

13 February 2024

Submitted via: retaildata@ea.govt.nz

Te Mana Hiko
Electricity Authority
Wellington

Re: Improving retail market monitoring: clause 2.16 information notice Consultation paper

Electricity is an essential service that supports the health, well-being and social participation of whānau across Aotearoa. It is very important that the regulator of these essential electricity services, as well as the public, have visibility as to the systemic issues surrounding whānau having difficulty paying or staying connected.

FinCap welcomes the opportunity to comment on the Electricity Authority Improving retail market monitoring: clause 2.16 information notice Consultation paper (**Consultation Paper**). We strongly support the direction proposed where the Electricity Authority would require detailed data, back to 2018, about a range of outcomes for consumers. This is excellent work from the Electricity Authority that will lead to improved outcomes for consumers through well evidenced decisions.

The ongoing benefits of improved decision making towards consumers having better access to their essential electricity services without hardship will far outweigh costs for setting up this reporting. Financial mentors met demand from 49,468 whānau in 2022 and their median weekly expenses as a proportion of income was 104.3%.¹ Issues with essential energy services increasing this strain on budgets or worsening health need addressing. With improved monitoring the scale of a potential systemic issue pointed out by financial mentors could be identified and addressed much faster by the Electricity Authority.

We strongly support gathering detailed information on bundling, consumer care, the experiences of whānau using prepay services that automatically disconnect, disconnections and prices actually paid. The public should be given confidence in the electricity system through the regular publication of aggregated insights as to consumer outcomes. Where any issues for consumers are identified through the monitoring, the Electricity Authority should also publicise what action is being taken to address the issues.

The proposed list of detailed information to be gathered would greatly improve on the significant gaps in visibility for the public and the regulator. We also have some suggestions for adjustments or additions in our submission below.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 190 local, free financial mentoring services across Aotearoa. These services supported 50,000 whānau facing financial hardship in 2022. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and

¹ See: <https://www.fincap.org.nz/wp-content/uploads/2023/09/230915-Final-Voices-report.pdf>

encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Comments

Timing of information provision

Immediate reporting of disconnections of a medically dependent consumer would enable the regulator to spot a pattern showing a systemic issue and intervene earlier. This would reduce the likelihood of loss of life due to the systemic issue. Likewise, other reporting lines being required more often than monthly could be appropriate given the risk of harm to consumers.

FinCap is aware of overseas regulators categorising information they request from retailers with the category for serious breaches having to be reported immediately. Other less urgent information is required less frequently.

We recommend the Electricity Authority requires some unacceptable outcomes are reported immediately so that intervention can be made to prevent serious harm. Other outcomes, like disconnections for non-payment, could also be reported more frequently to allow more timely responses to any arising consumer protection issues.

Recommended additional requests in the proposed notice for retail data

We recommend the Electricity Authority considers a general anti-avoidance requirement in relation to this reporting to deter retailers from avoiding information provision due to technicalities. This would help avoid gaps in the monitoring intended.

We recommend gathering:

- whether or not the retailer has notified the customer as to whether or not they could pay less on a different plan in the reporting period;
- whether or not the check of suitable offers included consideration of metering changes to allow for a wider range of tariff structures;
- what information was relied on to make the recommendation;
- how much the customer has been told they could save in such notice; and
- whether customers have switched to the plan recommended when alerted.

This could provide better visibility as to consumer behaviour in response to switching initiatives and how transparent retailers are with their customers who could pay less for essential services.

We recommend gathering information on any debt collection action and especially disconnections progressed in relation to sums owing which are not related to electricity supply. Whānau should not have essential energy services disconnected because of missed payments on bundled products and requesting this information should bring visibility as to if this is happening and intervention is needed.

We recommend requiring retailers to provide detail on sales incentives and potential exit fees on customers' plans. This will improve visibility of the true cost of contracts that financial mentors have raised concerns about. An example is a 'free TV' offered with an expensive tariff that arose from unsolicited selling at the customer's premises.

We recommend that information is gathered on whether the contract arose from unsolicited selling. We are concerned about high pressure selling of unsuitable essential services arrangements that

could be having adverse outcomes. These selling techniques should be monitored in case there is need to intervene.

We recommend that the Electricity Authority ensures it can analyse whether the outcomes assessed are impacted by metering type. This monitoring may provide evidence about the need to address barriers to metering changes.

We recommend gathering information on whether the customer has paid through a redirection from Work and Income in the last year. Redirections from Work and Income indicate a low income and may halt, due to financial hardship. Where someone is disconnected or has another adverse outcome the consumer care in place has not succeeded and this should be monitored.

We recommend information is gathered around how much of any prepay top up is allocated to debt repayment. FinCap is concerned that prepay offerings require a fixed amount of debt repayment rather than funds going to ongoing usage in each top up, despite it not being appropriate for the customer's circumstances. This should be monitored.

We also recommend gathering information on whether prepay arrangements with automatic disconnection are offered to someone in debt on post pay arrangements rather than other assistance that might better avoid energy hardship. This should be monitored as such a change could be harmful where it decreases the customer's access to the essential electricity services required.

Recommended drafting adjustments for the proposed notice for retail data

We recommend gathering the 'plan name' and 'tariff' so that there is visibility of how confusing or overwhelming the market of offers is for consumers. Such issues could lower the likelihood of switching for better outcomes and should be monitored.

We recommend gathering whether there are any special conditions for accessing some plans. An example could be a plan only available to someone in a secondary network or who is a member of a particular organisation or who has a solar power purchasing arrangement set up at their residence. This would improve monitoring of barriers to whānau accessing more competitive offers.

We recommend that the Electricity Authority ensures the definition of prepay leads to information clearly denoting whether low or zero balances lead to automatic disconnection or not. FinCap is very concerned specifically with the automatic disconnection of whānau facing energy hardship.

We recommend that the Electricity Authority ensures it does gather clear information where there are multiple disconnections and reconnections in the reporting period. The reason for disconnection should also be gathered. Prepay automatic disconnection instances should be gathered. Regular disconnection is an indicator of energy hardship outcomes that need to be addressed.

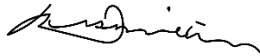
We recommend removing "If you are unable to differentiate debt between utilities then include all debt in this column" or any other comparable drafting throughout the notice. Retailers must be required to separate out debt for essential electricity services from debt for non-essential bundled products or services. Debt collection on essential services is more harmful and will soon have specific, mandatory requirements which it is subject to. This needs specific monitoring.

We recommend checking the definitions used by retailers for debt collection fees and debt write offs. Financial mentors have noted some industries have technical definitions that don't align with consumer understanding of the action. An example is a letter stating a debt has been '*written off*.' A consumer understands that they no longer have a debt where instead the '*write off*' was a technical

name for referring a balance to a debt collector. The anti-avoidance clause otherwise recommended in this submission could help with this issue. We suggest considering whether retailers are required to view the request from the perspective of a consumer where they see the potential for multiple interpretations of what is being requested.

Thank you for the opportunity to submit on this consultation. Please contact Senior Policy Advisor Jake Lilley on [REDACTED] to discuss any aspect of this submission further.

Ngā mihi



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Chief Executive
FinCap