

8 April 2020

Dear electricity retailer,

### **Electricity retailers' duty of care for domestic consumers during Covid-19**

The nationwide lockdown to contain the Covid-19 virus has rapidly changed New Zealanders' lives and the electricity landscape to which industry needs to respond.

Many customers now face circumstances that can affect their ability to pay for essential services like electricity.

Your customer focus and actions will help New Zealand's citizens get through this difficult time.

#### **Vulnerable and medically dependent consumers**

We expect companies to be prioritising customer and staff safety, and we acknowledge and support the hard work many participants have been doing already to support their vulnerable customers.

Given the alert level 4 response to Covid-19 and the stringent lockdown requirements, there will be increased pressure on some of your customers' health and/or finances. The number of electricity consumers classified as vulnerable or medically dependent will now be higher and may continue to grow.

When delivering electricity services to vulnerable consumers, please refer to the Authority's *Medically Dependent Guidelines*<sup>21</sup>, and the *Vulnerable Consumer Guidelines*<sup>22</sup>.

These guidelines aim to ensure that:

- a) a medically dependent consumer is not electrically disconnected for non-payment of an electricity invoice, and
- b) a vulnerable consumer should be electrically disconnected **only as an act of absolute last resort once all other options have been exhausted**, providing that the consumer is acting in good faith.

The Authority expects participants to follow the processes and recommendations set out in the guidelines when engaging with and managing domestic customers who are medically dependent or unable to pay their electricity bills.

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21 <https://www.ea.govt.nz/dmsdocument/8564-guidelines-arrangements-to-assist-medically-dependent-consumers>

A Medically Dependent Consumer is a domestic consumer who is dependent on mains electricity for critical medical support, such that loss of electricity may result in loss of life or serious harm. For the avoidance of doubt, medical dependence on electricity could be for use of medical or other electrical equipment needed to support the treatment regime.

22 <https://www.ea.govt.nz/dmsdocument/8565-guidelines-on-arrangements-to-assist-vulnerable-consumers>

A Vulnerable Consumer is a domestic consumer who:

- (a) for reasons of age, health or disability, the disconnection of electricity to that domestic consumer presents a clear threat to the health or wellbeing of that domestic consumer; and/or
- (b) it is genuinely difficult for the domestic consumer to pay his or her electricity bills because of severe financial insecurity, whether temporary or permanent.

While Covid-19 continues to affect the country, and particularly during alert level 4, the Authority considers that **every customer experiencing payment difficulty should be treated as a vulnerable consumer**, as per the guidelines. The intent of the guidelines is to provide time for retailers to assist their customers in accessing the financial support mechanisms provided by the Government. While demand for this support is currently extremely high, it is important that retailers give their customers more time to access the support they need.

We are responsible for monitoring retailers' compliance with both sets of guidelines and will contact you again soon to seek assurance that your internal processes align with those guidelines. In the meantime, we are investigating whether making these guidelines mandatory requirements in the Code would be in the long-term interests of consumers.

The Electricity Industry Act 2010 explicitly allows for the Authority to use facilitation measures, such as Guidelines, instead of imposing Code requirements. Guidelines provide for greater flexibility in the delivery of responses to best suit individual consumers and their circumstances, more innovation in delivery of outcomes and encourage participants, in a competitive market, to go above and beyond standardised provision. Retailers have generally seized the opportunities when the Authority has used the facilitation approach. The Authority believes the current circumstances will demonstrate this again but is prepared to move under urgency to codify obligations, if the actions of even a single retailer makes this desirable in the interests of consumers.

We are also writing to Metering Equipment Providers to remind them of these guidelines.

### **Customer communications**

We acknowledge many retailers have recently contacted their customers to encourage them to reach out if they need special assistance. Many of you have also published additional information on your websites.

We encourage retailers to continue this action especially for customers that may be in financial stress, and we expect you to:

- Remind your customers to let you know if they are now vulnerable and/or medically dependent.
- Encourage your customers to explore your flexible payment terms to help manage their financial situation, and your cashflow.
- Encourage your customers to explore income supplements and other advice from social and support agencies, if required, and support them in doing so.
- Advise your customers on where to seek information and help on energy efficiency measures – for example EECA's website, or by referencing your own material.
- Clarify whether your customers expect to use more power than normal. If they do, or are on a low fixed charge/high variable charge tariff, remind them of their options and offer a more suitable plan or temporary solution.
- Offer customers on expensive legacy pricing new plans that are current and more competitive – regardless of their contracted period.
- Remind your customers of their options to observe and monitor their own consumption levels, including providing you with their own meter readings if possible.
- To prevent 'bill shock', advise your customers on how their consumption has lifted or is changing during the lockdown period.

## Understanding and reducing financial stress on your business

The Authority is working closely with agencies and industry to give ongoing certainty during this extraordinary time. Our priority is ensuring a secure and reliable supply of electricity for New Zealand electricity consumers.

We have heard the concerns of increasing debt for many retailers as they manage a growing number of customers unable to pay their electricity bill.

The Authority would like to remind you of some immediate options already available.

If you have cash on deposit with the Clearing Manager, you may:

1. Request the Clearing Manager refund excess cash, within reason
2. Apply to the Authority for a shortened post-default exit period, which would reduce the level of prudential security required and/or
3. Where you can demonstrate materially reduced demand across your portfolio, talk with the Clearing Manager to review your prudential security obligation.

We want to engage and work with you on this issue, with urgency. I have set up a stakeholder working group under James Tipping to lead this work. The Commerce Commission is represented on this group. Means to manage any potential issues from industry parties who are in competition with one another holding discussions have been developed.

We are working to understand what actions may be possible, in what timeframes, and what the consequences may be. Any actions taken will need to be objective and supported by evidence, and we are considering what data we will need from you to assist decision-making. We encourage you to provide any relevant information to us so we can best understand the extent of the issue as it relates to your business and end consumers, and appreciate offers we have already received.

All information will be treated in confidence and used only for the purposes of understanding your current and projected financial position in response to Covid-19.

Please remember that you have an obligation to advise the Clearing Manager immediately if at any time you believe you cannot (or will not be able to) pay all or part of your prudential call, or your settlement invoice (see clause 14A.17 of the Code). **This means that if you have reason to be concerned over your ability to pay, now or at any point in future, you must advise the Clearing Manager.**

We appreciate the shift to home-based working has presented significant challenges to business continuity. Thank you for your organisation's continued efforts to serve your customers during this time.

Yours sincerely



James Stevenson-Wallace  
**Chief Executive**