



4 March 2025

Electricity Authority
Wellington

By email: [REDACTED]

Dear [REDACTED]

Background

From April to July 2024, Concept Consulting (Concept) was engaged by the Electricity Authority (Authority) to prepare a cost-benefit analysis (CBA) on the Authority's proposal to consolidate and develop electricity retail data disclosure requirements.

The conclusion of the CBA was that the Authority's amended proposal would be likely to enable benefits significantly exceeding implementation and ongoing costs.

The CBA was published as an appendix alongside the Authority's consultation paper in October 2024. The Authority received multiple submissions on this consultation, some of which raised concerns about aspects of the CBA.

Submissions tended to make two overarching points in relation to the CBA – that the costs of the proposal were understated, and benefits overstated. In particular, submitters felt that this was the case in relation to the requirement to submit half-hourly data.

In this letter we respond to the most material comments.

CBA understates costs associated with proposed retail data requirements

The CBA understates the costs of collecting half-hourly data

ERANZ estimated that compliance costs would be approximately \$500,000 to \$1 million per ERANZ member, and that the proposal would "impose a significant cost burden on retailers, which would ultimately be passed on to the consumers they serve".¹ Similarly, Contact considered that "the costs as presented are significantly below the costs that will be imposed on the sector, both for the upfront implementation costs, and the ongoing operating costs"² and Genesis noted that "while it is difficult to assess the method by which the per-ICP figure (20-30 cents) has been calculated, we think this is likely to underestimate the costs to retailers, particularly the costs resulting from monthly reporting of half-hourly consumption data."³

¹ See page 2 of [ERANZ submission](#).

² See page 1 of [Contact submission](#).

³ See page 4 of [Genesis submission](#).

Our CBA used a cost estimate based on actual cost estimates from the 10 retailers that responded to the Authority's information request.⁴ These costs ranged significantly, and it is clear they have been difficult for some retailers to estimate. The timeline for these cost estimates is as follows:

1. Responses to the Authority's December 2023 consultation included some high-level cost estimates associated with implementing draft retail data proposals.
2. The Authority modified its retail data proposals in response to feedback (to both improve the value of information gathered and to reduce compliance costs for retailers), and shared these revised proposals with retailers in May 2024.
3. In May 2024 the Authority held a retailer workshop to discuss revised proposals. In light of this workshop, additional modifications were made to further reduce compliance costs. The Authority sought updated and more granular cost estimates following the workshop, and received cost estimates from 10 retailers in varying levels of detail. It is these cost estimates that inform the retailer costs component of the CBA.
4. In its October consultation the Authority recognised that costs will differ between retailers and provided an opportunity to retailers to provide "new or updated information to be accounted for in the final assessment of costs" or "further information that may improve the evidence base for the assessment of costs and benefits".
5. Some retailer feedback on the October 2024 consultation queried cost estimates in the CBA but did not provide detailed evidence to support this. One submission re-presented high-level estimates previously provided in response to the December 2023 consultation.

Based on information provided by retailers, we assumed the following costs per retailer:⁵

- \$245,000 of establishment costs (6-month timeframe)
- \$38,457 of ongoing costs in the first year
- \$24,600 of ongoing costs in subsequent years.

Our methodology calculates total compliance costs by multiplying the estimated compliance cost for an individual retailer by the number of retailers covered by the proposal (i.e. retailers with more than 1000 residential and small business ICPs). As such, the per-retailer cost reflects the costs for the *average* in-scope retailer, which includes ERANZ members and but also other retailers. It is possible that ERANZ members have higher than average costs.

It is also possible that there are methodological differences between Concept and ERANZ. We note ERANZ estimates have not changed from those it provided in response to the initial December 2023 consultation.

⁴ We requested information on estimated implementation costs (including establishment and ongoing costs) for a range of scenarios that covered different proposals and timeframes. In total, 10 retailers provided cost estimates, noting that not all retailers provided estimates for every scenario.

⁵ See Appendix B of [Concept Consulting, Assessment of the costs and benefits of new retail data requirements](#).

As such, we are comfortable that cost estimates within the CBA are representative.

The CBA excludes the Authority's internal costs

Electric Kiwi noted that “the Authority’s own cost / benefit analysis does not mention the cost of the infrastructure that would be needed to host such a large dataset”.⁶

We agree with Electric Kiwi that it is appropriate to include incremental costs (and benefits) to the Authority associated with new retail data requirements. We have discussed these costs and benefits with the Authority.

In light of those discussions, we assess that there will be countervailing cost increases and decreases to the Authority in the performance of its functions. The Authority is likely to:

- incur costs to implement new information systems to receive, store, process and utilise retail data
- avoid costs associated with preparing, implementing and processing responses to multiple ad hoc retail data information requests
- avoid costs associated with commissioning, overseeing and utilising ad hoc research into the retail market
- have faster access to better quality (empirical) retail data in the performance of its functions. In practice, this is likely to avoid costs by reducing:
 - the time necessary to complete a given task
 - data-quality related error risk and rework (and associated costs to participants and consumers).

On balance, we consider it likely that costs to the Authority to implement and operate new retail data requirements will be offset by cost reductions from the administrative and process efficiency gains outlined above.

The CBA excludes the opportunity cost of the Authority's resources

Meridian noted that “there is an opportunity cost to the time the Authority will spend on [analysing large quantities of half-hourly data]”.⁷ Presumably, this opportunity cost comes in the form of other policy development and compliance work that the Authority could undertake using this time.

We do not consider that the proposal will result in the Authority needing to devote materially more time and resources towards analysing this data. In relation to half hourly data, the quantities of information require automation which, once established is likely to require minimal human intervention.

⁶ See page 2 of [Electric Kiwi submission](#).

⁷ See page 3 of [Meridian submission](#).

The CBA overstates the costs of the counterfactual

Contact submitted that “the status quo takes account of four existing information requests, most of which are currently inactive, so may not be an appropriate counterfactual.”⁸ By implication, this results in the costs of the proposal being understated relative to the status quo.

We agree that the ‘status quo’ in our CBA does not reflect the information requests in place at this point in time. Instead, it reflects the previously prevailing level of information requests, i.e. four discrete requests. However, we consider that this is an appropriate counterfactual. This is because if the retail data proposals did not proceed, we expect the quantity and specificity of data requests would likely increase back to their previously prevailing levels. There is also the possibility of retail data requests requirements increasing even further, in which case our counterfactual may be conservative.

The CBA understates the costs of complying with MDC information requirements

Mercury submitted that “the ‘aggregated questions’ have increased since the original proposed section 2.16 notice to incorporate medically dependent consumer data for improved monitoring of the Consumer Care Obligations.”⁹

A number of refinements to retail data requirements were made between the initial consultation and final decision. The majority of refinements were in response to retailer feedback, to improve the value of the information gathered, reduce practical constraints and to reduce costs to retailers. Other refinements reflected evolving requirements such as finalisation of Customer Care Guidelines referenced by Mercury.

As noted in above, we assess that aggregate compliance costs for retail data requirements reduced from initial proposals.

CBA overstates benefits associated with proposed retail data requirements

The CBA overstates the benefits of hypothetical policy improvements

Submitters noted that it is hard to assess the benefits without knowing the problem being solved or the policy question being answered. In particular:

- ERANZ wanted to understand “what sort of protective interventions the Authority is envisaging, and how the data it proposes to collect will enable it to conclude that protective interventions are warranted.”¹⁰
- Genesis was “concerned about the extent to which the positive CBA depends on the use of data to inform hypothetical future policies that may or may not be warranted.”¹¹

⁸ See page 1 of [Contact submission](#).

⁹ See page 4 of [Mercury submission](#).

¹⁰ See page 4 of [ERANZ submission](#).

¹¹ See page 2 of [Genesis submission](#).

- Mercury noted that “without a clear articulation of how the information will be used it is difficult to comment on the cost/benefit analysis.”¹²

We agree that the benefits depend on the Authority using the data to better carry out its functions. As stated in our CBA, “benefits are materially affected by how the Authority utilises retail data it receives (specifically, the extent to which it publishes data, metrics and insights, and uses the data to assess efficacy of existing policy interventions and inform future decision-making).”¹³ We also agree that it is hard to assess the benefits that are likely to arise from this use of retail data. This is one of the reasons the CBA is primarily qualitative.

However, we do not consider that future benefits arising from use of retail data by the Authority are too speculative or hypothetical to be included in the CBA. One of the key challenges faced by regulators is access to information, and the asymmetry of information between regulated entities and the regulator. While the precise details of how the Authority will use specific information are a matter for Authority to address, we consider that access to retail data will significantly improve information available to the Authority as it performs its regulatory functions, including in assessing the efficacy of existing interventions and to inform future decision making. This is particularly important considering that the operation and performance of the retail market has and is expected to attract more focus from the Authority after changes to section 15 of the Electricity Industry Act 2010.¹⁴

The CBA overstates the benefits of collecting half-hourly data

Several submitters argued that the benefits of collecting half-hourly data would be limited. They considered that providing data from a sample of consumers, rather than from every consumer, would provide sufficient information to inform the Authority’s policy making.

Our CBA examined the benefits of the information notice as a whole relative to the status quo. We did not consider individual elements of the information notice, such as the requirement to report half-hourly data, nor attempt to design an information notice that would produce the most net benefits relative to the status quo.

In saying this, we consider there are material benefits of collecting half-hourly data. These are likely to include improving the Authority’s ability to:

- Measure how consumers change their electricity usage in response to changes in retail prices (including time-of-use pricing, bundling, and changing retailers entirely) and/or the installation of distributed generation
- Categorise consumers based on their consumption profile, so that other characteristics can be compared between consumers with similar (or different) consumption profiles
- Understand the extent to which consumers are on the most appropriate plan for their demand profile (for retailer compliance monitoring purposes)

¹² See page 4 of [Mercury submission](#).

¹³ See page 4 of [Concept Consulting, Assessment of the costs and benefits of new retail data requirements](#).

¹⁴ An additional statutory objective has been added to “protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers”. See section 10 of [Electricity Industry Amendment Act 2022](#).

- Understand the time consumers are disconnected (for evaluating how retailers prioritise reconnections, including for medically dependent consumers).

Using samples could still provide useful data but would have a higher margin of error (for informing policy decisions) and would not be appropriate for monitoring whether consumers are on the best available plans (and whether retailers are informing them of this). Overall, we consider there are material benefits to providing half-hourly data, and these are likely to outweigh the costs.

However, as noted in the CBA and above, benefits are materially affected by how the Authority uses retail data it receives. Good practice regulation involves periodic review to assess the efficacy of existing interventions (and to amend or remove as appropriate).¹⁵ We consider this practice as relevant for retail data requirements as for other interventions.

The CBA overstates the benefits of collecting information on bundling

Nova disagreed with the categorisation of information about bundling electricity with other services (e.g. telecommunications) as having ‘medium’ benefits, on the basis that electricity retailers provide these other services to only a small proportion of the market for these services. Nova also noted that “it would be better to settle on a methodology where retailers isolate the electricity data from the aggregate data set and report on electricity only to the Electricity Authority”.

We do not consider this to be an issue. The Authority updated the proposed information notice after holding workshops with stakeholders, so that it only collects Boolean data about non-electricity services (i.e. whether or not they are also provided, not the rates charged for them). Other than that, only electricity data is required to be reported.

This Boolean data remains important as it allows the Authority to identify what consumers are on bundled plans. This can help the Authority identify any correlations between bundling and the prices that consumers tend to pay for electricity, including the presence or absence of time-of-use plans. This allows the Authority to better understand potential benefits, as well as potential problems arising from bundling of services. As such, we consider that ‘medium’ is an appropriate categorisation for these benefits.

Conclusion

We appreciate feedback from stakeholders on our analysis. This has been helpful in testing our thinking and reinforcing the importance of Authority actions (in implementing retail data requirements and utilising the information provided) to cost minimisation and benefits realisation.

Yours sincerely



Ross Parry
Director, Concept Consulting Group Ltd

¹⁵ Mercury noted in their submission that “it is essential for the Authority to build into the Code the requirement for external review of an ongoing notice issued under section 2.16 every 12-24 months to assess whether the desired outcomes are being met.” See page 4 of [Mercury submission](#).