

think differently



22 October 2013

Submission  
Electricity Authority  
PO Box 10041  
Wellington 6143

By email: [submissions@ea.govt.nz](mailto:submissions@ea.govt.nz)

Dear Sirs

**Re: Consultation paper—2014/15 appropriations**

Thank you for the opportunity to provide feedback on the Authority's planned appropriations and programme priorities for 2014/15.

Our response to the discussion paper is appended to this letter. Please feel free to contact me if you wish to discuss our views further.

Yours sincerely

A handwritten signature in purple ink, appearing to read "Paul Baker".

Paul Baker  
Commercial & Regulatory Advisor

[pbaker@novaenergy.co.nz](mailto:pbaker@novaenergy.co.nz)

dd: 04 901 7338

## 1 Authority appropriations

<p>The overall proposed Electricity Authority appropriations as set out in table 1 of the consultation paper</p>	<p>Nova supports the overall level of appropriations, including the principle that the EA holds its operational costs constant for 2014/15.</p>
<p>The proposed changes to Authority appropriations</p>	<p>Nova agrees that the customer switching appropriation should be reduced. The point has been reached where expenditure on switching awareness programmes must be having a marginal net benefit. A changing retail landscape also makes such campaigns increasingly less relevant as retailers tailor their products and services in a more targeted fashion. Smart metering, TOU pricing, bundling with other products and services are all innovations that make direct price comparisons more difficult in the future and new approaches will be required to ensure that consumers benefit from the offerings of the competitive market.</p>
<p>Other key matters relating to the Authority's overall appropriations that you consider the Authority should address</p>	<p>While the EA itself is the ultimate consumer advocate by virtue of its policy objective; that may not necessarily be well understood by the public at large. Consideration should be given to how the EA involves consumers or consumer advocates in the regulatory process including how consumers advocate participants are funded. Consumers that play a meaningful role in the regulatory process are more likely to be supportive of the industry and its achievements.</p>

## 2 Proposed Authority work programme

Comments are invited on the proposed work programme in appendix C of the consultation paper.

<p>Your level of support for the overall work programme as outlined in the consultation paper</p>	<p>Nova supports the overall work programme except for the areas noted in section 3 below.</p>
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Comments on the overall programme	<p>The Authority states in its 'Strategic Directions for Market Development 2013' that: 'Ultimately, competitive electricity markets are only sustainable in the long term if supported by consumers. The Authority and the electricity sector need to create an environment that allows consumers to see and understand the benefits of competition.'</p> <p>Unfortunately, it seems from the level of support that the Labour and Green Parties have attracted for their NZ Power policy that the Authority is not making sufficient gains in this area. While it is not the Authority's role to provide policy advice to government, it is urgent that the Authority provide a credible explanation for historical price trends and confidence that the electricity market in its current form can be expected to meet consumers' expectations.</p>
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### 3 Comments on specific programmes

Comments are also invited on specific proposed programme in appendix C of the consultation paper.

<b>Programme Name</b>	<b>C4 Improving transparency of consumer electricity charges</b>
Your level of support for the proposed programme as outlined in the consultation paper	Do not support
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	<p>A number of submissions on this topic highlighted the fact that there is little evidence that providing greater detail in consumer electricity accounts are desired by or useful to consumers.</p> <p>Placing requirements on Retailers to present fixed and uncertain costs across their whole range of customer tariffs in a consistent way is likely to result in a reduction in pricing options for consumers rather than an improvement in competition.</p>

<b>Programme Name</b>	<b>C8 Improving access to retail data</b>
Your level of support for the proposed programme as outlined in the consultation paper	Do not support

Programme Name	C8 Improving access to retail data
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	<p>Nova believes that this programme, as outlined, will have the opposite effect to that intended. For instance, one milestone in the current work programme is: “standardisation of price formats.” Imposition of standardised pricing data stifles innovation. Competition arises from Retailers seeking competitive advantage through innovative offerings to target markets. For instance; Powershop’s success based on such innovation.</p> <p>It would be counterproductive to ‘straightjacket’ Retailers into particular data formats for the convenience of the regulator.</p>

Programme Name	D2 Research project: effects of low fixed charges
Your level of support for the proposed programme as outlined in the consultation paper	High
Your views on the programme, eg, expected impacts, contributing projects, links and dependencies.	<p>It is Nova’s view that the low fixed charge regime is creating significant inefficiencies across the retail market, including acting as a barrier to competition and causing increased costs to residential consumers overall.</p> <p>In addition it is doubtful that the primary objective of assisting low income users of electricity is being achieved as it is not always the case that low income consumers are low users of electricity and nor is that the case that high income users are always high users of electricity. In fact in some instances the policy may actually be harmful to low income users rather than of assistance.</p>