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## SUBMISSION ON 'OPTIONS TO SUPPORT CONSUMER PLAN COMPARISON AND SWITCHING' CONSULTATION PAPER

### Introduction

Thank you for the opportunity to make a submission on the Options to Support Consumer Plan Comparison and Switching consultation paper. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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### Better support to compare and switch will benefit consumers

Consumer believes there is huge benefit for consumers in increasing support for comparison and switching services. Every 1% of consumers we can encourage to compare and switch – that's around 20,000 households – represents a collective annual saving to New Zealanders of over \$7 million.<sup>1</sup>

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<sup>1</sup> 1% x 1.96M (number of residential ICPs on 31 January 24) x \$388 (average Powerswitch savings over the last 12 months) = \$7.6M

For far too long a combination of apathy, confusion, mistrust, and retailer conduct has deprived many New Zealanders from enjoying the promised benefits of retail competition.

Despite electricity being one of the largest household costs, people have become so disengaged that one-in-five consumers don't even bother to open their monthly bill.<sup>2</sup> Twenty percent of consumers only open their bill occasionally, if the total owing seems higher than normal.<sup>3</sup> Thirty per cent of consumers think all retailers charge about the same.<sup>4</sup> It's not surprising then that, despite the large savings on offer and consumer concerns about the cost of power, relatively few people compare and switch.

Much of this intransience could be overcome if more people were made aware of the potential savings available, and if comparisons were easier and personalised.

Taking away the current unnecessary points of friction would make it easier to compare plans and increase switching rates. Increasing switching increases competitive pressure, which helps keep a lid on prices, and provides a catalyst for innovation.

This is not just a nice to have. It is essential if electricity retail is to evolve for the benefit of consumers.

We are now at a juncture where comparisons of emergent complex retail offerings, and the proliferation of new technologies in households, require more extensive data analysis to undertake comparisons. Consumers will also increasingly require more bespoke advice about their own individual household circumstances.

The good news is Consumer has already built the platform to provide these services. The only missing piece of the puzzle is access to data.

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<sup>2</sup> 2023 Consumer NZ Energy survey (May 2023). The Consumer NZ annual survey is a nationally representative survey that has been undertaken in its current format since 2015, although Consumer NZ has been undertaking an energy survey in some form since 2005. To be nationally representative survey requires a minimum sample size of 2,000.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

## **Our answers to your questions**

Our responses to the specific questions asked in the consultation document are attached in Appendix 1.

Thank you for the opportunity to provide comment.

## APPENDIX 1 – RESPONSES TO CONSULTATION QUESTIONS

**Q1. What are your views on the key issues around supporting consumers to compare and switch, and barriers for consumers? Are there others than those outlined above?**

The consultation paper identifies the following key issues and barriers to switching.

- a) Encouraging comparing and switching remains a challenge.
- b) Consumers are sharing unequally in the benefits of increased retail competition due to low switching rates.
- c) Assessing price-comparison websites' impact on switching is complex.
- d) Recent market innovations are difficult for comparison sites.
- e) It is difficult for some consumers to use price-comparison websites.
- f) Monetary savings alone are unlikely to ensure widespread switching.

In addition, Consumer considers the following issues and barriers should be included:

- g) Market issues that make emerging retailers reluctant to take on new customers.
- h) Retailer apathy around acquisition.
- i) Retailers' differing credit criteria.
- j) Legacy metering and metering configuration issues.

Our views on each of these issues and barriers are outlined below.

- a) **Encouraging comparing and switching:** Consumer considers that encouraging switching can be a challenge because many consumers are apathetic and disengaged. Despite households being concerned about their electricity costs, one-in-five consumers don't even bother opening their power bill and a further 20% only open their bill occasionally.<sup>5</sup> Where consumers do try to engage, many become confused and frustrated.<sup>6</sup> It doesn't help that most power bills are unnecessarily difficult for consumers to understand, with many retailers omitting the key data needed to undertake price comparisons.<sup>7</sup>

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<sup>5</sup> Ibid at 2.

<sup>6</sup> Website analysis in 2022 showed that 32% of Powerswitch users gave up carrying out a comparison because they could not find key information on their bill.

<sup>7</sup> Consumer NZ examination of power bills in 2022 showed that only 40% of electricity bills had a pricing plan named and only 47% of bills contained historic consumption data.

- b) **Sharing benefits of competition:** We agree the benefits of competition are not currently shared equally. Analysis by Consumer found that areas with the lowest average incomes had the higher electricity prices but, somewhat counterintuitively, also tended to have lower switching rates.<sup>8</sup>

This paradox was also noted in a recent study led by Otago University, which found that higher-income households are more likely to search for alternatives but are less likely to switch because they are less price sensitive; while lower-income households are less likely to search despite being more price sensitive.<sup>9</sup>

The issue was also recognised in the Electricity Price Review:

*Another problem is consumers are sharing unequally in the benefits of increased retail competition. Those who shop around get good deals, while those who stay put miss out. The average gap between the cheapest retailer's price and the incumbent retailer's price has risen about 50 per cent since 2002.<sup>10</sup>*

- c) **Assessing comparison websites' impact:** Consumer has found that determining the full extent of Powerswitch's influence on consumers switching providers and rates can be difficult.

Consumer behaviour around decisions related to electricity supply is complex and different to the decision-making processes exhibited for other products and services.

It is notable that countries with similar electricity retail markets to New Zealand also have low switching rates. Overseas studies indicate there are several consumer behavioural biases associated with electricity that create barriers to switching providers. Prevalent in these biases is consumer aversion to the complexity and choice overload involved in switching, status quo bias, and loss aversion bias. Status quo bias is a tendency to resist change, and instead favour the status quo or "default" setting, which often results in inertia (i.e. non-action) or avoiding making a decision altogether. Loss aversion bias is where a consumer cares more

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<sup>8</sup> The shocking difference in electricity prices across New Zealand, Consumer NZ. September 2021.

<sup>9</sup> [The impact of price comparison tools of electricity retail choices](#), Peter Gibbard and Kevin Remmy, February 2024.

<sup>10</sup> Electricity Price Review Final Report, 21 May 2019.

about avoiding financial losses than making financial savings. One study found that 90% of energy bill payers are loss averse.<sup>11</sup>

Because of electricity's essential nature, many consumers are also understandably nervous about changing their supplier.<sup>12</sup> However once customers have switched, they realise it's easier than they think.<sup>13</sup>

We find that consumers can take several days, weeks, or even months before finally making a change. But for many, a visit to a comparison site is a critical step in their decision-making process,<sup>14</sup> and it seems once consumers start looking at alternatives, eventually most will change.<sup>15</sup>

- d) **Accommodating market innovations:** Consumer does not agree that recent market innovations are difficult for comparison sites to handle. The Powerswitch algorithms already accommodate complex offerings, such as spot-priced plans and time-conditional plans, amongst others. The difficulty derives from having to undertake comparisons in a low-data environment, rather than from the complexity of the plans themselves.
- e) **Using price-comparison websites:** We agree that currently some consumers find it difficult to use price-comparison websites. However, we believe that undertaking comparisons could readily be made faster and easier.

Currently, comparing electricity retail offers is more complex and difficult than it needs to be due to key data not being available. A study showed that 32% of Powerswitch users gave up carrying out a comparison because they could not find key information.<sup>16</sup>

For many years, data issues have been an ongoing frustration for Consumer in its operation of Powerswitch. If data was accessible, sites like Powerswitch could be readily automated to provide users with detailed

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<sup>11</sup> Uptake and usage of cost reflective electricity pricing: Insights from psychology and behavioural economics. Hobman, E.V., Frederiks, E.R., Stenner, K., & Meikle, S. Renewable and Sustainable Energy Reviews, CSIRO 2016. Are consumers willing to switch to smart time of use electricity tariffs? The importance of loss-aversion and electric vehicle ownership. Nicolson, M., Huebner, G., & Shipworth, D. (2017). Energy Research and Social Science, 23, 82–96.

<sup>12</sup> Consumer NZ undertakes a monthly survey of non-switching Powerswitch users. 25% of respondents gave 'anxiety' as a reason for not switching.

<sup>13</sup> 2022 Consumer NZ Energy survey. Around half (51%) of those who had not switched believe switching is easy. However, 88% of those that had previously switched, believe switching is easy.

<sup>14</sup> Ibid at 9.

<sup>15</sup> Consumer NZ undertakes ongoing monitoring of non-switching Powerswitch users. We track households that did not switch immediately following a Powerswitch but did within three months of their visit.

<sup>16</sup> Powerswitch Strategic Review – Energy Link, January 2023.

comparisons and bespoke energy savings advice. This increased information would be of great value to all site users.

- f) **Promoting monetary savings:** Consumer disagrees with the contention that monetary savings alone are unlikely to increase switching. Although not the only answer, if people were made more aware of the monetary savings available to them, we believe switching would increase significantly.

Consumer's view is that getting consumers to explore and switch rates, and the success of comparison sites, also depends on the actions of retailers themselves. Consumer would therefore also encourage the Electricity Authority to include the issues and barriers to switching outlined below.

- g) **Market issues** make some new retailers reticent about taking on new customers. Consumer currently has retailers that are reluctant to be included on Powerswitch, as they are concerned, they will acquire too many customers and will be unable to service them, due to issues they are experiencing with the wholesale market.
- h) **Retailer apathy around acquisition.** From variances in the Powerswitch conversion rates, we can see that some retailers are "hungrier" than others when it comes to converting switch requests coming from Powerswitch into customers.<sup>17</sup> We also observe this in the differing efforts that retailers put into bringing onboard new customers.
- i) **Retailers refusing service.** Retailers are not required to take on new customers. Some consumers are not switching because they do not meet some retailers' credit criteria<sup>18</sup>. This is particularly unfortunate for those hard-to-reach, lower socio-economic households that find lower-cost providers but are then declined service.
- j) **Legacy metering issues.** Some consumers wanting to switch to a lower-cost provider are prevented from doing so because they still have a legacy meter installed (i.e. not yet replaced with a smart meter). Having a legacy meter prevents impacted households from joining lower-cost providers that offer innovative time-conditional offers.

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<sup>17</sup> Conversion rates refer to the % rate at which switching leads provided to a retailer by Powerswitch become customers of that retailer. The 12-month rolling conversion rates varies considerably between retailers (22%-72%).

<sup>18</sup> In the 2023 Consumer survey, 9% said they had been denied becoming a customer of an electricity provider because of previously missed payments. 6% said they had to switch to a pre-pay plan because they had had trouble paying their electricity bills.

However, in addition to these issues and barriers, Consumer believes the main reason households are not switching in higher numbers is because comparing retail offers is made unnecessarily complex and difficult due to key data not being made practically available. The data issue could be easily mitigated and for many years Consumer has been advocating for simple improvements.

We believe a reason the larger retailers have been unwilling to make suggested changes<sup>19</sup> is because the uncertainty and confusion that is caused through poor data provision effectively forms a barrier to switching, which serves the incumbent providers' commercial interests.<sup>20</sup>

While Powerswitch is configured so it can still provide comparisons for site users who cannot input personal household data<sup>21</sup>, the results can be less compelling<sup>22</sup> – meaning people who can't enter data are less likely to switch than those that can.

Where a user does not enter some or all the required data, Powerswitch employs various smart workarounds to provide estimates. The workarounds and assumptions have been shown to be sufficient to accurately generate comparisons as most retail offers are still relatively simple<sup>23</sup>.

However, we are fast approaching a juncture where relying on estimates and assumptions will become insufficient. Recent research shows there is increasing diversity in the profiles of household electricity consumption, as technologies such as solar, batteries and electric vehicles, proliferate.<sup>24</sup> This will increasingly make it difficult to provide cost comparisons solely using estimates and assumptions. This is particularly the case for the complex retail plans now emerging, such as time-conditional pricing plans.

Under time-conditional plans, the unit price of electricity changes depending on when it is consumed. Such plans hold enormous potential for consumers,

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<sup>19</sup> Specifically, Consumer has suggested that retailers include a pricing plan names and 12-month consumption figures on power bills. Consumer NZ examination of power bills in 2022 showed that only 40% of electricity bills had a pricing plan named and only 47% of bills contained historic consumption data.

<sup>20</sup> Consumer NZ undertakes a monthly survey of non-switching Powerswitch users. 60% of respondents cited confusion as a reason for not switching.

<sup>21</sup> Analysis of Powerswitch user sessions identified that in 61% users provide no consumption data and 42% did not identify their current retail plan (Energy Link Powerswitch Strategic Review – January 2023).

<sup>22</sup> Without data, Powerswitch can provide a relative ranking by estimated annual cost, but not a monetary cost saving figure. The \$ savings figure is a more compelling motivator for switching than just relative ranking.

<sup>23</sup> Ibid at 16.

<sup>24</sup> Powerswitch and time conditional plans –Energy Link August 2023.



the environment, and electricity distribution networks, as they serve to flatten the load profile (i.e., reduce consumption during peak-demand periods).

Time-conditional plans offer significant savings for those households that can “load-shift”. Households on these plans can typically save 10% to 20% off their power bill without curtailing their overall consumption. Load-shifting reduces the need to run coal- and gas-generation plants during peak-consumption periods, which in turn has environmental benefits and helps New Zealand reach its carbon-reduction goals.

However, time-conditional plans are complex. Being able to assess a user’s potential to benefit from time-conditional offers, and provide accurate and reliable comparisons and savings estimates based on them, will not be possible, in the long term, without access to a household’s half-hour consumption data. And if consumers are unable to fully assess the potential benefits for their households of switching to a time-conditional plan, then uptake of these plans will be dampened.

A study by Energy Link agreed that improving the quality of consumer data is the main challenge facing comparison services:

*The review found a high level of confidence that Powerswitch will produce the correct retailer ranking for a given consumption, metering configuration, location and user preference.*

*However, users are not providing sufficient reliable information for the consumption estimation algorithm to operate fully effectively.*

*And effectiveness is increasingly under challenge from technological change either directly such as the uptake of EVs and PV Solar generation, or indirectly by the facilitation of novel, smart-meter-enabled tariff structures such as those based on consumption measures over specified time periods.*

*The ability to get consumer data is the highest priority challenge facing Powerswitch.<sup>25</sup>*

New Zealand has invested heavily in data-collection technology, only to then lock that data away. The smart meter rollout has been a great success in New Zealand, with 92% of households now having a smart meter.<sup>26</sup>

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<sup>25</sup> Ibid at 16.

<sup>26</sup> [EMI data](#)

Yet, retailers have benefited from this technology far more than consumers. Despite the large capital investment, New Zealand has not yet realised anywhere near the extent of consumer benefits the technology could enable.

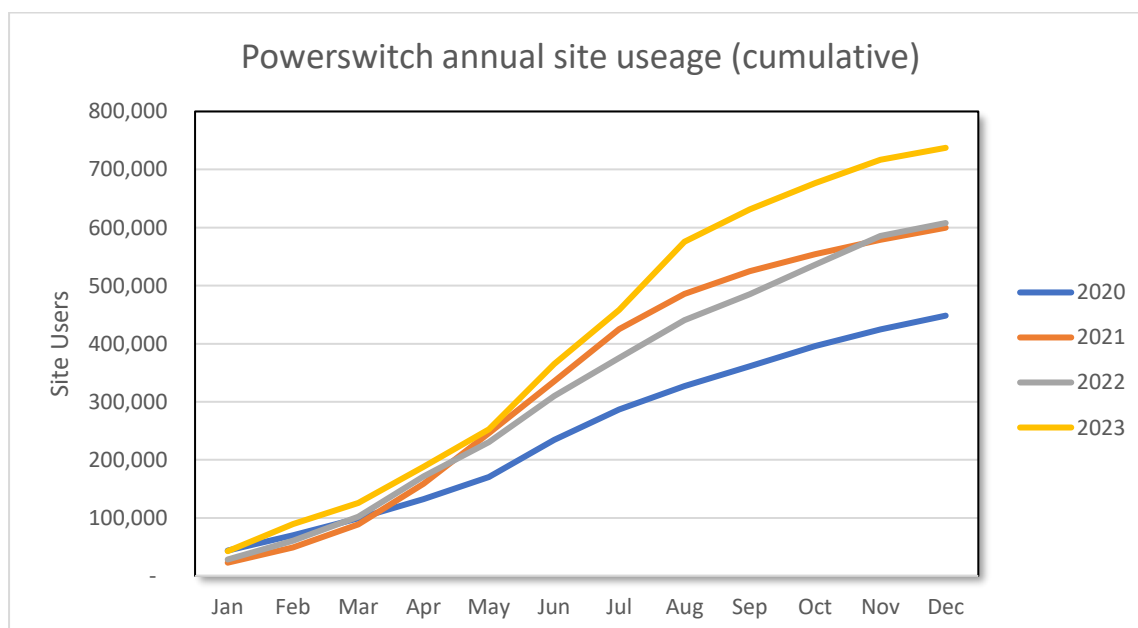
The 2019 Electricity Price Review recognised the potential for data to be used to help consumers find cheaper power deals:

*Quick, easy access to long-term consumption data is vital if consumers are to make informed choices, rather than guesstimates, about which plan suits their needs. It is also vital if authorised agents (such as Powerswitch and other price comparison tools, as well as competitors) are to be able to provide more accurate estimates of how much consumers can save by switching.<sup>27</sup>*

Solving the data access issue will also introduce efficiencies and enable future price-comparison website development.

## Q2. Do you think we've identified the right opportunities leading us to review how we support comparison and switching? What opportunities do you consider most important?

To date, Powerswitch has met or exceeded all KPI outcomes under its contract with the Authority. The chart below shows the significant uplift in Powerswitch site usage to date in the contract period.



<sup>27</sup> Recommendation C3, Electricity Price Review Final Report, 2019

Regardless, it is expected and appropriate that any contract for a publicly funded service should be periodically reviewed for new opportunities, irrespective of performance. The current contract's expiry in mid-2025 provides that opportunity.

The authority has identified the following opportunities:

- a) Reducing electricity costs for consumers.
- b) Increasing the range of plans to accommodate domestic level distributed energy resources such as solar, batteries, and load control.

We agree these are the most important opportunities for a comparison service.

Of these, opportunity a) – reducing consumers' electricity costs by empowering them to identify the lowest-cost option for their household – is the primary objective of a comparison service.

We believe secondary benefits (environmental, network) will also occur through consumers seeking the lowest-cost options.<sup>28</sup>

However, opportunities a) and b) are intertwined. By increasing the range of plans available for comparison, households that have already invested in distributed resources will be exposed to pricing plans that will maximise the return from their investment in these technologies, and households who have not yet invested will become informed of the potential benefits, should they choose to do so (i.e. by accommodating emergent technologies, comparison services will allow consumers considering investing in distributed energy systems to undertake more fulsome cost-benefit analysis).

Likewise, by including specialist electric-vehicle pricing plans within comparison services, consumers who are considering purchasing an electric vehicle will be able to assess their potential charging costs.

Consumer offers the following observations on how the two opportunities the Electricity Authority has identified can be maximised.

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<sup>28</sup> In general TC plans are lower cost than fixed rate plans. TC plans incentivise consumption away from peak periods which can relieve network congestion and reduce the need for fossil fuel generation.

- a) **Reducing electricity costs for consumers:** this is particularly crucial at present, when there is a cost-of-living crisis, and many households are struggling with electricity costs.<sup>29</sup>

Consumer believes that increasing switching rates – particularly for households facing energy hardship – has the potential to unlock significant savings for New Zealanders. Currently the average savings available thorough changing to a lower-cost provider is \$388 per annum.<sup>30</sup> We estimate that for every 1% of additional households that switch to a lower-cost provider a collective annual saving to consumers of over \$7 million is generated.<sup>31</sup>

Increasing switching rates also increases competitive pressure, which helps keep a lid on prices in general. A recent study led by Otago University found that price-comparison tools play a crucial role in switching behaviour. The study showed that consumers were considerably more likely to switch retailers if they had previously visited a price-comparison website, even where the consumer had visited the website several months prior.<sup>32</sup>

The benefits of encouraging more people to use comparison sites are significant. The study determined that if all households that searched for better power deals has accessed Powerswitch (which would represent a 20% increase in site users), the collective savings to consumers would be \$67.7 million annually. Further, if all consumers actively used a price-comparison tool at least once a year, their collective savings would be \$219 million annually.<sup>33</sup>

- b) **Increasing the range of plans:** There is an opportunity for comparison sites the increase the range of plans and scope of the information they offer as technologies such as solar, batteries, smart appliances and electric vehicles proliferate. In general, there is an opportunity for comparison sites to help consumers make informed decisions by showing them the costs and benefits of investing in these technologies.

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<sup>29</sup> In the 2023 Consumer NZ energy survey 62% of consumers said they were concerned about their electricity costs and 19% of households reported they had experienced financial difficulty paying their monthly power bill in the past 12 months.

<sup>30</sup> The average savings on Powerswitch by changing retailer over the 12-months was \$388 per annum.

<sup>31</sup> Ibid at 1.

<sup>32</sup> Ibid at 9.

<sup>33</sup> Ibid at 9.

### Q3. Do you consider it is important for the Authority to fund and support a comparison and switching website or websites? Why?

Yes. Consumer considers that a fully funded comparison site is an essential component in enabling retail competition. Unlike with other products, there is no equivalent physical or online “shop” where electricity consumers can easily browse the prices of the options available to them.

The recent Otago University led study<sup>34</sup> found that, without a comparison site, consumers were less likely to switch providers, and those who did were more likely to switch to one of the four large incumbent gentailers<sup>35</sup>.

When a comparison site is available, consumers were more likely both to switch and to take up lower cost offers from newer smaller retailers. Without Powerswitch, many of the smaller retailers would not have been able to gain the traction they had, and this would have had a detrimental effect on competition in the market.

The study showed the value a comparison site provides in exposing consumers to a broader range of options than those they would otherwise have achieved through, for example, organic search results. The paper put the value of the enhanced range provided to users by Powerswitch at \$13.7 million per annum.

Our long experience with Powerswitch is that, like Consumer, its independence from commercial incentives is essential in building consumer trust. It is vital the service is independent and not influenced by commissions and paid advertising or promotion. This means to be effective, Powerswitch cannot be a commercial proposition and will require external funding to be financially viable.

If a comparison site were to rely solely on commissions for its funding, this would incentivise configuring the site to optimise switching (and to plans that pay the highest switching bounty), rather than impartial comparisons. This is important as switching may not always be in the best interests of some households.

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<sup>34</sup> Ibid at 9.

<sup>35</sup> Gentailers refer to those electricity retailers that are also electricity generators, hence ‘gentailer’. Specially these are: Mercury, Meridian, Contact and Genesis.

Likewise, pay-to-play funding mechanisms, such as requiring retailers to pay listing fees, are problematic as they risk excluding smaller and social retailers that have less ability to pay than the large incumbents.

In general, Consumer's experience with Powerswitch is that taking payments directly from retailers in any form can undermine public trust in the independence and integrity of the site's results.

Comparison sites also play an important function in enabling greater retail competition, and help provide oversight and monitoring for the market, by providing valuable data and insights back to the industry, regulators, policy makers, researchers, and stakeholders.

Powerswitch provides regular tariff data and site performance statistics to a range of retailers and agencies for a variety of purposes. For example, the long-standing quarterly survey of domestic electricity prices, administered by the Ministry of Business, Innovation and Employment, uses Powerswitch data.

#### **Q4. What do you think are the most important features a comparison and switching website should have to make it the most accessible and effective for users?**

Most importantly, for a comparison site to be effective, users need to trust the integrity and independence of the website's results. To achieve this the site needs to be run by an independent organisation that consumers know and trust, and not be for commercial gain.

To be more accessible, better access to data is required, as canvassed in our answer to question 1. Comparisons could be made significantly easier and more personalised for users through greater automation. Consumer believes greater automation of comparisons would result in many more consumers comparing and switching, which would transform electricity retailing.<sup>36</sup>

#### **Q5. What problems, if any, do you see with current comparison and switching websites?**

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<sup>36</sup> By automation we mean the comparison service getting consumers data from a central data repository directly and undertaking comparisons, rather than relying on the user to providing it. By automation we also mean, automatically rerunning comparisons periodically for users who opt into the service, rather than relying on them periodically coming back to the site to recheck.

As outlined in our previous answers, issues arise from undertaking complex comparisons in a low-data environment. This can be easily addressed through the industry providing information on power bills in a consistent format and allowing practical access to user-consumption data.

Powerswitch has existed for 25 years, the same period as the current market model of electricity retailing itself.<sup>37</sup>

Until relatively recently, funding constraints have made it difficult for Powerswitch to keep up with retail innovation and changes in technology.

Over the past three years, Powerswitch has been playing catchup on years of underinvestment. It is now largely there, with the latest site changes removing most of the previous site UX issues.

In the past, Powerswitch has been criticised for not having all retailers on the site.<sup>38</sup> This is not for lack of trying. All retailers are welcome on the site, and we actively encourage them to feature. However, for various reasons unrelated to Powerswitch, some retailers have requested that we do not list them.<sup>39</sup>

In our view, having retailers as willing and collaborative participants on the site is preferable to unilaterally listing them. We have spent many years cultivating positive relationships with retailers to achieve as widespread market coverage on Powerswitch as possible.

Underpinning Powerswitch is a very large pricing database.<sup>40</sup> Keeping the database up to date and verified is a large part of the Powerswitch team's day-to-day operational activities. On occasions, there have been resourcing issues when several retailers request complex pricing changes simultaneously.

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<sup>37</sup> Powerswitch was launched around 1999 in response to ongoing industry deregulation and the advent of electricity retail. It was recognised that consumer access to a free, independent price comparison site would be needed to help enable the fledgling electricity retail market. Given its position as a widely known and trusted consumer advocate, Consumer was approached to provide the service. Funding was initially provided by the Ministry of Consumer Affairs.

<sup>38</sup> 97% of residential ICPs are currently covered by a retailer on Powerswitch. Of the remainder, around 2% is with 2Degrees/Slingshot who we are in discussions to have on the site towards the middle of 2024.

<sup>39</sup> The main reason for not joining is fledgling retailers are worried about securing forward contracts and are therefore wary of taking on too many customers too quickly.

<sup>40</sup> The Powerswitch database currently includes 17,058 sets of prices (the "tariff set") charged under 3,464 electricity and 569 gas pricing plans.

To mitigate this, it has been suggested that we allow retailers to upload data themselves.<sup>41</sup> However, actioning this initiative would require all retailers to agree to the process and maintain some form of internal quality assurance to ensure prices have been entered correctly.

While some retailers, particularly those that are more competitive on the site, are keen to self-load prices, others are less eager. Consumer is concerned about handing over responsibility to retailers for the quality and timeliness of data entry and validation, given that some are not as invested as we are in ensuring prices are represented accurately on our site.

In terms of comparison sites other than Powerswitch, our view is that they are not impartial in the same way that Powerswitch is. In general, these sites only list offers from a small subset of retailers.<sup>42</sup>

Our assessment is that these sites are comparatively unsophisticated, and don't appear to undertake comparison calculations (between the user's current vs all possible providers). We also have suspicions about the accuracy and validity of their cost-estimate algorithms. Furthermore, we are alarmed at the relatively low number of options they display, compared to what is available in the market.

Being commercial enterprises, we understand these sites are often "pay to play" and, through comparing Powerswitch results with the results generated by the sites for the same address, we believe their results often do not show users the lowest-cost options available to those households.

In short, we do not believe these sites should be compared with Powerswitch in terms of accuracy, coverage of market offerings, or provision of independent and reliable guidance on the lowest-cost offerings available.

While it is to be expected Consumer would be critical of other services, as a not-for-profit consumer advocacy organisation, we have genuine concerns about these sites and do not believe that consumers are well served by them.

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<sup>41</sup> The Powerswitch database currently includes 17,058 sets of prices (the "tariff set") charged under 3,464 electricity and 569 gas pricing plans.

<sup>42</sup> For example, the PowerCompare site is current shows around [50 plans from eight retailers](#).



## Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?

The website options put forward in the consultation paper are:

- option 1: no authority/government supported or endorsed website.
- option 2: retailer-run collective website.
- option 3: authority-accredited, externally run, websites.
- option 4: authority-supported existing or new, externally run, websites.
- option 5: expanded government utility comparison website.

For all the options, the ability to continue the long-standing provision of data to industry and other agencies must be a consideration. Discontinuing this would disrupt the Ministry of Business, Innovation and Employment's long-established quarterly price monitoring and reporting.<sup>43</sup>

Some retailers also use the monthly Powerswitch tariff data as part of their own monitoring and to determine pricing strategies and offers.<sup>44</sup> Powerswitch data is also regularly provided to other industry participants and stakeholders for activities such as research and policy formulation.<sup>45</sup>

For all options, practicalities such as the size of the New Zealand market need to be considered. A comparison site that relies solely on switching success fees is not likely to be commercially viable over the longer term, due to the volatility and unpredictability of the market (e.g. retailers curtailing acquisition in dry years), the relatively low pool of prospective households,<sup>46</sup> and the diminishing savings available to households each time they switch.

Consumer trust also needs to be a consideration for all options. Website users are less likely to act if they have doubts about the independence and integrity of the information being provided. We believe consumers are less likely to trust the results of websites that are seen to be motivated by commercial gain. Likewise, users are less likely to trust the integrity of results if the website is provided by parties they do not know or trust, or that they believe have ulterior motives, such as being provided by industry representatives.

Another consideration is the cost of public funding that has already gone into developing existing websites. In addition to Consumer's investment, over 25

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<sup>43</sup> Quarterly Survey of Domestic Electricity Prices (QSDEP)

<sup>44</sup> For many years, Powerswitch has provided a monthly download of its tariff database to retailers. More recently, it has also provided access to Powerswitch performance data.

<sup>45</sup> The Electricity Authority, EECA, MBIE, Otago University, ERANZ, Electricity Distribution Businesses (EDBs)

<sup>46</sup> Currently there are only 1.93 million residential ICPs in New Zealand

years' funding from various agencies and organisations has been provided to develop Powerswitch. This has mainly been public-sector funding. It would not be efficient or in the public interest to allocate further public funding to replicate what has already been created, when a better use of that funding would be to continue to build on the existing investment in Powerswitch.

**Q7. Of the website-related options, which do you think would best remove barriers to comparing and switching (e.g., perceptions that switching is time consuming, complex, and confusing)?**

Consumer believes option 4, with full funding, is the best option for a public electricity and gas price-comparison website in New Zealand.

Currently, there is a mixed funding model for Powerswitch, with the Electricity Authority providing approximately 75% of the site's funding. Consumer relies on switching fees, charged to retailers for each new customer they acquire via Powerswitch, to make up the shortfall.

The reason Consumer was originally requested to host an electricity and gas price-comparison site was because we are a not-for-profit organisation with a long-standing track record as a trusted and independent advocate for consumers.<sup>47</sup>

Having to seek revenue from retailers to make up the current shortfall in funding is, at times, problematic, as it undermines the very attributes which make Consumer the ideal provider of the service. This risk was recognised by the Electricity Price Review which, regarding website funding, stated:

*The contract should provide stable and sufficient funding to ensure Powerswitch has no need to rely on retailers' commissions, which could undermine consumers' trust in the website.*<sup>48</sup>

Engaging in the switching process is the best way to remove the perception that switching is time consuming, complex or confusing. According to the 2023 Consumer survey, among those respondents who have previously switched electricity provider, 88% said it was easy to switch (64% said very easy). But only half (51%) of those who haven't switched feel it is easy (35% very easy).<sup>49</sup>

Once customers have switched, they realise it's easier than they think.

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<sup>47</sup> Consumer NZ was established in 1959.

<sup>48</sup> Recommendation C1, page 32, Electricity Price Review Final Report, 21 May 2019.

<sup>49</sup> Consumer 2023 Energy Survey, Question 23.

Encouraging more people to compare and switch could have a snowball effect, as getting non-switchers to change providers makes them more open to comparing and switching thereafter.

#### Q8. What other types of website-related options, if any, should we consider to support comparison and switching and why?

In the 2023 Consumer survey, 27% of respondents reported their energy services were part of a package or bundle.<sup>50</sup>

Bundled plans are those where households take one or more non-energy services (typically broadband and mobile services) in addition to electricity or gas from the same retailer.

A current difficulty faced by households on bundled services is determining their overall net-cost position relative to other offers, i.e. how does the combined cost of all their services compare to other bundled offers in the market, or to obtaining each service as a stand-alone offer from multiple retailers.

Consumers will increasingly be looking for a one stop shop for comparison services – that is, a site that compares electricity, gas, broadband, mobile services, and bundled combinations of these services.

We have recently made changes to Powerswitch to enable comparison of broadband bundles, and are currently investigating including mobile services, alongside other potential developments.

Beyond changing electricity provider, consumers can save on their power bills by changing their behaviour and adopting energy efficiency measures. For example, we find consumers can typically save 20% or more by changing their consumption patterns to take advantage of the lower cost, or free periods offered in time-conditional plans. This is particularly pronounced for households that can shift large portions of their load, such as electric-vehicle charging and electric hot-water heating.

Households can also typically save around \$500 a year just by adopting simple energy efficient habits.<sup>51</sup>

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<sup>50</sup> Consumer NZ survey, May 2023, question 10.

<sup>51</sup> [Save 500 website](#).

We believe consumers would be well served by Powerswitch being expanded to include calculators and other web tools to show the potential savings for their household from load shifting and energy efficient habits. We also want to advise people about the cost benefits of investing in technologies such as solar and batteries, electric vehicles, hot-water heat pumps and appliance changes (e.g. gas to electric).

**Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?**

Alternative solutions, such as automated bill-reader technologies, show promise but are not a silver-bullet solution.

Powerswitch has investigated other means of obtaining data and providing comparisons, including looking at adding bill-reader functionality to the site (our development team has already proven the feasibility of the concept by trialling a bill). While this facility will be useful for some consumers, it is not the total solution some have advocated. This is because key information is missing from many retailers' bills, and information (where shown) is not displayed on bills in a consistent format.

The complexity introduced through missing or inconsistent billing data currently makes an automated-bill-reader solution prone to errors. Constant monitoring and costly ongoing coding changes would be required to accommodate any changes that retailers make to bills. Further, with current heightened concerns about the proliferation of online fraud, we believe prospective users may be reticent about sending power bills that contain personal information or can be potentially used as proof of identity to third parties.

**Q10. What are your views on how retailers providing 'best plan' information could work? For example, how should they assess the 'best plan' and present/target information to consumers, and how often? What do you think of the Australian 'automated switch' idea?**

We know from the Powerswitch call centre that, in general, consumers assume and expect their retailer will put them on the best plan, or will at least advise them when a better option is available. Many are understandably disappointed and angry when they find this is not the case.

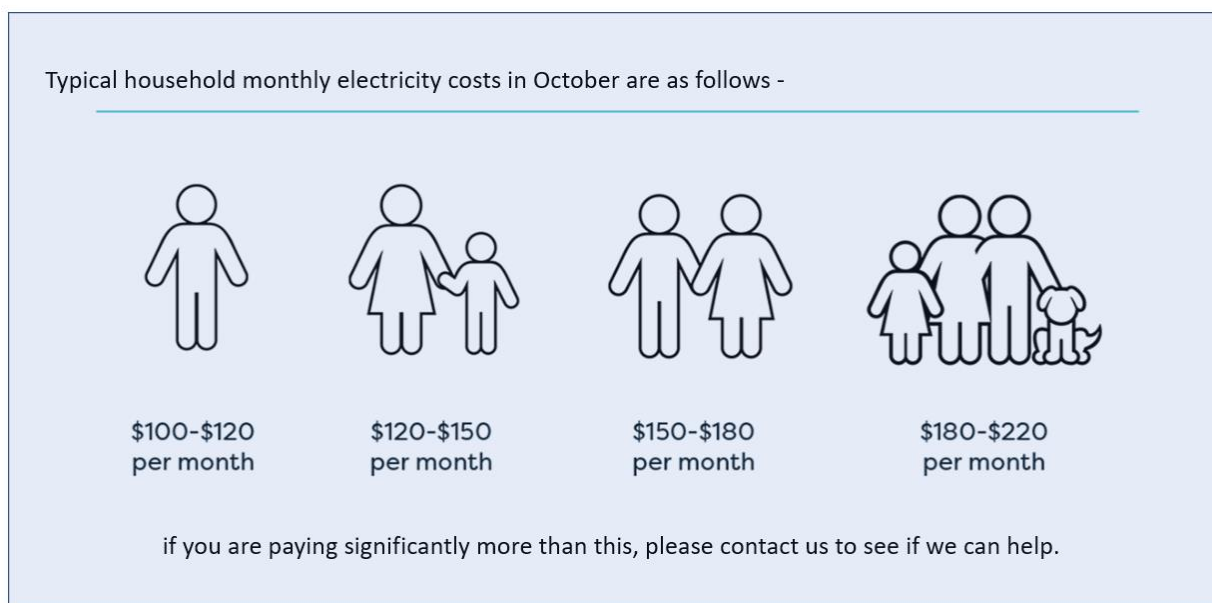
However, not all retailers are the same. Some retailers are more proactive than others about informing their customers when other plans may be beneficial for them.<sup>52</sup>

While we applaud the intent of such a 'best plan' initiative, we see issues with the approach in that what is "best" for a household is subjective and will differ between households depending on their individual needs and circumstances.

For example, if best in this context means "least cost", then a time-conditional plan may be put forward as best (in terms of overall cost). However, a time-conditional plan will not be suitable for households that do not have the means or motivation to load shift. Also, the terms and conditions of the least-cost plans may not suit some households. For example, a lower-priced option may require payment in advance or require bundling with other services that the household does not want.

The other issue we see with a best-plan approach is that it could inadvertently dissuade households from comparing and switching to a cheaper provider. This is because some consumers may think the best plan shown on their bill is representative of the cheapest overall, whereas in fact it is only the best plan from their incumbent retailer's suite of offerings, not those available to them from the wider market.

We believe it would be more useful to provide consumers with information like that pictured below to help them determine if they are paying too much.



<sup>52</sup> We understand the retailer Flick, for example, regularly checks whether their customers would be better off on one of their other offers every 6-months.

**Q11. In what form do you think the community advisers service would function best? For example, what agencies might we collaborate with? What are the best approaches?**

Our experience is that trusted community advisors work particularly well, especially with households facing hardship who can be disengaged and hard to reach. Consumer has previously worked with the Ecobulb and EnergyMate schemes. Both these programmes work within local communities to reach households in hardship.

Around two years ago, Ecobulb worked with Consumer to implement a technical solution whereby Powerswitch comparisons were incorporated into the Ecobulb home assessment tool. We have found this particularly effective, as the Ecobulb assessors can talk their clients through the pros and cons of the options recommended by Powerswitch and provide assistance with the switching process. Since 2021, we understand Ecobulb has carried out over 10,000 assessments, which by its estimates have equated to \$6.8 million in annual savings.

**Q12. What conditions or supports would enable community advisers to be best able to help consumers? What barriers need to be removed to achieve this?**

Consumer has observed that the most effective ways to enable community advisers to help consumers are via in-home assessments, or at a local hui, or as part of a community event. To mitigate apathy and trust issues, programmes need to be carried out in collaboration with trusted local organisations and community leaders, working in conjunction with recognised programme providers such as Ecobulb and Energy Mate.

**Q13. What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?**

We believe the wider societal and health benefits of lowering household electricity costs should be considered. For example, if the savings made by

households through switching meant they were more able to afford to heat their homes, there would likely be wider societal benefits.<sup>53</sup>

**Q14. Of the consumer choice support options, which do you think would best remove barriers to comparing and switching (e.g., perceptions that switching is time consuming, complex, and confusing)?**

Our view is that option C would be most effective for providing mass education around the ease and benefits of switching for the general population.

Option B would be the most effective at reducing barriers for the hard-to-reach consumer segment. Our experience is that many of these hard-to-reach consumers are mistrustful. Trusted community organisations working in collaboration with programme providers can effectively overcome negative consumer perceptions.

Option A does not really address switching barriers, as it only reveals lower cost plans available from the consumer's incumbent provider. It may in fact discourage comparing and switching to lower-cost providers, if consumers conflate their retailers' lowest-costs plans with the lowest-cost plan available in the wider market.

**Q15. What other types of consumer choice support options, if any, should we consider supporting comparison and switching and why?**

Consumer believes an effective support option is when websites and advocacy services are combined. We believe the Ecobulb approach, which combines one-on-one in-home assessments with automated use of a comparison service is a highly effective model.

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<sup>53</sup> For example, 625 hospitalizations annually are attributable to living in cold homes, accounting for 1,834 nights in hospital and costing more than NZ\$2.3 million. Ref: Environmental burden of disease from unsafe and substandard housing, New Zealand, 2010–2017 Lynn Riggs, Michael Keall, Philippa Howden-Chapman & Michael G Baker.

Respiratory disease costs New Zealand \$6.7 billion every year and people living in the most deprived households are admitted to hospital for respiratory illness over two times more often than people from the wealthiest areas. Ref [Asthma and Respiratory Foundation NZ](#).

**Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?**

We agree that these options do not need to be considered.

Options that involve not supporting any comparison site would be detrimental to consumers and the market itself. Studies have shown that independent comparison sites generate significant consumer benefits. The same studies have shown that comparison sites like Powerswitch aid expansion of the market, as they expose consumers to options provided by emergent retailers and new plan types that they otherwise would not have been aware of or have considered.

**Q17. What are your views on the criteria we've proposed to assess options. Do you think some criteria should be weighted more than others as they are more important?**

Consumer believes the framework provides a structured methodology for assessing the options relative to each other. We believe that some of the criteria are more important than others and so should be weighted accordingly. In particular, those criteria that protect consumer interests and consumer benefits should have higher weightings. We note that some of the criteria are complimentary to each other and so cannot be assessed in isolation. For example, promoting the benefits of comparing and switching also promotes market competition which also has consumer benefit.

**Q18. Are there other criteria you think are important to help decide on the best options?**

Consumer believes the other assessment criteria that should be included are as follows.

- **Consumer trust:** Trust plays a crucial part in consumers' willingness to engage. A key criterion for assessing options should be how likely it is that consumers will use the service. Consumers are less likely to trust and engage with comparison sites and advocacy programmes that they perceive have ulterior motives, that are provided by agencies they have no knowledge or relationship with, or that they have a pre-existing distrust of. For example, some consumers may distrust or have a negative view of the government. For these users, a comparison service run by a government agency could be less appealing than other



options. Similarly, those sites seen to be run for commercial profit may be perceived by some users not to have their best interests in mind.

- **Wider societal benefit:** Options that help households facing energy hardship should be given a higher weighting. Cost saving for a household in poverty will have higher utility than for wealthy households. The wider societal benefits are also greater. For example, cost savings for households facing energy hardship will enable those households to better service their own needs.

### Q19. What's your opinion on the Authority's proposed 'four-pronged' approach to supporting consumer comparison and switching? What alternative approach might you support?

The four-pronged approach proposed is:

1. Supporting website option 4 (authority-supported website) and support options A, B and C.
2. Best plan information.
3. New or existing website that could provide targeted and personalised help to households.
4. Promotion of website, best plan, and community advisor.

Consumer agrees with the four-pronged approach. The only question we have is around the "best plan" option, which we consider could have the unintended consequence of reducing switching, as outlined in our answer to question 10. Research and testing should be undertaken to determine if this is a risk.

### Q20. What thoughts do you have on our current assessment of the options against the proposed criteria in Appendix D and their scores? How might your assessment differ?

Our assessment is that the authority's approach is robust and well considered.

### Q21. Are there any other issues concerning supporting consumers to compare and switch that you would like to comment on, whether raised in this paper or not?

Consumer considers it important to be aware that issues with the current electricity market structure, including barriers to entry for new and smaller retailers, and issues some consumers face around credit and metering limitations, will impact the effectiveness of comparison sites.