

26 November 2009

Electricity Commission
PO Box 10041
Wellington 6143

by email: submissions@electricitycommission.govt.nz

SUBMISSION ON TRANSPARENCY OF CHARGE COMPONENTS CONSULTATION PAPER

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the Consultation Paper 'Transparency of charge components' (the **paper**) released by the Electricity Commission (the **Commission**) in November 2009.
- 2 Our submission is in two parts:
 - 2.1 General comments on the paper.
 - 2.2 As a schedule, responses to the Commission's specific questions.

General comments

- 3 We think either option 3 or 4 is workable, and option 3, or a slight variant of it, is preferable. The variation we propose would:
 - 3.1 Have the information as proposed presented on the MED website (which is the source of the information to be presented on the Commission website).
 - 3.2 Have retailers publicise the existence of the information at least once a year in some form, but not necessarily on invoices.
- 4 Regarding the options considered:
 - 4.1 Option 1: In addition to the comments made, we would note that:
 - (a) Components as displayed by retailers **would** differ for reasons other than wholesale allocation methods. Differing GST treatments and prompt payment discount arrangements would see to that.

There are also innovative retail offerings, such as Powershop, where all charge components are rebundled into a single variable rate irrespective of how the distributor publishes its prices

- (b) Not all customers receive invoices. The paper notes “older” prepayment metering would be an issue, but we are not aware of any prepayment technology that supports the provision of charge components. There are also other situations where no traditional invoice is produced. For example Powershop would need to redevelop its systems if it had to display charge component information
- (c) The further separation of distribution and transmission components may be beyond the capability of many retailers' systems. We also note that not all distributors separately identify transmission components
- (d) A prescriptive approach to invoice transparency runs the serious risk of limiting innovation in both retail and distribution pricing, and imposing significant costs on retailers which would inevitably be borne by all consumers.

4.2 Option 2:

- (a) The point made in 4.1(a) above also applies to option 2.
- (b) We are aware that at least one retailer – Genesis – provides information in this way as an add-on to its price change notifications.

4.3 Option 3:

- (a) This option is attractive because it leverages information already collected and published by the Ministry of Economic Development. Since, without the proposed graphs, the information is already available on the MED website, a variant of option 3 might have the information including the graphs available *instead* on the MED website?
- (b) We note that not all customers receive invoices in the traditional sense. A more generic and less specific obligation to publicise the existence of the information on websites and in marketing material is more appropriate. This could be on an “at least once per year” basis.

- 4.4 Option 4: If the variation of option 3 proposed above is progressed, then option 4 is superfluous.
- 4.5 Option 5: While Orion considers that the benefits of transparency have always been overstated, we do not think a “do nothing” option is viable, if only because it is hard to see how it meets the GPS requirement.

Concluding remarks

- 5 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact Bruce Rogers (Pricing Manager), DDI 03 363 9870, email bruce.rogers@oriongroup.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to be 'BR', written in a cursive style.

Bruce Rogers
Pricing Manager

Schedule: Responses to specific questions

No.	Question	Response
1	Are there any 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>We do not believe that there are any additional options worthy of consideration.</p> <p>We consider that a variation of option 3 – having the MED publish the information and/or requiring retailers to instead publicise the availability of the information at least once a year – would be superior to placing the information on invoices, and also render option 4 superfluous.</p>
2	Do you agree with the Commission's short-listed proposals (option 3 and option 4)? Please provide reasons for your views.	<p>Yes, although we believe a variant of option 3 as described above should be considered.</p> <p>We also note in the body of our submission above other reasons for rejecting option 1.</p>
3	Do you consider that there is a net benefit to customers of advertising the existence of this information on the Commission's website on invoices?	<p>No. We consider that retailers publicising the existence of the information at least once each year is sufficient and a superior approach.</p>
4	Do you see any implementation difficulties with meeting this proposal?	<p>No.</p>