

Sustainability Trust / Toast Electric

Submission

Consumer Care Guidelines

2 October 2023

Sustainability Trust has been working on practical solutions for healthy homes for the past 20 years. We have installed insulation, heating and ventilation into thousands of homes in the Wellington and Horowhenua regions. We have also provided in-home assessments and advice to many thousands more residences, many of these being low-income households in energy hardship. The Trust also runs a Curtain Bank and in the last 12 months has launched an electricity retailer – Toast Electric. Toast operates as a Tier 1 retailer and has a focus on supporting households in energy hardship.

As both a coal-face deliverer of energy efficiency interventions and advice, an advocate for better regulatory standards and policies, and now an electricity retailer we have a unique vantage point on energy hardship and the drivers/solutions. Our submission to this consultation is based on our direct experience with households as well as close connections with our partner social, health, financial mentor, research, housing, and government partners.

Sustainability Trust developed our “social retailer” in response to the failure of voluntary actions by commercial retailers and adequate policy development by government to address energy hardship. Our view (which has been outlined by the EA in the consultation document) is that standards on their own will not address all the drivers of energy hardship (our retailer solution also involves insulation, efficient heating, good advice, partnerships with support agencies etc).

These guidelines, to the extent that they are mandatory, monitorable, and enforced can only ever be the ambulance at the bottom of the cliff. By the time they become a guideline for

retailer behaviours, households will already be deep in energy hardship and emotional stress. In a perfect world all retailers would engage kanohi-ki-kanohi with their customers, offering in-home assessments, tailored plans, and support to upgrade the home. There is certainly enough profit in the industry to end energy hardship for good. And the purpose of the guidelines appear to call for this kind of relationship between retailer and consumer.

As a social enterprise and innovator of solutions, we believe that blanket mandatory guidelines can stifle innovation and competition. However, a consistent approach to working with electricity customers on sign up and when they are in payment difficulties creates more certainty for households and an even playing field for retailers. But should be a bare minimum.

We are of the firm opinion that the Authority has the opportunity to create a sea-change in how the industry works with vulnerable households. And that if the actual purpose and outcomes of the Guidelines were actioned, then retailers would need to up their game to provide a wider range of support than they are currently providing.

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. Specifically the purposes are expressed in a way that, we think, calls for a solution for an integrated provider like Toast Electric and its partner agencies. If indeed the Guidelines are purely to create a minimum standard for debt repayment and clearly signalling disconnection processes, then this should be explicitly stated as the purpose. Otherwise retailers, advocates, consumers and government will always be talking at odds.

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

An interesting question. We totally agree and support that a policy objective should be delivering the purpose of the Guidelines as started in the CCG. But as above, the purpose of the Guidelines is not matched in the actual line by line recommendations. There would need to be more specific mandatory guidelines such as "Every retailer should conduct a detailed

home assessment and advice session, and support low-income households to upgrade their home to current NZ Building Code or Healthy Homes Standards etc etc”

We think the Authority needs to very carefully scope and delineate the actual outcomes the Guidelines are set to achieve. The Authority has an expanded mandate now and conceivably could set policy objectives, purposes, and outcomes that will end energy hardship. We would fully support such an outcome.

However, the views of what constitutes “minimising harm” and “maximise their potential to access and afford a constant electricity supply suitable for their needs” are quite different across the sector. From a community perspective these purposes explicitly describe a much wider engagement of retailers with their customers than simply supply and assistance when payment difficulties arise. We need to clear this point up first and foremost to set realistic expectations for government, industry, households, and advocates.

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 original consultation that led to the drafting of the CCG was well attended by a range of civil society and industry organisations. We note that energy hardship concerns have only increased and there is more attention being paid by industry, civil society, and government. Perhaps there is more appetite for the line by line guidelines to be better able to give life to the objectives and purposes. Certainly, retailers such as Toast Electric and Nau Mai Ra, have entered and grown in size over the past couple of years. The recommendations from the Energy Hardship Expert Group, and general higher awareness of the larger retailers to their social licence obligations point to more appetite for change.

As noted previously however, there is wide scope for differences in interpretation of the purpose and outcomes. If the guidelines (or parts) are to become mandatory, consensus on the actual role of the industry needs to be better defined in the Guidelines. At present, for-profit organisations being charged with being social service agencies and being left to work out what that means is fraught with issues. Supermarkets, banks, telcos/internet providers, petrol companies, etc are not accountable in the same way for supply of essential services.

Our 20+ years experience in energy hardship alleviation has resulted in creating our own retailer, Toast Electric, because the industry is simply not, and is unlikely to ever, meet the purpose of the guidelines. In a perverse way, the current structure of the industry (chasing

profits), has created the opportunity for a reset. We believe it is critical that social retailers such as Toast Electric are supported to set and stretch standards for the industry and to truth any aspirations in the current and future version of the Guidelines.

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

We understand there will be timing and resource limitations. However, the opportunities for a wider consultation on deeper and more consistent assistance for households in energy hardship should be addressed.

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.

We believe that there are a few key actions that retailers can design into their systems to meet the purpose and outcomes. But these involve a complete reset of their operations. Primarily these include identification of at-risk households, in-home assessments, standardised interventions, and ongoing support. Toast Electric is the only retailer we know of that provides a comprehensive support system that addresses the drivers of energy hardship. We would love to see consultation on actions that address all the drivers of energy hardship in mid-2024.

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)

As noted previously we stress that the provisions need to give life to the purpose and outcomes of the Guidelines – at present they do not. And we welcome the opportunity to share our experience as a retailer that is working from the purpose and guidelines rather than minimum standards.

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?

As noted earlier, the purpose and outcomes are not about preventing the greatest harm but about ensuring a fair, transparent, secure etc supply of electricity. Parts 2,6,7,8, are certainly

important, but they only provide a minimum standard that by themselves do not address the wider issues of energy hardship.

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

Answered in previous sections.

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 and 2 are critical, however as noted earlier our interpretation of what should be included as outcomes (as supporting Overarching Principle A and B) will be much different to the Authority or industry.

As any minimum guidelines imposed on retailers will result in higher costs, and that retailers are unlikely to benefit commercially from treating high-cost-to-serve clients better in a market environment, we may see retailers just meet the minimums and no more. The impetus for innovation and competition to go further than the minimum guidelines is very unlikely. We thus continue to view social retailers such as Toast Electric critical to set standards and give life the purpose and outcomes expressed in the Guidelines' current form.

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

We somewhat agree but as this consultation has the opportunity to shift retailer behaviour, we shouldn't rush into creating guidelines that fall short of the purpose and outcomes.

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?

There will be some increase in costs if retailers are required to more closely monitor customer usage to identify "abnormal" behaviour, and to respond. Again as noted earlier, response to actual or perceived hardship should be material. So if retailers were actually following the purpose and outcomes, we should expect significant increases in cost. This might include setting up separate funds for insulation, energy advice, advocacy etc.

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?

Toast Electric is a small retailer constituted to alleviate energy hardship. Perversely, we have been established as response to lack of innovation and competition from commercial retailers for high-cost-to-serve-customers. As a small retailer we are at risk of a prescriptive set of guidelines that does not meet our operating model for alleviating energy hardship, and impose higher costs for little gain. We look forward to some detailed consultation as to the scope and content of revised guidelines.

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)?

As a new entrant, we would experience higher costs, for example from deeper analysis of customer's usage data to track trends (if this was a requirement). And we look forward to discussing the role of smaller retailers, social retailers, and the actual content of the Guidelines in meeting the intended purpose and outcomes.

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

We are undecided on this point, as there are benefits to Option 2, if it creates market stratification that attracts customers to participants that exceed the minimums. It is unclear however, whether retailers such as Toast Electric could use their high standards as a market advantage, or a benchmark for other retailers. And how long that would take.

Option 4 on the other hand sets a firm guiderail that may give retailers the air of compliance and good industry behaviour when in fact the purposes and outcomes are not being met.

As an innovator and advocate in the electricity industry, Toast Electric (and potentially other social retailers) will need to differentiate themselves from the existing commercial retailers to

be able to survive. The benefits to domestic consumers will arise if either social retailers force a marked increase in standards (not just based on compliance with guidelines) or potentially create a model where all vulnerable households are referred to social retailers.

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

We believe that Toast Electric has a unique view on the electricity retail sector. The Authority has a unique opportunity as well. This opportunity is to reassess the Guidelines in view of new entrants, increased costs of living, social licence of the electricity industry, growing energy hardship, carbon transition etc. We look forward to discussing an upgrade of the Guidelines from a broader perspective that will lead to sustainable change and assist the Authority to meet its new objectives.

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

As noted earlier, we are very keen to take the discussion up a level and determine, if as an industry, retailers were to meet the intended purposes, what new provisions would need to be included.

For more information and any enquiries:

Philip Squire

Fair Energy Manager

Sustainability Trust/Toast Electric