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Submissions
Electricity Authority
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SUBMISSION ON THE CONSULTATION PAPER: OPTIONS TO UPDATE AND STRENGTHEN THE CONSUMER CARE GUIDELINES

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Options to update and strengthen the Consumer Care Guidelines' from September 2023.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERANZ's members developed and established the inaugural guidelines for consumer care themselves over ten years ago, and our members continue to fully support having such guidelines today. All ERANZ members comply with the latest version of the guidelines and have taken considerable steps to ensure this.

ERANZ and our members support options two and three in the Authority's consultation paper, both to improve the Guidelines and to make key consumer protections mandatory. ERANZ recommends the Authority improves the wording of the Guidelines first, and then makes the selected sections mandatory once the outstanding issues are resolved.

The guidelines require modest and practical improvements to ensure they strike the right balance between clarity for consumers and workability for electricity retailers. These suggested changes are detailed in the body of our submission below. Unfortunately, the impact of Covid on the 2020-2021 guidelines refresh process resulted in the document's publication before resolving all outstanding issues. This truncated process was the source of much of the retailer "non-alignment" with the guidelines in the first review period, rather than any unwillingness on the part of retailers to fully comply.

Beyond the scope of the Authority's consultation document, further policy development in the

residential customer sector would be greatly enhanced by the publication of insights and data held by the Authority. ERANZ notes the publication of the second round of annual retailer self-assessments and the publication of disconnection data is scheduled to occur after the consultation period closes.

ERANZ welcomes the findings of the latest Consumer NZ customer survey. Since the survey began in 2016, the average satisfaction score for electricity retailers has steadily edged up over time. Currently, 83% of customers are “satisfied” or “very satisfied” with their electricity retailer. However, there is still more work to do to support customers, particularly as the cost of living rapidly rises in difficult economic times. Retailers continue to support customers manage their bills, find savings in how they use and pay for their energy, and offer assistance through accredited financial mentoring agencies.

Refreshing the Guidelines: 2020-2023

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, the Authority-led project to refresh the Guidelines in 2020 built on ERANZ’s cross-sector working group looking at this exact issue, with representatives from retailers, distributors, consumer advocates, government officials and regulator working together to improve the previous guidelines to support customers in need.

ERANZ is 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.

All ERANZ members align with the new Consumer Care Guidelines and have undertaken extensive work to ensure this. This means almost 90 per cent of all residential consumers have the protection of the Guidelines from ERANZ members, along with other medium and small retailers boosting the covered population even higher. Therefore, the question of voluntary versus mandatory guidelines does not carry as much urgency as once thought.

The current version of the Guidelines have only been in place for one full self-review period since the last Authority-run consultation process. However, the last consultation process in 2020-2021 ended abruptly. ERANZ wrote to the Authority on 9 March 2021 with a detailed list of suggestions to improve the understanding of and practical workability with the Guidelines. Much of this submission will repeat those recommendations because the subsequent implementation of the Guidelines has proven these paragraphs to be impractical and expensive to operate.

ERANZ considers these known paragraphs to be the source of much of the historic and perceived “non-alignment” by most retailers. Adopting our recommendations will mean the vast majority of retailers, including non-ERANZ members, will fully align to the Guidelines without exceptions.

To aid public and stakeholder understanding of consumer protections, ERANZ urges the Authority to publish the information and insights it holds on the residential electricity sector. This consultation paper does not include high-quality citations for analysis of the consumer experience. The latest retailer self-assessments against the Guidelines have been submitted to the Authority but are not yet published. Likewise, there is a considerable lag in publishing the latest disconnection statistics for non-payment. Such an information deficit leaves an incorrect impression about potential non-alignment among stakeholders.

Clause-by-clause recommendations

Clause 14(a)(iii) - Recording a customer's preferred language:

Not all retailers record a customer's preferred language, but instead offer multilingual communication options via outsource partners. Given there are thousands of languages spoken in the world, it is potentially disingenuous to record a customer's preferred language if the retailer has no capacity to actually utilise it.

ERANZ recommends changing this clause so retailers offer the consumer alternate languages available for communication purposes.

Clause 23 – Advising all new customers of budgeting support availability:

Requiring retailers to advise every new post-pay customer of the existence of the retailer's consumer care policy and the retailer's commitment to offer support if the customer faces payment difficulties is not relevant in many circumstances.

Not all customers go into debt and even fewer get to the disconnection stage. Therefore, it is not appropriate to mandate telling all customers about this because many will find it offensive that there is a presumption they will not pay their account.

ERANZ recommends changing this clause, so retailers provide this information on a case-by-case basis, such as there are evident signs of hardship.

Clause 24 – Retailers to consider financial mentoring when examining a credit history:

This clause requires retailers to consider whether a potential new customers' poor credit rating is countered by their active participation in financial mentoring or whether it was the result of historic circumstances that have now passed. Satisfying both of these scenarios involves asking highly personal questions which retailers must then make judgement calls on, well outside their area of expertise.

ERANZ recommends maintaining the principle Clause 24, but removing subclauses (a) and (b).

Clause 27 – Advising all new customers of arrears processes:

Similarly to clause 23, requiring retailers to advise every new post-pay customer of the process for unpaid invoices is unnecessary.

ERANZ recommends retailers should have flexibility to only do this on a case-by-case basis, such as there are evident signs of hardship. As an additional alternative action, retailers can advise of special conditions and support available when onboarding high credit risk applicants.

Clause 31(b) – Awareness of options generally available in the market:

Retailers' contact centre staff cannot be realistically expected to have an accurate and up-to-date awareness of competitor options in the market that might be more suitable. In addition, this requirement potentially introduces competition issues if competitors are expected to talk about other retailers.

ERANZ recommends retailers should, if required, refer to price comparison tools generally available in the marketplace such as PowerSwitch.

Clause 46(a) & Clause 46(b) – Monitoring increases and decreases in customer consumption:

Many customers find their electricity retailer actively monitoring their usage and then asking them why their usage has either increased or decreased to be highly intrusive. As an alternative, retailers enable customers to view their usage data via website and mobile phone apps, including usage comparison charts on customer bills.

ERANZ recommends limiting this requirement to retailers running high bill exception reporting and attempting to discuss potentially high bills with customers to prevent bill shock.

Clause 43 – Rigid processes for customers in arrears:

Clause 43 sets out a number of very detailed steps to follow when a customer is in payment arrears. The steps are excessive in many cases, sometimes people fall into arrears because they forgot to update their credit card details.

Retailers should be able to tailor their approach to the situation and what they know of the customer. It is not always appropriate, for example, to refer customers to support agencies when they have forgotten to pay or just need to update a payment method.

ERANZ recommends the Authority engage with retailers on how to amend this clause so it is more appropriate and useful for customers.

Clause 57 & Clause 64 – High-cost communication methods:

These clauses are the highest compliance cost clauses of the Guidelines, yet the evidence of effectiveness is mixed. For example, the requirement to use in-person visits and signed courier letters to warn of disconnections is costly, impractical, and ineffective - especially when customers are already unresponsive.

Signed courier letters are not a guarantee that the account holder has received the letter. In retailers' experience, letters are left in mailboxes, returned to sender, or refused to be signed for.

ERANZ recommends the Guidelines do not specify high-cost yet ineffective types of communications channels; instead retailers should be required to use communications channels that either the customer prefers, has used successfully in the past, or can be proven to have been received such as in-app messages with read receipts.

Clause 60(d) – Advice on reconnection fees:

This subclause requires retailers to detail all the charges a customer would need to pay for reconnection if they are disconnected. There is little evidence providing this information early in the process prompts action from customers. Retailers already include all such charges payable in later communication attempts, but whether doing this early has an impact on payments is not clear because most customers who are disconnected do not engage with their retailer.

ERANZ recommends compulsory advice on reconnection fees is to accompany the final disconnection warning only. Retailers can still include reconnection fees elsewhere voluntarily.

Clause 61(c) – Requiring on-site contractors to provide advice on budgeting support agencies:

Many retailers instruct on-site contractors not to provide advice to consumers on social support and budgeting services directly. This is because retailers want to ensure this advice is of a high standard and therefore prefer to provide it through trained contact centre staff instead.

ERANZ recommends on-site contractors are instructed to advise customers to contact the retailer and advise them on how to do so, so trained staff can provide high quality advice taking into account the customer's circumstances.

Clause 66(d) – Ensuring a customer has “understood” notifications:

Requiring a retailer to ascertain whether a customer “understood” a notification re non-payment and disconnection is an impossible standard to meet. Practically, this is only viable during a phone call by asking the customer whether they have understood. However, getting hold of customers on the phone is often extremely difficult. Many customers prefer communication through apps, email, text messages, postal mail, or courier letters – all of which cannot provide evidence of whether the customer has “understood”.

ERANZ recommends the wording “understood” is removed.

Clause 78 – MDCs involved in deception

There is no method in the Guidelines for a retailer to deal with a customer who has attained medically dependent status through fraudulent means, for example, forging a health practitioner’s signature, or alleging that an MDC resides at the property when they do not.

Additionally, the Guidelines are silent on a situation where a retailer is onboarding a new medically dependent customer and performs a credit check only for the credit check to return flags for fraud and deception.

ERANZ recommends the Guidelines more clearly state that medically dependent consumer protections are for legitimate MDCs only who have a signed MDC authority from a medical practitioner.

Clause 128 – Information requirements from retailers to the Authority

Information disclosures to the Authority involve a material amount of cost and effort on the behalf of retailers. Yet, there is little evidence of how this information is used and little reciprocation of insights and intelligence from the Authority back to the retailers who supply the information.

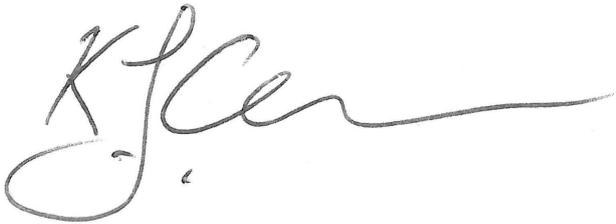
ERANZ recommends the Authority regularly publish summary reports on the information it collects from retailers.

Conclusion

ERANZ would like to thank the Authority for its ongoing efforts to improve the consumer care in New Zealand. We are happy to provide any further information on this submission as required.

ERANZ looks forward to engaging with officials further as the Authority progresses with revising the Consumer Care Guidelines and making them more useful for consumers and practical for retailers.

Yours sincerely

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

Kenny Clark
Policy Consultant