2 October 2023: SUBMISSION TO ELECTRICITY AUTHORITY REGARDING CONSUMER CARE GUIDELINES OPTIONS

Vulnerable Kiwis need to be protected

Electricity is an essential service. Electricity is vital for the health and well-being of Kiwi households and families, particularly the most vulnerable members of society and Kiwis medically dependent on electricity.

The pressures Kiwis have faced with COVID, and the rising cost of living, make it more important than ever there is support for consumers who may be struggling to pay their bills and to protect vulnerable consumers. Kiwi households and families under financial pressure can face tough choices about whether to use less electricity, what to buy and which bills to pay.

Entrust wants to ensure electricity is supplied in an efficient and affordable way to all consumers and its beneficiaries, including the 359,000 households and businesses in its area of central, east and south Auckland.

The Consumer Care Guidelines have an important role but Entrust continues to be of the view that promotion of stronger competition is the best way to tackle affordability issues. Cheaper electricity can mean less payment problems. The Entrust annual dividend of $119.9m also helps relieve financial pressures for consumers in the Auckland trust area.

Summary of Entrust's submission

- Entrust supports the Consumer Care Guidelines and mandating minimum safeguards within the Guidelines (option 3). The Guidelines help ensure consumers are treated with respect and dignity.
- Electricity retailers should be required to let their customers know about their Consumer Care policy and what the customer's rights are.
- Electricity retailers should be required to let their customers know if they aren't on the cheapest tariff.
- If a customer is having difficulty paying their electricity bills their electricity retailer should reach out to see if they can help.
- Electricity retailers should not undertake disconnection lightly, and only after giving the customer ample warning and opportunity to rectify the payment issues. Where a customer is disconnected, the electricity retailer should be clear about what the customer needs to do to be reconnected and be in a position to do so promptly.
- Electricity retailers should not be allowed to disconnect medically dependent consumers.
- Consumers should not pay more if they are on pre-pay. Many consumers aren't on pre-pay by choice and are more likely to be on a low income or otherwise vulnerable.
- The Guidelines should be clear about the boundary between the role of electricity retailers and social and health agencies. It is also important consumer protections

are well targeted and don’t simply result in higher or inefficient costs which will ultimately be borne by consumers.

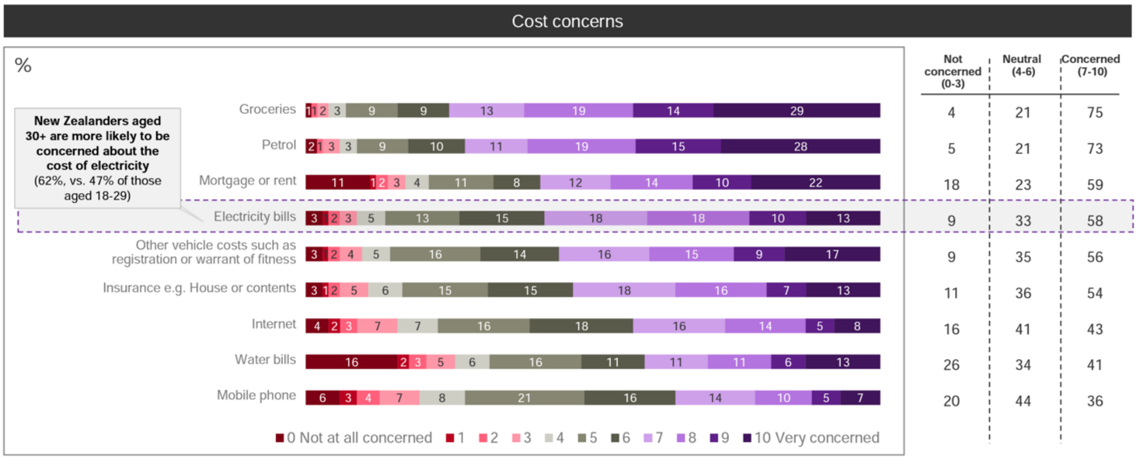
Entrust's submission

Kiwi households are under increasing pressure

Kiwi households and families are under increasing financial pressure and electricity is becoming less affordable.

There is a cost-of-living crisis and general pressure on the cost of goods and services such as food and petrol.

The latest Consumer Advocacy Council survey indicates 58% of Kiwi households are concerned about the pressure electricity costs are putting on their budgets, along with concerns about the cost of food, petrol and mortgage rates.[1]



Changes such as the phase-out of the low-fixed charge regulations are also putting pressure on electricity prices for many consumers.

Entrust dividend provides some relief amid high cost of living

With high prices hitting the pockets of Kiwis now more than ever, Entrust's 2023 annual dividend payment will be a welcome reprieve for eligible Aucklanders this spring.[2]

The Entrust dividend payment will help to cover everyday costs, such as rent, petrol or groceries, or it may be used as a power bill credit.

The Entrust dividend is New Zealand's largest dividend pay-out, with over $2 billion paid out to Aucklanders since 1994. This year, 359,000 households and businesses received $334 plus an extra $30 from Vector, injecting $119.9 million into the Auckland economy.[3]

A holistic approach to consumer protection is needed

As well as addressing whether the Consumer Care Guidelines are achieving their intended outcomes, the Electricity Authority should have a sharp focus on energy affordability. The more affordable electricity is the less likely Kiwi households and families will be forced to cut essential electricity usage or get into financial difficulty. The

[1] https://www.cac.org.nz/assets/Documents/New-Zealand-small-electricity-consumer-sentiment-survey-2022-Overview.pdf
[2] https://www.entrustnz.co.nz/news/news-and-media-releases/entrust-dividend-to-provide-some-relief-amid-high-cost-of-living/
[3] https://www.entrustnz.co.nz/news/news-and-media-releases/359-000-aucklanders-to-receive-364-boost/

Consumer Advocacy Council survey provides a clear message that 80% of households want priority given to making electricity more affordable.

Competition needs to be strengthened

Stronger competition should result in more affordable electricity and help with consumer well-being.

Competitive and affordable electricity can help consumers avoid payment difficulties. Cheaper electricity can mean less payment problems.

Powerswitch shows that a family of five in Auckland could typically save between $500 and $600 a year in electricity simply by switching to one of the lower cost retailers.

Core minimum standards for protection of consumers – option 3

The Electricity Authority should mandate the same minimum protections for all consumers in the Consumer Care Guidelines, including requirements that electricity retailers should be required to:

- let their customers know about their Consumer Care policies and what protections they offer;[4]
- let their customers know if they aren't on the cheapest pricing plan and could save money by changing to a different plan;
- have processes in place to assist any customer that is having difficulty paying their electricity bills;
- provide their customers reasonable notice of over-due bills, including advice on what assistance the retailers can provide if they are having difficulty paying their bills;
- provide their customers with reasonable notice they may be disconnected, including when disconnection would occur, what they need to do to prevent disconnection and what would need to happen for power to be re-installed;
- only disconnect at a time when they are able to promptly reinstall electricity if the payment issue is resolved;
- not disconnect medically dependent consumers if they don't pay their bills, regardless of whether the retailer has verified they are medically dependent; and
- not force their customers onto pre-pay plans or charge them more if they are on pre-pay.

Some of the prescription in the Guidelines might not be needed to achieve these types of minimum standards and may even be counterproductive. For example, if the Guidelines require that a customer who registers as having a medically dependent consumer in their household has to automatically prove they are medically dependent this will result in cost for the consumer. This cost could be avoided if the electricity retailer has discretion and only seeks verification when they need it. The Guidelines just need to be clear the electricity retailer cannot disconnect the power if there is a verified or non-verified medically dependent consumer in the household.

[4] Rules such as that medically dependent consumers won't get disconnected are only useful to the extent consumers are aware of these rights.

There are simple improvements that could be made to the Guidelines to help consumers

There are elements of the Guidelines that could potentially be made clearer and better support consumers.

For example, a customer may not want their electricity retailer to direct all communications to an "alternative contact person" but may want to register someone as a "support person" who can speak to the retailer on their behalf without being hampered by privacy issues. The Guidelines provide for an alternative contact and a support person but aren't clear about what the role of a support person is or how and when retailers should engage with them.

The Guidelines detail an expectation "Retailers should satisfy themselves (acting reasonably) that new customers have reviewed the terms and conditions". It is unlikely many consumers review or want to review the terms and conditions for residential electricity services, and it is not reasonable to expect them to do so. It may be better for the Electricity Authority to have over-sight of electricity retailer practices rather than expecting consumers to review the terms and conditions each time they change retailer.

Pre-payment arrangements can harm vulnerable consumers

Entrust considers the rules around pre-payment plans should be a major focus of the review of the Consumer Care Guidelines. It is clear many stakeholders were concerned pre-pay arrangements didn't get sufficient attention when the Guidelines were being developed. Since then, experience in Great Britain has highlighted consumers on pre-pay are particularly vulnerable to exploitation.

Many consumers aren't on pre-pay by choice and are more likely to be on a low income or vulnerable. Entrust doesn't consider vulnerable households should pay more to be on pre-pay or be without power if they can't afford to pay in advance for all their power.

"Self-disconnection" can happen whenever a vulnerable consumer can't afford to top up their credit. This completely bypasses the disconnection process in the Consumer Care Guidelines. The fact their electricity retailer may not have physically disconnected them seems moot. The electricity retailer could avoid the disconnection by providing greater leniency for pre-pay customers to go into debt.

The Electricity Authority has not released information on pre-pay self-disconnection, but it should as this information is important for understanding the problems and issues with pre-pay.

During the Electricity Price Review, we expressed unease about some pre-payment plan practices that were potentially exploitive or may otherwise disadvantage low-income consumers and households having difficulty paying their bills.[5]

The Electricity Price Review estimated pre-pay consumers on average paid approximately $40/year more than comparable consumers, primarily due to additional fees.[6] This could have gone up since then. We do not consider the Guidelines expectation that retailers make their pre-pay customers aware of "any cost differential between post-pay and pre-pay metering arrangements" adequately deals with consumers paying more because they are on pre-pay.

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[5] Entrust, Submission on the Electricity Price Review First Report, 24 October 2018: at https://www.entrustnz.co.nz/media/a5got50y/submission-on-the-electricity-price-review-first-report-24-october-2018.pdf.

[6] Expert Advisory Panel, INITIAL ANALYSIS OF RETAIL BILLING DATA, 15 October 2016.

Entrust is concerned problems with pre-pay plans seem to persist.

The Consumer Advocacy Council, for example, recently raised concerns "some retailers are charging consumers on pre-pay plans for disconnection and reconnection fees, even when there is no cost to the retailer. Some of these costs appear punitive …"[7] This could suggest the fees are in violation of the Consumer Care Guidelines' requirement that "Retailers should make sure all fees … are reasonable, taking into account the following (as applicable)" and "bear a proper relation to the cost of providing the good or service".

Concluding remarks

Entrust supports consumer protection requirements for electricity services.

We welcome the Electricity Authority's review of the Consumer Care Guidelines.

Entrust considers that the Consumer Care Guidelines have an important role in providing safeguards for all consumers, including vulnerable and medically dependent consumers. We consider that the Guidelines could be enhanced by mandating key elements such as the rules prohibiting disconnection of medically dependent consumers.

Entrust also considers that improvements should be made to the Guidelines, including clarification of the role of support persons and providing retailers more flexibility about whether or when they need to confirm a consumer is medically dependent.

As part of the next stages of the review, we would like the Authority to address the harm pre-payment metering arrangements can cause for vulnerable and low-income consumers.

Kind Regards,

Alastair Bell
Chair of Regulation and Policy Committee

About Entrust
Entrust (formerly Auckland Energy Consumer Trust) is a consumer trust that owns the majority of Vector on behalf of its 359,000 beneficiaries.

Entrust owns 75.1% of shares in Vector. The shares are held in trust for energy consumer beneficiaries in the Entrust District of central, east and south Auckland who are paid a cash dividend each year.

The organisation was created in 1993 to make sure power lines remained in the control of electricity consumers and was established under a trust deed on behalf of electricity consumers in the area previously served by the Auckland Electric Power Board.

[7] https://www.cac.org.nz/news/mercury-legal-action-a-reminder-for-retailers/