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Competition Taskforce
Electricity Authority Te Mana Hiko
PO Box 10041,
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Via email: TaskForce@ea.govt.nz

1 April, 2025

To whom it may concern,

Thank you for the opportunity to submit feedback on the consultation paper "Improving pricing plan options for consumers: Time-varying retail pricing for electricity consumption and supply."

As an innovative, smart technology driven electricity retailer in the New Zealand market, Octopus Energy supports the overall direction of the Taskforce initiative. We believe time-varying pricing is essential for an efficient, sustainable energy system.

Q1. Do you agree the issues identified by the Authority are worthy of attention? If not, why not?

In theory retailers who can reduce costs or offer a better service can compete more effectively and that competition between retailers would drive innovation and cost efficiencies and deliver lower prices for customers, however this relies on a level playing field which does not exist currently.

The Big 4 Gentailers have market power and have used this to price discriminate between their own retail businesses and the rest of the market. An inefficient result of this is that demand response is not engaged effectively through price signals in the retail market.

Octopus Energy only offers Time of Use pricing, where the customer manages their own usage, or tariffs where we undertake smart control (such as Zero Bills or Intelligent Octopus) on the customer's behalf. Our prices are reflective of the cost of supply and encourage consumers to take action to shift discretionary consumption away from peak times.

Consumers are sensitive to price, by providing tools that help them understand the opportunity they have to save, and some instances manage that for them, we see them shifting load away from the peak and saving substantially. We appreciate that octopusenergy.nz

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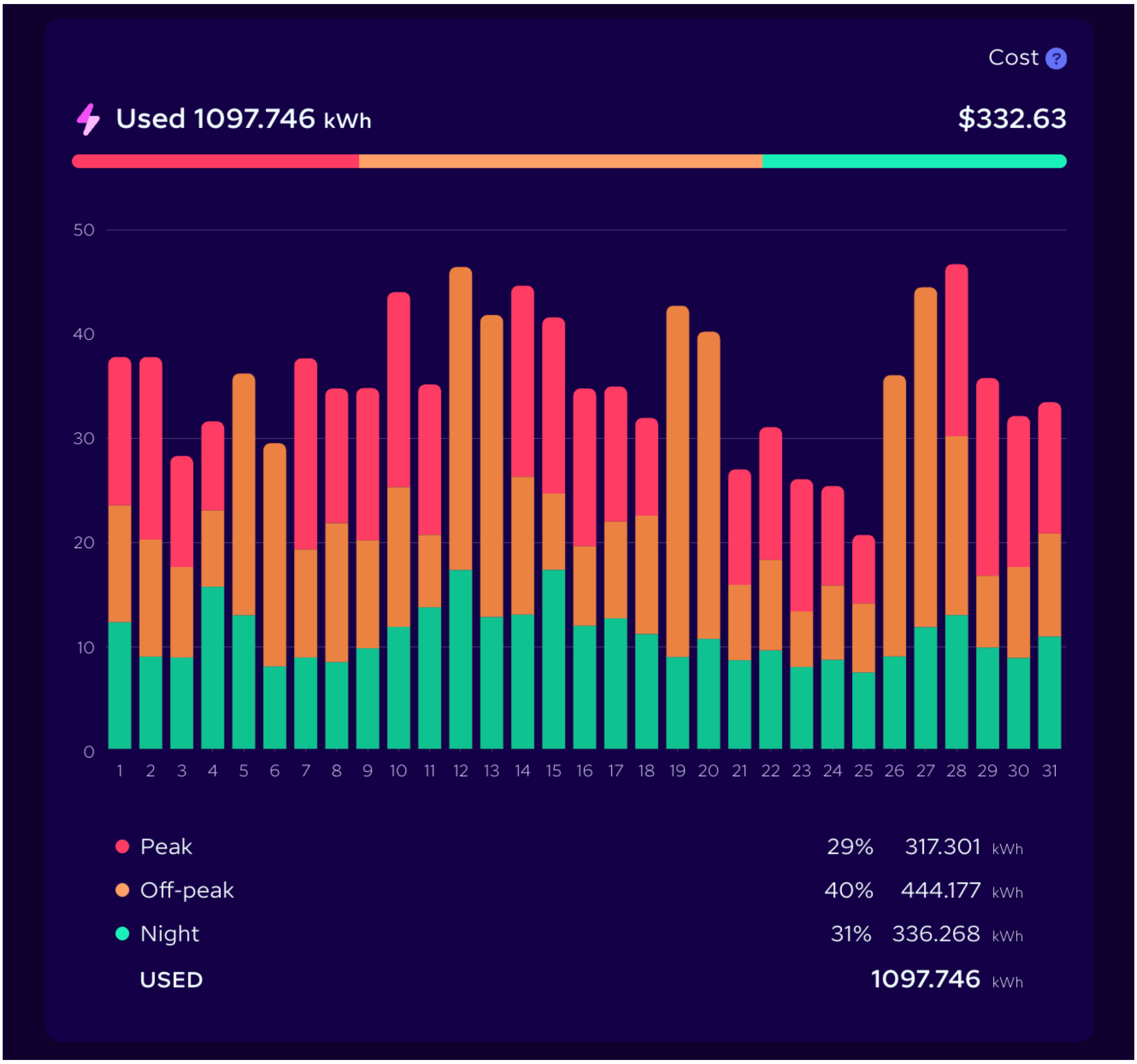
without these tools it would be more challenging for consumers to shift their consumption. Ultimately the effectiveness and variety of retailer customer experience offerings is a strong measure of competition, so the extent to which incumbent players aren't innovating and evolving is an indicator of competition problems.



We accept that there will be situations where the lack of a communicating smart meter necessitates a flat tariff, but these are very limited. The Taskforce may decide that consumers should have the option of a flat tariff. Regardless of the reason such a

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plan is offered, the pricing should reflect the cost of supply, that is the average consumer should pay less on a TOU tariff than a flat tariff because retailers do not bear the same level of wholesale price risk with their consumption.

With smart meters accounting for over 90+% of the market, we believe that all retailers should be using this capability where it is available. Retailers should be required to use half hour data for both settlement and reconciliation for their ICPs that have smart meters. There will be specific circumstances where by exception the retailer will need to use non-HHR data.

Q2. Which option do you consider best addresses the issues and promotes the Authority's main objective? Are there other options we have not considered?

Octopus Energy agrees that more utilisation of TOU pricing would drive more efficient use of peak energy resources. The current predicament is ultimately an outcome of market power and inefficient incentives which are impeding effective competition. If there was a level playing field for competition TOU pricing (or managed usage options like IO or Zero Bill Homes) would likely be more prevalent.

In general we are not supportive of prescriptive price regulation. We think it is important to preserve broad scope for retailers to innovate and design plans to suit different segments within their customer base or appeal to new customers.

However, we think the proposed option is reasonable and strikes the balance between addressing incumbent inertia and preserving optionality. As a principle these plans should also be cost reflective - in that prices for a TOU tariff or managed demand tariff should be more competitive than a flat tariff because the retailer bears less market risk, which has a cost.

We also believe making time-varying consumption plans the default offer would be beneficial. As the Taskforce recognises in 5.30, this option is well-proven as having the greatest benefit and impact on peak demand.

We note the Taskforce's concern around possible poor consumer outcomes if time-varying plans were made default. However the benefit to most consumers, system resilience and cost avoidance from shifting discretionary consumption away from peak is very real.

Poor outcomes could largely be avoided with good communication and once implemented issues could be mitigated by compulsory best-plan evaluation. E.g.

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requiring the retailer to check at least once a year that the consumer is on the retailer's best plan based on their actual HHR consumption.

By increasing adoption of TOU tariffs and shifting more load away from the peak we have a significant opportunity to mitigate the need for extra infrastructure across the electricity value chain.

Q3. Should we require retailers to offer a price plan with time-varying prices for both consumption and injection? Why or why not?

At Octopus we offer both flat and time varying injection options for consumers. While we think this provides a valuable choice for consumers, we don't think price regulation is currently warranted on the injection side because there are limited consumers with distributed energy resources and most of these early adopters are sophisticated enough to engage in the market and are doing so.

Q4. Do you have any feedback on the design requirements?

Care should be taken to ensure that innovative options are not inadvertently eliminated and that any requirements reflect a fair value based on underlying costs. This should factor in both retailer needs for reasonable cost recovery and margin, and wholesale market value for any injection.

Q5. Is there a risk that injection rebates will not be passed through to the consumers targeted? If so, how could we safeguard against this risk?

We think that retailers should have flexibility in how they pass these benefits on to customers. Mandating pricing structures, such as price symmetry or relativity to distributor pricing, could preclude innovative products that offer consumers real value.

Retailers are best positioned to design products in ways that resonate with their specific customer base. This could include fully passing the benefit directly in the customer's export rate, or a mix of other options, e.g. partly on the export rate and partly on discounted other rates, or "shared" where the retailer is managing flexible demand/injection on the customer's behalf.

Our Zero Bills Offer is an example of this already in the market. It is a valuable proposition for consumers with battery and solar, however this offer incorporates the

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HHR shaped value of the consumers injection into the Zero BIll commitment i.e. injection is not priced or paid out separately.

Q6. Which retailers should be captured by the proposal and why?

We feel this could go further and be mandated to all retailers, but starting with those with at least 5% market share is a good start. It's important to ensure that the largest retailers, who serve the majority of consumers, provide these options.

Q7. What are your views on the proposed timeframe for implementation of 1 January 2026? Would 1 April 2026 be preferable, and if so why?

We support the 1 January 2026 timeframe. Delaying to April 2026 would unnecessarily postpone consumer benefits.

Q8. What are your views on Part 2 of our proposal that would require retailers to promote the time-varying price plans?

It would be in the interest of consumers for their retailer to annually check to see that they are on whichever of the retailer's plans (not just time-varying plans) is the most cost effective for them. We do not believe that a retailer needs two years of data for this, 12 months would be sufficient.

If the retailer has another plan that would be at least a specified amount cheaper (e.g. $5 per month/$60 p.a.) for the customer, it should be mandatory to communicate this and to offer this plan. This should be an opt-out - i.e. the message to the customer is that they will go onto this plan on X date unless you tell us not to.

If the customer is already on their retailer's best plan, it should be optional whether the retailer communicates this to the customer.

The results of the annual check should be recorded by the retailer and available to the customer on request. Monitoring of this by the Authority could be added to the participant audit - rather than creating bespoke reporting requirements.

Q9. What should the Authority consider when establishing the approach to and format of the reporting regime?

The Authority should look to minimise the compliance burden of the proposal. We encourage a close examination of the Authority's existing reporting, and the soon to

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be implemented market monitoring data, to ensure retailers do not have to report separately on time-varying plan uptake, pricing, etc where this can be garnered from data already provided.

Unless there are reporting elements of the proposal that require more frequent analysis and cannot be extracted from data already provided to the Authority, we believe much of the compliance for the proposal could be packaged up within the retailer's participant audit.

Q10. Should the Authority include a sunset provision in the Code, or a review provision? Why?

No preference.

Q11. What are your overall views on Part 3 of the proposal?

As above (Q9)

Q12. What are your views on Part 4 of our proposal to amend the Code to require that consumers are assigned to time-varying distribution charges, that retailers provide half-hourly data to distributors for settlement, and that distributors must use this information?

We strongly agree that all retailers should bear the cost of their contribution to peak demand. Distributors should also price accordingly to further encourage retailers and their customers to move to time-varying plans. HHR data should be used for both distribution and market reconciliation.

Q13. Do you agree with the objective of the proposed amendment? If not, why not?

We agree with the objective of shifting demand away from peak periods and the need to ensure incentives across the sector are encouraging the most efficient outcomes for consumers..

If the market was working more effectively this intervention would not be necessary. We think effort focused on levelling the playing field for retail competition will yield more efficient outcomes in the medium to long term. In general we are not supportive of retail price regulation that is prescriptive as this limits the opportunity for innovation.

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However, we agree that there is a problem in that large retailers have been slow to adopt and promote TOU and ensure that their flat tariffs are reflective of the cost of supply relative to TOU. Requiring options to be made available strikes the appropriate balance.

We don't think it is necessary to regulate export prices at this time as there are already offers in the market that provide incentives for peak injection (for example Octopus Peaker and Working on Sunshine). Additionally the cohort of consumers with distributed energy resources are typically more engaged in the market.

Q14. Do you agree the benefits of the proposed amendment outweigh its costs?

Yes, we believe the benefits outweigh the costs. However we think greater benefits will be realised from level playing field measures.

Q15. 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 objectives in section 15 of the Electricity Industry Act 2010.

Yes, we mostly agree the proposed amendment is preferable to the alternatives considered.

Q16. Do you have any comments on the drafting of the proposed amendment?

No.

Please get in touch if you would like to discuss further.

Kind regards,

Steve Young

Head of Data and Industry Operations

Pearl Little

Communications Manager