



MAJOR ELECTRICITY USERS' GROUP

5 August 2014

Dr John Rampton
General Manager Market Design
Electricity Authority

By email to submissions@ea.govt.nz

Dear John

Consultation Paper – Proposed Code amendment - Saves and early win-backs

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Electricity Authority consultation paper¹ "Proposed Code amendment - Saves and early win-backs" dated 24th June 2014. Members of MEUG have been consulted in the preparation of this submission. This submission is not confidential.
2. Many MEUG members have be-spoke contracts for energy supply services with retailers that are formed and tendered in relationship contracts as described in paragraphs 2.3.16 and 2.3.17 of the paper. Other MEUG members manage all or part of their energy purchases either directly from the Clearing Manager or through an agent referred to as a "type 2" retailer in the first paragraph of page D of the paper. The proposed Code amendment to Part 11 does not apply to the latter but does to the former; although as noted in the paper in practice the nature of relationship contracts is less likely to give rise to the problems of saves and early win-backs experienced in the household retail sector.
3. In addition many MEUG members have relatively small sites that fall into the Small Medium Enterprise (SME) category and for one reason or other may not be covered by company-wide relationship contract(s) with retailers. For those sites therefore MEUG has a similar interest to households in understanding if retailers' save and early win-back strategies dampen competition and if so; are there solutions where benefits exceed costs and risks of implementation?
4. MEUG has considered the problem definition, the options, the cost-benefit analysis and whether the proposal meets the statutory requirements of s. 32(1) of the Electricity Industry Act 2010 and the Authority's Code amendment principles. There is no reason MEUG has identified why the proposed Code amendment should not proceed. MEUG therefore supports the proposed code amendment.

¹ Document URL <http://www.ea.govt.nz/dmsdocument/18175> found at <http://www.ea.govt.nz/development/work-programme/retail/winbacks-and-saves/consultation/#c12826>

5. MEUG makes one other observation. The debate on retailer saves and early win-backs behaviour is complex and some retailers, particularly large incumbents, have indicated controversial. MEUG agrees this is complex and the risk of unintended consequences needed careful consideration. MEUG has been heartened by the research the Authority has undertaken to test these risks and the solution proposed allowing retailers to voluntarily opt in to cl. 11.15AB, Switch Saving Protection, rather than mandating this requirement.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Matthes', with a long horizontal stroke extending to the right.

Ralph Matthes
Executive Director