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0800 430 460

22 JB Cullen Drive
Ashburton Business Estate
Ashburton

Private Bag 802
Ashburton 7740
New Zealand

eanetworks.co.nz

Submissions
Electricity Authority
PO Box 10041
Wellington 6143

by email: policyconsult@ea.govt.nz; distribution.pricing@ea.govt.nz
(subject line "Consultation Paper—Evolving multiple retailing and switching")

Submission on the Evolving Multiple Retailing and Switching Consultation Paper

Thank you for the opportunity to provide feedback on the consultation paper. We would like to reiterate a fundamental concern regarding the direction being proposed.

Retailers currently offer fixed and smoothed price options to customers, which we believe are essential for ensuring price stability and affordability. These pricing models support informed decision-making around appliance use and electrification, and they provide financial certainty for both residential and business customers. This is analogous to the mortgage market, where most customers opt for fixed interest rate products to manage risk.

In contrast, spot market-linked pricing has seen limited uptake. Customers who initially selected these options often reverted to fixed pricing when spot prices rose. The volatility has led to business closures and attracted significant media and political scrutiny. Spot-linked pricing is inherently disruptive in both commercial and residential contexts.

Our concern is that the introduction of multiple trader relationships (MTR) will effectively eliminate fixed and smoothed price options. This would expose customers to market volatility and undermine efforts to support decarbonisation through electrification.

To illustrate the risks, consider the following examples:

Load Arbitrage: A customer contracts with Retailer A for a fixed price and Retailer B for a spot-linked price via separate meters. The customer shifts consumption to whichever is cheaper. While this may appear efficient, Retailer A—who has priced in risk—will consistently incur losses and ultimately withdraw the fixed-price offering.

Export Arbitrage: A customer contracts with Retailer A for a fixed import price and Retailer B for a spot-linked export price. By manipulating inverter settings, the customer can consume from A and export to B when profitable. This creates artificial energy flows with no wider system benefit, again forcing Retailer A to withdraw fixed-price options due to sustained losses.

While the second example may seem far-fetched, I was personally approached by a customer several years ago seeking permission to implement such a setup by interconnecting two power supplies. It is a real and foreseeable risk.

To return to the mortgage analogy, MTR is akin to requiring banks to offer fixed-rate loans while allowing customers to switch to variable rates whenever they are lower. Fixed-rate offerings would quickly disappear.

We strongly believe that fixed and smoothed retail pricing is vital for a stable and equitable electricity market, and for enabling electrification. Undermining these options in the name of "flexibility" risks significant unintended consequences. These concerns are not new and have been raised by industry previously. It appears, however, that the Electricity Authority is proceeding with changes that benefit a few in the short term, without adequately addressing the long-term implications. In the interests of all customers, we urge you to reconsider.

Thank you again for the opportunity to provide feedback. If you have any questions regarding these comments, please feel free to contact me on [redacted] or at [redacted]

[redacted]

Alex Nisbet
Pricing & Regulatory Manager