

19 December 2017

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By email: john.rampton@ea.govt.nz

Dear John

## Re: Electricity Authority 2018 – 2019 Proposed Work Programme

We welcome the opportunity to provide feedback on the Electricity Authority's proposed 2018-2019 work programme. It is worthwhile for stakeholders, such as ERANZ, to understand the issues that the EA is prioritising. We also value the opportunity to be able to provide feedback from our perspective on the issues of highest importance to our part of the sector. It is helpful to understand the indicative timeframes for the EA's planned activities as this allows us to schedule our own resources.

Our overall thoughts are that in general, the work in the EA's six programme areas are focussed on issues that are of highest importance to the sector. This letter covers two aspects of the consultation on the work programme:

- 1) comments on the content of some parts of the work programme; and
- 2) comments of an operational nature for the work programme.

### 1. Content of the EA work programme

#### What's My Number Campaign

We believe it is time for a review and refresh of the *What's My Number* information tool. The EA has the function "to promote to consumers the benefits of comparing and switching retailers"<sup>1</sup>. The consultation paper notes that "competitive markets are enhanced when consumers effectively engage and actively participate in the process of buying and selling goods and services. Consumers who actively participate in markets put pressure on suppliers to compete more vigorously and to innovate".

Our concern with the *What's My Number* information tool is that it does not adequately reflect the current practices in the retail sector regarding how they compete and innovate. It therefore does not reflect the whole range of options and information needed by a consumer to make a true comparison in order to "shop around" between retailers.

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<sup>1</sup> Electricity Industry Act 2010 s16(1)(i)

The tool currently only factors in choices based on a very rudimentary set of selection questions – size of household, type of heating for space and water, region, and whether a customer wants gas as well.

There is now a vast array of other information that customers may want or need in order to make a more informed decision. These are also ways that retailers are differentiating their service in the highly competitive market. The price is only one component (although a very important one) in the service that a retailer delivers to customers. The information that the EA collects via the Annual Retail Data information request could inform this project also.

For example:

- Is there a broadband bundled service too?
- Is the customer service live, on-line only, or don't care?
- Is the billing period monthly/fortnightly/weekly, or don't care?
- Is a solar feed-in tariff available?
- Is there an electric vehicle charging tariff?
- Can I get a printed bill, on-line only, or don't care?
- Can I see my usage breakdown – daily/weekly/monthly, or don't care?
- Can I see a breakdown of cost components (lines/transmission/generation/retail/GST etc.), or don't care?
- Will I get bill shock alerts?
- Will I get power outage alerts?
- Can I get a home energy efficiency assessment?
- Is it a spot price tariff or a fixed-rate tariff?

We would like to see the EA use some of the \$2.45 million allocated for consumer participation activities go towards expanding the What's My Number information tool. This will then assist consumers to better engage and actively participate in comparing and switching retailers. This should be done as a matter of priority and we would be happy to assist the EA in the development of the project.

## **Programme A: Evolving technologies and business models**

### **Distribution Default Agreement**

ERANZ would like to see that the work on the Default Distribution Agreement is given a high priority on the work programme. We believe that this issue has been deliberated on for a considerable time, is of importance to the sector, and therefore needs to be concluded in the near future.

### **Accuracy and Timeliness of data exchange between industry participants**

We consider that this area of the work programme should not only focus on industry participants, but also the EA as a key player in enabling better exchange and processing of the data in the sector. We consider that there are a number of areas in the Code and the settlement processes it prescribes that have not kept up with changes in the industry and should be a priority focus in this work programme for the EA.

It is important the Authority takes time to understand the wider framework needed for collecting, processing, storing and exchanging data in the future and what changes will enable better data exchange for the benefit of consumers. To ERANZ, this means the Authority needs to prioritise what will make the biggest difference to the sector and to consumers first, rather than a series of amendments to what are already complex regulatory rules in the Code.

Increased innovation and participation is to be encouraged, but activities at the fringes should not be promoted ahead of issues that are more fundamental to the everyday operation of the system and the majority of electricity consumers. For example, where data received from the EA via the automated file transfer protocol shows negative electricity load for some grid exit points, but the same dataset downloaded from the EA website does not correspond. The Authority should focus on investing in fit for purpose software solutions that are agile, including processes to ensure registry data is standardised and accurately cleansed.

## **Programme C: Pricing and Cost Allocation**

### **Low Fixed Charge**

ERANZ considers that the implications of the low fixed charge (LFC) regulations should be factored in to the work on more efficient distribution pricing and the distribution pricing principles. We believe the EA should change its position and clarify that the LFC is an inefficient policy that is intervening in the ability for the distribution sector to implement more efficient distribution pricing.

## **2. Operational questions with the EA work programme**

### **How does the EA identify priority for each workstream?**

The proposed work programme does not specify the process by which the EA assigns priority to issues. We believe it would be helpful for stakeholders to better understand the EA's criteria and rationale for setting the priority of its work programme. For example, in setting its priorities, does the EA consider:

- the market failure that is being addressed?
- the materiality of the issue to the sector and consumers?
- the effect on improving competition?
- a broad-brush cost vs benefit analysis encompassing:
  - the likely level of EA and stakeholder effort required?
  - the consequences of not investigating immediately – e.g. has an assessment been made of the risks of hastening an investigation vs. the additional benefits of engaging more thoroughly with the industry via a longer timeframe?
  - the risk of unintended consequences of intervention?

### **EA review of projects in its work programme**

ERANZ supports the EA undertaking a review of its work programme. We would be interested to see this go further in some respects, i.e. a post-implementation review of projects to see whether pre-implementation assumptions around benefits and costs were realised? Did the changes implemented deliver the predicted change? Is the regulatory or other change achieving the desired effect? If not, why not?

### **Risk of regulatory fatigue from the sector from a dense EA work programme**

It will not come as a surprise to you that here at ERANZ we hear a number of complaints from our members, and others, about the EA's extensive work programme which puts intense resource pressure on the sector. Many retailers only have small regulatory and policy teams, if any at all. Therefore, the ability to engage in a meaningful way on consultations and proposals can be limited, especially when layered with competing consultation periods from other regulatory bodies. We appreciate that there is now improved communication between the EA, MBIE and the Commerce Commission, and the efforts that have gone into

that coordination. We encourage you to continue to consult with these other bodies to ensure the consultations are staggered, or could even be combined where necessary.

Thank-you once again for the opportunity to comment. We appreciate the EA's willingness to engage with stakeholders in setting its priorities and work programme. We would welcome the opportunity to meet with you to discuss any aspects of our feedback.

Yours sincerely



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**Chief Executive**

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