



ELECTRICITY PRICE REVIEW

SUBMISSION FORM

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

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Name	Jake Lilley
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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

1. *What are your views on the assessment of consumers' priorities?*

I thank the review team for compiling this section with case studies and agree there is no such thing as a typical consumer. However, I do believe it is possible to develop groupings of common consumer cohorts and their likely responses based on their capacity and interest to respond to the electricity system as a useful tool for policy making. I have seen Kerry Connors of Energy Consumers Australia (ECA) present on modelling of consumer cohorts that ECA have either funded or are undertaking for such purposes and imagine she or others at ECA would be able to explain this to the team.

The case studies raised some 'red flags' for me about the way the energy system is failing to provide an affordable essential service to the most vulnerable or households otherwise in payment difficulty.

The first and third case studies show that there is a need for mandatorily requiring energy retailers to offer timely, tailored assistance responding to the individual needs of a household. Significant work with extensive consultation from consumer advocates and retailers has led to the development of the payment difficulty framework in Victoria Australia that will begin on 1 January 2019.¹ This work has really addressed the need to drop the hardship framework that was not working for consumers, particularly those like the grandparents in the case study who were embarrassed about the energy poverty they experience. The Victorian Council of Social Services report 'Power Struggles'² may be a useful resource for the review when exploring the impact of underconsumption of energy.

While other social issues can contribute to energy poverty, energy businesses must be seen as having a social responsibility for supplying an essential service and should be contributing to solving instead of compounding payment difficulty and other intersecting social issues.

The second case study highlights that the lack of an obligation to offer on energy retailers is unacceptable. All in Aotearoa must have a right to access essential services at a fair price for their health, wellbeing and social participation in society. As the case study demonstrates, the inability to access affordable energy has left a vulnerable mother subject to family violence in the form of economic abuse when already the victim of a debt spiral.

I believe the second case study demonstrates the need for households being able to access a regulated default price. Recently this was recommended as a response to similar issues by the Australian Competition and Consumer Commission in their Electricity Pricing Review.³ Similarly the Basic Service Offer proposed by the Independent review into the Electricity and Gas Markets in Victoria also offers a potential solution for people to set and forget and be guaranteed an independent fair price on their essential energy services.

I was also concerned to see reference to pre-pay meters in Aotearoa. Pre-payment arrangements appear dangerous on the surface, especially where a consumer is given no other practical way of accessing electricity and a lack of payment leads to self-disconnection. It would have been good to see more information on this in the first report. Prepayment risks increasing barriers to overcoming compounding payment difficulties and the associated social issues described in the first three case studies.

¹ Essential Services Commission, 2018. *Energy Retail Code review 2016 (customers facing payment difficulties)*. Available at: <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-codes-guidelines-policies-and-manuals/energy-retail-code/energy-retail-code-review-2016-customers-facing-payment-difficulties>

² Victorian Council of Social Services, 2017. *Power Struggles, everyday battles to stay connected*. Available at: <https://vcoss.org.au/wp-content/uploads/2018/04/POWER-STRUGGLES-2017.pdf>

³ Australian Competition & Consumer Commission, 2018. *Restoring electricity affordability & Australia's Competitive advantage*. Available at: <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/final-report>

2. *What are your views on whether consumers have an effective voice in the electricity sector?*

Because the electricity system and associated markets are often complex and are increasing likely to be so as Aotearoa transitions into a system utilising new technology it is important that this review recommends ongoing funding for specialist independent consumer advocacy.

Figure 3 in the report is a helpful breakdown. Consumer advocacy for those impacted most by changes in the energy market because of their limited capacity or resources to respond should have ongoing funded specialist and independent advocates informed by links to groups assisting these members of the community. While such advocates would sit in the blue part of the figure they should be embedded in the decision-making organisations through initiatives like allocated places on boards or appointments as regulatory body commissioners for people who have been consumer advocates.

Obstacles to advocacy are well identified, cultural values play a part and upcoming and previous research from the Ethnic Communities Council New South Wales may be informative to the review team.

The voluntary standards are commendable, but the review is right to state more can be done. Industry codes should be enforceable, mandatory and regularly reviewed with consumer input for compliance and desirable outcomes.

ECA funds my employer for the work and research I and my colleague undertake. The organisation and its structure are under review and this should be taken into consideration if this review recommends following a similar model. Funding for ECA needs increasing, many advocates with expertise are not able to work as often as their expertise could be utilised or be confident of future work.

Many also find the funding model hard to work with as they are forced to be focused on projects instead of being able to respond to constant consultation that often arises without warning. ECA has been good at funding the intersection between energy and social policy however tensions do arise between ECA and other advocates where different energy policy positions are taken and ECA is perceived as having more power as the main source of funding.

Amongst consumer energy advocates in Australia there is often debate as to the extent as to which consumers engage. As accurately mentioned in this section of the first report, many appear unengaged. I think most households are not extremely engaged given they cannot trust the industry, but most take small measures to engage in conserving energy like changing to efficient lighting. This is just a perception based on observations of my friends and family as well as the people who call the organisation I work for with energy issues. I am unaware of a study from Aotearoa of testing policy against behaviour. This points to the need for more funding for research and advocacy based off the findings. One study I have found useful is a journal article by the University of East Anglia which demonstrates the limitation of information provision to encourage switching with even the most engaged cohort of consumers.⁴ This shows the need to not build a market that needs strong consumer engagement for efficient outcomes and the need for policy solutions like independently regulated fair pricing.

⁴ Deller, David et al. 2017. *Switching Energy Suppliers: It's Not All About The Money*, Centre for Competition Policy, University of East Anglia. Available at: <http://competitionpolicy.ac.uk/documents/8158338/17199160/CCP+WP+17-5+complete.pdf/fdaaed88-56e5-44f9-98db-6cf161bfb0d4>

3. **What are your views on whether consumers trust the electricity sector to look after their interests?**

It was interesting to see the figures shown in this section of the report and perhaps more can be done. Trust falling is likely to happen unless there is intervention to ensure fair outcomes as the energy system transitions with new technology. My colleague produced a report called *Power Transformed* and I believe this will help the review team consider the policy framework for a just transition with a focus on maintain trust.⁵

High pressure sales are not good for much and another colleague has produced a report called *Knock It Off* with multiple case studies of ways in which high pressure sales lead to consumer detriment in solar sales.⁶ It was also flagged as a significant complaint issue by the Energy and Water Ombudsman Victoria in their August 2018 *Res Online* report as smaller retailers still utilise the practice.⁷ Many were disappointed that the ACCC did not recommend a ban in their final report, their evidence base seemed to suggest this was in the interest of consumers.

The range of recommendations in *Independent Review Into the Electricity & Gas Retail Markets in Victoria*⁸ most of which have been accepted by the state government may provide a good model to follow to improve the retail market in Aotearoa to ensure ongoing trust.

The review must also be wary of Net Promoter Score methodology being used to understand trust. More in depth surveying and research like that undertaken by ECA is likely to be far more informative and useful.

Prices

4. **What are your views on the assessment of the make-up of recent price changes?**

⁵ Consumer Action Law Centre, 2016. *Power Transformed, unlocking effective competition and trust in the transforming energy market*. Available at: <https://policy.consumeraction.org.au/2016/07/31/power-transformed/>

⁶ Consumer Action Law Centre, 2017. *Knock It Off! Door-to-door sales and consumer harm in Victoria*. Available at: <https://policy.consumeraction.org.au/2017/11/20/knock-it-off/>

⁷ Energy and Water Ombudsman Victoria, 2018. *Res Online 24 – August 2018*. Available at: <https://www.ewov.com.au/reports/res-online/201808>

⁸ Faulkner, Mulder and Thwaites, 2017. *Independent Review Into the Electricity & Gas Retail Markets in Victoria*. Available at: https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/7415/0267/4425/Retail_Energy_Review_-_Final_Report.pdf

From reading the analysis it seems necessary that a regulator be given the task of more regular public reporting of this information with more information gathering powers to get information from retailers that will better inform policy making. Industry has a strong incentive to selectively provide information which may point to need for policy to address unfair profitable practice. An ACCC recommendation and the report itself which utilised that regulator's information gathering powers will lead to far better outcomes for Australian consumers as evidence-based policy making is better informed.⁹ The split of costs between residential, commercial and industrial customers is concerning from a social perspective. How many households have gone without a meal because of this structure and is that fair?

It would be good to see more breakdown and analysis of whole sale and retail charges and the cost of customer acquisition and retention costs (CARC). The increase of these costs since the introduction of retail competition in Victoria has shown that competition has not benefitted consumers as a whole.¹⁰

Investment in the grid should be efficient and equitable. The grid should be understood to be a national social product like a public health system – serious questions should be raised about the fairness of increases to distribution costs and the social impact that arises as a result. Cross subsidies must be accepted as necessary to ensure all can benefit from the essential service.

Regressive taxation on essential services is also concerning. But instead of removing GST from energy charges for residential customers explicitly redistributing this money to fund initiatives and subsidies to assist those unable to afford energy is the best approach to achieving greater equity from this taxation.

It seems that there will always be households who cannot afford essential energy services no matter what the price is unless social welfare payments are set at sufficient levels to enable all to live a good life and they are effectively provided to all that need them then. When examining price, we must keep in mind that reducing price alone is not the most efficient way to achieve fairness where all community members can participate in society, and live in healthy and thermally comfortable energy efficient homes.

I also wish to flag fairness issues with the design of schemes to subsidise and encourage uptake of distributed energy resources (DER). The ACCC reporting on Premium Feed In Tariff schemes indicates that they have failed to satisfy all desirable outcomes in Australia's energy system transition so far.¹¹

5. *What are your views on the assessment of how electricity prices compare internationally?*

⁹ Australian Competition & Consumer Commission, 2018. *Restoring electricity affordability & Australia's Competitive advantage*. Available at: <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/final-report>

¹⁰ Faulkner, Mulder and Thwaites, 2017. *Independent Review Into the Electricity & Gas Retail Markets in Victoria*. Available at: https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/7415/0267/4425/Retail_Energy_Review_-_Final_Report.pdf

¹¹ Australian Competition & Consumer Commission, 2018. *Restoring electricity affordability & Australia's Competitive advantage*. Available at: <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/final-report>

Considering geography and population of Aotearoa it appears the nation is doing well from the information presented. But the comparison does not acknowledge that ability to do better or take a different approach to analysing the suitability of the energy system to its users. As with most analysis it is limited because it utilises averages. A comparison of price dispersion and demographic averages may tell a better story of comparison for fairness instead of this blunt measure. How many people are in payment difficulty, the rate of disconnection, the amount of complaints to ombudsman may be better points of comparison of the electricity's performance for consumers when compared to other jurisdictions.

6. *What are your views on the outlook for electricity prices?*

There are so many variables in considering future prices. Forward planning of the transition to new technology using conservative forecasting with the objective of fairness is essential to influencing outcomes that are in the long-term interests of consumers. Trust is important to get electricity system change as a whole. As above I point to the Power Transformed¹² report as a potential useful resource.

Also individual households islandising must be discouraged to those with the most resources who may see this as a solution where they lose trust. Islandising makes the grid more expensive and significantly risks the reliability for the households who implement it.

Any re-structuring of pricing needs to address consumer behaviour, and there must be resources allocated to investigating and implementing ways to respond to the often hidden underconsumption issues raised in case study one. DER and demand response through energy efficiency upgrades may mitigate over investment and must be investigated and implemented for positive social policy and price outcomes.

It is also important that this review does not ignore The Treaty of Waitangi when considering the future structure of the energy system. Localised environmental degradation seems to be synonymous with previous generation projects that were came about without decision makers considering their obligations from the Treaty. While we are lucky Aotearoa enjoys a much vaster supply of renewable energy than other places we cannot ignore that this is the result of hydro dams that were built with no consideration of the relationship many Iwi have with waterways throughout the nation.

Affordability

7. *What are your views on the assessment of the size of the affordability problem?*

¹² Consumer Action Law Centre, 2016. *Power Transformed, unlearning effective competition and trust in the transforming energy market*. Available at: <https://policy.consumeraction.org.au/2016/07/31/power-transformed/>

The measurement for energy poverty is blunt, all households are at some risk and need universal entitlement to early intervention and assistance. From reporting I have seen in media¹³ and the case studies above it seems that households in Aotearoa have similar experiences to the people I speak to in my work in Australia. Energy companies can send their customers into a compounding debt spiral where they are preyed upon by unlicensed or predatory lenders.

It is good that the review acknowledges family composition in households as a factor in affordability. Analysis from EWOV and KPMG in Australia has shown those on low incomes with large families in low socioeconomic areas of cities with high cost of living appear to be the most impacted by changes in price.¹⁴

We must also discuss underconsumption and how to assess if it is occurring as highlighted by VCOSS in their Power Struggles report.¹⁵

The information presented from the Salvation Army survey shows the need for significant work. The payment difficulty framework soon to be implemented in Victoria¹⁶ is a good starting point for addressing energy poverty and payment difficulty. I would add that that model requires engagement from consumers which may not be possible for those facing complex or severe social issues. It is for this reason I consider a blanket ban on energy disconnection for non-payment is necessary in all jurisdictions where disconnection would inhibit a person's ability to participate in society or remain healthy without energy supply.

8. What are your views of the assessment of the causes of the affordability problem?

It is completely unacceptable that there is a system in place where households are disconnected on multiple occasions for non-payment. Retailers and government agencies must take joint responsibility for getting households back on track to overcome payment issues instead of failing them. Retailers must have requirement to assist overcoming payment difficulty instead of compounding it.

Budget advisors and other consumer advocacy groups arguments in relation to prompt payment discounts as excessive late payment penalties echo Australian discourse. The ACCC and Independent Review into the Electricity & Gas Retail Markets in Victoria have made recommendations to limit them for several reasons I also was unsure whether late payment fees are banned or capped in Aotearoa and would hope there is analysis of this by the review. Reregulation and BSO type measures may be great at alleviating this all.

As in my response to question one I point to:

- Concerns around pre-payment meters and would value more information to respond to at future processes of the review.

¹³ Writes, E. *Energy Poverty is real in New Zealand. I've been there*. Retrieved 22 October 2018 from: <https://thespinoff.co.nz/parenting/24-11-2017/energy-poverty-is-real-in-new-zealand-ive-been-there/>

¹⁴ KPMG, 2017. *Census Insights: The rise of energy poverty in Australia*. Available at: <https://home.kpmg.com/au/en/home/insights/2017/12/census-insights-energy-poverty-australia.html>

¹⁵ Victorian Council of Social Services, 2017. *Power Struggles, everyday battles to stay connected*. Available at: <https://vcoss.org.au/wp-content/uploads/2018/04/POWER-STRUGGLES-2017.pdf>

¹⁶ Essential Services Commission, 2018. *Energy Retail Code review 2016 (customers facing payment difficulties)*. Available at: <https://www.esc.vic.gov.au/electricity-and-gas/electricity-and-gas-codes-guidelines-policies-and-manuals/energy-retail-code/energy-retail-code-review-2016-customers-facing-payment-difficulties>

- Concerns about the lack of an obligation to offer for retailers

It is clear the low fixed charge is working for some despite being blunt, perhaps it should be complemented with other targeted percentage-based concessions with a policy about restricting access for those for solar where this is unfair?

9. ***What are your views of the assessment of the outlook for the affordability problem?***

No matter what happens in the future it is likely there will always be households who cannot afford essential services and their access needs protecting. Cost reflective pricing must be carefully considered.

The review is right to identify issues with distribution charges, where those unable to access new technologies are effectively subsidising an insurance scheme for other users. It is also right to identify increasing the energy efficiency of housing stock and industrial and commercial processes as significant opportunity for achieving good outcomes.

Cost reflective pricing must be carefully considered. Demand response from technology that automates high demand items in cycles seems the best approach to fulfilling policy objectives often pointed to when cost reflective pricing is proposed. Other Australian consumer advocates have often pointed to the confusing way in which demand pricing structures often end up not being cost reflective and defeat their initial purpose.

New energy businesses will emerge that ignore affordability for essential service implications, and regulation must be both proactive and responsive to innovation which cannot be anticipated. As above a point to the Power Transformed report¹⁷ for future decision making. My colleague will also soon publish Consumer Action's 'Sunny Side Up' report¹⁸ on addressing consumer protection issues in new energy products and services that may help inform the review.

I believe this review has the ability to expose affordability issues and be the catalyst to the introduction of laws and regulations that will help overcome them.

¹⁷ Consumer Action Law Centre, 2016. Power Transformed, unlocking effective competition and trust in the transforming energy market. Available at: <https://policy.consumeraction.org.au/2016/07/31/power-transformed/>

¹⁸ This will be available on Consumer Actions website when finalised: consumeraction.org.au

Summary of feedback on Part three

10. Please summarise your key points on Part three.

- The energy system has a questionable history in relation to the the Treaty of Waitangi
- No matter what the price some will still find energy unaffordable
- Consumers are diverse but there may be opportunities to identify cohorts with common characteristics to help policy making
- There must be more analysis and a critical evaluation of the appropriateness of pre-payment model's suitability for essential services
- ECA's model is under review and this should be considered before recommending a similar model
- Consumer engagement in the retail electricity market almost always never lives up to economist's projections
- High pressure sales are problematic
- Net Promoter Score should never be seen as the be all and end all of measuring consumer trust
- A regulator must be given the task of more regular public reporting of pricing information with more information gathering powers to get information from retailers that will better inform policy making
- Customer acquisition and retention cost need more investigation
- Other indicators should be investigated for international comparison with an outcomes and price dispersion focus
- Prompt payment discounts are late fees in disguise and can be misleading

Solutions to issues and concerns raised in Part three

11. Please briefly describe any potential solutions to the issues and concerns raised in Part three.

- No one should be disconnected for non-payment
- Aotearoa must implement something similar to Victoria's Payment Difficulty Framework
- There needs to be an obligation to offer mechanism for electricity retailers
- There should be ongoing funding for specialist independent consumer advocacy
- Mandatory codes should replace voluntary codes and be strenuously enforced
- There must be pre-emptive regulatory intervention to maintain consumer trust as the energy system transitions to new technology
- A regulator must be given the task of more regular public reporting of pricing information with more information gathering powers to get information from retailers that will better inform policy making
- The grid must be understood as a public good
- GST revenue from electricity should be allocated to social policy initiatives
- Without strong policy making the uptake of DER will be inequitable
- Households islandising should be discouraged
- DER and demand response should be investigated and implemented
- Prompt payment discounts are late fees in disguise and can be misleading, they are inappropriate for an essential service
- Regulation must be put in place now to ensure emerging businesses understand their social licence

Part four: Industry

Generation

12. *What are your views on the assessment of generation sector performance?*

I would welcome further analysis and reporting of energy consumption over time and how behaviour change campaigns and the introduction of technology has impacted trends?

13. *What are your views on the assessment of barriers to competition in the generation sector?*

14. *What are your views on whether current arrangements will ensure sufficient new generation to meet demand?*

From Australian consumers' experience it is clear decision makers must be careful not to allow overinvestment in transmission, generation and distribution and maintain a focus on DER and demand response where more efficient. A contract market for demand response may be the best way to avoid overinvestment in generation.

I would flag the widespread failure of DER leading to unreliability and security as a future issue. My workplace assists many Victorians with disputes about poorly installed or faulty solar systems. I suggest the review consider whether regulation and enforcement on the quality of goods energy technology imported will provide flow on effects of customer trust in a fair industry providing the best outcomes for them and the electricity system as a whole.

Increased efficiency standards for new buildings are in interests of all in the long term as they will reduce demand and limit investment. State housing should lead the way in scaling up the industry that will deliver this.

Again the review must consider the crowns obligations under the Treaty of Waitangi now if largescale generation is increased as raised in the response to the electrification of the economy.

Retailing

15. *What are your views on the assessment of retail sector performance?*

It is clear from the analysis presented that the retail sector is not functioning well in serving all residential consumers their essential services at a fair price. It appears that even after the Electricity Authority has done what is internationally celebrated work¹⁹ to nudge residential consumers to engage it has not delivered results strong enough to have a dramatic impact on retail competition. Policy makers must cease the endless pursuit of greater consumer engagement to drive good outcomes for all. As raised in previous questions I support the review pursuing the reregulation of default pricing or a default offer type model.

¹⁹ Australian Competition & Consumer Commission, 2018. Restoring electricity affordability & Australia's Competitive advantage. Available at: <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-supply-prices-inquiry/final-report>

Consideration must also be given to the burden on consumers of constantly switching just to get a fair or the best price. In Australia some experts are saying people must compare offers every three months, a task which is often complex due to unhelpful marketing. If this is also the case in Aotearoa is it realistic and fair to expect all households to do this work, simply to not be ripped off? Being a consumer should not be a job. The task is likely beyond the capacity of some, rates of adult literacy and numeracy may be a blunt example of the limitations of switching to work for all and provide adequate pressure on retailers.

Automated switching services have arisen as a solution in Australia but should be rejected as they are an inefficient means of fixing a broken market. Why create a new market for services to ensure people are not ripped off for a service they are not able to choose not to consume? Retailers should be serving their customers a fair price, households should be able to contract retailers to operate on their behalf to access a stable and fair price from the wholesale market.

Regulation should be put in place to require retailers to pass on savings from regulated monopolies and retailers should be actively advocating for lower prices in these regulated monopolies as a service to their customers as opposed to enjoying a margin.

Switching rates compared to the rate of people moving needs further analysis. 42% of households having never switched is very concerning and certainly strengthens the case for an independently regulated default price.

ACCC and Independent Review Into the Electricity & Gas Retail Markets in Victoria recommendations on the marketing and penalties associated with pay on discounts must be considered. There is a risk of escalation of the late payment penalties and consumers being misled unless prompt payment discounts are better regulated to only incurring the cost to the retailer of paying late. Any fee for paying late should also be waived for customers in payment difficulty.

As above in the response to preceding questions, the review should further investigate whether there is a case at all for having prepay meters. There are far too many consumer protection issues that arise from the model. Prepay is not innovation in the interest of the customer. It is harsh credit management and retailers moving risk to customer instead of upholding a social obligation to assist them with affordability issues.

As above the review must also establish a means of assessing the cost of competition. The escalation of CARC is often an indicator of inefficient outcomes.

Ombudsman schemes are vital for fair outcomes. They must report on systemic issues they receive and of all things to educate the public on it should be the ability to access these services.

As above NPS should not ever be understood as the be all and end all of consumer satisfaction in this market.

Most innovation reported in this assessment seems to be marketing and not particularly meaningful for most consumers. Bundling energy with other services like broadband is

problematic. The Grattan Institute made a similar assessment of Australia's energy retail services in their Price Shock report.²⁰ Traditional supply is a very homogenous good, even the sale of green power is limited.

16. What are your views on the assessment of barriers to competition in retailing?

It was interesting to see Alinta used as an example of competition outcomes in this section. Alinta have some of the most questionable marketing practices in Victoria, I have seen prompt payment discounts of theirs that are almost 50% meaning those who pay only a day late are slugged by an outrageous cost for their essential services. My workplace will often encounter unacceptable conduct from this retailer towards people in payment difficulty. Their wrongful disconnection figures are also concerning.²¹ It seems that there is a significant social and economic cost for the Australian public for having competition as the mechanism to drive prices down in a market where no customer can leave for a homogenous product.

The issues with loyalty premiums also point to the need to have some sort of regulated pricing that protects consumers like a Basic Service Offer or default price as mentioned in my responses above. With careful policy consideration such regulated prices could be designed to not inhibit competition or reset the balance in the interest of consumers.

If keeping consumer focused there seems little case for allowing saves and win backs as these appear to be a means of confusing consumers and making the market more complex and less transparent. Although those who accept one of these offers might get a lower price they are likely to lose trust in retailers and switching after finding out the system is not acting in their interest. I have also seen win back offers in Australia that are actually worse for the customer as the offer is based on a higher pay on time discount with higher base rates and wonder if this is also occurring in Aotearoa.

Too often consumer protections are rejected or removed as they are seen as a barrier to competition, it is important to reject the notion that removing barriers to competition should be the prevalent policy objective instead of getting the electricity system to maintain access to an essential service to all who need it. Aotearoa should not pursue competition for competition's sake.

Vertical integration

17. What are your views on the assessment of vertical integration and the contract market?

18. What are your views on the assessment of generators' and retailers' profits?

²⁰ Grattan Institute, 2017. *Price Shock, Is the retail electricity market failing consumers?* Available at: <https://grattan.edu.au/wp-content/uploads/2017/03/Price-shock-is-the-retail-market-failing-consumers.pdf>

²¹ Essential Services Commission, 2018. *Victoria Energy Market Update, April to June 2018.* Available at: https://www.esc.vic.gov.au/sites/default/files/documents/victorian-energy-market-update-april-to-june-2018-20180927_0.PDF

The lack of detailed data available for this report shows there is a need for independent regulator with information gathering powers for regular reporting on retailer profitability.

The early analysis on the potential to charge incumbent generators for the use of water and geothermal resources is interesting and should be explored further. The revenue gathered under such a system should be redistributed in a way that recognises the crown's responsibilities under The Treaty of Waitangi and initiatives to ensure all maintain access to essential services when in payment difficulty. I disagree with proponents of the other view presented. Energy is an essential service and it is unacceptable that it can be made unnecessarily unaffordable for the owners of generation assets to excessively profit.

Transmission

19. *What are your views on the process, timing and fairness aspects of the transmission pricing methodology?*

Ongoing funding for independent expert consumer advocacy is important for the Transmission pricing and investment in the best interests of consumers.

The AusNet services trial customer forum model²² may offer a best practice model once the trial is completed and reported on.

Distribution

20. *What are your views on the assessment of distributors' profits?*

Distribution services should be viewed as a social good for ensuring reliable access to essential services. Urban to regional cross subsidisation is appropriate and necessary for Aotearoa to thrive as a whole economy that functions in the interests of all households. Ongoing funding for independent expert consumer advocacy is important for to ensure pricing and investment in the best interests of consumers.

Aotearoa must be careful not to gold plate distribution assets. Reliability being used as a political football in Australia has lead to unnecessary unaffordability.

21. *What are your views on the assessment of barriers to greater efficiency for distributors?*

Business size should be examined further with fairness for all consumers as the objective. Collaboration may be of great use as these assets are involved in transitions to new technology.

I agree that distributors should have a protocol to access data, this has helped Victorian businesses better manage and understand their networks. Some also provide the deidentified data to government and consumer advocates to analyse for policy making.

A standardised data regime should be established but with extensive consumer protections in

²² Ausnet Services. *Industry leading trial of direct negotiation with a Customer Forum*. Retrieved 22 October 2018 from: <https://www.ausnetservices.com.au/Misc-Pages/Links/About-Us/Charges-and-revenues/Electricity-distribution-network/Customer-Forum>

place to ensure it cannot be used to enable misleading marketing practices through complexity. A model like 'Green Button' in the United States or Victoria Energy Compare's use of distributor data (but not the multiple barriers to easily accessing and utilising the data) have merit.

Regulators must be vigilant with the transition to new technology approaching, strong regulatory oversight of distribution network decision making and a set of core policy principals to objectives for investment tests are critical to ensuring the energy system functions for households.

There must also be efforts to establish a fair way of covering the cost of assets that may end up stranded.

22. What are your views on the assessment of the allocation of distribution costs?

Distribution and transmission resources should be viewed like a public health scheme. We should all contribute an affordable amount so that we can access the essential services from it when in need. A strict user pays model would be completely unacceptable through this lens, especially as those with more resources can purchase technology to barely use the grid, save great amounts of money but still have it as a backup that is increasingly paid for by those left behind.

An adjustment should be made for fairness to consumers in terms of allocation between households and businesses. In doing so decision makers must model the likelihood of businesses investing in DER as a result and how this will impact fairness and future costs.

Where islandising does make sense there must be a strict consumer protection regime in place to ensure people are not stranded without access to essential services in the future.

23. What are your views on the assessment of challenges facing electricity distribution?

I agree that DER is likely to emerge. Distributors are natural monopolies and should be facilitators not players. Decision makers must implement a centralised government funded specialist team to establish and realise best practice for distribution transition with strong policy objectives as terms of reference. As above Power Transformed²³ may be useful in setting these objectives.

²³ Consumer Action Law Centre, 2016. Power Transformed, unlocking effective competition and trust in the transforming energy market. Available at: <https://policy.consumeraction.org.au/2016/07/31/power-transformed/>

Summary of feedback on Part four

24. Please summarise your key points on Part four.

- There should be further analysis and reporting of energy consumption over time and how behaviour change campaigns and the introduction of technology has impacted trends
- The retailer innovation pointed to in the review is not meaningful for consumers
- Retailers who greatly increase market share are not necessarily good for their customers
- The potential to charge incumbent generators for the use of water and geothermal resources is interesting and should be explored further
- The balance has tipped too far against households in the allocation of distribution charges
- The review must explore the best way to deal with stranded assets

Solutions to issues and concerns raised in Part four

25. Please briefly describe any potential solutions to the issues and concerns raised in Part four.

- There should be a contract market for demand response
- Increased efficiency standards for new buildings are in interests of all in the long term
- Policy makers must cease the endless pursuit of greater consumer engagement to drive good outcomes for all, being a consumer of an essential service should not be a job
- Automated switching services are not the solution
- Retailers should be obligated to pass on savings from regulated businesses
- Discounting must be regulated to be useful for consumers instead of misleading
- Loyalty premiums should be addressed through regulated pricing
- Aotearoa should not pursue competition for competition's sake
- Ongoing funding for independent expert consumer advocacy is important for the Transmission pricing and investment in the best interests of consumers
- Cross subsidisation is acceptable in distribution and transmission
- Distributors should have a protocol to access energy data
- A standardised data access regime is worthwhile but needs strenuous consumer protections
- Decision makers must implement a centralised government funded specialist team to establish and realise best practice for distribution transition with strong policy objectives as terms of reference

Part five: Technology and regulation

Technology

26. *What are your views on the assessment of the impact of technology on consumers and the electricity industry?*

As argued in the response to previous questions, decision makers must implement a centralised government funded specialist team to establish and realise best practice for transition with strong policy objectives as terms of reference. Without intervention and central guidance, the transition to new technology will be inefficient and there will be big losers which is an unacceptable outcome in essential services provision. Again, I point to the Power Transformed report.²⁴

Mandatory codes for behind the meter products and services, behind the meter provider guarantee funds, and the ability of regulators to undertake enforcement where technology providers exploit customer confusion in new complex product offerings must be considered.

If solar panel and battery DER are desirable a feed in tariff scheme should be established that reflects only the wholesale market value of the energy produced from the source. Household batteries must have the ability to group dispatched for the best outcomes for the whole electricity system and fairly priced incentives for doing so.

27. *What are your views on the assessment of the impact of technology on pricing mechanisms and the fairness of prices?*

While households could benefit from initiatives like cost reflective pricing in perfect circumstances will there actually be the widespread behaviour change that modelling often predicts?

I was curious as to whether air conditioning during extreme warm weather cause peak demand events and would welcome further analysis as to whether there are particular technologies that should be targeted with pricing initiatives. Targeting new pricing structures to those using the technology that makes the policy approach necessary could be a better way of going instead of universal cost reflective pricing with unintended consequences for those worst off already. Another approach could be to charge those with technology who only need the grid for back under a system similar to car registration charges.

It must be flagged that leasing of new energy products was mentioned here and that it is likely there is a need for more consumer protections to prevent awful outcomes from such arrangements. In my work in Victoria I have seen multiple instances of solar power purchase agreements being mis sold to households, leaving them worse off than without the agreement for up to 20 years of essential service supply to a property.

28. *What are your views on how emerging technology will affect security of supply, resilience and prices?*

As argued in the response to previous questions decision makers must implement a centralised government funded specialist team to establish and realise best practice for transition with strong policy objectives as terms of reference.

²⁴ Consumer Action Law Centre, 2016. *Power Transformed, unlocking effective competition and trust in the transforming energy market*. Available at: <https://policy.consumeraction.org.au/2016/07/31/power-transformed/>

Regulation

29. *What are your views on the assessment of the place of environmental sustainability and fairness in the regulatory system?*

Fairness should be viewed as all having the ability to access essential services and having entitlements to support from providers where they are in payment difficulty to make this so. The Electricity Authority supporting fairness through voluntary measures is concerning. They should have an objective to consider fairness and environmental factors so as to not make decisions that will not lead to inefficient tension with other policy developed by different decision makers.

My responses above on the need for a payment difficulty framework as outlined above are relevant to some of the analysis in this section of the report. Concessions linked to Community Services Card that are percentage based and accompanied by brokerage from a not for profit like the trial currently being lead by the Brotherhood of St Laurence in Victoria²⁵ should be explored.

30. *What are your views on the assessment of low fixed charge tariff regulations?*

This assessment correctly identifies the diversity of usage profiles for those experiencing payment difficulty. There is merit to restraining fixed costs to some degree, retailers risk should not be unfairly transferred to consumers through excessive fixed charges. It is clear that the low fixed tariff charge does not meet its objective on its own and that it may be exploited by those who have access to solar. Consideration should be given to complementing it with other targeted initiatives like percentage-based concessions so that all in payment difficulty have a means of being assisted. A BSO or default price that is independently regulated may offer another solution. The unintended incentive for people to under consume energy because of the low fixed charge must also be considered.

31. *What are your views on the assessment of gaps or overlaps between the regulators?*

Unless all distribution businesses are community owned, controlled and functioning purely for the benefit of the community, ring fencing so that distribution businesses cannot manipulate the introduction of new technology is needed. Other providers of technology that are assessed to be operating in the interest of consumers should not have barriers put in place for access to information from established business that will allow them to best provide their new energy goods and services.

There is a need for an update of regulation in general as new technology is introduced. A clear example now is uncertainty around what can and can't be done to centralise the dispatch of household battery systems. Centralised control of batteries with a fair remuneration to households for providing access would better utilise battery systems in the long-term interests of consumers.

32. *What are your views on the assessment of whether the regulatory framework and regulators' workplans enable new technologies and business models to emerge?*

While emerging technologies and business models may be limited in their ability to start functioning in the energy system there is some need for regulation that creates limitation. As argued in the response to previous questions decision makers must implement a centralised government funded specialist team to establish and realise best practice for transition with strong policy objectives as terms of reference.

33. *What are your views on the assessment of other matters for the regulatory framework?*

²⁵ Brotherhood of St Laurence. *Your Energy Broker*. Retrieved 22 October 2018 from: <https://www.bsl.org.au/research/research-themes/energy-equity-and-climate-change/your-energy-broker/>

I support the consumer voice arguments. Retailers are driven by profit and although they should be providing a service in the interests of their customers, fail consumers as evidenced by various facts presented throughout the report.

The pace of change concerns raised are relevant. Intensive consultation with all stakeholders (including funded consumer advocates) can result in quicker and better consensus and decision making.

In relation to concerns about authority functions the Australian model is incredibly frustrating and inefficient for advocates seeking necessary change. The AEMC and AER seem to often point at each other or elsewhere when they identify a problem and think it needs a rapid regulatory response.

Authority decision being subject to legal challenge must be approached cautiously. There have been major issues in Australia with great cost and unnecessary complexity for consumers where regulated businesses had the incentive to use them for increased revenue.

In relation to price-quality compliance costs, it appears there is a need for a specific deep dive independent report on the future of these community businesses and a need for government intervention in the interests of consumers.

Summary of feedback on Part five

34. Please summarise your key points on Part five.

- Without intervention and central guidance, the transition to new technology will be inefficient and there will be big losers
- More analysis of technologies that may create peak demand could be presented
- Solar Power Purchase Agreements are questionable

Solutions to issues and concerns raised in Part five

35. Please briefly describe any potential solutions to the issues and concerns raised in Part five.

- Mandatory codes are needed for behind the meter goods and services
- If a feed in tariff scheme is implemented, it must not be excessive
- Household batteries should be centrally dispatched
- Environmental and Affordability measures should be objectives for regulators
- Low fixed tariff regulations should be complemented by other initiatives
- Distributors should be ring fenced from new markets

Additional information

36. Please briefly provide any additional information or comment you would like to include in your submission.

This submission is made as an individual and is not made on behalf of or as part of my role at the Consumer Action Law Centre in Australia. I am a New Zealander currently living in Australia and have made this submission based off my experience of advocating on behalf of vulnerable and disadvantaged households in Victoria, having realised that my community at home has no mandatory hardship or payment difficulty framework in place. There appear to be many similarities in issues so hopefully the resources referenced throughout this submission are useful to the review. Please do not hesitate to contact me for clarification on any point raised.