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Submission on Commerce Commission's Consultation Paper – *Improving Retail Service Quality: Product Disclosure*

Introduction

Utilities Disputes Limited | Tautohetohe Whaipainga (UDL) welcomes the opportunity to comment on the Commerce Commission's Improving Retail Service Quality: Product Disclosure Emerging Views Paper.

Summary of submission

We fully support the proposals to make product disclosure clearer and more meaningful for consumers in the telecommunications sector. We found the illustrated figures helpful in understanding exactly what was proposed.

About us

UDL is an independent, not-for-profit company that provides fair and independent resolution of complaints and disputes between utilities companies and their customers when they are unable to be resolved between the parties. We also resolve indemnity disputes between scheme members.

We operate three dispute resolution schemes: The Government approved Electricity and Gas Complaints Scheme, Broadband Shared Property Access Disputes Scheme, and a voluntary Water Complaints Scheme.

We facilitate a strong relationship of trust between consumers and utilities organisations and focus on three aspects - Prevent, Educate and Resolve.

In making this submission we have applied learnings from 22 years of resolving consumer complaints in the energy sector. We have commented on each of the six issues following the order set out in the Paper.

(1-4) Comparing prices

This section notes consumers find it difficult to compare pricing between plans of different durations and sign-up offers. It proposes more transparency and disclosure of average monthly costs including any sign-up offer normalised over a standard period.

1. What are your views on the option set out above for addressing this issue?

At UDL we see the same issues in energy complaints as those set out for telecommunications, with consumers finding it difficult to compare pricing between plans where there are different plan durations and sign-up offers and often being surprised when they discover something unexpected. We support the option for addressing the issues.

2. What are your views on the proposed 24-month period for calculating the average monthly cost? For example, would a shorter timeframe of 12 months or a longer timeframe of 36 months be more meaningful to consumers?

We agree the suggested solution is simple although we query whether it would be just as effective if calculated over a shorter period. It might be clearer to have the average cost per month linked to the length of the contract being advertised. If a consumer is looking at a 12-month plan, it is more relevant for them to understand the average price per month that they will pay over the 12 months. For example, students may be renting a property for a year and for their fibre (and power) they are focused on short term arrangements. If a retailer is marketing a 12-month contract, the relative benefits of their plan may be diluted if they are required to publish the average cost over 24 months.

3. Do you support the implementation approach set out above?

UDL agrees with the implementation recommendation of guidelines issued to the industry under existing legislation. We have found the Electricity Authority's (EA) Consumer Care Guidelines (CCG) to be a very effective way to identify and impose industry standards. Whether this then needs to be incorporated into an industry RSQ code may depend on the level of compliance by RSPs. The EA when implementing the CCG as guidelines required all energy retailer to mirror them in their internal documents and processes. However, it is keeping a watching brief and if there is widespread non-compliance it will be incorporated into the EA's industry code.

4. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

We believe this proposal offers significant benefits to consumers and should be given high priority. It is likely to have a significant impact on a wide consumer base. The electricity consumer advocacy council (CAC) is also advocating for simplification of bills in the electricity market for small consumers together with Consumer NZ.

(5-7) Comparing total costs

This section notes consumers can find it difficult to compare offers, often due to complexity and details not being clear on websites making it difficult for consumers to identify what is the best deal for them. It proposes the disclosure of total minimum costs including modems and handsets over the period of offer and is consistent to the approach to credit contracts.

We constantly see energy consumers that find product offerings complex and have difficulty comparing offers. However, pricing in the energy sector is usually based around consumption, so is not directly comparable.

5. What are your views on the option set out above for addressing this issue?

We support the suggestion to confirm the total minimum cost over the period of the offer. We believe it may also be helpful that any termination fee should also be highlighted. We note the example given in para 40 includes early termination fees, noting it could be difficult for consumers to compare total minimum costs over a period that may be subject to early termination fees or paybacks. A common complaint we receive from energy customers is they were not made aware of an early termination fee when signing up.

We suggest consideration is given as to how the information will be standardised and simplified as in our experience requirements to include certain terms can be subject to significant differences in interpretation by the provider which defeats their purpose and makes it harder for the consumer to compare. A glossary of terms with detailed definitions may assist.

6. Do you support the implementation approach set out above?

UDL agrees with the implementation recommendation of guidelines issued to the industry under existing legislation. We have found the EA's CCG to be a very effective way to identify and impose industry standards. Whether this then needs to be incorporated into an industry RSQ code may depend on the level of compliance by RSPs. The EA when implementing the CCG as guidelines required all energy retailers to mirror them in their internal documents and processes. However, it is keeping a watching brief and if there is widespread non-compliance it will be incorporated into the EA's industry code.

7. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

We believe disclosing the total minimum costs a consumer can expect to pay over the offer period offers significant benefits to consumers and should be given high priority. It is likely to have a significant impact on a wide consumer base. Billing issues are consistently the most common complaints that UDL receives, included in around 70% of total complaints received in each year

(8-14) Comparing plan inclusions

This section says consumers are not being provided with sufficient information to enable them to compare different prices and they struggle to identify the best plan for them. In Australia ACMA requires companies to provide consumers with a critical information summary and the European Commission also stipulates what information must be provided to consumers in a summary.

8. What are your views on the option set out above for addressing this issue?

We support the solution. We expect work would include requirements to ensure key information could be shared through appropriate data exchange protocols, or price comparison websites at some time in the future. The Commission may benefit by looking at the work undertaken by the Electricity Authority's Registry Transfer Hub and the price comparison site Powerswitch. In the energy industry customers find plans complex and subject to regular change. Appropriate data sharing protocols could ensure consumers can be able to obtain instant price comparison either through an online site or via an agent, which will promote competition and ensure consumers are well informed before signing up to an RSP. Anecdotally we understand that it is difficult for some consumers to use Powerswitch effectively as they do not know exactly what their current plan entails.

9. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary?

We support the examples included from other jurisdictions that have been referenced and believe the suggested approach is the best way to identify and agree what is required. This approach is largely similar to that taken by the Electricity Authority when compiling the CCG.

UDL regularly receives complaints from consumers about early termination fees. While it is unlikely a consumer will choose a RSP based on its early termination fees, consumers are often unaware of an early termination fee and its conditions until it is charged. We therefore strongly support the inclusion of early termination fees as a key field of disclosure. Rather than allowing consumers to compare early termination fees it will at least bring them to consumers' attention.

We note the inclusions proposed in this section are similar to what the Electricity Authority's CCG say about publishing information about fees and charges.

Other guidance from the CCG covers pricing plans and product disclosure. Simply publishing information is good, but consumer outcomes will be better if telecommunications providers work with consumers to ensure they understand the options and are making informed choices. The relevant sections of the CCG are:

21. Before a new customer has signed up to a new pricing plan, retailers should:

- a) in the case of a person to person conversation, advise the new customer of the range of electricity pricing plans (eg, controlled, uncontrolled, multi-rate, time-*

of-use) and payment plans (eg, smoothed payments (“smooth pay”), fortnightly, pre-pay) offered by the retailer and seek to help the new customer (including through personal contact) to understand what might work best for them or the drawbacks of any particular plan, (eg, break fees); or

- b) in the case of an online transaction, make information easily available to the new customer about the range of electricity pricing plans (eg, controlled, uncontrolled, multi-rate, time-of-use) and payment plans (eg, smoothed payments (“smooth pay”), fortnightly, pre-pay) offered by the retailer and the drawbacks of any particular plan, (eg, break fees).*

22. Retailers should satisfy themselves (acting reasonably) that new customers have reviewed the terms and conditions, and agree to:

- a. the retailer’s terms and conditions, which should be readily available in plain English; and*
- b. the retailer contacting the new customer’s alternate contact person (where provided):*
 - i. if the new customer requests that the retailer liaise with the alternate contact person rather than the new customer; and*
 - ii. if the new customer does not respond to a query from the retailer within that retailer’s standard timeframe or the period specified by the customer as needing*

10. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary?

As above.

11. What views do you have on the key fields of information that should be included in a broadband and mobile offer summary?

As above.

12. What views do you have on the prescribed standard template format and length that should be included in a broadband and mobile product offer summary?

As above.

13. Do you support the implementation approach set out above?

Yes, the TCF in conjunction with the Commission is a sound approach.

14. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

Given the complexity and collaborative work and research involved it would make sense to prioritise the changes proposed for comparing prices and total costs ahead of this initiative, so consumers receive the benefit of those without delay. This initiative could be progressed at the same time but with a longer window for delivery.

(15-17) Comparing bundle pricing

This section notes consumers are not provided with sufficient information when plans and different services are bundled together and find it difficult to compare plans which are often opaque. Bundled energy and telecommunications services are becoming increasingly prevalent but prices are not always clear upfront and can be higher than the standalone prices offered by the same provider. The paper proposes greater transparency and disclosure of the costs of bundled offers, with unbundled prices being included for comparison.

Each year UDL receives around 100 complaints mentioning bundled services. Consumers in the energy market can find it difficult to compare pricing between plans where different services are bundled together. We are supportive of the Commerce Commission's approach to break the information down and make the bundled savings clear to consumers. However, looking at Figure 3 we believe consumers would still find it difficult to calculate whether the bundled or unbundled price for electricity is lower. It may in fact vary between consumers due to usage. The discounted broadband price is sometimes clearer than the energy and gas pricing. Making these clearer is likely to greatly assist consumers.

From our complaints experience we find technical literacy and understanding of how electricity bills are calculated is often very low. We note the electricity Consumer Advisory Council and Consumer NZ are working together to simplify consumer billing in the energy sector. See <https://www.cac.org.nz/news/simplifying-power-bills-aim-of-joint-project/>

15. What are your views on the option set out above for addressing this issue?

We agree with the issues identified and suggest care be taken to ensure any work aligns with the work being done by Consumer NZ and the electricity CAC to simplify bills.

While the energy market benefits from the price comparison website "Powerswitch", we understand this is only able to compare simple plans and rates and cannot fully account for sign up offers that may include free or discounted appliances or bundled offerings as part of its contract with the consumer. We understand Powerswitch encourages retailers to compete on standard terms (i.e. price) in response to this. For example, a free appliance will not improve a company's rank on "Powerswitch". Despite these limitations, UDL believes "Powerswitch" and other energy price comparative sites are of great benefit to consumers.

16. Do you support the implementation approach set out above?

UDL agrees with the implementation recommendation of guidelines issued to the industry under existing legislation. We have found the EA's CCG to be an effective way to identify and impose industry standards. Whether this then needs to be incorporated into an industry RSQ code may depend on the level of compliance by RSPs. The EA when implementing the CCG as guidelines required all energy retailer to mirror them in their internal documents and processes. However, it is keeping a

watching brief and if there is widespread non-compliance it will be incorporated into the EA's industry code.

17. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

In our view it should be progressed simultaneously with comparing prices and total costs as it has synergy with these proposals.

(18-21) Comparing customer numbers

This section notes customer numbers, particularly in the mobile market, are reported using different methods and proposes a consistent method of recording customer numbers.

Customer numbers are important to competition in two key respects: they provide a measure of market share which by extension can be an indicator of success to consumers. And accurate numbers also allow other aspects of service to be compared such as number of complaints received.

UDL asks electricity and gas providers for the number of energised consumer installation control points (ICPs) when calculating annual levies each provider must pay. This information is also available from the Electricity Authority. We use this information when we report on the number of cases per complaint scheme member. This is based on a definition in our scheme rules which ensures consistency and fairness between scheme members.

UDL has adapted this approach with the addition of new scheme members offering innovative new technologies and products. We believe it is important a consistent approach is taken between companies and product offerings and support the principled, consistent approach proposed in the paper.

18. What are your views on the options set out above for addressing this issue?

We support the proposal – it may be that consumers will have the most interest in mobile and broadband customer numbers.

19. Are there other globally accepted measures for defining mobile or broadband customer numbers that would be more appropriate than the ITU definition?

No comment.

20. Do you support the implementation approach set out above?

UDL agrees with the implementation recommendation of guidelines issued to the industry under existing legislation. We have found the EA's CCG to be a very effective way to identify and impose industry standards. Whether this then needs to be incorporated into an industry RSQ code may depend on the level of compliance by RSPs. The EA when implementing the CCG as guidelines required all energy retailer to mirror them in their internal documents and processes. However, it is keeping a

watching brief and if there is widespread non-compliance it will be incorporated into the EA's industry code.

21. How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

We believe this is simpler than some of the proposals and while it could be addressed earlier it will not have the most significant impact some of the other proposals will have on consumers. We would therefore place this sixth in the priority list.

(22-25) Comparing mobile coverage

This section notes consumer find mobile coverage maps inconsistent, inaccurate and hard to find and terminology and methodology is unclear. The paper proposes improvements and a stepped implementation approach.

Consumer complaints are common where services have been misrepresented and we support the proposal to enhance consistency in mobile providers' coverage maps, noting consistency and clarity will reduce complaints in the sector.

Poor coverage is one of the main reasons why consumers leave a provider pointing to the need for greater comparison of coverage between providers.

22. What are your views on the option set out above for addressing this issue?

We encounter many issues in energy from customers living in rural areas who experience similar supply/coverage issues and the initiative suggested is in our view excellent. We believe the proposals should result in telecommunication consumers being able to make real time comparisons online through a market comparison site such as Powerswitch and it would be ideal if that site compared price alongside coverage. As mentioned above, appropriate data sharing protocols would ideally be put in place to ensure providers share that information with a market comparison site and regularly update it. If it is thought there is merit in prioritising this channel the Commission may want to consider whether a telecommunications comparative site could be funded in a similar way to Powerswitch.

23. How long do you consider we should allow for delivering each of the three stages of improvements contemplated in the option set out above?

No comment.

24. Do you support the implementation approach set out above?

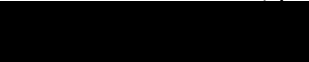
We agree the telco sector should start the process and provide a roadmap.

Apart from this UDL agrees with the implementation recommendation of guidelines issued to the industry under existing legislation recommending a three-stage process. We have found the EA's CCG to be a very effective way to identify and impose industry standards. Whether this then needs to be incorporated into an industry RSQ code may depend on the level of compliance by RSPs. The EA when implementing the CCG

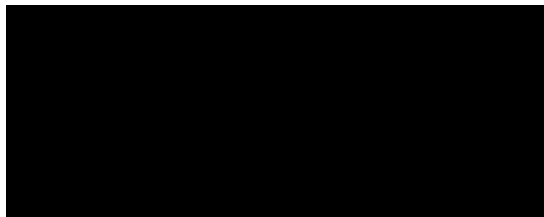
as guidelines required all energy retailer to mirror them in their internal documents and processes. However, it is keeping a watching brief and if there is widespread non-compliance it will be incorporated into the EA's industry code.

How should we prioritise this issue relative to the other issues considered in this paper, if they are not addressed simultaneously?

It would make sense for this work to be done along with the work on comparing plan inclusions.

If you require any further information about anything raised in this submission, please contact Paul Moreno, Research and Reporting Manager at 

Ngā mihi nui



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