

11 March, 2014

Electricity Authority
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SUBMISSION on RETAIL DATA PROJECT

1. Introduction

1.1 Thank you for the opportunity to make a submission on this issues paper. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial, and comprehensive consumer information and advice.

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1.2 The thrust of the Electricity Authority Retail Data project discussion document is:

- Monitoring, modelling and reporting on competitiveness in the electricity market is significantly hampered by not having comprehensive detailed pricing and consumption information
- Competition is inhibited by consumers not having ready access to their consumption history and all the tariff options on offer.

Question No	Comments in regard to:	Response
Q1	Do you agree there is incomplete data about retail costs and prices	<p>Complete market information and the ability to at all times calculate what every consumer is paying and how much energy they are using will give accurate information on the market.</p> <p>Whether having complete market information significantly improves the ability to identify trends in the market, promote competition and provide</p>

		<p>policy advice over currently and readily available information has not been demonstrated in this paper.</p> <p>Using currently available information on the main tariffs offered, the numbers of customers in each network in each tariff class (for each retailer) and average consumption information, means robust estimates of market costs should be currently available.</p> <p>The paper discussed the MBIE QSDEP survey and the electricity component in the CPI but doesn't discuss any of the price monitoring tools the EA currently has – it is a limitation on evaluating the need for the proposals in this paper when the EA's tools are not detailed for comparison.</p> <p>It's Consumer NZ's understanding retailers are required to provide new tariffs to the EA two weeks before they go live.</p>
Q2	Do you agree that the consequences of incomplete data include inefficient decisions and reduced confidence in retail competition?	<p>The paper identifies there is a high level of awareness of competition in the market (people know there are multiple retailers) but a lower number are likely to shop around. The paper then assumes this is due to consumers having incomplete information on the product they need to buy (ie what type of tariff plan they need and how much electricity they use). The survey data does not directly lead to this assumption of cause.</p> <p>Only passing mention and no weight is given to non-tariff factors in people not shopping around. The most obvious is non-engagement</p>

		<p>with the product. For many consumers the bill is paid by direct debit and from month to month there is no engagement with the retailer. Awareness of the product is only raised by failures (power outages), unusual events (high bill) or price increases.</p> <p>Having a comprehensive set of all tariffs and centralised depository of individual consumption history will not overcome non-tariff factors and possibly will not significantly increase switching by consumers.</p> <p>Aligned with the above is the ability of consumers to actually switch when they want to. The What'sMyNumber campaign points consumers to Powerswitch, then points consumers on to the retailer. That's two or three steps needed before a consumer can switch and is likely to be off-putting. A more efficient and rewarding solution for consumers would be for What'sMyNumber and Powerswitch to be combined and for consumers to be able to switch on the Powerswitch site. Consumer NZ has always considered having to visit What'sMyNumber and then Powerswitch to make comparisons is confusing and an inhibitor to switching. CNZ is a trusted and independent source of tariff information. Both retailers and consumers trust it to provide accurate tariff information.</p> <p>There are large savings to be made now by making</p>
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		<p>comparisons; the trick is to encourage more people to make a switch by ensuring it is easy for them to do it.</p> <p>Consumer NZ does not believe that increasing the quantity of information to the proposed detailed level will increase the quality of consumer decision making.</p>
Q3	Incomplete data about retail tariffs and consumption	<p>The paper identifies that in making comparisons consumers do not have access to information on all the tariff options in the market place. It cites retailers making special offers during targeted marketing campaigns and to "save" switching customers. It is concerned these are not publicly available and that other consumers are not aware of these offers.</p> <p>However, the existence of these special prices is evidence of a competitive market place. If the ability to do that was removed, it could result in retailers withdrawing those special offers which would not be of benefit to consumers.</p> <p>One way of collecting better information without destroying the ability of the retailer to make competitive offers would be to compel them to supply to the Authority (and to Powerswitch) a limited range of competitive prices.</p> <p>The ability of Powerswitch to serve up competitive prices once consumers had decided to switch to a new retailer (and they were able to do it on the site), would also be of great assistance.</p>

		<p>This information could be collected as it is currently and provided to the Authority and other agencies.</p> <p>See above answer to Q2 re encouraging people to switch by making it easier for them to do so.</p>
Q4	Do you agree there is incomplete information about consumption data	<p>There is value in consumers having their historical consumption information available when making comparisons of offers. Some retailers already make some of this information available to their customers. The development of industry standards or voluntary codes of practice which required retailers to make this data available would be an effective way of achieving this.</p> <p>By far the majority of households are covered by a limited range of metering configurations (one or two meters with managed hot water, or time of use metering such as day-night). Powerswitch covers these options and as smart meter options are coming on the market, these are being added.</p>
Q5	Do you agree these issues inhibit decision-making by consumers	<p>To an extent these factors do inhibit switching but the prices and tariffs shown on Powerswitch are an accurate reflection of what's on offer.</p> <p>A bigger inhibitor is likely to be the ability to conveniently switch. As above, if consumers could easily make the switch when they are actually thinking about it rather than waiting for a retailer to contact them, switching rates are likely to increase.</p>

		An Authority survey conducted by UMR suggests there is more effective marketing to do to ensure consumers know they can switch electricity providers. ¹
Q6	Do you agree the perception of the electricity retail market as competitive is important for the efficient operation of the electricity industry	It has to be more than the perception. The current situation is typical. We have the EA and Business NZ releasing reports which say consumers haven't paid enough historically for electricity. ² We have a Labour Party/Greens plan and an economist's view that differs. ³ We have arguments between lines companies and retailers over why consumers' electricity bills are going up. And inexorably consumers' bills keep rising at a much greater rate than inflation and the CPI. ⁴ Our own Consumer surveys show the industry is not well trusted (lower than banks and higher than telcos). ⁵ The 2009 Ministerial Review and subsequent actions were meant to provide a more competitive market for the long-term benefit of consumers. The EA's investigation of Genesis Energy and Contact each blaming lines companies for hefty price rises is a good example. Consumer confusion remains!

¹ UMR. February 2014. "Charge Transparency" Discussion paper is available at <http://www.ea.govt.nz/our-work/consultations/advisory-group/rag-transparency-consumer-charges>

² Electricity Authority. January 2014. "Report on Historical Analysis of Electricity Prices" Summary is available at <http://www.ea.govt.nz>

³ Labour Party and Green Party. March 2013. "NZ Power Energising NZ" Report is available at https://www.labour.org.nz/sites/default/files/issues/20130418_NZPower_Policy_Document.pdf; Sapere Group. February 2014. "Achieving policy Goals for the Electricity Industry, commissioned by Business NZ. Report is available at <http://www.businessnz.org.nz>

⁴ Consumer NZ magazine. May 2013. Dept of Statistics NZ's Consumer Price Index (CPI) for years to December. Annual data points show the annual increase each year at page 17.

⁵ Consumer NZ magazine. July 2013. "Powering Down" magazine article at page 14

Q7	Do you consider the various survey findings on perception of competitiveness in the retail energy market align with reality?	See above
Conclusion		<p>Consumer NZ sees merit in the collection of more data. But questions how much more the EA is intending to collect. The paper implies the EA cannot/does not have any effective means of monitoring the market and providing meaningful measures to assist promoting competition. However, it does not detail the tools it currently has, the limitations of those tools and how this proposal addresses those better than other less expensive options.</p> <p>Put bluntly, if 68% of people don't see any value in shopping around for electricity, then an improved back end to switching sites, is not going to change behaviour.</p> <p>This would seem to be a large and expensive project. To be worth it the following would need to be demonstrated:</p> <ul style="list-style-type: none"> • The detailed statistics it would generate on the market would allow significantly better decisions on market regulation than existing or more readily developed tools • That having even indirect access to such data would result in more consumer switching behaviour and better consumer switching decisions compared to those they can currently make using

		<p>Powerswitch</p> <ul style="list-style-type: none">• That having all their tariffs in a dataset accessible to their competitors will lead to retailers offering more competitive tariffs as opposed to reducing the offering of the most competitive tariffs (retailers already use Powerswitch to monitor competitive pricing). <p>The paper assumes but does not establish the link between lack of complete market information and non-switching behaviours. It does not give any weight to other factors impacting on consumer switching behaviour, such as the ability to actually make the switch when they decide to do so.</p> <p>Resources might be better spent on identifying what true factors limit switching behaviour.</p>
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