

8 March 2024

Submissions
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SUBMISSION ON THE CONSULTATION PAPER: 'OPTIONS TO SUPPORT CONSUMER PLAN COMPARISON AND SWITCHING'

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's 'Options to support consumer plan comparison and switching' consultation paper from February 2024.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive Summary

ERANZ and our members believe that an independent price comparison tool is a valuable and important resource for consumers that should be maintained. The initiative serves a public good, providing a single location to inform customers of available electricity plan options while also helping to maintain competition among retailers.

ERANZ and its members support website 'Option 4', and recommend the Authority first undertake qualitative consumer research to further inform the consumer choice support options to provide a well-evidenced comparison and switching support package to consumers.

ERANZ's members are committed to ensuring all New Zealanders can affordably access the energy they need. In addition to a plan comparison tool that provides a 'one-stop-shop' to help inform consumers' choices, ERANZ members offer a broad range of additional consumer care options to support customers when they need it most. This includes various initiatives such as retailer provided support with bill payments, in-home energy coaching through EnergyMate, promotion of Powerswitch on utility bills and consumer communications, and the wider work undertaken to meet and exceed the provisions of the Consumer Care Guidelines. Retailers have invested in infrastructure and systems to support all customers to have agency over how they choose and use

their power.

New Zealand is undergoing significant transformation as it transitions to an electrified and lower emissions economy. Electricity demand is expected to grow as New Zealanders replace fossil fuels with great amounts of electricity. ERANZ members continue to innovate to meet evolving customer needs with new ideas and offers, meaning there is increasing complexity and diversity in the market. It will be important for the Authority to consider how it will handle this increasing complexity across the tools proposed so that consumers can adequately compare and switch.

We must acknowledge that switching electricity retailers is easy in New Zealand's electricity market. While the processes that enable this are considered world leading, the numbers switching are not as large as some industry observers expect. Among the reasons, it may demonstrate that the financial returns of switching are not high because many consumers are already on a good deal and need greater financial returns before they act. Although the discussion document cites opinions about the barriers to switching, much of the evidence is quantitative or anecdotal. ERANZ believes that the Authority should consider undertaking qualitative research, directly engaging with consumers to obtain independent insight into the real barriers consumers feel they face so these can be addressed.

Submission

ERANZ supports the Authority's objective that 'all New Zealand residential consumers can easily access dependable, trustworthy, and authoritative electricity comparison services'. We agree that consumers should be supported in making informed choices about their electricity plan and that their chosen plan best meets their needs at an affordable price. It is important that consumers can easily compare electricity plans and switch to a plan that best suits their household's needs as and when needed. This is even more critical in a rapidly evolving electricity market like we have in New Zealand.

ERANZ and its members are committed to supporting all New Zealanders to have fair access to energy, especially the most vulnerable in our society.

We appreciate the benefit of advisor-led support in reaching less engaged groups and regions. In 2019, ERANZ developed EnergyMate with its members to support customers who may be experiencing hardship. Since it was established, in-home EnergyMate coaches have helped hundreds of families to get more from their power use. The programme has also expanded to provide all New Zealanders with information to improve the energy efficiency of their home and reduce their power bills via its website. Coaches work with identified households that need additional support, helping those with language or other barriers to understand all they need to know about their home and appliances, electricity use and power bill. Coaches also help people work with their retailer to check they are on the most suitable plan or help households use PowerSwitch to compare plans. They also connect households with support from other agencies, such as budgeting support, when needed.

As noted by the Authority in the discussion document, a comparison website alone is unlikely to support consumers best to compare electricity retailers' plans and switch. ERANZ believes additional qualitative research with consumers is needed to understand better if consumers experience barriers to accessing comparison sites and to incorporate this feedback into the next iteration of plan comparison tools.

Alongside a rapidly evolving market, New Zealanders' electricity usage needs are also evolving at a rapid pace. There is greater complexity and diversity in plans to meet these changing needs and the demand for broader more affordable electricity options. This is partly driven by the Authority seeking more pricing innovation as well as the industry itself developing new ideas and offers for their customers.

While the existing Powerswitch model operates relatively well in today's market, as retail plans continue to grow in complexity, we expect that it will be hard for any comparison tool to keep up with future changes. The discussion document acknowledges some of these, such as changes to plan names over time. Other limitations exist, such as the ability to compare plans that bundle broader utility services such as broadband, telephone or mobile plans. Time of use behavioural changes are not well taken into account by Powerswitch. Similarly, solar buy-back rates are currently provided on a static webpage, adding a manual step for consumers who wish to see how this can offset their power costs. Any evolution of comparison tools and services must consider how more complex information can be incorporated in future iterations with an easy-to-use user interface.

As New Zealanders move to an increasingly electrified future, the concept of 'savings' through price comparison must be carefully communicated when using price comparison tools. Growth in the use and charging of electric vehicles ('EVs') will inevitably lead to an increase in electricity usage while their petrol bill is reduced. This presents a timely opportunity for a switch conversation to ensure these households are benefiting from plans that incorporate off-peak rates for charging. In this scenario, a household's electricity bill will go up, but a broader conversation can be had on the overall energy savings that the household will benefit from through electrification.

ERANZ agrees that it is important for consumers to be able to access accurate comparative information and that greater access to consumer consumption data plays a role in improving the advice comparison tools can provide. However, while using a household's historical consumption data can help to provide more personal recommendations, it can be limiting when used to provide future usage predictions predicated on behaviour change. ERANZ notes that if predicted savings rely on a household changing their electricity use behaviour, for example, moving to a plan that incentivises electricity use at cheaper off-peak times, these savings may not always be realised over the long term. In turn, there is a real risk that consumers could disengage with advice if the savings indicated are not realised. This issue exists for comparison sites and retailers alike and needs to be carefully considered.

ERANZ also notes that the Authority should consider how a comparison or switching tool they contract and pay for can be used as a source of data for the overall industry to use. It is important that any commercial contract between the Authority and the future provider of the comparison tool or website includes clear provisions and protocols relating to fair access of data. Stakeholders need to be clear on what data they are entitled to access from the price comparison tool, on what grounds and at what cost. These questions do not appear to be addressed in the current Authority contract or in this consultation paper.

Consultation Questions

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

We broadly agree with the issues identified in the discussion paper but would like these to be

further scoped through independent qualitative consumer research. While the barriers identified in the document cite some sources, this is largely quantitative or anecdotal.

ERANZ would like to see independent detailed discussions with consumers completed to understand what consumers do and do not value when using a comparison site, and what their actual decision-making processes are when deciding whether to switch or not.

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?

Yes. We also see opportunities to make greater use of household electricity usage data provided to inform the advice provided by comparison tools. Improving access to this data, and clarity on the scope and cost to access it, would support retailers to continue to innovate their pricing and plans to meet evolving consumer needs.

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

Yes, we believe it is important that the Authority continue to fund and support an independent, consumer-facing comparison website or tool. This option promotes market competition for the benefit of consumers and allows the Authority to maintain strong control over the website and its future iterations.

Without such a tool, consumers would need to access multiple websites, losing the ability to locate neutral, trustworthy information in a single location. Similarly, expanding the site across multiple utility providers would be overly complex, costly and time consuming – and most probably outside the remit of the Electricity Authority.

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?

Any comparison tool should be straightforward and user-friendly, with clear information written in plain English to help decide whether to switch or not. Ideally, it would have inbuilt functionality to search across plan types and include relevant information such as time-of-use charges and solar buy-back rates in its calculations to reduce steps and make it as simple as possible for consumers to research electricity plan alternatives.

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

The challenge for comparison websites is to keep pace with rapid innovation and the increasing complexity of electricity pricing plans. Retailers and, in the future, flexibility providers are designing new electricity plans in response to consumer demand.

Often, new plans come with greater freedom for consumers to choose time-of-use pricing or discounts based on reducing consumption during periods of high demand. Increasingly, more bespoke pricing will become available as distributors charge more granularly to reflect network congestion, and retailers and flexibility providers change pricing many times during the day to reflect periods of low or high demand.

Such volatility in retail pricing will not suit everyone, but for those who choose to do so, they can be rewarded for being much more engaged in their electricity consumption. In the future, such consumer engagement could be mediated by retailers, third-party providers such as flexibility providers, or even some kind of 'smart home' provider.

ERANZ supports regulatory efforts to make in-home EV chargers 'smart' to enable the kinds of flexibility and time-shifting described above. We expect such 'smart' innovation in appliances to move beyond EV chargers to other applications such as hot water heating, space heating, and swimming pool heating and cleaning.

All of these innovations will need to be built into the next iteration of the comparison tool.

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

The consultation document captures the arguments well.

Consumers are interested in an accurate, independent and authoritative plan comparison tool.

ERANZ considers a cross-sector utility comparison website an enormous undertaking, given the complexity of dealing with the electricity sector alone. This seems beyond the Authority's remit and leads to consumer confusion about how to switch other utilities.

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)?

Option 4 will allow the Authority to control future versions of a comparison website or tool. We don't believe that a website alone can remove barriers to comparing or encouraging a consumer to make a switch and that other technological approaches in addition to a website, such as application-based tools, should be scoped and considered.

However, we would like to see independent quantitative consumer-facing research completed to establish a more fulsome view of the barriers consumers face when comparing and switching.

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

Any website or online tool that is selected must be able to support future technological advances, as well as future market innovations, to future proof any investment made in its development.

It would be useful for a comparison tool to simply and clearly explain the trade-offs involved with time-of-use plans. These plans can save consumers money, but only if they understand and stick to the behaviour changes required to shift their usage to off-peak times.

In addition, some consumers will want to utilise flexibility services where they might be rewarded for reducing consumption during certain periods, or pay something akin to a spot price during periods of high demand. Again, these types of consumers should be catered for with a comparison

tool accompanied by clear explanations of how these types of plans operate.

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

ERANZ considers a website as the easiest to use, most universal, and simplest to direct consumers towards.

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?

Most retailers already go to significant lengths to ensure consumers have the necessary information available to make informed decisions about the electricity plan they are on. In addition, retailers actively promote Powerswitch across all customer communications including power bills, emails and website pages.

There is no agreed definition of 'best plan' and whether it is focusing simply on price, or includes other non-price factors such as ease of contacting the retailer and active support for customers experiencing hardship. Some plans come with different payment options and it is the payment type that customers value more than the price. Comprehensive customer support, such as smoothing monthly electricity bills over the year, payment flexibility, paying bills by instalments, or referral to social service providers, is not always associated with the lowest kilowatt hour price, and some customers value this additional help. In addition, some plans are based on eligibility criteria which might not apply to all customers.

As already mentioned, providing 'best plan' advice on historic household usage can be difficult when used to forecast future use, particularly how this might interact with time-of-use pricing. There are also issues in projecting savings that rely on a behaviour change, such as using power at different times of the day to benefit from off-peak pricing.

Retailers already have regular touchpoints with customers and have at least an annual check-in to inform them of their annual consumption, current plan, and future prices. This includes prompting the customer to think through whether their current plan still meets their needs. In many ways, this already fulfils the desired outcome of the policy intent behind any 'best plan' initiative.

However, to take this to the next step and make it compulsory comes retailer system implications. Working out each individual customer's optimal plan configuration will require significant IT system changes by retailers – similar to the issues discussed in the recent ERANZ submission on retail market monitoring and supply of detailed data to the Authority. For some retailers, transferring customers onto time-of-use plans still involves manual processes to configure meters, and it would not be possible to do this well on a large scale. While they are working hard to improve the customer experience and options available, it will take time to build up the right capabilities, including how to best leverage half-hourly data.

Given the nature of a 'best plan' policy proposal, it is disjointed that the Authority is considering this idea in this consumer plan comparison and switching workstream and not in the existing Consumer Care Guidelines workstream – which has previously considered and not proceeded with this policy. ERANZ proposes to commission work on the Australian experience, where there is early

evidence that the well-intentioned hardship regulations negatively impact the consumer experience. New Zealand would benefit from examining this precedent before implementing something similar here.

ERANZ does not, at face value, support the concept of an 'automated-switch' given the wide variety of individual consumer needs and the increasing complexity of the electricity system. Rather than giving consumers a 'set-and-forget' approach, it is best to trigger consumers to engage with their overall energy usage, think about their electricity needs, and review the best approach for them. There is also a risk that any automated switching process catches a customer unaware, and they end up incurring costs they do not understand – this would erode consumer confidence in the electricity system, the opposite of what is intended. For example, automatically taking customers off a smooth pay product and onto a monthly usage product, even if it results in a lower annual cost for the consumer, would still cause family harm through bill shock due to seasonal demand peaks.

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?

There are already many community groups actively supporting consumers with their electricity usage. For example, through EnergyMate, ERANZ and our members help consumers make the most of their electricity and break down everything they need to know about their home and appliances, electricity use, and power bills. So far, EnergyMate has completed over 2,500 in-home visits and community hui to educate consumers. EnergyMate coaches and retailers regularly work alongside budgeting and financial support agencies to connect customers with additional support when needed.

Other community groups and social support agencies have budgeting advice programmes, and some have targeted electricity-specific programmes. We believe continuing to work alongside these agencies would provide the most comprehensive service for consumers.

The Ministry of Business, Innovation and Employment already runs a 'Support for Energy Education in Communities' programme. This programme provides community funding for energy education initiatives, including EnergyMate. It is unclear what additional benefit there would be from the Authority running a similar but separate programme to MBIE. The government should be seeking to consolidate and coordinate its efforts, not duplicate them.

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?

See answer to Question 11. It is unclear what the benefit is from the Authority duplicating a programme that MBIE already operates and has built-up expertise over a number of years.

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

Powerswitch is already heavily advertised, including on all retailer communications with customers including on all bills, letters, general customer communications, and websites.

Previous promotional campaigns have already been used to drive visits to the Powerswitch

website. It is unclear how an additional campaign would be different.

This is why ERANZ encourages qualitative research to ask consumers what they consider when they think about shopping around for electricity plans and potentially switching retailers. These insights would provide a better problem definition to focus on rather than progressing straight to running another promotional campaign.

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)?

Option B, with a targeted consumer facing engagement similar to the support provided by EnergyMate coaches, would offer the most direct and tailored support for consumers who may otherwise not engage with comparison sites or consider switching their energy plans.

As stated above, this is the purpose behind MBIE's SEEC programme and so efforts should focus here rather than the Authority seeking to duplicate the efforts of another government agency.

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

Nothing further to add.

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

We agree with not progressing the options listed here.

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?

The criteria developed to assess the options appears to be thorough. We have no further comment to make on these.

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

No.

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?

We support the Authority's 'Option 4' approach for delivering a comparison and switch tool.

Our caveats with the additional three options (A, B and C) is that they diverge from the original intention of this initiative, which is to build a modern and fit-for-purpose plan comparison and switching tool. The additional three options all have weaknesses explained in the submission

above, namely:

- 'Best plan' is not defined as to whether it is simply cheapest or includes any service standards or payment methods consumers might wish for. Additionally, how it would interact with the Consumer Care Guidelines (a separate Authority workstream) is not stated.
- Community advisors are already funded through an MBIE programme.
- Promotional campaigns have been tried previously. Before embarking on another campaign, it is worth the Authority to undertake more research on consumer barriers. Additionally, a cost-benefit analysis should be carried out on the 2023 campaign which appears to have resulted in a very poor conversion from dollars spent to switches achieved.

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?

For the assessment of 'Consumer choice support options', the wider environment has not been considered. For example, the community advisors option has little analysis on other programmes such as MBIE's SEEC initiative.

In addition, the 'Best plan' scoring system does not consider how to deal with complexity such as time-of-use plans or payment methods.

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?

No.

Conclusion

ERANZ would like to thank the Authority for its continued work building a fit-for-purpose plan comparison and switching tool. ERANZ looks forward to engaging with officials further on the content of this consultation paper and are happy to provide further information on this submission if needed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Clark', with a long horizontal flourish extending to the right.

Kenny Clark
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