



17 December 2019

Electricity Authority  
2 Hunter Street  
**WELLINGTON 6011**

Dear Sir / Madame,

## **INTELLIHUB SUBMISSION ON THE SWITCH PROCESS REVIEW**

### **Introduction**

1. Intellihub Group ("**Intellihub**") welcomes the opportunity to provide its views on the *Switch Process Review – Issues with the ICP switching processes and possible options to address these issues* discussion paper ("**Discussion Paper**").
2. We acknowledge that relatively low levels of customer switching has been identified (e.g. as part of the Electricity Price Review) as a factor that reduces competition and downward pressure on prices for consumers. We believe that providing customers with better information on their electricity usage, and access to tariff options that reward them for adjusting their demand behaviour, will be equally important to promoting innovation and downward pressure on prices.
3. As an independent Metering Equipment Provider ("**MEP**"), Intellihub is committed to providing innovative metering technology that will provide benefits to consumers.
4. We therefore agree that reviewing the current ICP switching processes is important to ensure they do not impede competition and innovation – particularly in light of the increasing use of new technology (including AMI) in the industry. We support the objective of making improvements to the switching process to address current operational inefficiencies and to improve outcomes for consumers.



5. However, the Electricity Authority ("**Authority**") should ensure that seeking to promote more efficient switching of customers between traders does not come at the expense of imposing additional burden and costs on parties that are not directly involved in the switch process.
6. We have carefully considered the options raised in the Discussion Paper to improve the current switching processes. Our detailed responses to these individual options are **attached**. We make some key points below, which underpin all of our responses.
7. Generally, we support the options in the Discussion Paper, except where we consider that they could complicate existing processes or exacerbate the problems that they seek to remedy. However, we acknowledge that these options are formulated only at a high level, and that the Authority plans further work to explore and assess the possible advantages and disadvantages of each.

#### **Avoiding further complexity and costs in the switching process**

8. The role of MEPs under the Electricity Industry Participation Code ("**Code**") remains relatively new. Although the Code places some obligations on MEPs, the key relationship between MEPs and traders is governed by commercial arrangements. These arrangements are subject to competition, which is a key way that the market promotes innovative and high-quality metering services for the benefit of consumers. The market has developed commercial arrangements to help ensure that when a customer is switched between traders, the gaining trader can keep the existing MEP or efficiently appoint a new one.
9. We are therefore concerned that the need to have an arrangement with a MEP, or the need to obtain data from a MEP, has been identified in the Discussion Document as an inhibitor to efficient switching in some cases. It appears to us that examples mentioned by the Authority (e.g. distributors favouring their metering businesses and traders' challenges in the efficient coordination of switching) raise broader competition issues. Any solution should directly address the source of the problem, instead of imposing additional burdens on independent MEPs like Intellihub.
10. MEPs have no control over the switching process, which is a matter between a switching consumer and the losing and gaining trader. A MEP is



involved in this process only due to its contractual relationship with the losing trader, and potentially the gaining trader.

11. In our view, it would be inappropriate to subject MEPs to obligations under the Code in respect of a process that is outside of their control, and in an effort solve problems that they do not cause. Adding MEPs as participants to the switching process is likely to introduce further complexity at additional cost to the industry, without providing a significant countervailing benefit.
12. Instead, the shortcomings identified by the Authority could be addressed through better-targeted means, including by:
  - (a) having traders better utilise the metering information and consumption data that is already made available to them by MEPs; and
  - (b) place clear obligations on traders to facilitate the switch process, which in turn would require traders to ensure that their contractual arrangements with MEPs provide them with the information they need (when they are both gaining and losing ICPs) to be able to execute the switching process efficiently.

#### **Impact of other work streams on switching processes**

13. The Authority suggests that it is timely to review the ICP switching processes now. However, in our view the factors identified by the Authority (at paragraph 2.1) as supporting this position have been prevalent for some time now and will continue to be for the foreseeable future. They therefore do not provide a reason for implementing change with undue haste, without fully considering how switching processes are impacted by other Code requirements and industry practices. It is important that all factors and processes affecting customer switching are considered in an integrated and comprehensive manner.
14. The Authority is currently engaged in other significant work streams, the outcomes of which could have a substantial impact on the design of options to amend current switching processes, and measures to facilitate the greater use of technology for the benefit of consumers. The Discussion Document presents the options in isolation, and does not consider their



design in the context of the broader industry reform initiatives already underway. These initiatives include:

- (a) the saves and win-backs project;
  - (b) the additional consumer choice of electricity services (ACCES) project;  
and
  - (c) the open networks project.
15. These and other ongoing projects are likely to impact the switching process, and may mean that changes to the current switching processes arising out of this consultation will shortly become incompatible with the outcomes of those other projects, and will require subsequent amendment to accommodate them.
16. We therefore submit that the Authority should consider and implement any changes to the current switching processes in parallel with the outcomes of other relevant projects:
- (a) to ensure the long-term sustainability of any such changes; and
  - (b) to avoid unnecessary cost and resource to industry participants.

#### **Uncertainty surrounding current options**

17. Related to the above point, the Discussion Document suggests that the Authority could progress two work streams at different speeds, with "quick fixes" coming first. This makes sense, but there is currently a lack of clarity on what might be "quick fixes", compared to what will need to be progressed at a more considered pace. Our view is that it would be better to be conservative about identifying potential "quick fixes", to ensure that where appropriate all interlinking issues are properly considered to provide better certainty that a package of changes will deliver better outcomes for consumers.
18. Because the options raised in the Discussion Document are formulated only at a high level, it is very difficult to assess their practical impact and cost of implementation at this stage. As the Authority notes, many of the operational aspects such to change are relatively technical and complex in



nature. The industry needs to be sure that the Authority has fully considered all costs and benefits of complex changes.

19. We request the Authority to consider the costs that could be placed on MEPs in greater detail when developing these options further, particularly in light of our concern raised above that MEPs should not bear the costs of trader's challenges in the efficient coordination of switching.

**Need for further engagement with MEPs**

20. The areas of concern we have identified above indicate that there needs to be more engagement with MEPs regarding the options to change switching processes. The switch technical working group should be reconvened, and its scope expanded to engage and agree a collective outcome for the overall workability of the registry and switching model; and its membership should be reassessed to ensure the balance of MEP representation is appropriate.
21. We believe that our unique position as an independent MEP not owned by any New Zealand electricity trader or distributor means that we can add great value to any such working group.
22. Please do not hesitate to contact me if Intellihub can provide further assistance.

Yours sincerely

Stacey Tibbetts  
GM Sales & Business Development  
**IntelliHub**