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By email: consumer.mobility@ea.govt.nz

Improving consumer access and choice

Meridian Energy welcomes the opportunity to provide feedback on the Electricity Authority's consultation on improving consumer access and choice.

We have had the benefit of reading the ERGANZ submission and support that submission. We have limited our own submission to a smaller number of Meridian-specific observations that supplement, rather than repeat, the ERGANZ position.

Metering as a limiter of choice

We agree with ERGANZ's conclusion based on data provided by its members, that "legacy" metering is not an economic hardship problem. Legacy meters currently appear to limit choice more than access, and choice could be improved both at the plan level (e.g. requiring all retailers to offer a non-AMI plan through at least one of their brands) and/or by furthering the rollout of smart meters (in relation to which we agree with the constructive suggestions made by ERGANZ).

Access to electricity is a genuine public policy issue

Meridian agrees that some consumers face barriers to accessing post-pay electricity services, including barriers arising from credit assessment processes. We recognise that these barriers can have social consequences and that there is a legitimate public interest in ensuring vulnerable consumers can secure and maintain access to electricity.

Credit assessment serves a genuine and beneficial function

At the same time, it must be acknowledged that credit assessments exist because retailers bear genuine financial risks. Where consumers are unable or unwilling to pay for electricity consumed, the costs of serving those consumers (which includes not only the cost of supply but the often higher customer service costs relative to the average consumer) are ultimately borne by other consumers. Interventions aimed at increasing access to electricity supply will almost always involve some form of cost transfer or wealth redistribution; they may also increase or decrease the average cost to serve, conferring economic disbenefit or benefit respectively, as discussed below.

Government may be better placed than retailers to address affordability and hardship

Meridian's view is that affordability support is fundamentally a social issue. Central government is generally better placed than retailers (or the Electricity Authority) to identify eligible recipients, determine appropriate levels of assistance, and fund those measures transparently through the tax and welfare system.

Many retailers, including Meridian, provide targeted assistance to customers experiencing hardship (see below). However, these interventions are and should ultimately remain supplementary to the welfare system. Approaches that rely entirely on retailers to administer or absorb social assistance obligations are unlikely to be optimal – retailers do not have access to the full range of information available to government agencies and may not be best placed to make judgments about customers' wider financial circumstances.

Accordingly, Meridian considers that targeted government-funded assistance should play a critical role in ensuring consumer access. There may be limits to how cost-effective interventions can be without central government involvement.

The Authority should carefully consider cost / benefits of policy options

As stated above, interventions aimed at increasing access to electricity supply will almost always involve some form of cost transfer or wealth redistribution amongst the consumer base; they may also increase or decrease the average cost to serve, conferring economic disbenefit or benefit respectively.

A policy intervention which increased consumer access and choice but which substantially increased the average cost to serve might not be a cause for celebration, particularly where interventions which maintained or even lowered the average cost to serve were available. We recognise that the Authority is still exploring what policy options might exist in this space but suggest that interventions could be suboptimal if they:

- Enabled “bad actors” (who are unwilling rather than unable to pay for electricity) to consume more electricity and accumulate more debt. This would increase the average cost to serve.

- Mandated retailers to create and offer specific plans or products. This would directly increase the cost to serve. Allowing retailers freedom to design and offer plans and products best preserves the potential for innovation and competition.
- Disincentivised consumers to take reasonably available actions to reduce their consumption of electricity. This could increase the cost to serve in circumstances where another intervention (like heatpumps, curtains, or insulation) might have been more economically efficient.
- Raised the barriers to entering the retail market or expanding market share (to the extent any regulatory thresholds were to apply based on size). Possible mechanisms for this could be the need to--
    - comply with complicated or uncertain regulatory obligations;
    - offer mandated plans or products; or
    - carry more bad debt;

  --increased barriers to entry and expansion could lead to less vigorous competition.
- Lead to customers falling into deeper debt. Even aside from the cost to retailers of carrying debt, retailers are not the only entities which make decisions based on credit history, and poorer credit histories would create poorer outcomes for the relevant consumers outside of the electricity system.

On the other hand, interventions could actually deliver net benefits to consumers as a whole if they decrease total consumer debt. Improving the redirection of benefits with MSD, and redesigning the Winter Energy Payments (see in particular ERGANZ's answers to Questions 35 and 38 for the latter) are interventions which potentially deliver this outcome, because they address the ability of consumers to afford and pay for power directly without leading to the negative outcomes discussed above.

The Authority's consideration of options should transparently assess:
- who bears the costs of any proposed intervention;
- the likely impact on retail prices;
- the distribution of those costs across different consumer groups;
- the effect on competition and retailer participation;
- the risks of perverse incentives for consumers (including bad actors);
- the risks of poorer outcomes for consumers outside of the electricity system (e.g. via credit history); and
- whether alternative government-funded approaches could achieve the same objectives more efficiently and effectively.

Alignment with efficient pricing objectives

Meridian also encourages the Authority to consider how any options for intervention align with its broader market reform programme. The relevance of this point depends on the policy interventions the Authority is considering but we raise it for completeness.

A number of the Authority's recent initiatives seek to improve efficiency by strengthening cost-reflective pricing and encouraging consumer responses to underlying system conditions. Meridian generally supports this direction because efficient pricing promotes efficient investment, efficient consumption decisions, and the electrification outcomes needed for New Zealand's energy transition.

In our view, there may be benefit in avoiding policy interventions which blur affordability support and electricity pricing where possible. Electricity prices should increasingly reflect underlying system costs, while support for households experiencing hardship should be targeted through dedicated support mechanisms. Blending affordability objectives into electricity pricing risks reducing transparency, weakening price signals, and undermining the efficiency benefits of other reforms being pursued by the Authority.

Policy interventions should not distort competition in the retail market

If the Authority decides to intervene in this area, it is essential that any obligations are applied consistently and uniformly across all market participants. Meridian would be concerned by arrangements that effectively place the responsibility for addressing access challenges on a subset of retailers. Where obligations require retailers to, for example, accept higher-risk customers or bear additional exposure to bad debt, those obligations should be distributed proportionally across the market or funded through a transparent mechanism that spreads costs consistently. Otherwise, intervention risks distorting competition and undermining market and pricing efficiency i.e. the Authority could risk prioritising its additional objective to protect domestic consumers at the expense of its primary objective to promote competition, efficiency and reliability for the long-term benefit of consumers.

Meridian's experience supporting customers experiencing hardship

Meridian is strongly committed to supporting customers experiencing hardship. We maintain a specialist Energy Wellbeing team, and operate an Energy Wellbeing Programme with a $5 million investment, aimed at supporting 5,000 Meridian and Powershop households in hardship. So far, we’ve helped over 4,300 and just over $3 million has been spent.

The programme takes a holistic approach aiming to make energy more affordable for affected customers on a sustainable basis, rather than simply waiving debt. We focus on housing quality, energy efficiency and the energy literacy and financial situation of the customer. Tailored support for affected consumers might involve: payment arrangements, in-home assessments; and home improvements (such as LED light bulbs, new or better curtains, window seals, pipe insulation, energy efficient heaters and heat pumps, hot water cylinder replacements, and kitchen and bathroom ventilation). Ultimately we believe these measures create more durable solutions to energy hardship, and are therefore a better use for the $5 million investment we have made into energy wellbeing than simply providing bill credits.

Our experience working directly with these customers is that hardship is rarely caused by a single factor, and that durable improvements are most likely where there is genuine trust, open communication, and person-to-person care and connection.

Concluding comments

Nothing in this submission is commercially sensitive.

Nāku noa, nā

James France
Principal Regulatory Advisor

Responses to consultation questions

Meridian supports the comments in the ERGANZ submission. We have limited our own comments to Meridian-specific observations that supplement ERGANZ comment.

Questions	Comments
Risks, impacts and market performance	
Q1. Do you agree with the risks identified for consumers who may have constrained access to electricity supply or limited retail choice? Please explain why or why not.	We agree with the Authority's assessment of the risks caused by constrained access to supply or limited retail choice.
Q2. What evidence is available on the number of consumers affected by these risks, the circumstances in which they arise, and the outcomes consumers experience?	Some information is available via the cl 2.16 data, however this will be prone to a number of issues which misrepresent the problem. For example, consumers who have their applications declined are likely to apply again (including by using different identifying details) or repeatedly which will disproportionately inflate the number of failed credit checks. We support ERGANZ's call for better information on final consumer outcomes and in particular those consumers who are unable to find any retailer to supply them following declines from multiple retailers, for example.
Q3. Are there particular groups of consumers, regions, housing situations or metering circumstances where these risks are more likely to occur?	Our sense is that economic hardship is the primary driver of these risks. However, we do experience bad actors whose poor credit history may be more reflective of their conduct or personal choices than their economic circumstances. Based on the analysis available in ERGANZ's submission, non-smart / legacy metering appears to be driven principally by consumer resistance to upgrading, geography, site condition, and safety and communications issues.
Q4. Do you agree that access and choice constraints may affect retail market performance? Please explain why or why not.	We agree with the Authority in theory, however it may be easy to overstate the effects.
Credit history and access to post-pay electricity	
Q5. Do you agree that consumer credit history or retailer credit-risk	Yes. Credit assessments can limit access, but they also serve important functions by protecting consumers

assessments may be limiting some consumers' access to electricity services or retail plans? Please explain why or why not.	from taking on unaffordable debt and protecting other customers from socialisation of the costs of unpaid accounts.
Q6. What factors influence whether a retailer accepts, declines or offers alternative arrangements to a consumer following a credit-risk assessment?	Our approach varies slightly between the Meridian and Powershop brands. Failed credit checks are always manually reassessed for the Meridian brand by our specialist credit team, and Powershop fails are reassessed if there is engagement from the customer or a relevant third party like a referee or customer advocate. But in both cases, when reassessing we consider the nature of the adverse credit reporting (e.g. type of debt; applicant circumstances such as age; whether temporarily unemployed); whether the applicant has a limited credit history; referrals from social agencies (e.g. Red Cross) or Utilities Disputes; and importantly whether other solutions might reduce the risk of taking the customer on, including the customer's willingness to agree a payment plan, redirect benefit payments, or involve a third party guarantor.
Q7. Are there any existing practices, safeguards or support arrangements that are working well to help consumers with adverse or limited credit history access electricity supply?	Exceptional onboarding and referral pathways are important existing safeguards. Any reform which made them overly prescriptive could reduce their effectiveness.
Q8. Are you aware of any unintended behaviours or consequences that may arise when consumers cannot access electricity supply in their own name? To what extent does this occur?	We agree these behaviours may occur, but better data is needed both on what is driving the behaviours and their scale. Some customers may be able but unwilling to pay for power, in which case identity misuse is particularly problematic. Sometimes it appears to us that customers simply may not want to use their real identity for whatever reason, and ability to pay is not a factor. Customers who feel driven to identity misuse and deception because they are unable to pay for power are creating problems for others, but represent a genuine social hardship issue.
Metering capability and access to services	
Q9. Do you agree that legacy and non-communicating smart meters may be limiting some consumers' access to electricity services, retail plans or retail competition? Please explain why or why not.	Yes, but primarily as a choice issue rather than a supply-access issue. Customers without communicating meters may have fewer plan options, but supply remains available.
Q10. What are the most prevalent barriers to upgrading legacy meters	In Meridian's experience and based on the data presented by ERGANZ, the remaining barriers are

or restoring communication capability to non-communicating smart meters?	practical and site-specific: customer refusal, missed appointments, safety issues, switchboard constraints, access problems, wiring defects and communications coverage.
Q11. What typically happens when a consumer needs a communicating smart meter to access a particular retail product or service, but an upgrade is delayed, declined, not technically straightforward, or cannot be arranged because the consumer does not have a retailer willing to serve them?	Usually the customer remains on a plan compatible with their existing meter. The main effect is reduced access to more innovative products dependent on half-hourly data, for example.
Q12. How are the costs of meter upgrades, remedial work or communication issues currently managed, and are there circumstances where these costs may prevent consumers from accessing electricity services or retail choice?	Straightforward meter upgrades are almost always commercially justified based on ordinary business incentives. The harder cases arise where premises require remedial property work, which can be costly and outside the metering business case.
Q13. Are existing arrangements sufficient to address the remaining harder-to-upgrade premises, or are there opportunities to improve coordination between retailers, metering equipment providers, distributors, landlords and consumers?	Existing arrangements have delivered high smart-meter penetration, but the residual cohort may need targeted measures. We support considering smart-meter readiness in rental standards and ensuring all retailers can serve non-AMI customers through at least one product.
Constrained access can affect health, wellbeing and participation	
Q14. Do you have any further information or evidence on the number and characteristics of consumers affected by access and choice constraints, the circumstances in which these constraints arise, and what happens after a consumer is declined or cannot access a suitable retail service?	Meridian echoes the ERGANZ comment in relation to this question.
Alternative access pathways	
Q15. Are the three main alternative pathways, prepay, social retailing and exceptional onboarding,	Meridian echoes the ERGANZ comment in relation to this question. Suitability is ultimately a complicated policy question. If there are consumers unable to

sufficient, suitable and sustainable?	secure supply through any of the pathways then the pathways are not by themselves sufficient.
Q16. Are there consumer groups, regions, network areas or metering circumstances where consumers currently face limited or no practical pathway to access retail electricity supply? If so, which consumers are most affected and what do they do?	Meridian echoes the ERGANZ comment in relation to this question.
Prepay electricity	
Q17. Do prepay customers have sufficient access to pricing innovation and savings opportunities, including time-varying pricing, demand flexibility, free-hour offers or other emerging retail products? If not, what are the main barriers to making these options available to prepay customers?	Meridian does not have experience with prepay offerings, but our sense is that market attractiveness is worth considering alongside barriers to entry when considering the low competition to offer prepay products.
Q18. What role is prepay currently playing for consumers who cannot access standard post-pay electricity services, and what benefits does it provide for those consumers?	Prepay appears to have the benefit of avoiding further arrears for consumers. Meridian is not certain that it can be safely assumed that it is the main destination for customers declined from post-pay supply, or that most of the customers on prepay would prefer to be on post-pay / would choose to be on post-pay if they were accepted by a retailer.
Q19. Is there effective choice and competition in the prepay market, and what are the main operational, commercial, technological or regulatory barriers to offering prepay services?	From Meridian's perspective, we have chosen to focus on other offerings, like the Powershop offering which allows customers to make discounted payments in advance. Offering a prepay product would bring with it the need for upfront investment in new systems for billing, Code compliance, disconnections, etc. As well as barriers, retailers will presumably make their own assessments of the attractiveness of competing in the prepay market. Different firms will make different assessments about which markets they want to compete within – Meridian for instance competes in public EV charging, but not in broadband, or other utilities like gas.
Q20. To what extent do prepay disconnections reflect consumer choice, budgeting preferences or	Meridian does not have specific comment on this.

temporary pauses in use, compared with circumstances where consumers are unable to top up?	
Q21. What information are retailers capturing that could help identify when repeated or longer prepay disconnections may indicate affordability pressure, difficulty maintaining supply, or other consumer impacts?	Meridian does not have experience with prepay but suspects that changes in top up frequency or behaviours, or longer duration disconnections, may indicate new pressure on the prepay consumer. However, the accuracy or usefulness of this information, and the range of useful interventions a retailer could employ with an affected prepay consumer may be relatively limited.
Q22. Are additional pathways, safeguards or protections needed to reduce the risk that medically dependent consumers are placed on, or remain on, prepay arrangements?	Meridian does not have prepay experience, but the key issue from our perspective is reliable identification of MDC. Better consent-based information sharing with health providers could be a more useful intervention than preventing medically dependent consumers from choosing prepay, as the latter approach is only as good as the reliability of the identification and will expose prepay retailers to further compliance challenges.
Q23. Do prepay customers have reduced access to innovation, competition and emerging opportunities to reduce electricity costs? If so, what technical, commercial or regulatory barriers may be preventing retailers from offering more innovative prepay products?	Meridian does not have its own experience with prepay offerings, but our sense is that consumers choices are more constrained within prepay offerings – noting the Authority's observation that only one retailer appears to be accepting prepay customers at present. Competition (let alone innovation) may be slower if retailers feel that prepay has a high cost to serve, or low potential for returns.
Q24. Does the use of prepay arrangements to recover previously incurred debt create additional risks for some consumers, and how are debt-recovery settings calculated, managed and communicated to consumers?	Meridian does not have any comment on this question.
Social retailing	
Q25. Should social retailing remain a targeted community-based, industry-led response, or should it become a more substantial national access pathway for consumers who face barriers to standard post-pay electricity?	Meridian echoes ERGANZ comment in relation to this question. Social retailing should remain complementary unless evidence shows it delivers better outcomes than mainstream support at scale.

Q26. What are the main barriers to scaling social retailing, including access to hedges, prudential requirements, metering capability, funding, referral pathways and operational capability?	Meridian suspects the main barrier to be sustainable funding. Higher-need customers involve higher support, arrears, and working-capital costs which standard retail margins do not cover. Put simply, customers experiencing hardship tend to have higher costs to serve.
Q27. What forms of support, if any, would be most effective in expanding social retailing without crowding out existing providers or reducing incentives for mainstream retailers to support consumers in hardship?	Meridian echoes ERGANZ comment in relation to this question. Any support should be contestable, outcome-based and available on equivalent terms to any provider meeting the relevant service standards.
Exceptional onboarding	
Q28. Are there any other examples of exceptional onboarding for consumers with adverse or limited credit history onto standard post-pay plans, beyond the approaches outlined in this paper?	Meridian agrees with the Authority's examples at paragraph 5.75 but we also note the customer's agreement to a payment plan as a key way of undertaking exceptional onboarding.
Q29. How do consumers find out about what onboarding opportunities are available to access standard post-pay plans?	Exceptional onboarding is not generally promoted but awareness is managed by our specialised customer support and credit staff via targeted outreach to customers and support agencies like Red Cross. Our declined communications also invite customers to ask us if they would like the decision reviewed (which in practice can lead to exceptional onboarding).
Q30. How are benefit redirections being used to support access to electricity supply, and are consumers being declined supply if they are unable or unwilling to redirect their benefit?	Benefit redirection materially reduces credit risk and we will almost always take on customers willing to do so regardless of credit history. It is fairly common for us to ask customers about setting up benefit redirection but we do encounter a lot of customers who are unwilling to do so for whatever reason. "Easy wins" for consumer access may be available in making the MSD process simpler and faster at the point of application.
Q31. How many consumers with adverse or limited credit history are being offered contracts by retailers after third-party advocacy or referrals, and what are the benefits, risks and limitations of this approach?	Meridian is not currently recording referral-based acceptances in a consistent manner, however the practice is certainly occurring. Trusted advocates can provide context a credit file cannot, which can help the retailer feel comfortable taking on the customer.
Proposed outcomes and areas for improvement	

Q32. Do you agree with the proposed outcomes, and are there additional consumer outcomes the Authority should consider?	Meridian supports the proposed outcomes but notes that the outcomes should include or at least weigh the broader aim of delivering electricity at the lowest cost to consumers. As stated in the main body of this submission, it is possible to conceive of interventions aimed at the proposed outcomes which make the overall cost of electricity higher for all consumers, which may not be a good outcome. We also note that whilst the proposed outcomes make sense as aims for the *electricity market*, there are roles for central government and other agencies in achieving the outcomes in the most durable and cost-effective manner.
Q33. What international examples of approaches to ensuring electricity access for all consumers do you believe would be appropriate for the New Zealand context and why?	If a universal access obligation is considered, it should be designed carefully with industry, outcome-focused, approach-agnostic (rather than dictating the approach), preserve retailer ability to manage credit-risk in a proportionate manner, and include a full cost-benefit analysis. There is every chance that such interventions at the retailer level will raise the average cost to serve across the entire consumer base, which needs to be carefully considered.
Q34. Do you agree with the proposed areas for improvement, and are there additional areas the Authority should consider?	We support the proposed areas, with added focus on Winter Energy Payment reform and the role of centralised agencies.
Q35. Which areas should be prioritised for further work, and why?	Meridian echoes ERGANZ comment in relation to this question.
Q36. What practical steps, including any quick wins, could improve access and choice in the short term?	Meridian echoes ERGANZ comment in relation to this question.
Q37. What additional information, data and monitoring would help to improve understanding, practices and outcomes in relation to access and choice?	Meridian echoes ERGANZ comment in relation to this question.
Q38. What changes could support increased access to mainstream post-pay electricity services, and what role could retailers, government agencies, iwi and other support agencies play?	Meridian echoes ERGANZ comment in relation to this question.

Q39. How could outcomes for consumers using prepay electricity be improved while preserving any benefits that consumers value?	Meridian has no comment on this question.
Q40. What role should social retailing and community-based models play in improving access and choice, and what are the risks of relying on them too heavily?	Meridian echoes ERGANZ comment in relation to this question. Social retailing should be complementary, not the main access solution. Over-reliance risks a two-tier market and concentration of high-need customers among small providers.
Q41. Are current incentives for retailers to install communicating smart meters appropriate, and are particular regions, consumer groups or housing situations disproportionately affected by current metering arrangements?	Meridian echoes ERGANZ comment in relation to this question. Current incentives have delivered very high smart-meter penetration. The remaining cases appear to require targeted practical measures rather than stronger generic incentives.
Q42. What opportunities are there for stronger cross-agency, community or partnership-based responses to improve electricity access and choice, and what should a well-functioning and inclusive electricity market look like over the next 5 to 10 years?	Meridian echoes ERGANZ comment in relation to this question. The main opportunities as Meridian sees them are cross-agency: targeted energy support, benefit redirection changes, AMI as part of healthier homes requirements, medically dependent consumer identification and better referral pathways.