

Saves and Winback Code

Response from Paua to the People 15/11/2019

Q1. Do you agree the issues identified by the Authority are worthy of attention?

Yes. It is fantastic that you are finally wanting to help small retailers but unfortunately, I believe that it is too little too late.

Q2. Do you agree that prohibiting win-backs for a period of time will foster competition?

No. Too little too late. Lipstick. Pig.

Unfortunately, Generator-Retailers have already largely strangled competition in the NZ electricity market. A lack of opportunity for profits in the sector is driving many small retailers to exit the market and has seen corporate investment in the sector dry up. It will be a very brave company that enters the NZ retail electricity market given the very public experience of Z purchasing and bank rolling Flick.

Generator-Retailers have typically been in retail to support their generation operations. Having a retail base allowed Generators to have a quid each way ensuring more stable cash flows. We are now at a point however where Generator-Retailers can now successfully guarantee stable cashflows (as evidenced by recent wholesale spot rates) for their generation operations so no longer require retail customers to offset their generation.

Having to report on the profitability or not of retail operations and with customers having little value as an offset to generation we could expect Generator-Retailers to be looking to retrench to their inert bases. Prohibition of Winback may speed up Generator-Retailers exit from competing for customers actively seeking a better deal. Focusing on their inert bases would allow them to run profitable retail operations on a declining base.

The regulator must look to make the retail sector more profitable for retailers if they are to foster competition. Strengthening the retail sector will help to keep or attract investment in existing retailers, encourage new competitors and innovation. Failure to do so is likely to result in significantly reduced competition and higher prices as remaining retailers look to become profitable (as is already happening).

Q2.How long should any win-back prohibition period be?

Pick a number.

Q3. Do you agree that losing retailers should be prohibited from passing information to third parties? Why or why not?

Yes. If there is any wiggle room the bigger Retailers will find it and exploit it. Evidenced by the complete lack of effectiveness of the current Switch Saving Scheme. I can envisage child brands (like Powershop, Energy Online etc) actively targeting customers leaving their Generator-Retailer owners if they are able to do so profitably.

Q4. Do you agree that good conduct obligations are required? Why or why not?

I don't know what you expect but I cannot see this working at all. What is the incentive for anybody in this industry to meet good conduct obligations? Furthermore, front-line staff are often incentivised on results and or belong to third party organisations for whom results not methods count. How much monitoring is done on the doorstep?

Q5. Do you agree that the win-backs prohibition should apply to retailers? Why or why not?

Sure. See 2.

Q6. Do you agree that a win-back prohibition period should only terminate after a given period of time (eg, 180 days)? Why or why not?

Yes. Too hard to monitor otherwise.

Q7. Do you agree that a losing retailer's win-back prohibition period should not be terminated if the departing customer subsequently shifts to a new ICP? Why or why not?

Sure, but I do not see any way that this could be enforced. Given that many of the larger retailers offer multi-products incorporating electricity they will be in contact with these customers and they will offer them bundled products which will include electricity.

Q8. Should the save/win-back protection scheme apply to all consumers? If not, which consumers should the scheme apply to? And how should such customers be identified (eg, by the meter category at their ICP or by their ANZSIC code)?

All customers. Small Retailers have concentrated in Residential, so this has been where the issue was most apparent. A small retailer could emerge in the business and industrial sectors so extending protection to them with this scheme could give them a leg up.

Q9. What changes to the registry should be made to facilitate monitoring and enforcement of the proposed amendment?

What will be the penalty for breaching? If the large Retailers see benefit in breaching the Code regarding Winback activity, then it doesn't really matter what monitoring and enforcement you do. It was very easy to avoid breaching the current Switch Protection scheme and still do winback but from our experience the large Retailers didn't even care enough to comply. For the wronged retailer there is no remedy as the customer has already gone.

Q10. Do you agree with the objectives of the proposed amendment? If not, why not?

Yes. But unfortunately, I believe that it is too little too late. See 2.

Q11. Do you agree the benefits of the proposed amendment would outweigh its costs?

Maybe. I think that the horse has bolted but even if Generator -Retailers do still want to pursue winback activity I do not see them complying as there seems little downside to breaching.

Q12. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective.

While it is probably good for small retailers that the EA look to halt winback activity, for the reasons outlined in this submission I do not believe that it will achieve their stated objective of increasing competition.