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Raising awareness of Utilities Disputes

2020 consultation paper

Submission to the Electricity Authority

From the Electricity Networks Association

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Introduction

1. The Electricity Networks Association (ENA) appreciates the opportunity to make a submission to the Electricity Authority (the Authority) in respect of the **2020 Utilities Disputes awareness raising consultation paper**.
2. The ENA represents New Zealand's 29 electricity distribution businesses (EDBs) or lines companies, who provide critical infrastructure to NZ residential and business customers. Apart from a small number of major industrial users connected directly to the national grid and embedded networks (which are themselves connected to an EDB network), electricity consumers are connected to a distribution network operated by an ENA member, distributing power to consumers through regional networks of overhead wires and underground cables. Together, EDB networks total 150,000 km of lines. Some of the largest distribution network companies are at least partially publicly listed or privately owned, or owned by local government, but most are consumer or community trust owned.

ENA submission summary

3. ENA and its members are very supportive of Utilities Disputes and would like to see greater awareness of its services.
4. Overall, however, while the ENA and its members are supportive of the valuable role Utilities Disputes plays in the sector, we do not agree that the initiative to dramatically raise general awareness of Utilities Disputes with all consumers is efficient, cost-effective or realistic.
5. This submission from ENA relates to the awareness of Utilities Disputes. We are not commenting in this submission on the awareness of the Powerswitch site, as we believe this is more clearly in the province of retailers.
6. As well as responding to the seven specific questions, ENA notes that the scope of the proposal as it relates to distributors is confusing and seemingly contradictory.
7. We believe a more effective approach would be to ensure consumers who have issues with their electricity supply are consistently and explicitly made aware of the availability of the disputes' resolution service should they not reach a satisfactory resolution directly with the provider.
8. We believe the current obligations to promote and advise consumers of the scheme as set out in the terms of membership of the disputes resolution scheme are the appropriate mechanism for ensuring consumers are made aware of Utilities Disputes. Duplicating these obligations through the Electricity Industry Participation Code (2010) is unnecessary.

Body of submission

8. General comment

The consultation paper is less than clear in terms of which distributors would be within the scope of the proposed initiatives. At one point the paper implies it would only be EDBs who direct bill residential and small business consumers that would be included, but elsewhere it says that those who direct bill major users would be included.

9. Responses to questions as asked

Q1. Do you agree the issues identified by the Authority are worthy of attention?

1. ENA and its members support the general principle of ensuring consumers with unresolved issues in relation to their electricity providers know they can take their problem to Utilities Disputes for resolution. However, we do not agree with the assumption that overall awareness of Utilities Disputes amongst general consumers is either a key or urgent issue requiring intervention by the authority as proposed.
2. We believe any efforts to reinforce the visibility of Utilities Disputes should focus on the point where these efforts would be most effective – that is, at the point where a consumer has an unresolved issue with a provider, and hence the motivation and interest to have this issue resolved. It is at this point that there needs to be awareness on the part of consumers that they are able to pursue the issue with Utilities Disputes.
3. We also believe that it is both unrealistic and misguided (plus somewhat arbitrary) to set the goal of 25 percent unprompted awareness of Utilities Disputes amongst general consumers – the majority of whom are not likely to have an immediate need for the service, and therefore little immediate interest. Attempting to raise awareness amongst this largely disinterested group of consumers would be ineffectual and a misdirected use of resources.

Q2. Do you agree with the objectives of the proposed amendment? If not, why not?

Refer to the answer to Question 1 above. The very broad and vaguely-worded objective “to improve consumer awareness of Utilities Disputes” is not supported by any compelling or sound evidence that:

1. current levels of unprompted awareness of Utilities Disputes amongst general consumers is an actual problem
2. the initiatives proposed would be an efficient and/or cost-effective remedy (regardless of the point above)

3. the amendment is in itself necessary and not needlessly duplicating existing obligations on the part of providers with respect to promoting awareness of Utilities Disputes.

Q3. Do you agree the benefits of the proposed amendment outweigh its costs?

No. This assessment is based on the following points:

1. We do not believe the amendment is necessary or is likely to provide any benefit beyond what is already available through the mechanism of existing provider obligations in terms of mandatory membership of the disputes scheme (as enshrined in the Electricity Industry Act 2010).
2. The cost-benefit analysis provided in the consultation paper is dubious – it is based on a collection of assumptions without any demonstrated reliance on research or evidence. For example:
 - i. The assumption that the proposal would save 40 minutes per consumer complaint across 50 percent of all consumer complaints due to the “consumer going directly to Utilities Disputes rather than contacting multiple agencies to identify correct complaints process”.

This assumption is ill-based. The scheme requires all complainants to contact the provider in the first instance – it is only when the issue cannot be resolved directly with the provider to the satisfaction of the consumer that the consumer can then take the complaint to Utilities Disputes.

 - ii. The costing of the proposed additional presence on websites, brochures and other communications material is likely to significantly underestimate the combined cost.
3. There is only speculation and presumptions around unmet need. The authority’s paper explicitly states that this has not been measured, while noting that it “is aware there is a subset of consumers with a valid complaint who are not made aware of Utilities Disputes by their provider and do not seek out this information themselves”. No evidence is provided to back this up.

We believe that:

- i. Current scheme rules require providers to inform consumers of their right to approach Utilities Disputes if they are not satisfied with the outcome.
- ii. If this requirement is not being complied with by providers, then this will have been identified in the compliance monitoring activities undertaken by Utilities Disputes. Any such evidence has not been provided.

- iii. The paper cites Utilities Disputes statistics showing only six percent of complainants as being directly referred to the service by the provider. This six percent must be added to the 63 percent who are informed of the service by information on the provider's bill. Trying to distinguish between these two primary channels as self-reported by the consumer as to how they were informed of Utilities Disputes is without merit.
- iv. A total of nearly 70 percent of consumers being informed of Utilities Disputes via communication with their provider does not suggest the current system is failing badly.
- v. The point is made in the consultation paper that most complaints received by Utilities Disputes are from middle-class consumers (although whether this is just anecdotal or based on evidence is unclear).
- vi. If, as implied, low income consumers are not being made sufficiently aware of Utilities Disputes via the information currently provided on the provider's bill, the question must be: is the proposed similarly passive initiative of requiring information to be displayed on provider websites likely to make any appreciable difference to this group of consumers?
- vii. The expectation that these consumers are any more likely to get this information via a website which they need to proactively search for, rather than a bill they already have in hand, has little credibility. More active means of communication to effectively reach this group of consumers needs to be considered rather than just relying on more of the same.

Q4. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

1. ENA does not agree that the proposed amendment - made without any meaningful and informed consultation with consumers - is preferable to other options, which are not necessarily limited to those options suggested by the authority.

As stated earlier, we believe trying to dramatically raise general consumer awareness of Utilities Disputes is misconceived and unlikely to succeed sufficiently to make a significant difference to the stated problem. Again, we believe it more effective to focus efforts on ensuring consumers who have complaints are aware of the service and are readily enabled to access it if necessary.

2. The other options suggested by the authority include an element of consumer consultation. ENA agrees this is essential. The goal is to ensure as many consumers as possible know about

Utilities Disputes – **at the time they may need the service.** This is a topic that merits serious consideration and is aligned to the long-term benefit of consumers. While we do not accept that the current system is broken, we readily acknowledge that any improvement to people’s ability to readily access the service would be welcomed both by consumers and industry.

3. When established, the question of Utilities Disputes’ visibility is a topic that the consumer advocacy council would be tailor-made to address. Meanwhile, existing consumer representative bodies could be consulted, as the paper suggests. ENA, for instance, intends to raise this issue with its own standing consumer reference panel – made up of a wide range of consumer stakeholder representatives including Consumer NZ, Grey Power, the Salvation Army, Age Concern, FinCap, Citizens Advice and others.

The key to meaningful consultation with consumers is that they are sufficiently informed of the industry and its issues that they are able to provide a considered perspective, and that is the benefit offered by our standing consumer reference panel, and when established, the Government’s consumer advocacy council.

4. Alternatively, or in addition, professionally facilitated focus group research could be commissioned – specifically inviting participants who have previously had issues with electricity providers. Their real-world experience and suggestions for how the process could work better, and when and how they would want to be informed of Utilities Disputes, would be invaluable.

Any initiative to improve awareness and access to Utilities Disputes needs to be informed and guided by real consumer experience and perspectives and ENA would strongly advocate that this step is undertaken in a full and thorough manner before any proposed changes are considered.

5. The proposal has not adequately explored or considered other options, such as targeted awareness campaigns through mainstream advertising and consumer advocacy groups.
6. ENA has also met with ERANZ with regard to ERANZ’s proposal for a cross-sector working group to meet periodically to discuss issues related to Utilities Disputes, ensure compliance with the Utilities Disputes scheme, and, with reference to this consultation, continue to monitor promotion of Utilities Disputes.

ENA supports this proposal. Ideally, the group would have representation from retailers, EDBs, ENA, Utilities Disputes, ERANZ, and the Authority.

Q5. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

1. Section 32 (1) of the Act states that the code may contain provisions that are consistent with the objective of the Authority. The most relevant aspect of the objective in relation to the proposed amendment is the "efficient operation of the electricity industry for the long-term benefit of consumers".

The ENA contends that as proposed, for the various reason outlined above, the initiatives are misconceived and are not an efficient or cost-effective use of resources. They are unlikely to result in an appreciable long-term benefit to consumers, so in this respect do not merit inclusion in the code.

Q6. Do you have any comments on the drafting of the proposed amendment?

1. Refer to comments above.
2. It is unclear from the draft amendment which distributors are in scope. The wording indicates that "If a distributor sends accounts for line function services directly to a consumer..." that distributor is included in the required obligation.

Does this apply to those distributors who do not bill residential consumers and only direct bill a small number of major commercial users? There are contradictory and confusing 'clarifications' about this in the separate *Guiding Principles* information paper.

Q7. Do you have any comments on the proposed principles?

1. We believe the suggested principles are unacceptably prescriptive and unrealistic. For example, the suggestion that the logos for Utilities Disputes and the Powerswitch sites should appear on the home page of providers' websites without the need for scrolling or clicking is extremely impractical and/or unachievable – particularly when websites are scaled to fit mobile browser platforms.
2. In general, the guidelines would have the effect of setting up all communications on a negative premise (and hence the customer experience) focusing on the potential for disputes.

This is the equivalent of requiring all salespeople in a retail store to greet customers when they first enter the store with the advice that in the event of a product failure or dispute they have recourse under the Consumers' Guarantee Act.