

Submitter

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Question

Comment

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?

Engagement:

- Increasing consumer understanding that switching is both worthwhile and mostly seamless with negligible transaction cost is needed.
- Increasing consumer assurance is also needed that any comparison provided in support of switching is:
  - Accurate.
  - Comprehensive (covers all eligible offers including the payoffs on bundled plans).
  - Reliable i.e. that the saving estimate resulting from a comparison is realistic, insensitive to small changes in consumption pattern and will provide a persistent benefit against the rest of the market for a reasonable period of time.
  - Takes into account consumer-specific requirements including not only consumption patterns but also environmental and customer service factors.
- Electricity is as much a social service as a commodity. The health and financial wellbeing of consumers with constrained use of the service could be significantly affected (<https://www.mbie.govt.nz/dmsdocument/17802-defining-energy-hardship-discussion-document>). This raises an issue as to the extent to which market efficiency and desirable energy-related social outcomes can reliably result from the individual purchase choices of a population with varying levels of understanding of, and access to information about the electricity retail market. This issue is not new and there are numerous sources of commentary e.g. the Electricity Price Review (<https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/>) and NZIER's Assessing the New Zealand wholesale electricity market (<https://www.cac.org.nz/assets/Documents/NZIER-assessing-the-New-Zealand-wholesale->

[electricity-market.pdf](#)). This issue is not a case against the need for comparison services, but instead is raised to indicate a need to ensure such services align with and augment wider approaches to consumer support.

#### Process

As identified in the consultation document Consumer NZ research indicates consumers using the Powerswitch site struggle to provide information to a sufficient level of quality required for the retail plan comparison algorithms to produce reliable outcomes.

#### Futureproofing

The effectiveness of Powerswitch and by implication competing comparison sites to fairly represent retail offers is already being challenged by market innovations offering more complex charging structures such as utility bundling and time-conditional tariffs (the latter requiring considerably more metering data for effective analysis than the average consumer can extract from bills).

An increase in the complexity of bundled offers seems likely with the potential addition of elements such as streaming services, life-style services and insurance services (CEER's guidance on bundled products <https://www.ceer.eu/documents/104400/-/-/96ec6f1e-d4af-8a5b-b114-c9e6c1fdaadd>).

Potentially even more of a challenge is the increasing complexity of charging structures for energy alone. Underlying transition-based drivers are creating trends such as the electrification of the domestic vehicle fleet, the move for more domestic renewable generation and the ability for electricity storage in domestic batteries to improve whole system demand response during peak demand periods. We may see traditional retailers offering more complex time-based plans to minimise their wholesale market risks, while innovators will incentivise consumers with plans

	<p>involving the output of domestic generation and batteries including EVs to manage the exposure during demand peaks. The possible advent of energy aggregators and multiple trading relationships have the potential to further increase complexity.</p> <p>The evaluation and comparison of these complex options is likely to involve two things. The first is a significant increase in the data input requirements both for historical consumption and generation, and also for forecast data required to estimate future market prices, generation and storage output and system demand response requirements (i.e. for plans with demand response components the total number of customers on plan A could potentially impact the comparative value of plan B).</p> <p>Secondly consumer behavioural response to a given plan will be varied. The reasons are many, for instance a consumer's circumstances may not allow consumption to be optimally adjusted to a plan's tariff structure, while others would be willing to adapt their behaviour significantly (or even go too far and decline to heat the homes sufficiently during winter). Evaluation of complex plans incentivising behaviour change will require more sophisticated support so that consumers can both provide the evaluation algorithm with useful data and understand the changes they need to make in order to get the best value from a plan.</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>Additional opportunities include reviewing:</p> <ul style="list-style-type: none"> <li>• the cultural reach of existing comparison services for how improvements could make the services more approachable to a wider range of people (translation into te reo Māori being just one example).</li> <li>• How the information and data provided by retailers can facilitate the use of comparison services by consumers</li> </ul>

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

As a general principle – yes. The essential service and energy hardship aspects of electricity supply indicate an unbiased and effective comparison service should both increase retail competition through increased switching and also reduce consumer search time. A 100% publicly funded service (PFS) would increase consumer trust and avoid any actual or perceived influence from retailers relied on for revenue.

A case against a PFS has potentially four parts:

1. A PFS is likely to have access to data resources not available to privately owned services (for example consumer metering data being made available through the EA) which may be perceived as an unfair advantage.
2. Maintaining the currency of a comparison service against a rapidly evolving range of retail offerings and associated consumer behavioural choices will be important for sustaining consumer confidence. It will also be expensive.
3. Ensuring that as near to 100% of all eligible retail plans as possible are represented in the service will be important. Care will be needed to ensure constraints around retailer participation encourage neither a drag on innovation in retailing nor the exclusion of new and potentially more attractive offerings.
4. A publicly available comparison service cannot remain separate from the market it analyses, but becomes a more or less passive intermediary between buyers and sellers. As the charging bases for retail offers become more dynamic in response to competitive pressures care will be needed to ensure comparison services do not provide platforms for predatory pricing or excessive use as a tool for retail market research and development.

Considering the fact that electricity has no storage or maintenance cost and the cost to a retailer of purchasing and delivering physical electricity to a consumer is the same regardless of which retailer the consumer uses, two additional points may be relevant.

	<ol style="list-style-type: none"> <li>1. Increased switching will serve as a driver and an indicator of increased competition only so far. In an environment of tight retail margins increased switching will lead to higher retailer overheads and potentially lead to higher overall costs and may even inhibit new entrant innovation in a market where wholesale price risk is significant barrier to entry.</li> <li>2. That the purchasing and delivery costs for physical electricity are not differentiating factors in retail competitiveness suggests that the marginal difference between similar competing plans should be relatively small and by extension the benefits of comparison services. The persistence of significant marginal differences among retail offerings suggests that factors beyond the influence of consumer choice may be at play in retail pricing.</li> </ol>
<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>Ideally a website will quickly access a consumer's:</p> <ul style="list-style-type: none"> <li>• current price plan (and if the plan is subject to a fixed term contract), and</li> <li>• most recent 12 months of half hourly consumption data</li> </ul> <p>To do this, ideally consumers provide the website with a single, easily identifiable code from their invoices (bar code, Q code or text).</p> <p>Based on the consumption profile the site recommends a default plan: the lowest cost currently eligible plan (or a ranked list of plans by cost) and the estimated annual savings.</p> <p>The characteristic of the default plan are displayed (e.g. green credentials, fixed/open term, un/bundled plan, variable fixed price). Consumers can filter the characteristics (e.g. select no fixed term plans) and the default plan changes accordingly.</p> <p>The website establishes if the next 12 months of consumption will be at the current or a new address and changes the default plan accordingly.</p> <p>The website establishes if the consumers is expecting any of the following that would potentially change consumption and changes the default plan accordingly:</p>

	<ul style="list-style-type: none"> <li>• addition/removal of EV</li> <li>• addition/removal of solar PV and/or battery</li> <li>• change in the number of people in the household</li> </ul> <p>As a final stage the website suggests a lower cost plan (if one exists) that could be obtained by altering consumption behaviour, making clear:</p> <ul style="list-style-type: none"> <li>• what behaviour change is needed to obtain the saving</li> <li>• what the potential saving is</li> <li>• what the cost would be on the suggested plan if the required change in behaviour does not occur</li> </ul>
<p>Q5. What problems, if any, do you see with current comparison and switching websites?</p>	<ul style="list-style-type: none"> <li>• Consumers struggle to provide essential information required for effective comparison</li> <li>• The market is changing and more sophisticated profiling of consumption for effective comparison of plans is required</li> <li>• Plans with non-fixed components make comparison a matter of probability (e.g. energy rates set by spot market).</li> <li>• Bundling</li> <li>• Too many questions required to model current consumption (in the absence of detailed annual data)</li> <li>• Too much variation in actual consumption patterns and quantities for what, based on the answer to questions, appear to be similar consumers</li> </ul>
<p>Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?</p>	<p>No comment</p>

<p>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>	<p>Option 4.</p>
<p>Q8. What other types of website related options, if any, should we consider to support comparison and switching and why?</p>	<p>With the increasing complexity and dynamism in electricity charging it may not be feasible to provide a reliable comparison service. There would still be value in providing an authoritative site containing ALL currently offered retail plans which could be filtered and sorted by consumers to make their own comparisons. In so far as possible display of plans in this approach should show the aggregated fixed component cost of each plan in \$pa (unavoidable cost) leaving the consumer to select what variable rates, bundled offers and non-price factors best meet their requirements.</p>
<p>Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?</p>	<p>Speculatively the EA may could consider two outlier solutions:</p> <ol style="list-style-type: none"> <li>1. A comparison website that directs consumers' details (ICP number, consumption profile and non-price preferences) to specific-function APIs exposed by all retailers (i.e. the API's are not public and only the comparison site can call an API). The API then returns the lowest cost conforming plan offered by the retailer along with an estimate of the annual cost. The comparison website provides the result(s) to the consumer.</li> <li>2. Using 12-month moving consumption profiles an AI-driven system provides each consumer with a monthly update on the four lowest cost eligible retail plans along with the cost margin and ranking against their current plan. The analysis would need access to the latest consumer metering data and a full set of current price plans. The information could be delivered either as a voluntary subscription service in which the consumer could provide preferences and specify materiality thresholds, or more controversially included as an appendix on every invoice issued by a retailer (something like a government health warning on alcohol or cigarettes).</li> </ol>

	<p>Both options have multiple issues of feasibility, complexity and competitive impact, but are included to stimulate thought about connecting with consumers more directly.</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>An automated switch is supported in principle. However, the advent of time conditional plans will complicate determination of the best plan for a consumer for the future based on historical data.</p> <p>Perhaps retailers could consider quarterly rebates based on a percentage of the difference between plans over the quarter?</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>No comment</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>No comment</p>



<p>Q13. What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?</p>	<p>No comment</p>
<p>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)?</p>	<p>No comment</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>No comment</p>
<p>Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?</p>	<p>There is a case where the EA could be absolved of supporting a comparison service if electricity is included in a broader function covering a basket of essential services such as telecoms, water, alternative energy and broadband provided through an independent and publicly funded organisation.</p> <p>Whatever form a comparison service takes it will face challenges to:</p> <ul style="list-style-type: none"> <li>• Effectively evaluate complex plans.</li> </ul>

	<ul style="list-style-type: none"> <li>• Sustain a working balance between comprehensive coverage of available plans and robust innovation of retail offerings.</li> <li>• Full impartiality (or the perception thereof – particularly where the service obtains any funding from industry).</li> </ul>
<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>No comment</p>
<p>Q18. Are there other criteria you think are important to help decide on the best options?</p>	<p>No comment</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>No comment</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>No comment</p>
<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>No comment</p>