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Electricity Authority  
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### **Options to support consumer plan comparison and switching**

Meridian appreciates the opportunity to provide comment on the Electricity Authority's consultation paper on options to support consumer plan comparison and switching.

#### **Meridian supports the Authority's preference for Option 4**

Meridian believes that an independent price comparison tool provides an important social good. In our view, a single, centrally-supported, website presents as more trustworthy to and is more easily engaged with by consumers than multiple commercial websites or a retailer-run model.

In our view, the key issue and consideration for implementing Option 4 is ensuring that this "Powerswitch-like" website is built (or upgraded) with the capacity to keep pace with changes in the retail market going forward. All current indications suggest that the retail market is at the start of a phase transition to a more flexible product base, with time-of-use (**TOU**) and other more complicated plans featuring more heavily. It appears to Meridian that the retail market of the future is more "personalised" from consumer to consumer, and involves more demand-side behavioural changes (i.e. nighttime EV charging). This should bring with it consumer benefits, but it will only increase the complexity of the task ahead of a comparison website because, for example:

- There may be a greater number of "plans";
- Behavioural changes which require the customer to depart from historical consumption need to be built into the website's algorithms, and this needs to be sufficiently rigorous while also making the assumptions clear to the customer so that they do not feel misled if their realised savings are not as great as they may have been led to believe;

- TOU pricing may mean that electricity costs are impacted by new consumption (for example, if a customer is planning to buy an EV or spa pool) to a greater or lesser extent than the customer might have expected at the time they switch, and it would be useful for the switching website to explain these possibilities to the customer; and
- TOU and other more complicated retail offerings are likely to be inherently more confusing to less engaged customers, which risks increasing inequality between more and less engaged customers when the more engaged customers are reaping the cost benefits of more complicated plans.

Then there are matters which the Powerswitch website already struggles with, and which it would be beneficial to correct in a future website (but which will be no less challenging in the future than they are now), for example:

- Powerswitch does not account well for non-price incentives (which could include product giveaways, better customer service, greater payment flexibility, or non-price fees). At the very least, it would be beneficial for the switching website to give clarity about what customer benefits are and are not included in the comparison.
- Half-hourly consumption data may be required to properly compare the benefits of plans that have a time of use or flexible load control component and there is currently no way for consumers to easily input this data for more accurate comparison of plans on the Powerswitch site.

Meridian supports these difficulties being addressed on a new or upgraded “Powerswitch-like” website and we look forward to working with the Authority and other interested parties on this in the future.

### **Meridian supports Options B and C, but considers Option A is unlikely to benefit consumers**

Meridian considers that Option A comes with significant drawbacks which are not addressed in the Authority’s consultation paper. Foremost of these is the perverse incentives which it may create for those in the retail market.

We have drawn attention to the possibility of a more flexible, TOU-based future in the section above – and we understand that these are innovations which the Authority actively supports and is trying to encourage. While these innovations will create real benefit for customers, they do make the cost estimation exercise when comparing plans more difficult, and more inaccurate, for the reasons discussed above. A requirement to notify of the “best plan” will therefore disincentivise the creation of innovative flex and TOU-based plans. We note further that:

- The more plans a retailer has, the more difficult and costly comparing them will be and the greater the revenue implication for retailers if customers are more regularly moving plans. Therefore, requiring best plan notification would likely drive plan consolidation (retailers would maintain fewer plans) and chill price-based or tariff structure innovation, while instead incentivising non-price incentives like upfront credits and product giveaways as the means to compete for new customers.
- The comparison exercise is complicated by the need for numerous assumptions around the validity of historical use data going forward and the successfulness of any behavioural changes (like nighttime charging, evening showers, etc) that a flex plan is designed to encourage.
- A simple illustration of the problems created is that, if, for instance, an assumption that the customer will continue to be a “low user” leads a retailer to recommend a switch which ultimately costs the customer more, then consumer confidence in the retailer will be diminished, which in turn may lead to reduced public trust and social licence. This risk appears to Meridian to be even worse for newer flex products, where estimate inaccuracy is increased and where the general public may already be sceptical or unsure about a more complex product which requires behavioural response. Meridian is wary of what would seem to be a significant new risk of misleading customers driven by regulation.
- While Meridian notes that it currently offers best plan notification to customers experiencing energy hardship, that exercise is undertaken on a much smaller scale and as a special service for customers who need it most. We have a lot of information about these customers and their needs, and analysis can be bespoke. Furthermore, they tend to be less complicated than other customers, because they are unlikely to own solar panels or EVs. In many ways, it is easier for us take on the risk of “getting it wrong” for this small subgroup of consumers.
- The Authority refers to the Telecommunications Commissioner’s recommendation for best plan obligations in that sector at 7.14 of the consultation paper. We suggest this is of limited relevance here, because telecommunications plans tend to be much simpler than electricity plans.
- It is too early to tell whether Australia’s recent implementation of a best plan notification framework has created benefits or had unintended consequences. But Meridian suggests that there is an opportunity to watch what develops.

In respect of the automated switch proposal, we would agree with the observations in the consultation paper that there are informed consent issues. We see these as significant customer agency issues more generally, because as the Authority observes, many customers are

disengaged with their electricity purchasing, and those customers are more unlikely to opt out of or take actions in respect of an automatic switch, leading to those customers being switched against their preferences.

Meridian is supportive of Options B and C, and makes specific comments on those Options in Appendix A below.

### **Concluding remarks**

This submission is not confidential and can be released in full. I can be contacted to discuss any of the points made.

Nāku noa, nā



James France

**Legal / Regulatory Counsel**

## Appendix A: Responses to consultation questions

Consultation Question	Comment
<p>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>	<p>Meridian has no specific comments on this.</p>
<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>Meridian broadly agrees with the Authority's reasoning here. However while we agree that reducing consumer costs is always a good opportunity, we would draw attention to paragraph 4.65 of the consultation paper (and figure 6 in particular), which shows that real average cost per unit per household has clearly tracked down in recent years. Electricity is, fundamentally, cheaper in real terms, and we suggest that electricity cost pressures on consumers are not any greater now than at any other time. If cost is an opportunity to review switching, we think that this is only in the general, ordinary sense, and not because there is a particular trend in actual prices.</p> <p>We also note that, while a growing range of plans and distributed energy resources is a good opportunity for a new website, it is also a reason to ensure that that website has the capacity to accommodate further changes as those options mature.</p>
<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 think that a single website makes matters far simpler for consumers, and that the Authority's involvement adds credence and draws on existing consumer trust.</p>
<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>See our comments in the main body of this submission about the challenges facing a new switching website in the future retail market.</p>

	<p>We would add, for example, that a way for customers to access their existing consumption data, but then alter it according to their use expectations might be a useful feature for the website: e.g. a customer expecting to buy an EV and charge it at night can build that expectation in while using the site; a customer who already has an EV but expects to be charging it overnight rather than during the day on their future plan could move their consumption profile around using their historical consumption as a basis. While this would likely add complexity and costs, it may enable more accurate plan comparison and switching decisions for the consumers who want to engage with it.</p>
<p>Q5. What problems, if any, do you see with current comparison websites?</p>	<p>See our comments in the body of this submission in relation to this issue. We add here that Powerswitch currently handles flex or time of use plans particularly poorly, and –in our experience– frequently generates poor estimates for actual savings following a switch.</p>
<p>Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?</p>	<p>Meridian has no further comments here.</p>
<p>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)?</p>	<p>Meridian considers that Option 4 would be most effective.</p>
<p>Q8. What other types of website-related options, if any, should we consider to support comparison and switching and why?</p>	<p>Meridian has no further suggestions.</p>

<p>Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?</p>	<p>Meridian has no further suggestions.</p>
<p>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>	<p>Meridian has significant concerns about the potential costs to consumers associated with this option which are explored in the body of the submission.</p>
<p>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?</p>	<p>Meridian considers that this Option works best if working alongside (rather than duplicating) existing initiatives in this space. The consultation paper refers to MBIE's SEEC programme – we suggest that any new actions on this Option should coordinate with that programme rather than having MBIE and the EA running separate and potentially duplicative programmes. Any duplication would drive up levy costs borne by consumers, without any commensurate consumer benefit.</p>
<p>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?</p>	<p>Meridian has no further comments here.</p>
<p>Q13. What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?</p>	<p>Meridian does not have anything material to add beyond the comments above and in the body of this submission.</p>
<p>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)?</p>	<p>Meridian believes that Options B and C are likely to be effective – the former is more targeted but potentially less cost-effective, and we see the latter as continuing the work of previous campaigns (and successful pilots) to raise awareness.</p>

	<p>As discussed in the body of this submission, Meridian has concerns with Option A and the potential for unintended consequences and costs to consumers as a result.</p>
<p>Q15. What other types of consumer choice support options, if any, should we consider to support comparison and switching and why?</p>	<p>Meridian does not have further suggestions on this topic.</p>
<p>Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?</p>	<p>Meridian agrees with the Authority's observations and conclusions on these other options.</p>
<p>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?</p>	<p>Meridian agrees generally with the criteria but believes that not all of the criteria are equal.</p> <p>Our views on weighting depend on what the results are used for. If the scores falling out of the criteria assessment are being used to select options (as section 9 of the paper seems to suggest), then we are concerned that the framework provides the illusion of rigour, when a looser cost-benefit analysis would be more appropriate.</p> <p>We think that even a fully developed weighting exercise is unlikely to be rigorous (largely because the criteria themselves are difficult to empirically or objectively quantify). However, even if the criteria are only intended to be used to give a rough indication of the relative benefits of the options, we think that the even-weighting, tally exercise undertaken in Appendix D is liable to mislead because it puts, for example "efficiency of design and build" on the same footing as "promotes market competition", and "promoting the benefits of comparing and switching retailers" on the same footing as "consumer benefit" itself.</p>



	<p>Further, duplication of similar criteria means that the tally could be argued to “weight” some matters already. There are three or four criteria that might all score highly for consumer-side outcomes (i.e. “protects consumer interests”, “consumer benefit”, “promotes benefits of comparing and switching retailers”, and “ease of consumer use”); whereas, for example, perverse incentives created for retailers (see comments above re Option A) only clearly relate to “promoting market competition” and “consumer benefits”.</p> <p>Meridian’s view is that the Authority’s statutory objectives should be the primary criteria, and other criteria are derivative.</p>
<p>Q18. Are there other criteria you think are important to help decide on the best options?</p>	<p>See our comments on the criteria in the response to Q17 above.</p>
<p>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?</p>	<p>Meridian supports Options 4, B, and C.</p>
<p>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?</p>	<p>Meridian disagrees in particular with the assertion at paragraph 9.6 that “Option A ... has a low risk of negative outcomes in its operation”. We consider that it has a very high risk of negative outcomes, which will impact competition, and the creation of “more diverse or innovative plans” (and thus non-financial consumer benefits). The negative outcomes of Option A are discussed above and in the body of this submission.</p>

In terms of the criteria matrix assessment, our assessment of Option A would vary significantly, including as follows:

- “Promotes market competition” would be an “x” for the reasons above (in short, because it would create barriers to innovative flex and TOU plans, could deter switching, could distort the retail market with a perverse incentive to compete using non-price mechanisms rather than price);
- “Promotes the benefits of comparing and switching retailers” would be rated as “x” because, as discussed above, ease of intra-retailer switching probably says little about the ease of switching more generally and proactive intra-retailer comparison could in fact drive increased consumer complacency and less switching between retailers.
- Both sub-categories of “consumer benefit” would be rated “x” for the same reasons (reduced innovation, less diversity of plan offerings, and consequentially consumers would not be able to benefit financially from these offerings);
- “ease of consumer use” would be rated far lower because of the potential for best plan notifications to mislead consumers if based on historic consumption and ignoring any potential behavioral changes associated with plans. To the extent the benefits of switching to a better plan are not realized or costs increase, consumer trust will be eroded and

	<p>there will be increased consumer confusion;</p> <ul style="list-style-type: none"> <li>- “ease of implementation” for retailers would be rated “xxx”. This is not a simple assessment and we are hesitant to give these notifications given the risk of misleading consumers via a blunt comparison that is based on historic consumption and ignores any potential behavioral changes associated with plans..</li> </ul>
<p>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?</p>	<p>Meridian does not have further comments on this.</p>