

## **6 March 2024: SUBMISSION TO ELECTRICITY AUTHORITY REGARDING CONSUMER PLAN COMPARISON AND SWITCHING**

### **Competition should benefit ALL consumers**

Entrust supports initiatives aimed at increasing competition.

A well-functioning and strongly competitive market is needed to make electricity more affordable for Kiwis.

Entrust is concerned that not all Kiwi households and families are benefiting from competition. The groups that tend to miss out are over-represented by low income, elderly and vulnerable consumers. Consumers that can least afford electricity are likely to be paying the most.

### **Summary of Entrust's submission**

- Entrust supports the Authority's initiatives to make it easier for residential consumers to compare and switch electricity retailers. We particularly support initiatives targeted at vulnerable consumers who have not switched before.
- It can be difficult for Kiwi households and families to know which electricity retailer or pricing plan is best for them. The increasing availability of time-of-use/'free hour of power' type pricing can be good for consumers but makes choice more complicated. Consumers need help to make sure they are on the right plan for their needs.
- Helping ensure Kiwi households and families are on the lowest cost electricity plans is a key initiative for energy affordability. Cheaper electricity can mean less financial difficulties.
- Entrust supports the 'best plan' proposal. Electricity retailers should be required to let their customers know if they aren't on the cheapest tariff.
- It could be useful for the Authority to commission periodic independent reviews to help ensure Powerswitch is providing accurate and up-to-date advice about which retailers offer the lowest prices and how much money consumers can save.
- There are other complementary initiatives the Authority could undertake that would help protect consumers from paying too much. The Authority should reconsider its decision to ban pass-through of loss rental rebates (LRR) to end-consumers. The LRR is an "excess" arising from load customers paying more than needed to fully compensate generators under nodal pricing. Passing LRRs directly to end-consumers is the only guaranteed way to ensure they are 100% compensated for the "excess" rentals.
- The Authority should also undertake the work it had planned on pass-through of the network price reductions in 2020. This work is important for helping ensure consumers aren't paying too much for electricity. We have concerns the reductions were not fully passed on to consumers.

There is a very real risk consumers will bear the impact of network price increases while missing out on the benefits of earlier network price reductions.

## **Entrust's submission**

Kiwi households and families are under increasing financial pressure and electricity is becoming less affordable. Entrust considers that helping ensure consumers are on the lowest cost/most affordable electricity plans available will help reduce the pressure electricity costs are putting on household budgets.

Entrust welcomes the Authority's focus on residential consumers who may not have switched electricity retailers or may not have switched for a long-time.

There is a sizeable subset of the population who have missed out on the benefits of competition and are paying more for electricity than they should. These consumers are disproportionately low income, elderly and vulnerable i.e. members of society that can least afford high electricity bills.

It can be hard to reach vulnerable consumers but helping ensure they are on the lowest cost electricity plans is a key initiative for energy affordability, and the Authority's new consumer protection objective.

## **What Auckland consumers have to say about electricity retail issues**

Entrust commissioned UMR to survey Auckland consumers about electricity retailing issues in 2018, to ensure consumer voices are heard. The survey findings help substantiate the views and concerns the Authority has raised in its consultation.<sup>1</sup>

We doubt the survey results would be much better if the survey was repeated now, and it is likely many of the results would be worse. If we conducted the survey again some of the results would change, but the underlying message would likely remain that: (i) many consumers find it difficult to compare pricing plans, (ii) many consumers have a perception it is difficult to switch, and (iii) consumers that haven't switched will be less likely to change retailers than consumers that have switched.

The increasing range of pricing plans such as time-of-use pricing and bundled services combining electricity with gas, broadband and mobile cellular services is likely to mean many consumers now find it harder to compare different options or to switch suppliers than when we commissioned the survey.

What our beneficiaries and Auckland consumers told us in the UMR survey was that:

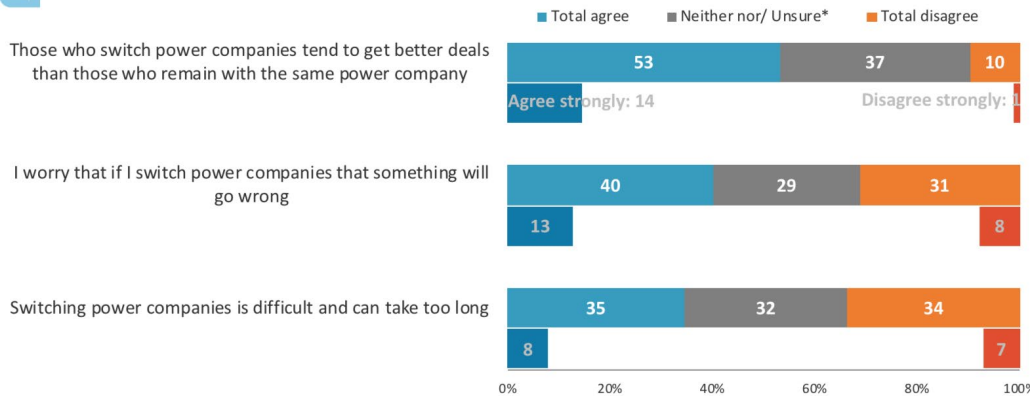
- 27% of consumers thought it was difficult to compare prices (versus 39% who didn't).
- 40% of consumers worried something would go wrong if they switched, which was higher amongst those that have never switched (46%).
- Many (23%) consumers that have never switched have a perception switching retailers is difficult.

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<sup>1</sup> Refer to Entrust's Submission on the Electricity Price Review First Report, 24 October 2018, at: <https://www.entrustnz.co.nz/media/a5got50y/submission-on-the-electricity-price-review-first-report-24-october-2018.pdf>.

- Just over 35% thought switching electricity retailers is difficult and can take too long (41% of consumers who had never switched).

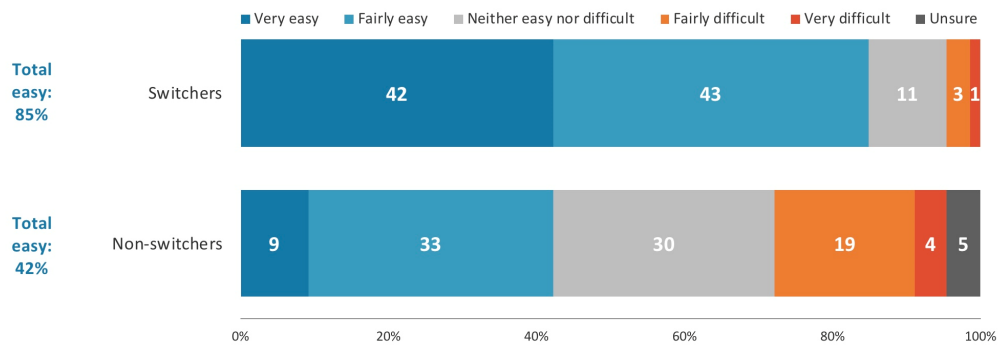
**Q** To what extent do you agree with the following statements?



\*Percentage of unsure <5%; Base: All respondents (n=700)

- There is a clear gap in the experience of those who have switched and the expectations of those who haven't. The majority of those who switched (71%) did not encounter a problem, and 85% found the switching process easy. Among those who had not switched only 42% thought it would be easy, versus 23% who thought it would be difficult.<sup>2</sup>

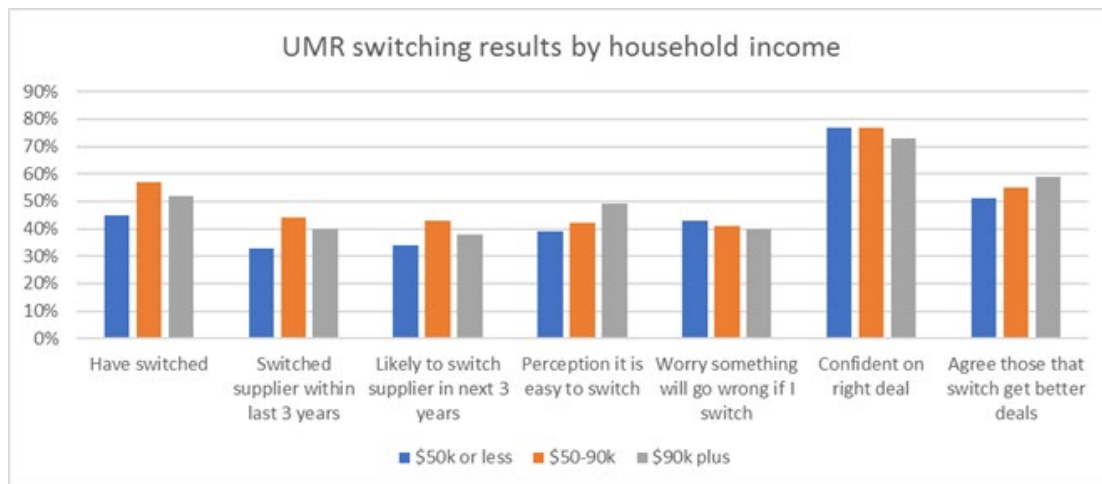
**Q** Switchers: Thinking about the actual switching process itself, how easy or difficult was it to make the switch to a different power company?  
 Non-switchers: How easy or difficult do you think it would be to switch to a different power company?



Base: Switchers (n=355), Non-switchers (n=334). Does not add to n=700 due to the 2% of respondents who were unsure if they had switched

<sup>2</sup> UMR, Consumer research on electricity usage and supply issues, October 2018

- The UMR survey found consumers that haven't switched are less likely to switch in the future, than those that have switched.



**There are other complementary initiatives that would help protect consumers from paying too much for electricity**

Last year, 359,000 Aucklanders received a \$364 boost as part of the Entrust annual dividend payment. The total payment of \$364 consisted of the Entrust dividend of \$334 plus a \$30 LRR payment from Vector (which went to all Aucklanders, not just Entrust beneficiaries).

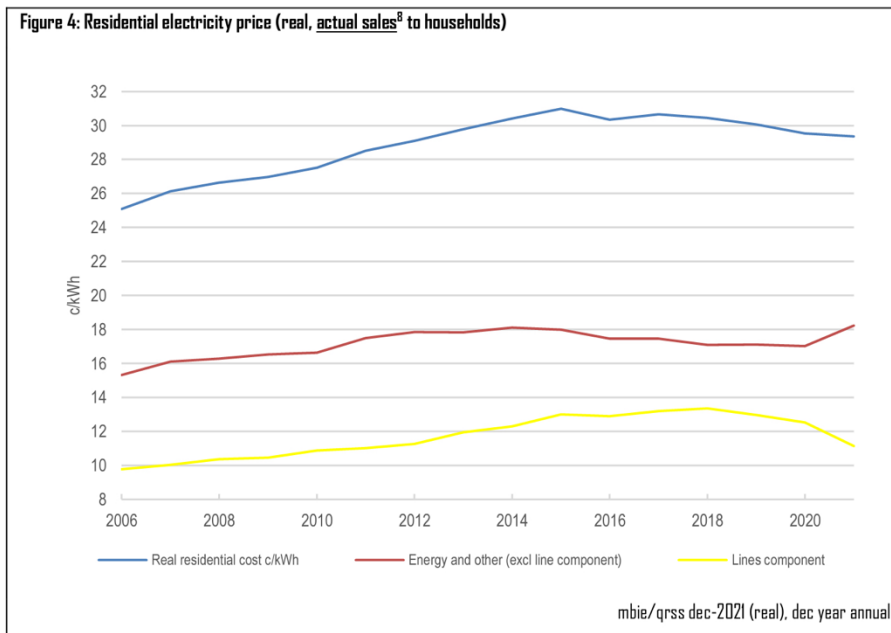
The Authority's decisions on changes to LRR allocation (what the Authority calls "SRAM") means electricity generators will receive a larger allocation, and lines companies are now prevented from passing the rebates onto end-consumers. The decision was highly controversial.

The LRR is an "excess" arising from load customers paying more than needed to fully compensate generators under nodal pricing. Passing LRRs directly to end-consumers is the only guaranteed way to ensure they are 100% compensated for the "excess" rentals.

Entrust considers that the Authority should revisit its SRAM decision, including in light of its new consumer protection objective, and mandate 100% LRR pass-through to end-consumers.

The Authority did not undertake the work it planned to determine the extent to which the substantial lines company network price reductions in 2020 were passed through to consumers. This work is important for helping ensure consumers aren't paying too much for their electricity. We have concerns the reductions were not fully passed on to consumers. Our concern is supported by information the Authority has provided to the Petitions Committee.<sup>3</sup>

<sup>3</sup> See, for example, Electricity Authority, Letter to the Petitions Committee, Re: Flick Electric submission to the Petitions Committee on market pricing and vertical integration in the electricity market, 27 May 2022 Figure 4.



This remains a topic of concern for consumer welfare and protection as increases in interest rates mean network prices are expected to increase in 2025. There is a very real risk consumers will bear the impact of network price increases while missing out on the benefits of earlier network price reductions.

**Concluding remarks**

Entrust supports initiatives aimed at encouraging consumers to compare and switch electricity retailers; particularly hard to reach 'non-switching' consumers that tend to be over-represented by low income, elderly and vulnerable consumers.

Cheaper electricity can mean less payment problems. The Entrust annual dividend also helps relieve financial pressures for consumers in the Auckland trust area.

Entrust wants to ensure electricity is supplied in an efficient and affordable way to all consumers and its beneficiaries, including the 359,000 households and businesses in its area of central, east and south Auckland.

Kind Regards,

Alastair Bell  
**Chair of Regulation and Policy Committee**

**About Entrust**

Entrust (formerly Auckland Energy Consumer Trust) is a consumer trust that owns the majority of Vector on behalf of its 359,000 beneficiaries.

Entrust owns 75.1% of shares in Vector. The shares are held in trust for energy consumer beneficiaries in the Entrust District of central, east and south Auckland who are paid a cash dividend each year.

The organisation was created in 1993 to make sure power lines remained in the control of electricity consumers and was established under a trust deed on behalf of electricity consumers in the area previously served by the Auckland Electric Power Board.

For further information, head to [www.entrustnz.co.nz](http://www.entrustnz.co.nz) or [www.facebook.com/entrustnz](https://www.facebook.com/entrustnz)