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Child Poverty Action Group

Submission on the Electricity Authority's Options to update and strengthen the Consumer Care Guidelines (4 September 2023)

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www.cpag.org.nz

Our Vision

All tamariki will grow up surrounded by loving, thriving whānau within supportive communities where there are resources, opportunities and systems to enable them to live self-determined lives and futures.

CPAG acknowledges that tamariki Māori and whānau have unique rights as tangata whenua, affirmed within He Whakaputanga and Te Tiriti o Waitangi. The significant inequities in well-being outcomes and child poverty for tamariki Māori are the result of ongoing colonisation, systemic racism, and neglect. Reducing child poverty in Aotearoa requires our country to address the inequitable distribution of power and resources that prevents Māori from flourishing.

About Child Poverty Action Group (CPAG)

We are an independent, registered charity focusing on the elimination of child poverty in Aotearoa New Zealand through research, education, and advocacy. We recognise that poverty is a multifaceted state of being that is materialised through individual and household's lived hardships.

Through three decades of sustained passion, our work intends to understand and challenge the ongoing generation and sustenance of child poverty through a wide range of wellbeing indicators, including, but not limited to, health, housing, education, taxation, disability, employment, and social welfare.

We aim to offer public members and policymakers with evidence-based accounts of poverty and foster productive dialogues about a fairer policy and national future where children of Aotearoa can flourish within an equal society, free from the limitations of poverty. Our work and contact details can be accessed at www.cpag.org.nz

CPAG's Position on Electricity Authority's Consumer Care Guidelines Consultation

Paper

Position Summary

CPAG strongly supports **Option Four** as outlined by the Authority, but advocates for the **inclusion of Kaupapa Māori**. Electricity is a cornerstone within a digitalising Aotearoa New Zealand. A stable electricity supply is fundamental to people's home-making processes and the *whare* holds particular significance within Kaupapa Māori. A powered home is vital to household members' health, education, social connectedness, and their sense of self and belonging. We believe mandating the Guidelines will further the objective of protecting consumers from energy hardship.

We passionately believe that a stable power connection and energy supply is fundamental to a whānau, aiga, or family's livelihood and wellbeing.

Not only is electricity a critical utility in meeting the basic needs of a household such as warmth and food preparation, but it is also significant in providing a sense of belonging, in a place we call 'home'.

Electricity is an essential infrastructure that platforms people's daily lives and connectivity within a digitalising society. A stable electricity supply is vital in maintaining a household's information and communication technologies, such as cellphones and internet, used for phone calls (emergency or otherwise), online classes, internet banking, and other important account administrations via digital platforms, for instance IRD, Work & Income, ManageMyHealth, and Waka Kotahi.

Electricity is also essential for people with medical conditions and/or disabilities to manage their daily lives through assistive devices. In some rural regions, water infrastructure (clean and wastewater) is dependent on electricity and may become comprised during disconnection, potentially incurring further costs for occupants. Ensuring a stable supply of electricity is ensuring the platform on which contemporary livelihoods are so dependent on does not crumble.

We believe the Authority should monitor and record electricity disconnections, post- and pre-pay, in its Electricity Market Information database. The use of prepay electricity is currently not included in the Authority's database. Disconnection metrics, such as the number of users disconnected, disconnected user's payment and meter type, the duration of a disconnection, and the fees associated with dis-/re-connection, should be recorded. Addressing this data gap would be a significant step to enhance the Authority's capacity to track the implementation of the Guidelines and its policy outcomes.

From our research on housing, it is evident that cold and damp houses have detrimental health effects¹. A cold house, unheated and/or uninsulated, shares the same temperature as the outdoor during the cooler seasons. Respiratory viruses thrive in a cold environment while the human immune system weakens. Individuals and households enduring energy hardship cannot afford to keep their houses to a healthy temperature of at least 18 degrees Celsius. The disproportionate health impact of energy hardship and cold housing emerges in the unequal

¹ Child Poverty Action Group. *FAQ: Healthy and Affordable Housing*. <https://www.cpag.org.nz/publications>

infection rate of respiratory diseases in tamariki (children) and rangatahi (young people) of Māori and Pasifika background². The supposedly sanctified space of ‘home’ has become a space that is conducive to serious cardiovascular and respiratory diseases such as asthma, pneumonia, and bronchitis³.

No children should find themselves in a cold and dark home and without a warm meal; nor should their parents be forced to watch their loved ones suffer and made to feel inadequate in their role as guardians. No families should be left in the ‘dark’ by power providers that present them with few options and little empathy⁴.

This is the lived reality of Hawke’s Bay solo mother Jamie Holmes⁵ who was forced to be on prepay electricity at the time she was interviewed. It could very well be the realities for the 50 prepay power users being disconnected every night or the 40,000 households who have lived without power in the past 12 months⁶. In 2022, Consumer Advocacy Council reports that consumers are becoming more concerned about energy affordability with over half of the survey participants worrying about their ability to pay for electricity within the next 10 years⁷. This consumer concern is situated within 2023’s severe weather events and economic inflation which intensifies people’s worry about their daily needs and future livelihoods⁸.

In this context, about 6% of Consumer NZ’s survey respondents had switched to prepay electricity in 2023⁹, a payment method that is priced 11 – 17% higher than regular post-pay electricity¹⁰. The vulnerability of these disadvantaged customers is exacerbated by fees charged for dis-/re-connecting electricity where such fees are priced at the discretion of the

² Catherine A Byrnes and Andrian Trenholme, “Respiratory Infections in Tamariki (children) and Taitamariki (young people) Māori, New Zealand.” *Journal of Paediatrics and Child Health* 46, no.9 (2010): 521 – 526.

³ Environmental Health Intelligence New Zealand. *About the Indoor Environment and Health*. <https://www.ehinz.ac.nz/indicators/indoor-environment/about-the-indoor-environment-and-health/>

⁴ FinCap. *Put On Hold? Cyclone Gabrielle, Covid-19 disruption and business as usual – do our electricity consumer protections work when whānau most need them?*. (June 2023): <https://www.fincap.org.nz/put-on-hold-report/>

⁵ 1News. *It shouldn’t be a privilege to have electricity, solo mum says*. (July 2022): <https://www.1news.co.nz/>

⁶ Consumer NZ. *Prepay customers paying much more for power*. (June 2023): <https://www.consumer.org.nz/>

⁷ Consumer Advocacy Council. *Electricity consumer sentiment survey – residential consumers and small businesses: 2022 baseline survey results*. (March 2023): <https://www.cac.org.nz/our-work/surveys/sentiment-survey-2022/>

⁸ Ibid.

⁹ Consumer NZ, June 2023.

¹⁰ Ibid.

power provider without any transparency as to their costings¹¹. The implications of current electricity retailing practices are clear. People of precarious financial positions are entrapped in energy hardship through the involuntary choice to be on prepay electricity, a higher electricity price imposed by the prepay payment structure and are confronted with ambiguous connection fees and the likelihood to become further indebted¹².

We believe that power suppliers should do more to reduce harm on customers and prevent them from becoming more financially insecure through accumulated energy debts. This is why **CPAG believes that Option Four, the codification of Parts One to Nine of the Consumer Care Guidelines, is the preferred pathway to achieve targeted outcomes for the most impoverished electricity consumers and protect others from entering energy insecurity.** Energy security is not only essential to the daily functioning of a household, but also a vital component of a healthy home that fosters people's sense of social belonging and sense of self.

In Kaupapa Māori, the whare, or home, is a crucial social space where culturally significant events and ceremonies, such as tangi and funerals, take place¹³. Ministry of Business, Innovation, and Employment's (MBIE) 2021 report an over-representation of Māori and Pasifika households in energy hardship¹⁴. Using concepts of mauri (vitality) and hauora (health), NZ Productivity Commission suggests that disadvantaged people, like those experiencing energy hardship, struggle with a 'trapped lifestyle' that involves a loss of hope, a clouded mind, a tortured body, and ruined social relationships¹⁵. Individuals experiencing (energy) hardship are determined to improve the livelihoods of their family. These individuals want to provide a stable and loving environment for their children, but they are overwhelmed by the daily struggles generated by structural barriers. CPAG's support for Option Four of the consultation process is situated within the belief that fairer chances should be offered to disadvantaged individuals to improve their circumstances, especially given the power

¹¹ Everyone Connected New Zealand. *Disconnection fees harm the most vulnerable*. (accessed September 2023): <https://www.everyoneconnectednz.com/>

¹² FinCap, June 2023.

¹³ Energy Hardship Expert Panel, Ministry of Business, Innovation, and Employment. *Te Kore, Te Pō, Te Ao Marama Energy Hardship: the Challenges and a way forward*. (March 2023): <https://www.mbie.govt.nz/document-library/>

¹⁴ Ministry of Business, Innovation, and Employment. *Defining Energy Hardship: A discussion document on defining and measuring energy wellbeing and hardship in Aotearoa*. (November/December 2021): <https://www.mbie.govt.nz/dmsdocument/17802-defining-energy-hardship-discussion-document>

¹⁵ New Zealand Productivity Commission. *Te Puna Kōrero: Understanding persistent disadvantage in Aotearoa New Zealand*. (August 2022): <https://www.productivity.govt.nz/>

imbalance of the consumer-retailer relationship in the energy market. **We believe that Option Four with the inclusion of Kaupapa Māori responds to concerns of “don’t just count us, talk to us too” as reported within MBIE commissioned inquiry into Māori perspectives on the measurement of energy wellbeing¹⁶. We believe Option Four with the inclusion of Kaupapa Māori is an important aspect in addressing present social inequities of Aotearoa New Zealand and barriers within the current colonial system which have had discriminatory outcomes on tāngata whenua and Pasifika population.**

For any further questions and inquiries about this work or Child Poverty Action Group, please refer to our website www.cpag.org.nz or get in touch with our researcher at research@cpag.org.nz

CPAG’s Submission

1) Do you agree or disagree with our view that the Guidelines are not delivering on their purpose or intended outcomes? Please provide any supporting evidence.

We agree that the Guidelines’ purpose are not being achieved as of now. Consumer NZ reported in June 2023 that more people are driven to the more expensive and insecure prepay electricity¹⁷.

Simultaneously, an increasing number of electricity consumers are being disconnected and expressing concerns about electricity affordability and resilience within ongoing economic and climate environments¹⁸. FinCap’s *Put on hold?* Report documents energy companies’ inaction and apathy towards disadvantaged customers. The report also documents how customers, particularly the disadvantaged, lack the bargaining power to negotiate a resolution with energy companies until a third-party intervenes. Clearly, the objective of reducing harm to electricity consumers has not been realised.

2) Do you agree the policy objective should be delivering the purpose and intended outcomes of the Guidelines? If not, why not?

Yes, we agree with the policy objective to deliver the purpose and intended outcomes of the guidelines however this is failing to deliver these outcomes because of the voluntary nature of the Guidelines.

In addition Child Poverty Action Group advocates for the special consideration of the circumstances of disadvantaged consumer groups to be prioritised.

¹⁶ Haemata Limited. *Ka Mahana I Taku Kiri: Māori perspectives on the measurement of energy wellbeing*. Ministry of Business, Innovation, and Employment (June 2022): <https://www.mbie.govt.nz/document-library/>

¹⁷ Consumer NZ, June 2023.

¹⁸ Consumer Advocacy Council, March 2023; Everyone Connected New Zealand, September 2023.

3) Do you consider the Guidelines' recommendations, purposes, and intended outcomes continue to reflect general industry consensus? Note in this question we are seeking your views on the Guidelines' content; not whether they should be mandatory.

The Guidelines have touched on aspects of energy hardship as examined by other institutes. However, the Guidelines tend to overlook the demographic disparity in energy hardship. Furthermore, the framing of customer's wellbeing should include their dependent children. Therefore, clause 66(c) and 73 (a)(i) concerning disconnections that may endanger the wellbeing of the customer should extend to the customer's children.

Currently, retailers measure their own compliance of the Guidelines. Genesis Energy's non-compliance was reported within the media¹⁹. Other retailers have taken an unacceptable position of refusing to engage with the Authority's request for compliance reports.

The Authority needs to enforce compliance by making the Guidelines mandatory and track retailers' compliance through means outside of self-assessments such as independent audits.

4) What do you think about our approach to limit options to areas covered by the current Guidelines?

We understand that the Crown Institution has its own project limitations and delivery schedule. However, to maximise the intended outcomes of the Guidelines and the Electricity Authority's objects, we believe short-term policies should act as transitional steps towards long-term transformations and outcomes.

5) What issues that fall outside of the current Guidelines would you like to see us consult stakeholders on in an issues paper to be released by mid-2024? If possible, please provide any initial evidence on these issue areas.

There is clear evidence through FinCap's *Put On Hold*, Energy Hardship Expert Panel's *Te Kore, Te Pō, Te Ao Marama*, and NZ Productivity Commission's *Te puna kōrero* that energy hardship is a substantial risk factor for entrapping individuals and families within impoverished livelihoods, particularly Pasifika and Māori households. There should be consideration given for collaboration with community organisations, members, and local social workers in the implementation of the Guidelines' on-going customer care and assistance.

We are also concerned about the geographical disparity between the rural/urban line charges. Rural charges can be as much as double that of an urban area, for example 18.5¢/kWh in Kerikeri and 19.7¢/kWh in Waipukurau compared to 9.2¢/kWh of Wellington as reported in August 2023's Quarterly Survey of Domestic Electricity Prices (QSDEP) by MBIE²⁰.

¹⁹ Gareth Bray. *Mystery meter gives Akl flatties massive power bill shock*. 1News (July 2023): <https://www.1news.co.nz>

²⁰ Ministry of Business, Innovation, and Employment. *Quarterly Survey of Domestic Electricity Prices*. (August 2023): <https://www.mbie.govt.nz/assets/quarterly-survey-of-domestic-electricity-prices-15-august-2023.pdf>

The geographical difference in pricing invites further investigation into its impact on different regions' demographics. The Electricity Authority should consider employing standardised geographic units, such as NZ Stats' Statistical Area (SA) 2 and 3 in future monitoring processes, something that QSDEP in its current state does not include. By standardising energy data with SAs, it creates the opportunity for independent research to link energy pricing to other demographic data such as the Census and advance understandings of the effects of uneven pricing between rural/urban and who are the people affected by such pricing disparity.

We also recognised that non-market factors, such as Tauranga Energy Consumer Trust's dividend arrangement, can present barriers for new retailers to enter certain region's market and stifle such region's competitiveness in terms of electricity pricing²¹. Submissions on this subject were made to Commerce Commission and Electricity Commission during the 2021 consultation process²².

6) Are there other interpretation issues or areas of the Guidelines that you consider need to be clarified, that do not significantly amend or extend the Guidelines? (Responding to Option Two of clarifying terms within existing Guideline but keeping it voluntary)

The Guidelines in its 2021 version is a long document that requires high literacy and frequent referencing to its glossary. The Guidelines' reach and accessibility can be improved with a more simplified document in various languages, targeting different consumers.

The interpretation of endangering wellbeing can be tricky to navigate and standardise given the diverse ethnic composition and cultural backgrounds found within New Zealand population. The need to incorporate Kaupapa Māori was recognised in June 2023 by MBIE's final report on energy hardship definition and measures, but this objective has not been made clear within the Guidelines²³.

7) Do you agree that parts two, six, seven and eight are the parts of the Guidelines preventing the greatest harm from occurring to domestic consumers?

We disagree that only parts two, six, seven and eight are the greatest measures of harm reduction. We support Option Four as Part One outlines the spirit of a good consumer/retailer relationship.

A fair, balanced, and transparent relationship between the consumer and retailer is the very basis for consumer protection and healthy market competition and innovation. This demands long-term investment into the data infrastructure to monitor consumer electricity usage and mitigate consumer's risk to energy hardship (Parts Three & Five).

²¹ Jean Bell. *Calls for TECT and Trustpower inquiry*. New Zealand Herald (March 2019): <https://www.nzherald.co.nz>

²² Luke Blincoe. *Submission from Electric Kiwi – Unlocking electricity competition in Tauranga/Western Bay of Plenty*. Commerce Commission (August 2021): <https://comcom.govt.nz>

²³ Ministry of Business, Innovation, and Employment. *Energy hardship definition and measures: Final Report*. (June 2023): <https://www.mbie.govt.nz/document-library/>

Removing discriminatory practices of excluding disadvantaged customers from more affordable electricity payment methods ensure the consumer/retailer relationship starts on an equal basis (Part Four).

8) Are there any other options you think we should consider?

No.

9) Do you agree with our criteria to assess options? Are there any other criteria you think the Authority should use?

We agree that criteria 1 to 3 are the most critical and can come at the cost of timeliness and Authority cost.

10) Do you agree criteria four and five should be weighted less than the first three criteria?

We somewhat agree but policies should be delivered in an appropriate timeframe to prevent more people becoming energy insecure.

11) Do you agree with our assumption that retailers already following the Guidelines should not experience a significant increase in their compliance costs if any part of the Guidelines is mandated?

Evidence referenced within this submission shows that there is wide non-compliance by retailers regarding the Guidelines. Narratives and the Authority's own data have demonstrated that there is still large disparity between retailers' practice of the Guideline and their interpretation of "care".

We believe the benefits of making the Guidelines mandatory outweigh any additional costs that may be borne by retailers whether they are or are not already following the Guidelines. There will be costs to implementing data infrastructure and staff training to practice the Guidelines, but this is necessary to fulfil the new consumer protection objective and function of the Authority, and the recommendations from the Ministry for Business, Innovation and Employment's energy hardship workstream.

12) Do you agree that under the status quo, concerns regarding retailer alignment with the Guidelines are likely to continue?

Yes, we believe the reports referenced within this submission demonstrate that the intended outcomes of the Guidelines are not being delivered.

13) What impacts to competition, innovation and efficiency in the retail market would you expect to see for options three and four respectively?

Child Poverty Action Group views energy and electricity security for the public outweighs any loss in competition. We do not believe there is a place for retailers in the supply of electricity that cannot meet the Guidelines.

We are particularly concerned with protections for consumers, especially those in most disadvantaged groups. When these Guidelines are mandatory then all retailers will be facing

the same costs of implementation. Mandating the Guidelines as per Option Four will foster an environment where domestic consumers maximise their potential to access and afford a constant electricity supply suitable for their needs.

We envision that a mandated standard of customer care may cultivate competition and innovation within the service and digital fronts of the energy retail market. The mandating of Option Three and Four may also lead to an increase in overall efficiency of account management due to fairer and more trusting customer/retailer relationships.

14) For retailers, broken down by Guideline part, what would the estimated costs to your business to be of codifying parts of the Guidelines under option three or four (for example implementation and compliance costs)?

Not applicable. We are a charity.

15) What do you think the benefits to domestic consumers will be under options two to four?

CPAG believes that Option Four, the codification of Parts One to Nine of the Consumer Care Guidelines, is the preferred pathway to achieve targeted outcomes for the most impoverished electricity consumers and protect others from entering energy insecurity.

Domestic consumers will receive fairer treatments in their engagement with electricity retailers. These options will potentially alleviate some discriminatory practices currently present within the industry. Consumers are empowered to be more informed about their options within the energy market and their capability to navigate through financial downturns and hardships.

16) Do you agree with our initial assessment of the options against the status quo? If not, what is your view and why?

While we agree with the Authority's assessment. However, such assessment is framed within a short-medium timeframe without consideration of long-term potentials of each option, particularly Option Four.

The Authority's assessment also omits considerations of Kaupapa Māori. We believe that Option Four with the inclusion of Kaupapa Māori responds to concerns of "*don't just count us, talk to us too*" as reported within MBIE commissioned inquiry into Māori perspectives on the measurement of energy wellbeing²⁴. The inclusion of Kaupapa Māori is an important aspect in addressing present social inequities of Aotearoa New Zealand and barriers within the current colonial system which have had discriminatory outcomes on tāngata whenua and Pasifika population.

17) Do you agree with our preliminary view? If not, what is your view and why?

We do not agree with the preliminary view as we believe Option Four is the best approach. As we have suggested in Submission 4 and 13, we embrace an incremental approach where

²⁴ Haemata Limited, June 2022.

series of short-term, easier-to-implement, policies function as steppingstones towards harder-to-implement policies that accentuate positive outcomes in the long-term.