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ERANZ submission on addendum to guidelines for medically dependent and vulnerable consumers

Summary

The Electricity Retailers Association of New Zealand (ERANZ) welcomes the opportunity to provide feedback on proposed changes to the two sets of Guidelines.

ERANZ members are very focused on supporting customers in need. The sector already does a lot in this space, but there is always room to improve. That is why there is a lot of enthusiasm and buy-in from ERANZ members to both improve the Guidelines and mandate industry-wide minimum standards.

We are comfortable with the staged approach the Electricity Authority is taking, with an initial addendum to address immediate shortcomings of the current guidelines followed by a wider review over the next few months.

This letter sets out a number of improvements could be made to the addendum. In particular, we have concerns around the requirement that disconnections for domestic premises that have no known customer but appear to be occupied would require an in-person visit if the inhabitant is unresponsive to retailers' attempts to contact them.

Existing work to support vulnerable and medically dependent consumers

Retailers have worked hard to develop support systems to help those in hardship manage their debt and avoid disconnection, which ERANZ members have long treated as an absolute last resort.

Support for vulnerable and medically dependent electricity consumers has been a major focus for electricity retailers in recent years:

- Implementing Voluntary Practice Benchmarks to assist retailers in supporting vulnerable and medically dependent consumers. These are essentially a practice guide for how to implement the Electricity Authority's guidelines.
- Undertaking an annual compliance exercise to confirm that they are meeting the standards of both the Electricity Authority Guidelines and the Voluntary Practice Benchmarks.

- Offering a range of payment terms or repayment schedules to suit a household's circumstances, like smoothed monthly payments to avoid high winter bills, including some companies offering entirely personalised plans for vulnerable customers.
- Coordinating financial support with social service providers like WINZ and FinCap's MoneyTalks.
- Delivering pilot programmes such as EnergyMate to help vulnerable New Zealanders make the most of their electricity use through in-home energy coaching. EnergyMate make sure they are on the best plan for them, supports them to use appliances efficiently, and connects with other available support services.
- Convening the Vulnerable and Medically Dependent Consumer Working Group, which brings together retailers, lines companies, community social services, government departments and regulators. This Working Group strives for continuous improvement in service. It considers a range of industry issues aimed at driving continuous improvement in the support provided to customers in need - ranging from working with the Ministry of Health to develop an Individual Emergency Response Plan for medically dependent consumers, and improving information sharing between retailers and the Ministry for Social Development.

Feedback on the proposed addendum

ERANZ is broadly comfortable with much of the proposed addendum and considers that it makes positive clarifications about how the Guidelines should be applied. However there are a number of specific improvements that should be made.

Vacant domestic premises

ERANZ is concerned with the proposed provisions for domestic premises that have no known customer but appear to be occupied, as detailed in Paragraph (e) in the 'Remote disconnections and reconnection' section.

Under the proposed addendum, if the electricity user at the vacant property is non-responsive to retailers' attempts to contact them then the house would need to be visited in-person for disconnection to occur.

We consider this requirement is unreasonable. Under the existing Guidelines the onus is on customers to inform retailers of the vulnerable or medically dependent status.¹ The addendum changes this onus, and requires the retailer to treat the inhabitant of the property as vulnerable or medically dependent unless the retailer can show otherwise.

Implementing this change would likely:

- result in a significant increase in the number of manual disconnections – with the higher cost of disconnection flowing through to legitimate customers;
- increase the timeframe for disconnections for vacant properties where consumers have not signed up for supply, which will result in additional disputes about move in dates and backdated bills; and

¹ For example, paragraph 10(b) of the Guidelines on Arrangements to Assist Vulnerable Customers states 'it is the domestic consumer's responsibility to disclose ... any change to the domestic consumer's vulnerable status over time.'

- result in the disconnecting retailer being unable to recover the cost of manual disconnection, if the consumer then signs up with another retailer.

In these situations retailers currently send a multiple communications to the property - typically asking the occupants to sign up with a retailer for their electricity, and outlining the next steps if this does not happen. Only if the occupant fails to either make contact with the existing retailer or sign up with another retailer does disconnection become an option.

ERANZ recommends altering the wording of this paragraph to reflect the industry's best practice by requiring retailers to take reasonable efforts to make contact with the occupant of a domestic premises before carrying out remote disconnections on vacant domestic premises. This would be consistent with other proposals around retailers' reasonable efforts in the addendum (such as paragraph 10(d)).

Remote disconnections

ERANZ notes Paragraph (c) in the 'Remote disconnections and reconnection' section requires retailers to determine a customer's medically dependent or vulnerable status, or any other person living in the premises, prior to a remote disconnection. Retailers currently undertake extensive efforts to understand which customers are within the medically dependent or vulnerable categories. However, this process relies to some extent on customers communicating with retailers.

ERANZ recommends changing this section by adding a 'reasonable efforts' clause so a retailer can rely on communications with customers. Again, this would be consistent with other proposals around retailers' reasonable efforts in the addendum (such as paragraph 10(d)).

Relevant information

The purpose of Paragraph 10(e) in the 'Retailer – Customer – Consumer – Premises relationship' is unclear. It will be hard for retailers to demonstrate they are satisfying this paragraph given it is vaguely worded. ERANZ recommends removing this paragraph.

Pre-pay products

ERANZ is pleased to see a clearer distinction around the requirements for pre-pay products. We agree that where a customer has entered into a pre-pay contract then the customer has effectively given their consent to opt-out of the disconnection process in the Guidelines, provided the customer has been fully informed of the risks of an automatic disconnection when their credit has expired.

Pre-pay electricity is a beneficial alternative for many New Zealanders – particularly those who have bad credit and couldn't otherwise access power, or who use pre-pay as a way to monitor their electricity spending. Pre-pay can help avoid long gaps with no power, and fees to reconnect power to the household.

Requiring pre-pay products to have full adherence to processes designed for post-pay customers could result in some pre-pay products being removed from the market, which would be detrimental for those customers.

Feedback on process to update the Guidelines

Although the Electricity Authority's proposed addendum and subsequent wider review of the Guidelines is happening at some pace, there have been discussions about change in this area for some time.

In October, the Government accepted the Electricity Price Review Panel's recommendation to mandate the Guidelines for all electricity retailers.

Following discussions with the Electricity Authority and MBIE, ERANZ established a working group to help progress this – with members from ERANZ retailers, independent retailers, FinCap, MBIE and the Electricity Authority.

The Electricity Authority have indicated it will draw on the work of this group in its update of the Guidelines.

We strongly encourage the Electricity Authority to continue this collaborative approach to the Guidelines update, rather than just having different parties engage directly with the regulator individually or via formal consultation. We've found the working group approach to be very effective at allowing participants to understand the diverse perspectives from industry, consumer representatives, government departments and regulators.

Ideally the updated guidelines will have wide-spread buy-in from all stakeholders - a collaborative and transparent process to the update is vital to help this happen.

Although the Government's decision to mandate the Guidelines was made some time ago, it would appear the Electricity Authority's urgency on this issue is to some extent driven by Covid-19. ERANZ is positive about the opportunity to update the Guidelines, but we would caution against the potential for regulatory over-reach following a time of crisis. In this regard, the distinction between the Guidelines and mandatory Minimum Standards are a welcome move.

ERANZ members' response to Covid-19 has gone considerably beyond the existing Guidelines, including:

- Proactively pausing all disconnections for a period of time after entering lockdown.
- Reaching out to contact at-risk customers with 'wellness calls', to make sure they were well supported.
- Helping customers who usually pay over the counter at New Zealand Post facilitate alternative payment options.
- Providing 10,000 power credits worth \$120 each for local budgeting services to allocate to customers affected by Covid-19.

ERANZ would be concerned if the purpose of the update to the Guidelines was to stop any disconnections for non-payment during the upcoming recession caused by Covid-19. Disconnections for non-payment are an absolute last resort, but they are an important part of retailers' credit management toolkit to ensure that customers do not incur unmanageable debt.

Feedback on issues to be covered in more fulsome review of Guidelines

As part of the consultation on the proposed addendum, the Electricity Authority has asked for feedback on the issues that should be addressed as part of the more substantive review of the Guidelines.

ERANZ is keen to see a collaborative, joined-up review of the Guidelines – so we don't want to approach the process with firm fixed views about what does and doesn't need to change (particularly given the short timeframes for this consultation).

In general, we consider there are many significant positives about the existing system, and on the whole it is working well, so changes are likely to be about improvements to the current Guidelines and systems rather than a complete overhaul. Some issues that are likely to merit consideration as part of the review include:

- Improving processes by which customers in hardship are connected into community-based social services, such as FinCap or referred into programmes such as EnergyMate.
- Having the Ministry of Health develop a shared database of medically dependent customers.
- Ensuring medical clinicians help patients prepare an Individual Emergency Response Plan (IERP) when issuing electrical medical equipment. ERANZ has, with input from the Ministry of Health, developed a template IERP – but widespread adoption of the plan requires more buy-in from clinicians in the health sector. Given the plan covers issues such as which doctor to call in an emergency, or where to go to get back-up medical support, it is more appropriate that the plan is driven by a clinician than the power company.
- Setting a reasonable timeframe for medically dependent customers to demonstrate they are medically dependent.
- Improved clarity around how expectations of customers are communicated to those customers.
- Greater clarity around the respective role of the Ministry of Social Development and power companies around supporting customers in hardship.
- Improved clarity as to where the cost of covering medically dependent customers' debt should fall.
- Improved clarity on how reconnection costs are apportioned between losing and gaining retailers when a prepay customer is disconnected and then switches to a new retailer.

Thank you for your consideration of this letter.

Yours sincerely



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