

CONSUMER COALITION ON ENERGY (CC93)

Spokesperson: Sue Chetwin

Consumers' Institute, PO Box 6996, Te Aro, Wellington
Phone (04) 384 7963 Fax No (04) 385 8752

The Coalition: Business NZ Inc
Consumers' Institute
Federated Farmers of NZ Inc
Major Electricity Users' Group Inc

1 September 2008

Maree McGregor
Electricity Commission
PO Box 10041
WELLINGTON
Delivered by email to info@electricitycommission.govt.nz

Dear Maree

Market Design Review - Options Paper Consultation

Re-cap on prior submission

Last year the Consumer Coalition on Energy (CC93) made submissions on the Electricity Commission *Market Design Review – Issues Paper* published in May 2007. In that submission we noted some public concern on whether suppliers were making excess profits or not. To review this question properly is not a trivial exercise, and therefore we suggested this would be a worthwhile area for the Commission to review.

It is disappointing that the Commission in the latest Market Design Review series titled "*Options Paper*" has dismissed the need to review the profits earned by suppliers. CC93 remain of the view that the public will continue to have uncertainties about the profits reported by electricity suppliers and whether they are reasonable or not. This uncertainty will continue to undermine confidence in the electricity market.

Requiring unbundling of bill components

The Options paper considers a number of means to improve consumer search and switching options. One of those is to include information as part of the electricity bill (paragraphs 186 to 188 of the paper).

CC93 earlier this year made a submission to the Commission on model contracts and in particular transparency of line and energy charges. A copy of that submission dated 6th June 2008 is attached. In that submission we proposed:

“Accordingly CC93 recommends the Electricity Commission commence drafting regulations making it mandatory for retailers to disclose key cost components. If this submission is not the appropriate process to make such a recommendation, then please advise of how we can formally initiate such a process.”

As far as we are aware the Commission has yet to make a decision on this proposal.

CC93 remain firmly of the view that retailers should be required to publish on consumer bills a breakdown of key cost components. The discussion on this solution in the Options Paper is confusing and misses the fact that the largest retailer in Auckland, Mercury Energy, already provides this information on consumer bills. It is muddled thinking to believe the reluctance of other retailers to follow suit is in the best interests of household consumers.

The CC93 submission of 6th June 2008 demonstrates that the benefits of unbundling key cost components on bills is likely to far exceed the cost to retailers and therefore the Commission should begin to implement this option immediately.

Yours sincerely



Suzanne Chetwin
Chief Executive
Consumers' Institute



George Riddell
Manager Energy, Environment & Infrastructure
Business New Zealand



Mark Ross
General Manager, Policy and Advocacy
Federated Farmers



Ralph Matthes
Executive Director
Major Electricity Users' Group