

From: Mark Hughes [REDACTED]
Sent: Tuesday, 22 October 2024 4:45 pm
To: TaskForce
Subject: Level Playing Field Measures (Paua to the People)

IMHO independent retailers need the following to be able to compete on a level playing field against gentailers.

- Access to appropriate hedging products at a competitive rate (to that used by the gentailers) especially FPVV contracts.
 - Gentailers do not publish real costs that they are using for pricing. I fail to see how the Gentailers are able to make a profit given the cost overheads they are carrying with the level of transfer pricing they are operating. They need to publish actual costs to serve and other overheads.
 - The range of pricing offered by Gentailers is vast even when there is no difference in service or customer commitment. Are Gentailers predatory pricing (at a loss) to unfairly compete with independent retailers on Consumer Powerswitch. Very likely.
 - Gentailers do not offer many independent retailers access to hedging products. Obtaining cover from the ASX is possible but does not provide Prudential Cover as Gentailer hedges do. Gentailers have no incentive to even talk to us so don't. In telecoms they required Telecom to set up a division with no links to their retail arm to support retail competitors. This could be used here?
- Prudential
 - Independent retailers are stifled by the levels of prudential that we are required to hold. Prudential that is not required to be held by Gentailers. There is a cost to holding prudential which should be the same for all retailers
 - Is 90 Days prudential really required? Most of NZ electricity is renewable so many Gentailers are incurring minimal costs to generate and I am required to pay monthly. My Prudential for 170 ICP consuming power and 170 export only ICP (solar) was ~\$140k in August 2024 (\$823 each or around 8 years return for each customer). A cost not borne by Gentailers. How many small retailers have disappeared because of cashflow issues caused by prudential commitments.
 - Why are Networks able to charge Prudential? A cost not incurred by gentailers. Should Networks be able to trade with zero risk? Get rid of network prudential which is a major handbrake for independent retailers
- Networks
 - Networks should have a defined service. They should be required for example to cover unplanned network outages. 24 hour cover for customers to report outages is ruinous for small independent retailers. Gentailers are able to spread these costs over massive bases.

- The EA
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 - The EA should have the same level of relationship with all retailers. As an independent retailer I feel that I have no influence and do not matter to the EA except as someone to use to claim they support competition. I distrust the EA (after bitter experience), believe they are ineffective and they waste my time with an increasing number of inane requests for data that they never act on. I suspect I am not alone in this. This is not the relationship that the EA has with each Gentaile. A point to note is that the EA needs to do more to engage with independent retailers than just have the occasional event especially given the level of distrust and lack of regard in which they are held.
 - The EA treats retailers exactly the same regardless of size and whether the retailer is a gentailer. This over regulates independent retailers as the EA seeks to regulate activity and introduce customer protections to combat activities largely against gentailers. More consideration for the size of retailers and their access to generation should be used by them. Compliance costs are very high for independent retailers as a percentage of consumer tariffs compared to Gentaile. The impact of non-compliance is often not even a blip for many independent retailers yet they have to undergo audits on a more regular than necessary basis.
 - The EA stifles innovation. Independent Retailers want and need to innovate to acquire customers while Gentaile do not need to innovate to retain customers so they block change with cost estimates on what change may cost. While it is true that Gentaile would likely incur large costs to comply with new innovations they tend to be caused by their reliance on aging legacy systems. As a % the cost for change by Gentaile it is still likely far less than the same for independent retailers. Change must be able to occur quicker than Gentaile are able to introduce change to aging legacy systems.
 - The EA needs to stop using the Retailers Association as a representative of all retailers. This organisation is a mouthpiece of Gentaile and reflects and lobbies on their behalf.
 - The Customer Compensation Scheme requires retailers to pay customers for consuming less power at the exact time independent retailers are being hammered by massive prudential and charges for electricity and if customers reduce demand lower retail revenues. Gentaile while also having to compensate customers are typically able to subsidise this through massive rises in generation profits over the same period. Also Gentaile are not required to cover prudential at this time. Activation of the Customer Compensation would likely result in the bankrupting of most independent retailers. A level playing field would see this funded by the EA Levy. Retailers should assist with communications and administration.

If I think of more I will send them through.

My business has been effectively stifled by Gentaile and the EA. If you are serious at effecting change then I am totally behind you. Unfortunately I have little confidence that any of the measures above will be addressed in any meaningful way.

Which is sad for NZ electricity consumers. And sad for my business. Please prove me wrong.

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