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To: The Electricity Authority
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Genesis supports options to empower consumers

Genesis Energy Limited (**Genesis**) welcomes the opportunity to comment on the Electricity Authority's (**the Authority's**) *Options to support consumer plan comparison and switching* consultation paper, and we support the Authority's objective that 'all New Zealand residential consumers can easily access dependable, trustworthy, and authoritative electricity comparison services'.

With over 493,000 customers, Genesis, together with Frank Energy, is one of New Zealand's largest electricity, gas and LPG retailers. Customers are at the heart of everything we do, and continuing to build and maintain customer loyalty and support will be critical to our new Gen35 strategy. In our experience, customer loyalty cannot be taken for granted and requires continuous innovation and evolution to ensure we provide customers with energy choice and flexibility to suit their lifestyles at competitive prices. As noted by the Authority, energy consumer behaviour and decision-making are complex and influenced by multiple factors, not just financial incentives. Understanding what drives customers in their decision-making is key to the success of any retail business, and electricity retailers are incentivised to invest in retaining customers by providing exceptional customer service and care. That is one reason high customer retention levels should not necessarily, and without sufficient evidence, be conflated as indicating a lack of competition. As noted by the Australian Energy Regulator, *'...switching rates do not provide a complete picture of engagement within the energy market. For example, switching may be low in a competitive market if retailers deliver good-quality, low-priced services that give customers no reason to change. Customers might engage with the market and decide to stay with their current plan or might change energy plans with the same retailer.'*¹

Genesis takes its duty of care to customers seriously. Recognising the potential we have to effect meaningful change in reducing energy hardship, we co-commissioned with Mercury recently released research into hard-to-reach customers living in hidden hardship.² In this report, which presents conclusions from a two-year project working alongside the community, we recognise industry must be prepared to "challenge ourselves to better understand the needs of customers and community and how best to meet them", and that

¹ See page 29 https://www.aer.gov.au/system/files/Annual%20Retail%20Market%20Report%202021-22%20-%2030%20November%202022_3.pdf

² [Research into hard-to-reach customers living in hidden hardship \(adobe.com\)](#)

one reason households we consider hard-to-reach may choose not to engage with us is a lack of trust in corporates generally. This research has improved our understanding of the communities where we operate, and has given us ideas, insights and actions forming tangible steps we can take to improve energy wellbeing.

According to the World Energy Council, New Zealand has consistently ranked within the top 10 countries on the World Energy Council's 'Trilemma Index' for energy equity, security and sustainability, and Genesis is proud to play its role supporting New Zealand's transition to an increasingly renewable electricity sector while continuing to ensure energy remains affordable and we keep the lights on (particularly during winter). New Zealand's highly competitive retail market will be critical to maintaining the sector's high performance; as reflected in the MBIE data cited in the paper, real electricity prices have decreased by 7 percent since 2019. Fundamentally, Genesis continues to believe consumers are best placed to make decisions in their own interests, based on their own unique circumstances, priorities and values, and that a competitive retail market will be essential to ensuring consumers have choice. The recent growth in the variety of plans reflects both innovation by retailers and demand for greater choice by consumers, and we would caution against any government intervention that risks stifling this innovation or undermining consumer choice.

Genesis supports options to ensure consumers have access to reliable information

Genesis supports policy and regulatory measures to ensure consumers have easy access to reliable information about options available to them. We believe that an independent price comparison tool is a valuable and important resource for consumers and should be maintained. Regarding the web-based options canvassed in the paper, we support option four as we believe this to be the option most likely to support continued improvements in the availability of reliable information on retail plan offerings. As noted in the paper, Powerswitch is an established brand with growing consumer recognition. However, we see option three as meriting further investigation.

Electrification is a key opportunity for New Zealand, and given the significant potential benefits to both the electricity system and consumers through uptake of flexibility-enabling technologies such as EVs, smart chargers, smart meters, and distributed generation (i.e., solar), we would encourage the Authority to consider ways any plan comparison website can provide consumers with the information they need to find retail plans that incentivise and maximise the benefits from these technologies.

Genesis recommends further research to inform consumer choice support options

In principle, and provided they are effectively designed and targeted, Genesis supports option B. However, we recommend the Authority undertake further research to better understand what barriers (if any) prevent consumers from making informed decisions about the best electricity retailers and plans for them, including the extent to which these barriers may be more acute for specific consumer types or demographics. Doing so would then allow the Authority to design regulatory interventions that can be effectively targeted at priority consumers. We also would recommend delivery of option B leverages existing mechanisms or channels, such as the ERANZ-developed EnergyMate and other appropriate government policies or initiatives.

As a member of ERANZ, Genesis provides a range of consumer care options to support customers when they need it most, including initiatives such as retailer support with bill payments, in-home energy coaching through EnergyMate, promotion of Powerswitch on utility bills and customer communications, and work to meet and exceed the Consumer Care Guidelines.

Without further research, Genesis does not accept that option A is justified. We have the following specific concerns with Option A:

- Defining 'best plan' for each customer will be difficult and may result in 'one size fits all': an important complexity not outlined in the paper will be the considerable difficulty defining the obligation on retailers in the Code and then monitoring compliance. The extent to which any plan will benefit a given customer depends on the customer's circumstances and behaviour, not to mention their priorities and values. This is particularly true for time of use plans, the benefits of which partly depend on consumer behaviour.
- We do not think option A is likely to address the key problem, and that this is reflected in the relatively low score given option A in the paper compared to options B and C.
- Existing regulations and planned regulatory changes are sufficient: retailers are already required to communicate with customers annually under both the Low Fixed User Charge regulations and Consumer Care Guidelines. Given the Authority's intention to make the Guidelines mandatory from 1 January 2025, we do not believe there is need to also mandate provision of 'best plan' information under another additional provision under the Code. The Guidelines' focus on customers in payment difficulty means they are appropriately targeted and thereby strike an appropriate balance between imposing additional cost on retailers and providing protections for customers experiencing payment difficulty.
- The benefits are unlikely to outweigh the costs: the paper does not provide, nor are we aware of, evidence demonstrating that the benefits of mandatory 'best plan' disclosures are likely to be sufficient to outweigh the cost to businesses.

Finally, we would question whether Option A is consistent with the new Government's agenda and priorities. Based on public statements, it is our understanding that the new Government has a desire to re-set expectations about the appropriate role for government vis-a-vis the private sector, and that 'cutting red tape' for business generally is one of the Government's core priorities. Some of the suggestions mooted in the paper, for example the suggestion that retailers be required to engage customers every three months, do not appear consistent with this agenda, nor with a mature, competitive retail market.

If any version of Option A is to be progressed, we strongly recommend further research to inform option design.

Yours sincerely,



Mitchell Trezona-Lecomte
Senior Advisor, Government Relations and Regulatory Affairs

Genesis's response

Question Number	Question	Genesis response
1.	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?	<p>Where there are barriers to consumers accessing reliable information about electricity retailers and plans, and unreasonable or anti-competitive barriers to consumers switching between retailers, we are supportive (in principle) of measures to address those barriers. Given the evidence base does not appear to yet be compelling, we suggest the Authority undertake further research to better determine the nature and extent of any barriers impacting switching, including the extent to which these barriers are more acute for certain consumer types, and/or consumers in regions where government intervention could be most impactful, e.g. in regions with higher prices and relatively lower switching rates (as cited in the paper in reference to Consumer NZ's research, paragraphs 4.66-4.70).</p> <p>The Authority's rationale assumes current consumer switching rates (particularly 'trader' switching) are 'too low'; we take this to mean the Authority views current switching rates are not consistent with an optimally competitive retail market. To this point we would make the following points:</p> <ul style="list-style-type: none"> - The data cited in the paper on this point appears inconsistent. For example, while the Authority's data shows 'trader' switching rates of around 6 per cent in 2023, the results of the Consumer Advocacy Council's survey found 12 percent of New Zealanders had switched retail provider in the past 12 months, with only one-fifth of these being due to moving house suggesting a trader switching rate of over 9 percent. - Taken in isolation and without appropriate benchmarking against other relevant jurisdictions or comparable sectors, electricity retail switching rates do not necessarily demonstrate the presence of barriers to consumer plan comparison or switching. Indeed, switching rates in New Zealand appear similar or better than other comparable jurisdictions, for example the United Kingdom and Australia. In its most recent Annual Retail Market Report for 2022-23, the Australian Energy Regulator's results show switching rates of 6 per cent in Victoria, the state with the highest switching rate, with other states' switching rates between 3.5 and 5 percent.³ - Switching rates are influenced by a range of factors including behavioural or non-economic factors and these may not be addressed by policy or regulatory changes. As noted by the Authority (para.'s 4.50 onward), there is international research showing anticipated monetary gains from switching are just one factor influencing consumer behaviour. Moreover, switching rates may be a function of basically high consumer satisfaction, reflecting the strong commercial incentives retailers have for investing in customer retention. As noted by the Australian Energy Regulator in its 2021/22 Annual Retail Market Report, '<u>...switching rates do not provide a complete picture of engagement within the energy market. For example, switching may be low in a competitive market if retailers deliver good-quality, low-priced services that give customers no reason to change.</u> Customers might engage with the market and decide to stay with their current plan or might change energy plans with the same retailer.'⁴

³ See page 26, https://www.aer.gov.au/system/files/2023-11/Annual%20Retail%20Market%20Report%202022-23%20-%2030%20November%202023_1.pdf

⁴ See page 29 https://www.aer.gov.au/system/files/Annual%20Retail%20Market%20Report%202021-22%20-%2030%20November%202022_3.pdf

		<ul style="list-style-type: none"> - Even if the Authority implements its preferred suite of options, there is no guarantee switching rates will materially increase. As highlighted by international research cited in the paper (paragraph 4.57), ‘switching rates are likely to be substantially lower than we might initially expect, even in favourable conditions. Therefore, an important policy implication was that...switching rates may be difficult to raise above modest levels’. <p>We therefore caution against targeting an increase in switching rates as a specific outcome of any regulatory intervention by the Authority. Rather, we suggest focusing specifically on addressing any barriers that reduce consumers’ ability to access reliable information about retail options available to them and switch plans / retailers.</p>
2.	<p>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?</p>	<p>We support the Authority’s objective that ‘all New Zealand residential consumers can easily access dependable, trustworthy, and authoritative electricity comparison services’.</p> <p>We agree there is a significant opportunity to educate consumers about the wide range of new plans available to them, particularly as retailers bring innovative new plans to market. A key opportunity for New Zealand and the sector will be where there is potential for mutual private (consumer) and public (NZ Inc.) benefit from electrification, particularly as flexibility-enabling technologies such as EVs, smart chargers, smart meters, and distributed generation (i.e., solar) achieve higher uptake.</p> <p>In terms of the opportunities from the consumer choice support options, we believe the key opportunity for regulatory intervention will be targeting consumers who face significant barriers to accessing (or comprehending) information about retail plans available to them and to switching (that is, consumers for whom website options are unlikely to be effective).</p> <p>It is also worth noting that, when considering the potential opportunities from Option A specifically, the financial benefits of some plans will be dependent on consumers changing their meter configuration, and that doing so incurs a cost which would add further complexity to calculating if there is a benefit.</p> <p>We would also note that the MBIE data cited in the paper, showing <u>decreases to household electricity cost (c/kWh), expenditure and consumption between 2019 and 2023</u>, suggest that households’ concerns about electricity bill payment may be due to broader concerns about the cost-of-living (rather than being caused by electricity prices specifically). This should be borne in mind when considering the appropriateness, and the benefits and costs, of any regulatory interventions that only target one sector.</p>
3.	<p>Q3. Do you consider it is important for the Authority to fund and support a comparison and switching website or websites? Why?</p>	<p>Yes. We support measures to ensure consumers have easy access to reliable information on the full range of retail options available to them in the market. We therefore agree it is important that the Authority continues to fund and support and independent, consumer-facing comparison website or tool.</p>
4.	<p>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?</p>	<p>A key challenge will be futureproofing and designing a website that can be updated relatively quickly and easily to keep pace with changing retail plans available in the market, particularly with the growth of time-of-use plans. Ideally, any website would be aligned to New Zealand’s goals of reducing GHG emissions via electrification, including by showing the potential benefits from switching to an electric vehicle or heat source or from installation of solar PV, particularly where there is</p>

		<p>alignment between public and private benefit eg from uptake of flexibility-enabling technologies. To that end, including functionality that allows consumers to assess and compare the benefits of retail plans for these technologies (e.g. EVs, distributed generation etc.) could be beneficial both for consumers and New Zealand.</p> <p>Applying principles of behavioural economics may help improve design – that is, taking a user-centric design perspective, and ensuring the website remains easy to access, understand and use, as well as being easy for users to action any decisions they want to make having used the website.</p>
5.	Q5. What problems, if any, do you see with current comparison and switching websites?	Price comparison websites have historically been subject to criticism for how savings from conditional discounts are presented (for either over or understating the real-world customer benefit). Genesis acknowledges the inherent difficulty of accurately presenting this information, but it is nevertheless important to ensure information presented to consumers fully reflects real world costs and customer experience possible.
6.	Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?	
7.	Q7. Of the website-related options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?	<p>Option 4 – we believe this is the best option in terms of providing consumers with an independent and authoritative source of information.</p> <p>However, option 3 may merit further investigation, as it may be a lower public cost option for achieving the Authority’s objectives.</p>
8.	Q8. What other types of website-related options, if any, should we consider to support comparison and switching and why?	
9.	Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?	
10.	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?	<p>We do not believe the evidence base demonstrates there is need for mandating retailers to provide ‘best plan’ information as proposed under Option A. We note the following concerns with this option.</p> <p>Defining ‘best plan’ for each customer will be difficult</p> <p>An important issue not outlined in the paper will be the considerable difficulty defining the obligation on retailers in the Code and then monitoring compliance. The extent to which any plan will benefit a given customer depends on the customer’s circumstances and behaviour, not to mention their priorities and values. Specifically, we note the following considerations:</p> <ul style="list-style-type: none"> - Will the obligation extend to requiring retailers to advise consumers to change their metering configurations, ie from anytime to day/night? As noted above, changing meter configuration may be necessary to unlocking the benefits of certain retail plans, but doing so incurs a cost which can offset financial benefits (at least in the first year).

- The benefits of time of use plans will depend on consumer circumstances, and the best plan for a customer can change over time. For example, if a household purchases an electric vehicle, it may be better off switching to a plan which rewards off-peak charging.
- The benefits of some retail plans will depend on consumer behaviour, as this impacts consumption patterns, and there will be a risk in advising consumers to switch to these types of plans (e.g., time-of-use plans). Consumption patterns are also influenced by changeable external factors such as weather.

Ultimately, consumers are best placed to decide what is the 'best plan' for them based on their own specific circumstances and priorities, drawing on the full range of information available to them about retailers' different plans.

Option A is unlikely to address the problem

Based on the stated criteria, the Authority scores Option A much lower (9) than the Options B (21) and C (17). Therefore, it is unclear why Option A is included in the Authority's preferred suite of options.

As acknowledged in paragraph 5.5, the 'consumer choice support options' are aimed at supporting '...consumers who may experience barriers to accessing or using a website, eg those in hardship, without internet access, or having difficulty understanding a website due to language barriers or digital illiteracy'. On that basis, it seems that options which effectively target these types of consumers should be preferred (over untargeted interventions, such as Option A).

Existing regulations and planned regulations are sufficient

Retailers are already required to communicate with customers annually under both the Low Fixed Charge Tariff regulations and Consumer Care Guidelines. Under the Consumer Care Guidelines (Guideline 31), retailers are already required to provide information to customers about their pricing plans that might 'work best for them' as well as options generally available in the market the retailer is aware of that 'might suit the customer's circumstances better'.

Under Guideline 43, retailers are required to help post-pay customers in arrears and/or having payment difficulties identify retail plans that would 'provide a lower delivered cost of electricity or distribution services...based on the customer's average consumption over the past 12 months'. Guideline 11 also requires retailers to communicate to customers in arrears that we will work with them to ensure they're on the best pricing plan for them.

Given the Authority's intention to make the Guidelines mandatory from 1 January 2025, we do not believe there is need to also mandate provision of 'best plan' information under another additional provision under the Code. The Guidelines' focus on customers in payment difficulty means they are appropriately targeted and thereby strike an appropriate balance between imposing additional cost on retailers and providing protections for customers experiencing payment difficulty.

Benefits likely to be outweighed by costs

Relative to the high cost and high intrusiveness on retailer operations, we do not think the evidence base demonstrates Option A will result in benefits commensurate to these costs to warrant implementation. The paper does not outline sufficient evidence to demonstrate there is a significant problem with customers on the 'wrong' plan for them.

11.	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?	In principle, we would advocate for maximising efficiency by leveraging existing adjacent services (as cited in the paper). This could be piloted or targeted regionally, with an initial focus on regions where the potential benefits of increased switching are greatest (informed by research), then scaled to other regions or nationwide once the efficacy of the intervention has been well demonstrated.
12.	Q12. What conditions or support would enable community advisers to be best able to help consumers? What barriers need to be removed to achieve this?	
13.	Q13 What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?	As noted, we believe further research would help better understand the extent to which barriers prevent consumers from making informed decisions and switching retail plans. This research could then help the Authority design and deliver targeted regulatory interventions and assess the likelihood that consumer advice or campaigns are appropriate levers for addressing these barriers.
14.	Q14. Of the consumer choice support options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?	We would expect that option B is most likely to address any barriers, as it allows delivery of tailored in-person advice to consumers. As noted, this could be delivered leveraging existing services or government initiatives.
15.	Q15. What other types of consumer choice support options, if any, should we consider to support comparison and switching and why?	
16.	Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?	
17.	Q17. What are your views on the criteria we've chosen to assess options. Do you think some criteria should be weighted more than others as they are more important?	We would take criterion 'Efficiency of design and build' to encompass the extent to which options can be targeted toward the specific problem, which is likely to be most acute for lower-income households in areas with relatively higher prices and relatively fewer retail options available. We question whether Option A promotes market competition, given it would only result in consumers having more information about plans offered by their incumbent retailer.
18.	Q18. Are there other criteria you think are important to help decide on the best options?	
19.	Q19. What's your opinion on the Authority's proposed 'four-pronged' approach to supporting consumer comparison and	We support option 4. In principle, we would support option B provided it can be effectively targeted at consumers who will benefit most and leverage existing initiatives to maximise efficiency and note further research may be necessary to help identify these consumers.

	switching? What alternative approach might you support?	
20.	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?	As noted, we agree with the Authority's scoring for the options generally, and, given its low score, we question why Option A is part of the Authority's preferred suite of options.
21.	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?	