

# Privacy of natural persons

Page 2: We will keep your information safe

**Q1**

**Yes**

Have you read and understood the Privacy Statement?

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Page 3: About you

**Q2**

What is your name?

Jo Christie

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**Q3**

What is your email address? We may need to contact you for clarification on your submission, or regarding Official Information Act requests. Your email address will not be used for any other purpose.

# Privacy of natural persons

**Q4**

**Organisation**

Are you submitting as an individual or on behalf of an organisation?

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**Q5**

If on behalf of an organisation, what is its name?

Mercury

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**Q6**

**Energy retailer**

If on behalf of an organisation, which of these best describes it?

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Page 4: Proposed Definition for energy wellbeing

**Q7**

**Neither agree nor disagree**

To what extent do you agree or disagree that the proposed definition for energy wellbeing is right for Aotearoa?

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**Q8**

Do you have comments on why have you chosen this answer?

Mercury agrees that this definition is broad and aspirational. We would however like MBIE to resolve the fundamental issue relating to the overlap of energy hardship and material hardship that the discussion document alludes to but does not address in any detail.

At present we are uncertain whether there is a category of “energy” hardship that is any different to material hardship as determined by the DEP-17 index. When a consumer is unable to pay their power bill or heat their home, this is a symptom of hardship generally, i.e. energy itself is not the cause of hardship. If we were to adopt this thinking across the economy, we may one day also have “supermarket hardship” and “telecommunications hardship”, etc. We would like to see evidence that there is benefit in defining energy hardship as a category distinct from material hardship.

In our submission to the Electricity Price Review First Report in 2018 Mercury said:

“Households that have trouble in affording energy services are likely to be experiencing general hardship rather than just energy hardship, as energy will be one of many expenses such households will have difficulty meeting. One of the main causes of the affordability problem therefore is not related to the price of electricity but rather the level of income for many households and their higher than average consumption due to poor insulation standards.”

We reiterate our view that the root cause of material hardship in New Zealand is our lower than average incomes for an OECD country and our generally poor housing stock .

MBIE itself acknowledges that the results demonstrated at Figure 5 of the discussion document highlight “the intersection between energy hardship and broader material hardship”. In our view this is an issue that requires deep consideration. Will there be any household in material hardship according to the DEP-17 index who is not also in energy hardship and vice versa?

We recommend MBIE focus its resources on treating the root causes of hardship and the growing inequalities that exist within New Zealand society rather than adding unnecessary layers of complexity to measure what is essentially the same issue. Our observation from working alongside community organisations is that they know what is needed to help their people, they just need government to listen and act. Mercury would welcome the opportunity to work alongside MBIE to co-design small pilots aimed at reducing hardship within our communities, based on data and measures that are already available to us.

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**Q9**

**Neither agree nor disagree**

To what extent do you agree or disagree with the inclusions in the proposed definition?

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### Q10

Do you have any comments on what is included in the definition?

If energy hardship is treated as a category of its own, it will need to be measured by indicators that are specific to energy hardship rather than material hardship. This will be very difficult given that the proposed definition of wellbeing uses phraseology that inevitably applies to the broader category of material hardship. For example, the phrases “able to obtain” and “adequacy...to support wellbeing” could equally be referring to a household’s ability to provide food and clothing for its members. Again, we query whether there is any benefit in trying to carve out a separate category of energy hardship.

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### Q11

**Neither agree nor disagree**

To what extent do you agree or disagree with what is excluded by the definition?

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### Q12

Do you have any comments on what is excluded by the definition?

We would like to see home EV charging taken into consideration from the outset. As New Zealand moves towards a low carbon society and we are encouraged to adopt electric vehicles, there will be an expectation that most households will have the capability to charge an EV. The lack of access to EV charging in a household may even become an indicator of hardship in the future. Further, if EV’s are not considered now, mid income customers who purchase an EV will have increasing electricity costs (while decreasing overall costs) and could misleadingly cross over an energy hardship expenditure threshold.

This emphasises the importance of our response at question 23b below where we recommend the addition of a primary measure that addresses the core of energy hardship e.g. P13 measuring how many people feel they can’t afford to heat their homes.

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### Q13

Do you have any further comments on the proposed definition of energy wellbeing? - Is it clear and easy to understand?- Do you think there is anything missing?- Is it relevant to you and your community?

It is clear and easy to understand, with the caveats expressed above at questions 8, 10 and 12.

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Page 5: Proposed framework for energy wellbeing

### Q14

**Neither agree nor disagree**

To what extent do you agree or disagree that the framework represents the factors that influence energy wellbeing in Aotearoa?

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**Q15**

Do you have comments on why have you chosen this answer?

The framework resonates and creates a holistic view of the factors contributing to energy well-being. However, we believe that one of the main drivers of energy wellbeing is income, and we would like to understand why this is not given greater weighting in the framework.

The Technical Appendix D at Figure 5 shows 40% of low-income households said they cannot afford to keep accommodation adequately warm and put up with feeling cold “a lot”. ERANZ notes in its submission on the Discussion Document that its work on programmes like EnergyMate has demonstrated that income is a key determinant of energy wellbeing. And, as noted above, at question 8, we know that New Zealand incomes are below average for OECD countries.

We recommend that income be treated as a segment on its own rather than being listed under “Household Resources” alongside other factors such as payment methods that do not have the same material impact. We note however, as per our comments at question 10, that treating income in this way will further blur the line between energy and material hardship.

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**Q16**

Do you have any other comments on the proposed framework? You may want to consider:- The layout of the framework, and if it is easy to understand - If anything is missing, or should be added- Which factors you think are most significant in your community

No comment.

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Page 6: Proposed indicators for energy wellbeing

**Q17**

**Neither agree nor disagree**

To what extent do you agree or disagree with the proposed indicators for energy wellbeing?

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**Q18**

Do you have comments on why have you chosen this answer? You may want to consider: - Are the indicators comprehensive?- Are there any other indicators of energy wellbeing that should be considered?

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. The current indicator refers to being “able to afford energy bills without borrowing or economising on other expenses”. As a member of the Electricity Retailers Association of New Zealand (ERANZ) we support the ERANZ submission and agree that it is reasonable for households to have tradeoffs between different expenses. “Expenses” in the context of the indicators of wellbeing should therefore be replaced with “necessities”.

“Reliable” electricity supply might be substituted or augmented by “steady”. This would include not only outages faced by those in rural areas but would also cover those who face serial disconnection because they are unable to afford their electricity bills.

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Page 7: Measuring energy hardship

**Q19**

**Yes**

We are proposing to use a set of primary and secondary measures for energy hardship. Do you support this proposal?

## Defining Energy Hardship

### Q20

Do you have comments on why you have chosen this answer?

We support the use of a suite of measures as no one measure on its own will provide an accurate picture, as shown in Technical Appendix D.

As we have mentioned above, we recommend that MBIE determine the extent of overlap between energy hardship and material hardship before creating an additional category that is drawing on the same measures as the DEP-17 index.

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### Q21

**Disagree**

To what extent do you agree or disagree with the proposed primary measures?

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### Q22

**Neither agree nor disagree**

To what extent do you agree or disagree with the potential secondary measures?

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**Q23**

Do you have any comments on the proposed primary and secondary measures? You may want to consider:- How many primary and secondary measures you think we should consider- Which measures you think should be primary or secondary (and why)

## Defining Energy Hardship

Subject to our comments above, we would like to make the following comments and observations in relation to the primary and secondary measures:

- a. The twice median test at P1 and P2 has the disadvantage that it will include data from households that “are rich in capital but have lower incomes” (C1 and 2). This is exemplified at page D20, Table 6 where over 65s score highly under the P1 and P2 objective measures of energy hardship but don't feature under the more directly relevant the subjective measures of keeping accommodation adequately warm or putting up with feeling cold at Figure 7. Even as an interim measure, further analysis is required to determine whether P1 and P2 are good indicators.
- b. In addition to our comments at 23a above, we agree with ERANZ that a ‘before housing cost’ (BHC) measure should be one of the primary measures. Changes to housing costs will have a material impact on hardship. Using both before and after housing cost measures will provide context for interpreting expenditure e.g. if housing costs go up (as they have in 2021) an AHC energy cost % would increase.
- c. As Appendix D explains, no single objective measure gives an accurate picture of energy hardship. MBIE's analysis shows the different objective measures at Figure 3 give widely varied outcomes. Further, the twice median measures P1 and P2 (whether BHC or AHC or both) may be overstating energy hardship given the enormity of the gap between the results from applying the 10% test to the same data. It is therefore imperative that primary status is given to a subjective measure that will catch most cases of genuine hardship. We think that P13 “cannot afford to keep house adequately warm” would be an appropriate primary measure as it goes directly to the core of the problem. This data also has the advantage of being collected annually and being a large sample size. Because this is a new question however and is only available from the HES 2018/19, perhaps this would be a logical place to start the “fixed line” threshold?
- d. P4 is an important primary measure as many community organisations report families living with mould and damp because they are afraid their rent will go up or they will be removed if they ask Landlords for change. Figure 7 at Appendix D shows however there are other subjective measures that may be more direct indicators of energy hardship (see above at (a) and (c)). Many people may have pockets of damp or mould in their homes but will have the resource to keep their house adequately warm. We would therefore like to see P4 supported by an additional primary measure such as P13 mentioned above.
- e. The decrease in the twice median share from 7.5% in 2012/13 to 6.3% in 2018/19 may be because electricity prices have remained relatively steady over the past 5 years. MBIE's own power price data released December 2021 shows that the average annual electricity bill has fallen by \$160 in real terms since 2016. P1 and P2 are therefore correctly showing a decrease in the proportion of income spent on energy however this outcome may not reflect other hardship trends.
- f. Hardship is subject to an element of seasonality. There is no measure to address this other than P19 A and B which only deal with trouble heating in winter. In parallel, financial hardship can increase as electricity bills double (and budgets do not). Many households may experience energy hardship for only a few months each year. Mercury would be happy to provide evidence of the seasonality of electricity arrears if MBIE would like to investigate consumption in vulnerable groups further.
- g. Prepay is not an underlying driver of hardship and should not be used as a measure. Prepay is a product designed to alleviate hardship for vulnerable consumers. It improves access to electricity, provides daily consumption information to help customers manage their use, and has no disconnection or late fees which means it ends up as the cheapest overall proposition for some customers. We recognise that a stigma has become attached to prepay as it is the only product available to consumers with adverse credit. As an industry we are working on solutions that will make post-pay offerings accessible to all. Once this is possible, prepay will be just another product in a retailer's offerings and the stigma will disappear. We recommend removing P14 from the suite of secondary measures.
- h. We question MBIE's decision not to include disconnection data as a measure of energy hardship. Disconnection rates and debt levels are key indicators of whether households can afford and access electricity. The consultation argues that decisions around disconnection are too influenced by policy change to be a reliable measure over time, citing the pause on disconnection during Covid-19 lockdowns as an example. We disagree with this view. Using measures that can be influenced by policy changes means the data collected over time will be able to show which policy outcomes were successful and vice versa.

**Q24**

Do you have any comments on measuring the depth of hardship? You may want to consider: - If we should use these measurements in Aotearoa, in addition to the primary and secondary measures- Combining measures (i.e. a DEP-17 style approach) - Measuring the energy hardship gap

Mercury supports MBIE using the DEP-17 index to measure energy hardship based on our view that energy hardship and material hardship overlap to such an extent that separate measures are not warranted.

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Page 8: Data gaps and proposed way forward

**Q25**

Rank the following proposals in order of most important (1) to least important (4).

Further analyse any currently available data	1
Work to fill existing data gaps/limitations	2
Model required energy use for households in Aotearoa	4
Research energy hardship-related indicators	3

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**Q26**

Do you have any suggestions for alternatives or changes to the proposed way forward? You may want to consider:- Are there gaps in the measurement we haven't identified?- Are there data sets or measures you know of that should be included?- Do you have any other suggestions for future analysis?

Please also see our response to question 8 above and comments throughout our submission in relation to this issue.

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Page 9: Final thoughts

**Q27**

Do you have anything else you would like to mention?

No comment.

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**Q28**

Yes

Can we publish your submission on the MBIE website? If your submission contains personally identifiable information that should not be made public, please make clear what can and cannot be made public. For example, information about other people that you are sharing without their consent or information about children. Your name, and that of your organisation will be visible. Email addresses will not be visible.

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