

29 March 2021

Ministry of Business, Innovation and Employment
Stout Street
WELLINGTON

By Email

Attn: Phillipa Fox
General Manager, Energy & Resource Markets
Email: Phillippa.Fox@mbie.govt.nz

Attn: Justine Cannon
Manager, Energy Markets Policy
Email: Justine.Cannon@mbie.govt.nz

Referral of issues raised during the consumer care guidelines consultations and development process

Dear Pip and Justine

As you know, the Authority has recently led a process to develop new consumer care guidelines. The consumer care guidelines will replace the existing “*Guideline on arrangements to assist vulnerable consumers*”, “*Guideline on arrangements to assist medically dependent consumers*” and the “*Addendum to the Medically Dependent Consumer guidelines, and the Vulnerable Consumer guidelines*”.

In 2020 the Authority undertook a purposeful and extensive collaborative process with a range of stakeholders to review the existing guidelines and design the new guidelines. We carried out two formal consultations on the updated guidelines:

- a) On 29 October 2020, we published a consultation paper titled, *Consultation paper – consumer care guidelines* that, based on information gathered from stakeholders during our engagement process, proposed completely replacing the two previous guidelines and the addendum that was effective on 30 June 2020; and
- b) On 23 February 2021 we published a draft decision paper and launched a two-week technical consultation. This consultation sought comments from stakeholders on technical drafting issues and any major practical reasons that would prevent retailers giving effect to the proposed guidelines as amended.

We received 29 submissions to the first consultation, and eight to the technical consultation. Submissions were made by a range of stakeholders that included electricity retailers, distributors, budget and social agencies and consumer advocates. We also workshoped the draft guidelines with financial mentors from FinCap late last year. The submissions and feedback we received on the draft consumer care guidelines led us to make final revisions.

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The Electricity Authority's Board were presented with the revised guidelines and draft decision paper in early February, and the Minister was provided with a copy of the revised guidelines and draft decision paper, prior to the technical consultation commencing. We will advise the Minister's office immediately prior to publishing the final guidelines.

Some of the submissions and feedback we received from stakeholders were broader than the scope of the consumer care guidelines. However, we consider these policy matters would appear to be within the scope of the energy hardship workstream being led by MBIE, who can consider what, if any, response may be necessary to address them. We thought it prudent to advise you of these matters, and stakeholders support us doing so.

Please can you notify the relevant team within MBIE of the following matters raised by stakeholders during our development and consultation process:

- **Energy hardship requires a wider response**
 - o New Zealand has a wider social issue around consumers struggling to pay their electricity invoice that the guidelines do not address, and cannot be solved by electricity retailers alone
 - o There is broad support for the establishment of a register of approved agencies that retailers could refer customers needing support to
 - o Some submitters commented that the Winter Energy Payment (WEP) could be better targeted to New Zealand's most vulnerable households
 - o Further consideration is needed on the role of information gathering and sharing in defining and identifying energy hardship
- **Consumers should have access to electricity**
 - o Electricity is often viewed as – but not legally defined as – an “essential service” necessary for health, wellbeing and social participation for people, whanau and communities
 - o A number of submitters considered There should be a retailer of last resort, or similar mechanism, in the event that a customer cannot locate a willing retailer
 - o Customer advocates considered that customers should not be disconnected because of an inability to pay, and additional safeguards are needed for prepay customers
- **Approach to electricity retailing**
 - o A customer advocate expressed a view that no company is obliged to retail electricity, but any company that chooses to do so should accept that it entails the cost of servicing the people in our society who struggle
 - o The role of prepay in delivering services to customers facing energy hardship, particularly where it is the customers only alternative to receive electricity supply
 - o Disconnection fees for pre-pay customers be scrapped altogether

In particular, many submitters provided feedback on the role of prepay in delivering services to customers facing energy hardship. Prepay services have long been a feature of New Zealand's electricity market, and we know the Electricity Price Review received many submissions in this

area. This subject is clearly very polarising among stakeholders – some take the view that prepay is an excellent means by which customers facing hardship are able to avoid building unsustainable debt (for example one submitter suggested that all retailers be required to give their consumers access to prepayment meters), while others expressed concern that prepay leads to consumers regularly going without electricity as a result of (or to avoid) automatic disconnection, with potential health consequences. We were also directed to academic research in this area.

The consumer care guidelines increase protections for customers on prepay solutions, and the new monitoring regime will provide much more clarity and visibility of prepay disconnections. However, we suggest that the role of prepay in delivering services to customers facing energy hardship is an issue the cross-sector hardship group should prioritise. That group may then suggest further protections, if required.

You can read the [FinCap report](#) memo, and the full submissions from both consultations on [our website](#). Our team would be happy to direct you to the relevant sections and discuss these issues further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Stevenson-Wallace', with a large, stylized flourish at the end.

James Stevenson-Wallace
Chief Executive