

the benefits of...

# A COMPETITIVE ELECTRICITY SECTOR

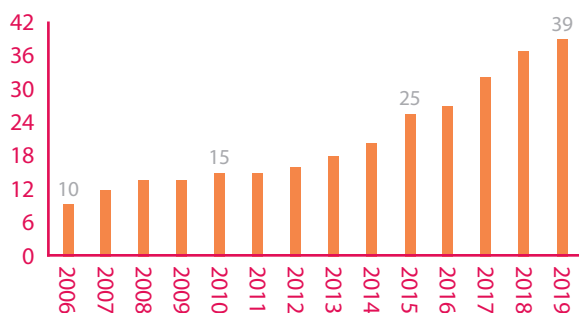
## New Zealand's electricity market is one of the most competitive in the world

New Zealand has one of the world's leading energy systems in terms of price, resilience, and sustainability.<sup>1</sup> That's partly down to our country's abundant natural resources, but it's also a result of a well-functioning electricity market that fosters competition and innovation.

Competition is delivering for consumers. It keeps prices down, drives innovation and better customer service, and gives Kiwi families a huge range of choice.

The retail electricity sector's competitiveness has increased significantly in recent years. Kiwis now have 39 different power companies to choose from compared to just ten back in 2006.<sup>2</sup> In fact, we have 1 power company for every 50,000 households in New Zealand—5 times the rate in Australia and 7 times that of the UK.<sup>3</sup>

Electricity retailers in New Zealand



## Competition helps lower prices—down \$120 over the last 5 years

Although it can feel like power bills keep going up, the latest data from MBIE shows the average annual bill is \$120 lower than it was five years ago, after inflation.<sup>4</sup> Since 2010, household electricity costs as a proportion of income have fallen 22%.<sup>5</sup>

Fierce competition forces electricity retailers to set prices low in order to keep existing customers and win new ones. As a result, New Zealand has the 10th cheapest electricity in the developed world.<sup>6</sup>

## Competition also drives innovation and customer choice

The pressure on power companies to compete, innovate, and outperform their peers means there's an ever-increasing range of power plans to suit everyone's individual circumstances. It's no longer the case the product delivered by different power companies is identical apart from the price. Options include

- smooth-pay to avoid winter bill peaks,
- 100% renewable generation/carbon-offset plans,
- bundled plans including internet and TV,
- spot-price plans,
- fixed term vs open term plans,
- different levels of customer service (ranging from email-only to responsive call-centres to apps), and
- weekly rather than monthly billing cycles.

### Case study: Prepay power plans

Prepay plans are a good example of power companies tailoring their offerings to their customers' needs. Prepay plans allow households with a poor credit history access to power when traditional post-pay plans may not be available due to the risk of non-payment. Prepay can be a great option for people to keep on top of their power bill and avoid going into debt.

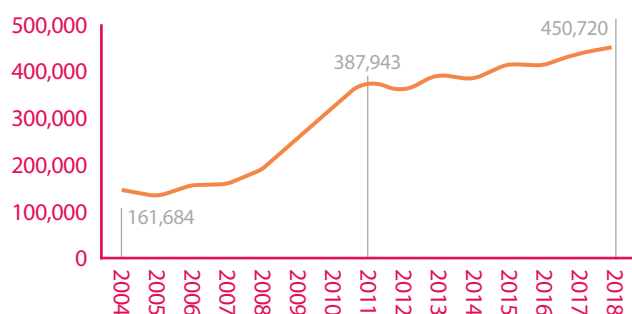
Around 30,000 families use prepay plans to manage their electricity spend.



## Customer engagement is vital

With all this choice, it's important households compare different options to find what works best for them. Many already periodically review their power plan. Of New Zealand's 1.8 million households, 450,000 switch power company every year—three times as many as in 2005<sup>7</sup>—while 160,000 switch plans within their existing power company. A further 610,000 households compare plans and choose not to switch.<sup>8</sup>

**Households switching power companies**



For some customers it's all about price; for others, a variety of factors might influence their choice. When one power company contacted customers who'd been on an open term plan for a long time, one in four chose not to switch to the cheapest plan on offer—preferring to remain on the plan with no fixed term.

**Price isn't always the main factor for Kiwis when choosing a power plan—households consider many other factors, like bundled deals with fibre or renewable generation.**

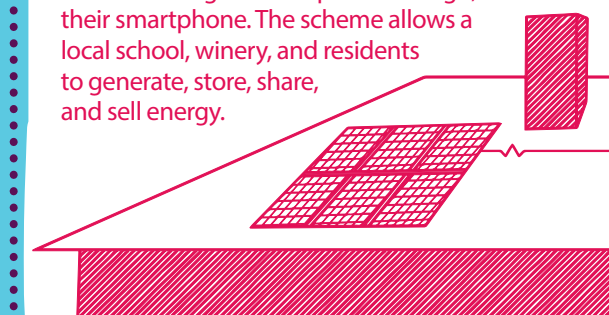
We want all Kiwis to choose the best plan for them. Websites like Powerswitch ([powerswitch.org.nz](http://powerswitch.org.nz)), which is part-funded by power companies, are great but need improvement to reflect the range of non-price factors many consumers are interested in.

## What's next?

Competition is driving innovation and creating more choice for customers all the time. New technology is changing the way we live and the way households consume electricity. Power companies are introducing new products like electric vehicle plans and solar power or battery schemes. Some have introduced apps showing the cheapest time to use power and which appliances are using the most energy and that could in future be used to ensure appliances like dishwashers automatically turn on at low-cost times. ■

### Case study: Virtual power plant

A 'virtual power plant' is being trialled in Wairarapa allowing homes and businesses with solar panels and batteries to store energy and sell it back to the grid when prices are high, all from their smartphone. The scheme allows a local school, winery, and residents to generate, store, share, and sell energy.



<sup>1</sup> New Zealand ranks 8th on the World Energy Council's "Energy Trilemma Index".

<sup>2</sup> Electricity Authority's EMI "Market share snapshot", July 2019.

<sup>3</sup> Newgrange Consulting. *International review of electricity retail markets*. October 2018.

<sup>4</sup> MBIE's "Electricity cost and price monitoring", Household sales-based electricity cost data released June 2019.

<sup>5</sup> Calculated for a household earning the median income and paying the average annual electricity bill, using MBIE's "Electricity cost and price monitoring", Household sales-based electricity cost data released June 2019 and Stats NZ's Household Labour Force Survey.

<sup>6</sup> "Residential electricity prices in OECD countries." *Electricity Price Review first report*, page 23. August 2018.

<sup>7</sup> Electricity Authority's EMI "Switching trends", July 2019.

<sup>8</sup> Electricity Authority's *Electricity Consumers Survey 2018*, page 110. September 2018.

For more about the electricity sector, visit us at [eranz.org.nz](http://eranz.org.nz) or follow us on social media [f](#) [t](#) [in](#) @elecretailersnz