



30 November 2021

James Stevenson-Wallace
Chief Executive
Electricity Authority

By email: appropriations@ea.govt.nz

Dear James,

Electric Kiwi supports increased focus on the wholesale market and enforcement

Electric Kiwi welcomes the opportunity to provide feedback on the Electricity Authority's proposed levy funded appropriations for 2021/22 and 2022/23. We are supportive of increased funding for activities associated with improving the wholesale market and building capabilities for enforcing the rules and regulations that govern the electricity industry. Our view is that enforcement is a critical function of the Authority and has been largely forgotten over recent years, so it is a positive step forward that there is an intention to increase focus here.

Conversely, we are concerned the consultation doesn't mention the Authority's funding of Powerswitch which hasn't delivered any perceptible improvements to date despite investments made. This should be considered an embarrassment for the Authority, and we hope that plans are underway to ensure that the site is appropriately funded and capable of delivering the service expected of it.

We are supportive of funding to get a better understanding of the wholesale market

It is a positive step that the Authority has undertaken the wholesale market review. Electric Kiwi's view is that urgent work is needed to clearly identify all the causes of inefficient pricing, not just the easily identifiable symptoms. Equally urgent and important analysis is then required to model the outcomes of all potential solutions to address the lack of competition in the wholesale market. Specialised data analytics and modelling capability will be needed and we are supportive of securing additional funding to deliver this project as quickly as possible.

Enforcement is core to the Authority's role

We are also pleased the Authority has recognised that their "primary role is to regulate New Zealand's electricity system and markets, enforcing the rules, and holding industry participants to account through active monitoring and enforcement"¹.

Electric Kiwi has been a vocal advocate for regulatory changes that improve competition and lower prices for customers. Whilst several of these changes have been implemented over recent years, such as the winback ban and revisions to the high standards of trading rules (HSOTC), we have been disappointed with the lack of monitoring and enforcement. For example, Electric Kiwi raised several breaches for winback activity undertaken by Genesis Energy after the ban came into force. Most of these breaches were closed with no settlement, primarily because Genesis Energy "took steps to prevent recurrence and ceased winback attempts to save protected retailers from this part of its business due to the manual processes involved"². For these new rules to have any teeth market participants must be held to account in keeping to these rules.

¹ Electricity Authority, 2021/22 and 2022/23 Levy-funded Appropriations Consultation paper

² Notice of the Authority's decision under regulation 29 of the Electricity Industry (Enforcement) Regulations 2010



Additionally, effective enforcement needs to be timely. It has been clear to us that the investigations team at the Authority have had a significant backlog. For example, the investigation into operations at Tekapo A by Genesis Energy took nearly 19 months and then was closed with no settlement³ and the 2019 UTS was closed over 15 months after it was initially raised⁴. Enforcement, if it occurs over a year later, has significantly less impact and then deciding not to enforce a law because too much time has passed effectively makes the regulation null and void (refer Tekapo A case). We are hopeful that with the increased funding proposed that enforcement receives the focus it needs for a thriving and well governed industry to exist.

Improvements still needed to Powerswitch

Back in 2019 the Electricity Price Review concluded that a “single, beefed-up price comparison website” was needed to ensure customers could “compare plans and switch to retailers offering better deals.”⁵

It was Electric Kiwi’s view at the time that a competitive tender process was needed to ensure that consumers could get the best comparison site. Unfortunately, the Authority did not heed this advice, instead awarding the funding to the existing Powerswitch site run by Consumer NZ. As a result, it is unsurprising that improvements to the service have been slower than anticipated.

Our experience reveals that turnaround times for loading new competitive pricing on the website have not decreased and still take on average 2 weeks. This is despite Powerswitch pronouncing a year ago they were increasing resource levels and investing in systems enhancements.

Recently we introduced Move Master which is a ‘Time-of-Use’ (TOU) plan aimed at incentivising customers to shift load, where possible, to off-peak times. Powerswitch was given ample advance warning of our new pricing structure (March 2021) and sample pricing (June 2021) so they could ready their systems and provide any instructions on how to best format the pricing. However, when we were ready with the new price plans in October 2021, Powerswitch still took over a month to get the pricing onto their site. We have engaged with Consumer NZ and it is clear they are under resourced, and the site requires more investment to bring it up to an acceptable standard for a publicly funded service.

A competitive market requires agility around price, therefore two weeks to load pricing is unacceptable, never mind a month. As a comparison, equivalent websites in Australia take around 24 hours to load new pricing, including TOU plan (e.g. Energy Made Easy). We recommend that the Authority reviews the Terms and Conditions for Powerswitch and implement SLAs which hold the site to account for the expected level of performance.

Yours sincerely,

Luke Blincoe
Chief Executive, Electric Kiwi Ltd

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³ Notice of the Authority’s decision under regulation 29 of the Electricity Industry (Enforcement) Regulations 2010

⁴ Investigator’s report on alleged breaches of clause 13.5A(1) by Meridian Energy Limited between 10 November 2019 and 16 January 2020

⁵ Electricity Price Review Final Report 21 May 2019