

28 February 2020

Submissions
Electricity Authority
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Submitted by email to: AwarenessOfUDandPS@ea.govt.nz

SUBMISSION ON: Raising consumer awareness of Utilities Disputes and Powerswitch services

Saveawatt appreciates the opportunity to submit on the Authority proposal to amend the Code to require retailers and distributors that bill directly to provide clear and prominent information about the dispute resolution service (Utilities Disputes) and the Authority prescribed electricity plan comparison service (currently Powerswitch). The Authority also proposes guiding principles to help parties understand the new obligation.

The proposals are intended to address two problems.

1. Consumer awareness of Utilities Disputes is low.
2. Consumers want switching tools, but some are not aware of Powerswitch.

Saveawatt considers the proposal, as it relates to raising awareness of Utilities Disputes, is supported by the evidence provided, and is consistent with the Authority's statutory objective.

Saveawatt does not consider the proposal, as it relates to raising awareness of Powerswitch, is supported by the evidence provided, and does not consider it consistent with the Authority's statutory objective, the requirements of s32(1) of the Act, or the Code amendment principles.

Saveawatt has three main concerns with the Authority's proposal as it relates to Powerswitch.

1. No evidence of a problem relating to awareness of Powerswitch. No data is provided on the level of awareness of Powerswitch. (The 60.8% figure referred to in the paper relates to the number of consumers preferring to use comparison websites).
2. The assumption that any unmet need for comparison websites should be met by mandating free advertising of Powerswitch.

3. The detrimental impact on innovation, competition and outcomes experienced by consumers from picking a winner – Powerswitch.

Saveawatt considers there is demand for comparison services in NZ, reflecting the research indicating consumers are both interested in using (67%), and prefer using (60.8%), comparison websites.

There are several providers of comparison services operating in NZ, in addition to Powerswitch. However, Powerswitch has a privileged position relative to other comparison service providers, in particular by being part-subsidised by consumer funds (ie, EA levy funding), in addition to the commissions it receives from retailers on commercial terms.

This privileged position would be further entrenched through the mandating of free advertising on supplier bills and websites.

The proposal is detrimental to consumers in the long-term because, by picking an uncontested winner, the Authority is constraining innovation and competition in the provision of comparison services. The impact is reduced incentives for investment in developing and offering comparison services, and other services which would support switching. This reduces consumers' access to comparison websites, and related services, and increases any unmet need which may exist. The impact is also likely to reduce the frequency of checking and switching – due to crowding out of innovative comparison services – thereby reducing the competitive pressure on retailers and the downward pressure on retail prices. The result is an outcome which is not consistent with the Authority's statutory objective.

Providing a level-playing field for providers of comparison services will deliver better outcomes for consumers – making it easier to check, and switch, plus supporting investment in innovation of products and services. Any concerns relating to the risk of poor outcomes for consumers due to rogue comparison websites can be managed, and must be set against the significant benefits from removing barriers to the development of comparison services. Businesses that have invested in developing comparison services have a keen interest in ensuring consumers are and remain confident they are trustworthy.

Saveawatt considers there are several alternatives to the proposal consistent with the Authority's objective of promoting competition, and focus on making sure consumers, particularly vulnerable consumers, have appropriate tools for comparing and switching retailers.

1. Have Powerswitch either fully publicly funded or not at all. Full public funding would ensure Powerswitch and Consumer NZ are without the

conflict that comes with having a commercial interest in operating a comparison service in competition to other providers. Alternatively, Powerswitch can operate on a level-playing field to other providers.

2. If the Authority chooses to fully fund Powerswitch (or any other selected provider), that provider should be required to make its pricing information available to other providers of comparison services.
3. Request tenders to supply the independent comparison website service in an open and contestable manner. Such tenders should contain minimum service levels for deployment to alleviate any concerns relating to delays created by the tender process. This will encourage continuous improvement in the nature and level of services available to consumers.

This is a prime opportunity for the Authority to demonstrate its proposed strategies of customer centricity and innovation by considering a wider range of awareness and switching tools, rather than simply locking in an existing practice.

Thank you for the opportunity to make a submission. If you require any further information, please do not hesitate to contact me.

Yours sincerely



Tim Rudkin
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