



29 February 2024

Electricity Authority
By email: retaildata@ea.govt.nz

Improving Retail Market Monitoring – Consultation Paper

Meridian appreciates the opportunity to provide comment on the Electricity Authority's consultation paper on improving retail market monitoring.

Meridian supports aspects of the proposal

Meridian is supportive of an update to the way the Authority collects retail data (and in particular supports the move to a singular request). However, we are sceptical of the need for much of the data proposed to be collected, and are concerned that the benefits may be overestimated. At the same time, the implementation of the proposal in its current form would entail significant costs, including raising barriers to entry in the retail market and increasing cost to serve for all retailers, which would likely impact consumers in the long term. For Meridian, in the near term, significant resources would need to be prioritised to data collection and reporting systems, which may lead to the delaying of other retail projects.

The usefulness of retail data sought in the proposal

The Authority's proposed expansion of data collection seems to assume that more transparency and more data collection will always be a good thing. However, Meridian queries whether the rationale for the expanded data collection is based on a notion that certain consumer outcomes that the Authority considers desirable should be closely monitored and, if the data indicates those outcomes are not being achieved (or not fast enough) then the Authority could intervene in some way to deliver those desirable outcomes, with the Authority then monitoring again and repeating

the exercise. Such an approach would be contrary to our understanding of the Authority's statutory objective to (amongst other matters) promote competition for the long-term benefit of consumers. Promoting competition would involve a focus on reducing barriers to entry, expansion, investment, and innovation rather than monitoring for and intervening to deliver certain consumer outcomes. The presumption in the Authority's statutory objective is that the process of competition amongst retailers will drive down costs and efficiently discover the products and services that consumers seek, not that the regulator should act on its own assumptions about what is best for consumers.

Put another way, the consultation seeks data which Meridian is struggling to see regulatory uses for, beyond second-guessing the expertise of retailers in the creation and making of new retail offerings to consumers. For example, half hourly consumption data is identified as a current information gap (Table 1), and the consultation states that this data would allow for the monitoring of consumer behaviour in response to new plan offerings. We suggest that consumer response data of this type is the retailer's concern rather than the regulator's

Comments on the cost-benefit analysis required

The Authority is clearly well aware of the risk that the benefits of collecting data do not justify the cost of doing so. However, Meridian notes that the Authority must focus on the benefits of the data collection per se, and not assume the benefit of further interventions which the data collection may lead to. At paragraph 6.49 of the consultation, the Authority states that:

The benefits of being able to adequately monitor retail market outcomes, in particular price outcomes for consumers, are likely to be substantial. For instance, a small improvement in retail competition as a result of issues identified using this data is likely to have material benefits to consumers.

Meridian notes that further interventions on issues identified using the data are purely hypothetical at this stage. They may not occur or be required. Any cost-benefit analysis on this proposal will therefore often be setting the possibility of benefits against definite costs.

While we note that the Authority has not yet revised its interpretation of its statutory objectives following statutory amendments and the decision in *Manawa Energy Ltd v Electricity Authority* [2022] NZHC 1444, the [Authority's 2011 published approach](#) to cost-benefit analysis requires that consumers are looked at in the aggregate and cautions (at A.6) that only the efficiency gains of a proposal are clearly consistent with expanding the "size of the economic pie":

The implication of this [aggregate] approach is that, in virtually all circumstances, only the efficiency gains of an initiative should be treated as benefiting consumers, with wealth transfers excluded because they 'net off' among all electricity consumers once indirect wealth effects are taken into account.

This is relevant to the present consultation if and to the extent that the Authority's analysis is focused on potential benefits to certain consumers. There are also aggregate costs to consumers as a result of the proposal (discussed in the next two sections) which could reduce any aggregate benefit. For example, while different retailers will conduct the exercise differently, all can be expected to pass through the costs of complying with the data request (see below) to consumers to some extent.

Possible barriers to entry and negative impacts on competition

The proposal is not free from compliance costs (further comments on this below), and these may have direct impacts on competition in the retail sector.

One issue not acknowledged in the proposal is the possibility that information provision requirements have a weakening effect on competition by increasing entry costs/barriers for new entrant retailers, as well as increasing expansion costs for those retailers looking to innovate and offer new products. These effects are likely to disproportionately effect smaller retailers given that economies of scale ameliorate the costs of software-based solutions for larger industry players like Meridian.

A related aspect of this issue is that the need to deliver data to the Authority in the manner proposed may influence retailers in their choice of offerings and has the potential to incentivise retailers to offer plans or prices which fit comparatively more neatly within the data request framework. It is by no means guaranteed that these weak distortions will lead to negative changes or inefficiencies, but even if this is only a minor risk, we think some account should be made of it.

Implementation costs

Meridian's costs

Meridian does not currently have the necessary systems to handle the provision of the data proposed in the request (and we imagine this is true for many other retailers). Certain data types cause more difficulty than others. For Meridian, collection and reporting of the following data in the required format would lead to significantly higher implementation costs:

(From Table 1 General of the Proposed Notice)

- Early termination fee;
- Line charges including discount;

(From Table 2 Electricity Rate and Consumption of the Proposed Notice)

- Rate;
- Rate sequence;
- Load control;
- Periods 1-50;

From Table 3 Disconnection of the Proposed Notice)

- Arrears;

(From Table 4 Debt of the Proposed Notice)

- Electricity arrears;
- Extended payment deadline;
- Offered alternate plans;
- Contact attempts missed payments;
- Contact made missed payments;
- Contact channels missed payments;
- Contact attempts disconnection;
- Contact made disconnection;
- Contact channels disconnection;
- Referred support (Work and Income);
- Referred support (other agencies);
- Support payments;
- Debt management fee;
- Debt agency;

(From Table 5 General Plan of the Proposed Notice)

- Rate; and
- On Powerswitch.

(From the Monthly Questions of the Proposed Notice)

- Questions 3, 5, and 6.

The reasons for difficulties vary, but the following general observations can be made:

- Much of the information sought is stored at an account rather than ICP level, requiring a manual operator (or some sort of AI which is currently not within our software capability, which brings with it reliability concerns) to retrieve the data from the account level and attribute it to individual ICPs. Examples of this issue include: early termination fee, arrears and billing information;
- Much of the information is stored in notes against the account, requiring a similar solution as above – manual correlating of the data against the notes or some sort of AI-based approach. Notes may also be subjective descriptions of conversations requiring interpretation to convert them into simple data points. Examples of this issue include:

contact attempts, deadline extensions, offering alternate plans, and other consumer-facing conduct; and

- In some cases, Meridian does not generate the information being requested (for all customers) in the manner required in order to give the relevant data. The significant example here is half-hourly information on rates / rate sequences. Meridian does not handle (or even necessarily generate) this information consistently across plans. Providing the data would require significant back-end overhaul. This issue also affects, for example, line charge information, and the “On Powerswitch” Boolean.

Implementation costs depend on how much of the above data types are ultimately required:

1. If the above, practically difficult data types were removed from the request, then Meridian expects that we could implement an “outside system” solution which pulls the relevant data from the various sources and collates it for delivery to the Authority. Our best estimate for this work is a quarter of a year and \$100,000 - \$200,000 of spend.
2. For a more complete implementation of the proposal, Meridian estimates anywhere from 6 – 24 months and \$500,000 - \$5,000,000 for this work.

On any assessment, the proposed two-month implementation period would be inadequate, and Meridian would likely be unable to comply.

IT projects are notoriously more costly than budgeted, take longer than scheduled, and under-deliver on promised functionality. The upper ends of the above estimates cater for the possibility of these challenges.

We note that lost time of experienced staff members is also a burden on Meridian, in addition to the above costs. Any implementation will involve pulling staff away from other projects they would otherwise be progressing. This could mean a reprioritisation of Meridian’s other workstreams, and consequential delays in the delivery of other projects Meridian has underway (we note in particular that Meridian is actively working on the development of innovative “next-generation” customer products and propositions). A dollar figure cannot be put on this effect, but the unavailability of resource would be keenly felt during a time of rapid change in the sector.

Meridian is still considering the privacy implications of the data request as a whole, but our response above assumes that no special measures are required to handle any privacy complexities. If there are issues here, then that will increase time and cost of implementation.

The above also assumes that limited backdating of the data supplied due to constraints Meridian faces in respect of its retail software systems – see our answer to question 8 in Appendix A.

Broader industry costs

We note the significant data analytics resourcing and other costs required on the Authority's part to make meaningful conclusions and create valuable outputs from the data and query whether that resourcing exists and will remain a priority. Long term interest in data seems to have waned in the past – e.g. there has not been publication of disconnection data, or insights from the retailer financial stress data, for many years.

Meridian sees a risk that, if this information does transpire to be of limited long-term interest, the implementation exercise will have been an unnecessary distraction and source of expenditure, for both the Authority and retailers / sector participants.

Reliability, and concern over the consequences of information provision and inaccuracies

The data obtained by Meridian currently is generally reliable for our present purposes internally, but there are accuracy issues that will make meaningful publication challenging and will render comparison with the data of other retailers potentially meaningless. We suspect that many retailers are in a similar position and each retailers' data set will have its own unique definitions and interpretational issues associated.

While the proposal does not go into detail as to the quality standards (and the consequences of breaching those standards) for retailers providing data, Meridian is concerned that providing large swathes of further retail data would expose it to further obligations regarding the accuracy of that data.

Meridian is expecting that an ongoing role would need to be created to gather and prepare data for reporting to the Authority. Our rough estimate is around ½ to 1 FTE, depending on the extent of the proposal that is actually implemented and the reliability standards required. We are interested in further information on the reliability requirements being made available as the Authority's work progresses.

Concluding remarks

This submission is not confidential and can be released in full. I can be contacted to discuss any of the points made.

Nāku noa, nā



James France

Legal / Regulatory Counsel

Appendix A: Responses to consultation questions

Consultation Question	Comment
<p>Q1. What are your views on the Authority's description of the current issues with its monitoring of the retail market? Are there any additional issues we have not included?</p>	<p>Meridian broadly agrees with the Authority's description of issues with its monitoring of the retail market. However, we are not convinced that some of the "information gaps" identified are worth filling given the potential costs to consumers, as described in other comments within this submission. We would be interested in any further, detailed, information as to the analysis intended for the new data being sought which the Authority can provide.</p>
<p>Q2. The Authority is proposing that retail market monitoring should be through one consolidated, mandatory request, collected on a consistent basis, that is proactively published, cost-effective, and fills identified information gaps. What are your thoughts on this proposal?</p>	<p>Meridian agrees with these aims.</p>
<p>Q3. What are your views on the Authority's proposal that a new Clause 2.16 notice is the correct tool to improve retail market monitoring?</p>	<p>Meridian agrees that a cl 2.16 notice is an appropriate mechanism for a consolidated and ongoing retail data request.</p>
<p>Q4. What are your views on the ICPs the proposed notice applies to, and do you believe the proposed notice should apply to any other group of ICPs?</p>	<p>We assume this question related to the statement: "The Authority asks that retailers only include data from installation control points (ICPs) with an associated customer identifier that was active during the customers billing cycle that falls within the requested month (i.e. exclude vacant properties). The request is applicable to mass market and account managed small business customers only."</p> <p>Meridian's preference would be for the scope of ICPs to be as narrow as possible.</p>

	<p>The Authority should only seek data on ICPs beyond mass market and small business customers if there is an identified monitoring gap and the Authority estimates the benefits of extended monitoring obligations exceed the costs.</p>
<p>Q5. (For retailers) What is your definition of mass market? Will the request for account managed small businesses capture all the small businesses that fall outside your definition of mass market?</p>	<p>Meridian uses a number of slightly different definitions for “mass market” across its activities. Some small businesses may fall outside the definition (e.g. some non-account managed C&I customers).</p>
<p>Q6. (For retailers) What method would you prefer to use to submit your data?</p>	<p>Meridian’s preference would be to use the Authority’s existing platform. We note that, if Meridian is not ultimately able to automate the collation of data, reporting on a monthly basis will involve regular time-consuming manual work. If this was the case, Meridian’s preference would be for less frequent reporting, for example annually or 6-monthly.</p>
<p>Q7. Do you have any feedback on the proposed notice (Appendix A)?</p>	<p>Meridian would face a number of difficulties and the need for expensive and time-consuming reconfiguration of its systems if required to provide some of the data types requested. This is discussed at more length in the body of our submission.</p>
<p>Q8. (For retailers) Would you be able to provide the information requested in the proposed notice backdated to 1 January 2018? If not, what is the earliest date from which you could provide the requested information?</p>	<p>We would be unable to provide data before about October 2022 without very considerable difficulties. This is because Meridian has transitioned to an entirely new retail software platform over the past few years (most accounts were in the new system by October 2022, but transfer was still taking place in early 2023).</p> <p>Providing the data stored on the old system would require Meridian to revisit that now obsolete software and build the relevant</p>

	<p>capabilities into it. We would never reuse or derive any value from this functionality.</p> <p>Note that the indications of cost and time to implement the proposal which are discussed in this submission are assuming that Meridian would only be required to provide the data from its current system.</p>
<p>Q9. What are your views on how the information requested in the proposed notice would meet the Authority’s statutory monitoring of competition, reliability, and efficiency in the retail market, and domestic and small business consumers’ outcomes? What information do you think is needed to meet the Authority’s statutory monitoring requirements?</p>	<p>Meridian is sceptical that the extent of information requested is necessary for the Authority to meet its statutory objectives for the reasons discussed in the body of this submission.</p>
<p>Q10. Do you believe the benefits of the Authority having this information outweigh the costs? If not, why?</p>	<p>No. Meridian is not convinced that the information will prove to be sufficiently useful in helping the Authority to meet its objectives to justify the costs and risks involved in implementing the proposal, as discussed in the body of Meridian’s submission.</p>
<p>Q11. (For retailers) Do you currently provide the Authority with any of the data requested in the proposed notice through any other mechanism that would not be replaced by a new notice (ie, not the RFS notice, or voluntary information provided annually and quarterly).</p>	<p>We do not currently believe so.</p>
<p>Q12. (For retailers) What is the time and cost for you to put the processes in place to provide the data requested in the proposed notice initially and on an ongoing basis (noting the proposed two month implementation period)? What resources would this take? Please provide evidence to support any estimates where possible.</p>	<p>As discussed in the body of our submission, the answer to this question depends on the extent of the proposal which ultimately makes its way into the notice.</p> <p>If the data types which we have indicated in our submission were removed from the</p>

	<p>request, then, our best estimate for this work is a quarter of a year and \$100,000 - \$200,000 of spend.</p> <p>For more complete implementation of the proposal, then Meridian estimates anywhere from 6 – 24 months and \$500,000 - \$5,000,000 for this work. This assumes no backdating of the data request, which would increase cost and timeframes significantly if data from prior to October 2022 was required.</p>
<p>Q13. (For retailers) Do you collect customer or ICP level information on EV chargers? If so, what are the details of this information eg, whether the charger is a smart charger?</p>	<p>Presently, no. We don't have visibility for customers who take up our current EV products on the specifications of their charger.</p> <p>In future we expect to collect information as a part of future initiatives. However, the details of these initiatives are still being developed.</p>
<p>Q14. What are your views on the information the Authority intends to initially publish from the proposed notice, including the proposed level of detail?</p>	<p>Meridian is unclear on the benefits of making the information relevant to the EA's consumer protection functions widely available and is therefore hesitant in this respect. We cannot understand why, for example, information on arrears should be available publicly, and consider that commercial sensitivities here should outweigh any benefits of publication.</p>
<p>Q15. What information do you believe the Authority should or should not publish? What level of detail do you consider appropriate for publication, and why?</p>	<p>The consultation paper does not provide sufficient details of what the Authority intends to publish and why so it is difficult for us to provide informed comments in response to this question at this time.</p>
<p>Q16. (For retailers) What information requested through the proposed draft notice would you expect to mark as confidential under clause 2.21 of the Code?</p>	<p>Our inclination is that all ICP information should be marked confidential because it may be possible to link the ICP to an identifiable individual (we take the Authority's comments at paragraph 6.67 as recognising this point).</p>

	<p>We would likely mark aspects of the monthly questions confidential as well: for example info around our load control and flex products or services; and our credit score threshold.</p>
<p>Q17. What are your views on the privacy implications of this clause 2.16 notice and the methods we have outlined to manage these?</p>	<p>We would be interested to hear further from the Authority as to how it proposes to manage OIA requests in respect of the ICP information (i.e. whether the retailer has to have marked it confidential for it to be excluded; whether, because it is personal information, the Authority considers that it is not required to disclose it; or whether the Authority could propose anonymise such information.</p>
<p>Q18. (For retailers) Do you foresee this notice creating any new issues or costs for you from a privacy perspective?</p>	<p>We are still considering this. Our Privacy Policies already have general provisions that allow us to share customer info when we are required to do so by law, industry code etc.</p> <p>Depending on the way the Authority approaches the impending IPP3A amendments, we assume it is possible that Meridian would be asked us to inform the customer of disclosure of their data to the Authority and the uses to which it would be put. There would be costs associated with this to update our policies and notify customers of the changes (and deal with any questions that result).</p>