



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HIKINA WHAKATUTUKI

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# Improving electricity price monitoring

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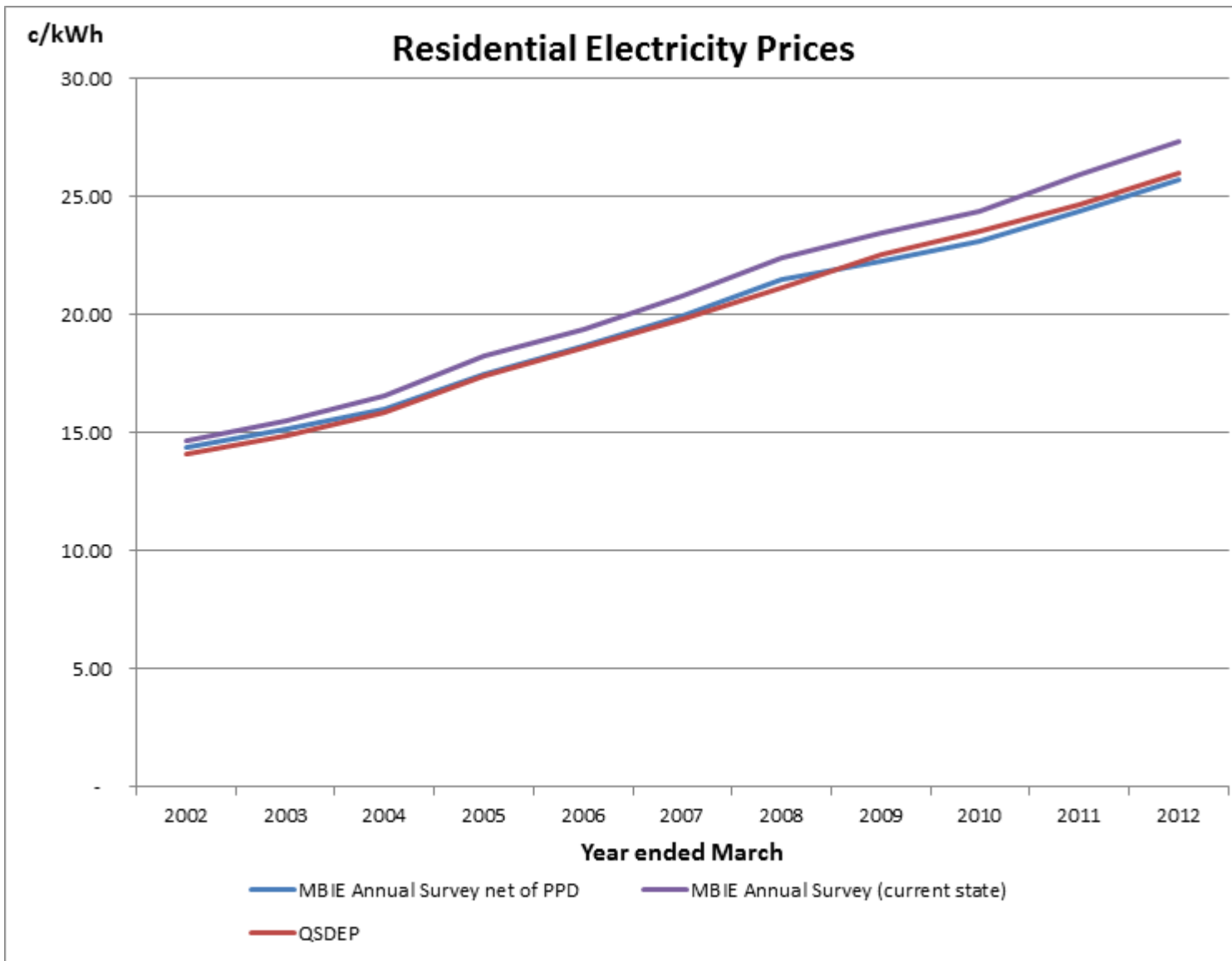
Posted tariffs no longer reflect what households are actually paying for their electricity



# Background

- Retailers have introduced a variety of sales and marketing measures to win and retain customers
- These include: attractive prompt payment discounts, lower fixed term prices, loyalty rewards, and acquisition and retention payments
- Tariffs are becoming more complex and the 'rack rate' is becoming less relevant
- Tariff-based price monitoring does not pick up these changes





# Why does this matter?

- People care about electricity prices
- Debate and decisions informed by faulty data or data created for a different purpose can lead to wrong choices
- The Ministry's data series is an input into various analyses:
  - Evaluation of consumer switching fund
  - Margins analysis by Electricity Authority



# Proposed approach

- Calculate electricity prices based on what customers are actually paying, rather than posted tariffs

$$\textit{unit price} = \frac{\textit{revenue} - \textit{discounts}}{\textit{sales}}$$

- Discounts include: multi-product, prompt payment, acquisition and retention payments
- This means we no longer need to assume a particular consumption and metering configuration for a representative customer type
- This approach is more resilient to possible future changes in the market, such as time of use pricing



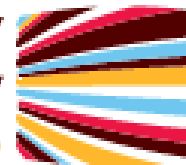
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## Domestic Electricity Prices Available Up To 15 November 2013

Approximate Number of ICP's				Nov-08		Nov-11		Nov-12		Aug-13		Nov-13		% Change Aug-13 to Nov-13		% Change Nov-12 to Nov-13		\$ Change Nov-12 to Nov-13	
				Line c/kWh	Retail c/kWh	Line c/kWh	Retail c/kWh	Line c/kWh	Retail c/kWh	Line c/kWh	Retail c/kWh	Line c/kWh	Retail c/kWh	Line %	Retail %	Line %	Retail %	Line \$	Retail \$
<b>NORTHLAND</b>																			
Top Energy		-	30,630	9.43		13.09		16.30		16.82		16.82		0.0%		3.2%		\$41	
Contact Energy			17,217	56%	26.31	28.25	31.61	33.06	33.06	33.05		33.05		0.0%	0.0%	4.6%		\$115	
Genesis Energy			2,278	7%	26.79	28.33	32.28	34.51	34.51	34.51		34.51		0.0%	0.0%	6.9%		\$178	
Just Energy			*	*	0.00	31.23	36.30	34.05	34.05	34.05		34.05		0.0%	0.0%	-6.2%		-\$181	
Mercury Energy			2,463	8%	25.08	31.29	35.15	36.83	36.83	36.83		36.83		0.0%	0.0%	4.8%		\$134	
Meridian Energy			1,212	4%	24.97	30.93	34.10	34.31	34.31	34.31		34.31		0.0%	0.0%	0.6%		\$17	
TrustPower			6,433	21%	0.00	30.79	34.87	36.18	36.18	36.18		36.18		0.0%	0.0%	3.8%		\$105	
Bosco Connect Ltd			73	<-1%	0.00	0.00	0.00	0.00	0.00	0.00		33.44		0.0%	0.0%	0.0%		\$0	
Remainder			954	3%															
<b>Northpower</b>																			
Meridian Energy		-	54,602	31%	23.25	26.92	27.72	28.15	28.15	28.15		28.15		0.0%	0.0%	1.6%		\$35	\$35
Contact Energy			7,554	14%	23.92	24.92	25.63	26.78	26.77	26.77		26.77		0.0%	0.0%	4.4%		\$91	
Just Energy			*	*		29.05	29.05	27.32	27.32	27.32		27.32		0.0%	0.0%	-6.0%		-\$139	
Genesis Energy			16,046	29%		26.02	26.02	27.67	27.67	27.67		27.67		0.0%	0.0%	6.3%		\$132	
Mercury Energy			11,914	22%		27.37	27.37	28.70	28.70	28.70		28.70		0.0%	0.0%	4.8%		\$106	
Nova Energy			214	<-1%		0.00	0.00	25.66	25.66	25.64		25.64		-0.1%	0.0%	0.0%		\$0	
Remainder			2,115	4%															
<b>AUCKLAND</b>																			
UnitedNetworks (Waitemata)		-	212,879		9.74		12.06		11.29		11.29		0.0%		-6.4%		-\$62		
Genesis Energy			63,905	30%	27.00	28.09	27.46	27.46	27.46	27.46		27.46		0.0%	0.0%	0.0%		\$0	
Contact Energy			47,675	22%	27.00	27.53	27.21	27.21	27.21	27.20		27.20		0.0%	0.0%	0.0%		-\$1	
Energy Online			8,897	4%		26.39	26.39	26.39	26.39	26.39		26.39		0.0%	0.0%	0.0%		\$0	
Just Energy			*	*		28.69	28.69	27.28	27.28	27.28		27.28		0.0%	0.0%	-4.9%		-\$113	
Mercury Energy			60,821	29%		28.93	28.93	28.65	28.65	28.65		28.65		0.0%	0.0%	-1.0%		-\$22	
Meridian Energy			14,059	7%	27.05	27.64	27.64	26.87	26.87	26.87		26.87		0.0%	0.0%	-2.8%		-\$61	
Nova Energy			1,593	<-1%	27.00	27.98	27.98	27.98	27.98	27.96		27.96		-0.1%	0.0%	-0.1%		-\$1	
Powershop			8,321	4%	27.00	27.18	27.18	27.24	27.24	27.30		27.30		0.2%	0.0%	0.5%		\$10	
TrustPower			1,504	<-1%	23.01	28.40	30.05	30.05	30.05	30.05		30.05		0.0%	0.0%	0.0%		\$0	
Remainder			6,104	3%															
<b>Vector</b>																			
Mercury Energy		-	325,111	51%	8.93	25.79	27.27	27.89	27.89	27.89		27.89		0.0%	0.0%	2.3%		\$50	
Bosco Connect Ltd			9,876	3%	0.00	27.53	28.89	29.51	29.51	29.51		29.51		0.0%	0.0%	2.1%		\$50	
Contact Energy			66,033	20%	23.00	23.74	24.98	24.98	24.98	24.98		24.98		0.0%	0.0%	0.0%		-\$1	
Energy Online			3,721	1%	22.15	23.55	26.50	26.50	26.50	26.50		26.50		0.0%	0.0%	0.0%		\$0	
Genesis Energy			25,602	8%	21.78	25.94	27.29	27.29	27.29	27.29		27.29		0.0%	0.0%	0.0%		\$0	
Just Energy			*	*	0.00	25.58	27.41	26.82	26.82	26.82		26.82		0.0%	0.0%	-2.2%		-\$47	
Meridian Energy			19,071	6%	22.93	24.39	26.50	26.63	26.63	26.63		26.63		0.0%	0.0%	0.5%		\$11	
Nova Energy			3,524	1%	0.00	0.00	26.13	26.74	26.74	26.73		26.73		-0.1%	0.0%	2.3%		\$48	
Powershop			11,670	4%	0.00	24.23	25.88	26.88	26.88	26.94		26.94		0.2%	0.0%	4.1%		\$85	
TrustPower			2,886	<-1%	24.19	26.23	27.99	27.99	27.99	27.99		27.99		0.0%	0.0%	0.0%		\$0	
Remainder			18,062	6%															





# Next steps

- Initiated a review in October 2013
- Consulted with electricity retailers in November
- Data collection using new method has been initiated
- New data to be produced in June