



Improving prudential security arrangements

FOR OUR GOOD RESPONSE

ROB JOHNSON

Introduction and acknowledgement

We want to thank you for the opportunity to comment on the Improving prudential security arrangements” consultation process. We acknowledge the focus of this is smaller retailers and appreciate the intent of this consultation.

For Our Good provides the energy and other platform services for social retailers (like Nau Mai Rā and others) in New Zealand. Our platform is mostly utilised to provide services to households who struggle the most to pay bills and access power continually.

Our response is presented in the format requested:

Question	Comment / Response
Q1. Is the current risk balance right?	<p>Not quite. As outlined in your consultation paper, the current figure of 25% is arbitrary and not consistent with other markets. When created, it also potentially did not consider much smaller scale social retailers and independent retailers operating on different margins and different business models.</p> <p>Having said that New Zealand has avoided some of the larger trader defaults that have happened in other overseas markets. Therefore, perhaps a tiered approach where:</p> <ul style="list-style-type: none">- 25% is the norm for all traders over a particular size or trading volume- a smaller % more consistent with overseas markets could apply for traders with less than a particular number of consumer or aggregate trading volume.
Q2. Are the issues in the paper worth fixing?	<p>Yes. The Authority has identified a real problem: too much of a small retailer’s cash is tied up as prudential security, instead of being used to secure hedges, provide help to families, or grow responsibly to a sustainable level. Fixing that gives communities more choice and keeps some stability of service for those consumers who need more care.</p>

Question	Comment / Response
Q3. Other problems not mentioned?	<p>The trader-default model assumes monthly billing and normal retail margins. Social retailers bill weekly and serve customers more intensively with payments plans and other measures. Social retailers are not typically grown for shareholder value. Therefore, it could be feasible to accelerate/have an alternate to the traditional trader default processes for social retailers.</p> <p>We ask the Authority to recognise that social retailers typically operate on a fundamentally different billing and payments cycle, and therefore prudential expectations should reflect this accordingly.</p> <p>The current rules favour bank-based guarantees and potentially exclude community-based or philanthropic guarantees that could safely back social retailers. These gaps could be closed without adding risk.</p>
Q4. Other helpful adjustments?	<p>Retailers who meet the consumer-care standards under Part 11A could qualify for lighter prudential settings. They've proven they act early and responsibly with customers, that helps the whole system.</p>
Q5. Support a dynamic "adder"?	<p>Mostly yes. It makes sense to change the adder through the seasons, but retailers need clear, predictable rules so they can plan. Sudden quarterly shifts could hit smaller players hardest.</p>
Q6. Support shortening the post-default exit period?	<p>Yes, as outlined above. Cutting it to 14 days helps free up working capital, but that is not material for small social retailers. As outlined above, there could be even quicker alternate default processes created for social retailers without exposing the broader industry to heightened risk and costs.</p>
Q7. Is 1 000 customers the right limit?	<p>No. Not for social retailers focussed on residential customers. 1 000 residential customers isn't really a power company, it's a pilot. Our data from providing our platform for social retailers is that a social/community-based retailer can only be sustainable in current market conditions at 4 000–5 000 customers. That's still only about 0.003 % of homes in NZ, it's tiny, but viable.</p>

Question	Comment / Response
	We recognise that some retailers focus on commercial or industrial customers. We acknowledge that 1000 customers may be viable for a small retailer not solely focussed on residential hardship customers.
Q8. Apply a shorter exit period to all independents once systems are ready?	Yes – if those independents want it. As outlined above, there could be a shorter exit period for Social Retailers.
Q9. Reallocate residual funds to retailers?	Yes. Those funds mainly come from retailers’ payments, so returning them is fair and strengthens cashflow.
Q10. A fairer way to share those funds?	Split them two ways: 70 % by electricity purchased (as now) and 30 % shared evenly among independent retailers under 10 000 customers. That way the smallest companies actually feel the benefit.
Q11. Let ASX hedges offset prudential security?	Yes.
Q12. Are current workarounds enough?	No. They only work for companies with spare cash or big bank credit guarantees. Smaller social retailers typically can’t access those tools, which maintains the un-level playing field and limits consumer choices.
Q13. Would retailers trade more on the ASX if offsets were allowed?	Yes, if it’s affordable and fair. Smaller retailers could hedge more if they didn’t have to fund prudentials.

Question	Comment / Response
Closing statement	<p>The prudential rules can decide who gets to take part in the market. It is sensible that the broader market is protected from large scale trader default that has the potential to disrupt the market as a whole. Very small-scale trader defaults do not/will not disrupt the market as a whole.</p> <p>We continue to support broader market stability by ensuring larger traders are well funded and prudently managed.</p> <p>Our response focuses on newer entrants and social retailers – very small-scale traders in terms of trading volumes and values. Defaults in these areas are very small in scale and can be readily absorbed by the wider market.</p> <p>Therefore, we support the EA’s intent to strike a balance between larger traders, pilots, and community based social retailers.</p> <p>As outlined above, if changes only help retailers with 1 000 residential customers, that could freeze growth following a pilot, and stall growth where it is most needed.</p> <p>If adjustments to the prudential requirements support capable companies that can reach 4 000–5 000 homes, then we could get sustainable social retailers (without increased broader market risks) and provide additional power access stability and choice for consumers who require a greater level of service and care.</p>

Yours sincerely,

Rob Johnson

CEO – For Our Good.