

26 March 2025

Energy Competition Task Force
C/- Electricity Authority
P O Box 10-041
Wellington

By email: taskforce@ea.govt.nz

Dear team

Re: Consultation Paper—Time-varying retail pricing for consumption and injection

Flick welcomes the opportunity to make this submission on the Electricity Authority's (the Authority) consultation paper that proposes regulating for time-varying retail pricing for electricity consumption and injection by mass market consumers.

Regulatory focus

The Authority's statutory objective is to promote competition – including in the electricity retail market. Flick submits the Authority's proposals to require retailers to offer time-varying plans are incongruent with the Authority's statutory objective in that it may significantly reduce innovation competition.

In a workably competitive electricity retail market, all retailers would be motivated to innovate and provide a variety of pricing plans that consumers find attractive to sign up to. Retailers with attractive pricing plans benefit by gaining market share and increasing economies of scale.

Mandating retail offers will send a message that innovation will not be rewarded. There is a risk as an innovator that by developing a new and attractive offer, the regulator will mandate other participants to offer the same thing, minimising competitive advantage and reducing the potential upside of spending on innovation.

The focus of regulatory intervention should be the underlying issues. In Flick's view the underlying issue is the lack of incentive for gentailers to offer ToU plans, largely because they all control flexible generation and aren't exposed to significant peaking events to the same extent as other retailers.

Requirement to offer ToU plans

Flick notes the evidence the Authority revealed: that “some of the largest retailers do not currently offer time-varying consumption plans, or only offer them to select customers (typically EV owners)”. The gentailer business model – where the retail activity is 100% hedged against fluctuations in spot prices 100% of the time – shields the retail business from consideration of the impact of actual spot prices on their profitability or wider system costs.¹

Flick also notes the Authority’s conclusion that “a significant portion of consumers are not being given sufficient incentive or opportunity to shift their consumption to off-peak times”.²

Flick submits the ‘opportunity’ to be on a time-varying plan already exists. There are time-varying plans available, and this will continue to evolve.

Flick suggests the Authority should consider how to measure the success of the proposed intervention. Regulating to require retailers to offer time-varying plans will have no consequence if consumers elect not to switch to these plans.

Requirement to promote ToU plans

An alternative approach to achieving a higher portion of consumers on ToU pricing while rewarding innovation, would be for the Authority to encourage consumers to opt for a ToU plan through a campaign about the system benefits.

Flick submits the Authority should focus on informing consumers about the benefits of reviewing whether they can benefit from changing plans. This could include information about the benefits of time-varying plans. Consumers are likely to consider information from the Authority as more credible than individual retailers promoting their own plans.³

Informed by this information, consumers can choose from retailers that offer time-varying plans or other plans that have more value for a particular customer. Innovative retailers may develop and offer more sophisticated time-varying plans or other plans to attract more customers over time. This approach is consistent with the Authority’s commitment to its role in promoting retail competition and protecting the interests of domestic consumers.

Flick’s preferred approach of the Authority encouraging consumers to shift their electricity use away from peak periods will realise the benefits the Authority anticipates. As well as retailers offering consumers options to reduce their electricity costs, the

¹ Described by the Authority in paragraph 5.41 as “where retailers have other ready options to manage their costs, their incentives to engage consumers to help reduce peak demand may remain insufficient to drive meaningful activity”

² Paragraph 4.15 of consultation paper

³ Further, the Authority’s proposal that large retailers offer and then promote their time-varying plans has the potential to crowd-out promotions by retailers that already offer time-varying plans.

market will remain open to other third parties offering consumers flexibility products and services.

In conclusion, we urge the Authority to address the underlying issue of the competitive advantage for gentailers' retail business from having a load following FPVV 100% hedged position.

While our preferred approach – of the Authority promoting switching and informing customers about the benefits of time-varying plans – is consistent with promoting retail competition, it does not address the underlying issue of ensuring a workably competitive market.

As previously submitted, independent retailers are experiencing a margin squeeze which can be addressed by requiring non-discriminatory pricing by gentailers and no cross subsidies between a gentailer's generation and retail activities.

Please don't hesitate to contact us if you have any further questions on the above. We note that no part of this submission is confidential.

Yours Sincerely

Naz La Gamba