

22 October 2024

Electricity Authority  
PO Box 10041  
Wellington  
Email: [retaildata@ea.govt.nz](mailto:retaildata@ea.govt.nz)

## **Submission on improving retail market monitoring – AMENDED INFORMATION NOTICE AND UPDATED ANALYSIS**

### **1. Introduction**

Thank you for the opportunity to make a submission on the consultation paper 'Improving retail market monitoring: amended information notice and updated analysis'. This submission is from Consumer NZ, an independent, non-profit organisation dedicated to championing and empowering consumers in Aotearoa.

Consumer NZ has a reputation for being fair and impartial and providing comprehensive consumer information and advice.

Contact: Paul Fuge – Powerswitch Manager  
Consumer NZ  
PO Box 932  
Wellington 6140  
Phone: 021 390 526  
Email: [paulf@consumer.org.nz](mailto:paulf@consumer.org.nz)

### **2. Comments on the consultation**

Consumer NZ strongly supports improving retail data monitoring. We think increased data collection is critical for the Electricity Authority (the Authority) to effectively monitor the retail market.

Increased mandatory data collection is required if the Authority is to be successful in meeting its new statutory obligations to protect the interests of consumers.

Our comments in response to the specific consultation questions are attached in Appendix 1.

Thank you for the opportunity to provide comment.

# Appendix 1

**Q1.** Are there any further adjustments you think should be made to amended clause 2.16 notice in Appendix A that would improve workability and cost for most retailers?

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No comment as we are not a retailer.

**Q2.** Are there any changes you think should be made to the notice to better prepare for a possible Consumer Data Right in the electricity sector?

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We believe that no changes are necessary to the current notice in anticipation of the implementation of the Consumer Data Right (CDR) in the electricity sector. Our reasoning is based on two key considerations:

**Timing of CDR implementation:** The CDR's introduction into the electricity sector is still several years away, with no concrete timelines yet established. While the banking sector is set to adopt a CDR in 2024, the extension to electricity will take time and is subject to significant consultations. These consultations will address privacy safeguards and the development of sector-specific technical standards, ensuring that New Zealand's unique needs are met. It is, therefore, premature to adjust the current proposed notice. Any pre-emptive changes could be unnecessary and potentially disruptive to the desired outcomes.

**Distinct purpose of current data requirements:** The current data provision requirements under the Code and the future CDR framework serve distinct purposes. The CDR focuses on consumer empowerment, allowing individuals to control and share their data securely with accredited third parties upon request. This enhances competition and innovation by facilitating more informed consumer choices.

In contrast, the Code's proposed new data reporting requirements for electricity retailers are continuous and aimed at market oversight and monitoring. These obligations ensure the ongoing regulation of the retail market, independent of the consumer-driven nature of the CDR. Aligning these two distinct frameworks at this point would be premature as they serve different regulatory and consumer protection purposes. The CDR, once

implemented in the electricity sector, will function alongside, rather than replace, these existing data reporting mechanisms.

### **Q3. Is there further information you can provide that may improve the evidence base for our assessment of (a) cost (b) benefits?**

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Yes. We have further information related to the benefits of increased information.

If some of the additional data were able to be accessed by comparison services, such as Powerswitch (with the user's permission), consumers' comparisons would be more straightforward and accurate. This would increase the use and trust of comparison services, which would increase switching rates and competitive pressure.

Electricity consumers in New Zealand can currently save on average \$500 a year simply by switching provider.<sup>1</sup> However, only about 7% of households (excluding move-in switches) made the change in the past 12 months.<sup>2</sup>

Increasing switching rates will unlock significant savings for New Zealanders. For every 1% of households that can be encouraged to switch providers (around 20,000 households), the aggregate savings would amount to roughly \$9.5 million.<sup>3</sup>

A University of Otago study has found that Powerswitch already delivers \$13.7 million in annual value by exposing consumers to a wider range of energy options.<sup>4</sup> The potential benefits of increasing the use of price-comparison tools are even greater. The study estimated that if all consumers

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1. Analysis of Powerswitch results pages determined that the median savings on Powerswitch by changing retailer over the last three months was \$494 per consumer per annum.

2. 6.74% 'trader switches' as of 31 August 2023. EMI switching trends dashboard.

3.  $1\% \times 1.96 \text{ million (from EMI, the number of residential ICPs as of 31 January 24)} \times \$494 \text{ (average Powerswitch savings over the last 3 months)} = \$9.68 \text{ million.}$

4. Dr Peter Gibbard and his team began their research on electricity consumer inertia in 2022.

used a comparison tool at least once a year, the collective savings would reach \$219 million annually.<sup>5</sup>

Increasing switching rates also increases competitive pressure, which helps keep a lid on prices in general. The University of Otago study has found that price comparisons play a crucial role in switching behaviour. The study has shown that consumers are considerably more likely to switch retailers if they have already visited a price-comparison website, even if that was several months ago.

#### **Q4. Do you agree the benefits of the proposed information notice are likely to outweigh its costs?**

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Yes, we agree.

#### **Q5. Do you think there are other ways the Authority can maximise the benefits of this data?**

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*\*Please note our response to this question is commercially sensitive.\**

One way the Authority can maximize the value of the additional data it obtains is by making selected, secured data available to authorised price comparison services. Enabling automated access to key data would improve both the speed and accuracy of comparison tools by eliminating the need for consumers to source and manually input their own data. Our experience with Powerswitch has shown that requiring manual data entry creates a significant pain point for consumers. This issue is especially germane to electricity comparisons, where users often struggle to find the necessary information on their bills. The lack of standardised data formats and terminology across New Zealand's power bills fuels consumer confusion. As a result, many users abandon the tool before completing the comparison, fail to enter the relevant

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5. The impact of price comparison tools on electricity retailer choices – Dr Peter Gibbard and Dr Dennis Wesselbaum, February 2024.

data and thus receive less accurate results, or input incorrect data, leading to erroneous outcomes.

A study of Powerswitch users revealed that 32% abandoned the tool when prompted to enter billing information, such as pricing plan names and consumption data.<sup>6</sup> This is particularly frustrating, as key data could be automatically uploaded into the model without requiring consumer input, greatly improving the user experience.

As stated in our answer to question 3, increasing the speed and precision of comparisons is likely to boost the rate of switching, which benefits both consumers and retail competition. Accurate, real-time comparisons provide users with the confidence they need to make informed choices, potentially unlocking savings that motivate them to switch to more cost-effective providers.

This is not a new approach. Powerswitch already retrieves user data from the Authority, including ICP numbers and metering configurations. Gaining access to additional information, such as a user's current pricing plan and aggregated consumption data, would further enhance the service by allowing users to see precise savings estimates when switching. The savings potential is a key driver of a consumer's decision to switch providers.

Additionally, providing data on whether a consumer is bound by a fixed-term contract with early termination fees would help protect consumers from unexpected charges. Many retailers impose fees when a consumer breaks a fixed-term contract by switching providers early, but our research shows that many households are unaware their contracts involve such conditions as such information is typically excluded from power bills.

This lack of awareness can lead to the unfortunate situation where a consumer switches, only to discover they have been penalised with a termination fee. Armed with clear information about any remaining contractual obligations and potential penalties, consumers would likely time their switch to avoid these costs. This would also alleviate some of the

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6. Powerswitch Strategic Review – Energy Link, November 2022

hesitation consumers have around switching, empowering them to move to cheaper plans with confidence.

By providing transparent data on contract terms and termination fees through comparison services, the Authority can foster a more informed and dynamic energy market.

**Q6.** Do you agree that the privacy implications of the proposed data collection have been adequately considered and addressed? If not, please explain why not.

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We agree that privacy implications have been adequately considered and addressed.

In terms of Powerswitch accessing data with consumers' consent, before proceeding with any development, we would conduct a full privacy impact assessment (PIA) to ensure robust protection of consumer data.