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Submissions
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ERANZ submission on the Consumer Care Guidelines technical consultation

Introduction

The Electricity Retailers' Association of New Zealand (ERANZ) welcomes the opportunity to provide feedback on the Electricity Authority's (the Authority) 23 February 2021 final draft of the Consumer Care Guidelines. We support vast majority of the provisions within the final draft document and look forward to seeing these implemented across the sector for the benefit of customers and consumers. This is the culmination of years of effort from retailers, the Authority and other stakeholders.

As such, our submission only focuses on areas where we think change is required.

We note the Authority acknowledges that the current guidelines, which have been in place since 2010, have worked well to provide a consistent industry approach for vulnerable and medically dependent consumers.

Retailers' actions to support customers

As you know, ERANZ and its members care passionately about electricity consumers in hardship and have consistently advanced additional protections since our formation in 2015.

Retailers have worked hard to develop systems to help those in hardship manage their debt and avoid disconnection, which ERANZ members have long treated as an absolute last resort. Indeed, this project builds on ERANZ's cross-sector working group looking at this exact issue, with representatives from retailers, lines companies, consumer advocates, government officials and regulator working together to improve the previous guidelines to support customers in need.

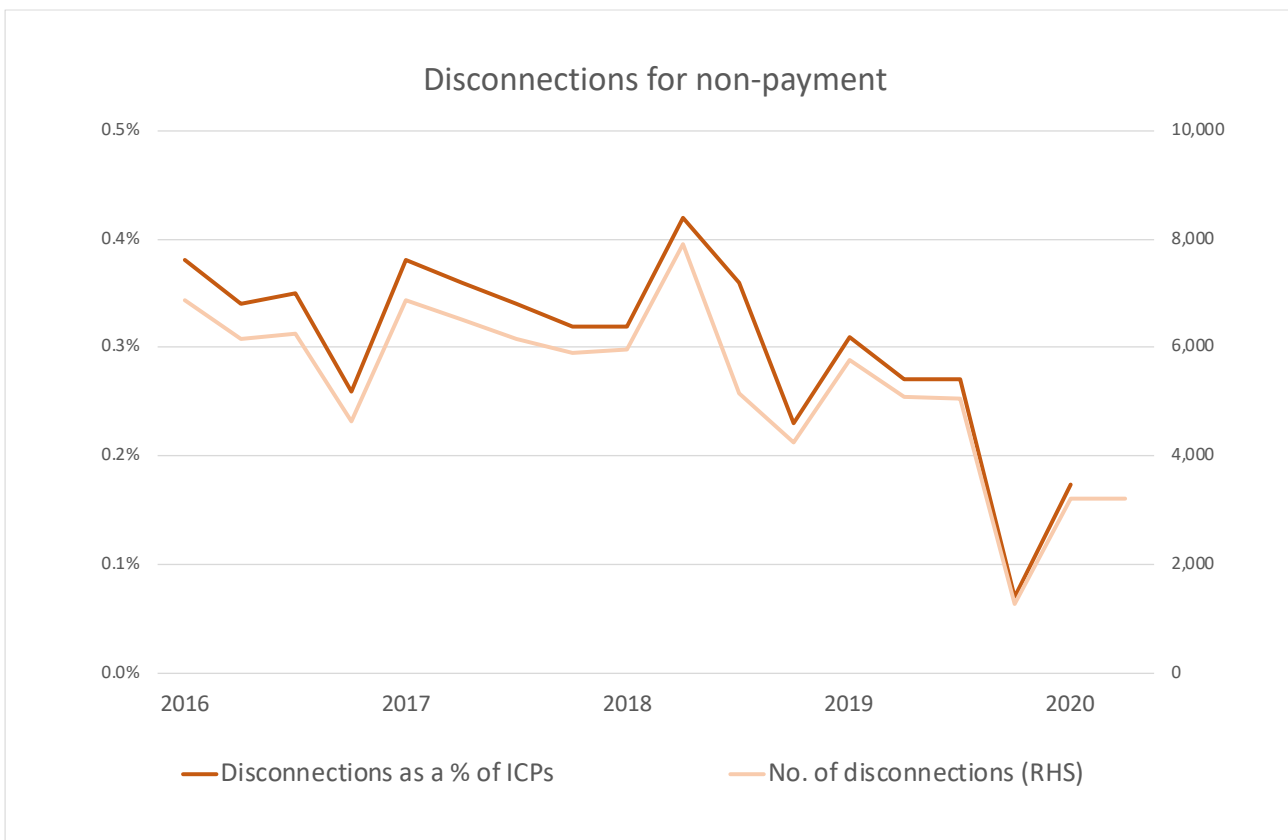
We are incredibly proud of the progress the sector has made to better connect budgeting support agencies with customers who need a helping hand. Providing early and proactive support is one of the best ways to ensure families can affordably access the power they need.

Further initiatives we have worked on in recent years includes:

- Implementing Voluntary Practice Benchmarks to assist retailers, these are essentially a practice guide for how to implement the Electricity Authority’s guidelines for vulnerable and medically dependent consumers.
- Undertaking annual compliance exercises to confirm retailers are meeting the standards of both the Electricity Authority Guidelines and the Voluntary Practice Benchmarks.
- Providing a range of payment terms or repayment schedules to suit a household’s circumstances, like smoothed monthly payments to avoid high winter bills.
- Coordinating financial support with social service providers like WINZ and FinCap’s MoneyTalks.

The combined efforts of retailers to support customers has successfully driven down disconnection rates since 2018, as illustrated below by chart 1.

CHART 1



Our members go above and beyond the Guidelines, but we are eager to do more. The EnergyMate pilot is being rolled out to eight new locations this year, helping hundreds more families experiencing energy hardship make the most of their electricity use through in-home energy coaching and community hui.

And with the threat of Covid-19 coming to our shores, our members placed a moratorium on disconnections during lockdowns while also quickly implemented a Power Credits scheme that provides families with a \$120 credit against their power bill to help them through the economic uncertainty.

ERANZ and our members have been involved with the refreshing of the Guidelines since the project's inception, and we agree with much of it. However, there are some drafting issues and major practical issues that we set out in this document.

We look forward to playing a leading role in developing a default Consumer Care Plan template for use by the industry.

Executive summary

The overall theme of ERANZ's feedback is that a number of elements within the Guidelines requires retailers to dilute their attention across a broad range of customers, many of whom do not require any intervention at all, at the expense of investing greater effort into helping those most at risk of disconnection. This is counter to the original objective of refreshing the Guidelines to make them fit for purpose and ensuring all retailers were adhering to best industry practice.

You asked for "feedback on any technical drafting issues and any major practical reasons that would prevent retailers giving effect to the guidelines as amended", please find our feedback below. Our members have identified nine drafting issues and two major practical issue that significantly inhibits the ability of retailers to give effect to the guidelines as currently drafted. For each issue, ERANZ proposes a technical change to accommodate retailers' views while ensuring consumers enjoy a high level of protection.

Technical drafting issues

Paragraph 5(d), Paragraph 80 & Paragraph 101(b)

The Guidelines prevent disconnecting a medically dependent consumer "for reasons of non-payment", there is universal support for this provision. However, the text of the Guidelines has been changed to include a provision for no disconnections where "electricity or distribution services obtained by or involving deception". This provision is redundant because of the requirement to maintain electricity services to a medically dependent consumer even when there is non-payment. The additional words covering deception provides a medically dependent consumer with no additional protection, but does provide explicit, undefined permission for medically dependent consumers to deceive retailers or distributors. The consequences of the Guidelines highlighting this could include material financial losses to retailers, the introduction of health and safety risks, or liability risks to the customer if another member of their household deceives them as well as the retailer.

Furthermore, there could be additional consequences for consumers if they undertake "deception". For example, customers who make fraudulent applications may be detected or reported by credit bureau services and potentially added to fraud register which would significantly impair their credit worthiness and access to obtain credit or insurance services.

ERANZ recommends removing the provisions around "deception".

Paragraph 15(d)

The main thrust of this provision relates to collecting contextual information offered by customers who may have difficulty paying their electricity bills. Subparagraphs (b) and (c) are worded so that information “offered by” a customer is recorded accurately for future referral by retailers, however, this qualifier is absent from (d). It appears this is inadvertent. An obligation on retailers to ask all customers about their heating sources and household dynamics would be extremely onerous and, if required proactively, viewed by many customers as invasive. The Authority should be reassured that current practice among our members’ customer relationship teams is to ask this information of customers in the credit cycle, this is a far more targeted approach.

ERANZ recommends adding the words “offered by a customer” to Paragraph 15(d).

Paragraph 25(a)(i) & 31(b)

Part 4 of the Guidelines aims to help consumers who are not able to sign on to a particular retailer. Paragraph 25, in particular, provides such consumers with additional information to help them, and this is supported by retailers. However, the provision obliging retailers to inform the customer about plans offered by other retailers is redundant because there is already an obligation to inform customers about pricing plan comparison websites – a significantly larger universe of plans than just those the retailer “is aware of” that “may suit” the customer.

Retailers already invest significant training in front line teams to inform them of their own plans; introducing a requirement for these teams to also have knowledge of competing plans is likely to lead to poor consumer interactions – the information may be wrong, may be incomplete, and may not be in the best interests of the consumer. Retail plans often have complexities such as requiring a certain meter type or bundling with additional services that consumer may or may not be interested in. It is neither practical nor feasible to expect retailer customers services teams to be able to give accurate and up-to-date advice on the available pricing plans of competing retailers.

ERANZ recommends removing Paragraph 25(a)(i) and Paragraph 31(b).

Paragraph 42

The steps laid out in Paragraph 42 for a retailer to follow when dealing with overdue invoices are not in chronological order. The instructions relating to the heading “Day 24” are then followed by instructions relating to “at or after day 21”.

In addition, there is little consistency in the cross references used among these provisions. Paragraph 42 refers to Paragraph 44 under the “Day 14” instructions, but no such relevant cross reference is used under the “Day 24” instructions. Paragraph 57 also refers to “three [communication] attempts under clause 40”, whereas Paragraph 42 details “three separate attempts” rather than 40.

ERANZ recommends a chronological sequence for laying out retailer obligations; and we recommend tidying up and completing the relevant cross references between paragraphs.

Paragraph 44(h)

The wording of Paragraph 44 refers to “customers not on a payment plan, who is in payment arrears and/or is having payment difficulties”. However, subparagraphs 44(h)(i) and (ii) are only introduced with reference to “the repayment process”. This may be inadvertent drafting.

ERANZ recommends rewriting Paragraph 44 so the provisions in subparagraphs (i) and (ii) refer to all the customer scenarios used the opening statement.

Pausing a customer’s repayment or credit cycle process for 14 days is a long period of time during which a customer will end up incurring more debt. Although this is noted under Paragraph 44(h)(i), it is still unavoidable that a customer will be continuing to use electricity during this time while not paying for it. For consistency’s sake, and in the best interests of the customer, subparagraphs (i) and (ii) should be consolidated into a single provision allowing for a seven day pause.

ERANZ recommends merging subparagraphs (i) and (ii) into a single subparagraph that allows for a seven day pause to the repayment process for customers referred to a budgeting advice agency.

Paragraph 44(h) does not quantify how often a retailer is expected to offer a referral to the relevant agencies and to subsequently pause the repayment process. Unfortunately, many customers repeatedly move through the credit cycle. Is it intended that a referral should be offered every time a customer is in the credit cycle, and is it intended that on each occasion a pause should be implemented? Bearing in mind these payment pauses see the customer’s debt increasing.

ERANZ recommends the Guidelines should clarify how often a customer can be referred to a budgeting advice agency, for example, once in each 12-month period.

Paragraph 47(a) & (b)

Paragraphs 46 and 48 refer to customers on repayment plans, and subparagraphs (c) and (d) in Paragraph 47 refer to debt repayments and payment plans. In this context, it is notable that Paragraph 47(a) and (b) refers to all customers, because there is no filter, despite appearing in the context of a set of obligations referring only to customers with a repayment plan.

ERANZ recommends inserting the words “if a customer on a repayment plan” to the start of subparagraphs (a) and (b).

For the avoidance of doubt, if the intention of the Authority was to have subparagraphs (a) and (b) apply widely to every customer, this introduces an extremely significant compliance burden on retailers for no obvious benefit to consumers. This is one example in the Guidelines where it will significantly drain retailers’ resources away from dealing with vulnerable customers in order to meet this obligation to make

contact with a wide variety of customers whose electricity consumption may have changed for any number of reasons.

A brief list of reasons why a customer's consumption increases or decreases significantly includes Covid alert level changes, customer holidays, use of irrigation, household composition changes, installing new appliances or heating sources, and installing insulation and other efficiency initiatives. None of these relate to ability to pay. In fact, some customers will find such enquiries mandated by subparagraphs (a) and (b) to be invasive and a breach of their privacy.

The information technology changes required of retailers to comply with these provisions, as currently drafted, will be significant. Systems are currently not set up with this capability. The resources required to make such system changes would be better targeted to initiatives with a proven ability to make a difference to vulnerable consumers.

Paragraph 61

Retailers currently warn customers when they are about to disconnect them. This paragraph introduces a new obligation on retailers to contact vacant and uncontracted premises for a fourth time when they are about to be disconnected. However, there is a logical inconsistency because vacant premises are only disconnected when they are uncontactable, having already received and not responded to at least two items of communication under Paragraph 65(d)(i) and a further disconnection notice under Paragraph 65(d)(ii).

Retailers, by definition, have no contact details for these consumers other than a physical address. An obligation for the retailer to attempt a fourth communication in order to warn about disconnection is a further barrier to retailers dealing with vacant properties.

ERANZ recommends removing the words "or any uncontracted premises" from Paragraph 61.

Paragraph 62(b), (c) & (d)

The phrasing of these three subparagraphs make it appear as if it is the retailer's representative who is obliged to provide the required information to the consumer. Representatives who undertake disconnections are technical experts in their field, they are not trained in communications with consumers. Placing a high load on them is unreasonable and impractical. It makes more practical sense for the obligations to fall on retailers themselves, and for the representatives on-site to simply inform the consumer on how to contact the retailer.

ERANZ recommends making the provisions in Paragraph 62(b), (c) and (d) an obligation on retailers, not retailers' on-site representatives.

Paragraph 67(c)

This provision includes a number of practical measures ERANZ members support in order to avoid disconnections that are problematic for the customer or prevent speedy reconnection. Unfortunately, the inclusion of “very cold day” in Paragraph 67(c) is vague and ill-defined. It is clearer for the Authority to promote the wording already included in the Guidelines further down the subparagraph regarding “severe weather events”; which would be better placed before a disconnection takes place rather than when referring to reconnections.

ERANZ recommends replacing the words “on a very cold day” with “during severe weather events”.

Major practical issues

Paragraphs 57 & 60

ERANZ notes Paragraph 5.8(a) of the Authority’s Consumer Care Guidelines Decision document dated 23 February 2021 states: “First, the final draft of the consumer care guidelines more closely aligns the disconnection-for-non-payment process with the equivalent process in the existing guidelines. This means the incremental change in costs associated with the disconnection process in the new guidelines should not be significant.”

ERANZ submits there are major practical issues with Paragraphs 57 and 60 of this final draft of the Guidelines, meaning changes to the disconnection process will incur significant costs for retailers, not incremental costs as envisioned by the Authority.

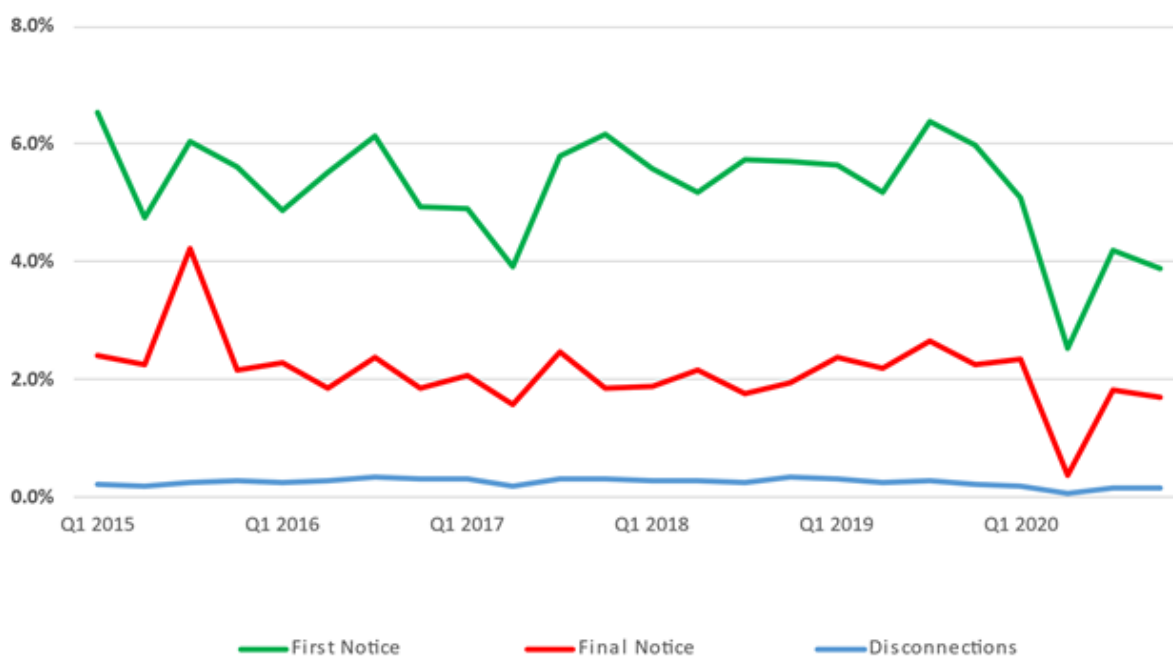
Paragraph 57(b) is very hard to follow. It includes a provision relating to customer notifications for “read” receipts rather than a provision for “delivery” receipts. It is impossible for retailers to know whether a customer has “read” a message, despite being able to verify its “delivery”. For example, a retailer can know whether an electronic message delivered via text message, messenger application, app, or email, has been successfully delivered to the customer. It is much harder, perhaps impossible, to tell whether the customer has “read” it. Even opening the message does not guarantee the customer has read it. In addition, such provisions are open to deliberate manipulation, for example, a customer can simply refuse to sign for a courier letter despite the courier knowing they can leave the letter on the customer’s doorstep. Does subparagraph 57(b) require a courier to repeatedly visit a premise until someone agrees to sign for the letter? Repetitive visits incur additional costs, which could be significant for a rural customer.

ERANZ notes that current practice by retailers is already extremely effective in promoting engagement by customers and keeping disconnections low. Published disconnection statistics, see chart 2 below, show more and more customer engagement at each stage of the current escalation process. Sending more intensive communications earlier in the process, such as courier letters, is unlikely to boost engagement but still impose significant costs of retailers. Given this effectiveness, it is unclear what problem the Authority seeks to solve by requiring more intensive and costly interventions, especially given the Authority has previously advised that the current process is not problematic.

In addition, Paragraph 57(b) appears to require retailers to make an in-person visit to the customer’s home ten days prior to disconnection in situations where the retailer has not had a successful “traceable form of contact” with the customer. When combined with another in-person visit under Paragraph 62 for disconnection, it means it is still likely for a non-paying, non-communicative customer to have two in-person visits which is contrary to the current Guidelines and outside the Authority’s objective to impose only an “incremental change in costs” on retailers.

CHART 2

Notices of disconnection per ICP



No cost-benefit analysis has been undertaken to quantify the impact of asking retailers to incur additional costs by adding a courier or site visit as early as ten days prior to disconnection. As the chart above shows, there is a significant attrition rate between specific credit treatment stages of the credit cycle, for example, disconnection notices issued, final warnings issued, and disconnections completed. Requiring retailers to courier or hand deliver disconnection notices ten days prior to disconnection would unnecessarily add several millions of dollars in cost per annum to the industry and its consumers.

Paragraph 65

In dealing with uncontracted premises who choose not to respond to the correspondence delivered to their address, ERANZ considers that delivering two letters (Paragraph 65(b) and (c)) and one disconnection notice (Paragraph 65(d)(ii)) is sufficient. We disagree with the additional requirement these Guidelines introduce for an in-person communication to occur under Paragraph 65(d)(ii)(b), we consider this a major practical issue with implementing these Guidelines. In-person visits are disproportionately expensive,

particularly when dealing with rural premises. Given there is no customer to recover the cost from, costs must unfortunately be spread over the rest of the retailers' customer base despite no fault of theirs.

Remember, in the context of an uncontracted premises the new occupant has not made arrangements for the provision of electricity, has ignored three pieces of written communications, and the retailer has no alternative method of making contact precisely because they do not know who the occupant is. All retailers can do is deliver letters to a postal address.

If the Authority chooses to persist with the policy intent of Paragraph 65, ERANZ does have further technical drafting issues with this paragraph.

The provisions in Paragraph 65 oscillate between specifying consumption at the premises which "indicates a domestic consumer is in residence", including the short-hand reference "such consumption", and just a straight "electricity consumption" which would appear to catch all situations where an uncontracted premise was showing non-zero electricity usage. This is inconsistent and could lead to confusion.

Furthermore, the concept of "where electricity consumption at the premises indicates a domestic consumer is in residence" is not defined in the Guidelines. It is extremely difficult for retailers to ascertain whether consumption is consistent with occupation and could have many other causes, for example, tradespeople undertaking renovation work, real estate agents heating and lighting the house for show, and inadvertent leaving on of appliances. In addition, such usage data is only available with a smart meter capable of showing time of day use; otherwise the only data retailers have to work with is a low, flat level of consumption.

In practice, retailers will take a risk adverse approach to applying this test and treat many premises as occupied when, in fact, they are not. This introduces practical difficulties with the processes laid out in Paragraph 65, particularly the use of a "traceable form of contact". In situations where there is no occupant, there is no one to sign for courier letters, so the retailer can never satisfy this provision and will be left with no choice but to send out a representative to perform an in-person visit. The problems with in-person visits have already been traversed above.

Conclusion

Thank you once again for the time and effort that the Authority has put into refreshing the Consumer Care Guidelines. We all want a well-functioning sector placing consumer interests first. These Guidelines will contribute to the constant improvement of the sector and provide a foundation for further innovations in the future.

Should you have any questions or feedback on the content of our submission, please do not hesitate to get in contact. We look forward to further engagement as we develop a default Consumer Care Policy for retailers and implement the published Guidelines this year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Burrows', with a long horizontal flourish extending to the right.

Cameron Burrows
Chief Executive