Comparing markets by consumer survey

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Why compare markets?

- Each market is an experiment
- Similar lessons have been learned
- Benchmarking is difficult

Our focus is on residential consumers

- The wholesale market works
- Retail market ignored (a little)
- Retail competition is beneficial
- Residential consumers are not engaged

Survey of residential consumers

- Do they have confidence?
- Is it too hard to switch?
- Attitude problem?
- What about other industries?

Surveyed New Zealand and three other markets

- Surveyed NZ residential consumers for the last three years
- Extended to Alberta, Texas, Australia (NEM)
- 1000 consumers in each, by email
- Same questions for all

Three markets selected for comparison

Australian National Electricity Market
(Eastern and Southern Australia)

Alberta Electricity Market

New Zealand
Electricity Market

Texas Electricity Market
(contestable territories)

Wholesale market characteristics

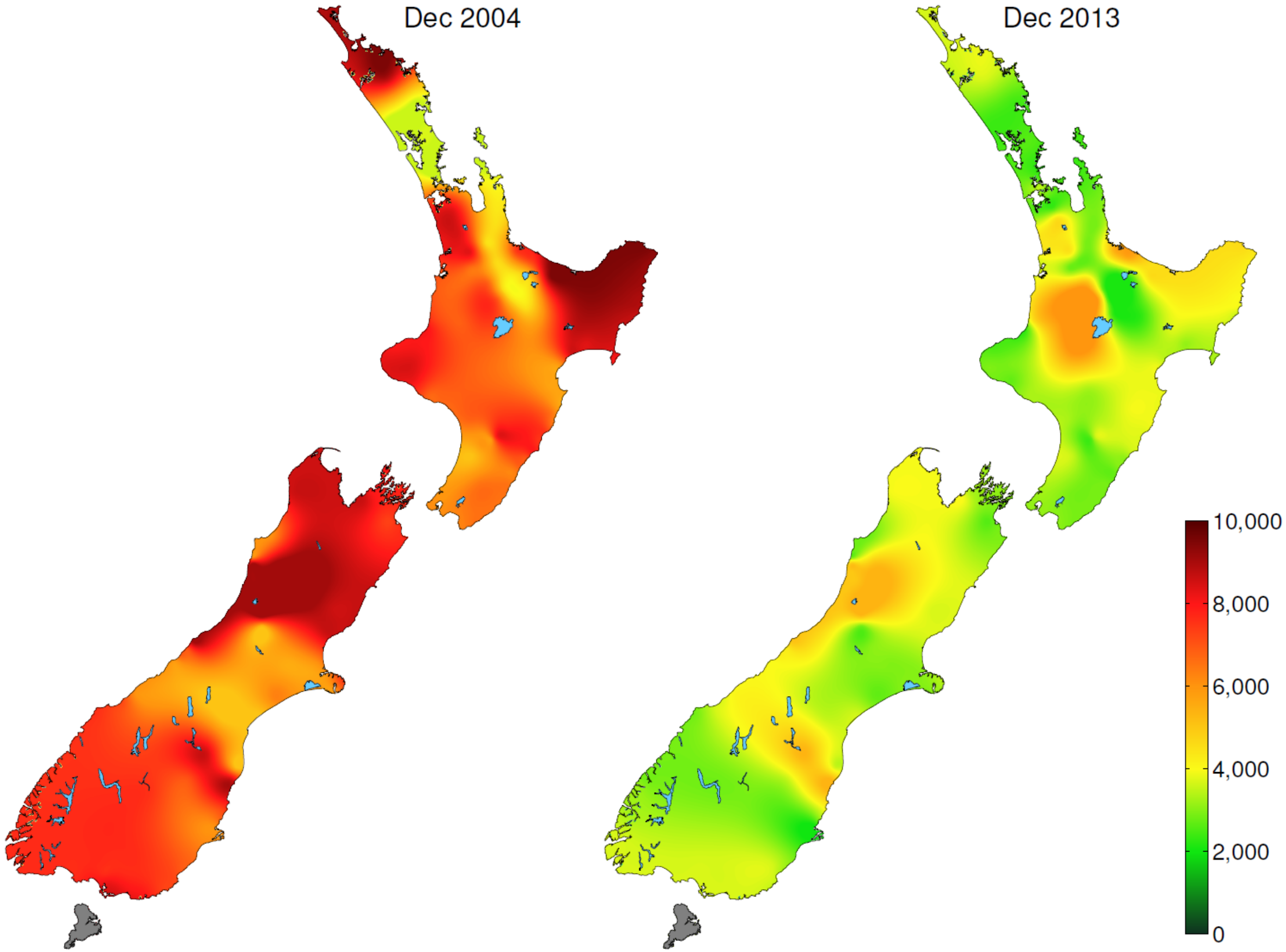
Market	Generating capacity	% thermal (gas/coal)	Market participants
New Zealand	10 GW	30%	90+
Australia NEM	50 GW	75%	300+
Alberta	14 GW	80%	170+
Texas	110 GW	80%	1000+

Market characteristics

Market	Residential consumers (ICPs)	Sales (GWh)	Number of Retailers
New Zealand	1.7 million	13,000	14
Australia NEM	8.1 million	55,000	25
Alberta	1.4 million	9,500	30
Texas (contestable)	5.5 million	80,000	60

- Alberta - regulated-rate option = 60%
- Texas – some areas supplied by monopoly = 15%
- Both Australia’s and New Zealand’s retail markets regionalised

Retail market concentration 2004 - 2014

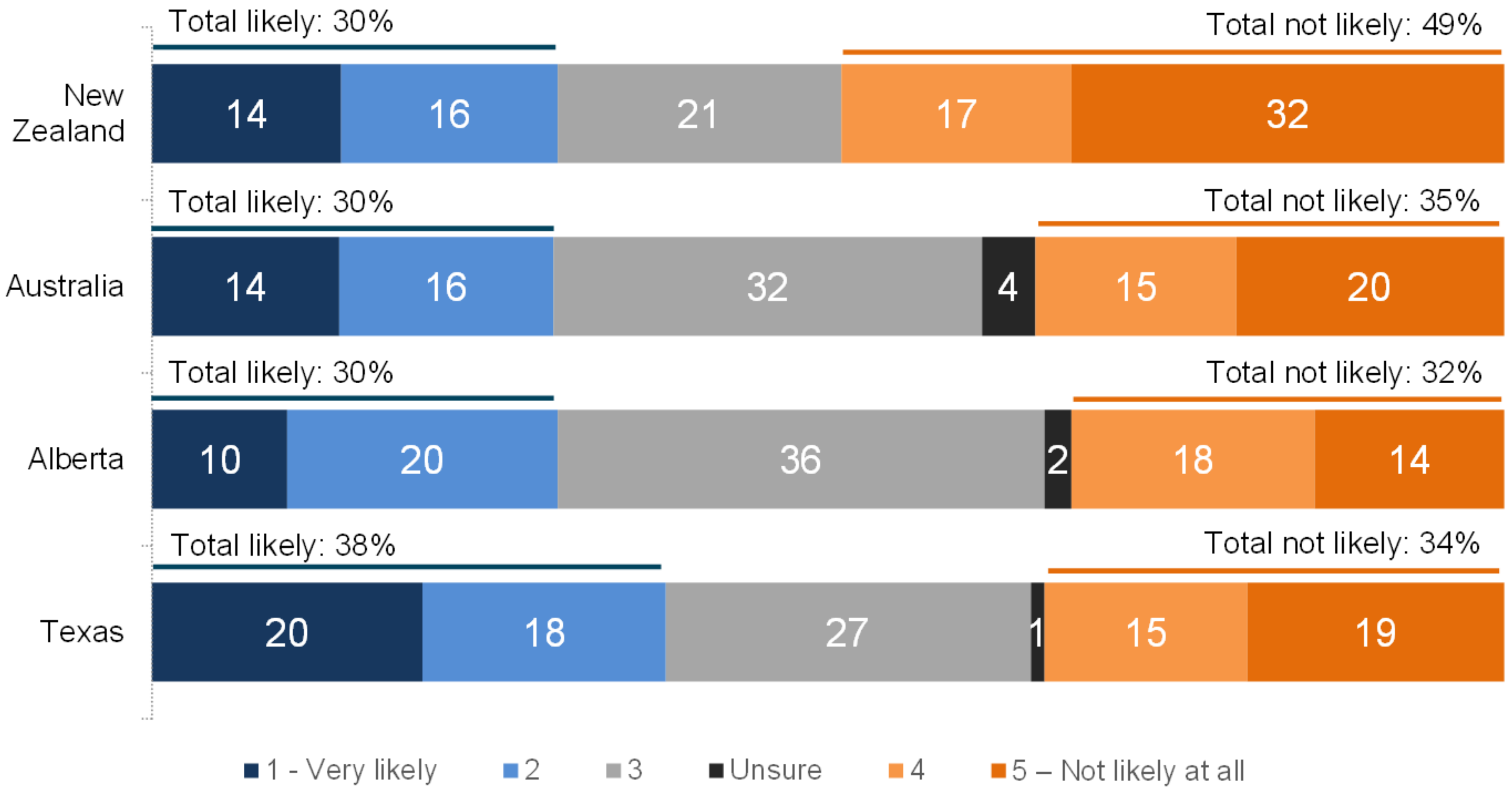


Survey results

COMPLACENCY, ATTITUDE, SWITCHING

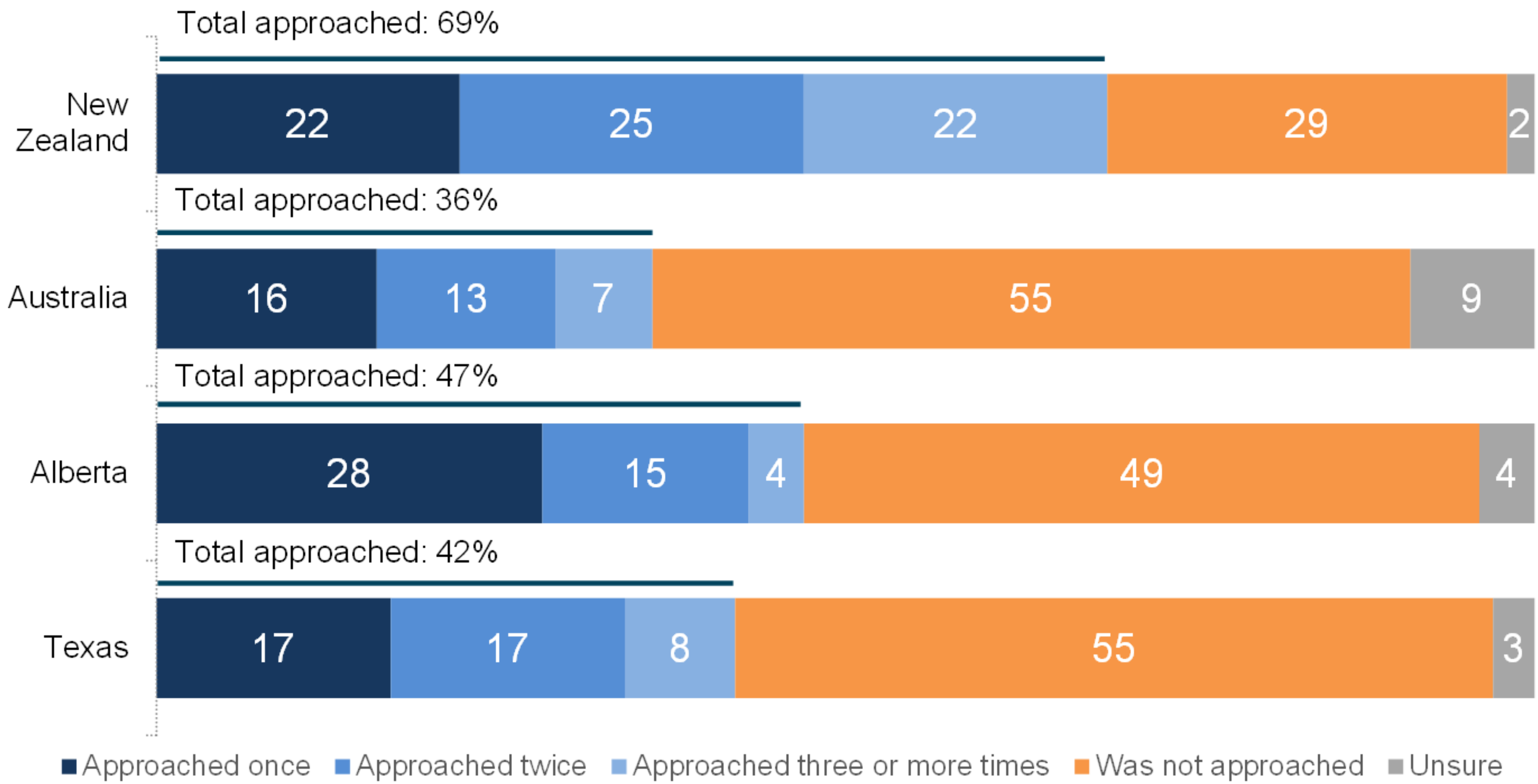
Complacency

How likely are you to shop around for the best power deal?



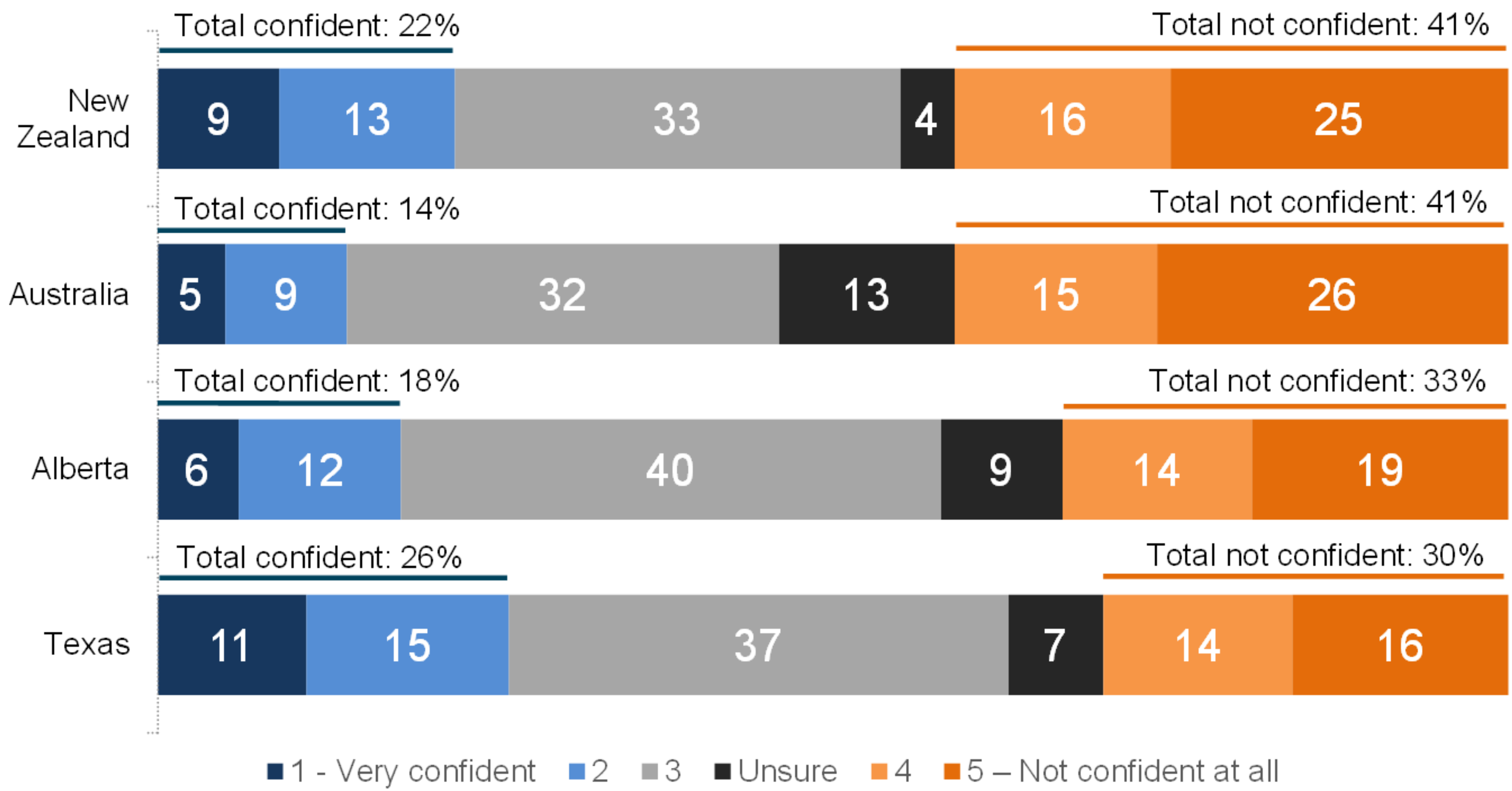
Complacency

How many different power companies have approached you about switching in the past two years?



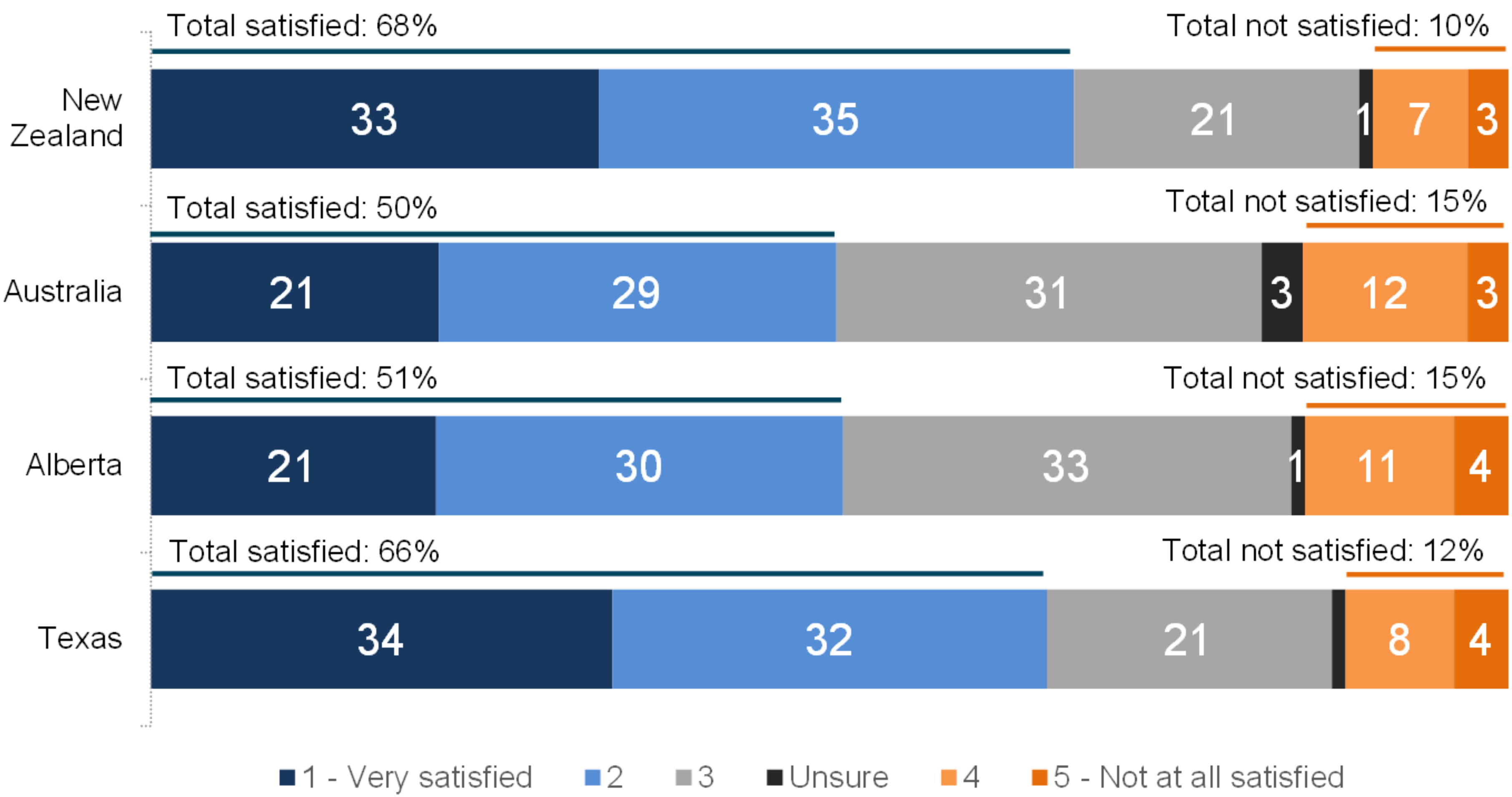
Confidence

How confident would you be that if you switched to another power company you would still be on the best deal in 12 months time?



Attitude

How satisfied are you with your power company on over-all service?



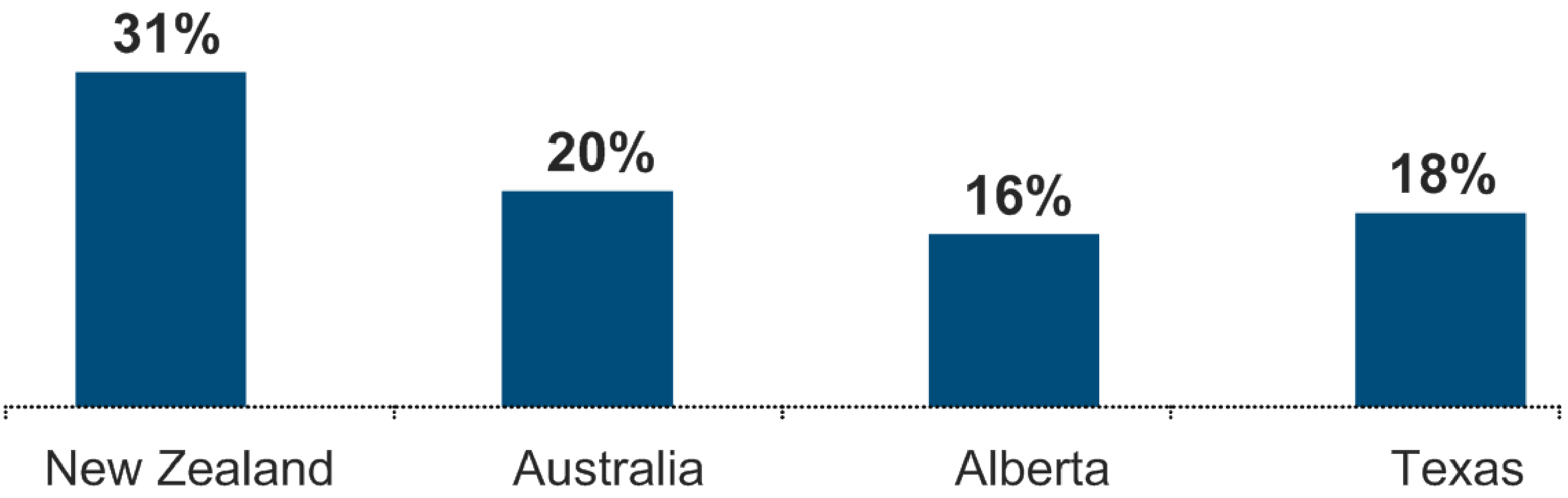
Attitude towards power companies

Big companies only care about making profits	90%
Power companies are pretty much the same – price is the only factor that can be different	80%
It's easy to switch power company	NZ – 78% Others – 65%
You can save money by switching power company	73%

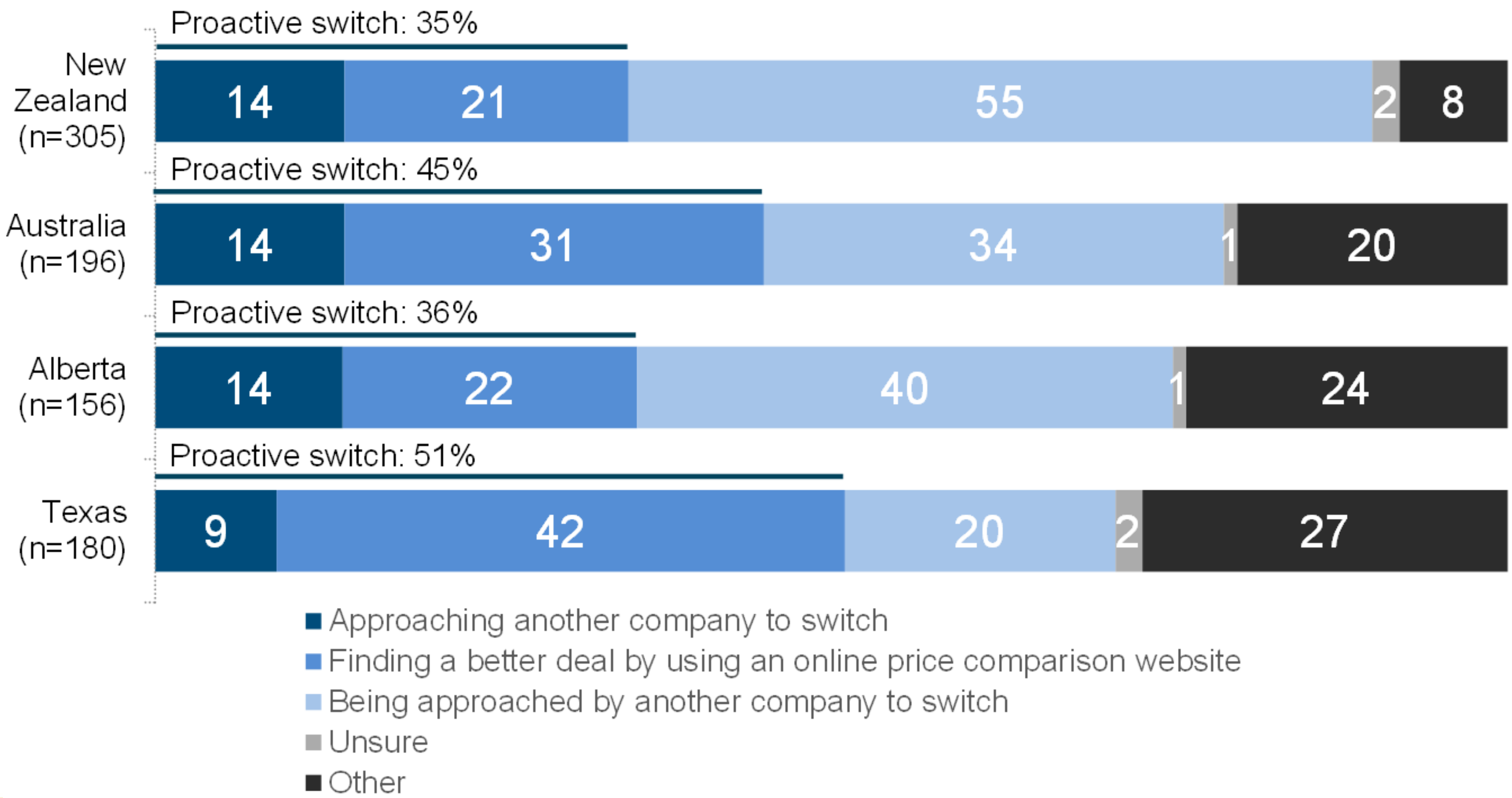
Attitude towards power companies

I don't trust power companies who promise a better deal as they all end up charging the same	78%
I don't like signing contracts as I'm worried about the fine print	77%
I have no loyalty to my power company	68%
Power bills are confusing and hard to understand so it is hard to know if you are getting a better deal	66%

Switching rates, last two years



Reason for switching



Effective strategies to encourage switching

Independent website that compares the prices of different power companies	53%
Advice from a consumer advocacy organisation/group	NZ – 54% Others – 32%
Reassurance that it is save and easy to switch from an independent watchdog	37%
Information in the mail from an independent government or consumer agency	34%
Stories of others who have switched easily	31%
Advice from an accountant/financials advisor/government agency	31%

Competitiveness across industries

Supermarkets	84%
Telephone companies (incl. mobile and cell phone)	79%
Electrical goods stores	76%
Banks and other financial services	73%
Electricity companies	68%
Gas/petrol stations – gas/petrol prices	Texas – 70% Others – 57%
Online bookstores	NZ – 33% Others – 63%

Survey results - summary

- Consumers not engaged
- Promising retailer activity
- Lack of confidence
- Its too difficult to switch
- Switching campaign here made a difference

Implications

- Make it easy to switch
- Website preferred
- Marketing
- Implementing retail competition

Further development

- Continue surveying
- Retail competition program at the Electricity Authority

Questions?