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Dr John Rampton
GM Market Design
Electricity Authority
Wellington

By email: submissions@ea.govt.nz

Dear John,

Proposed guidelines for communications about price changes

Introduction

1. Vector welcomes the opportunity to respond to the Electricity Authority's (the Authority) consultation on proposed "guidelines for communications about price changes", dated 3 February 2015. No part of this submission is confidential and we are happy for it to be publicly released.
2. Vector's contact person for this submission is:
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Problem definition

3. Vector generally supports the Authority's problem definition of consumers receiving conflicting and unclear messages about why their electricity prices are changing.
4. Accordingly, Vector supports the three proposed guideline areas of providing accurate and timely information, meaningful and accessible information and consistency of statements as a means of addressing the above problem.
5. Vector considers the guideline will, with the changes we recommend below, help better inform consumers about the causes of changes to their electricity bills and empower them to make informed choices about selecting the best tariff and retailer for their needs.

Proposed guideline: accurate and timely information – retailer obligations

6. Vector supports the proposed guideline of requiring retailers to breakdown the components of their tariff. Vector **recommends** this proposal should be

enhanced by making it consistent with the Commerce Commission's regulatory regime. In particular, 'transmission charges' should be shown as being part of pass-through and recoverable costs. Therefore, Vector recommends the following breakdown of retail tariffs:

- a) energy and retail charges;
- b) pass-through and recoverable costs including transmission charges; and
- c) distribution network charges.

7. This level of information will assist customers to assess any electricity price changes and understand the causes and parties giving rise to changes in their bills. It will also enable customers to understand the portion that the distribution network charge contributes to their overall tariff.

Proposed guideline: accurate and timely information – distributor obligations

8. Vector does have some concern about the proposed distributor requirements. The requirement "to provide retailers with the information that distributors would ordinarily provide to their own customers if they were billing the customer directly" appears to be unnecessarily onerous. Were Vector to attempt to comply with such a standard then it would require Vector to develop and duplicate systems normally associated with direct customer relationships such as energy retailing. This runs counter to the current contractual arrangements between retailers and most distributors that seek to avoid such duplication and to achieve efficiencies.
9. Vector **recommends** using the following wording instead: "distributors should provide retailers with sufficient information for them to reasonably determine the extent of any distribution price change and the reasons for that change in order for the retailer to be able to advise their customers." Vector's alternate wording would better address the Authority's problem definition of providing timely and meaningful information to customers without requiring unnecessary system development or other work.
10. Vector agrees that when a consumer switches retailers or when a distributor introduces a new price category, retailers should be able to ensure consumers are on an appropriate price category matched to the correct metering information. However, Vector believes register content codes are primarily a matter between meter equipment providers and retailers and it should not be a requirement on distributors to match distribution prices to content codes. Vector **recommends** the Authority remove this particular requirement from the final version of the guideline or alternatively amends the wording to say "distributor price schedules should contain sufficient

information for retailers to determine the appropriate register content code applicable for each price.”

Meaningful and accessible information

11. The second requirement of this guideline is unclear about whether it is referring specifically to the *average* changes in the distribution network charge or whether it is referring to the *average* aggregated change of the bundled transmission balance and pass-through and recoverable costs and distribution network charges.
12. Vector is concerned that providing an aggregated change of the bundled network charge or just the changes to the distribution network charge will cause confusion with the first guideline of breaking down all the relevant components of the customer’s electricity bill. Accordingly, Vector **recommends** that this requirement be removed or is changed to be consistent with the breakdown above.

Consistency of statements

13. Vector supports the requirements of this guideline. Vector believes conflicting messages to consumers or the media of changes to distribution charges or other costs can be an unnecessary source of confusion. Therefore a requirement for the sharing of information beforehand should help to eliminate any cause for misinformation.
14. Vector also notes that it has put considerable effort over the last two years with retailers to ensure annual price changes are well understood and enable timely customer communications well in advance of them taking effect. We are encouraged by the work industry has done on improving engagement and believe the current arrangements are significantly improved over those of the past.

Conclusion

15. Vector is supportive of the Authority’s proposed guidelines and considers them a step forward, giving customers the information to better participate in the retail electricity market. However, Vector believes the recommendations put forward in this submission will significantly improve their effectiveness.

Yours sincerely,



Bruce Girdwood
Group Manager Regulatory Affairs