



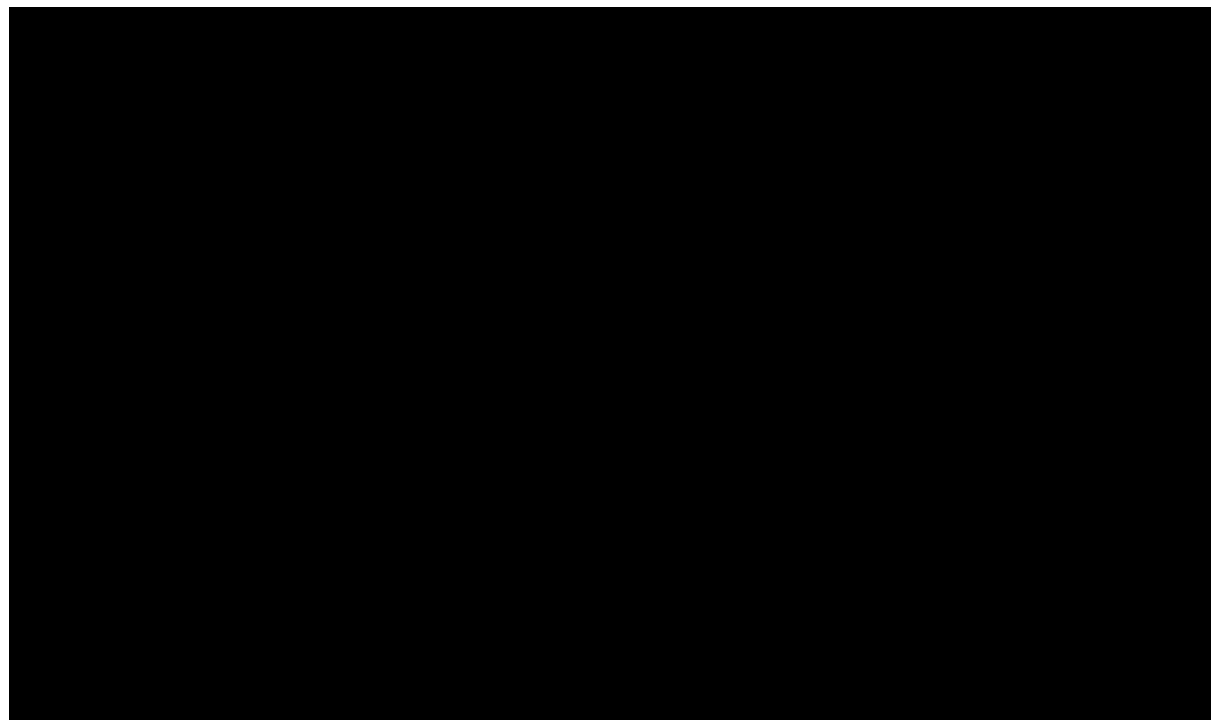
Proposal 1 – Introduce a threshold for advice and support for undercharged amounts

Contact response to Electricity Authority: proposed 15% undercharging threshold

Contact supports the Electricity Authority's objective of improving consumer protection and ensuring customers receive clear, targeted support where an undercharged amount may create bill shock. However, based on our operational data and the complaint insights provided by Utilities Disputes Limited, we do not consider that a blanket 15% threshold of the customer's average invoiced amount over the past 12 months is the right trigger point for the additional back-billing obligations.

Why the 15% threshold is too low

Our analysis indicates that the proposed 15% threshold would capture a very large proportion of ordinary catch-up billing events (2 or more estimates), rather than focusing the obligations on customers who are most likely to experience genuine bill shock or payment difficulty. In our dataset for the past 12 months, 6,201 of 12,175 catch-up events, or 50.9%, would breach the proposed 15% threshold. This means approximately one in two catch-up bills in scope would require the additional process, communication and support requirements intended for higher-risk back-billing situations.



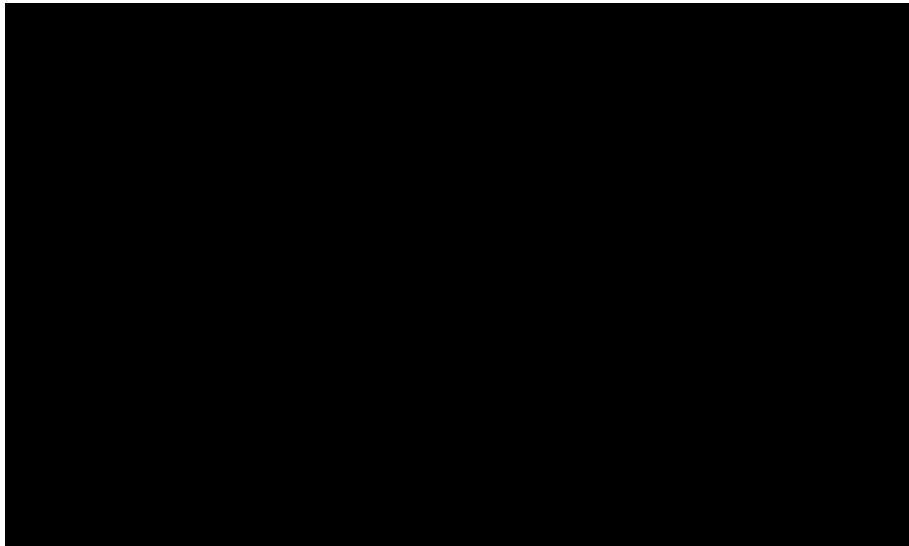
That outcome suggests the threshold is not sufficiently targeted. A trigger that captures half of all relevant catch-up events risks normalising the additional obligations and directing operational effort toward relatively modest variances, rather than allowing retailers to prioritise the customers who face materially larger and more difficult-to-



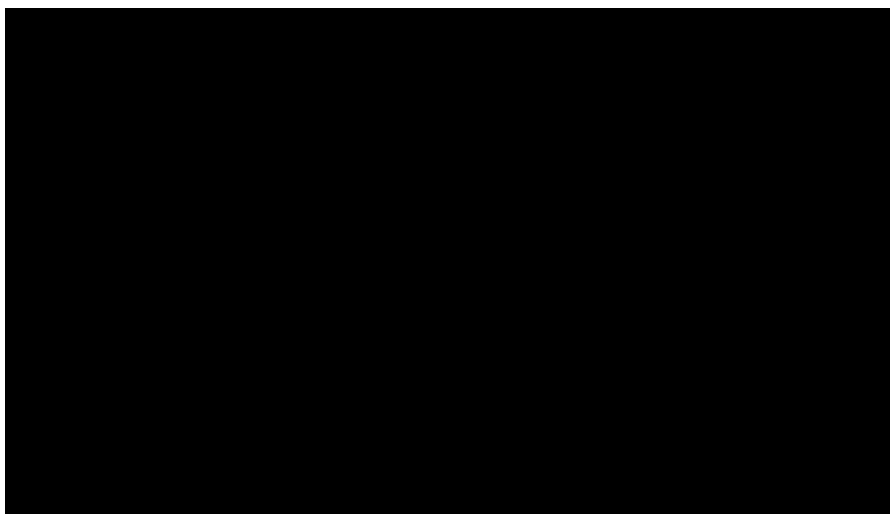
manage undercharged amounts. It also risks treating normal bill variability as a problem requiring manual intervention, even though customers already experience and tolerate higher and lower bills across the year due to seasonality, household usage patterns and behavioural changes.

Business data shows most material impacts sit well above 15%

The distribution of events also shows that relatively few catch-ups sit close to the proposed threshold. 2,900 events fall in the 0% to 30% band and of these 2,900, the average undercharged amount is only \$35.78. Again, this does not support a bill shock scenario for these customers. By contrast, 4,877 events are between 30% and above 100% the customer's average invoiced amount. The average under charged amount of these 4,877 events is \$237.72 and this indicates that the back billing events that carry more significant consumer impact are concentrated well beyond the 15% line.



[Redacted]



[Redacted]



Seasonality and normal customer behaviour should be reflected in the threshold

Electricity bills naturally vary over the year. In New Zealand, seasonal changes in heating, cooling, hot water use, household occupancy and other customer behaviours can commonly result in significant month-to-month variation. In many cases, winter electricity costs can be materially higher than shoulder-season or summer costs, and monthly variation of around 100% is not unusual for some households.

Against that context, a 15% movement above a 12-month average invoice is not, by itself, a reliable indicator of bill shock or financial significance. It may simply reflect normal seasonality, changes in household behaviour, or the timing of an actual meter read after estimated bills. This is particularly important because the Authority's stated concern is with large back bills that far exceed household budgets and are financially significant. The Authority's own illustrative monthly amounts of approximately \$22.50 to \$52.50 above an average invoice do not appear to align with that policy rationale.

If manual intervention is required at too low a threshold, retailers are likely to generate a high volume of customer contacts that are not productive for customers or retailers. This could include stopping invoices and attempting direct contact where the billing variation is modest, expected, or readily manageable. That would divert operational effort from the customers most at risk of payment difficulty and could create unnecessary confusion for customers whose bills are varying within normal seasonal or behavioural patterns.

Utilities Disputes Limited complaint insights support a more targeted threshold

Utilities Disputes Limited's complaint data also supports the need to focus on material back-billing impacts. In the 12 months reviewed, UDL considered 183 deadlocked complaints relating to back bills, representing 12% of all deadlocked energy complaints. The average back bill amount in those complaints was \$5,130, with an average back-billing duration of 12 months. UDL also noted that 20% of complaints involved back-billing periods of more than 14 months.

Those complaint insights point to the consumer impact being driven by scale, duration and repeated estimated billing, rather than by small percentage movements above a customer's usual invoice amount. UDL's commentary identifies common drivers such as non-communicating smart meters, inability to access meters, ICP registry issues, and repeated estimates that are later corrected by actual reads. These scenarios can create significant accumulated undercharges, particularly where the issue persists over multiple billing periods.

Recommended approach

We recommend that the Authority reconsider the proposed 15% blanket threshold and adopt a tiered approach that better reflects actual bill-shock risk. In particular, the threshold for retailer manual intervention, such as stopping invoices while attempting to make direct customer contact, should be **at least 40%** of the customer's average invoice amount. A 40% manual intervention threshold would better distinguish routine or seasonally explainable catch-up billing from materially impactful undercharged amounts,



while still ensuring that customers receive proactive written information and assistance offers at a lower threshold.

We propose that 20% could remain the threshold for advising a customer in writing and offering assistance, without requiring manual contact or invoice suppression. A higher 40% threshold should apply before retailers are required to stop the invoice and attempt manual intervention. This would preserve the consumer protection benefit of written notification at relatively lower undercharge levels, while reserving higher-effort intervention for cases more likely to involve genuine financial significance or hardship risk. This higher threshold before manual interventions would benefit retailers by lowering the significant costs and risks associated with stopping invoices and would benefit customers by reducing unproductive interactions with their retailer.

Proposed tiered compliance approach

A tiered compliance approach would be more proportionate and better aligned with customer outcomes:

- For back bills of **less than 20%** of an average monthly invoice, customers would not receive a specific undercharge notification solely because of the threshold. However, if a customer contacts the retailer seeking help to pay a back bill, the retailer should offer the same protections and assistance available for larger undercharged amounts, including payment arrangement support.
- For back bills **between 20% and 40%** of an average monthly invoice, customers would receive outbound written communication at the same time as the invoice. This communication would explain the undercharge recovery and invite the customer to contact the retailer if they want to discuss a payment arrangement for the undercharged amount.
- For back bills of **40% or more** of an average monthly invoice, retailers would apply manual intervention. This would include stopping the invoice while attempting to contact the customer directly, before recovering the undercharged amount.

This approach reflects Contact's existing wellbeing policy, under which we assist any customer who asks for help paying a bill that is larger because of back-billing, regardless of whether the amount meets a minimum threshold. It therefore maintains support for all customers who need it, while targeting higher-cost manual intervention to the cases most likely to create material bill shock.

If no tiered approach is considered, Contact's feedback is that 40% is a more appropriate threshold relating to back billing.

Exceptions to the 'rule'

We also recommend that the Code allow for exceptions where the customer and retailer have agreed that an uneven or inconsistent invoicing pattern is acceptable. Examples may include remote or difficult-to-access meters, such as locations where meter reading occurs by boat, holiday homes with intermittent occupancy, irrigation sites, and other seasonal or non-standard usage environments.



In these cases, manual intervention requirements may not improve customer outcomes where the customer already understands and accepts that invoices may fluctuate significantly or actual reads may occur less frequently. Retailers would still need to be able to identify and evidence these agreed arrangements, but having a clear exception would avoid unnecessary intervention in circumstances where the customer's billing pattern is expected, understood and appropriate.

Proposal 2 – Enable flexibility for how undercharge information is provided to the customer

Contact response to Electricity Authority: proposed flexibility for how undercharge information is provided to the customer.

Contact strongly supports the Authority's proposal to enable greater flexibility in how undercharge information is provided to customers. We consider the proposed amendment to be a practical and customer-centred refinement, while maintaining the core consumer protection objective of reducing the impacts of back bills and ensuring customers are given appropriate time and support to pay undercharged amounts.

Contact supports replacing the requirement for a separate due date to be applied to an undercharged amount on the customer's invoice with a requirement to **offer** the customer a payment plan. This better reflects the practical way retailers work with customers to manage repayment of unexpected charges and aligns with the Authority's policy intent that customers should not be required to pay the undercharged amount before the expiry of the relevant payment period.

Contact also supports the proposal to allow the undercharged amount and payment plan offer to be communicated either on the invoice or in a separate written communication. In our view, this flexibility is important because a dedicated communication can provide clearer context, explain why the undercharge occurred, set out the customer's options, and reduce the risk of confusion on the invoice itself.

We consider that allowing separate written communication will support better customer outcomes by enabling retailers to tailor the message to the customer's circumstances, including where a payment plan may be appropriate. It also supports more effective operational implementation by avoiding unnecessary invoice complexity, while preserving the customer's right to receive transparent information about the undercharged amount and the time available to pay.

Overall, Contact considers Proposal 2 strikes the right balance between maintaining strong consumer protections and enabling retailers to communicate undercharge information in a way that is clear, practical and more effective for customers. We therefore support the proposed amendment.

