

From: energymarkets@mbie.govt.nz
To: [Energy Markets](#)
Subject: Electricity Price Review submission
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Region

Auckland

Category

Generators/Retailers, Generators, Retailers and Associations

Do you accept these terms & conditions?

Yes

A1. Establish a consumer advisory council

Support this recommendation. We would recommend that this is given to Consumer New Zealand to lead and that the Electricity Authority has clear consumer focussed KPI's which the Minister measures their success on.

A2. Ensure regulators listen to consumers

Not supportive - this can be built into A1 via effective Consumer KPI's that the Electricity Authority has to report on.

B1. Establish a cross-sector energy hardship group

Supportive - energyclubnz believes that this could help to deliver major positive change. One small example includes targeting Government winter energy payments directly at a consumers energy account rather than paying it directly which could help to ensure that the payments made end up delivering the outcomes required.

B2. Define energy hardship

Support

B3. Establish a network of community-level support services to help consumers in energy hardship

Support. We believe that this should be funded by a Generator levy rather than a retailer levy as high levels of profitability, that ultimately amplifies and drives consumers household costs are the result of higher wholesale prices. This should be levied at 'the cause' of the issue.

B4. Set up a fund to help households in energy hardship become more energy efficient

Support

B5. Offer extra financial support for households in energy hardship

Support. We would recommend that all payments are made directly to the

households energy bills. We believe that the winter energy payments, if paid directly to the energy bill, would have had the desired policy outcome. We challenge whether paying it directly to the customer is the most effective way to pay this benefit as it can be diverted to other purposes rather than that which it is intended.

B6. Set mandatory minimum standards to protect vulnerable and medically dependent consumers

Support

B7. Prohibit prompt payment discounts but allow reasonable late payment fees

Support. We would widen this subject scope to 'Prohibit prompt payment discounts, and guaranteed discounts, but allow reasonable late payment fees'.

The Commerce Commission clearly states their view on guaranteed discounts but for some reason the only incumbent that has ended prompt payment discounts seems to be above that legislation so there is a need for clarity in the Industry on this subject.

ComCom's advice on their website that 'If a business routinely sells products at a promotional price, then the promotional price becomes the usual selling price. It would be misleading for a business to keep claiming it was discounting a price when the discounted price had become the usual selling price'.

This implies to announce that you are getting rid of your discount but still claim that you have a guaranteed permanent discount is wrong and against the Commerce Commission advice. This would be useful for the Electricity Pricing Review to deliver a view on.

B8. Seek bulk deals for social housing and/or Work and Income clients

Support this if the Government is the Guarantor of these accounts and delivers a centralised payment process.

C1. Make it easier for consumers to shop around

Support.

We would build on this idea by requiring all retailers to show their best pricing available for the customers meter type and usage type (Low or Standard user) somewhere on their bill.

If the customer is already on the retailers best electricity pricing available then this would be stated.

C2. Include information on power bills to help consumers switch retailer or resolve billing disputes

We do not support driving consumers to Powerswitch.

Powerswitch is effectively a commercial switching operation where the retailer pays ConsumerNZ on a 'per switch' basis. We believe that this will limit competition in the switching space. We also believe that the Powerswitch comparison facility could be significantly improved to provide more accurate comparisons.

Approx 1 in 10 switches are through Powerswitch and we believe that this would

give Powerswitch an unfair advantage versus other switching sites.

We believe that if the best available price from your current retailer is clearly shown on the bill, supported by the availability of normal switching channels then the customer will have all the information available to them.

We don't support showing any more about Utilities Disputes than is currently required under existing legislation. We believe that this requirement is already met by existing legislation.

C3. Make it easier to access electricity usage data

We support this requirement but believe that a consistent data format has to be implemented via the Meter Equipment Providers for sharing with the customer. Having over 40 retailers trying to define what the data should look like will create more confusion rather than competition.

C4. Make distributors offer retailers standard terms for network access

Support this option.

C5. Prohibit win-backs

We fully support prohibiting the use of win-backs and aligning the regulation to the Telecoms/Broadband sector. Win-backs are helping to drive a two tier market and are increasing new entrants costs which will ultimately limit competition.

We do not believe that eliminating win-backs will decrease competition. We believe it will actually increase competition as it will drive the efficiencies in the overall market. energyclubnz active customer count would have been 8,900 rather than 6,358 at the end of February if win-backs were prohibited ie our customer base would be +40% bigger which would have had a major positive impact on our overall cost of operations.

The industry is currently creating a market, dominated by incumbents, where 10% of their customer bases are on excellent 'new customer/improved deal' pricing and the other 90% of customer is on higher pricing.

Dependent on the time that the customer last switched. increasing to very high pricing dependent on when the last time the customer actually changed tariff. We are seeing the gaps between the two extremes being up to \$1,000 difference dependent on the meter type and usage amounts. This is highly discriminating pricing which we don't believe delivers in the objective of being fair to the majority of customers.

Allowing win-backs ONLY favours the c.10% of the market who are switching (trader switches). These switches are often instigated by the new-entrants running bill comparison services at a significant investment. It is only once the customer has decided to switch that their existing retailer exposes and offers them their best deals. In the last month, for example, we have experienced Meridian using a \$650 credit to try and win-back a switching customer as a 'valued (never spoken to before) customer'.

This is having a dramatic effect on increasing costs in the Industry for the challenger brands and does not benefit the 'majority of consumers' as their are 90% that do not access their better pricing.

The average incumbent win-back rate is 26.1% with Genesis Energy being the

most aggressive at 35.9%.

If these retailers are so keen to help their customers save money, via better deals, we would recommend that they should offer all of their customers proactively their best deals available.

C6. Help non-switching consumers find better deals

We support this idea.

C7. Introduce retail price caps

We do not support the introduction of Retail Price Caps. We believe that this legislation is Politically focused rather than Consumer focused as recently evidenced in the UK market.

We strongly believe that if retailers were forced by legislation to confirm 'what is their best rate available' on the customer bills and combine this with an annual saving calculation based on a years consumption then this will create the necessary tension to drive consumer costs down within each brand to benefit the majority of the customers.

D1. Toughen rules on disclosing wholesale market information

We support this option. We recommend that the Electricity Authority develops the capability and action plan to vigorously enforce this as stated.

D2. Introduce mandatory market-making obligations

energyclubnz supports mandatory market making. The current voluntary market has been an absolute shambles since Sep 2018 and does not support growing businesses that aim to reduce long term risks. Prior to Sep 2018 it was still difficult to secure offers from the market makers.

We also recommend that the Electricity Pricing Review focus some review across the lower end of the market. Despite requests to all voluntary market makers since the launch of our business we have had:

1. A very low response rate to any wholesale RFP's from the market makers. This was the case even before Sep 2018.

2. A lack of sophistication and responses for Peak hedge requests.

3. In the absence of these responses a failure to deliver single price products that reflect the shape of the demand which are available in other deregulated markets.

We also recommend that the Electricity Authority resolves the issue with the Futures market where Futures agreements cannot be posted against Prudential requirements as you would a normal Hedge Settlement Agreement.

This would accelerate the use of the futures market on a long term basis by new entrant brands. To minimise the risk of futures products and to secure a Hedge Settlement Agreement, to use against the Prudential, you would need a Generator to transfer the futures product into another product, at a premium, which actually eliminates the benefit of the Futures product.

Our understanding is that if Futures were traded on the NZX, rather than the ASX, we would be able to use any trades against the Prudential.

D3. Make generator-retailers release information about the profitability of their

retailing activities

We support this option.

D4. Monitor contract prices and generation costs more closely

We support this option.

D5. Prohibit vertically integrated companies

We do not favour the forced separation of the Gentailers albeit we do favour gaining visibility of the internal transfer pricing and having an ability to secure the same transfer pricing, without discrimination, irrespective of retailer ownership structures.

E1. Issue a government policy statement on transmission pricing

We believe that the Government's position on transmission pricing should be focused on reducing the costs to the majority of New Zealand residential households and businesses rather than favouring a handful of major industrial producers without which our electricity would be cheaper (due to increased supply) and our decarbonisation efforts would also be accelerated.

E2. Issue a government policy statement on distribution pricing

No opinion on this.

E3. Regulate distribution cost allocation principles

We support the regulating of the distribution cost allocation principles which would bring consistency of allocation across all the networks in New Zealand.

E4. Limit price shocks from distribution price increases

Across the next decade the biggest risk for 'price shocks' is from a shortage of wholesale supply and a lack of new generation builds in the wholesale markets. We believe the Electricity pricing review should focus their efforts on the risk of price shocks in the wholesale markets rather than in the distribution companies.

E5. Phase out low fixed charge tariff regulations

We favour the phasing out of low fixed charge tariff regulations for most consumers who are currently on this type of tariff.

We believe this change could be accelerated by identifying groups of consumers who fall into the energy hardship category or are paid specific benefits by the Government and isolating only these households for the transition period. This would change the qualification criteria of a low user from 'consumption on the primary household' to 'a household that receives a specific Government benefit'.

E6. Ensure access to smart meter data on reasonable terms

We support this recommendation. We believe that the Meter Equipment Provider should have the responsibility to provide the data, in a consistent format, to any party that requires it subject to privacy regulations.

E7. Strengthen the Commerce Commission's powers to regulate distributors' performance

We support this proposal.

E8. Require smaller distributors to amalgamate

We don't favour forcing smaller distributors to amalgamate.

E9. Lower Transpower and distributors' asset values and rates of return

We do not have a view on this proposal.

F1. Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services

We agree with this recommendation.

F2. Transfer the Electricity Authority's transmission and distribution-related regulatory functions to the Commerce Commission

We would recommend transferring these functions to the Commerce Commission.

F3. Give regulators environmental and fairness goals

We agree with giving the Electricity Authority a consumer protection function

F4. Allow Electricity Authority decisions to be appealed on their merits

We do not favour this option

F5. Update the Electricity Authority's compliance framework and strengthen its information-gathering powers

We do not have a view on this proposal

F6. Establish an electricity and gas regulator

We would support this proposal if both the Regulators were highly efficient and forward thinking - rather than just supporting the current status quo.

Given that we don't have the confidence in the regulator to take quick and decisive action, as demonstrated in the 'win-backs' review that is now in its second year, we don't believe that combining the regulators at this time will deliver a positive outcome for consumers.

We believe a fundamental review of the Electricity Authority will be required prior to any amalgamation.

G1. Set up a fund to encourage more innovation

We would support creating a fund to encourage more innovation but would initially recommend focusing this fund entirely on introducing innovation to social housing with a desired outcome to help reduce energy hardship due to the upgrading of properties.

This would be similar to the scheme that the South Australian Government is currently working with Energy Locals (an innovative start up retailer).

G2. Examine security and resilience of electricity supply

We favour an urgent review into the security and resilience of the electricity supply. We believe that there are a number of fundamental key issues that are creating significant risk for our country on the security and resilience of the electricity supply:

1. Generators are motivated to close down older less efficient plant to create long term shareholder value but aren't motivated to build new generation to replace - ultimately tightening supply which will increase wholesale pricing to all customers. This is already occurring.

2. In the last major dry year the Country relied on Genesis Energy's coal burning rankine units as the ultimate insurance policy for a dry year. These consumed a million tonnes of coal across that period. Understandably Genesis Energy no longer holds a million tonnes of coal on site as they are responsible for driving shareholder value and not accepting the costs associated with being the country's ultimate

insurance policy. Perhaps the Government should even re-nationalise the assets at Huntly during the transitional stages to a carbon free electricity sector.

3. Continued increased volumes by the Country's largest industrial companies (esp. Tiwai and Methanex) will tighten the generation capacity, increase prices for everyone else and ultimately increase the risk of the country running out of power.

4. Government Oil policies will also impact long term gas generation capacities which is not being off-set by an aggressive build programmes on renewables. You would expect as a minimum the 3 majority crown owned retailers would be driving MAJOR renewable builds to counteract this policy. The outcome of this is that we could end up actually importing gas in the future to support our electricity generation requirements.

There are a number of big discussions to be had and we are currently potentially seeing the individual Generators company objectives work against those of the country.

G3. Encourage more co-ordination among agencies

We have no view on this option.

G4. Improve the energy efficiency of new and existing buildings

We favour this recommendation.

We would build on the recommendation by targeting social housing as a priority and those who are being impacted by energy poverty.

We would also strengthen building codes to:

1. take the quality of double glazing, as an example, to European standards

2. ensure that all new build houses have the wiring pre-fitted to be able to add solar and batteries at a later date.

3. ensure that insulation standards are improved

4. Create a requirement to, where there is a design option, maximise the amount of direct facing roof-line to the sun and to minimise any potential shading of the roof space. This will ensure the maximum generation from any solar that is fitted in the future.

This will make it easier to upgrade housing stock over time.