



Improving Consumer Outcomes

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Agenda

- Policy goals in the retail area
 - Good market outcomes
 - Improving consumer outcomes
- Overview of work to date
- Direct Use of Gas
- Retail contracts
- Complaints resolution
- Conclusion

Policy Goals:

Core focus on good market outcomes

- In past five years, Gas Industry Co has obtained significant experience in working with industry and developing market rules and regulations
- Now working to administer and monitor the arrangements already in place, as well as developing policy on outstanding issues
- Core focus is on outcomes that will enhance competition by:
 - Providing for timely and reliable market information
 - Ensuring existing arrangements remain fit for purpose
 - Providing industry confidence that agreed rules will be followed

Policy Goals: Improving consumer outcomes

- Gas Industry Co required to examine options to improve outcomes for mass market consumers
- Activities involve:
 - Establishing Consumer Expectations
 - Research on energy choices (DUoG project)
 - Comparing Retail Contracts with Benchmarks
 - Overseeing a Joint Complaints Resolution Scheme for electricity and gas consumers
- An ongoing policy challenge has been developing policies appropriate to the small size of the mass market

Overview of work to date

- Stock take of Consumer Issues work undertaken in August 2008
- Subsequent development of document setting out consumers' expectations of retailers' actions pre-contract, during contract, and in the event of disputes
 - This document guided future consumer outcome work (and also influenced the Electricity Commission's thinking in this area)
- In July 2009, the Associate Minister asked the Board to give accelerated priority to Consumer Issues work and the Direct Use of Gas project
 - These projects were established as a separate work-stream within the Office of the Chief Executive to ensure new milestones were met without detracting from other activity

Direct Use of Gas (DUoG)

- Recommendation
 - More information to consumers about benefits of gas hot water heating
 - Provision of incentive for switching to gas hot water heating
- EECA response
 - Difficult to include gas hot water heating in ENERGYWISE programme as funding cycle near completion
 - Agree that more information should be made available to consumers
 - Minor concern over tendency for greater water consumption with gas hot water heating

Oversight of retail contracts

- Gas Industry Co has recommended an oversight mechanism by which mass market gas supply arrangements are assessed against a set of selected benchmark contract terms
 - This assessment will show the extent to which a gas retailer's contract terms achieve the desired outcomes
 - At the end of a transitional period, individual retailer assessments will be published so that consumers can make comparative judgments of the different terms of supply
 - The intention is to keep compliance costs to a minimum

Associate Minister's response to retail contracts recommendation

"I agree that the arrangement meets GPS requirements. I also concur that a voluntary approach is preferred and its effectiveness will depend on a high degree of participation. It makes sense for the voluntary arrangement to be trialled before considering regulated or partly regulated approaches. I note that Gas Industry Co will maintain a "watching brief" to help determine whether further action, possibly including regulation is justified."

Letter to Gas Industry Co, 12 May 2010

Implementation of recommendation

- Gas Industry Co has engaged Elwood Law to be the independent assessor
- The assessment will cover 'gas supply arrangements'
 - Publicly available standard form contracts
 - Application forms
 - Any other documents relevant to supply
- Retailers will be advised which documents are to be assessed
 - Assessment will be conducted on material available to assessor on 15 June 2010

Implementation timeline

Date	Activity	Responsible party
24 May	Letter to retailers advising of scheme and scheme requirements (including requests for documentation)	Gas Industry Co
8 June	Date for supply of further documentation	Retailers
15 June	Documents accessed and downloaded	Elwood Law
15 June – 7 July	Assessment	Elwood Law
12 July	Draft individual assessments circulated to retailers for comment	Elwood Law / Gas Industry Co
23 July	Response to draft assessment due back from retailers	Retailers
4 August	Final individual and consolidated assessments provided to Gas Industry Co	Elwood Law
12 August	Board considers consolidated assessment	Gas Industry Co Board
By 31 August	Consolidated assessment sent to Associate Minister and published	Gas Industry Co

Consumer Complaints

- In December 2009, the Associate Minister approved EGCC as consumer complaints scheme under Gas Act
 - Parallel approval was given by the Electricity Commission
 - Approval took effect on 1 April 2010
- Section 43E of the Gas Act provides that all gas retailers must participate in an 'approved scheme'
 - While the scheme enjoys substantial support from the industry, we note that the following companies are yet to confirm their participation:
 - Bay of Plenty Energy
 - Egas
 - Nova Energy

Electricity Industry Bill (EIB)

- EIB expected to come into force on 1 October 2010
 - Introduces a penalty (\$20,000) for not participating in an 'approved scheme'
 - Transfers authority to approve, revoke approval, and allow exemptions for consumer complaints scheme to Minister of Consumer Affairs
- Gas Industry Co will work with the Ministry of Consumer Affairs (MoCA) regarding transition of responsibility
 - No further policy work is expected in this area

Wrap up on Consumer Issues

- At successive consumer forums, we have been told by consumers that they want:
 - Good information about energy choices
 - Fair and reasonable contracts
 - Timely and effective dispute resolution
- Gas Industry Co has made recommendations on all three matters to the Associate Minister
- Improved outcomes for consumers also promoted through enhanced gas competition