

15 September 2020

Submissions
Electricity Authority
P O Box 10041
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Email: debtdeferralscheme@ea.govt.nz

Dear Rob

RE: Consultation Paper-Retailer Debt Deferral Scheme

Ecotricity, Flick Electric and Pulse Energy have joined together to make this submission on the Electricity Authority's (Authority's) consultation on whether to continue or close early the Retailer Debt Deferral Scheme (the Scheme) implemented by an urgent Code amendment on 20 May 2020.

Our view is that this Scheme has been, since its inception, a poorly targeted mechanism for 'protecting retail competition'. We disagree with the Authority's decision that network companies should bear the cost, or risk, of a material level of defaults for bills payable by end consumers and therefore a risk that a material number of retailers would not be able to settle their wholesale market commitments.

Under normal circumstances a retailer's bill to end consumers recovers the end-to-end cost of consuming electricity (that is, generation, transmission, distribution and retailer costs). However, retailers should not be including in their day-to-day retail price offerings the risk the exceptional COVID-19 situation has to create acute and severe financial impacts on consumers (ie the risk of increased bad debts). In our view, each segment of the end-to-end supply chain is exposed to the risk of non-payment under the exceptional circumstances created by this world-wide pandemic. A holistic, whole of supply chain perspective should be taken to supporting residential electricity consumers through COVID-19.

Further, we do not agree that the potential for consumers to suffer acute or severe financial impacts from this pandemic has passed / no longer exists. Despite significant and wide-ranging government assistance and actions for residential consumers, it is possible to conclude the worst is yet to come. For example, experts are forecasting unemployment to increase for a period as a direct result of the impact of managing the pandemic on New Zealand's economy.

We suggest work should be undertaken now to design and implement a backstop 'hardship fund' mechanism that would be available to residential consumers in hardship because of the economic impact of COVID-19. Our preference is for this to be a government fund (COVID-19 recovery fund) consistent with the welfare support currently available to consumers impacted by COVID-19. Government support for the affected residential consumer would keep their lights on, avoid them having a bad credit history (which has long-term implications), preserve the payments system along the

value chain in the electricity sector, enable retailers to manage their credit exposure and protect retail competition for the long-term benefit of consumers.

This backstop hardship fund would, in our view, be a more efficient mechanism than the Authority's retailer debt deferral scheme.




In summary, we:

- support the early closure of the Retailer Debt Deferral Scheme by rescinding the 20 May 2020 urgent Code amendment
- believes that each segment of the end-to-end supply chain is exposed to the risk of non-payment under the exceptional circumstances created by the COVID-19 world-wide pandemic. Electricity retailers alone can not price in this risk and be financially responsible for electricity consumers inability to pay for electricity because of this exceptional situation
- are cautious that the potential for consumers to suffer acute or severe financial impacts from COVID-19 still exists and could worsen as / if unemployment increases
- submits the Authority should work with MBIE to implement a government hardship fund to support residential consumers impacted by COVID-19.

We are concerned to ensure that an effective 'insurance' mechanism is in place before it is needed. We agree the current and future environment is such that neither the Authority nor the industry could predict the likely extent of customer default into the future. But it is better to be prepared with a backstop 'insurance' mechanism if needed than to scramble to implement something in a rush (such as a retailer debt deferral scheme) if the environment unfortunately does deteriorate and threaten retail competition.

We welcome the opportunity to discuss this submission with you in more detail.

Yours,

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