

20 December 2016

Electricity Networks Association

By email: submissions@electricity.org.nz

New Pricing Options for Electricity Distributors – Utilities Disputes' Submission

Thank you for the opportunity to comment on the Electricity Networks Association's New Pricing Options for Electricity Distributors consultation paper dated November 2016.

Utilities Disputes Ltd (formerly the Office of the Electricity and Gas Complaints Commissioner) is a free and independent dispute resolution service for people with complaints about their utilities providers. As the provider of the approved scheme under the Electricity Industry Act 2010, Utilities Disputes handles complaints about electricity retailers and distributors. Utilities Disputes is therefore well-placed to observe the impact of industry change on consumer complaints.

The premise of this submission is that change needs to be carefully managed. Utilities Disputes does not believe it is appropriate to respond to many of the consultation questions given Utilities Disputes' role as an independent dispute resolution service in the electricity sector.

Utilities Disputes has therefore submitted on its experience with the way changes in the electricity industry that affect consumers can generate complaints. Utilities Disputes has answered a selection of the consultation questions in appendix 1. Utilities Disputes would welcome the opportunity to discuss its submission further with the Electricity Networks Association.

Changing the way consumers are charged for their electricity use is likely to generate complaints

In Utilities Disputes' experience, changing the way consumers are charged for their electricity use is likely to generate complaints. Consumer complaints about billing accounted for 43.9% of Utilities Disputes' total complaints in 2015-2016. In Utilities Disputes experience the majority of billing complaints were generated when a consumer's billing changed in some way. Utilities Disputes expects the changes to distribution pricing the industry is currently discussing will change billing in a way that generates complaints.

Effective communication about changing distribution pricing is likely to reduce complaints

In Utilities Disputes' experience it is impossible to completely prevent complaints arising from a period of significant change. However Utilities Disputes believes effective communication can reduce complaints.

Effective communication to consumers will be relatable from a consumer's point of view. For example dollar and cent savings are likely to be more relatable to a consumer than kWh savings.

Utilities Disputes notes the ENA encourages distributors to:

seek the views and input of our consumers, community and other stakeholders utilising focus groups, online surveys, one-on-one meetings and workshops.

Utilities Disputes believes if the industry follows the ENA's advice, and that engagement is conducted effectively - the probability of change increasing consumer complaints will be decreased.

As the independent dispute resolution service for the electricity industry, Utilities Disputes is happy to discuss what effective engagement could look like with industry participants preparing for change.

Changes to distribution pricing could indirectly generate complaints

Changes to distribution pricing could indirectly generate complaints. This is because significant changes to one relationship in the supply chain could have flow-on effects that contribute to consumer complaints. One example of this would be if distribution pricing changed in a way that required at least some electricity retailers to make significant changes to their billing processes. In Utilities Disputes' experience the implementation of new billing systems can result in implementation difficulties leading to complaints.

Utilities Disputes would welcome the opportunity to discuss this submission further with the ENA. If you have any further questions or we can be of any further assistance please contact our Research Analysts Paul Moreno (04) 914 4535 or Joe Cruden (04) 901 0010.

Yours sincerely



Nanette Moreau
Commissioner
Utilities Disputes Ltd

Appendix: Responses to select consultation questions

<p>Question 5: Do you agree that distributors should engage with end consumers about distribution pricing?</p>	<p>Utilities Disputes does not have a view on who <i>should</i> engage with end consumers about distribution pricing. As discussed in the main body of this document, Utilities Disputes believes effective engagement that is relatable to consumers is likely to reduce the probability of complaints.</p> <p>Utilities Disputes notes distributors - who are likely more familiar with their pricing than retailers trading on their network - may be able to communicate more effectively than retailers.</p> <p>Utilities Disputes submits it is likely appropriate for retailers to engage with end consumers about any changes to their pricing as well. This is because it is retailers who decide what to charge consumers for their services.</p>
<p>Question 31: How can distributors encourage greater uptake of cost reflective types of pricing? Do you prefer mandatory or voluntary adoption approaches, or a combination of both? What other matters do distributors need to consider under each?</p> <p>Question 32: What is a reasonable timeframe over which to shift to cost reflective pricing?</p>	<p>In Utilities Disputes' experience maximising a consumer's involvement and time to make decisions in a transition will reduce the number of complaints generated. Distributors may wish to take this into account when considering changes to distribution pricing.</p>
<p>Question 34: What transition issues or challenges do consumers face in the move to cost reflective pricing?</p>	<p>It is likely many consumers will be required to acquire new knowledge to understand more cost-reflective distribution pricing. This is because, in Utilities Disputes' experience, many consumers have a limited knowledge of the electricity supply chain. Utilities Disputes believes early and</p>

	<p>effective engagement with consumers about changes to distribution pricing and the reasons behind the changes will help consumers transition.</p>
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