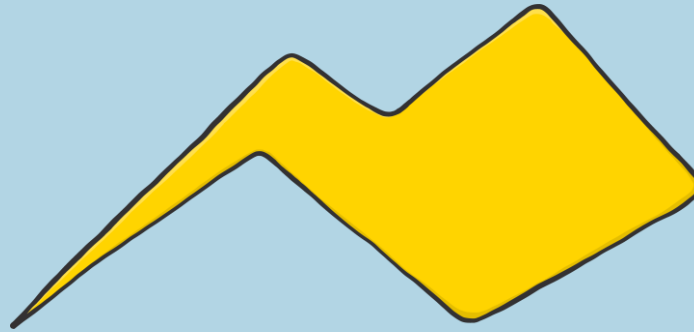


Presentation to MDAG



Saves and Win-Backs

15th March 2018



Action is required

“to promote competition in.... electricity industry for the long term benefit of consumers “

The discretionary offering of incentives in order to reverse switching comes at the expense of broad-based downward pressure on price.



Scope

- The post implementation review doesn't relitigate the fact a successful scheme's benefits will outweigh its costs.
 - Various submissions put the value available to consumers at as much as \$400m per annum if incumbent retailers were forced to offer their best rate to all consumers.
- The MDAG problem definition rightly focuses on the fact that the current scheme is ineffective, not the case for a scheme to exist.
- The benefits to consumers via stronger retail competition and a subsequent broader downward pressure on prices is clear.
- Electric Kiwi's focus is on how the scheme could be refined to more effectively deliver the EA's statutory purpose.



Effective regulation of Win-backs:

- Should weaken the incentives incumbent retailers have to only offer their best price to a customer when they decide to leave:
 - Win-backs should not be presented (nor any other communication except final bill) before a customer has received their first bill (or 45 days – whichever is shorter)
 - One of the key failures of the scheme was the non existent moratorium period and the ease of unwinding the switch
- Should remove the opportunity for predatory win backs by incumbents that target independent retailers more often than other incumbents and weaken competition.
 - Evidence that Independent retailers are over-represented in win backs.
 - Cynical in the extreme that incumbents were suddenly able to accelerate switching time frames to circumvent the initial scheme - any modifications to the scheme should assume the most cynical interpretation by incumbents.
- Should be mandatory and enforced.



Complexity

If this is too complex, ban win-backs as other jurisdictions and industries have done.