

1 December 2020

Electricity Authority  
P O Box 10041  
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By email: [mdvc.guidelines@ea.govt.nz](mailto:mdvc.guidelines@ea.govt.nz)

## **Submission on "Consumer care guidelines"**

### **1. Introduction**

Thank you for the opportunity to make a submission on the "Consumer care guidelines". This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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### **2. General comments**

Consumer NZ welcomes the development of guidelines to update the existing medically dependent and vulnerable consumer guidelines. However, we're disappointed the replacement guidelines remain voluntary.

In our view, mandatory standards are needed to achieve required improvements in consumer protection. This was also the position reached by the Electricity Price Review panel in its final report.

We're particularly concerned the guidelines fail to include adequate safeguards for prepay customers. Our research shows prepay customers face significant issues in the electricity market and are more likely to experience energy hardship.

Our comments on the guidelines highlight areas where we consider these issues need to be considered to address consumer detriment.

Yours sincerely

Jon Duffy  
Chief executive

# Consumer Care guidelines consultation: template for feedback

This template aims to guide the structure of responses on the consultation on the proposed guidelines

## Overarching questions

1. Do you agree with the structure of the guidelines?

Part	Clause	Feedback
Overarching	n/a	We agree with the general structure of the guidelines and combining the two existing guidelines (medically dependent and vulnerable consumer) into one document. However, we consider the language used in the guidelines lacks clarity in places and recommend it's reviewed against plain-English standards.

2. Do you agree with the change in focus from 'vulnerability' to 'consumer care' applying to all domestic customers, and the reasoning behind this change?

Part	Clause	Feedback
Overarching	n/a	We agree with the change in focus. Electricity is an essential service and therefore all consumers are vulnerable if they're unable to access an affordable electricity supply. Electricity retailers must recognise the additional obligations they have as suppliers of an essential service.

3. Do you have thoughts on the concept of these guidelines sitting within a wider consumer care guidance package?

Part	Clause	Feedback
Overarching	n/a	By themselves, we consider the guidelines don't provide sufficient consumer safeguards. We therefore agree additional information is needed.  As noted in our covering letter, we consider mandatory standards are needed to deliver the changes in behaviour required in this market. Voluntary guidelines have proven to be ineffective in delivering necessary consumer protection. This was also the position reached by the Electricity Price Review.

## Questions on the Explanatory Note

4. Do you agree with the inclusion of an Explanatory Note? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
Explanatory Note	n/a	

5. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
Explanatory Note		To provide necessary context, we consider the explanatory note should include reference to the fact electricity is an essential service. Barriers to access created by retailers'



Part	Clause	Feedback
		practices risk creating major consumer detriment and can significantly impact the health and wellbeing of customers.

## Questions on Part 1: Purpose

6. We have not included a (sub) purpose statement specific to each Part, at the start of every Part. It could be possible to group parts and provide a purpose statement for each (e.g. Parts 2&3, Parts 4-7, then separately for each of Parts 8, 9 and 10). Do you think we should, and if so, why?

Part	Clause	Feedback
1	n/a	

7. Do you agree with the purpose statement, the overarching principles or the intended outcomes?

Part	Clause	Feedback
1	Purpose	In our view, the purpose statement lacks clarity. In particular, we find clauses b) and c) unclear. From a consumer perspective, it's difficult to discern the intent of these clauses and the outcome they're seeking to achieve. We therefore recommend the purpose statement be reviewed and simplified.
1	Principles	We don't support the principles in their current form. We're concerned the principles fail to acknowledge electricity is an essential service. We're also concerned they appear to prioritise retailers' interests and their "right to the paid" over the right of consumers to access affordable electricity. We therefore recommend the principles and outcomes be reviewed.  We consider the purpose statement and principles should reflect the following: <ul style="list-style-type: none"> <li>• Electricity is an essential service</li> <li>• Retailers' practices should not lead to consumer harm</li> <li>• Consumers should not be disconnected for an inability to pay.</li> </ul>
1	Outcomes	

8. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
1		See comments above.
1		

## Questions on Part 2: Retailers to publish a consumer care policy

9. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
2	n/a	We're disappointed the recommendations in this part don't identify specific service standards that retailers are expected to meet. Without defined standards, we consider outcomes for consumers will be variable and the poor practices in the market that exist will continue. The ability of the EA to monitor and measure compliance will also be constrained.  If the guidelines are progressed in their current form, we recommend the EA should develop a model consumer care policy. The model policy should clearly identify the minimum

Part	Clause	Feedback
		<p>expectations of retailers – for example, the steps retailers should take to ensure consumers have “every opportunity” to get the best pricing plan.</p> <p>We consider retailers should have an obligation at every contact point to ensure customers are on the best plan. Given the harm caused when consumers are unable to afford adequate power, preventing this harm must be a priority.</p> <p>Research for the EPR estimated retailers were earning an additional \$39 million a year from customers being on plans that weren’t suitable for their needs. This is likely to be a major factor leading to energy hardship.</p> <p>We’re also concerned this part fails to include any specific safeguards for prepay customers, who are at greater risk of energy hardship. Prepay customers receive a more restrictive electricity service. Unlike post-pay customers, they can’t use power if they haven’t paid for it in advance, yet they pay rates at the top of the market.</p> <p>Our annual surveys show prepay customers are also significantly more likely to experience poor customer service. In respect of prepay retailer Globug, our 2020 survey found:</p> <ul style="list-style-type: none"> <li>• 45 percent of customers had experienced financial difficulty paying for power in the past 12 months</li> <li>• 49 percent had borrowed from family and friends to pay for power</li> <li>• 65 percent had sought other assistance</li> <li>• 46 percent had previously had their power cut-off because they couldn’t pay.<sup>1</sup></li> </ul> <p>Given the vulnerability of prepay customers, we strongly believe additional safeguards are needed to ensure they are treated fairly and don’t face disproportionate costs. We consider retailers providing prepay power should be expected to meet specific service standards.</p>

10. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
2		
2		

### Questions on Part 3: Information and records relating to consumer care

11. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
3	n/a	We consider this part should also make it clear retailers have an obligation to ensure their practices don’t cause harm to customers.

12. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

<sup>1</sup> Our data are from a nationally representative survey of 1507 New Zealanders, aged 18 and over, carried out in March and April 2020.

Part	Clause	Feedback
3		
3		

### Questions on Part 4: When a customer signs up or is denied a contract

13. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
4	n/a	We consider the information in this part regarding prepay customers is insufficient. See comments above regarding protections for prepay customers.

14. Should further assistance be available (within these guidelines) for retailers, for when they are engaging with a customer that they are declining supply? Should further matters for a retailer to consider be included?

Part	Clause	Feedback
4	n/a	The guidelines should make it clear to retailers that as suppliers of an essential service, they have broader responsibilities to consumers than other service suppliers. This should be front and centre of their customer processes.

15. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
4	23 (a) (ii)	We consider this wording should specifically refer to Powerswitch, as the only independent site supported by electricity levies.
4		

### Questions on Part 5: Business-as-usual account management

16. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
5	n/a	As above, we consider the information in this part regarding prepay customers is insufficient.

17. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
5		
5		

### Questions on Part 6: When payment difficulties are anticipated or arise

18. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
6	n/a	<p>We believe this section needs to provide additional direction to retailers on the matters they must consider, including that customers shouldn't be disconnected because of an inability to pay.</p> <p>Relevant considerations include the person's circumstances, such as loss of employment, drop in income, or unexpected expenses. Electricity retailers must also consider the extent to which their practices have contributed to the situation (for example, failing to ensure the customer is on the best plan or failing to take steps to help the person lower power costs).</p> <p>We consider the obligations on prepay retailers are insufficient and fail to recognise the issues these customers are likely to be facing.</p> <p>Our survey research shows a significant proportion of prepay customers are on prepay because it's the only option. Our 2020 survey found 59 percent of Globug customers switched to prepay because they'd previously had trouble paying power bills. Twenty-five percent said they'd previously been refused service by an electricity retailer because of missed payments.</p> <p>We're extremely concerned prepay customers are being treated as "second class" consumers. Not only do they often have no choice of retailer, they incur costs that other consumers don't (such as top-up fees). We believe the guidelines must address this by identifying specific safeguards for these consumers.</p>

19. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
6		
6		

## Questions on Part 7: Progressing to disconnection for non-payment of invoices and reconnection

20. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
7	n/a	We reiterate our points above that customers shouldn't be disconnected because of an inability to pay and that additional safeguards are needed for prepay customers.

21. Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
7	68	<p>We disagree with the statements made in clause 68 that a disconnection resulting from a prepay meter running out of credit is not a disconnection because the customer has understood and accepted the risks associated with prepay.</p> <p>The wording of clause 68 implies customers have voluntarily opted for prepay. However, as noted, prepay customers may have no choice of provider. Self-disconnection may also be the only option to manage their power costs.</p>
7		

## Questions on Part 8: Additional recommendations for medically dependent consumers

22. Should we include a Part making additional recommendations specific to MDCs? Or, should we have recommendations relating to MDCs throughout Parts 4-7?

Part	Clause	Feedback
8	n/a	In general, we agree with having additional recommendations in part 8.

23. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
8	n/a	<p>Our main concern is that the approach taken doesn't recognise retailers may already hold sufficient information to identify a high-risk customer, without requiring an HP Notice.</p> <p>For example, retailers' records are likely to record the customer's age as this information is typically requested as part of the sign-up process. They will be able to use this information to assess the impacts of disconnecting a customer who is elderly and therefore at higher risk of having health issues. A responsible retailer would not need an HP Notice in this instance.</p> <p>We recommend the guidelines make it clear that retailers should review the information they already hold to assess whether or not an HP Notice is needed.</p>

24. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
8		
8		

## Questions on Part 9: Bonds and Fees

25. Do you agree with the explanation of what a fee is?

Part	Clause	Feedback
9	n/a	<p>We recommend the guidelines state the term "prompt payment discount" should not be used. These "discounts" are effectively late payment fees and should be described as such.</p> <p>It should also be made clear that percentage-based fees are unacceptable (i.e. late payment fees charged as a percentage of the customer's bill).</p> <p>Fees specific to prepay customers, such as top-up fees, aren't mentioned. We consider specific standards should be set in respect of these fees to ensure prepay customers aren't disadvantaged. For example, Globug customers face a \$35 account closure fee.<sup>2</sup> We consider a fee of this order is difficult to justify.</p>

<sup>2</sup> See <https://www.globug.co.nz/faq/>

Part	Clause	Feedback
		We also recommend the guidelines set standard terminology that should be used for fees. Retailers use a range of terms to refer to the fees they charge. The guidelines provide an opportunity to ensure consistency, which would also make market monitoring more efficient.

26. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
9	n/a	

27. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
9	104	<p>We're concerned about the wording of this clause as it may be interpreted to mean percentage-based fees are acceptable. A dollar amount (e.g., \$15) may be more appropriate and achieve consistent practices between retailers.</p> <p>Where a retailer is aware or should be aware the customer is facing financial difficulties, we consider extended payment arrangements should be offered regardless of the fee amount.</p> <p>Before charging late payment fees or fees related to disconnection, the retailer should also consider the extent to which its practices (such as failure to ensure the customer is on the best tariff) have contributed to the payment difficulty.</p>
9		

## Questions on Part 10: Information disclosure and monitoring

28. Do you agree in general with the recommendations in this Part? If yes, please tell us if the meaning is clear?

Part	Clause	Feedback
10	n/a	<p>We agree monitoring is crucial and consider the EA should publish the results of its monitoring work.</p> <p>In addition to monitoring compliance with the guidelines, there must be monitoring of other practices in the industry to help assess consumer outcomes. This work should be a priority for the EA. We consider key metrics need to include:</p> <ul style="list-style-type: none"> <li>• Number of customers declined service (per retailer) and the reason why</li> <li>• Number of customers charged late fees and amount of fees collected</li> <li>• Number of customers disconnected</li> <li>• Number of prepay customers</li> <li>• Number of prepay customers who self-disconnect and for how long.</li> </ul> <p>We also consider regular monitoring must be undertaken to assess whether retailers are ensuring customers are on the best plan.</p>



29. Do you have feedback on the drafting of specific clauses in this Part? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
10		Various clauses state the EA “may” publish monitoring information. We consider this should be changed to “will” publish. Monitoring results should be publicly available. Without this transparency, retailers will have less incentive to comply with the guidelines.
10		

### Questions on Monitoring alignment and outcomes

30. Do you agree with the monitoring process that the Authority intends to follow?

Part	Clause	Feedback
Monitoring	n/a	See comments above.

31. Do you agree with the process set out for monitoring consumer complaints? Do you suggest alternative wording? Or is there any superfluous or missing text?

Part	Clause	Feedback
Monitoring	n/a	We recommend the EA considers a range of sources to monitor complaints. For example, Consumer NZ currently monitors problems in the market through our annual customer satisfaction surveys. These are nationally representative surveys and have been running for several years.  We would be happy to discuss ways this data could help the EA perform its monitoring functions.
Monitoring	n/a	

### Questions on implementation

32. Do you agree with a 30 June 2021 implementation date for the proposed guidelines? If you disagree please provide reasons and the date that you would propose.

Part	Clause	Feedback
Implementation	n/a	We consider an earlier date for implementation should be considered. Development of the guidelines has been well-signalled and retailers have had sufficient time to prepare.

### Questions on the indicative impact assessment

33. Do you agree with the type of benefits identified?

Part	Clause	Feedback
Impact	n/a	

34. Are there benefits missing?

Part	Clause	Feedback
Impact	n/a	

35. Do you propose alternative methods to estimate the size of any particular benefit, or a different estimated magnitude?

Part	Clause	Feedback
Impact	n/a	

36. Do you agree with the type of costs identified?

Part	Clause	Feedback
Impact	n/a	

37. Are there costs missing?

Part	Clause	Feedback
Impact	n/a	

38. Do you propose alternative methods to estimate the size of any particular cost, or a different estimated magnitude?

Part	Clause	Feedback
Impact	n/a	

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