

Guideline on arrangements to assist vulnerable consumers

Version 2.1

Version control

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1.0	July 2009	New Guideline solely about vulnerable consumers created as a result of consultation with retailers, social agencies, distributors, the health sector and government agencies
1.1	October 2009	Version released for consultation.
2.0	November 2009	Updated version created after consultation process.
2.1	1 November 2010	Updated for transition to Electricity Authority.

Glossary of abbreviations and terms

Account holder	The person who has a contract with or applies to have a contract with a retailer for the supply of electricity to a domestic premise.
Authority	Electricity Authority.
Domestic consumer	<p>Any person who purchases or uses electricity in respect of any domestic premises.</p> <p>For the avoidance of doubt, this includes:</p> <ul style="list-style-type: none">(a) the account holder; and(b) any resident of a dwelling, whether or not they are named on the electricity invoice issued by the retailer. <p>Note: it is assumed that communication is generally between the retailer and the account holder.</p>
Domestic premises	Any premises used or intended for occupation by any person principally as a place of residence.
Emergency situation	A situation in which there is a probable danger to life or property or immediate risk to the continuity or safety of supply or distribution of electricity.
GPS	<i>Government Policy Statement on Electricity Governance (May 2009).</i>
Guideline	<i>Guideline on arrangements to assist vulnerable consumers.</i>
MDC Guideline	<i>Guideline on arrangements to assist medically dependent consumers.</i>
Notice of disconnection	A notice of disconnection generally provides at least seven days' notice of the retailer's intent to disconnect electricity from a domestic premises.
Protocol	<i>Protocol between electricity retailers and social agencies</i> developed in 2005 and available on the Authority's website at: http://www.ea.govt.nz/our-work/advisory-working-groups/retail-social-agency-protocol-working-group
Retailers	Electricity retailers and distributors who directly charge their consumers.

**Vulnerable
consumer**

A domestic consumer who:

- (a) 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
- (a) it is genuinely difficult for the domestic consumer to pay his or her electricity bills because of severe financial insecurity¹, whether temporary or permanent.

¹ Severe financial insecurity includes low income.

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Introduction

1. This Guideline articulates the Electricity Authority's (Authority) expectations of electricity retailers² in respect of vulnerable consumers who may have difficulty paying their electricity bills. It represents a minimum standard that the Authority expects retailers to meet. However, retailers may choose to design alternative methods for assisting vulnerable consumers, so long as retailers meet or exceed the minimum standards.
2. The Guideline:
 - (a) defines a vulnerable consumer;
 - (b) suggests actions designed to assist retailers and vulnerable consumers in avoiding or at least minimising:
 - (i) non-payment by vulnerable consumers³;
 - (ii) the accumulation of debt by vulnerable consumers;
 - (iii) the accumulation of credit risk by retailers; and
 - (iv) the disconnection of vulnerable consumers for non-payment of electricity bills, which is costly for both the retailer and the vulnerable consumer;
 - (c) defines standards for the disconnection of vulnerable consumers for reasons of non-payment;
 - (d) is intended to assist retailers in ensuring that no vulnerable consumers are disconnected inappropriately as a result of non-payment for electricity;
 - (e) is intended to assist retailers and vulnerable consumers to minimise disconnections of vulnerable consumers as a result of non-payment for electricity;
 - (f) is complemented by:
 - (i) a protocol that facilitates the sharing of information between retailers and social agencies (Protocol)⁴, and has objectives which support this Guideline; and
 - (ii) the *Guideline on arrangements to assist medically dependent consumers* (MDC Guideline).

² This Guideline also covers distributors that direct bill their customers. However, for simplicity the term 'retailer' is used throughout the document.

³ Note that the account holder is the person responsible for payment of any invoice.

⁴ The *Protocol between electricity retailers and social agencies* developed in 2005 and available on the Authority's website at: <http://www.ea.govt.nz/our-work/advisory-working-groups/retail-social-agency-protocol-working-group>

3. The Guideline is not intended to protect those persons:
 - (a) who through bad faith do not intend to pay their electricity bill; and/or
 - (b) who could be considered fraudulent users of domestic electricity.

Background

4. In the context of this Guideline, the Authority considers electricity to be an essential service for domestic consumers – it is a necessity for individuals and household groups to maintain health and wellbeing, and to sustain a reasonable standard of living.

Vulnerable Consumers

5. For a subset of domestic electricity consumers, the disconnection of electricity presents a clear risk to their health or wellbeing. For some of these people, this risk to their health or wellbeing is exacerbated by financial hardship. The Authority defines these domestic consumers as “vulnerable consumers”, per the following definition:

A domestic consumer is vulnerable if:

- (iii) 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
- (iv) it is genuinely difficult for the domestic consumer to pay his or her electricity bills because of severe financial insecurity⁵, whether temporary or permanent.

Policy objectives

6. This Guideline gives effect to the Government Policy Statement on Electricity Governance (GPS)⁶.
7. In particular, this Guideline aims to
 - (a) provide a fair process for retailers and vulnerable consumers in instances of vulnerable consumers facing electricity disconnection for reasons of non-payment for electricity;
 - (b) minimise avoidable disconnection activity for vulnerable consumers for reasons of non-payment for electricity; and
 - (c) recognise that as all payers are compensating for any non-payers (through retailers’ bad debt levels being absorbed into the overall retail price of electricity), the overall costs of achieving the above objectives should be minimised to the greatest extent possible.

⁵ Severe financial insecurity also includes low income.

⁶ “Arrangements for the benefit of low income consumers and vulnerable domestic consumers” (paragraphs 44 and 45 of the GPS, May 2009).

8. A key concept underpinning this Guideline is that early intervention (i.e. when an electricity account first goes into arrears) is an important strategy for minimising debt accumulation by electricity consumers:
- (a) if a domestic consumer anticipates facing difficulties paying his or her electricity bills, then that domestic consumer should be given the opportunity to notify his or her electricity retailer and discuss any alternatives to standard monthly payments; and
 - (b) similarly, if a retailer believes that domestic consumers are experiencing difficulty paying their electricity bills, that retailer should discuss payment alternatives with those consumers and, if appropriate, provide contact details of social and budgetary agencies that may be able to assist.
9. It is also important to recognise that retailers have a right to be paid.

Expectations

10. The Authority's expectations with respect to the Guideline are as follows:

General

- (a) privacy and confidentiality of domestic consumers will be respected;

Domestic consumers

- (b) it is the domestic consumer's responsibility to disclose private or personal information that may be relevant to any disconnection decision. This includes information on any change to the domestic consumer's vulnerable status over time;
- (c) domestic consumers are responsible for their actions. Retailers and Work and Income are not responsible for, nor required to monitor, consumer/client choices;

Retailers

- (d) disconnection of a vulnerable consumer for non-payment is an act of last resort for retailers where vulnerable consumers are acting in good faith. Acting in good faith is defined as a vulnerable consumer engaging with the retailer and/or Work and Income, to the extent possible, to assist in resolving any outstanding debt issue;

- (e) the process of considering disconnection of vulnerable consumers for non-payment must be fair to all parties, recognising:
 - (i) the importance of electricity supply to vulnerable consumers because of the consequences of disconnection for a vulnerable consumer being disproportionate to those for an ordinary domestic consumer;
 - (ii) the potential imbalance of power in the relationship between vulnerable consumers and retailers; and
 - (iii) retailers' right to be paid;
- (f) retailers should make an informed decision before disconnecting vulnerable consumers for non-payment;
- (g) a retailer should ensure that it takes all reasonable steps (e.g. if there is any indication that the domestic consumer may meet the definition of vulnerable consumer) to ask the domestic consumer or give the domestic consumer the opportunity to explain whether there are any vulnerable people resident at a property that is being considered for disconnection for non-payment; and

Work and Income

- (h) the role of Work and Income is to ensure that people are receiving all the government financial assistance that is available to them. Work and Income's role is not that of a credit agency, nor does it have any responsibility for, or to pay off, consumer debt.
11. These expectations are complementary to any provisions set out in the Model Contract for Domestic Consumers⁷.

⁷ The Authority notes that its proposals around the contracting arrangements between retailers and domestic consumers are currently under review.

Identifying a vulnerable consumer

12. To give domestic consumers an opportunity to notify the retailer that they consider themselves to be a vulnerable consumer, retailers should communicate their notification process, where practicable, by:
 - (a) providing details on their website;
 - (b) informing all new domestic consumers when they first contract with the retailer for electricity supply;
 - (c) informing all domestic consumers in writing at least once annually⁸; and
 - (d) informing domestic consumers in any late payment notice that has a reference to potential disconnection.
13. Where a retailer has noted a domestic consumer as being a vulnerable consumer, the retailer should record this and ensure that the domestic consumer has been offered all appropriate arrangements recommended in this Guideline, or any other arrangements more favourable than those set out in this Guideline which the retailer negotiates with the consumer.
14. It is the domestic consumer's responsibility to keep his or her electricity retailer informed when there is no longer a vulnerable consumer in residence at the property.

⁸ This could be combined with other material sent out by the retailer, e.g. a newsletter.

Advice to vulnerable consumers

Payment alternatives

15. Where a domestic consumer is having difficulty meeting his or her payments, and it is clear to the retailer that the domestic consumer is not on the best tariff for his or her consumption, the retailer should advise the domestic consumer of all appropriate tariff options available, and assist the domestic consumer to move to the domestic consumer's desired tariff.
16. Retailers should ensure that all domestic consumers are informed of the payment options available from the retailer, and the budgeting and other advice and assistance available from social agencies. Retailers should clearly communicate this information to all domestic consumers at least once every 12 months.
17. Retailers should offer any domestic consumers that are having difficulty paying their bills, a range of alternatives to standard monthly payments. Retailers should offer arrangements to recover debt within a reasonable timeframe that does not create an adverse credit situation for the retailer and minimises hardship for the domestic consumer⁹. Electricity should also remain supplied to the domestic consumer by the retailer whilst the domestic consumer continues to meet the repayment arrangement. Payment options should include prepayment meters, smoothed payments, and redirection of income¹⁰.

Prepayment meters

18. In some cases prepayment meters may be the best option for ensuring a domestic consumer can manage his or her electricity consumption and finances.
19. Electricity retailers should:
 - (a) endeavour to provide prepayment metering;
 - (b) offer prepayment meters as an alternative to a bond where there are separate legal parties living in a single household (for example, student flats);
 - (c) investigate the use of prepayment meters to recover other electricity debt (for example, a certain percentage of each prepayment could go towards the aged debt and the rest towards the current debt); and

⁹ "Arrangements for the benefit of low income consumers and vulnerable domestic consumers" (paragraph 44 of the Government Policy Statement, May 2009).

¹⁰ Retailers are not obliged to repeat the offer of repayment arrangements to any domestic consumer that has previously reneged on such an arrangement.

- (d) where a retailer is unable to provide a prepayment meter, refer consumers who request a prepayment meter to another retailer that can supply a prepayment option¹¹.

Smoothed payments

20. Smoothed payment contracts are contracts where domestic consumers pay an amount that varies little from one payment period to another. The payment is reassessed periodically with respect to actual consumption, but any arrears are recovered over time, not all at once. It is recommended that:
- (a) retailers promote smoothed payment contracts to those domestic consumers on low incomes;
 - (b) smoothed payment options be combined with more frequent payment periods (more than once a month) where this would assist the domestic consumer in stopping his or her debt levels from spiralling upwards;
 - (c) domestic consumers using a smoothed payment option should still be able to access prompt payment discounts where appropriate; and
 - (d) refunds for substantial overpayment on smoothed payments should be offered as soon as possible, within reason (e.g. there is little point in making a repayment to a domestic consumer just before winter).

Redirection of income

21. Retailers could agree with domestic consumers to adopt income redirection so as to assist with electricity bill payments¹². It is recommended that:
- (a) redirected income payments be smoothed so that domestic consumers have more certainty around their remaining income;
 - (b) the amount and frequency of redirected income be a matter of agreement between the retailer and the domestic consumer; and
 - (c) domestic consumers using redirection of income should still be able to access prompt payment discounts where appropriate.

Bonds

22. A bond is an up-front payment of a lump sum as a condition of some electricity agreements for connections to provide security to retailers. In the case of non-payment of a bill, the retailer can use the bond to recover debt.

¹¹ <http://www.ea.govt.nz/industry/market/metering>

¹² Depending on amount redirected, income redirection may be used to help domestic consumers avoid disconnection.

23. Bonds may cause undue hardship on some domestic consumers and therefore, generally, should not be used unless:
- (a) the domestic consumer refuses any other suitable arrangement that would provide credit security to the retailer;
 - (b) there has been tampering or interfering with equipment;
 - (c) the domestic consumer refuses to allow access to the premises; or
 - (d) accessing the premises is a health and safety risk.
24. Where a bond is used, it is recommended that:
- (a) the domestic consumer should be informed of the reason for the bond;
 - (b) the amount of the bond should not exceed \$150¹³;
 - (c) the bond should normally be refunded after 12 months of the domestic consumer paying all bills on time. If the 12-month period is extended, a reason should be provided to the domestic consumer; and
 - (d) the domestic consumer should be informed of how and when the bond will be refunded.

Alternate contact

25. Domestic consumers should be informed at least once every 12 months that, if they believe that at some time in the future they may have difficulties with their payments or with communicating with their retailer, they may provide one or more 'alternate contacts' who have agreed to assist if a disconnection or payment issue is pending.
26. The alternate contact could be a family member, friend, or a social agency. The alternate contact's role may, for instance, be to communicate with the domestic consumer to ensure that he or she fully understands the situation, or to provide financial assistance to the domestic consumer to prevent a disconnection¹⁴.

¹³ Paragraph 45 of the GPS states that "The Government considers that, in principle, bonds should not exceed the value of one month's electricity consumption by an average household." The amount of \$150 was estimated to be the average household consumption for a month in June 2005.

¹⁴ For the avoidance of doubt, the alternate contact would not have a contractual relationship with the retailer, but would only be used to assist the domestic consumer or to provide an alternative method for the retailer to contact the domestic consumer.

Disconnection and reconnection standards

General

27. For the avoidance of doubt, this section concerns disconnection for reasons of non-payment for electricity. It does not deal with other causes of disconnection such as for fraud, vandalism, or safety issues.
28. Prior to commencing a disconnection process, retailers should have established a process to ascertain whether the domestic consumer is potentially a vulnerable consumer or a medically dependent consumer¹⁵ when the disconnection is imminent.
29. The retailer should not initiate the disconnection process in the Guideline for a domestic consumer who has provided details of alternate contact(s) until the retailer has:
 - (a) made reasonable endeavours to make contact with those alternate contacts; and
 - (b) offered alternative payment arrangements to the domestic consumer via an alternate contact as well as to the domestic consumer directly.
30. The domestic consumer should not be disconnected on the basis of an estimated account unless it is fair and reasonable in the circumstances to do so.
31. A retailer should only disconnect a domestic consumer for non-payment of electricity services where the non-payment relates to the electricity component of an invoice. Retailers should not use the threat of disconnection, or actual disconnection of electricity, to assist in the recovery of unpaid services relating to non-electricity supplies (e.g. telephone).
32. If the domestic consumer has started using, and is pursuing, the retailer's internal dispute resolution process, or that of an independent consumer complaints resolution scheme of which the retailer is a member, the retailer should not disconnect the domestic consumer or commence credit recovery action until the processes are exhausted. This means that a domestic consumer should not be disconnected for non-payment of part of an account that is the subject of a dispute resolution process. However, a domestic consumer could be disconnected for non-payment of that part of an account which is not in dispute. Any part-payment should be credited to the non-disputed debt first.

¹⁵ See 'Guideline on arrangements to assist medically dependent consumers'.

33. Retailers should ensure domestic consumers are able to be re-connected as soon as practicable after suitable payment arrangements have been put in place. As such, no disconnections should be undertaken where re-connection on the same day would be problematic (for example, on Fridays, the day before a public holiday, during severe weather events, or a civil emergency).

Work and Income

34. Retailers should follow any protocols they have agreed with social agencies.
35. Where a domestic consumer has been identified as a vulnerable consumer then, prior to initiating any disconnection, the retailer should (after first trying to negotiate alternative payment options with the vulnerable consumer, and then obtaining their consent to do so) refer the vulnerable consumer to Work and Income (consistent with the Protocol).
36. The scope of the vulnerable consumer's consent needs to cover:
 - (a) the retailer disclosing personal information to Work and Income (such as the consumer's details, account details and repayment options already discussed) and Work and Income collecting that information from the retailer; and
 - (b) Work and Income disclosing to the retailer the progress and outcome of the vulnerable consumer's referral for an assessment of whether the vulnerable consumer will receive assistance.
37. Work and Income will seek to ensure that the vulnerable consumer is provided with all financial or other assistance to which the vulnerable consumer is entitled. At no time during these processes, while the vulnerable consumer engages with Work and Income in good faith, should a retailer disconnect a vulnerable consumer for reasons of non-payment.
38. When Work and Income has ensured that all financial or other assistance available to the vulnerable consumer through its services has been provided and there is still outstanding debt, then a retailer may make a decision to disconnect the consumer.
39. It is possible that a domestic consumer that has been identified as a vulnerable consumer may refuse to give, or fail to give, his or her consent to the retailer to contact Work and Income. The retailer is then free to continue with their disconnection process, unless:
 - (a) the vulnerable consumer provides a reasonable justification of why consent was withheld (e.g. the vulnerable consumer wishes to contact Work and Income themselves); or
 - (b) the retailer has reliable information to the contrary.

40. The vulnerable consumer may refuse to give consent to the retailer to contact Work and Income as he/she is clearly not eligible for Work and Income assistance. In this instance, Work and Income need not be notified, and the retailer is free to continue with its disconnection process.
41. The act of referring a vulnerable consumer to Work and Income does not make Work and Income responsible for the vulnerable consumer's debt, nor is Work and Income responsible for the retailer's future decision on whether or not a vulnerable consumer is disconnected.

Retailers' disconnection process for vulnerable consumers

42. Retailers should make reasonable efforts to contact and inform the affected domestic consumer before his or her dwelling is disconnected. This includes:
- (a) ensuring that all notices that have a reference to disconnection include the following information:
 - the retailer's contact details for credit help so that the domestic consumer can contact the retailer to arrange payment of an invoice that has not been paid;
 - that payment options are available through the retailer;
 - details about the retailer's dispute resolution processes;
 - the cost of disconnection and reconnection;
 - that there is a vulnerable consumer process; and
 - how the domestic consumer can contact Work and Income;
 - (b) if applicable, making telephone calls (including at least one call outside normal working hours if necessary) to try to contact a domestic consumer who is about to be disconnected¹⁶;
 - (c) making use of other contact options where practicable, such as a mobile telephone call, text message, facsimile and one visit to the domestic consumer's premise (which may be the disconnection visit – see paragraph 44). Alternate contacts should also be contacted, if provided.
43. If a domestic consumer has not responded to any of the notices sent by the retailer and the retailer has been unable to contact the domestic consumer prior to disconnection, then the retailer should ensure that the retailer's representative who goes to disconnect the property¹⁷:
- (a) makes an effort to contact the domestic consumer (unless there is a health and safety risk) and advises the domestic consumer to contact the retailer, providing information to enable this if necessary; and

¹⁶ Note: if a telephone call goes to voicemail, a message should be left.

¹⁷ In regards to advanced meters with remote disconnection functionality, if the retailer has been able to contact the domestic consumer, then remote disconnection is acceptable; however, if the retailer has not been able to contact the domestic consumer, then a representative should be sent to the property when it is being disconnected.

- (b) once contact with the domestic consumer has been made, ascertains whether there are reasons why the disconnection should be put on hold, including whether the domestic consumer is potentially a medically dependent consumer, in which case the retailer should follow the MDC Guideline.
44. If there is no person at home when the retailer's representative makes a disconnection visit to the property, or there is a health and safety risk in making an effort to contact the domestic consumer, then the retailer may disconnect the property.
45. If the property disconnected is subsequently identified as housing a potentially medically dependent consumer, then the retailer should reconnect the property as soon as practicable, and follow the MDC Guideline.
46. Except in the case of emergency situations, the retailer should:
- (a) so as to reasonably ensure that the domestic consumer is not a potentially medically dependent consumer, ask the domestic consumer if he or she is medically dependent (at the point in the disconnection process where the domestic consumer is about to be sent a notice of disconnection). If the domestic consumer believes that he or she is medically dependent, then the retailer should follow the MDC Guideline;
 - (b) ensure that the domestic consumer receives the notice of disconnection at least seven (7) days prior to disconnection, and allow an additional three (3) days for the delivery of the notice of disconnection; and
 - (c) provide for a final notice no less than 24 hours, nor more than seven (7) days before disconnection. The final warning must specify these timeframes. If the disconnection is not prevented by the domestic consumer and not completed within these timeframes, the retailer should issue another final notice before actually disconnecting the electricity supply.
47. If the domestic consumer's electricity supply is disconnected, once the domestic consumer has satisfied the requirements for reconnection the retailer should restore the domestic consumer's electricity supply as soon as reasonably practicable.
48. If a vulnerable consumer does not cooperate or, without good cause, materially breaches arrangements that have been agreed after the process outlined in this Guideline has been followed, the retailer may disconnect the consumer.

Charges

49. All invoices should have the 'due date' clearly marked and any notice that has a reference to potential disconnection should detail the costs that will be incurred if disconnection takes place.

50. The retailer should explain when charges for disconnection and/or reconnection apply. When warnings are delivered, they should include and make explicit what additional charges over and above the recovery of invoicing arrears will apply.
51. Disconnection and/or reconnection charges should not be more than the level required to meet the overall costs of the disconnection and/or reconnection service.

Ongoing monitoring

52. Retailers should report annually to the Authority on the extent to which they have implemented the Guideline, and where the minimum standards in the Guideline have not been complied with, provide reasons why. The Authority will make the information received publicly available on its website.
53. The Authority will monitor the performance of retailers in implementing the Guideline and if the uptake of the Guideline is not satisfactory, will consider recommending regulation.

Sources of additional information

54. If you require further assistance, please contact the Authority:

Electricity Authority
P O Box 10041
Wellington
Attention: Director Retail

Telephone: 04 460 8860
Fax: 04 460 8879
Email: retailoperations@ea.govt.nz

Appendix A Example of possible disconnection procedure

Note: this table is indicative of current practice with regard to the current disconnection process. It provides background information. It is not prescriptive.

Day 1	Bill issued
Day 14	Bill overdue Note: this means the domestic consumer is no longer eligible for a prompt payment discount.
Day 24	10 days overdue – first reminder When 10 days overdue, a first call is made to the domestic consumer / or a reminder notice is issued. Note: at this point some retailers take the initiative for placing domestic consumer with a history of disconnection on an accelerated disconnection process, which enables such domestic consumers to obtain help more quickly to avoid falling further into debt.
Day 34	Notice of disconnection A notice of disconnection is issued to the domestic consumer if no payment has been received. The notice of disconnection is received by the domestic consumer at least 7 days prior to disconnection, with the retailer allowing an additional 3 days for delivery.
Day 44	Final notice is given The final notice is received by the domestic consumer no less than 24 hours nor more than 7 days before the disconnection date.
Day 48	Domestic consumer disconnected