

8 March 2024

Electricity Authority
PO Box 10041
Wellington 6143

By email: switchingconsultation@ea.govt.nz

Submission on: *Options to support consumer price plan comparison and switching*

Introduction

1. Thank you for the opportunity to make a submission on *Options to support consumer price plan comparison and switching*. This submission is from the Consumer Advocacy Council, the independent advocate for residential and small business electricity consumers in New Zealand.
2. If you have any questions regarding our submission, please contact:
 - Emma Sturmfels, Acting Manager, Consumer Advocacy Council
 - Email: [REDACTED]
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Responses to questions

Q1: What are your views on the key issues around supporting consumers to compare and switch, and barriers for consumers? Are there any others than those outlined above?

3. The Council broadly agrees with the points made by the authority. We note that New Zealand's approach to addressing barriers has relied heavily on promoting price comparison sites to consumers. As overseas research shows, there are limitations to what these sites, by themselves, can achieve and policy decisions need to recognise this.¹
4. As the consultation paper discusses (para 4.27), switching in New Zealand remains low with 'trader' switching rates sitting consistently below 10% over the past 10 years.² This low rate is despite the resources put into promoting switching and the Powerswitch website (the main comparison site) over this time.
5. New Zealand's approach means there has been a significant onus on individual consumers to navigate the electricity market, a market that has become more complex as retailers increase

¹ See, for example, Antal, M. (2020) "A 'parasite market': A competitive market of energy comparison websites reduces consumer welfare" at

<https://www.sciencedirect.com/science/article/pii/S0301421519308109?via%3Dihub>

² 'Trader' switching rates exclude switches associated with moving house.

their number of plans and bundle services. This situation has developed in an environment where retailer behaviour has been subject only to voluntary guidelines.

6. Internationally, there is a growing body of literature on the problems with policy approaches that rely solely on encouraging individual behaviour change to address systemic or structural issues.³ This literature points to the shortfalls in relying on such approaches to ensure consumers have access to essential electricity services at an affordable price.
7. In the Council's view, a comparison website is a necessary but not sufficient response. Other interventions are required, including (at a minimum) placing an onus on retailers to provide clear pricing and ensure their customers are on the best plan. A mandatory "best plan" notice on power bills is one way to help achieve this and is a change the Council supports.
8. The need for policy measures to extend beyond simply supporting a comparison website has been made more acute by rising living costs and the phase-out of the lower fixed charge tariff, which provided at least some guidance for consumers to gauge whether they were on the best plan for their usage.

Q2. Do you think we've identified the right opportunities leading us to review how we support comparison and switching? What opportunities do you consider most important?

9. The Council agrees it is timely to review Powerswitch funding. Growing consumer concerns about electricity costs also support the case for reviewing current approaches and ensuring they are fit for purpose. Rising living costs are placing strain on many household budgets, particularly low-income households, and increasing the risk of energy hardship.
10. Consumers will also increasingly need information to make decisions about the use of new technologies, and associated power plans, that have the capacity to help manage power bills. Our 2023 [behavioural survey](#) found:
 - 71% of domestic consumers and 75% of small businesses were interested in new technology to help manage power bills
 - 70% of both domestic and small business consumers were interested in learning about new ways of generating, storing and distributing electricity
 - about four in 10 considered themselves "early adopters" of new technology.

Q3. Do you consider it is important for the Authority to fund and support a comparison and switching website or websites? Why?

11. The Council considers it is essential (though not sufficient) for consumers to have access to an independent, non-commercial and robust price comparison website. Providing funding for such a site is consistent with the authority's statutory objective to protect consumer interests and its functions under sections 16 (1)(i) and (ia) of the Electricity Industry Act.
12. As noted in the consultation document, consumers can be overwhelmed by the complexity of electricity plans and pricing. They need to have pricing information presented to them in a

³ See, for example, Chater N & Loewenstein G. (2022). "The i-frame and the s-frame: How focusing on individual-level solutions has led behavioral public policy astray" at <https://www.cambridge.org/core/journals/behavioral-and-brain-sciences/article/iframe-and-the-sframe-how-focusing-on-individuallevel-solutions-has-led-behavioral-public-policy-astray/A799C9C57F388A712BE5A8D34D5229A1>

useable way. The industry has failed to do this consistently and intervention is warranted to address this failure.

13. While we consider the authority should fund a comparison site, we do not support multiple sites being funded or supported. This would increase consumers' search costs. It would also add to the authority's administration costs as it may need to manage multiple funding contracts. These costs would ultimately be paid by consumers through the EA levy.
14. Multiple sites would also lead to consumer confusion about where to find reliable information. The Electricity Price Review recommended the amalgamation of the What's My Number and Powerswitch websites to make comparisons easier for consumers. Multiple sites would do the opposite, making comparisons more difficult.
15. There is also research showing the consumer detriment that can arise from attempts to create a "competitive market" of comparison sites.⁴ A major issue is that these sites typically earn commission income from retailers when consumers switch. This can lead to sites manipulating rankings to boost their income.
16. Commission fees inevitably raise questions about the independence and impartiality of comparison sites and have the potential to put off many consumers, as well as some retailers, from using them. Fees may also increase costs as retailers will likely pass them on to their customers.
17. These problems highlight the importance of a comparison site being independent and non-commercial. We consider this will not be achieved if a site is provided by retailers (as suggested in option 2) or if sites with commercial objectives are accredited or funded (as suggested under options 3 or 4).
18. The Council's [survey research](#) shows trust in the electricity sector is not high, with just 48% of consumers saying they trust electricity providers to do the right thing by their customers. This finding suggests that any retailer-run or commercial comparison site would not be well received by consumers and would fail to meet their needs.
19. We see merit in exploring the approach used in Australia where the [Energy Made Easy](#) comparison website is run by the Australian Energy Regulator. A similar approach here would ensure consumers had access to an independent site that was free from commercial objectives and provided robust pricing information.

Q4. What do you think are the most important features a comparison and switching website should have to make it the most accessible and effective for users?

20. The Council proposes the following criteria should be used to ensure an effective comparison and switching website:
 - The website has the sole purpose of supporting small electricity consumers to compare electricity plans and switch providers. It is independent, non-commercial and divorced from any other interests or purposes (for example, collecting data for marketing purposes).

⁴ See, for example, Antal, M. (2020) "A 'parasite market': A competitive market of energy comparison websites reduces consumer welfare" at <https://www.sciencedirect.com/science/article/pii/S0301421519308109?via%3Dihub>

- It is easily accessible and usable with the least input and effort possible required from users. Consumers can use the site without having to create an account or share personal information.
- Pricing plan information is current, accurate and inclusive of all retailer plans.
- There are no fees for users or retailers.
- Funding and expenditure are transparent.
- Links are provided to other relevant sources of information or agencies, for example Utilities Disputes.
- Any data (for example, data on price plan changes or switching rates) collected by site is owned by the authority and shared with the public. The data cannot be used for means beyond the core purpose of providing the service. (This is consistent with Privacy Act principles.)

Q5. What problems, if any, do you see with current comparison and switching websites?

21. The paper identifies several problems that reduce the usefulness of Powerswitch, the main comparison website. These problems include the names of plans not being displayed on power bills or not matching the plan name shown on the Powerswitch site (discussed in paras 4.44 to 4.46).
22. The Council is also aware some electricity pricing plans that are no longer advertised by retailers (but which consumers are still using) are not listed on Powerswitch. This means some consumers cannot use the site to assess whether they are on a more cost-effective plan than the plan Powerswitch displays as the best option.
23. We are also concerned about the \$61 fee charged to retailers for switches through Powerswitch. While the rationale given for this fee is that it is required to fund the site, it may act as a barrier for some smaller retailers, deterring them from listing plans on Powerswitch and thereby diminishing the site's usefulness for consumers. We therefore believe a switching site should be fully funded by the authority and no additional fees should be charged.
24. As noted in our response to question 5 above, these types of fees inevitably raise questions about the independence and impartiality of comparison sites and risk reducing consumers' willingness to use them. Retailers will also likely pass switching fees on to their customers, increasing costs.
25. Other factors that may create barriers to use of the Powerswitch site are prompts to enter personal information, which may be used for marketing purposes. The site's [privacy policy](#) states "All Powerswitch and Consumer members and Digital Pass holders will be signed up to automatically receive email marketing communications, including surveys".
26. Questions have also been raised about the rationale for some past changes made to Powerswitch that may have affected its usefulness (e.g., at one time results were displayed in a simple table format but this was subsequently removed, requiring users to scroll through a potentially lengthy results page).
27. These problems need to be addressed to help ensure consumers can access independent and robust price comparisons. We also consider there should be more consumer input into a comparison site through, for example, an expert independent consumer advisory group. This group could advise on core information requirements and provide oversight of spending.

Q6. What else should we consider when assessing the relative advantages and disadvantages of the five website-related options?

28. Please refer to our response to Q5.

Q7. Of the website-related options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?

29. Of the five options presented in the consultation paper, the Council would like to see further investigation of *Option 5: Expanded government utility comparison website* alongside *Option 4: Authority support existing or new, externally run, website*. As noted in our response to question 5, we also see merit in exploring a similar approach to that adopted in Australia where the Australian Energy Regulator runs the Energy Made Easy comparison site.
30. We consider more detailed analysis of the likely costs of these three options is warranted to help ensure the best outcome for consumers. For example, bringing the website in-house may reduce the overall costs to the authority (and to consumers) as management fees charged by a third-party provider would be avoided.
31. There may also be the potential for the costs of an expanded utility site to be shared between the authority and the Commerce Commission. Given the rise in the bundling of energy and telco services, we consider there is a case for considering the costs and benefits of this option in more detail.
32. Regardless of whether the website is run by the authority or run externally, we consider it should be overseen by an independent expert consumer advisory group. This group could provide direction on the design and delivery of the site to ensure it meets consumer needs for access to independent and robust electricity price comparisons.
33. We note a comparison and switching website can only be effective if accurate information is available to be entered into it. The Council therefore proposes that the authority makes the necessary Code changes to require retailers to provide it with all their electricity pricing plans. Along with having a name, each plan should have a unique identifier.
34. The Council considers *Option 1: No authority/government supported or endorsed website(s)* to be untenable and inconsistent with the authority's statutory objectives and functions. A comparison website is necessary to help ensure consumers can access independent and robust price information.
35. The Council also considers *Option 2: Retailer-run collective website* to be untenable. Consumer trust in electricity providers is not high and consumers may therefore be unwilling to use a retailer-run site. There are also major questions about the industry's ability to deliver an effective, comprehensive site.
36. We do not support *Option 3: Authority accredited, externally run, websites*. As noted in our response to question 5, multiple sites would create confusion and increase consumers' search costs. This option would also add to the authority's administration costs as it would need to establish an accreditation process and continually review sites' compliance.
37. Consumer trust in such websites is also likely to be low, given the sites would likely be run on a commercial basis and rely on advertising and commission fees. As we have noted above,

commission fees inevitably raise questions about the independence and impartiality of comparison sites.

Q8. What other types of website related options, if any, should we consider to support comparison and switching and why?

38. We recommend consideration is given to adding information and tools (such as calculators) to the comparison site that could assist consumers make decisions about purchasing new technology to help manage power use.
39. As noted above, our [recent survey](#) found 71% of domestic consumers and 75% of small businesses were interested in new technology to help manage power bills. However, it can be difficult to find independent information on which to base purchasing decisions. This gap could be filled by a comparison site that also acts as a “one stop shop” for advice on managing use.

Q9. Are there other types of technology in addition to, or alternative to, websites that we should consider?

40. The Council’s view is that the authority should focus first on ensuring consumers have access to an independent and comprehensive price comparison website. Additional technology can be considered at a later date.

Q10. What are your views on how retailers providing ‘best plan’ information could work? For example, how should they assess the ‘best plan’ and present/target information to consumers, and how often? What do you think of the Australian ‘automated -switch’ idea?

41. The Council has conducted research on including a best plan notice on power bills, through our [model electricity bill project](#), and strongly supports *Option A: retailers provide their existing consumers with best plan information*.
42. Our model electricity bill was informed by the Australian Energy Regulator’s “Better bills” project, which involved extensive research with consumers. Key elements of the model bill that we developed can be found in our online [guide](#).
43. Focus group testing of our model bill and survey research with consumers showed strong support for a best plan notice. Our survey found 87% of consumers thought such a notice would be useful on their power bills.
44. Based on our research, we recommend the best plan notice be prominently displayed on the first page of the power bill. The notice should inform customers whether they could save money by switching to another plan and, if so, how much they could save.
45. The ‘best plan’ should be defined as the lowest cost plan, based on the consumer’s annual usage, and the name of this plan should be given on the bill. Figure 1 shows how the best plan notice is displayed on our model bill.

Figure 1: Example of best plan notice



46. Consistent with the approach in Australia, we recommend the notice is displayed on bills every three months. The requirement to display the notice should apply to all domestic and small business consumer accounts.
47. We consider that requirements to display a best plan notice could also be extended to cover other forms of communication that retailers provide to customers (for example, emails and smartphone applications).
48. We support investigation of a requirement for retailers to automatically place consumers on the best plan, coupled with strengthened consumer protections. These protections would need to include requirements for retailers to pay financial compensation to consumers if the retailer put the consumer on a plan that disadvantaged them.
49. The Council notes the authority's point that consumers may be sceptical about whether retailers are truly offering the best plan. To mitigate this, we recommend text is placed alongside the best plan notice on power bills that states the retailer is legally required to provide the information (see the example in Figure 1).
50. We also recommend the authority routinely audits retailers' compliance with the requirement to include a best plan notice on bills. This would help increase consumer confidence that the information was subject to scrutiny and could be trusted.

Other information on electricity bills

51. In addition to a best plan notice, the Council proposes the following information should be mandatory on electricity bills:
 - the name and unique identifier of the customer's electricity plan
 - the customer's ICP number
 - the amount due and when it's due
 - a breakdown of monthly power charges
 - information about power use over time, including annual usage.

Q11. In what form do you think the community advisers service would function best? For example, what agencies might we collaborate with? What are the best approaches?

52. The Council supports *Option B: Community advisers to support switching*. We recommend funding existing groups that work directly with consumers on a day-to-day basis, such as the

Citizens Advice Bureau and Fincap. This would enable existing skills and networks to be utilised to assist consumers, particularly those who may be energy hardship.

Q12. What conditions or support would enable community advisers to be best able to help consumers? What barriers need to be removed to achieve this?

53. Community advisers would need access to training and ongoing support to take on this role. There would also need to be an effective process for advisers to raise problems, e.g., to alert the authority to problems with the comparison site or problems with a retailer that is failing to comply with its obligations.

Q13. What else should we consider when assessing the relative advantages and disadvantages of the three consumer choice support options?

54. The authority will need to carefully consider the benefits of any increased expenditure on promotional activities, particularly given past efforts have not seen overall 'trader' switches rise above 10%. We recommend existing funding used to promote Powerswitch should first be reviewed to see if it can be better targeted.

Q14. Of the consumer choice support options, which do you think would best remove barriers to comparing and switching (eg, perceptions that switching is time consuming, complex, and confusing)?

55. The Council's preferred consumer support options are *Option A: Retailers provide their existing consumers with best plan information* and *Option B: Community advisors to support switching*. We consider these options would be the best ways to directly provide consumers with information to assist decisions about whether they are on the best plan.

56. It's important to note that switching can be time consuming. Messages that it "only takes five minutes" may therefore be misleading. While using a comparison site may take five minutes, the process of switching itself can take longer and involve a credit check, setting up an account and password, and arranging a payment method.

57. Some consumers may face additional hurdles, such as having to pay a bond or arranging a guarantor, which extends the process further. Long wait times to speak to a power company customer service representative can also increase the time required to switch. These factors need to be kept in mind when considering promotional activities.

Q15. What other types of consumer choice support options, if any, should we consider to support comparison and switching and why?

58. We recommend the authority should focus on improving the *Consumer care guidelines* and making them mandatory. This has the potential to make a significant difference to consumers' experience in the electricity market, including by establishing the expected standards of retailer behaviour.

59. Effective monitoring and enforcement of the standards in the guidelines would provide consumers with regular information on retailer performance and help them identify companies that are failing to comply with their obligations. This will support the ability of consumers to make an informed choice of retailer.

Q16. What are your thoughts on ruling out these options? If you disagree, why should they still be considered?

60. We agree with the authority that a decision to not support any comparison website would be inappropriate and at odds with its statutory obligations.
61. However, we recommend the authority reconsider its position on bringing a comparison website “in-house”. We believe running a comparison site would be consistent with the authority’s new statutory objective, which gives it a mandate to take a more active role in protecting consumer interests.
62. We also note Australia’s approach, where the energy regulator manages the Energy Made Easy comparison site, appears to work well and provides a model that the authority could adopt. As suggested above, the authority could run a site with guidance from a consumer advisory group. We therefore recommend the authority investigate the costs of running a website in-house.

Q17. What are your views on the criteria we’ve chosen to assess options. Do you think some criteria should be weighted more than others as they are more important?

63. We consider an additional criteria should be added as follows: “Provides consumers with access to independent, robust and trustworthy information”.

Q18. Are there other criteria you think are important to help decide on the best options?

64. Please refer to our response to Q17.

Q19. What’s your opinion on the Authority’s proposed ‘four-pronged’ approach to supporting consumer comparison and switching? What alternative approach might you support?

65. As outlined above, the Council would like to see further investigation of *Option 5: Expanded government utility comparison website*, *Option 4: Authority support existing or new, externally run, website*, alongside investigation of a similar approach to that adopted in Australia where the Australian Energy Regulator runs the Energy Made Easy comparison site.
66. This approach should be paired with introducing a mandatory best plan message on bills and funding community advisers. In regard to spending on promotional activities, we recommend existing funding used to promote Powerswitch should be reviewed, as part of the broader website review, to see whether it could be better targeted.

Q20. What thoughts do you have on our current assessment of the options against the proposed criteria in Appendix D and their scores? How might your assessment differ?

67. The Council disagrees with some of the assumptions made in the authority’s assessment in Appendix D. In regard to the website options, we consider the authority should specifically assess the extent to which each option meets consumers’ needs to access independent, robust and trustworthy information.
68. As noted above, we also consider the authority should review its position on bringing a comparison website “in-house”. We believe running a comparison site would sit well with the authority’s new statutory objective and functions, which position it to take a more active role in protecting consumer interests.

Q21. Are there any other issues concerning supporting consumers to compare and switch that you would like to comment on, whether raised in this paper or not?

69. We would be happy to meet with the authority to discuss our views in more detail. The Council is also happy to work with the authority on our recommendation to establish an independent expert consumer advisory group to oversee a comparison website.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'DHart', with a stylized, cursive script.

Deborah Hart
Chair, Consumer Advocacy Council