

# Consumer Feedback on the TECT Proposal

## Executive Summary

In January - February 2018, TECT Trustees asked consumers for their feedback on a proposal to consider changes to the TECT structure. The proposal provided a way to future proof TECT and respond to anticipated changes in the electricity sector, high population growth and different community expectations. If there was support from consumers, the proposal would then proceed to a formal vote.

The TECT Trustees are pleased that the TECT proposal generated considerable discussion in the community and appreciate that consumers have taken the time to have their say. Over 21,000 submissions were received from consumers and 130 people came along to speak to their submission with the Trustees.

The feedback shows that the majority of consumers do not support the proposed changes to TECT. The main reasons for this were:

- the financial benefit of receiving the cheque each year particularly for those on low incomes,
- the potential impact on Trustpower and associated shareholding if the proposal goes ahead and consumers choose to leave as their incentive to stay is removed,
- the current approach benefits the whole community (consumers and charities), and
- there is insufficient information, evidence, rationale and options to justify the need for change.

Submissions in support identified that this proposal would be more beneficial to the whole community and should put Trustpower in a position to be more competitive with other providers. Further information on consumer feedback is provided in this document and full copies of the submissions are available from the TECT office.

Following consideration of the submissions, the TECT Trustees have withdrawn the proposal. While the Trustees consider this is a once in a lifetime transformational opportunity to effect meaningful change in Tauranga and the Western Bay of Plenty, it has been clear throughout the consultation that the wishes of consumers would remain at the heart of the decision-making process.

The feedback and suggestions provide valuable insight to consumer expectations and will help to inform discussions on where TECT might head in the future. Eight themes are identified from the submissions

that represent the issues (and opportunities) consistently referred to in the consumer comments both for and against the proposal. The TECT Trustees have provided a response to each of the themes.

|    | Common themes from consumer feedback  | Key points raised by consumers  | TECT Trustee Response  |
|----|---------------------------------------|---|--|
| 1. | If it aint broke don't fix it.        | Benefits provided to both consumers and the community.  | Acknowledge consumer feedback on the current approach and recognise that the majority of consumers do not want to see a significant change at this point in time.  |
| 2. | Financial benefit of TECT cheque.     | Viewed as a way of saving and payment is timely prior to Christmas.   | Acknowledge the reliance on the TECT cheque particularly for those on low incomes, however this needs to be balanced with the potential to achieve these savings throughout the year by ensuring competitive pricing is in place.  |
| 3. | Insufficient information on proposal. | Lack of information, evidence and options to justify the need for change and provide a robust consultation process.   | Acknowledge that a significant change in approach requires: <ul style="list-style-type: none"> <li>- Improved evidence and justification as to why change is required,</li> <li>- Information on all options and rationale for why a preferred option is being recommended,</li> <li>- Ability for consumers to choose what option they prefer, and</li> <li>- Sufficient time to allow for meaningful engagement to occur.</li> </ul> |
| 4. | Need to respond to future changes.    | A range of options provided to respond to future changes, including the approach outlined in the proposal, different consumer/community ratios, and diversification of share portfolio. | Acknowledge that some consumers are open to considering changes to the allocation between consumers and the community.   |

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|----|--|---|--|
| 5. | Electricity pricing.   | Trustpower pricing considered to be high in comparison to other providers but TECT cheque provides incentive to stay.   | Look further into pricing and engage with Trustpower on this.  |
| 6. | Funds belong to the consumer.                                      | Perception that funds are generated by consumers and only available to consumers therefore proposal is not in their best interests.<br><br>Consumers lose out on true value of the assets and should be paid this amount in full. | Provide information on history of TECT to understand consumer and community obligations.<br><br>Provide information to consumers on asset value. |
| 7. | Concern about impact of proposal on Trustpower.                    | Many stated that they would leave Trustpower if the cheque was removed (see comments on electricity pricing) and that this would have a subsequent impact on share prices and the Trustpower business.                            | Look further into pricing and engage with Trustpower on this.  |
| 8. | Confusions regarding the relationship between TECT and Trustpower. | There was some confusion about the roles and responsibilities of each organisation and how they work together.  | Acknowledge need for improved communication to consumers regarding the role / purpose of TECT.   |

TECT Trustees will continue to keep consumers informed on progress in responding to the key themes from consumer feedback.

**What we asked for feedback on**

The TECT Trustees asked for consumers to share their thoughts on a proposal to distribute or transfer the assets of the Tauranga Energy Consumer Trust to the TECT Charitable Trust, after a one-off \$2,500 payment to consumers. The feedback received was needed to determine whether the proposal should be progressed further.

Under the proposal, the TECT Charitable Trust's focus would be solely a provider of funds to community and charitable groups and over time Trustees would aim to triple the amount available for community projects and groups. Increased distributions would commence from 2019.

TECT cheques would continue from 2018 to 2022 after which there would be no further consumer cheques and the Tauranga Energy Consumer Trust would be wound up. From 2023, income would be distributed exclusively into Tauranga and Western Bay of Plenty community and charitable organisations through the TECT Charitable Trust.

The TECT consultation process ran for five weeks from 25 January 2018 to 1 March 2018. Over this time, TECT Trustees held four information sessions where consumers and other interested stakeholders were able to talk to us directly about the proposal. Further information including Frequently Asked Questions was made available on the TECT website and at the TECT office.

Feedback on the proposal was received via the TECT submission form sent to all consumers and a separate submission form that Trustpower also sent to all consumers. This was part of a Trustpower campaign to express their views on the proposal and encourage engagement in the consultation process. Consumers could provide feedback via an online submission form, email, hard copy submission form or by phone.

## **What you told us**

### **Overall, were consumers supportive of the proposal?**

The majority of consumers do not support the proposed changes to TECT.

Of the 9000 submissions received using the TECT submission form, 50% support the proposal and 50% do not support the proposal. A small number had no clear preference indicated. Around 140 submissions ticked the support box on the form but the comment clearly showed that they did not support the proposal, therefore these have been grouped as such.

Of the 12,000 submissions received using the Trustpower submission form, 73% do not support the TECT proposal, 15% supported cancelling the cheque and 12% wanted to change the distribution ratio.

There was some submission duplication as consumers were sent separate submission forms by TECT and then by Trustpower.

Consumers were able to provide comments on the submission form to expand on the reasons why they were either in support or against the proposal. Below is a summary of the key points made. This provides

an overview only and is not an exhaustive list of all comments made, rather it picks up the comments mentioned the most. TECT Trustees have a full copy of the submissions and this information is also available to the public to view at the TECT office - The Hub, 525 Cameron Road.

### **What were the main reasons for consumers NOT SUPPORTING the proposal?**

The main reasons why consumers did not support the proposed changes to TECT were:

- the financial benefit of receiving the cheque each year particularly for those on low incomes,
- the potential impact on Trustpower and associated shareholdings if the proposal goes ahead and consumers choose to leave as their incentive to stay is removed,
- the current approach benefits the whole community (consumers and charities), and
- there is insufficient information, evidence, rationale and options to justify the need for change.

Many submissions were of the view that “if it aint broke, don’t fix it”. They felt that the current approach provides the opportunity for consumers to decide if they want to donate to charity and what charities they want to support, rather than having the decisions made by a separate entity. Feedback was that while many consider Trustpower charges to be high, the TECT cheque balances this out and make it a competitive choice against other providers. Many felt a strong sense of loyalty to Trustpower and value the role the organisation has in our local economy and community. Consumers noted the drop in Trustpower shares since the proposal came out and concern about any further impacts as a result of this proposal. The stated lack of information and detail on the proposal left some consumers feeling that the Trustees had a hidden agenda.

### **Were there any qualifications to not supporting the proposal?**

There were a number of comments made, both from those supporting and not supporting the proposal, regarding the \$2,500 one off payment and the eligibility for this. Feedback was that it did not reflect the true value of the assets or reward long term loyalty over new customers. Many felt that the payment was a ‘bribe’ and ‘dangling a carrot’ in front of those who want to make a short-term gain, without consideration of the longer-term loss of value. Some stated that they would reconsider the proposal if this payment was increased substantially, while for others the payment (and the proposal itself) was considered an insult and any change would not see them alter their position.

Consumers offered up a range of alternative options such as changing the 80% consumer and 20% charity/community distribution ratio both up and down on both sides, widening the investment mandate,

the option outlined in the Brian Gaynor article, and winding up TECT with either 100% or 80% going back to the consumer.

### **What other comments did consumers make on why they did not support the proposal?**

Other feedback included:

- the funds belong to the consumer and the proposal was not in their best interests.
- the proposal did not acknowledge or reward ongoing loyalty to Trustpower.
- TECT Trustees did not state their intent to develop this proposal when elected and consumers felt misled, many stated that the Trustees should resign.
- the proposal was unlawful, went against the original purpose of the Trust and Trustees had no mandate to undertake the proposal.
- the wording on the TECT submission form was ambiguous and designed to confuse.
- the consultation process was rushed and poorly executed.
- many consumers do not benefit from the organisations that TECT supports.
- don't kill the goose that lays the golden egg.
- undertake a new process over time, consider different allocation models and fully engage with consumers about this.

### **What should have been taken into consideration if the proposal had succeeded?**

These comments were similar to those in support and include:

- concern about accountability and scrutiny over how funds are allocated to community and charitable organisations.
- an expectation that there will be an equivalent reduction in Trustpower pricing if the cheque was to be stopped.
- concern about a requirement to lock in to a Trustpower contract if the one-off payment is received.

### **What were the main reasons for consumers SUPPORTING the proposal?**

The main reason why consumers supported the proposed changes to TECT was that they considered it to be more beneficial to the whole community. Key points included that the proposal would have:

- provided social and economic benefits.
- targeted specific areas of need.

- provided for longer term investment in the community.
- ensured funding remained in our area.

Feedback was that the proposal was logical, bold, proactive and courageous. Consumers commented that they supported the Trustees future proofing against inevitable changes that could impact on the current approach.

### **Were there any qualifications to this support?**

Consumers expressed concern about the current pricing of Trustpower and hoped that the proposal would have meant more competitive pricing for Trustpower or customers would leave as the 'incentive' to stay would no longer be available. Many felt that Trustpower should compete on an equal footing for customers based on service and price and that the cheque shouldn't be used as subsidy for the provision of power. Questions were asked about whether the payment locked consumers in to a contract with Trustpower for ongoing services.

There was concern regarding the eligibility criteria for the one off \$2,500 payment and this not providing any reward for loyalty or longer-term consumers. Options to make this more equitable included the payment being weighted according to membership duration or requiring consumers to have a minimum of 2 years with Trustpower.

A number of consumers that supported the \$2500 payment did so on the basis that they were older (85 years +) and would benefit now from this one-off lump sum, although some expressed concern for the longer-term impact of this proposal on younger people/low income families.

### **What other comments did consumers make on why they supported the proposal?**

Other feedback included:

- provided simple and clear purpose of the Trust moving forward.
- very lucky to have the TECT cheques in the first place.
- various options for changing the proportion to be transferred to the charitable trust.
- expedite the process.

### **What should have been taken into consideration if the proposal had proceeded?**

Consumers provided comments on the TECT Charitable Trust and how it could have operated:

- increase community consultation and involvement on how funds are distributed.
- ensure application process is balanced and equitable.
- provide budgeting support for those that have relied on TECT cheques.
- ensure money is spent on those that are most in need.
- ensure funds go to the TECT area only.
- ensure funds are not a cash cow for councils.
- be transparent about the criteria that will be used to allocate funds.

Consumers asked about the proposed investment policy for the charitable trust and whether there was an intention to diversify the investment portfolio. Questions were asked regarding the \$2500 payment such as when it would have been made and what would have happened if people moved properties in the meantime.