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14 December 2009

Kate Hudson  
Electricity Commission  
PO Box 10041  
Wellington 6143

Dear Kate

**Re: Transparency of charge components**

This is Transpower New Zealand Limited's submission on the Electricity Commission's consultation paper *Transparency of charge components*.

In our view, the Commission's Option 3 (publishing charge components on the Commission's website and advertising the existence of this information on retailer invoices) seems to provide a reasonable balance between customer utility, practicality and cost. Option 5 (no disclosure) is not acceptable, because this would clearly be inconsistent with the directive in paragraph 39 of the May 2009 *Government Policy Statement on Electricity Governance*.

A possible alternative option would be for the Commission to enter into an arrangement with Consumer New Zealand to enable the information to be made available on the "consumer powerswitch" website. This might be more convenient for customers and would obviate the need for the Commission to provide the information on its website.

Paragraph 3.8.6 of the consultation paper states:

"The Commission considers that requiring invoices to be unbundled would make it harder for retailers to develop innovative products such as TOU, no fixed charge, critical peak pricing, and bundling electricity with other product options such as gas and internet services."

These views are asserted, but there is no explanation of the rationale supporting them. It would be helpful if the Commission could provide the reasoning that led to these conclusions.

Finally, we believe it might be useful for the Commission to undertake a survey of retail consumers to obtain their views on the best way to provide transparency of charge components, by inviting a random sample of end use customers to choose

between the different options with the relevant costs attached to them. This would provide an independent assessment of customers' preferences. Sometimes members of the industry are too heavily involved with their own commercial concerns to form a fair view of what retail consumers would actually value.

Our responses to the consultation questions are appended below.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Fletcher', with a small dot at the end.

Richard Fletcher  
Regulatory Strategy Manager

## CONSULTATION QUESTIONS

Question	Transpower response
<p>Q1. Are there any other options that have not been considered in this consultation paper that you think require further investigation? If there are other options, please provide details and reasons for your views.</p>	<p>A possible further option would be for the Commission to enter into an arrangement with Consumer New Zealand to enable the information to be made available on the "consumer powerswitch" website. This might be more convenient for customers and would obviate the need for the Commission to provide the information on its website.</p> <p>It might also be useful for the Commission to undertake a survey of retail consumers to obtain their views on the best way to provide transparency of charge components, by inviting a random sample of end use customers to choose between the different options with the relevant costs attached to them. This would provide an independent assessment of customers' preferences.</p>
<p>Q2. Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views.</p>	<p>Option 3 (publishing charge components on the Commission's website and advertising the existence of this information on retailer invoices) seems to provide a reasonable balance between customer utility, practicality and cost. However, this could be confirmed more conclusively by undertaking a survey of retail consumers' preferences.</p>
<p>Q3. Do you consider there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices?</p>	<p>Probably, as the cost of doing this should be small. However, this could be confirmed more conclusively by surveying retail customers' preferences.</p>
<p>Q4. Do you see any implementation difficulties with meeting these proposals?</p>	<p>All the proposals should be able to be implemented. The critical question is whether or not the additional costs attached to some options would be justified by additional benefits to end consumers. This could be confirmed by a survey of retail customers' preferences.</p> <p>The Commission states that requiring invoices to be unbundled would make it harder for retailers to develop innovative products such as TOU, no fixed charge, critical peak pricing, and bundling electricity with other product options such as gas and internet services. However, the discussion paper does not make it clear why this should be the case. Some further explanation of the reasoning supporting this conclusion would be helpful.</p>