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**Re: Consultation Paper - Saves and Win-backs Code Amendment**

Nova Energy appreciates the opportunity to provide feedback on the Saves and Win-backs Code Amendment Consultation Paper.

Our detailed response to the questions in the discussion paper is appended to this letter.

In summary, while we accept the drivers for the ban on saves and win-backs, we contend there may be unintended consequences of the ban and we question how it will be implemented and enforced.

Please feel free to contact me if you wish to discuss our views further.

Yours sincerely



Paul Baker

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## Nova submission

### Discussion Paper – Saves & win-backs code amendment

No.	Question	Response
1.	Do you agree the issues identified by the Authority are worthy of attention?	While Nova Energy (Nova) agrees with the Authority's review of win-back activities in general, it is our view that saves and win-backs can be in consumers' best interest. For example, when the gaining retailer's offer potentially leaves the customer worse off over the longer term.
2.	Do you agree that prohibiting win-backs for a period of time will foster competition? How long should any win-back prohibition period be?	<p>Not necessarily. It is entirely possible prohibiting win-backs may lessen retail competition and consumer access to better pricing and offers as retailers respond by employing tactics to "protect" their customers. Some of these strategies have already been employed in the past. For example, sending customers "Do Not Knock" stickers and promoting negative campaigns around direct selling.</p> <p>Further, consumers can in some cases be enticed into new agreements on the basis of attractive up-front offers with on-going charges at higher than typical market rates. The longer the win-back prohibition period is, the more profitable this strategy can be, particularly in low income markets where immediate rewards are highly valued, at potential higher cost over the longer term.</p>
3.	Do you agree that losing retailers should be prohibited from passing information to third parties? Why or why not?	Nova supports preventing retailers from using an alternative channel to subvert the intent of the saves and win-backs regulation; but the regulations should not prevent retailers from using the information for other valid, non-sales, operational purposes. For example: credit collection purposes and market research.
4	Do you agree that good conduct obligations are required? Why or why not?	Yes, they will need to be put in place with strong enforcement powers and penalties for non-compliance, for example where retailer employ non like-for-like bill comparisons. In such cases the consumer can end up worse off than they were under their previous supplier. Nova questions how the Authority plans to stop this practice and equally, how it plans to protect consumers from retailers who employ these types of selling practices.

No.	Question	Response
		The current regime of saves and win-backs provides a safety net against these types of selling practices.
5.	Do you agree that the win-backs prohibition should apply to retailers? Why or why not?	Yes. It is important that the ruling is consistently applied, even if enforcement is not as straightforward for type 2 retailers.
6.	Do you agree that a win-back prohibition period should only terminate after a given period of time (e.g, 180 days)? Why or why not?	There does need to be a defined period of time for which the prohibition applies. Whether 180 days is appropriate is less certain. The marginal gain from extending the prohibition from 90 days to 180 days is small, yet it significantly increases the probability of accidental breach, or risk of abuse by rogue salespersons misrepresenting an offering.
7.	Do you agree that a losing retailer's win-back prohibition period should not be terminated if the departing customer subsequently shifts to a new ICP? Why or why not?	Nova's view is this proposal is impractical. There is no viable way for retailer to know if a customer that it previously lost has moved premises; unless the customer contacts them to advise them of that, which is clearly unlikely to occur. Further; customers sometimes change their primary account holder details when moving to a new house. This further adds to the complexity of "tracking" moving customers.
8.	Should the save/win-back protection scheme apply to all consumers? If not, which consumers should the scheme apply to? And how should such customers be identified (eg, by the meter category at their ICP or by their ANZSIC code)?	Nova's view is, if a ban on saves and win-backs is applied the Authority should, at least in the first instance, apply this only to residential consumers. The Electricity Price Review's key focus was on improving market efficiencies for residential consumers. The business sector is arguably more astute with its energy decision making, and much like the industrial sector, is generally heavily contracted.  Nova's view is that if the win-back ban is introduced to residential customers only it could be tracked via the relevant ANZSIC code.

No.	Question	Response
9.	What changes to the registry should be made to facilitate monitoring and enforcement of the proposed amendment?	If introduced, it would be good to see new switching codes, to clearly signify and segregate “retailer acquired” switches introduced.
10.	Do you agree with the objectives of the proposed amendment? If not, why not?	Nova has no issue with the objectives, it is just concerned however that any unintended consequences are closely monitored, and it doesn't lead to an increase in 'sharp' sales practises or protective moves from retailers seeking to prevent or 'block' other retailers' sales.
11.	Do you agree the benefits of the proposed amendment would outweigh its costs?	In the short term there will be customer acquisition savings for gaining retailers with less switches lost through saves and win-backs. There will also be fewer resources spent on saves and win-back resourcing. However, the market is likely to adjust to targeting and retaining higher value customers in other ways. As such there is considerable uncertainty as to whether the benefits will be sufficient to outweigh the costs.
12.	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 objective.	
13.	Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?	Yes

No.	Question	Response
14.	Do you have any comments on the drafting of the proposed amendment?	<p>While Nova accepts the drivers for the ban on win-backs, we are concerned about the unintended consequences of such a change and how the Authority will manage and enforce this.</p> <p>Some examples of the unintended consequences this change could bring include:</p> <ol style="list-style-type: none"> <li>1. Retailers undertaking moves to effectively block acquiring retailers by employing a number of different strategies, from mass plan contracting and effectively hindering acquiring retailers from approaching their customers;</li> <li>2. Retailers undertaking non like-for-like switching practices on a wider scale than is prevalent today, meaning switching customers may be effectively worse off when they switch; and</li> <li>3. Customers being put on longer term contracts with higher termination fees – which may be justified since the cost of acquiring customers is perversely likely to increase post the ban, as customer losses to other retailers off-set efficiencies retailers currently get through retention as opposed to new sales.</li> </ol> <p>Some of Nova’s concerns about the practicalities of managing and enforcing this ban include:</p> <ol style="list-style-type: none"> <li>1. If a retailer’s door to door salesperson or telesales agent inadvertently contacts a recently switched customer during a sales campaign, will the retailer be penalised?</li> <li>2. Further to point 1 above, what is there to prevent a retailer from using a ‘inadvertently contacted’ excuse to effectively win-back customers?</li> <li>3. How does the Authority intend to track customers who change name and account holder details post switch?</li> </ol>