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Issues with pre-pay need to be resolved

Electric Kiwi welcomes the Authority's review of the Consumer Care Guidelines. We support and are a signatory to the independent retailers' joint submission.

During the development of the Guidelines, we expressed strong concerns about the risks associated with pre-pay. This is the part of the Guidelines we are most concerned about, from the perspective of protecting the most vulnerable households and members of society. The experience in the UK has only served to heighten our concerns; particularly given the Consumer Care Guidelines have much more permissive rules around pre-pay.

We remain very concerned the Guidelines effectively provide an 'opt out' to retailers for pre-pay.¹

Being expected to manage finances by going without electricity, particularly if it is on a regular and recurring basis, is not a first world solution to financial hardship. We don't have confidence pre-pay arrangements are provided in a socially responsible manner and share Entrust's concerns:²

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]

We don't consider the Guidelines requirement (clause 28) that "the retailer should confirm with the customer that the customer is aware of: ... a. any cost differential between post-pay and pre-pay metering arrangements" or "b. that when credit for the pre-payment service is used up disconnection will occur" provides consumers, including vulnerable and medically dependent consumers, any meaningful protection.

We also do not consider clause 72 of the Guidelines is in any way appropriate or consistent with the Authority's statutory objectives: "If a retailer has met the expectations of these guidelines, a

¹ <https://www.ea.govt.nz/documents/2235/Electric-Kiwi-submissions.pdf>

² <https://www.entrustnz.co.nz/media/a5got50y/submission-on-the-electricity-price-review-first-report-24-october-2018.pdf>



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disconnection resulting from a prepayment service running out of credit is not considered a disconnection for non-payment. This is because the customer has understood and accepted the risks associated with being on a prepayment service where disconnection will occur if the prepayment service runs out of credit (noting the recommendations in Part 6 for retailers to monitor these disconnections and proactively offer support to customers where required)". It is not the role of the Consumer Care Guidelines to defend retailer pre-pay practices. This Guideline offers no protection to consumers of any form. The same warnings and advice could be applied for post-pay. Regardless of whether Part 7 is mandated this needs to be deleted. The independent retailers previously noted:³

The Guidelines could equally say "If a retailer has met the expectations of these guidelines, a disconnection resulting from a post-pay customer failing to pay their electricity bill is not considered a disconnection for non-payment. This is because the customer has understood and accepted the risk associated with not paying their bills that a disconnection will occur after the non-payment and disconnection processes have been completed".

More transparency around the size of the pre-pay problem is needed

The information that is available is patchy. The Salvation Army, for example, has noted "Our research has found that over a third of prepay consumers in Aotearoa that disconnected were without electricity for over 12 hours"⁴ while Mercury presents a glass half-full perspective that "in most cases are [sic] reconnection will occur within 12 hours".

We again urge the Authority to release information on so-called pre-pay 'self-disconnection'. The Guidelines require that "Retailers should monitor the frequency and duration of disconnections for customers with a prepayment service" so it should be straight-forward for retailers to provide the Authority with up-to-date information on this. Mercury has indicated it is "supportive of prepay reporting requirements".⁵ The Electricity Price Review also recommended that, as an energy hardship measure, statistics should be kept "such as disconnections for non-payment and self-disconnections by those on pre-payment meters".⁶

Yours sincerely,

ELECTRIC KIWI LIMITED

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CEO

³ <https://www.ea.govt.nz/documents/2229/Independent-Retailers-submissions.pdf>

⁴ The Salvation Army, Energy Hardship Discussion Paper Energy Hardship Expert Panel, 28 April 2023.

⁵ Mercury Submission to The Energy Hardship Expert Panel's Discussion Paper: Te Kore, Te Pō, Te Ao Marama | Energy Hardship – the challenges and a way forward.

⁶ Electricity Price Review, Hikohiko Te Uria, Final Report, 21 May 2019.