a change in only the lines charge component of their bill, then there would be no reason for them to consider switching retailers as the increase would be the same across all retailers supplying that consumer. However, if information was provided to consumers which demonstrated that there was a change in the energy component of their bill, then they would know it would be useful to compare those retail charges with alternative retailer offerings.

Similarly, trend data / information would be a helpful way to depict the overall severity of price changes over time and better enable retailer comparisons. For instance, a line graph would be a relatively easy way to illustrate the overall price changes over a certain time period. If all retailers produced this trend data it would be an easy way for consumers to compare trends and inform decisions to switch. We consider this to be a more informative way to disclose price changes than a line by line disclosure in invoices. This information could be provided through retailer websites, or linked through existing industry and consumer websites, such as the "What's my number?", "Powerswitch" and the Electricity Authority websites.

4. Vector **recommends** that electricity supply information is provided to consumers in an easy to understand manner that allows them to effectively use the information to inform electricity supply decisions. Vector considers that clear explanations (e.g. which component, energy, transmission or lines, has changed) and clear presentations (e.g. line graph showing trends over time) would be an effective way to present information to consumers.

Yours sincerely,



Bruce Girdwood

Manager Regulatory Affairs