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Submissions
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TRUSTPOWER SUBMISSION: CLOSURE OF COVID-19 RETAILER DEBT DEFERRAL SCHEME

1.1. Introduction

1.1.1. Trustpower Limited (**Trustpower**) welcomes the opportunity to provide a submission to the Electricity Authority (**the Authority**) on its consultation paper seeking feedback on its proposal to close the Covid-19 Retailer Debt Deferral Scheme (**the Scheme**).

1.2. Trustpower's views

1.2.1. Trustpower has no concerns with the proposal to close the Scheme prior to its expiry as we don't consider the Scheme was required in the first place.

1.2.2. A time-bound cashflow-focused regulatory intervention to support selected retailers:

- a) does not address the underlying issue – a potentially significant reduction in residential and business incomes/revenues resulting in customers struggling to pay their electricity bills on time or at all;
- b) was not needed to protect the process of competition; and
- c) was arguably introduced too soon in this pandemic event.

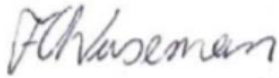
1.3. Problem which does need addressing

1.3.1. We note that the withdrawal of the scheme, which we support, will not address the real underlying COVID-19 issue arising from reduction in customer's household incomes and businesses revenues.

1.3.2. Our view is that although overdue debt across all retailers currently appears to be consistent with historical levels, there is nevertheless a credible risk that the forthcoming withdrawal of pandemic-related government benefits will result in an increase in the number of customers entering credit management and facing disconnection.

- 1.3.3. As noted by the Authority, the underlying cause of this is income-related. However, there are a range of adverse consumer and market impacts associated with an increased number of customers entering credit management or being disconnected. There may also be market reputation impacts.
- 1.3.4. While these potential consumer and market impacts may not occur, they justify further consideration, if only to ensure a “Plan B” for the industry should for any reason government welfare support fall short of customer income reductions.
- 1.3.5. For this reason, we support the Authority working with officials and the industry to identify appropriate solutions. Doing so is consistent with the Authority's stated role as 'guardian' of the market.
- 1.3.6. Our answers to the specific questions posed in the consultation paper are attached in Appendix A.
- 1.3.7. For any questions relating to the material in this submission, please contact me directly on 027 549 9330

Regards,



Fiona Wiseman
Senior Advisor, Strategy and Regulation

Appendix A: Response to consultation questions

- Q1. Do you think the Scheme is currently needed to protect retail competition, or may be needed to protect competition prior to its expiry on 20 February 2021?

The scheme is not needed to protect retail competition. The cash-flow impacts on retailers of consumers struggling to pay their bills on time or at all are manageable for appropriately capitalised business. As such, any retailer exits at this time would reflect fundamental underlying financial problems.

- Q2. Do you think the Scheme should be closed early?

Yes, as it was well-intentioned but misguided.

- Q3. Do you agree with the objective of the proposed amendment? If not, why not?

No. The objective is simply a statement of the outcome of the Code change. We presume the regulatory objective is to provide more certainty for retailers and distributors (of the potential opportunities/ risks associated with a scheme of this type).

- Q4. Do you agree the benefits of the proposed amendment outweigh its costs?

We have not assessed the costs and benefits of this proposal as compared to any other options.

- Q5. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objective in section 15 of the Electricity Industry Act 2010.

More clarity on the Authority's regulatory objective is required to answer this question.

- Q6. Do you agree the Authority's proposed amendment complies with section 32(1) of the Act?

Yes.

- Q7. Do you have any comments on the drafting of the proposed amendment?

No.