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James Tipping
Chief Strategy Officer
Electricity Authority
PO Box 10041
Wellington 6143

By e-mail: marketoperations@ea.govt.nz

Electric Kiwi welcomes MD&VC Guidelines review

Electric Kiwi welcomes the review of the MD&VC Guidelines. We support and are a signatory to the independent retailer joint submission.

Summary of Electric Kiwi's views

Electric Kiwi has the following views about the review of the Guidelines:

- Electric Kiwi considers protecting the welfare of the most vulnerable Kiwis is critical, but fails to see how this is captured by the Authority's interpretation of its statutory objective other than through facilitation of competition and subsequent downward pressure on prices.
- The Authority should liaise with social agencies (e.g. WINZ) and health agencies to establish the appropriate boundaries/roles of each agency. Issues of hardship and medical needs are best dealt with by the agencies that have the appropriate skills and expertise as well as access to appropriate private information about health and other issues in order to manage them. This is especially important given the wellbeing of the most vulnerable members of society can be at stake. For clarity, it is entirely inappropriate for electricity retailers to be expected to manage (and fund) essential health inputs. If electricity is a health need then it should be funded in the same way that healthcare is funded centrally for those that require it
- If the Authority is going to be successful in assisting vulnerable consumers then it needs to adopt a holistic approach which recognises that the way it can most directly assist consumers is by promoting a substantially more competitive electricity market that benefits all consumers. When consumers on benefits are struggling to pay their bills, WINZ should be advising them about switching electricity supplier.
- Electric Kiwi considers an overhaul of the Guidelines is needed to make them fit-for-purpose. The Guidelines should be clearer and simpler. There should be minimum standards for all consumers and the role of the industry in managing social and health issues needs to be carefully considered.
- We agree with the Authority "It is important to understand the nature and scale of any problems with the treatment of vulnerable and medically dependent consumers before developing and



introducing new code”.¹ There should be full consultation at each stage of the review process. We do not support rushed changes (30 June target for the Addendum) with limited consultation (the proposed Addendum).

- We do not consider the Addendum changes are appropriate. There is no evidence they will improve support for vulnerable customers. Instead, these changes will likely raise prices as they place limitations on retailers disconnecting vacant properties and reduce support for vulnerable customers on pre-payment plans. The change that is needed to the Guidelines is to remove the effective ‘opt out’ for pre-payment plans to ensure protection is in place for these consumers.

The Guidelines deal with important health and consumer welfare issues that go far beyond narrow economic efficiency considerations

The Authority should liaise with social agencies (e.g. WINZ) and health agencies to establish the appropriate boundaries/roles of each agency. It is important issues of hardship and medical needs are dealt with by the agencies that have the appropriate expertise and access to customer information; particularly given the wellbeing of the most vulnerable members of society is at stake. The experience with the death of one of Mercury’s customers, after disconnection, highlights the risks with dealing with medical issues in provision of electricity services and exposes the fundamental issue with industry making decisions about customer situations without access to the information held by social and health agencies.

We are particularly mindful that neither the electricity retailers nor the Electricity Authority has expertise on medical and health issues, and care is needed to avoid overreach beyond electricity industry regulation.

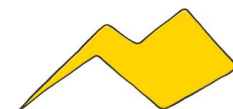
We are also mindful of the Authority’s position that “the Authority’s objective – which is written into law – doesn’t include a fairness objective. The Authority considers whether the rules will lead to a competitive and reliable electricity system at the lowest cost to consumers”.² It will be important for the Authority to be clear about the implications of this for the review of the MD&VC Guidelines.

Greater competition and switching to cheaper suppliers will reduce financial pressure for consumers who are paying too much and struggling to pay their bills

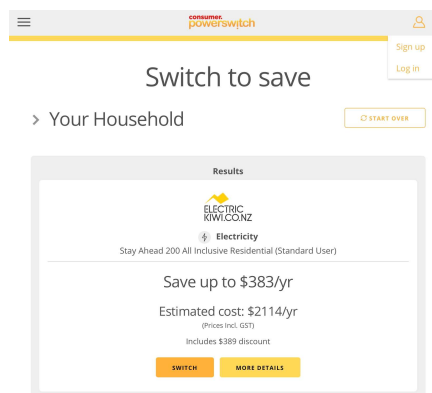
The review should recognise the simplest and easiest way for consumers to ease any financial difficulties they may face with the cost of electricity services is to switch supplier. The review of saves and winbacks highlighted domestic consumers could save \$500m per annum. Domestic consumers who have switched to Electric Kiwi have saved over \$21m.

¹ Electricity Authority, Electricity Authority Electricity Price Review Options Paper submission, 22 March 2019.

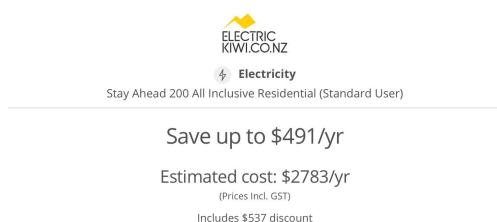
² Electricity Authority note to Electricity Price Review.



Medically dependent and vulnerable consumers who are currently on Mercury's GLOBUG are on particularly uneconomic plans. For example, a 3-4 household family on Auckland's North Shore could save \$383 per annum by switching to Electric Kiwi.



A 5+ person household could save around \$500 per annum. This would make a substantial and tangible difference for Kiwi households. Basically, the Winter Energy Payment is funding Mercury's excess charges for these customers.



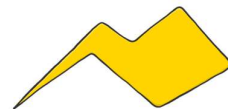
The above observations are consistent with the Electricity Price Review finding that “a lack of competitive prices for some consumers on pre-pay meters ... ” is a factor in the range between the cheapest and most expensive retail prices.

The Authority should ensure the changes it makes are evidence-based

Specifically, Electric Kiwi does not consider that the Authority has provided a sound basis for the Addendum in relation to disconnections of vacant premises.

There are costs a retailer bears related to vacant properties (occupied or not), which are passed on through higher prices to other consumers, primarily those who have acted in good faith and signed up with a retailer. Electric Kiwi sends around 150-200 notices to “vacant” properties per month informing potential occupiers to sign up or risk being disconnected. Based on our experience, a large portion of these properties are vacant and therefore attempting to apply guidelines developed for vulnerable customers is unnecessarily inefficient. Further, where there is an occupier, Electric Kiwi has observed a high incidence of these occupiers being sent our disconnection notice but waiting until disconnection occurs before either signing up or switching out to another retailer. We are happy to share our data with the Authority if this would be considered helpful.

The proposed Addendum would likely increase the benefit to consumers at vacant premises who have delayed responding or engaging with the electricity retailer as there will be a longer period before



disconnection. Depending on how the Addendum is interpreted the retailer may not be able to disconnect at all, because they don't have a contract with a customer and therefore, there isn't an account holder. These outcomes, whilst obviously costly, have no demonstrable benefits for vulnerable consumers and therefore the Addendum on vacant properties should be reworded or removed.

The pre-payment Addendum should not be adopted

We don't have confidence pre-pay arrangements are provided in a socially responsible manner. We share Entrust's concern that:

Disconnection of a vulnerable consumer for non-payment is supposed to be an act of last resort for retailers where vulnerable consumers are acting in good faith, but self-disconnection can happen whenever a vulnerable consumer can't afford to top up their credit. This completely bypasses the disconnection process in the Vulnerable Consumer Guidelines.

We question whether it should be deemed acceptable for vulnerable households to be without power if they can't afford to pay for it in advance. The fact their retailer may not have physically disconnected them seems somewhat moot. [footnote removed]³

We note and support the Electricity Price Review position that "disconnections for non-payment and self-disconnections by those on pre-payment meters are "important statistics". The Authority's recent MD&VC monitoring has not included self-disconnections on pre-payment.

While electricity retailers are required to report the level of physical disconnections they undertake, disconnections on prepay systems have been termed "self-disconnections" and allowed to go under the radar. None of these customers are choosing to actively disconnect, they are simply running out of credit. This interpretation and terminology is essentially victim blaming.

We are concerned the pre-payment Addendum could result in an increase in the (non-disclosed) extent to which vulnerable and medically dependent consumers are disconnected. If the Addendum is adopted, retailers will have an incentive to make sure that the so called 'voluntary' disconnection is automated so that it is not treated as a disconnection under the Guidelines. The current Guidelines already give Mercury a free-pass with its GLOBUG product and the proposed Addendum will only make this worse.

It's imperative the Authority obtain data from each of the pre-pay providers of the frequency with which disconnections occur, and the durations of the disconnections. This data should be broken down by customers that are "vulnerable consumers", "medically dependent consumers" and all other households. We consider this should be part of the minimum reporting requirements for pre-pay service providers going forward. It may be that there are no issues, but the current reporting is insufficient to provide any confidence that prepay retailing is a socially responsible solution for vulnerable customers.

Electric Kiwi recommends the Authority introduce:

³ Entrust, Electricity Price Review submission including consumer concerns about retailers' power pricing, 23 October 2018.



- reporting requirements for pre-pay retail service providers which include the frequency with which self-disconnections occur, and the durations of the self-disconnections. This data should be broken down by customers that are "vulnerable consumers", "medically-dependent consumers" and all other households; and
- pricing/debt repayment standards and requirements for pre-pay services supplying MD&VCs to ensure fair pricing for consumers most in need.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'L. Blincoe', with a long horizontal flourish extending to the right.

Luke Blincoe
Chief Executive, Electric Kiwi Ltd
luke.blincoe@electrickiwi.co.nz
+64 27 601 3142