

## Technology

## Churning up the power market

Chris Keall

Bad news for Meridian and Mighty River Power and every other power retailer or generator: Saveawatt says it's launching a service that will make it easier for customers to switch providers.

New Zealand already has a high churn, thanks to the Electricity Authority's "What's My Number?" campaign and Consumer's Power Switch comparison service.

In fact, we're already the least loyal power customers on the planet.

New Zealand's churn rate for 2014 was 20.2%, Electricity Authority chief executive Carl Hansen says (the Electricity Authority being the Crown agency established in 2010 to promote competition and a reliable and efficient supply).

That means 385,000 account holders hopped between power providers.

"There is international research on switching levels and New Zealand has the most active market in the world," says Mr Hansen. The latest data says New Zealand is about a quarter more active than the next closest contender (Belgium).

What's more, "In July 2015 there were 40,793 completed switches. That's the highest month on record since 2011 when the 'What's My Number?' campaign began," Mr Hansen says.

Mr Rudkin says the Christchurch-based Savawatt will ramp things up another notch when it launches in the first quarter of 2016.

He says Consumer's Power Switch will put a number on how many dollars you could save if you switch power companies, and give you a list of possible providers.

But that still leaves you with a lot of legwork. People don't like filling in forms or calling providers over and over. Earlier this month, Consumer chief executive Sue Chetwin said a \$150 a year saving was the minimum needed to motivate most people to get off their bum and actually switch providers.

Mr Rudkin says he wants to make it so easy that any saving will make the exercise worthwhile. Saveawatt will only make you fill in your household power needs and current plan once, Mr Rudkin says, and even that promises to be as painless as entering your customer ID number once the Electricity Authority's open data project goes live.



**WATT'S GOING ON?** Saveawatt chief executive Tim Rudkin: "Some of the retailers have told us that 'sticky' customers can be paying between \$200-600 a year more than they need to for power"

**Secret sauce**

Saveawatt's secret sauce is "Frank," the personal digital assistant developed by another New Zealand company, MyWave.

When *NBR* last caught up with MyWave, in early July (see [nbr.co.nz/frank](http://nbr.co.nz/frank)), the start-up was on the verge of raising new capital at a private equity valuation of \$US35 million. There will be an update on that one on *NBR ONLINE* shortly; but, spoiler, founder and chief executive Geraldine McBride is very happy.

Saveawatt will be MyWave's first live commercial customer. Ms McBride says the company is also trialing Frank with customers in the retail, banking, real estate and other sectors. As with Saveawatt, MyWave's model calls for it to co-develop a service based on Frank the animated assistant, and then clip the ticket on revenue – allowing it to share both risk and reward with clients.

**More than 5000 plans**

In terms of Savawatt, Frank will chose the best plan for you, then continue to keep tabs on things after you've switched.

There is a lot to keep tabs on.

Today there are 29 lines or network companies, each with different ways of calculating lines charges, he says.

"Multiply this with more than 25 retail brands offering multiple plans and it is estimated there are well in excess of 5000 different plans in the New Zealand market," he says.

"Frank learns about you from past and continuing power bills. He will compare that volume with the best prices in the market and switch you to the best price for your volume in your area – he doesn't make assumptions. Frank keeps doing that on a series of event benchmarks occurring. He doesn't just do it once and forget about you. That's the key," Mr Rudkin says.

"The consumer doesn't pay us anything. The retailer pays us a small commission; we haven't worked out that number yet," he says.

**Over-paying by \$200 to \$600 a year**

Of the people who churn, there are "sticky" and "non-sticky customers," Mr Rudkin says.

The non-sticky ones are the ones who are

on the hunt for a deal.

The sticky customers are often only motivated to switch providers if they are moving house or get door-knocked.

"Some of the retailers have told us sticky customers can be paying between \$200 to \$600 a year more than they need to for power," the Saveawatt founder says.

"What we would like Frank to do is take those friction points out of the switching process, so they can get access to those savings where previously it has been too hard or too difficult."

One barrier for me as a sticky or indeed lazy consumer has been that power-switching sites have been traditionally poor at catering to households that use both gas and electricity (as mine does). As things stand, Saveawatt is not set up to deal with such "combo" customers either but Mr Rudkin says the capability could be added before launch.

**What's in it for retailers?**

Behind the scenes, Savawatt will operate a portal where power retailers can upload their latest prices and plans.

But why would they voluntarily participate, helping to make customers even more churn-happy?

"It's going to be a change for those guys. But we've spoken to a couple of the big guys and we want to get around all retailers big and small. It's going to be an absolute change. But there are a few things we do that help them," Mr Rudkin says.

His basic answer is simple: if one of your customers is thinking about switching providers, it's better to be part of the process.

Savawatt's business model is still being finalised but it's possible an incumbent provider will get first-right-of-refusal, getting the chance to make you a special offer to stop you jumping ship (at the moment power companies – like mobile phone companies and ISPs – typically reserve the best deals for new customers).

"We will help them retain customers because we will let them know 'Chris is no longer on the best power deal – what do you want to do about it? So they get the first right of refusal and, if they want to keep you, they can fight for you. Whereas before, if they lost you they had to fire up more

staff and more money to win you back. This will be more efficient."

Secondly, like users of the Frank personal digital assistant in any sector, power customers will be able to opt into view deals.

Again, he pitches it as a service that will help retailers run a more efficient business.

So, for example, "There might be a wet period down south and the retailers want to get rid of surplus load. They can go on to Frank and say this is how many megawatts we've got and we want to target 1000 customers who pay by direct debit and use this much electricity."

**Open data project**

In a happy coincidence for Savawatt, its launch coincides with a move by the Electricity Authority (EA) to publish as much of retailers' tariff information as possible.

This open data project is currently in a consultation phase but, once it goes live, it will mean Saveawatt will be able to include all power retailers when it calculates the best plan for a consumer.

EA chief executive Mr Hansen says the open data project has the broader aim of making it easier for everyone to see how their power bill compares to others and – if they've got a smart meter – learn more about their consumption rate.

"The first part of this project will give consumers – or, if they prefer, a third party they have selected – access to their consumption data. This means consumers with smart meters will be able to find out how much power they use and at what times they use it," he says. The consumption data should be publicly accessible from February.

"We expect the retail data project to unlock all sorts of innovative new services in the electricity market, including the type of offer Saveawatt is considering. We support more competition in this area."

Mr Hansen says the EA doesn't officially endorse any switching service. "We've met with Saveawatt several times as well as other parties interested in the retail data project." The EA does whatever it can to reduce any barriers to new entrants in the electricity market, he says.

Mr Rudkin welcomes the open project – which will help his company and Frank run more smoothly, but he doesn't expect the public database will have the keenest prices. Power companies tend to only give those to their sales teams rather than put them on any rate card, he says.

Saveawatt has been around since 2009 but so far it's been making a quiet profit as a power broker for small to medium businesses (and before coming on board Mr Rudkin had management roles at Lloyds, National Bank, NZ Dairy Brands and – whisper it – Hanover Finance). If the more automated Saveawatt service for residential consumers goes well, his company will look at extending it to business customers, he says.



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