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23 August 2023

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Nova Energy Limited
PO Box 3141, Wellington 6140

By email: wholesaleconsultation@ea.govt.nz

Re: Retailer financial stress data request

Nova Energy (Nova) acknowledges the value of assessing the potential impact of poor debtor performance in the event of extreme energy prices, as being experienced in Europe, or possible consumer hardship as was predicated by the Covid-19 virus. It is not clear however if it is necessary to collect this information on a continuous basis given the Authority can restart collecting it if at any time such circumstances arise.

The collection of the Retailer financial stress data may satisfy the requirements of section 16(1)(g) of the Electricity Industry Act 2010, but it is still not clear what value the Authority purports to be deriving by its analysis of this data. Currently the aggregated data is of little value to market participants for benchmarking purposes because of the extended delays in its release and different measures used by participants to measure some elements, e.g. debt write-off policies.

Several electricity retailers' product offerings also include gas and telecommunications products. As such the aggregation of debtor statistics has also become increasingly convoluted and presumably reduces the value of the data for analysis purposes.

Further comment is appended to this letter.

Yours sincerely



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Nova submission: Retailer financial stress data request

| Q No. | Question | Response |
|-------|--|---|
| Q1. | Do you have feedback on the proposed notice (Appendix A)? | <p>Yes. Nova has comments on some of the data requirements below:</p> <p>E. Number of customer accounts sent disconnection warning notices</p> <p>Does this include all warnings, final warnings, or an advanced notice of disconnection?</p> <p>How are the notices of low account balances issued to pre-pay customers to be differentiated when customers receive such notices on a regular basis?</p> <p>Are the pre-pay accounts relevant to these statistics at all, given there is minimal retailer credit risk in these accounts by definition?</p> <p>G. Number of ICPs disconnected for more than 24hrs</p> <p>How rigid is the 24hr measure and is that practicable to measure? Would it be easier just to define the period of disconnection as remaining disconnected overnight or longer? Selecting data based on whether disconnections and reconnections take place more than 24 hours apart creates a challenge and additional costs.</p> <p>J. Total customer debt written off during the period</p> <p>Quantifying the value of debt written off doesn't give much insight unless aspects such as the age of debt written off and reasons for write off are understood.</p> <p>Each retailer will have unique credit policies on the age, criteria and frequency for bad debt write offs. For instance, if 90% of debt written off last month was debt outsourced for collection in 2020, then it is unlikely to be reflective of current energy debt challenges? Whereas, if 90% of last month's write offs were due to insolvencies that were administered in 2022 the data would be insightful.</p> |
| Q2. | Do you agree that this information will assist the Authority in monitoring customer and retailer stress? If not, what information do you consider will | <p>Nova is not aware of what meaningful value there has been gained from the data received to date.</p> |

| Q No. | Question | Response |
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| | assist the Authority in monitoring customer and retailer stress? | |
| Q3. | Do you agree the benefits of the Authority having this information exceeds its costs? If not, why? | Market participants only get to see the Authority's results from this data 6-months and more in arrears, and don't really gain any insights due to the lack of timeliness or definition. |