

# Compliance with Electricity Authority guidelines on arrangements to assist medically dependent and vulnerable consumers

29 May 2012

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## Executive summary

In accordance with the March 2008 Cabinet Business Committee Minutes<sup>1</sup>, the Electricity Authority (Authority) monitors electricity companies' compliance with the *Guideline on arrangements to assist medically dependent consumers* (MDC Guideline) and the *Guideline on arrangements to assist vulnerable consumers* (VC Guideline) (together [the MDVC Guidelines](#)).

The Authority has reviewed electricity companies' compliance against the MDVC Guidelines published in 2010 and has found that:

- overall, electricity companies' compliance with the MDVC Guidelines is satisfactory; and
- at this stage there are unlikely to be net long-term benefits to consumers from the Authority amending the Code to mandate compliance with the MDVC Guidelines.

## Background

The MDC Guideline articulates the Authority's expectations of electricity companies in respect of medically dependent consumers.

A medically dependent consumer is defined in the MDC Guideline as:

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 (e.g. a microwave to heat fluids for renal dialysis or equipment such as that listed in Appendix 2 of the MDC Guideline).

The VC Guideline outlines the Authority's expectations of electricity companies with respect to vulnerable consumers.

A vulnerable consumer is a domestic consumer for whom:

- 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
- it is genuinely difficult to pay his or her electricity bills because of severe financial insecurity<sup>2</sup>, whether temporary or permanent.

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<sup>1</sup> Cabinet Business Committee Minutes (CAB Min (08) 8/6).

<sup>2</sup> Severe financial insecurity also includes low income.

The MDVC Guidelines were issued by the Electricity Commission to support the *Government Policy Statement on Electricity Governance (GPS)*. Beginning with the May 2008 version, the GPS required, as an element of consumer protection policy, that any consumer dependent on electricity for critical medical support would not be disconnected for reasons of non-payment.

The GPS reflected the 2007 Cabinet decision that “any consumer who is dependent on electricity for critical medical support to maintain life will not be disconnected” (CBC Min (07) 11/10 paragraph 5). While the GPS has been revoked, the Cabinet decision has not.

## **Compliance review**

### **Compliance review process**

In October 2010, electricity retailers identified as having a minimum of several thousand domestic consumers, i.e.

- Bay of Plenty Energy, Bosco Connect, Contact Energy, Energy Direct, Energy Online, Genesis Energy, King Country Energy, Mercury Energy, Meridian Energy, Nova Energy, Powershop, Pulse Utilities and TrustPower;

and any distributors that direct invoice their domestic consumers, i.e.

- The Lines Company;

were asked to complete a self-assessment questionnaire on their compliance with the MDVC Guidelines.

The Chief Executive of each electricity company was asked to sign off the completed self-assessment questionnaire to confirm their organisation complied with the MDVC Guidelines.

The Authority then reviewed and assessed the compliance questionnaire responses and supporting documentation. In a number of instances, Authority staff disagreed with respondents assessing themselves as compliant with various requirements in the MDVC Guidelines, and reported the Authority’s differing assessment to the respondents.

### **Discussion of results**

A summary of the compliance review results is attached at Appendix A.

Of the 13 electricity companies assessed, only three companies complied fully with the MDVC Guidelines (Contact Energy, Powershop and TrustPower). This rose to four companies in February 2011, when Energy Online’s Work and Income referral system was amended to comply with the MDVC Guidelines.

Many companies were found to have only minor non-compliance issues. These instances of minor non-compliance generally related to:

- communication to domestic consumers;
- references to the guidelines on notices; and
- the process for companies to refer vulnerable consumers to Work and Income.

A limited number of non-compliance issues of a more-than-minor nature were identified. The Authority requested that these issues be remedied quickly and that advice of rectification and supporting evidence be provided to the Authority.

The table below summarises companies’ responses regarding instances of continued non-compliance with the MDVC Guidelines (of anything other than a minor nature). In two of the five cases (King Country Energy and The Lines Company), the non-compliance of a more-than-minor nature has been fully rectified.

**Table 1: Responses regarding continued non-compliance with MDVC Guidelines not minor in nature**

Company	Non-compliance / Response
Genesis Energy	<p>Genesis Energy has not corrected its one instance of minor-to-medium level non-compliance with the MDVC Guidelines, which relates to not offering prompt payment discounts on bill payments made via income redirection.</p> <p>In a letter to the Authority's Chief Executive dated 10 June 2011 Genesis Energy stated it was:</p> <p style="padding-left: 40px;">still investigating whether our [Genesis Energy's] systems will enable us [Genesis Energy] to offer prompt payment discount (PPD) on payments made via redirection of income. We [Genesis Energy] remain of the view stated in our 2009 submission<sup>3</sup> that PPD, if offered, should be an incentive (not a given) for customers to pay their bills in full and on time. As a commercial tool, PPDs should generally reflect avoided debt costs.</p> <p>Follow up e-mail communication between Genesis Energy and Authority staff on 26 August 2011 confirmed that Genesis Energy is still investigating whether its systems enable a prompt payment discount on payments made via redirection of income, and noted</p> <p style="padding-left: 40px;">this is not a high priority for our retail team and no further information is available. We [Genesis] will update you [the Authority] on our progress during the next annual review of the MDC/VC guidelines.</p>
King Country Energy	<p>King Country Energy has corrected its one instance of minor-to-medium level non-compliance with the MDVC Guidelines and its one instance of medium-level non-compliance.</p>
Nova Energy	<p>Nova Energy has corrected its four instances of minor-to-medium level non-compliance with the MDVC Guidelines and its one instance of medium-to-severe level non-compliance.</p> <p>Nova Energy has not corrected its one instance of medium level non-compliance with the MDVC Guidelines, which relates to not offering smooth pay, income redirection or prepayment meters (although Nova Energy advises customers of retailers offering prepayment meters). In e-mail communication between Nova Energy and Authority staff on 14 November 2011, Nova Energy stated that:</p> <p style="padding-left: 40px;">Nova Energy is continuously evaluating the services that we have available to our customers, we will be releasing new services to customers as these services are developed, this may include options for smooth pay, income redirection or prepayment meters.</p>
Pulse Utilities	<p>Pulse Utilities has corrected its one instance of minor-to-medium level non-compliance with the MDVC Guidelines and its two instances of medium-level non-compliance.</p> <p>Pulse Utilities has not corrected its one instance of medium-to-severe level non-compliance, which relates to not offering smooth pay, income redirection or prepayment meters, stating in a letter to Carl Hansen, dated 26 July 2011, that:</p> <p style="padding-left: 40px;">The remaining non-compliance relates to Smooth Pay. Pulse currently allows its customers to make regular fixed payments as long as those payments cover the cost of energy being used. In addition, customers who enter our credit control process are able to spread payment of their arrears over up to</p>

<sup>3</sup> *Guidelines on Vulnerable Consumers and Medically Dependent Consumers*. Genesis Energy submission to the Electricity Commission, 4 November 2009.

	8 weeks. However, we do not currently have the ability to smooth out a consumer's payments across seasonal highs and lows in their energy consumption. We will endeavour to prioritise funding for this work in the next 12 months.
The Lines Company	The Lines Company has corrected its one instance of medium level non-compliance.

The Authority considers that the three remaining instances of (more than minor) non-compliance with the MDVC Guidelines identified in the table above do not justify regulatory intervention by the Authority at this point in time.

### **Disconnection of a medically dependent consumer**

The Authority notes that the monitoring process also revealed one instance of the disconnection of a medically dependent consumer occurred in 2010. The Lines Company was informed after a planned disconnection had taken place on its network that one of the disconnected consumers was medically dependent. The site was reconnected that same day, with The Lines Company advising that there was no impact on the well-being of the medically dependent consumer.

### **Conclusion**

Information provided by the surveyed electricity companies indicates, overall, satisfactory compliance with the MDVC Guidelines. At this stage the Authority does not believe there is likely to be net long-term benefits to consumers to justify it considering amending the Code to mandate compliance with the MDVC Guidelines.

Given this satisfactory outcome, the Authority will not consider the need for a further review of compliance until early 2013 at the earliest.

## Appendix A Compliance review results summary

Table 2: Table showing electricity companies' compliance with the MDC Guideline

	Medically Dependent Consumer Guidelines						
	<i>Fully compliant</i>	Minor	Minor to medium	Medium	Medium to severe	Severe	W&I referral process
Bay of Plenty Energy		1					
Bosco Connect	1						
Contact Energy	1						
Energy Direct		2					
Energy Online	1						
Genesis Energy		1	1				
King Country Energy		1	1				
Mercury Energy		2					
Meridian Energy		3					
Nova Energy		2	2	1			
Powershop	1						
Pulse Utilities		2		2			
The Lines Company		1					
TrustPower	1						

**Table 3: Table showing electricity companies' compliance with the VC Guideline**

	Vulnerable Consumer Guidelines						
	<i>Fully compliant</i>	Minor	Minor to medium	Medium	Medium to severe	Severe	W&I referral process
Bay of Plenty Energy		1					
Bosco Connect		2					1
Contact Energy	1						
Energy Direct		4					
Energy Online							1
Genesis Energy		3	1				
King Country Energy		1	1	1			
Mercury Energy		2					
Meridian Energy		4					
Nova Energy		4	2	1	1		1
Powershop	1						
Pulse Utilities		2	1	2			
The Lines Company		1		1			
TrustPower	1						