

13 October 2023

Commerce Commission
PO Box 2351
Wellington 6140
By email: market.regulation@comcom.govt.nz

Submission on: “Draft product disclosure – retail service bundling guidelines”

Introduction

1. Thank you for the opportunity to make a submission on the “Draft product disclosure – retail service bundling guidelines”. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in Aotearoa New Zealand.
2. If you have any questions regarding our submission, please contact:
 - Emma Sturfels, acting manager, Consumer Advocacy Council
 - Email: emma.sturfels@cac.org.nz, or phone: 021 812 663

General comments

3. The Consumer Advocacy Council welcomes the Commerce Commission’s work on improving the price transparency of bundled services. Our submission focuses specifically on bundled telecommunications and electricity services.
4. The Council is aware bundling of these services may result in consumers paying a higher price for their power. As the Commission noted in its “Emerging views paper”:

... energy prices can be higher under bundled deals than the prices consumers could obtain from the same provider on a stand-alone basis. This gives rise to the concern that consumers could potentially end up paying more under a bundled deal despite the upfront broadband discount.¹

5. Consumers may not be aware of the potential price difference when they sign up for a bundled deal as:
 - the price differential is typically not disclosed upfront, and
 - the value of bundled deals versus unbundled offers can be difficult to assess.
6. The Commission’s latest monitoring report notes bundling is growing, highlighting the importance of ensuring prices are transparent. The report states uptake of broadband and electricity bundles by residential consumers has increased 16% in the past year.² An estimated 243,000 consumers (approximately 13% of households) are bundling these services.³

¹ [Improving Retail Service Quality: Product Disclosure Emerging Views Paper](#)

² [2022 Telecommunications Monitoring Report](#)

³ Ibid

7. We therefore support efforts to improve price transparency at the point of sale and help ensure consumers can make informed decisions. We agree consumers need to be able to understand the price of each component within a bundle as well as any specific obligations associated with signing up for a package of services.

Specific comments on the draft guidelines

8. Our comments on the draft guidelines focus primarily on clauses 9.1 and 9.2.

Clause 9.1

9. Clause 9.1 states retail service providers (RSPs) should prominently disclose if a price for a plan in a bundled deal is higher than the price for a comparable plan outside the bundle. In relation to electricity (or gas), clause 9.1.1 states:

... if the daily charge and/or the per-kWh unit price are higher in the bundle than the unbundled price for a comparable plan, this should be prominently disclosed so that consumers are aware of the unbundled alternative.

10. By themselves, we consider the daily charge and per-kWh unit price may not provide sufficient information for consumers to understand the cost difference. For example, if the per-kWh unit price in a bundled deal is 25c and the unbundled price is 22c, it may be assumed a difference of a few cents is negligible. However, over a year, the additional cost may be significant.
11. Assuming annual power use of 8000 kWh, the consumer would pay:
 - \$2000 for electricity on the bundled plan, at a per-kWh unit price of 25c
 - \$1760 for electricity on the unbundled plan, at a per-kWh unit price 22c.

This is an annual difference of \$240. Depending on the consumer's circumstances, this may be a considerable amount and influential in the decision on whether the bundled deal provides good value for their household, despite any discount that may be offered for the associated telco service.

12. We therefore recommend the Commission considers an addition to clause 9.1.1 that would require the RSP to disclose the estimated difference in annual cost. This could be done by including a statement on estimated annual costs, based on average household electricity consumption. For example, the statement could read:

*Based on average household electricity use, the **estimated annual cost of the bundled plan is \$2200** and the **estimated annual cost of the unbundled plan is \$1950**. Actual costs will depend on your household's electricity use.*

13. Where the consumer is already an electricity customer of the RSP, the company will have data on the household's power use. In these situations, RSPs could be further required to provide an estimate of the price difference, based on usage data, before the customer signs up for the bundled deal.
14. Such a provision would be consistent with the Electricity Authority's *Consumer care guidelines*, which recommend electricity retailers should act to ensure customers have "every opportunity to be on the best pricing plan to meet [their] needs".⁴ While the guidelines are voluntary, the Authority is considering mandating specific requirements.⁵

⁴ [Consumer care guidelines](#)

⁵ [Improving the Consumer care guidelines](#)

15. We also suggest the Commission could consider the development of a simple online calculator that consumers could use to independently check the annual costs of bundled offers. The calculator could help consumers work out whether a bundled deal provided better value than their current plan.

Clause 9.2

16. Clause 9.2 states RSPs should “prominently disclose the RRP” for any goods or third-party services offered as part of the bundle or, in the case of goods or third-party services sold separately by the RSP, the RSP’s retail price of the good or service offered outside of the bundle.
17. The use of the recommended retail price (RRP) as a reference point for price comparisons may be problematic. We note the RRP is the price recommended by the product manufacturer and may not be a price that is actually charged in the market. Therefore, using the RRP may lead consumers to believe the deal offers better value than it does.
18. We suggest the Commission considers an addition to this clause to state that if an RRP is used then the RRP must reflect a price at which the item is readily available. This would be consistent with the Commission’s published advice to retailers on the pricing of products and services, which states:

A recommended retail price (RRP) is the price a manufacturer suggests a retailer sells a product. However, a retailer is under no legal obligation to sell a good at the RRP and will often sell below the RRP.

.... It may be misleading if a business makes a comparison with an RRP, unless it is the genuine manufacturer’s RRP and reflects a price at which the item is readily available.⁶

Other clauses

19. The Council supports the provisions of clauses 9.3 to 9.6. We agree conditions (clause 9.3) and any termination fees (clause 9.5) associated with bundled deals should be prominently disclosed. We also strongly support prices for goods and services within a bundle being displayed on a GST-inclusive basis by default (clause 9.6).

Yours sincerely,



Deborah Hart

Chair – Consumer Advocacy Council

⁶ [Pricing your products or services](#)