

## Price forecasts used to rank Flick Energy on Powerswitch: Public Summary

- 1.1 Powerswitch is a website for consumers to compare annual expenditure on electricity and gas which facilitates switching between electricity and gas retailers. It is run by Consumer NZ and has been funded by the Authority since 1 July 2015.
- 1.2 Powerswitch uses prices offered by retailers to rank retailers from the lowest priced offer to the highest priced offer, based on anticipated consumption that it derives from information given by a consumer. The majority of retailer's prices are known at the time of comparison and therefore a price forecast is not required for an annual cost to be calculated and ranked on Powerswitch. However, Flick's prices are based on the wholesale electricity spot price, which changes every half hour. To enable Powerswitch to rank Flick's plans, Flick provides Powerswitch with a 12 month spot price forecast based on estimates provided by a forecasting service.
- 1.3 Electric Kiwi Limited (Electric Kiwi) claimed that errors in price forecasts were leading to Flick being ranked incorrectly on Powerswitch. Electric Kiwi considered that electricity comparison sites should use electricity futures settlement prices on the Australian Securities Exchange as the basis for pricing spot based products, rather than price forecasts from a forecasting service.
- 1.4 The Authority considers that there is nothing anti-competitive about a diverse range of forecasting approaches in a market. Consequently this review has focused on the performance of the price forecasts used to rank Flick on Powerswitch, rather than on how these price forecasts are produced.
- 1.5 This review considers the issue of price forecasts in two parts: the first is a time series analysis of the price forecasts used to rank Flick on Powerswitch, and the second is an assessment of the process that converts these price forecasts into an annual cost that Powerswitch can use to rank plans.
- 1.6 Price forecasts are a prediction of the future and therefore are different from actual prices—they are not expected to perfectly predict prices. The price forecasts that are used to rank Flick on Powerswitch, while different to actual prices, do not systematically favour Flick. The price forecasts analysed in this review actually overestimated Flick's annual cost over the period in question. This meant that Flick gained no advantage from the forecast error.
- 1.7 The Authority examined the process that converts the price forecasts into an annual cost figure for use on Powerswitch. We did not find any material issues in this process. However, two minor errors were identified and these have subsequently been corrected.