

23 October 2018

Secretariat, Ministry of Business, Innovation and Employment
By email: energymarkets@mbie.govt.nz

Dear Pricing Review Team,

Utilities Disputes' Submission to the Electricity Price Review – First Report

The Utilities Disputes Board welcomes the Electricity Price Review First Report. The attached submission details operational observations and statistics and is therefore made by Utilities Disputes Commissioner, Nanette Moreau.

What Utilities Disputes Limited does

Utilities Disputes provides independent resolution for complaints and disputes that utilities companies have not been able to resolve with complainants. Utilities Disputes currently operates three dispute resolution schemes: the Energy Complaints Scheme, the Broadband Shared Property Access Disputes Scheme and the Water Complaints Scheme. We are not a consumer advocate but we can provide complaint information to assist the review.

Utilities Disputes was formerly the Office of the Electricity and Gas Complaints Commissioner, but incorporated as a limited liability not-for-profit company and rebranded as Utilities Disputes on 1 November 2016. The purpose of the change was to allow Utilities Disputes to provide multiple dispute resolution schemes under an umbrella structure.

Governance

From 31 October 2018 Utilities Disputes is moving to a fully independent Board. The Board is responsible for the governance of Utilities Disputes.

The Board has also set up Advisory Committees for each scheme, made up of equal numbers of consumer and industry representatives. This maintains consumer and industry feedback to the Board.

Energy Complaints Scheme

The Energy Complaints Scheme (“ECS”) resolves unresolved complaints about energy providers. The ECS is the approved dispute resolution scheme for electricity and gas complaints as provided for in Schedule 4 of the Electricity Industry Act 2010 (the EIA) and the Gas Act 1992. Schedule 4 of the Act sets out the rules and obligations for an approved scheme. Electricity and gas providers are required to belong to the Scheme, and pay its costs. The Scheme is free to complainants. The following persons are required to belong to the Scheme:

- Electricity distributors (as defined under the EIA)
- Electricity retailers (as defined under the EIA)
- Transpower
- Providers of LPG in cylinders over 15kg
- Gas distributors (as defined in the Gas Act)
- Gas retailers (as defined in the Gas Act)
- Gas transmission companies

We trust this submission from the Utilities Disputes Commissioner is useful to the Review and we look forward to being involved through this, and further rounds of consultation.

Yours sincerely

A handwritten signature in black ink that reads "Heather Roy". The signature is written in a cursive style with a large, looping 'H' and 'R'.

Hon Heather Roy
Utilities Disputes Board Chair



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

15 Stout Street

PO Box 1473

Wellington 6140

Contact details

Name	Nanette Moreau, Utilities Disputes Commissioner
Organisation	Utilities Disputes
Email address or physical address	info@utilitiesdisputes.co.nz

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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Part three: Consumers and prices Consumer interests

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

The review listed consumers' historic priorities as having a reliable supply of electricity and fair and affordable prices. The review said consumers now were also concerned about the environmental impact of the electricity they use. The review says some consumers are now taking control of their energy needs with some retailers selling innovative products using apps and wholesale rates plus a margin, or prepay electricity. The review noted not all consumers have access to technology to take advantage of these sophisticated products.

We agree with the examples given of consumer priorities. We believe fundamentally many consumers are not engaged enough in the market to take advantage of sophisticated products, and not all consumers understand these products. We see many complaints from consumers who are confused about a new offering that is being provided to them by their retailer and many more complaints from consumers who simply do not understand their bill.

Choice does not necessarily capture engagement or ensure understanding.

Our experience in dealing with complaints tells us that most consumers are satisfied if their lights stay on and they are billed correctly. Consumers often also have an expectation that retailers will place them on the best plan and trust that the government controls the market.

We record the issues associated with every complaint we receive. Complaints can have multiple issues associated with them, therefore the numbers do not add to 100%. For the 2017-2018 year we recorded the following portions of complaints with each issue type associated with them:

	01 Apr 2017 - 30 Mar 2018	01 Apr 2016 - 30 Mar 2017	01 Apr 2015 - 30 Mar 2016
Portions of cases by issue type			
Billing	60.4%	50.7%	55.10%
Credit	4.9%	4.0%	5.50%
Customer service	39.1%	28.9%	28.30%
Debt	3.7%	3.3%	0.00%
Disconnection	9.7%	11.6%	7.60%
General	0.7%	0.6%	0.00%
Land	2.2%	2.2%	0.90%
Lines	4.2%	4.0%	4.70%
Lines, poles, pipes & related equipment	4.0%	3.8%	4.70%
Marketing	2.5%	2.3%	2.00%
Meter	9.0%	10.5%	14.00%
Other	1.4%	1.8%	4.70%

Prepay	0.5%	0.5%	0.80%
Provision	4.2%	3.8%	2.70%
Supply	9.0%	7.7%	7.40%
Not Recorded	0.0%	0.0%	0.00%
Switch	4.7%	3.9%	4.70%

We note we likely only receive a small portion of complaints in the market.

Utilities Disputes cannot consider complaints about price. However we do consider complaints about whether charges have been correctly applied and appropriate information has been made available. These typically make up around 1% of the complaints we receive. Complaints we receive around disconnection and reconnection costs and back billing also cause considerable concern to consumers and appear to add significant cost.

In the 2017-2018 year we received around 130 complaints about outages and one complaint about environmental impact of electricity.

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

We record how complainants find out about Utilities Disputes and how complaints are referred here. Utilities Disputes' rules require electricity companies to tell consumers about Utilities Disputes when they have a complaint, so it is no surprise the majority of our complaint referrals come directly from the member companies.

For the 2017-2018 year we received complaints referrals from:

	01 Apr 2017 - 30 Mar 2018	01 Apr 2016 - 30 Mar 2017	01 Apr 2015 - 30 Mar 2016
How people were referred to UDL			
Citizen's Advice Bureau	2%	1%	1%
Friend or relative	1%	1%	1%
Other	1%	0%	1%
Other Provider	1%	0%	0%
Own knowledge	4%	3%	3%
Provider	6%	5%	6%
Provider bill	63%	58%	48%
Search engine	4%	2%	2%
Unknown	8%	17%	23%
Utilities Disputes website	1%	1%	2%
Work and Income	1%	0%	1%
No referral recorded	3%	9%	9%

Budget Advisory Service, Electricity Authority, Consumer NZ Community Law Centre, Office of the Ombudsman, Commerce Commission, Debt agency, Company reminder notice, MBIE, Referred by Scheme Member, Media article, Solicitor, Member of Parliament, Other Ombudsmen, Disputes Tribunal, Electrician, Facebook, Fair Go, Roadshow or Commissioner's presentation, Telecommunication Dispute Resolution, White Pages - each less than 1% of total referrals.

Utilities Disputes runs a continual awareness programme for community and government agencies to make sure consumers who need our services are referred appropriately. This has varied results as there are a large number of agencies in the market for us to engage with and our message is one of many these agencies are receiving.

The 2017 International Energy Agency report into New Zealand noted the absence of a consumer advocate in the New Zealand electricity sector. Utilities Disputes is not a consumer advocate, however we note a consumer advocate could refer consumers to dispute resolution. Utilities Disputes submits increased awareness of the dispute resolution mechanism is a complimentary solution to having a consumer advocate. Utilities Disputes' role is bridging the gap between industry and consumers, and reporting to Ministers and regulators, effectively ensuring both consumer and industry voices are heard.

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

Utilities Disputes remain concerned about the rapidly changing energy market and wants to stress here when there is change we observe an increase in complaints. We believe the emergence of multi-party trading arrangements will add further complexity to the market.

In 2014 a change to a billing platform of a major retailer saw a 77% increase in complaints at Utilities Disputes and a 163% increase in cases accepted for consideration. In this case the change created an issue with the company's billing systems, however complaints often come from a misunderstanding of change. This may come from a poor explanation of a change or a lack of consumer engagement. For Utilities Disputes, with change to the market comes complaints from consumers.

At Utilities Disputes we believe only see a portion of actual complaints from consumers, and most of our time is spent looking at complaints. These are some examples of anonymised quotes from real cases where a consumer expressed a loss of trust in the electricity sector:

Mr A said regarding his meter read: he doesn't think they will do anything and he doesn't trust any electricity providers.

Ms B said regarding closing an account: she can't trust what she is told on the phone and wants confirmation in writing.

Mr C said regarding a back-bill situation: *hopefully I will now know to take a screen shot of meters before taking ownership or departing properties in the future. A lesson well learnt.*

Mr D said about his retailer: he has lost trust with his retailer because people have told him in the past they would take care of something and they haven't done that and now he's in debt.

Ms E said about receiving customer service she was not satisfied with: *How can people TRUST you to be fair and reasonable?*

Mr F said in response to his complaint about a direct debit being applied on the wrong day: *READ SLOWLY AND CAREFULLY: Your response most definitely does not answer my query and it is apparent you have neither read nor understood the correspondence.*

Ms G said regarding being unable to switch retailers due to being part of a secondary network: *with this company I am with now, they are stealing from us which they admitted on attach email below as well no hearts as they are just making money and abusing the users on our situation as we do not have a free choice to move around switching service providers to who we trust and want*

Prices

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

Utilities Disputes has some concerns around the baseline year of 1990 being used for comparison here. We do not believe the 1990 market is an appropriate comparison as the market was substantially different in 1990 to how it is today. In 1990 deregulation was in its infancy, there was little competition, and retailers were all providing the same product. The report notes the years from rebates and dividends were not included in its analysis. Perhaps industrial consumers were paying greater than their fair share in 1990.

Utilities Disputes does not have jurisdiction to consider complaints about price. We can consider complaints about the application of price and information given around price.

We do still receive complaints about price that we rule outside of jurisdiction. Around 3-4% of the complaints we received include pricing related issues and many of these are ruled out of jurisdiction.

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

No comment.

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

Utilities Disputes notes as more consumers go off grid the network charges for those consumers still connected to the grid will increase. This is an upcoming challenge for the electricity sector as it is likely the consumers that cannot invest in off-grid technologies will be more consumers experiencing hardship.

Utilities Disputes notes aging infrastructure will need significant investment over the coming years:

- The national grid will require significant investment and upgrade, in particular upgrading the Auckland region to meet the projected increases in demand shown in Transpower's Auckland Strategy Report
- The looming problem of aging customer service lines and tree maintenance will likely add cost to either individual consumers as they replace damaged assets, or to all consumers if there is a regulatory change around ownership of the assets. It is important the real costs of these assets are spread over their life

Affordability

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

Utilities Disputes does not have jurisdiction to consider complaints about price. However we still receive complaints about price that we rule outside of jurisdiction, we still pass on to the provider. Utilities Disputes also receives complaints about reasonableness of payment plans and about how the price is displayed, whether given proper information and whether they are on the right plan - we will consider these complaints.

We encourage consumers to talk to their provider about whether they are on the best plan for their circumstances. We question whether some onus should be on the provider to proactively inform a consumer who may not be on the best plan.

We sometimes find although a complaint initially appears to be about price, an error has been made by an electricity provider that has led to an incorrect price being charged.

Utilities Disputes works closely with budgeting services and the Ministry of Social Development in receiving referrals of complaints that often have affordability aspects associated with them. Utilities Disputes works with providers and complainants to look at whether a debt is correct and consider repayment options. We believe we provide real value in this area.

Last year we saw an increase in complaints with billing issues from 50.7% of complaints in 2016-2017 to 60.4% of complaints in 2017-2018.

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

Utilities Disputes believes more engagement and awareness of its dispute resolution service would reduce the affordability problem.

While we cannot consider complaints about price, we can consider issues about how the price is communicated or whether there have been other issues around a consumer's account. Part of affordability problems are debt management issues, improving access to the redress mechanism will improve debt management and improve early intervention.

In the 2017-2018 year we received 2053 complaints and 141 of these were not resolved and required a full investigation. More than 90% of complaints we see do not require a full investigation. Our own annual awareness survey shows low awareness of Utilities Disputes, at around 1% unprompted and 11% prompted awareness.

MBIE data from its *National Consumer Survey 2016* shows 14% of people who bought utilities services (electricity, gas, or water) in the 2 years ending November/December 2016 had a complaint, and 94% raised it with the company. Still, 24% of respondents said they were unable to reach a resolution of any kind, which we believe indicates close to 25,000 complaints go entirely unresolved every year.

We also independently survey unmet need for our service. In our most recent survey we found 18% of consumers had an issue with their electricity or gas company and 25% of these remain unresolved. This suggests some 4.5% of all electricity consumers have unresolved complaints about their electricity company.

Retailers appear to be open to the option of prepay electricity, with an additional provider starting pre-pay service offering the same rates as its post-pay customers receive. This service may be useful for consumers with different needs, and may suit consumers with a poor credit history.

We note there is no default provider of electricity. This means consumers have to actively approach and sign up to a retailer.

We agree some consumers are less engaged with, or do not have sufficient understanding, to find the best deal for their electricity price.

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

We agree with the report's analysis that;

- the current pricing structure means low-income households will have to pick up a portion of distribution and retailing charges that owners of solar panels will avoid by reducing their consumption
- low-income households cannot currently afford electric vehicles but will bear a disproportionate share of the cost of expanding network capacity

We are concerned about the management of networks that may require upgrading due to the increased demand electric vehicles will place on the network. In addition to the report's analysis we note a consumer having to pay for a network upgrade to install a high capacity charger at their property will be a barrier to a consumer purchasing an electric vehicle in the future.

We agree with the analysis that any change in price structure will create winners and losers, and wish to point out that in our experience any change in price structures will lead to confusion and complaints. We also note complaints to Utilities Disputes peak around the winter months, likely due to the pressures on consumers from higher bills at these times.

We believe the winter energy payment could be better targeted at those consumers in need.

Summary of feedback on Part three

10. Please summarise your key points on Part three.

- With change comes complaints, this includes change to pricing structures
- Part of the affordability problems are debt management issues. Raising awareness of dispute resolution options will improve debt management issues
- We believe many consumers are not engaged enough in the market to take advantage of sophisticated products
- Consumers who remain on the network may be faced with higher network costs as more consumers move off grid
- Aging infrastructure will need significant investment in maintenance to meet the likely increase in demand
- We are concerned about the management of networks that may require upgrading due to the increased demand that electric vehicles will place on the network. In addition to the report's analysis we note a consumer having to pay for a network upgrade to install a high capacity charger at their property will be a barrier to that consumer purchasing an electric vehicle in the future

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.

- Utilities Disputes believes more engagement and awareness of its dispute resolution service would reduce the affordability problem. Part of affordability problems are debt management issues. Access to the redress mechanism will improve debt management and encourage earlier intervention
- Utilities Disputes submits that increased awareness of the dispute resolution mechanism is a complimentary solution to having a consumer advocate. Utilities Disputes' role is bridging the gap between industry and consumers, and reporting to Ministers and regulators, effectively ensuring both consumer and industry voices are heard
- Consumers and providers would benefit from the appointment of a consumer advocate
- Utilities Disputes believes consideration should be given to the responsibility for maintenance of customer service lines being transferred back to industry. We don't believe increased consumer awareness of the responsibility to maintain customer service lines and equipment will provide an adequate solution as many consumers are simply not engaged in their electricity supply until something goes wrong. Unfortunately waiting for something to go wrong in the case of service lines is likely to be costly and potentially life threatening for consumers

Part four: Industry

Generation

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

Utilities Disputes is required under the Electricity Industry Act 2010 to consider complaints about electricity retailers, distributors and Transpower. Complaints about generation fall outside of Utilities Disputes' jurisdiction, although some of our larger providers are involved in retail and generation. We note there is potential in the future for many consumers to become generators and be involved in peer-to-peer selling and other innovations – if there is an issue here it is unclear who a consumer can go to. Dispute resolution can provide real value to this sector. We believe it would be beneficial for the government to draw the line as to whether these generators are required to join the dispute resolution scheme.

We have not had to rule any complaints concerning generation out of jurisdiction.

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

No comment.

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

The report notes some of the likely increase in demand will be met from rooftop solar. Utilities Disputes has jurisdiction to consider complaints about solar installations in some, but not all situations. Companies that provide or install solar panels and are not electricity retailers, distributors or Transpower are not required to belong to Utilities Disputes' Energy Complaints Scheme. Utilities Disputes is unable to consider a complaint about solar unless there is a sufficient relationship to the provision of retail, transmission and distribution services. For example, Utilities Disputes can consider a complaint about import/export meters but cannot consider a complaint about the quality of a solar installation in most cases. Many solar providers are not covered by the definitions in the Electricity Industry Act 2010 and Electricity Act 1992.

Having effective dispute resolution available for all consumer solar installations will build consumer confidence and assist in meeting the objective of further consumer investment in solar systems. This will require a change making it clear Utilities Disputes can consider complaints relating to companies installing solar panels who are not directly involved in electricity retail, distribution or Transpower. Such a change would require solar installation companies to join Utilities Disputes. The resulting increase in consumer confidence will assist with ensuring demand is met in the electricity market.

Retailing

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

The report looks at prompt payment discounts, noting most deprived households are missing out on the largest proportion of prompt payment discounts. In the 2017-2018 year we received 22 complaints involving prompt payment discounts. Consumers do not necessarily understand prompt payment discounts.

The report mentions prepay electricity plans. We note another retailer has said it is offering prepay electricity plans at the same rate as its post-pay plans.

The report notes some retailers had not passed on a recent reduction in distribution charges. We did not receive any complaints in the 2017-2018 year about retailers not passing on discounts in distribution charges.

The report notes some consumers are simply not switching providers despite cheaper deals on offer and more innovative products available. We believe for some consumers no amount of publicity around potential savings will prompt a switch in provider as these consumers are simply not engaged with their electricity retailer and the electricity market. In the 2017-2018 year we received 95 complaints relating to switching. A consumer advocate could be useful for those consumers that are not switching because they don't trust the market. We ask what more government could do to ensure meaningful information is provided to consumers.

We believe overall simplification of pricing plans would be useful for consumers. We see around 20-30 complaints each year relating to the range of tariffs available.

The report notes the number of complaints and enquiries reported by Utilities Disputes for the 2017-18 year. Implying the number is high despite the low level of awareness of Utilities

Disputes. Effective dispute resolution is important for consumer confidence and a well-functioning market. We support measures to improve consumer awareness of Utilities Disputes.

As part of our forecasting every year, Utilities Disputes asks its providers about any changes they are making that might lead to an increased workload for Utilities Disputes. A major retailer changing its billing system in 2014 led to a 77% increase in complaints to Utilities Disputes from the previous year. This was unexpected and was very disruptive to consumers.

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

The reports discusses win-back discounts. While Utilities Disputes has not received complaints about win-back discounts, we note these will likely add costs to other customers. We have had feedback from our small providers the use of win-back discounts limits competition.

We are aware some providers charge customers break fees for exiting a contract early. We believe this practice is a barrier to competition.

It appears the large, vertically integrated traders who are also generators are in the best position to offer win-back discounts.

We believe the advent of bundled offerings (electricity, gas, broadband, phone, TV etc.) creates complexity for consumers, mutes pricing signals for each utility, and makes substitution difficult (because you have to give up the whole package and move each of the elements to new suppliers) and has multiple resolution services for complaints, which creates confusion.

We are aware some retailers are still engaging in “rollover contracts”, with little or no notification to the consumer, then charging a break fee when the consumer wants to switch.

We have seen cases where consumers have been issued with back bills as far back as five years, this creates confusion about issues like:

- Lack of accurate meter information
- Who is responsible to pay
- What rates were in effect at the time
- What discounts should have been made available

The media reports the U.K. has a 12 month limit on back bills and Australia has a 9 month limit.

Vertical integration

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

No comment.

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

No comment.

Transmission

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

Utilities Disputes believes any change to the TPM that leads to visible changes to consumers will result in confusion and complaints, especially from those consumers likely to see an increase in prices.

Distribution

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

No comment.

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

The review notes as peak demand grows there will be a need to grow capacity and this will have to be paid for. We believe the upcoming changes to distribution pricing will lead to consumer confusion and complaints, particularly from those consumers who end up paying more for distribution. We note pricing that is more reflective of peak loading will likely impact some of the most vulnerable consumers. We submit any changes need to include careful consideration of the impacts on the consumer groups they are affecting.

We understand many retailers may not directly pass on any changes to distribution prices, therefore distorting the incentives the pricing was intended to create. We believe many learnings can be taken from the work of The Lines Company as a network provider that direct bills its customers through a pricing structure designed to incentivise certain behaviours.

The review notes the 12 community owned distributors are exempt from price-quality regulation because they are assumed to be working in their consumers' best interest. The review asks how much pressure this creates for these 12 to improve efficiency and reduce costs. Utilities Disputes notes the following number of complaints accepted for consideration reported against each distributor in our 2017-18 annual report:

Distributor	Number of accepted deadlock complaints	Share of accepted deadlock complaints	Market share of ICPs (or equivalent)	Total ICPs (or equivalent)
Alpine Energy	1	1.56%	1.35%	32,424
Aurora Energy	5	7.81%	3.70%	89,074
Counties Power	5	7.81%	1.74%	41,980
Eastland Network	2	3.13%	1.06%	25,539
Electra	2	3.13%	1.85%	44,578
Horizon Energy	4	6.25%	1.02%	24,638
Northpower	1	1.56%	2.40%	57,888
OtagoNet Joint Venture	1	1.56%	0.62%	14,963
Powerco	5	7.81%	17.91%	431,118
The Lines Company	6	9.38%	0.98%	23,556
Top Energy	3	4.69%	1.33%	31,926
Unison	1	1.56%	4.61%	110,887
Vector	21	32.81%	18.28%	440,138
Wellington Electricity	5	7.81%	6.94%	167,093
WEL Networks	2	3.13%	3.79%	91,136
Total	64	100%	67.58%	2,407,324¹

In 2017-18 Utilities Disputes accepted complaints for consideration about four community owned distributors who are exempt from the price-quality regulation (Counties Power, Electra, Northpower, and WEL Networks). There does not appear to be any trend around whether a distributor is subject to the price-quality regulation and how many complaints Utilities Disputes has accepted for consideration about the distributor.

Some of the smaller distributors may not have the capital required to make significant upgrades, maintenance investment or keep up with new technologies, thus creating a different customer experience between regions.

The report recommends meter data be made available to distributors on reasonable commercial terms, so they can properly manage their networks. In the 2017-2018 year we have only received a small number of complaints about privacy of, or access to meter data. We have also received complaints in previous years.

Utilities Disputes commend distributor's maintenance teams that assisted each other during times of crisis. This sped up the restoration of electricity during recent storm events, ultimately reducing consumer complaints.

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

The review discusses the allocation of distribution costs between business and residential, and urban and rural. Utilities Disputes notes any changes that impact consumers' perceived fairness are likely to lead to consumer confusion and complaints.

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

Utilities Disputes agrees with the assessment emerging technologies will have a significant impact on the distribution sector. We believe the cost of network upgrades to manage electric vehicles and rooftop solar will have a significant impact. We also believe the responsibility for maintenance of customer service lines will become a significant issue in the near future. We view all of these areas as having the potential for a large number of associated complaints.

Summary of feedback on Part four

24. Please summarise your key points on Part four.

- Utilities Disputes is unable to consider a complaint about solar unless there is a sufficient relationship to the provision of retail, distribution and Transpower services, for example, Utilities Disputes can consider a complaint about import/export meters but cannot consider a complaint about the quality of a solar installation in most cases
- Bundled offerings create complexity and mute pricing signals for each utility
- Some retailers are still engaging in “rollover contracts” and charging break fees when a consumer tries to switch
- Some consumers have received back bills dating back as far as five years, this creates confusion for consumers
- Unexpected changes with our providers can lead to a significant number of complaints at Utilities Disputes
- Win-back discounts will add costs to the rest of consumers
- Any change to the TPM that leads to visible changes to consumers will result in confusion and complaints, especially from those consumers likely to see an increase in prices
- We believe the upcoming changes to distribution pricing will lead to consumer confusion and complaints, particularly from those consumers who end up paying more for distribution. We note pricing that is more reflective of peak loading will likely impact some of the most vulnerable consumers
- Utilities Disputes notes any changes that impact consumers’ perceived fairness are likely to lead to consumer confusion and complaints

- We believe the cost of network upgrades to manage electric vehicles and the management of rooftop solar's impact on the network will have a significant impact. We also believe the responsibility for maintenance of customer service lines will become a significant issue in the near future

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.

- Strengthen requirements for providers to tell consumers about Utilities Disputes. The review notes the number of complaints and enquiries reported by Utilities Dispute for the 2017-18 year. Implying the number is high despite the low level of awareness of Utilities Disputes. Effective dispute resolution is important for consumer confidence and a well-functioning market
- Having effective dispute resolution available for all consumer solar installations will build consumer confidence and assist in meeting the objective of further consumer investment in solar systems. Such a change would require solar installation companies to join Utilities Disputes. The resulting increase in consumer confidence will assist with ensuring demand is met in the electricity market
- We note there is potential in the future for many consumers to become generators and be involved in peer-to-peer selling and other innovations. Dispute resolution can provide real value to this sector we believe it would be beneficial for the government to draw the line as to whether these generators are required to join the dispute resolution scheme
- Any changes need to include careful consideration of the impacts on the consumer groups they are affecting

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?

Utilities Disputes agrees developing technologies will have a significant impact on the industry and consumers' lives. However we note the degree to which these technologies will be available will be different for all consumers. Often the benefit of these technologies will increase with income. With the excitement of technological advances, care needs to be taken to give consideration to those consumers who are not in a position to engage and invest in new technologies, often due to financial constraints.

The quality of new consumer generation technologies should be monitored. For example rooftop solar panels can use individual inverters on each panel or one large inverter, this will impact the efficiency of the panel and the quality of supply going into the grid.

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

Utilities Disputes believes pricing structures will need to change to ensure fairness with the increased adoption of technologies such as solar, electric vehicles and battery storage. If pricing structures are left unchanged we expect to see an increase in the number of consumers with affordability complaints, particularly those who cannot afford these new technologies for themselves.

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

Utilities Disputes agrees batteries have the potential to reduce peak load and assist in better managing technologies where there are wide variations in output. Again, we want to point out here it is important that the benefits of new technologies, that are likely to be realised by higher income consumers, do not leave low income consumers disadvantaged.

Regulation

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

In the 2017-2018 year Utilities Disputes has received one complaint involving environmental sustainability of electricity supply.

The report mentions retailers, distributors and Transpower are required under the Electricity Industry Act 2010 to be members of the free and independent dispute resolution service. Utilities Disputes believes more engagement and awareness of its dispute resolution service would improve fairness.

We are concerned many consumers in energy poverty are not reaching us with their complaints. The Ministry of Social Development may be picking up significant costs without checking whether a retailer is entitled to what they are asking of a consumer.

Utilities Disputes is required under the Electricity Industry Act 2010 to meet the principles of accessibility, independence, effectiveness, accountability, efficiency and fairness. These principles are displayed in all of the work we do, including the decisions made by the

Commissioner. The majority of the complaints we receive have a fairness aspect to them. Improving access to the redress mechanism will improve fairness.

MBIE data from its National Consumer Survey 2016 shows 14% of people who bought utilities services (electricity, gas, or water) in the 2 years ending November/December 2016 had a complaint, and 94% raised it with the company. Still, 24% of respondents said they were unable to reach a resolution of any kind, which we believe indicates close to 25,000 complaints go entirely unresolved every year.

We also independently survey unmet need for our service. In our most recent survey we found 18% of consumers had an issue with their electricity or gas company and 25% of these remain unresolved. This suggests some 4.5% of all electricity consumers have unresolved complaints about their electricity company.

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

Utilities Disputes often receives complaints to do with low fixed charges. We receive around 60 complaints each year to do with consumers being on the wrong tariff plan. Many complainants believe retailers should be responsible for putting consumers on the correct rate. The low fixed charge tariff seems to be a cause of confusion for many consumers, with a general lack of understanding about their purpose.

Utilities Disputes agrees the low fixed charge tariff regulations seem to be poorly targeted and having unintended consequences. For example, a low-income consumer in an uninsulated house with a family is unlikely to receive an advantage from the low fixed charge tariff regulation, whereas a wealthy consumer living in a modern energy efficient house may do. This will only become more apparent as uptake of new technologies increases. Despite this, we still believe there are many consumers that are better off because of the low fixed charge tariff option. Care must be taken if this tariff option is removed.

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

The 2017 International Energy Agency report into New Zealand noted the absence of a consumer advocate in the New Zealand electricity sector. Utilities Disputes is not a consumer advocate, however we note that a consumer advocate could refer consumers to dispute resolution. Utilities Disputes submits increased awareness of the dispute resolution mechanism is a complimentary solution to having a consumer advocate. Utilities Disputes' role is bridging the gap between industry and consumers, and reporting to Ministers and regulators, effectively ensuring both consumer and industry voices are heard.

There needs to be a clear understanding of who is responsible for each aspect of new technologies between the different agencies.

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

Utilities Disputes has not received any complaints about the regulatory model reducing consumers choices relating to new technologies. However, we agree with the assessment rules may need to be amended to allow for new business models.

Part of the assessment of any change going forward needs to consider a careful assessment of the impact on all consumers. We believe this will prevent complaints.

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

The report discusses the consumer voice, noting some consumers say they are vastly outmatched by the resources of industry participants. Utilities Disputes believes that increased awareness of the dispute resolution mechanism is another solution to this. Utilities Disputes' role is bridging the gap between industry and consumers, and reporting to Ministers and regulators, effectively ensuring both consumer and industry voices are heard.

The review notes the 12 community owned distributors are exempt from price-quality regulation because they are assumed to be working in their consumers' best interest. The review asks how much pressure this creates for these 12 to improve efficiency and reduce costs. Utilities Disputes notes the following number of complaints accepted for consideration reported against each distributor from our 2017-18 annual report, detailed in our response to Question 21. Similar information is available about retailers in our Annual Report.

In 2017-18 Utilities Disputes accepted complaints for consideration about four community owned distributors who are exempt from the price-quality regulation. There does not appear to be any trend around whether a distributor is subject to the price-quality regulation and how many complaints Utilities Disputes has accepted for consideration about the distributor.

Summary of feedback on Part five

34. Please summarise your key points on Part five.

- With the excitement of new technology, care needs to be taken to give consideration to those consumers who are not in a position to engage and invest in new technologies, often due to financial constraints
- Utilities Disputes believes pricing structures will need to change to ensure fairness with the increased adoption of technologies such as solar and electric vehicles. If pricing structures left unchanged we expect to see an increase in the number of consumers with affordability complaints, particularly those who cannot afford these new technologies for themselves
- The low fixed charge tariff seems to be a cause of confusion for many consumers, with a general lack of understanding about their purpose
- We agree the low fixed charge tariff regulations seem to be poorly targeted and having unintended consequences. This will only become more apparent as uptake of new technologies increases. Despite this, we still see many vulnerable complainants

that are better off because of the low fixed charge tariff option. Care must be taken if this tariff option is removed

- We are concerned many vulnerable consumers are not reaching us with their complaints. The Ministry of Social Development might be picking up significant costs without checking whether a retailer is entitled to what they are asking of a consumer

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.

- Utilities Disputes believes more engagement and awareness of its dispute resolution service would improve fairness. Utilities Disputes is required under the Electricity Industry Act 2010 to meet the principle of fairness. This is displayed in all of the work we do, including the decisions made by the Commissioner. The majority of the complaints we receive have a fairness aspect to them. Improving access to the redress mechanism will improve fairness
- Consumers and providers would benefit from the appointment of a consumer advocate
- Increased awareness of the dispute resolution mechanism is a complimentary solution to having a consumer advocate. Utilities Disputes' role is bridging the gap between industry and consumers, and reporting to Ministers and regulators, effectively ensuring both consumer and industry voices are heard
- Reconsider the low fixed charge tariff regulations with care taken around any new measures impact on those consumers currently benefiting from the option

Additional information

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

No comment.