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The Electricity Authority

PO Box 10041

Wellington 6143

Via email: consumer.mobility@ea.govt.nz

Energy Trusts of New Zealand Incorporated (ETNZ) welcomes the opportunity to provide feedback on the Electricity Authority's (EA's) consultation on 'Improving electricity billing in New Zealand.'

ETNZ is the collective voice of consumer-owned power distribution in New Zealand. We advocate on behalf of regional energy trusts throughout New Zealand. These Trusts are owners of companies operating electricity distribution networks on behalf of local consumers and communities.

Twenty of New Zealand's 29 EDBs are Trust-owned – either in part or full. It is the dominant ownership model. Trust-owned EDBs supply electricity to over one and a half million customers and collectively own over \$9 billion in network assets. Crucially these networks are owned by their customers which ensures they can strike an appropriate balance between affordability of prices to current customers and investing in an increasingly critical piece of community infrastructure for future generations.

By virtue of their ownership model, trust-owned networks are naturally incentivised to act in the best interest of their customers. Our members are active in their communities – their profits are returned to their customers, they provide local sponsorships and fund community initiatives, and they are significant employers in their regions.

We support the EA's desire for greater standardisation of electricity bills and better presentation of information as a means of enabling customers to compare offers between retailers to make sure they are on the best arrangement for them.

We also support the enhanced customer care initiatives outlined in the consultation paper. Many customers are currently experiencing energy hardship and we are aligned with the EA in seeking ways to address this.

The Energy Minister in his 1 October announcement on 'Securing New Zealand's Energy Future' has urged the electricity sector to find ways of bringing down the cost of electricity. The fastest and by far most significant way to do this is by ensuring customers are on the lowest cost retail plan for them. In its paper, the EA states that

‘around 90 per cent of people who compare their plan on Powerswitch find they can save, with average savings of over \$400 a year’. If this held true across all customers, then the collective annual saving for residential customers would be over \$700m per year. Put another way, the average saving equates to nearly 15% of the average household electricity bill.

A standardized bill format is a welcome step

We support the move towards a more standardised bill format and the use of plain, easy-to-understand language. We endorse the move to use the good work that has been done in Australia in this regard.

Strengthened customer care obligations are welcome

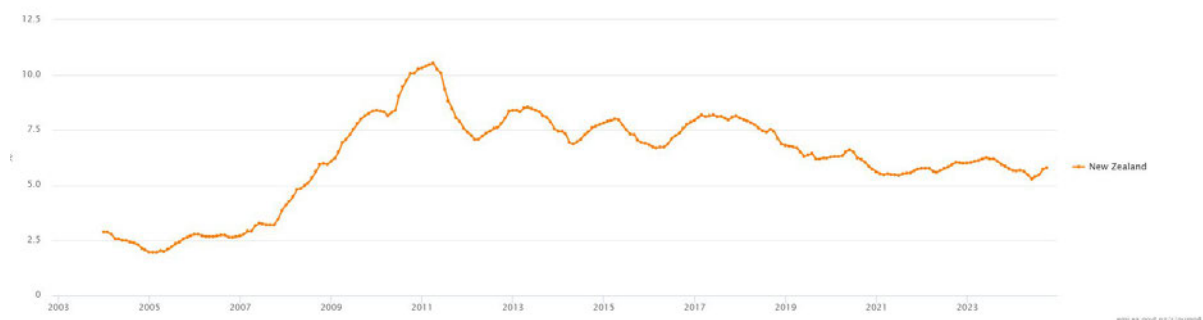
ETNZ supports the proposed strengthening of customer care obligations. More regular assurance around whether customers are on the best retail plan from their retailer, abolition of termination fees when switching plans with the same retailer, and limiting the extent of back billing where the customer is not at fault are all pragmatic steps to protect customers.

Allow Trusts to highlight discount payments on electricity bills

The EA recognises the value of being able to include messages on the front of the electricity bill. Energy Trusts return a share of profit to their customers on a regular basis. This is usually done in the form of a discount paid to retailers and offset against their electricity bill. ETNZ would like the ability to include a message on the retail bill highlighting the payment of the discount and would like this included in the proposed changes.

Switching performance has been poor and needs to be improved

Customers switching retailers is an indication of the general competitiveness of the retail electricity market. The EA has presided over a sustained period of declining performance in this area as shown in the graph below. The graph is direct from the EA’s website and shows a rolling 12-month average of Trader switches over time.



The graph shows switching peaked in 2012 at an annual rate of 10.5 per cent and has fallen over the past 13 years to almost half this level. Given that most New Zealand customers are on retail plans that aren’t the lowest in their area, this is disturbing. To its credit, the EA acknowledges that its efforts in this space to date are not working, however there are signs of a longstanding complacency – for example, the EA used to publish annual savings figures by area but ceased doing this in 2017! A stronger and broader focus is needed.

Improving bills and digital interfaces may help, but it is well understood that there are other barriers preventing customers switching. We urge the EA to lean into this issue, to take a more open-minded perspective on solutions, and to work with others to understand how to improve performance. A digital-only, website-centric approach is too narrow and ignores the reality of many customers' situations.

Energy Trusts are willing to help

Energy Trusts have a long and proud history of supporting initiatives such as improving home insulation, deploying LED light bulbs, and home energy audits. These initiatives deliver sustainable savings to our customers by reducing their electricity bills and providing improved living environments.

ETNZ, through its members, is happy to work directly with the EA to trial and deliver other methods of helping customers switch retailer. As already noted, this is the fastest and most effective means of delivering lower electricity prices to customers. We know from first-hand experience that an improved switching website will not deliver increased levels of switching to all customers. As an industry we can do better, and we are willing to help.

We have made contact with the EA project team working on "Powerswitch 2.0" and hope that we can work together to ensure better results on switching.

Time of use plan management is contrary to desired outcomes

The paper proposes retailers allowing customers to switch away from time of use (TOU) plans if it is found that the TOU plan is more expensive. This flies in the face of the EA's push for these plans. For these plans to deliver value, they must deliver a sustained change in behaviour.

While well intentioned, the EA's proposed change is likely to result in customers only moving to TOU plans where their existing usage patterns produce lower costs.

Customers with detrimental usage patterns will remain on flat rate plans. Over time, this just results in cost shifting between customer groups.

Summary

In summary ETNZ:

- Supports the move to a standardized bill format;
- Welcomes enhanced customer care guidelines;
- Requests the ability for Trusts to post a bill message informing the payments of discounts to customers; and
- Signals a pressing need to improve the ability of customers to switch more freely between retailers. On this matter, ETNZ members are willing to help.

Should you wish to discuss any of the points raised above, please feel free to contact me via our stakeholder manager, Cathie Bell [REDACTED]

Yours sincerely,



Richard Allison
Chairman
Energy Trusts of NZ Inc