

29 February 2024

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Nova Energy Limited
PO Box 3141, Wellington 6140

By email: retaildata@ea.govt.nz

Re: Consultation paper: Improving retail market monitoring: clause 2.16 information notice

Nova Energy (**Nova**) acknowledges the Electricity Authority (**Authority**) has a responsibility to promote the long-term interests of consumers. Nova supports the Authority consolidating its approach to retail data collection through one mandatory request rather than the existing piecemeal approach.

However, Nova is concerned the Authority's approach to capture such a comprehensive amount of retail market information as proposed in this consultation paper. Our reservations are based on the following observations:

1. It will be expensive for retailers to extract some of the required information from their systems. Some market information is complex and dynamic and customer support and billing systems are continuously being modified to cater for new product offerings, security, and reporting enhancements, etc. Adding systems to extract the data requested by the Authority will have an impact on this work and divert existing resources. It also adds complexity to any future systems changes.

Nevertheless, some of the data will be of value to the Authority and not so difficult for retailers to supply. Further discussion following submissions should help identify those data sets that are more viable for retailers to provide and the Authority to use in its analysis.

2. The most critical consumer areas expected to be of direct interest to the Authority is expected to be a smallish percentage of the large data sets being handled, i.e. where there are exceptions to the rule. While data handling methodologies will be able to isolate the data of interest, it is a concern that data errors and complexities will result in these subsets containing a lot of inaccurate data, thereby potentially leading to distorted results and conclusions.

Nova can point to circumstances where entirely appropriate actions have been carried out on a customer account, yet from a purely numerical basis the account can look like a pre-emptive disconnection and disadvantaged customer.

3. Data definitions are critical. While the Authority should seek to ensure consistent definitions for the data it seeks, it should not go to the extent of requiring retailers to amend their own definitions of data to meet the Authority's standards. Retailers may have reasons behind their data definitions to meet their own product and management reporting requirements. It is Nova's view that it is important the Authority does not inadvertently constrain the retailers' data models in a way that it then suppresses innovation in product development.

4. The Authority itself will need to dedicate extensive resources to handling the data, understanding the complexities, and extracting useful results. Even with that, it is unclear how the data will be used to enhance the long-term interests of consumers. While it can be claimed that better information will lead to better regulatory decisions, the converse can also be true if the focus of regulation on a minority of issues leads to poorer outcomes for the majority.

As an example, society operates most efficiently if the majority of citizens endeavour to retain a positive credit rating. Traders can focus on providing services in a prompt and efficient manner, rely on receiving payment and can pay their own suppliers on time. However, if regulations place undue emphasis on the rights of parties with a poor credit record to obtain goods and services on credit, then there will be a marginal group of consumers that interpret that as giving them license to ignore making payments on time. The effect of increased credit costs and collections processes impacts on all suppliers of goods and services and flows through to all forms of commerce.

5. If the intent of the data collection and analysis is to isolate data and situations where retailers are potentially not dealing with their customers in an appropriate manner, then there are alternatives, and potentially better ways to achieve that objective.

Nova recommends a survey and audit regime could achieve much of what the Authority is seeking to achieve, and that could be implemented more quickly and efficiently than collecting and analysing all the data that is being sought. For example, consumers who have been disconnected by their retailer could be encouraged to register with the Authority, say via UDL. Audits of retailers' customer facing processes and the extent to which they are compliant with the Consumer Care Guidelines could be based on such complaints. This would help focus the work on potential problem areas without imposing excessive costs across all electricity retailers.

While in theory it may be possible to further the interests of consumers by capturing and processing a comprehensive amount of market data, in Nova's view it is more likely to increased regulation, greater retailer costs, and reduced innovation which will flow through to higher retail prices. None of which will be transparent to market observers, particularly given the lack of an alternative reference point.

Nova's specific responses to the Authority's questions are appended to this letter.

We would be happy to meet with the Authority to further discuss this submission, to answer any questions you may have, and to lend our technical and data team's resources to assist further, where appropriate .

Yours sincerely



Paul Baker

Commercial & Regulatory Manager



Nova submission: Improving retail market monitoring

Q No.	Question	Response
Q1.	<p>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>The consultation paper raises a range of information gaps and aspects of the retail electricity market that the Authority would like to better understand.</p> <p>It is not clear however understanding those issues at a point in time, or even trends over time are necessarily going to lead to better regulatory outcomes.</p> <p>The market is made up of many parties with different capabilities to adapt to changing wholesale price structures, demographics, technologies, etc. and each retailer will take a different approach to those changes. A losing strategy today may become a winning strategy tomorrow.</p> <p>While applying a scientific approach and advanced data analytics to the data may provide the Authority with a better understanding of areas where greater regulation or enforcement is be required, it must also be recognised that the retailers themselves are always dealing with uncertainty and new challenges in addressing consumer preferences.</p>
Q2	<p>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>Nova agrees that collecting data through one consolidated, mandatory request, collected on a consistent basis, is largely better than a piecemeal approach.</p> <p>Nevertheless, Nova believes this may be better achieved if the data collection is targeted to the more critical parameters, or as part of a market audit regime.</p> <p>Retailers have provided a large amount of data over recent years. However there has been limited evidence that this data has been used despite the resources employed in delivering it to the EA. For instance, the Retailer Financial Stress Data has been collected weekly or monthly since 2021, but no reporting on this data was publicly available until charts went live on EMI in January 2024. Nova is not aware of any useful insights being achieved or shared from this data set.</p>
Q3	<p>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>Given the Authority' stated objective to capture a comprehensive data set, a single notice along the lines of clause 2.16 is reasonable.</p>

Q No.	Question	Response
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?	
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>Nova's definition of mass market includes residential and small to medium business customers; however this may include other non-TOU or industrial customers such as government departments or some large commercial entities with ICPs with energy usage that is comparable with SME usage.</p> <p>The only way around this would be to also refer to ANZSIC codes when extracting the data.</p> <p>Nova's definition excludes large Time of Use scale business electricity connections.</p> <p>Each retailer could have different definitions for small business customers. Residential is more straight forward although there will be issues associated with customers and premises that may have a mixed business/residential use. Common definitions will be required and that will start to impinge on retailers' systems and processes.</p>
Q6.	(For retailers) What method would you prefer to use to submit your data?	Preferred method would be to upload csv data files to a secure portal or via other SFTP.
Q7.	Do you have any feedback on the proposed notice (Appendix A)?	<p>There is a lot of detail in Appendix A and areas where Nova, Megatel, and Wise Prepay simply don't have the detail or it is defined differently and cannot be extracted without extensive reworking of the data.</p> <p>Nova does not agree with the Electricity Authority compiling information on telecommunication services. Nova acknowledges that to understand electricity billing it may be necessary to separate out an account holder's purchases of gas, broadband or mobile services , but then, how can this be compared to consumers who are spending similar amounts for those other services, but with other specialist telecommunication retailers.</p>

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		<p>Given that retailers may in future be invoicing customers for even more products or services, it would be better to settle on a methodology where retailers isolate the electricity data from the aggregate data set and report on electricity only to the Authority.</p> <p>We also note that electricity retailers hold a very small share of the overall broadband and mobile markets, and we therefore don't see how analysing such a small subset will be useful or relevant.</p> <p>When a lower price is applied for a package of services there is no definitive discount applicable to each service. There is also no way to attribute an overdue bill payment to a particular service.</p> <p>We also note Nova does not have the following data:</p> <ul style="list-style-type: none"> • 'Account managed' status codes compete with other credit status codes which may take priority (e.g. Vulnerable, MDC or Dispute). Account Managed flags may therefore not be consistently applied. Also 'Account Managed' status is not an accurate way to identify mass market customers because mass market residential customers do not need a dedicated account manager, whereas most commercial and industrial customers do. • 'Commercially sensitive' flags • 'Arrears' prorated on services provided, i.e. providing electricity specific debt for bundled plans is not feasible when part payments are received because most customers will not specify which service/s or bill they intend an instalment to be applied towards paying. • 'Electricity arrears' from previous arrears may be distorted by other bundled services on the bills and or part payments received. • 'Extended payment deadline' we don't record the number of times a deadline for payment was extended in a data field. • 'Write-offs' generally only occur on inactive accounts and not usually until at least 90 days after an account is closed. Therefore, any write-off is highly unlikely to occur during a billing period for the ICP.

Q No.	Question	Response
		<ul style="list-style-type: none"> • 'Debt agency' outsourcing to debt collection agencies only occur on inactive accounts and not usually until at least 30 days after the due date on a final bill on the closed account. Therefore, any lump sum of any debt passed to a debt collection agency will always be a month or two after the billing period for the ICP. <p>In other cases Nova may have the following data somewhere in its systems, however, it will be very difficult to extract and provide without a significant amount of time, effort, and expense (i.e. the information may be embedded in customer call notes along with a wide range of other information that has been captured on a free form basis) or may be impracticable to extract and provide:</p> <ul style="list-style-type: none"> • 'GST' total charged for a whole bill may be distorted with 'Buyer Created Invoices' where the customer has solar panels and exports power and is registered for GST • 'Additional discount' information on the dollar value of discounts derived from Multi-saver pricing, vs prompt payment discounts, are not easily quantifiable or recorded in a data field. • 'Prompt Payment discount (PPD) previously applied' sometimes we may retrospectively apply missed PPDs for several months in one billing month (e.g. to assist a customer in hardship or if payments received with a bad reference were unallocated and accumulating in suspense). • 'MDC' has historically been specific to electricity consumers. However, MDC status may now relate to gas instead or as well as power, and or broadband/ telephone. • 'Extended payment deadline' in most cases the extra time is granted informally and simply call noted because the extended due date is for a few days and prior to the next scheduled credit treatment. • 'Offered alternate plans' these offers are generally covered in phone calls or email exchanges or notifications sent and would need to be extracted from thousands of call notes. • 'Contact attempts missed payments' are generally call noted but without checking phone records/toll bills we would not know if call attempts were made

Q No.	Question	Response
		<p>to 1, 2 or 3 phone numbers, etc. Contact attempts will also include other channels such as SMS, email, site visits, but these will be determined by which type of phone number we have recorded and the validity or active status of those contact details.</p> <ul style="list-style-type: none"> • 'Contact channels missed payments' we may know the number of channels available for use, based on contact details on record, but it would be more difficult to gather accurate data on the number of channels used, as different consumers will engage at different stages of the credit cycle, before and or after some available channels were attempted and attempts will be recorded in free flow call notes rather than data fields • 'Referred support (Work and Income)' in free flow call notes • 'Referred support (other agencies)' in free flow call notes • 'Support payments' sum of payments from Work & Income yes, but other support or social agencies will not be distinguishable from general DC or DD payment transactions • 'Other debt management actions' in free flow call notes and or call recordings • 'Monthly Questions 5' no applicants who failed a credit assessment will become customers. <p>'Monthly Question 5 (b) what is your credit score threshold or criterion?' Credit assessment is not an exact science. Criterion may include credit bureau scores, score cards or a complex credit policy/or set of business rules. Score thresholds must adapt to each retailers' appetite for credit risk which may need to change from time to time. Bureau scores are only indicative and may vary depending on which credit bureau algorithm IP was used to determine the score e.g. scores based on negative only credit data vs comprehensive credit reporting data. Recent adverse payment defaults or debt collection history with other utilities may be a stronger indicator that a credit score. Some applicants may be approved even though they have a nil credit score because they have no credit history, but they can verify their identity and only want a low credit risk service or product.</p>

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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>No.</p> <p>Nova does not have the capacity to extract the full data set being requested. Some data may simply be available or exist and some would be very difficult to extract. In addition to resource constraints, Nova has made several substantial billing system and CRM system changes since 2018. It has also culled thousands of inactive accounts to protect customer privacy.</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>It is Nova's view that many retailers will either not be able to provide all the data requested or would have significant issues in doing so, especially the request for historic data. For data that is not available or too difficult to extract it may be feasible with notice for that data to be collected and provide on a go forward basis.</p> <p>Nova suggests as an alternative means of data gathering (especially for types of data that may be difficult for retailers to capture and provide) to fulfil the Authorities statutory objective it may be better to survey specific groups of customers that may be disadvantaged by the actions of electricity retailers, and when problem areas or failures to perform are identified, carry out audits/investigations of the relevant retailers where there are concerns.</p>
Q10.	Do you believe the benefits of the Authority having this information outweigh the costs? If not, why?	<p>No.</p> <p>There would be an extensive set up and ongoing costs to report and prepare this data on an ongoing basis, noting that Nova's billing and CRM systems don't capture much of the data the Authority is requesting in this consultation.</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>No.</p>

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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>Nova has the resource that could:</p> <ul style="list-style-type: none"> a) provide some of the data relatively quickly; and b) more data in time as capturing and extraction that data is implemented including automation through time. <p>But not all the data identified in this paper for the reasons outlined in Q7.</p> <p>In doing so Nova would need to reallocate significant resource from its retail service development activities which will likely impact on customer billing, marketing plans and planned customer service enhancements for some months. Assessing and quantifying how much time and cost would be involved would be a significant undertaking in itself, and would need digital resource and data expertise to be diverted from our existing programme of digital and data projects.</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>Nova only has information where it installs its own EV chargers for customers.</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>Nova accepts the Authority publishing the proposed data, provided all retailers provide the same data, to the same level of detail and data definition.</p> <p>Nova's key concern is that the nature of each data set being published is clearly explained and presented in a way that it is unlikely to be misrepresented by parties wishing to score points against the sector in general or specific electricity retailers.</p> <p>For instance, retailers that are prepared to supply consumers with a poor credit record are likely to show a higher rate of disconnections and incur higher call centre costs than, say, a small retailer that is highly selective in which accounts it accepts. It would be unfortunate if such retailers were to be given a poor overall rating for their relatively high disconnection rate.</p>
Q15.	What information do you believe the Authority should or should not publish? What level of detail do you	<p>As above.</p>

Q No.	Question	Response
	consider appropriate for publication, and why?	
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?	To be reviewed further.
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>There is a risk for retailers who will potentially be gathering customer private data for provision to the Authority. Those processes will also provide the potential for cyber security breaches or inadvertent release of data in the transference of that data to the Authority.</p> <p>The Authority will also face similar issues in receiving, handling, and storing of that data.</p>
Q18.	(For retailers) Do you foresee this notice creating any new issues or costs for you from a privacy perspective?	Nova can supply data (subject to the limits and issues to previously noted in this submission) so long as it is required to comply with the Code.