

1 November 2022

Electricity Authority

Wellington

Sent by email to: appropriations@ea.govt.nz

SUBMISSION on Electricity Authority's 2022/23 and 2023/24 Levy-funded Appropriations Consultation Paper

1. Introduction

Thank you for the opportunity to make a submission on the Electricity Authority's (the Authority) 2022/23 and 2023/24 Levy-funded Appropriations Consultation Paper. This submission is from Consumer NZ (Consumer), an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa. Consumer has a reputation for being fair, impartial and providing comprehensive consumer information and advice.

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2. Our responses to selected questions

Our answers to selected questions in the consultation paper are set out below.

Question 6.4 – Would you support a further increase as signalled to funding for the Electricity Industry Governance and Market Operations appropriation for 2024/25 and outyears?

Yes, however we consider the Authority should work with Consumer to revise the structure of the Powerswitch funding model to reflect the recommendations made by the Electricity Price Review, namely; to fully

fund Powerswitch operations and remove the need to rely on switching fees from industry. We support the use of part of the increased levy for this purpose.

Question 6.5 – Do you have any feedback on the current funding model for Powerswitch? Would you like to see an alternative funding model for Powerswitch?

Consumer recommends that Powerswitch be 100% funded by the Authority via an increase to the existing levy provision for consumer participation operations.

Currently there is a mixed funding model for Powerswitch governed by a contract between Consumer and the Authority. Under the contract, the Authority provides \$1.2m of funding per annum, this equated to approximately 70% of Powerswitch funding at the start of the contract term in 2020. The Authority's funding will increasingly be a lower proportion of the total funding required in 2023. Expenses will increase as Powerswitch's profile, usage and development needs grow.

The contract recognises the current allocation is not sufficient to cover the website's operational expenses and meet the KPIs for development and marketing the Authority has set. The contract recognises that Consumer will need to source additional funding to deliver the service to the level required.

The ongoing viability of Powerswitch is therefore reliant on Consumer requiring participating retailers to pay switching fees. The Authority has expressed the view that requiring a form of user pays through the Powerswitch model is an efficient and fair allocation of costs.

While this may be true in pure economic terms, as the Electricity Price Review highlighted in its recommendations for the future funding of Powerswitch, switching fees are (and continue to be) problematic for a range of reasons, including the volatile and unpredictable nature of total fees making long-term planning a challenge, the refusal of some industry participants to pay switching fees on equal terms, and the administrative burden they place on Powerswitch and retailers.

There is no question that consumers benefit the most from Powerswitch when they are presented with a comprehensive list of the full range of plans relevant to them and they can make an informed decision on

whether to switch. However, as there is no mechanism for Consumer to force retailers to pay switching fees we have had to make a choice between presenting all retailers plans (including those that refuse to pay switching fees) and the ongoing viability of the site.

During periods over the contract term, Consumer has allowed non-paying retailers to stay on the website so that consumers maintain access to the best deals available in the market. However, Consumer has been forced to subsidise the shortfall in contract funding through Consumer membership subscription fees. This has meant Consumer has not undertaken other important research and advocacy work to keep Powerswitch running. This is no longer a viable strategy.

Full levy funding would be more stable and efficient than the current mixed funding model.

Additionally, funding needs to increase if Powerswitch is to meet development and service level expectations.

Question 6.8 – Would you like to provide any other comment on the Authority’s proposed 2022/23 or 2023/24 funding?

Powerswitch funding needs to increase. Current funding levels are not sufficient to meet consumer needs, evolving electricity and gas retail offers, technological change, and the Authority’s expectations for Powerswitch enhancement.

Thank you for the opportunity to provide comment.

ENDS