

4 August 2015

Submissions
Electricity Authority
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SUBMISSION ON RETAIL DATA PROJECT – TARIFF AND CONNECTION DATA

- 1 Orion New Zealand Limited (**Orion**) welcomes the opportunity to comment on the “Retail data project: access to tariff and connection data” consultation paper (the **paper**) released by the Electricity Authority (Authority) in June 2015.
- 2 Our comments are primarily related to the connection data / registry access aspects of the proposal. However we start this submission with more general comments.
- 3 The appendix to this submission has our responses to the specific questions in the paper.

General comments

- 4 The paper does not, in our view, establish that there are significant problems, inaccuracies or difficulty accessing or using the Powerswitch website, or other available comparison websites (such as Switchme¹). Nor does it identify barriers to further parties establishing such websites. Unless these problems can be confirmed, it is doubtful that easier access to data will impact on customer engagement and therefore switching as envisaged. Given that existing comparison tools already map retailer pricing plans to each other (so that a consumer only needs to know what their current retailer calls their pricing plan) it is unclear what connection data adds apart from complexity. We note that it is retailer business rules that determine these mappings – connection data is an input but is not determinative.
- 5 We consider that there is a risk that thinking about pricing in a particular way may inhibit innovation. If it becomes more difficult to shoe-horn new types of offering in to a plan structure, then beneficial but novel arrangements may be less apparent to consumers. For example offerings that use half-hourly data only will not fit into the register content / period of availability mapping, so may not be able to be as easily compared.

¹ There may be others. We note the recently reported comments of Prof. Stephen Littlechild that “... the largest [independent] comparison site handles more volume than any of the 11 sites accredited by Ofgem.” (Energy News, 31 July 2015, “Switching sites big innovation of UK power market”).

- 6 We are not sure if there are any proprietary or ownership issues around the retailer pricing data that Powerswitch collects. Switchme appears to be able to acquire retailer pricing data, although we do not know how it does this. Given the way that Powerswitch is funded, the Authority may have some leverage if there are any issues.
- 7 We consider that the benefits of the proposal are overstated. We are very sceptical about the “x-inefficiency” argument, both because this seems (in conjunction with other elements of the retail data project) to assume the same efficiency gain can be achieved multiple times, and because, despite New Zealand already being one of the most competitive retail electricity markets in the world, there seems to be a presumption that further retailer efficiency gains are always available. How do we know that the bulk of the gains have not been achieved already? We note in this regard the Authority’s conclusion, in its 2014 year in review, that competition is limiting price increases to well below cost increases². Having said that, at least some consumers may pay less as a result of the initiative, so consumer-favourable wealth transfers may well result.
- 8 On the positive side, the proposal appears to be relatively low cost, so the downside if it turns out to be ineffective should be quite small.

Connection and registry data

- 9 The essence of the proposals is that retailers provide pricing plan information, and parties (consumers, their agents or other third parties) can then compare these plans having mapped the various retailers’ plans to a particular connection. However it seems to us there are two things missing from the mapping³:
 - The retail pricing plan data may not include the information that supports mapping to connection data. This suggests alternative 2 must be pursued for the idea to work technically.
 - Connection data alone may not uniquely determine which retailer pricing plan is applicable to a consumer at a connection. Customer specific attributes such as market segment, annual consumption and payment/billing preferences may also be needed.
- 10 Regarding the specific connection data set out in para 5.5.12 and Appendix D:
 - We are not sure if (c) - connection capacity - conveys useful information for the purpose. It does not in Orion’s case.
 - We do not consider that available data should include records for all registry statuses, in particular “de-commissioned”.
 - The metering information may not be sufficient to map to innovative offerings.

² Electricity Authority: “Electricity market performance - 2014 year in review”, Figure 13, p 26.

³ We presume the obvious other component of the calculation, consumption, is to be gleaned from forthcoming Code changes around provision of consumption data.

- We are unsure what value the following fields add: GPS data, metering category, compensation factor, serial number and channel number and accumulator type. Unless these affect either distributor pricing, or retailer mapping of pricing plans they would not seem to be relevant or useful. In principle, unless the same linking data appears in both the retailer's pricing plan data and the connection data, a match cannot be made.
- 11 The proposal to provide Registry access to third parties could be supplemented by the publication of a regular extract of the relevant data as a complete dataset available for download by any party.

Concluding remarks

- 12 Thank you for the opportunity to make this submission. Orion does not consider that any part of this submission is confidential. If you have any questions please contact Bruce Rogers (Pricing Manager), DDI 03 363 9870, email bruce.rogers@oriongroup.co.nz.

Yours sincerely



Bruce Rogers
Pricing Manager

Appendix: Answers to specific questions

No.	Question	Response
Q1.	Do you agree that the current arrangements for accessing retail tariff plan data and connection data mean that consumers face higher-than-necessary transaction costs identifying electricity-related offers available to them? Please give reasons with your answer.	<p>We do not believe that the costs of accessing data via sites such as WMN and Powerswitch (or competitor site Switchme) are high. However, in terms of the identifying “electricity offers available to them” there may be non-price aspects of retailer offerings that are as or more important than the price aspects. Since these can be very campaign / customer specific availability may not be at all obvious.</p> <p>As we have submitted on a number of occasions, we are unsure how information about pricing plan choice (for example single rate versus day/night pricing) is conveyed to consumers. The proposal risks further locking in a consumer perception that other plans are not available due to the connection attributes, when those attributes can be changed. We therefore do not agree that the proposal (as implied in para 4.5.2 of the paper) will help with innovation of this sort, as the relevant connection data is about the current configuration, not what it could be.</p> <p>Likewise, retailer offerings that bundle multiple services (eg electricity, gas, tele-communications) together may not be served well by tools that focus on electricity.</p>
Q2.	Do you agree that a Code amendment would lower consumers’ transaction costs more quickly than would market forces? Please give reasons with your answer.	<p>It might, but if the costs are low to start with then the effect will be small. On the other hand, there is a risk of unintended consequences with any Code amendments.</p> <p>We suspect this initiative is most likely to benefit potential third party service providers rather than consumers directly.</p>

<p>Q3.</p>	<p>Under alternative 1 do you have any comments or suggestions about all retailers being required to provide retail tariff plan information to ConsumerNZ, and having to provide that same retail tariff plan information to any person who requested it?</p>	<p>Since many or most retailers already provide the data this would appear to be a low impact requirement. However, care needs to be taken how certain types of retail offering are handled (eg Flick, Powershop), and that regulation does not stifle such innovation.</p> <p>We also note that many aspects of retailer competition are not specifically related to ongoing prices (for example “first month free” deals), and where they are, not all price offers may be available to all consumers. Retailers may be tempted to have relatively high published rates, but have much more tailored and lower prices for different types of consumers.</p>
<p>Q4.</p>	<p>Under alternative 2 do you have any comments or suggestions about retailers being required to publish information about their generally available retail tariff plans on their websites?</p>	<p>Provided there is a reasonably common format we do not think there needs to be much concern about how the information is made available, so long as it is easily accessible.</p> <p>Depending on the retailer’s business model, “generally available” plans may not be very important.</p>
<p>Q5.</p>	<p>Under alternative 2 do you have any comments or suggestions about the requirement to supply retail tariff plan information using standardised file formats and structures?</p>	<p>If the data is to be usefully linked to connection information, then certain information must be included. A standardised format (or possibly some options) would seem to be a way of achieving this. We note that connection information may be necessary, but is not sufficient to let a consumer (or a third party) know what retailer pricing plan relates to a given connection.</p> <p>The most important thing for price comparisons is that the various retailer’s pricing plans can be matched to each other.</p> <p>We note that in other competitive markets it can be difficult to compare prices given different product attributes, for example mobile phones and computers. It is not clear why electricity should be different, or even that it can be.</p>

Q6.	Under both alternatives do you have any comments or suggestions about making publicly available the connection data held in the registry that is set out in appendix D?	We are not sure all of the data is needed for the purpose at hand. The Authority needs to think about privacy issues very carefully and prudence suggests releasing only the information necessary for the purpose – to help find the applicable pricing plan. On the other hand if there are no privacy issues and the dataset is appropriately limited, why not just make all of the data available as a single file. We suspect potential third party providers would like the ability to do analysis on many ICPs at once. (However, we are not sure that this is consistent with the original conception of the Registry.)
Q7.	Do you agree that the objectives of the proposed alternatives are appropriate and consistent with the Authority’s statutory objective? Please give reasons if you disagree.	In principle yes, but we are not convinced there is a material problem with the current arrangements. The Authority may be moving from a stance of promoting retail competition to one of directly influencing competitive direction.
Q8.	Do you agree that the connection data which the Authority proposes to make publicly available is not personal information?	<p>Whether or not the data is personal, much of it is not needed for the price comparisons. For example a prospective customer with no connection may well still be interested in retailer price comparisons.</p> <p>The Authority may wish to consider whether historical information about a connection, in particular changes to it, may give the current consumers at a connection information related to a previous consumer.</p>
Q9.	If you disagree, please give reasons and suggest a way to address the privacy issue(s) you have identified.	Not making any more information available than is required for the comparison would be a solution.
Q10.	Do you agree with the assessment of gross benefits, costs and net benefits? If not, please explain your reasoning.	We believe the benefits are overstated. The Authority has not demonstrated that the competitive market has failed, or that the proposed intervention will not harm the competitive provision of price comparison information. Indeed the Authority frequently reports that the market is working well.

<p>Q11.</p>	<p>Do you have any comments or suggestions about whether the additional gross benefits of alternative 2 outweigh its additional costs vis-à-vis alternative 1? Please give reasons with your answer.</p>	<p>This depends on the format and completeness of the existing pricing information provided to ConsumerNZ. We do not know if this allows mapping to connection information. If it does not, alternative 1 will not work.</p>
<p>Q12.</p>	<p>Do you agree that both of the proposed alternatives are preferable to other options? If not, please explain your preferred option in terms consistent with the Authority's statutory objective.</p>	<p>This paper and some previous papers imply that the Authority believes Powerswitch is not fit for purpose, and moreover that alternate suppliers of such a service are faced with inappropriate barriers to entry. This might be true, but we have not seen any evidence that it is.</p> <p>We also trust that the Authority raises any concerns it has about Powerswitch directly with Consumer NZ.</p> <p>More widely, we remind the Authority that the original funding for promoting retail competition had a limited statutory life and a specific levy, both of which have expired.</p>
<p>Q13.</p>	<p>Do you agree with the Authority's assessment that the proposed Code amendment for each of the proposed alternatives meets the requirements of Section 32 of the Act? Please give reasons if you do not.</p>	<p>No. The proposal imposes a regulatory solution in place of commercial solutions, and may harm both competitive provision of price comparison services, and wider competition by misconceiving what retailers are competing for.</p>
<p>Q14.</p>	<p>Do you agree with the Authority's assessment of the two proposed alternative options against the Code amendment principles? Please give reasons if you do not.</p>	<p>No. The section 32 test has not been passed, so the Code amendment principles are not engaged.</p>