

16 December 2021

Defining Energy Hardship Team
MBIE
Wellington

Via email: definingenergyhardship@mbie.govt.nz

SUBMISSION ON DEFINING ENERGY HARDSHIP CONSULTATION

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on MBIE's proposed definition and measures of energy hardship.

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

Electricity retailers have a strong focus on energy hardship

Overall, ERANZ is strongly supportive of work to alleviate energy hardship in New Zealand. It is a core focus for us as an organisation, and for our members – who often see first-hand the impacts of energy hardship on Kiwi households.

Support for customers at risk of energy hardship has been a major focus for electricity retailers in recent years. Actions include:

- Convening the Consumer Care Working Group, which brings together retailers, lines companies, community social services, government departments and regulators. This Working Group considers a range of industry issues aimed at driving continuous improvement in the support provided to customers in need.
- Delivering programmes such as EnergyMate to help vulnerable New Zealanders make the most of their electricity use through energy coaching. EnergyMate makes sure customers are on the best plan for them, supports them to use appliances efficiently, and connects with other available support services.
- Working with the Electricity Authority, social service providers and other community groups to implement the new consumer care guidelines.
- Rolling-out Covid-19 Power Credits to support 7,000 households affected by Covid with a one-off payment on their account and connecting them with financial mentor support services. Our members also halted disconnections during the Covid-19 lockdowns.
- Offering a range of payment terms or repayment schedules to suit a household's circumstances, like smoothed monthly payments to avoid high winter bills, including some companies offering entirely personalised plans for vulnerable customers.

- Coordinating financial support with social service providers like Work and Income and FinCap's MoneyTalks.

Overall, the average annual power bill has fallen by \$150 over the last six years, and disconnections for non-payment are down by more than 80 per cent since 2018.

But there are still too many New Zealanders who cannot heat their home or who struggle to pay their power bills because of poor quality housing, low incomes, and poor energy literacy. This is a useful piece of work to help explore those drivers and understand how energy hardship can be measured.

Limited engagement with sector has meant the proposal does not have an on-the-ground application

This work looking at defining energy hardship was first commissioned over two years ago as part of the findings of the Electricity Price Review. In that time there has been limited engagement with the sector about this issue beyond periodic project status updates.

Given we are all working toward achieving the same outcome we believe there would have been significant benefit in having a wider range of stakeholder feedback opportunities through the process – rather than simply publishing a consultation document at the end. We acknowledge that there were small group forums for MBIE to update stakeholders, but these forums did not provide an open and transparent process for collaborative development of the definition.

The consultation document sets out useful principles for the definition development work but should go further. A good definition, framework, and measures of energy hardship in Aotearoa should also help focus where and for whom support should be targeted.

The proposed measures set out in the document are – presumably by design - relatively technocratic and academic. They will be useful in informing long-term policy settings and tracking population-scale changes over time, but they will not be particularly helpful in supporting practitioners on the ground or electricity retailers to identify energy hardship at an individual level.

This is a missed opportunity – in our view this work to define and measure energy hardship should have also included a toolkit of measures that can be used by people and organisations attempting to tackle energy hardship in communities across New Zealand.

As a next step, we consider there would be significant value in the Government, industry and NGOs working together to develop such a toolkit.

Energy wellbeing definition should have a greater focus on incomes

We are broadly in agreement with the proposed definition of energy wellbeing. We welcome the move to identify a range of drivers of energy hardship, including housing quality and education.

However, our work on programmes like EnergyMate has demonstrated that income is a key determinant of energy wellbeing. This should be given much greater prominence – rather than being buried in the 'Household Resources segment it should be a segment on its own. Alongside income, indicators such as credit rating would also be a useful secondary measure of energy hardship.

We broadly agree with the indicators of energy wellbeing – households should be able to use the energy services they require without having to forgo other necessities. However, the “able to afford energy bills without borrowing or economising on other expenses” sets the bar too high – it is reasonable for households to have trade-offs between different expenses. We believe this should be rewritten as “able to afford energy bills without borrowing or economising on other necessities”.

Energy literacy and energy awareness

Within the energy wellbeing framework, we question the need for defining energy literacy and energy awareness as separate sub-categories in the Service Literacy section of the consultation document. Energy literacy is a broad term for energy knowledge, attitudes and behaviours in relation to household energy consumption. Energy awareness of appliance costs and energy efficient behaviours is a sub-set of this. We suggest that the sub-categories are merged under energy literacy.¹

Primary measures should also include ‘before housing costs’

We consider that a ‘before housing cost’ measure should be one of the primary measures – changes to housing costs will have a material impact on hardship, so it is important to have a both before and after housing costs as a primary measure to demonstrate the impact of housing costs.

It is inevitable that there will be a policy focus on what is measured in these primary statistics. It is vital that our policy focus also allow housing costs to be highlighted, as these are a key determinant of hardship in general and energy hardship more specifically.

This would mean the approach taken for the energy hardship measures would be in line with that for the wider measures of child poverty.

The ‘fixed line’ should be the primary indicator, with ‘moving line’ shifted to a secondary measure

The proposed ‘moving line’ primary indicator measure is likely to overstate energy hardship over time.

With the roll-out of more renewables electricity, prices are likely to fall in real terms over time – however this would not result in a reduction in hardship as measured by the proposed P1.

Additionally, we are seeing housing quality improvements reduce electricity use over time – particularly as households are installing insulation and energy efficient heat-pumps. Because this is predominantly happening in more well-off households, the reduction in energy costs for some households would actually result in an increase in energy hardship under the moving line measure.

Supplementary measures should include disconnections and debt

Disconnection rates and debt levels are key indicators of whether households are able to afford and access electricity.

The consultation argues that the fact these can be influenced by policy changes means they should not be used. We strongly disagree with this view. Using measures that can be influenced by

¹ Karlijn L. van den Broek, (2019) Household energy literacy: A critical review and a conceptual typology, *Energy Research & Social Science*, Volume 57.

policy changes makes them even more valuable, as they will drive changes that may improve outcomes.

This does not mean disconnections and debt levels are the be-all and end-all of energy hardship – but they are a valuable indicator that could be updated considerably more frequently than the other measures suggested, and they provide a useful indication of the direction of travel, particularly for households in the most severe forms of hardship.

Use of prepay should not be an energy hardship measure

Prepay is a valuable tool that some families can choose to use, rather than it being forced upon them. Feedback from many families suggest they value the control prepay gives them over their energy costs. Contrary to the claims in the paper, prepay tariffs are not more expensive than post-pay plans.

Instead, a measure of prepay self-disconnection and reconnection rates would be more valuable – ERANZ has recently been collecting this information from our members, and there may be value in having the Authority collect this directly.

Conclusion

ERANZ would like to thank you for your consideration of our submission.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Miranda Struthers', with a large circular flourish at the end.

Miranda Struthers
Accessible Energy Advocate