



8 March 2024

Electricity Authority

By email to: switchingconsultation@ea.govt.nz

Tēnā koutou,

Options to support consumer plan comparison and switching

Thank you for the opportunity to provide feedback on the options paper on supporting consumer plan comparison and switching.

We have contributed to and fully support the ERANZ submission, which focusses on the website options. This submission focusses on the proposal for best plan notices.

Best plan information

We fully comply with the requirement in the Consumer Care Guidelines to advise customers facing payment difficulties about alternative pricing plans. We have close engagement with these customers and can advise them of the details of their options.

However, we do not support extending this requirement to all customers via a 'best plan' notice. Extending it to all customers would substantially increase complexity and cost. International experience has also shown that these sort of notices are ineffective in influencing consumer behaviour.

In Australia a Seed Advisory report found that implementing similar notices would cost about A\$1m per retailer, irrespective of the volume of customers served by each retailer.¹ We understand that this was likely an underestimate of the final cost to actually implement. Furthermore, the smaller size of New Zealand's market means that these costs would impose a relatively larger burden here, and could prove a substantial barrier to retail entry.

These notices may also have a chilling effect on retail innovation. Time-of-use plans are a growing trend in the New Zealand market, as the industry responds to the increased volatility in the wholesale market. For example, we currently have one 'traditional' plan in market, alongside three time of use 'good plans'.

We have three concerns with including time-of-use plans within scope of a best plan notice:

- These plans require consumers to change their consumption patterns to get the best value. Many customers are simply not interested in this level of engagement in their electricity use, or household circumstances may make it inappropriate. We believe it takes a more careful consideration of a customer's circumstances when moving to these plans than a simple notice on their bill.
- History may not be a good predictor of future use. Consumption patterns can change due to household circumstances, new appliances etc. We are concerned that if a recommendation based on past usage turns out to be incorrect that this could lead to consumers making poor choices and feeling misled. This risk of this is particularly acute while these plans are new in the market, and retailers are still learning and adjusting prices to reflect consumer behaviour.

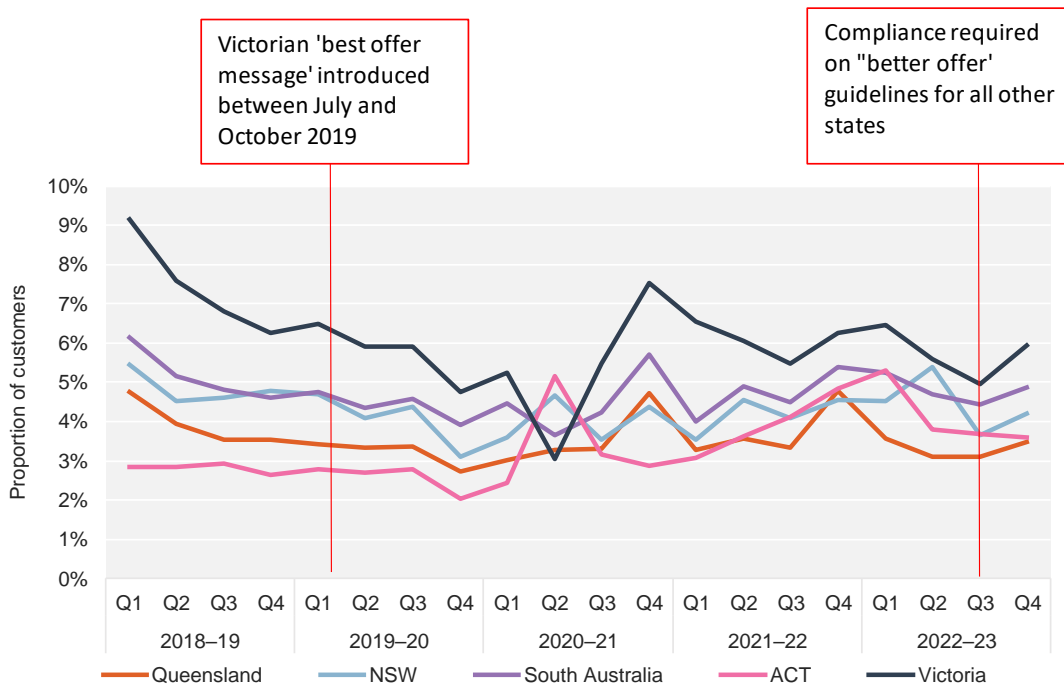
¹ https://www.aer.gov.au/system/files/2.%20AEC_Suitable%20for%20publication.pdf, p9.

- There are significantly more back-end costs in setting up a ‘best plan’ notice for time-of-use plans. To accurately state which plan is best for a customer we would need to assess half hour consumption data. However, as covered in our recent submission on the expanded information notices, raw half-hour data requires validation at considerable cost. We undertake this work for our time of use customers, but to provide accurate ‘best plan’ notices we would need extend these efforts to all customers. Ultimately this would substantially increase the cost of offering time-of-use plans, and disincentive retailers from innovating with these types of plans.

We recommend that time-of-use plans are excluded from any best-plan notice. This would be similar to the exclusion in the Australian regime for plans that require membership to third part organisations.² These plans are best considered as a different market category and not compatible with a like-for-like comparison.

Finally, we note that there is no evidence that these notices are effective in achieving the Authority’s policy objectives. As shown in figure 1 below switching rates in Australia have remained consistent since the introduction of their best plan notices. The published figures below are for switching between retailers, however, we understand that switching rates within retailers have also followed the same pattern.

Figure 1: Electricity Switching rates Australia³



² https://www.aer.gov.au/system/files/AER%20-%20Better%20Bills%20Guideline%20%28Version%20%29%20-%20January%202023_0.pdf, clause 47(a)(ii).

³ <https://www.aer.gov.au/publications/reports/performance/annual-retail-markets-report-2022-23>

Please contact me at [REDACTED] you wish to discuss further.

Ngā Mihi,

A handwritten signature in blue ink, appearing to read 'Brett Woods', with a stylized flourish at the end.

Brett Woods
Head of Regulatory and Government Relations
Contact Energy.