

8 March 2024

Daniel Griffiths
Manager Retail and Networks
Electricity Authority
Wellington

Dear Daniel,

Options to support consumer plan comparison and switching

2degrees welcomes the Authority's focus on maximising the benefits of competition, and on trying to increase the number of Kiwi households and families benefiting from electricity retail competition. It is widely recognised in New Zealand and in other jurisdictions that domestic consumers who don't switch pay more than they should for power (a 'loyalty tax') and are disproportionately low income and disadvantaged. The Authority's intent very much accords with our own "Fight for Fair".

Consistent with various submissions 2degrees has been a signatory to over the last few years, we remain of the view that the highest priority for unleashing (or maximising) the full benefits of competition is to resolve hedge market/independent retailer access to risk management products.

Resolving hedge market issues would be complementary to the work the Authority is doing on consumer switching as it would increase the potential benefits for consumers from switching if retailers have hedge arrangements that allow them to confidently and innovatively price and compete to gain new customers.¹

Progress is being made on improving Powerswitch

We welcome the work Consumer NZ is doing on extending its service to bundled services and to address (increasingly common) time-of-use tariffs. We remain optimistic our concerns with the service will be resolved – we continue to engage constructively with Consumer NZ – with the inclusion of bundled services and 2degrees' service offerings on the site.

We want to see 2degrees on Powerswitch – contingent on being represented fairly and accurately – which would increase the Powerswitch representation from circa 97% to more like 99+% retailer coverage (2degrees' residential market share is 2.5%). 2degrees is by far and away the largest retailer not on the site.

Up until now, our experience with the Authority's regulations requiring retailers to promote the site has not been great. We are required by Authority regulation to promote the site to our customers even though we have not been represented on it (we weren't mentioned in the list of "Retailers not on Powerswitch".^{2,3} Slingshot was very recently added but not the 2degrees' brand.) Any of our customers – following the regulated requirement for us to promote Powerswitch – who goes onto the Powerswitch website will be told to switch to another retailer even if it results in them paying

¹ 2degrees has been a price leader for cellular services introducing things like 'roll-over' data and minutes, free-calling/txts to Australia and with other cellular operators shadowing our pricing changes.

² Letter from Emily Acland, GM Regulatory, Vocus to James Stevenson-Wallace and Jon Duffy, Chief Executive Officers of the Electricity Authority and Consumer NZ, respectively, Enhancements to Powerswitch, 16 December 2020.

³ See also the Vocus submission: <https://www.ea.govt.nz/documents/2828/26574Vocus-submission.PDF>.



more for electricity/bundled electricity-telecommunications services. That isn't fair for our customers.

We welcome the Authority's intention to adopt a "continuous improvement model"

The joint independent retailer submission highlighted an ongoing challenge is trying to keep up with an increasingly dynamic and innovative range of tariff options – e.g. with products offering a 'free hour of power' and such like, an accurate assessment of which pricing plan is best for a particular customer will depend on both how much they typically consume in that hour (knowable based on passed electricity consumption) and how much it will result in the customer changing their consumption behaviour.

The joint independent retailer submission emphasises the need for periodic review of the accuracy of the switching site and that, going forward, site accuracy (providing consumers with the right information about whether they should switch, who they should switch to and the potential savings) should be included as part of KPIs/minimum service requirements for the service.

Care would be required around any regulated "best plan" requirements (option A)

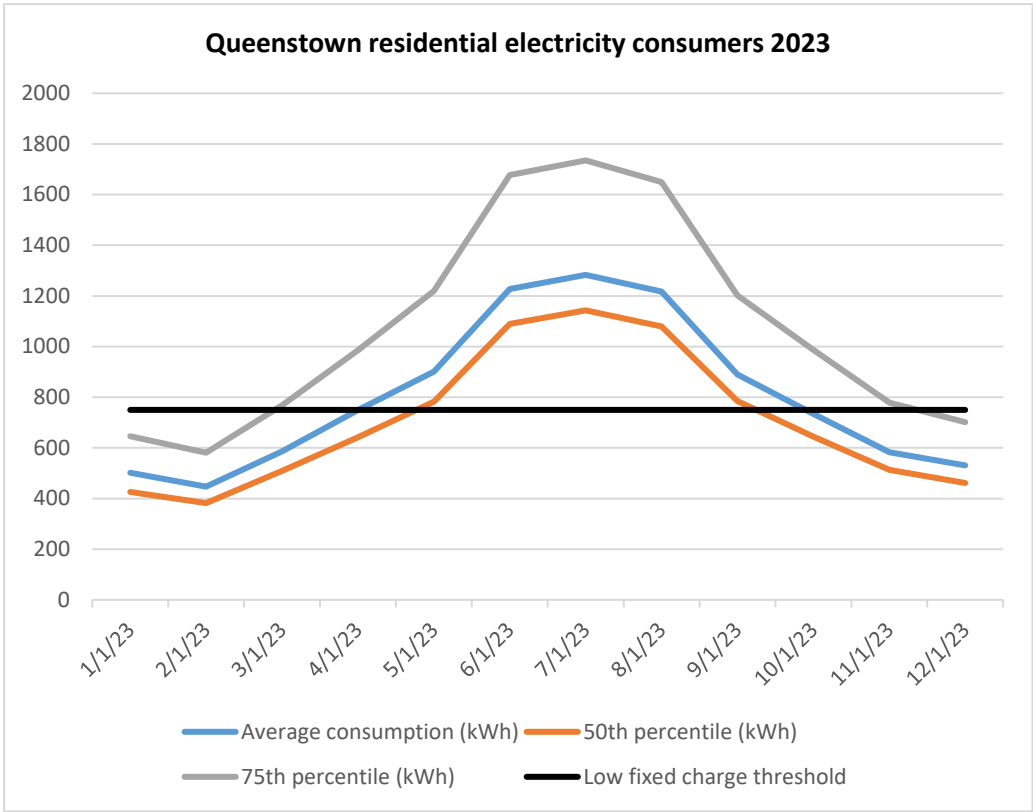
ConsumerNZ's experience with Powerswitch shows that it is not always straight-forward to determine which is the best plan for a particular customer to be on (which is part of the rationale for having Powerswitch).

Some of these challenges will also be applicable to regulated "best plan" requirements. They aren't necessarily 'showstoppers' but aren't trivial and would need to be worked through carefully before decisions were made on whether to introduce the requirements.

A challenge that Powerswitch and "best plan" requirements both face is where pricing plans include pricing signals such as time-of-use pricing or 'free hour of power' and such like. Which plan will be 'best' depends partly on the customer's existing consumption patterns (known based on historic data) but also on how they may alter their consumption in response to the pricing signal (estimated only). This may require qualified advice e.g. letting the customer know they could save money but it would be contingent on changing electricity consumption behaviour to utilise the potential savings from the plan.

By way of example also, a typical Queenstown residential customer is a low-user in summer and a high-use customer in winter/overall. This can complicate the advice retailers could provide their customers e.g. what should happen if the retailers are requiring to advise their customers about the 'best plan' during summer-time but switching from the low fixed charge tariff to the high fixed charge tariff would increase their bills in the short-term?⁴

⁴ At least, until the Low Fixed Charge Tariff Regulations are fully phased out (if retailers don't provide unregulated low/high fixed charge tariff options).



An average/median use residential household in Queenstown is a low-user 7 months of the year while being a high-use consumer overall.⁵ Even a Queenstown household in the 75th percentile of consumption is typically still a low-use consumer for 3 months over summer.

Furthermore, 2degrees considers that it would be a step too far for the Authority to require retailers to automatically switch customers to the tariff or product the retailer considers would be the “best plan” for that customer. The above discussion highlights some of the difficulties that would be associated with such requirements. Ultimately, though, 2degrees considers that this is a choice for the customer based on lifestyle, preferences and engagement.

Yours sincerely,

Emma-Kate Greer
Chief Corporate Affairs Officer

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https://www.emi.ea.govt.nz/Retail/Reports/0YUCE0?DateFrom=20230201&DateTo=20240131&RegionType=NWK_REPORTING_REGION&seriesFilter=34&rsdr=L12M&si=tg|consumption,dr_DateFrom|20230101,dr_DateTo|20231231,dr_RegionType|NWK_REPORTING_REGION,dr_rsdr|Y1,v|4