

Social retailing: phase two

Development and evaluation of social retailing options
requiring further analysis

Report prepared for the Energy
Hardship Expert Panel (Panel) and
the Ministry of Business,
Innovation and Employment (MBIE)

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What we were asked to do

- MBIE contracted Concept to undertake analysis of the issues that “social retailing” would seek to address and to develop a spectrum of social retailing options to address those issues.
- This work is to support the Panel’s consideration of social retailing options in its preparation of a discussion paper on possible options for addressing energy hardship.
- The work was divided into two phases:
 - Phase one: development of a framework that sets out the issues that social retailing would seek to address and a long list of potential social retailing options
 - Phase two: development and evaluation of social retailing options requiring further analysis.
- This report is Concept’s output for phase two of the project.

We have further developed and evaluated six social retailing options

In phase one of this project, we identified four broad social retailing options that should be further developed and evaluated. Within these four broad social retailing options we have identified six social retailing options to evaluate:

- Option C1 – mandating minimum consumer care requirements
- Option H1 – generators provide funding assistance for social retailing
- Option H2 – government provides funding assistance for social retailing
- Option I1 – government contracts one or more retailer(s) to act as a social retailer
- Option J1 – government support for an integrated social generator-retailer
- Option J2 – government support for community/regional integrated social generator-retailers.

Our evaluation framework involved five steps

Our framework for developing and evaluating these six options involves:

- describing the option and the scale of the option
- considering design questions
- assessing the scale of the benefits of the option (in qualitative terms)
- assessing the scale of the costs of the option (in qualitative terms) and the risk of unintended consequences
- considering the potential impact of the option on wholesale and retail energy markets.

We consider that four of the six social retailing options have potential

We consider that:

- ***Option C1 – mandating minimum consumer care requirements*** could improve care of all consumers in energy hardship for a relative low cost and should be considered further
- the following three options could address many of the key issues observed in phase one and are unlikely to crowd out existing social retailing:
 - ***Option H1 – generators provide funding assistance for social retailing***
 - ***Option H2 – government provides funding assistance for social retailing***
 - ***Option J2 – government support for community/regional integrated social generator-retailers***
- ***Option I1 – government contracts one or more retailer(s) to act as a social retailer*** would likely be beneficial but may crowd out existing social retailing (and thereby hamper innovation)
- ***Option J1 – government support for an integrated social generator-retailer*** would only benefit customers of the integrated social generator-retailer, be very high cost, and have a high risk of unintended consequences.

For these reasons, we recommend that options C1, H1, H2, and J2 be considered further. While option I1 does have some merit, we believe that options H1 and H2 are likely to lead to greater benefits without crowding out existing social retailing. We believe that option J1 should not be considered further because it is very high cost and has a high risk of unintended consequences.

Executive summary/key conclusions

1. Recap of phase one
2. Social retailing options that require further analysis
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5. Option C1: Mandating minimum consumer care requirements
6. Option H1: Generators provide funding assistance for social retailing
7. Option H2: Government provides funding assistance for social retailing
8. Option I1: Government contracts one or more retailer(s) to act as a social retailer
9. Option J1: Government support for an integrated social generator-retailer
10. Option J2: Government support for community/regional integrated social generator-retailers

1. Recap of phase one

1. Recap of phase one (1 of 2)

We consider there are five key issues that social retailing could help address

- Our analysis suggests that there are five key issues that social retailing could help address. These issues are:
 1. Poor credit restricting energy accessibility and choice for many consumers. Issue is exacerbated if the consumer has no smart meter or also requires gas for heating.
 2. A combination of high energy prices, low income, and high energy needs making energy unaffordable for some consumers.
 3. Fees disproportionately affecting those in energy hardship.
 4. The difficulty that retailers can have engaging with some customers in energy hardship.
 5. Energy plan complexity making it difficult for many consumers to understand their bills, compare plans, or switch retailers.
- These issues may be transitory for some consumers, but longer-term for other consumers. Social retailing solutions should ideally address both transitory and longer-term energy hardship.
- Our analysis indicates that there are some regions of the country where some of these issues are larger – for example, some of the smaller networks, particularly in the South Island, have less prepay or social retailers (who are likely to take on a customer with a poor credit score) available, as well as low smart meter penetration.

There are already some social retailing services available

- There are already three retailers in existence that we consider to be social retailers—Nau Mai Rā, Our Power, and Toast Electric (Toast).

- Many of the more traditional retailers also offer some social retailing services and/or are in process in piloting social retailing services. For example, Pulse Energy (Pulse) allows customers to gift to a fund that helps other customers in energy hardship.

There are ten broad groups of social retailing options

- There is a wide spectrum of social retailing options that each address the issues in different ways—these options range from voluntary actions by retailers to address energy hardship, through to the establishment of integrated social generator-retailer(s).
- We consider the spectrum of social retailing options can be divided into ten broad groups:
 - A. Bulk deals
 - B. Social housing agencies as retailers
 - C. Consumer care guideline changes
 - D. Subsidised energy charges
 - E. Energy bill caps
 - F. Energy navigators
 - G. Bonds
 - H. Funding assistance for social retailers
 - I. Establishment of one or more social retailers
 - J. Establishment of integrated social generator-retailer(s).
- Within these ten broad groups there are also decisions to be made about who funds the social retailing solution(s)—solutions could be funded by retailers, community-run social agencies, generators, or the government (either through general taxation or an industry levy).

1. Recap of phase one (2 of 2)

We propose that four broad social retailing options be developed and evaluated in phase two

- We consider that the following options should be evaluated in phase two of the project:
 - **Option C – consumer care guidelines.** Phase two should consider whether there should be mandated minimum consumer care guidelines (eg, by moving some parts of the consumer care guidelines into the Electricity Industry Participation Code 2010 (Code)).
 - **Option H – funding assistance for social retailing.** Phase two should consider whether this is government funded (through general taxation or an industry levy) or generator funded.
 - **Option I – the establishment of a social retailer (or retailers).** The social retailer(s) would be funded by the government.
 - **Option J – the establishment of integrated social generator-retailer(s).** Phase two should consider two variations of this option – establishing just one integrated social generator-retailer or establishing a number of community/regional integrated social generator retailers.
- We consider that **Option D – subsidised energy charges, Option E – energy bill caps, and Option F – energy navigators** should not be evaluated in their own right in phase two of the project. However, they should be considered as features of options H, I, and J.

2. Social retailing options that require further analysis

2a. Social retailing options requiring further analysis

Table 2.1: Social retailing options requiring further analysis

		Variations to consider	
Broad option	A. Bulk deals		
	B. Social housing agencies as retailers		
	C. Consumer care guidelines	C1. Mandating minimum consumer care requirements. Some parts of the consumer care guidelines related to supplying customers who are struggling to pay their energy bills could be mandated. New (mandated) provisions could also be added. For example, could involve mandating requirements around disconnection for non-payment or could require all (or some) retailers to have a social retailing programme.	
	D. Subsidised energy charges		
	E. Energy bill caps		
	F. Energy navigators		
	G. Bonds		
	H. Funding assistance for social retailers	H1. Generators provide funding assistance for social retailers and social retailing initiatives. Could either be monetary assistance or discounted energy hedges. Assistance would be put into a pool and social retailers (and possibly other retailers providing social retailing services) would need to apply to access funds/hedges. Social retailing initiatives could include, for example, subsidised energy charges or energy navigators.	H2. Government provides funding assistance for social retailers and social retailing initiatives. Assistance would be put into a pool and social retailers (and possibly other retailers providing social retailing services) would need to apply to access funds. Social retailing initiatives could include, for example, subsidised energy charges or energy navigators.
	I. Establishment of social retailer	I1. Government contracts one or more retailer(s) to act as a social retailer. The social retailer(s) would provide a guaranteed supply of electricity to those in energy hardship.	
	J. Establishment of integrated social generator-retailer(s)	J1. Government support for an integrated social generator-retailer. Some funding provided by the government (for implementation and possibly to meet some ongoing cost). The social generator-retailer would be required to provide a guaranteed supply of electricity to all consumers in energy hardship.	J2. Government support for community/regional integrated social generator-retailers. Some funding provided by the government (for implementation and possibly to meet some ongoing cost). Social generator-retailers would be expected to be on a community level and could rely on small-scale distributed generation. Social generator-retailers could be required to reapply for funding periodically.

Key:

- Retailer funded
- Generator funded
- Government funded

3. Evaluation framework

3a. Evaluation framework

What our development and evaluation includes

Our development and evaluation of each option includes:

- describing the option and the scale of the option
- considering design questions
- assessing the scale of the benefits of the option (in qualitative terms)
- assessing the scale of the costs of the option (in qualitative terms) and the risk of unintended consequences
- considering the potential impact of the option on wholesale and retail energy markets (explained in more detail below).

Market impacts

Social retailing initiatives can affect retail and wholesale energy (electricity and gas) markets.*

Markets are generally fairly efficient at allocating scarce resources. However, they may not achieve fairness or other social objectives. Governments may “intervene” to achieve social objectives, but this may affect efficiency or other social objectives. For example, an initiative may improve current living standards but may contribute to climate change.

The social retailing options considered in this report are all government interventions that aim to support and improve the wellbeing of residential consumers in energy hardship. These improvements in wellbeing need to be balanced against any reductions in efficiency in retail and/or wholesale energy markets.

The impact of each social retailing option on retail and wholesale energy markets will depend on several factors including:

- how the social retailing is funded (eg, by the government, generators, or retailers)
- which retailers receive the social retailing funding (eg, all retailers, or only social retailers)
- which consumers receive the social retailing services (eg, a subset of consumers in energy hardship, all consumers in energy hardship, or all residential consumers)
- the type of social retailing being provided (eg, does the social retailing reduce the cost of energy for some consumers, or does it just include the provision of additional services for some consumers).

Potential market impacts include:

- increasing energy prices (wholesale and/or retail)
- reducing competition
- changing the relative competitiveness of market participants
- crowding out existing social retailers and/or social retailing programmes from the market.

We discuss these potential market impacts in more detail in our evaluation of each of the options.

* Gas markets will only be affected if the social retailing initiative relates to gas retailing as well as electricity retailing.

4. Overall evaluation of social retailing options

4a. Overall evaluation of social retailing options

Table 4.1: Evaluation of social retailing options

	Scale	BENEFITS						COSTS			Potential impact on markets	OVERALL COMMENT
		Extent to which it could address issues related to						Implementation costs	Ongoing costs	Risk of unintended consequences		
		Poor credit and disconnection	High prices, low income, and high energy needs	Disproportionate fees	Engagement difficulties	Energy plan complexity	Flexibility					
C1: Mandating minimum consumer care requirements	●	✓✓	✓	✓✓	✓✓	✓	✓✓✓	x	x	x	●	Could improve care of all consumers in energy hardship for a relatively low cost.
H1: Generators provide funding assistance for social retailing	●	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	✓✓✓	xxx	xx	xxx	●	Could have sizeable benefits for a medium cost. Doesn't squeeze out social retailing already in place.
H2: Government provides funding assistance for social retailing	●	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	✓✓✓	xx	xxx	xx	●	Could have sizeable benefits for a medium cost. Doesn't squeeze out social retailing already in place.
I1: Government contracts one or more retailer(s) to act as a social retailer	●	✓✓	✓✓✓	✓✓✓	✓	✓	✓	xxxx	xxx	xxx	●	Likely to be beneficial, but may crowd out other social retailing already in place.
J1: Government support for an integrated social generator-retailer	●	✓✓	✓✓	✓✓	✓	✓	✓	xxxxxx	xxx	xxxx	●	Would only benefit customers of the integrated social generator-retailer. Very high cost with high risk of unintended consequences.
J2: Government support for community/regional integrated social generator-retailers	●	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	✓✓✓	xxx	xx	xxx	●	Could have sizeable benefits for a medium cost.

Key:

✓ Option addresses issue slightly	✓✓ Option addresses issue moderately	✓✓✓ Option addresses issue significantly		
x Low-medium cost	xx Medium cost	xxx Medium-high cost	xxxx High cost	xxxxx Very high cost
● Low-medium	● Medium	● Medium-large	● Large	● Very large

4b. Recommendations for further evaluation

Sections five to ten set out in more detail our evaluation of the six social retailing options.

We consider that four of the six social retailing options have potential

Based on our evaluation of the six options we consider that:

- ***Option C1 – mandating minimum consumer care requirements*** could improve care of all consumers in energy hardship for a relative low cost and should be considered further
- the following three options could address many of the key issues observed in phase one and are unlikely to crowd out existing social retailing:
 - ***Option H1 – generators provide funding assistance for social retailing***
 - ***Option H2 – government provides funding assistance for social retailing***
 - ***Option J2 – government support for community/regional integrated social generator-retailers***
- ***Option I1 – government contracts one or more retailer(s) to act as a social retailer*** would likely be beneficial but may crowd out existing social retailing (and thereby hamper innovation)
- ***Option J1 – government support for an integrated social generator-retailer*** would only benefit customers of the integrated social generator-retailer, be very high cost, and have a high risk of unintended consequences.

For these reasons, we recommend that options C1, H1, H2, and J2 be considered further. While option I1 does have some merit, we believe that options H1 and H2 are likely to lead to greater benefits without crowding out existing social retailing. We believe that option J1 should not be considered further because it is very high cost and has a high risk of unintended consequences.

5. Option C1: Mandating minimum consumer care requirements

5a. Description of Option C1

Table 5.1: Description of Option C1 – Mandating minimum consumer care requirements

Mandating minimum consumer care requirements	
Description	Some parts of the Consumer Care Guidelines (Guidelines) that relate to supplying customers who are struggling to pay their energy bills could be mandated. New (mandated) provisions could also be added. For example, requirements around disconnection for non-payment could be mandated and/or could all (or some) retailers could be required to have a social retailing programme.
Purpose	Mandating requirements would reduce the competitive pressure for retailers to avoid cost/inconvenience by not aligning fully with Guidelines.
Key features	All (or some) retailers are required to meet mandated minimum consumer care requirements, which could include requirements on how to deal with disconnections for non payment and consumers with a poor credit score, or a requirement to have a social retailing programme.
Scale	Low-to-medium (depending on the requirements that are mandated).

5b. Design questions for Option C1

Table 5.2: Design questions for Option C1 – Mandating minimum consumer care requirements

Question	Possible answers	Comment
What requirements should be mandated?	<p>Existing provisions in the Guidelines that could be considered for mandating include:</p> <ul style="list-style-type: none"> • clause 24, which recommends that a retailer hesitating to accept a person as a customer because of their poor credit record should carefully consider all relevant information (eg, whether a poor credit score is the result of historical financial pressures) • clauses 41-43, which recommend processes for dealing with postpay customers in payment arrears • clauses 48-49, which include recommendations for monitoring the frequency and duration of prepay disconnections and liaising with prepay customers whose usage changes substantially or whose prepayment service runs out of credit frequently • Part 7, which recommends processes for progressing to disconnection for non-payment of invoices and reconnection. <p>Other mandated consumer care requirements could include:</p> <ul style="list-style-type: none"> • requiring each retailer to have social retailing programme that meets certain conditions • requiring each retailer to take on a set proportion of customers who have a poor credit score. 	<ul style="list-style-type: none"> • It is likely that mandating a range of provisions will be most effective. • To ensure that mandated provisions do not prevent innovation or industry development, requirements should be stated as outcomes rather than inputs where possible. • A staged process to mandating requirements could be taken.
Where should the mandated requirements sit?	<p>Mandated requirements could sit in:</p> <ul style="list-style-type: none"> • the Electricity Industry Participation Code 2010 (Code) • regulations created under Section 113 of the Electricity Act 2010 (Act).* <p>If the requirements are going to apply to gas retailing in addition to electricity retailing, they will need to sit somewhere outside the Code or regulations created under Section 113 of the Act.</p> <p>* Only the Electricity Authority can amend the Code. MBIE can create Regulation under Section 113 of the Act.</p>	<p>There are several advantages of the requirements sitting in the Code rather than in separate regulations. These include that:</p> <ul style="list-style-type: none"> • the Code is easier and quicker to amend than separate regulation • the Code has an exemption process should new business models breach requirements • the Electricity Authority already has processes and systems in place to monitor and enforce compliance.
Which retailers should be required to meet mandated consumer care requirements?	<p>Options include:</p> <ul style="list-style-type: none"> • all retailers • all retailers over a certain size (eg, number of retail customers) • all retailers except new entrants (eg, retailers could be exempt during their first year of operation). 	<ul style="list-style-type: none"> • Depending on which requirements are mandated, it may be unreasonable to require small retailers or newly established retailers to meet the requirements. • If the mandated requirements sit in the Code the Authority would have the ability to exempt retailers where appropriate.

5c. Benefits of Option C1

Table 5.3: Benefits of option C1 – Mandating minimum consumer care requirements

Mandating minimum consumer care requirements			
Benefits		Score	
Extent to which it addresses issues	1. Poor credit and disconnection	<p>Consumer care requirements could help address the poor credit and disconnection issue in several ways (depending on the requirements that are mandated):</p> <ul style="list-style-type: none"> • requiring retailers to go through certain steps before disconnecting a customer for non-payment (which is already included in the Guidelines) may reduce rates of disconnection for non payment • requiring retailers to consider all relevant information when considering whether to accept a consumer with a poor credit score (which is already included in the Guidelines) could increase the availability and choice of energy plans for consumers with a poor credit score • if retailers are required to accept a set proportion of consumers with a poor credit score this would increase availability and choice of energy plans for consumers with a poor credit score. 	✓✓
	2. High prices, low income, and high energy needs	Consumer care requirements could include a requirement for retailers to offer a discounted energy plan for customers who are struggling to pay.	✓
	3. Disproportionate fees	Consumer care requirements could set limits around the fees that retailers can charge.	✓✓
	4. Engagement difficulties	Consumer care requirements could include requirements around engaging with customers.	✓✓
	5. Energy plan complexity	Consumer care requirements could include a provision requiring retailers to offer at least one simple plan (that meets certain parameters).	✓
Flexibility	If the consumer care requirements are included as part of the Code, the requirements could be amended over time using the Electricity Authority’s Code change process.	✓✓✓	

5d. Costs of Option C1

Table 5.4: Costs of option C1 – Mandating minimum consumer care requirements

Mandating minimum consumer care requirements	
Costs	
Implementation cost	<ul style="list-style-type: none">• Low-medium (relative to other options).• Would include cost of making Code changes or introducing new regulations.• There would be also a cost to retailers to setting up processes/programmes to meet the mandated requirements.
Ongoing cost	<ul style="list-style-type: none">• Low-medium.• Ongoing costs to retailers of maintaining and funding processes/programmes to meet the mandated requirements.• Cost of monitoring compliance.
Risk of unintended consequences	<ul style="list-style-type: none">• If mandated requirements are too defined (and focussed on inputs rather than outcomes), could prevent innovation or industry development.• Would increase costs for retailers which could hamper competition. There is also a risk that some of the increased cost would be passed on to consumers in energy hardship (eg, if retailers are required to take on more consumers with a poor credit score, the cost of the additional credit risk for retailers may be spread across all customers). See next slide for more discussion on market impacts.

5e. Market impacts of Option C1

Table 5.5: Market impacts of option C1 – Mandating minimum consumer care requirements

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<p>Not likely to have an impact.</p>	<p>Mandating minimum consumer care requirements would increase costs for retailers, which could impact the retail energy markets in a few ways:</p> <ul style="list-style-type: none"> • Some retailers could exit the market: some retailers may not be able to absorb the increased cost. These retailers would either have to increase their retail energy prices or go out of business. The latter may happen if there are other retailers in the market who are able to absorb the increased cost (potentially because of their size). If some retailers exit the retail market this will lessen retail competition. • The relative competitiveness of retailers who are required to meet requirements could fall: If only some retailers are required to meet minimum requirements, these retailers’ costs will increase relative to retailers who are not required to meet the minimum requirements (unless these other retailers voluntarily meet the minimum requirements). This will reduce the relative competitiveness of the retailers required to meet the minimum requirements. This may be acceptable if the retailers required to meet the minimum requirements generally have lower costs compared to other retailers (eg, because they are larger). • Some consumers (potentially including some in energy hardship) may effectively cross-subsidise other consumers: a retailer’s increased cost of meeting the mandated requirements could be spread over all, or some subset of, the retailer’s customers including customers that do not benefit from the mandated requirements. Customers paying this increased cost are effectively cross-subsidising the customers that are benefiting from the mandated requirements. Some of these customers could be in energy hardship themselves (eg, if the mandated requirements are related to dealing with consumers with a poor credit score, there will be consumers without a poor credit score who are in energy hardship who could end up paying some of the additional cost of the mandated requirements without benefiting from them). <p>The size of the impact on retail energy markets will depend on the cost of retailers meeting the mandated requirements. The cost may not be large if the mandated requirements are provisions that are already included in the Guidelines and are already voluntarily met by many retailers. The cost is likely to be greater for new requirements.</p>

6. Option H1: Generators provide funding assistance for social retailing

6a. Description of Option H1

Table 6.1: Description of Option H1 – Generators provide funding assistance for social retailing

Generators provide funding assistance for social retailing	
Description	Generators (some or all) are required to provide monetary assistance or discounted electricity hedges to social retailers or retailers providing social retailing services.
Purpose	Lowers social retailers' costs (or retailers providing social retailing services) so they are able to provide social retailing services (such as discounted energy charges for customers in energy hardship and energy navigators).
Key features	<ul style="list-style-type: none">• Affected generators required to provide monetary assistance or discounted electricity hedges to a social retailing fund pool at regular intervals.• Social retailers (and potentially other retailers providing social retailing services) can access fund to bring their costs down.
Scale	Medium-high

6b. Design questions for Option H1

Table 6.2: Design questions for Option H1 – Generators provide funding assistance for social retailing

Question	Possible answers	Comment
How are generators required to provide funding assistance?	<ul style="list-style-type: none"> • Each generator is required to provide monetary assistance. • Each generator is required to provide discounted electricity hedges. 	A requirement to provide monetary assistance will be simpler to implement than a requirement to provide discounted electricity hedges. If generators are required to provide discounted electricity hedges then all the terms on which those hedges are provided will need to be defined (eg, what the discount should be relative to, whether the hedges have a fixed shape, over what term the hedges are offered).
Which generators are required to provide funding assistance?	<ul style="list-style-type: none"> • Limited to generators over a certain size (eg, based on generating capacity, or average generation per annum). • Limited to generators with renewable generation built prior to the Emissions Trading Scheme (ETS). • Limited to generator-retailers. 	Generators with renewable generation built prior to the ETS have been benefiting from carbon through higher wholesale electricity prices—requiring these generators to provide support to social retailers may be seen as an appropriate use of the windfall gains.
What level of funding is each generator required to provide?	<ul style="list-style-type: none"> • Link to generator’s size (eg, based on generating capacity, or average generation per annum). 	
Which retailers can access funding?	<ul style="list-style-type: none"> • Limit to social retailers who must meet certain criteria – funding could be allocated to social retailers based on some measure of size or social retailers could be required to apply for some portion of the funding. • Open to all retailers who have (or want to start) a social retailing programme – funding allocated through an application process. 	Only allowing social retailers to get funding may discourage other retailers from implementing social retailing programmes. If the funding is available to all retailers it would encourage all retailers to engage in social retailing activities.
Should there be requirements that social retailing programmes need to meet to have access to the funding?	<p>Retailers’ social retailing programmes could be required to meet certain requirements. Alternatively, the government could provide guidance on the types of features it would like to see in social retailing programmes (and therefore, is more likely to approve funding for).</p> <p>If requirements are set these requirements could include that the social retailing programme:</p> <ul style="list-style-type: none"> • must accept all consumers regardless of their credit score • will not disconnect any customers (or will only disconnect under very limited circumstances) • will limit fees • include initiatives (such as energy navigators) to help customers engage more with their retailer. 	<p>It is likely to be preferable to provide guidance to retailers rather than setting requirements. Setting highly specified requirements could prevent innovation and industry development.</p> <p>The guidance given, or requirements set, should be based on the outcomes the government is wanting social retailing programmes (or social retailers) to achieve.</p>

6c. Benefits of Option H1

Table 6.3: Benefits of option H1 – Generators provide funding assistance for social retailing

Generators provide funding assistance for social retailing			
Benefits		Score	
Extent to which it addresses issues	1. Poor credit and disconnection	<ul style="list-style-type: none"> Greater availability of social retailers and/or social retailing programmes would likely improve accessibility and increase choice for consumers with a poor credit score. This assumes that social retailers and/or social retailing programmes take on customers with a poor credit score (which could be a requirement of the scheme). Social retailers and/or social retailing programmes may be less likely to disconnect customers. 	✓✓✓
	2. High prices, low income, and high energy needs	If social retailers provide discounted energy charges for customers in energy hardship this will reduce prices for those customers. This could be through the use of energy bill caps (eg, capping energy charges over winter months) which will reduce total charges for those customers (with the biggest impact for customers with high energy needs (depending on how the cap is designed)).	✓✓✓
	3. Disproportionate fees	Could decide to only fund social retailers/social retailing programmes that limit (or eliminate) fees.	✓✓✓
	4. Engagement difficulties	Some consumers are more likely to trust a social retailer, so greater availability of social retailers may improve engagement with these consumers.	✓✓
	5. Energy plan complexity	This option could help with energy plan complexity if social retailers/social retailing programmes have simple energy charge structures and simple invoicing. However, it won't make it much easier to compare these simpler plans with other plans.	✓
Flexibility	Settings (eg, which generators are required to participate and requirements or guidance for social retailers/social retailing programmes) could be changed over time as required. Retailers could be required re-apply periodically for funding.	✓✓✓	

6d. Costs of Option H1

Table 6.4: Costs of option H1 – Generators provide funding assistance for social retailing

Generators provide funding assistance for social retailing	
Costs	
Implementation cost	<ul style="list-style-type: none"> • Medium-high (relative to other options). • Depends on how the scheme is set up. • Would require regulations (possibly through the Code) to be written and social retailing fund or hedging pool to be established.
Ongoing cost	<ul style="list-style-type: none"> • Medium (relative to other options). • Depends on how the scheme is set up. • Some ongoing cost for running of social retailing fund or hedging pool (including application process for retailers). • May also be some monitoring cost (to ensure that generators and retailers are meeting any requirements).
Risk of unintended consequences	<ul style="list-style-type: none"> • If only social retailers are able to access the funding it could reduce the incentive for other retailers to provide social retailing services. • If generators are required to provide discounted energy hedges it may reduce the quantity of hedges that the generators make available to other retailers. • Generators could pass on cost of scheme through higher offers in the wholesale electricity market. • Introduction of a ‘windfall’ tax/levy may undermine incentive to invest in new renewable generation due to fear of net being widened. • Although introduction of ETS is lifting revenue for renewables at present, this effect may fade as thermal generation retires from the system. <p>See next slide for more discussion on market impacts.</p>

6e. Market impacts of Option H1

Table 6.5: Market impacts of option H1 – Generators provide funding assistance for social retailing

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<ul style="list-style-type: none">• Generators could increase their offer prices in the wholesale electricity market to fund the social retailing. However, this will only affect wholesale electricity market prices if the marginal offer in the market is increased – this may be limited if only generators with renewable generation built prior to the ETS are required to participate.• If generators are required to fund the social retailing by providing discounted electricity hedges, generators may reduce the quantity and/or increase the price of other electricity hedges they offer.	<ul style="list-style-type: none">• If prices in the wholesale electricity market increase, retailers may pass through this increased cost through higher retail prices.• If generators reduce their offering of electricity hedges to the general market, this could increase retailers costs, which may be passed through into higher prices.

7. Option H2: Government provides funding assistance for social retailing

7a. Description of Option H2

Table 7.1: Description of Option H2 – Government provides funding assistance for social retailing

Government provides funding assistance for social retailing	
Description	Government puts funding into a pool that social retailers (and possibly other energy retailers providing social retailing services) could access through an application process.
Purpose	Lowers social retailers' costs (or retailers providing social retailing services) so they are able to provide social retailing services (such as discounted energy charges for customers in energy hardship and energy navigators).
Key features	<ul style="list-style-type: none">• Government pays into a social retailing fund pool at regular or irregular intervals.• Social retailers (and potentially other retailers providing social retailing services) apply to access funding pool to help fund social retailing services.
Scale	Medium-high

7b. Design questions for Option H2

Table 7.2: Design questions for Option H2 – Government provides funding assistance for social retailing

Question	Possible answers	Comment
Where would the government source its funding?	<ul style="list-style-type: none"> From general taxation. From an industry levy. 	<p>Funding using general taxation will have the smallest impact on energy markets (both retail and wholesale) due to the wide funding base (ie, all taxpayers). Sourcing funds from an energy industry levy may lead to generators, suppliers, and retailers increasing their prices/offers. See slide 7e for more discussion on market impacts.</p>
Which retailers can access funding?	<ul style="list-style-type: none"> Limit to social retailers who must meet certain criteria – funding could be allocated to social retailers based on some measure of size or social retailers could be required to apply for some portion of the funding Open to all retailers (who have a social retailing programme) – funding allocated through an application process 	<p>Only allowing social retailers to get funding may discourage other retailers from implementing social retailing programmes. If the funding is available to all retailers it would encourage all retailers to engage in social retailing activities.</p>
Should there be requirements that social retailing programmes need to meet to have access to the funding?	<p>Retailers’ social retailing programmes could be required to meet certain requirements. Alternatively, the government could provide guidance on the types of features it would like to see in social retailing programmes (and therefore, is more likely to approve funding for).</p> <p>If requirements are set these requirements could include that the social retailing programme:</p> <ul style="list-style-type: none"> must accept all consumers regardless of their credit score will not disconnect any customers (or will only disconnect under very limited circumstances) will limit fees will include initiatives (such as energy navigators) to help customers engage more with their retailer. 	<p>It is likely to be preferable to provide guidance to retailers rather than setting requirements. Setting highly specified requirements could prevent innovation and industry development.</p> <p>The guidance given, or requirements set, should be based on the outcomes the government is wanting social retailing programmes (or social retailers) to achieve.</p>

7c. Benefits of Option H2

Table 7.3: Benefits of option H2 – Government provides funding assistance for social retailing

Government provides funding assistance for social retailing			Score
Benefits			Score
Extent to which it addresses issues	1. Poor credit and disconnection	<ul style="list-style-type: none"> Greater availability of social retailers and/or social retailing programmes would likely improve accessibility and increase choice for consumers with a poor credit score. This assumes that social retailers and/or social retailing programmes take on customers with a poor credit score (which could be a requirement of the scheme). Social retailers and/or social retailing programmes may be less likely to disconnect customers. 	✓✓✓
	2. High prices, low income, and high energy needs	<ul style="list-style-type: none"> If social retailers provide discounted energy charges for customers in energy hardship this will reduce prices for those customers. One way that energy charges could be discounted is through energy bill caps (eg, capping energy charges over winter months) which will reduce total charges for those customers (with the biggest impact likely to be for customers with high energy needs (depending on how the cap is designed)). 	✓✓✓
	3. Disproportionate fees	Could include requirements on social retailers/social retailing programmes to limit (or eliminate) fees.	✓✓✓
	4. Engagement difficulties	Some consumers are more likely to trust a social retailer, so greater availability of social retailers may improve engagement with these consumers.	✓✓
	5. Energy plan complexity	This option could help with energy plan complexity if social retailers/social retailing programmes have simple energy charge structures and simple invoicing. However, it won't make it much easier to compare these simpler plans with other plans.	✓
Flexibility	Settings (eg, the application process, level of funding available, requirements for social retailers/social retailing programmes) could be changed over time as required. Each funding process, the government could change what its looking for in applications to help ensure that approved social retailers or social retailing programmes are meeting the needs of consumers in energy hardship at the time.	✓✓✓	

7d. Costs of Option H2

Table 7.4: Costs of option H2 – Government provides funding assistance for social retailing

Government provides funding assistance for social retailing	
Costs	
Implementation cost	<ul style="list-style-type: none">• Medium (compared to other options).• Cost associated with setting up scheme (including funding pool and application process and criteria).
Ongoing cost	<ul style="list-style-type: none">• Medium-high.• Cost of funding social retailing pool.• Cost of application process.• May also be some monitoring cost (to ensure that retailers are meeting any requirements set out in their approval for funding).
Risk of unintended consequences	<ul style="list-style-type: none">• If only social retailers are able to access the funding it could reduce the incentive for other retailers to provide social retailing services.

7e. Market impacts of Option H2

Table 7.5: Market impacts of option H2 – Government provides funding assistance for social retailing

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<ul style="list-style-type: none">• If funded through general taxation, not likely to have an impact.• If funded through an industry levy, generators/suppliers may increase wholesale market offer prices, which will increase wholesale energy prices if the marginal offer in the market is increased.	<ul style="list-style-type: none">• If prices in the wholesale electricity market increase, retailers may pass through this increased cost through higher retail prices.

8. Option I1: Government contracts one or more retailer(s) to act as a social retailer

8a. Description of Option I1

Table 8.1: Description of Option I1 – Government contracts one or more retailer(s) to act as a social retailer

Government contracts one or more retailer(s) to act as a social retailer	
Description	One or more retailer(s) would be contracted by the Government to act as a social retailer. Contracted social retailers would be required to provide a guaranteed supply of energy to residential consumers in energy hardship and deliver social retailing programmes that meet the needs of those consumers.
Purpose	Ensure supply of energy to residential consumers in energy hardship with favourable terms.
Key features	<ul style="list-style-type: none">• Government enters into (potentially long-term) contracts with one or more retailer(s) to act as a social retailer.• Contracted social retailer(s) provide a guaranteed supply of energy to residential consumers in energy hardship on favourable terms.
Scale	High

8b. Design questions for Option I1

Table 8.2: Design questions for Option I1 – Government contracts one or more retailer(s) to act as a social retailer

Question	Possible answers	Comment
Where would the government source its funding?	<ul style="list-style-type: none"> From general taxation. From an industry levy. 	<p>Funding using general taxation will have the smallest impact on energy markets (both retail and wholesale) due to the wide funding base (ie, all taxpayers). Sourcing funds from an energy industry levy may lead to generators, suppliers, and retailers increasing their prices/offers. See slide 8e for more discussion on market impacts.</p>
How long would contracts be for?	<ul style="list-style-type: none"> Contract terms could be decided on a case-by-case basis (potentially within the ranges of a minimum and maximum contract term). All contracts are set to the same (mandated) term. 	<ul style="list-style-type: none"> It will be beneficial to have some flexibility in the length of contract terms. Shorter-term contracts will give more flexibility to respond to changes in the needs of consumers in energy hardship, but could be more costly in the long term if new contracted retailers need to set up more frequently. Longer-term contracts could reduce flexibility to respond to changes in the needs of consumers in energy hardship, but this could be partially avoided by giving the social retailer(s) some latitude into how they design their social retailing offering. Longer-term contracts will give sufficient time for set up costs to be recovered.
How would level of funding for contracted social retailer(s) be determined?	<ul style="list-style-type: none"> Government would need to determine a maximum level of funding it is willing to contract with retailer(s). Retailers would need to apply to the government to be a contracted social retailer—applications would include how much funding the retailer requests. 	<p>The greater the level of funding that the government can provide the greater the level of service contracted social retailer(s) will be able to provide (eg, contracted social retailer(s) will be able to provide greater energy bill discounts and/or more expansive energy navigator services). However, the more funding that contracted social retailer(s) are given, the less incentive there will be for other retailers to provide social retailing services.</p>
How would social retailer(s) determine which residential consumers are in energy hardship and therefore should be accepted into the social retailing programme?	<ul style="list-style-type: none"> Could be based on credit score of consumers—if the consumer’s credit score is below a set level then that consumer will be eligible to be on a contracted social retailer(s) social retailing programme. The credit score threshold could be set individually by each contracted social retailer or centrally by the government. Consumers could be referred to contracted social retailer(s) by approved budget advisors. A combination of the above two approaches could be used. 	<ul style="list-style-type: none"> Basing acceptance onto social retailing programme(s) purely on credit score will miss any consumers who are struggling to pay but continue to pay their bills (eg, by reducing energy consumption below an acceptable level and/or foregoing other necessities). While consumers who continue to pay their bill do not face the accessibility issues that consumers with a poor credit score face, they do face affordability issues. In addition, there is a risk that if acceptance is based on credit score that some consumers may purposely reduce their credit score so they are eligible to be on (cheaper) social retailing plans. Approved budget advisors referring consumers to contracted social retailer(s) would likely capture some of those consumers who don’t have a poor credit score but are struggling to pay for sufficient energy necessary for their well being. However, going through an approved budget advisor may be a barrier for some consumers. A combination of the above two approaches (a credit score threshold and referral by approved budget advisors) may be the most suitable approach.

8c. Benefits of Option I1

Table 8.3: Benefits of option I1 – Government contracts one or more retailer(s) to act as a social retailer

Government contracts one or more retailer(s) to act as a social retailer			
Benefits		Score	
Extent to which it addresses issues	1. Poor credit and disconnection	<ul style="list-style-type: none"> Requiring contracted social retailer(s) to guarantee supply to all consumers in energy hardship will ensure that all consumers, regardless of their credit score, are able to access energy. However, this option may squeeze out existing social retailers that don't get a contract with the government. Accessibility for consumers with poor credit will be improved more if the government contracts more than one retailer as this ensures that consumers will have some choice on which retailer they go with. Disconnection for non-payment may be reduced if contracted social retailer(s) do not disconnect (or only disconnect in very limited circumstances) customers in the social retailing programme. 	✓✓
	2. High prices, low income, and high energy needs	<ul style="list-style-type: none"> If contracted social retailer(s) provide discounted energy charges for customers in energy hardship this will reduce prices for those customers. One way that energy charges could be discounted is through energy bill caps (eg, capping energy charges over winter months) which will reduce total charges for those customers (with the biggest impact likely to be for customers with high energy needs (depending on how the cap is designed)). 	✓✓✓
	3. Disproportionate fees	Could include requirements on contracted social retailer(s) to limit (or eliminate) fees.	✓✓✓
	4. Engagement difficulties	Some consumers may be more likely to trust (and therefore engage with) a social retailer, but some of these consumers may also distrust a retailer (regardless of it being a social retailer) that is contracted by the government.	✓
	5. Energy plan complexity	This option could help with energy plan complexity if contracted social retailer(s) have simple energy charge structures and simple invoicing. However, it won't make it much easier to compare these simpler plans with other plans.	✓
Flexibility	Likely that government will need to enter into longer-term contracts with retailers as it would be costly for new contracted social retailers to be set up. This could reduce the flexibility to respond to changing needs of residential consumers in energy hardship.	✓	

8d. Costs of Option I1

Table 8.4: Costs of option I1 – Government contracts one or more retailer(s) to act as a social retailer

Government contracts one or more retailer(s) to act as a social retailer	
Costs	
Implementation cost	<ul style="list-style-type: none">• High.• Cost associated with funding set up of contracted retailers.
Ongoing cost	<ul style="list-style-type: none">• Medium-high.• Cost of funding contracted social retailers.• May also be some monitoring cost (to ensure that retailers are meeting any requirements set out in their approval for funding).
Risk of unintended consequences	<ul style="list-style-type: none">• May crowd out existing social retailers and social retailing programmes.• May create a two-tier retail market with most residential consumers receiving “standard” retailing and those struggling receiving “social retailing”. May be difficult for consumers to move out of social retailing into standard retailing. <p>See next slide for more discussion on market impacts.</p>

8e. Market impacts of Option I1

Table 8.5: Market impacts of option I1 – Government contracts one or more retailer(s) to act as a social retailer

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<ul style="list-style-type: none">• If funded through general taxation, not likely to have an impact.• If funded through an industry levy, generators/suppliers may increase wholesale market offer prices, which will increase wholesale energy prices if the marginal offer in the market is increased.	<ul style="list-style-type: none">• If prices in the wholesale electricity market increase, retailers may pass through this increased cost through higher retail prices.• May crowd out existing social retailers and social retailing programmes from the market.• May create a two-tier retail market with most residential consumers receiving “standard” retailing and those struggling receiving “social retailing”. May be difficult for consumers to move out of social retailing into standard retailing.

9. Option J1: Government support for an integrated social generator-retailer

9a. Description of Option J1

Table 9.1: Description of Option J1 – Government support for an integrated social generator-retailer

Government support for an integrated social generator-retailer	
Description	Government backs an organisation that runs an integrated social generator-retailer. Some funding would be provided by the government (for implementation and possibly to meet some ongoing cost) for the integrated social generator-retailer. The social generator-retailer would be required to provide a guaranteed supply of electricity (and possibly gas) to all consumers in energy hardship.
Purpose	The social generator-retailer would provide a guaranteed supply of energy to those in energy hardship with its electricity generation providing a natural hedge for electricity retailing.
Key features	<ul style="list-style-type: none">• Only a single (nationwide) social generator-retailer would be established.• The retailer component of social generator-retailer would be quicker to set up the generation component (due to time taken to consent and develop or acquire generation), so the integrated social generator-retailer would likely start as a social retailer with generation added over time.
Scale	Large

9b. Design questions for Option J1

Table 9.2: Design questions for Option J1 – Government support for an integrated social generator-retailer

Question	Possible answers	Comment
Where would the government source its funding?	<ul style="list-style-type: none"> From general taxation. From an industry levy. 	Funding using general taxation will have the smallest impact on energy markets (both retail and wholesale) due to the wide funding base (ie, all taxpayers). Sourcing funds from an energy industry levy may lead to generators, suppliers, and retailers increasing their prices/offers. See slide 9e for more discussion on market impacts.
What type of funding assistance would the government provide to the integrated generator-retailer?	<ul style="list-style-type: none"> Government could just provide funding for implementation – funding would be required both for setting up the retailing arm and generation. Funding could be provided as: <ul style="list-style-type: none"> a loan that social generator-retailer repays over time a grant, or some combination of a loan and grant. In addition to providing funding for implementation, the government could also provide ongoing funding support. This funding support could be scaled down as the social-generator retailer develops or acquires more generation. 	Detailed analysis of the costs associated with establishing and running the integrated generator-retailer would need to be done to establish how much funding assistance was required by the government and whether it should be given as a loan, grant, or some combination of the two.
What requirements would the integrated social generator-retailer need to meet?	<p>To access government funding the integrated social generator-retailer would need to meet some requirements. These requirements could include that they must:</p> <ul style="list-style-type: none"> accept all consumers regardless of their credit score not disconnect any customers (or will only disconnect under very limited circumstances) limit fees include initiatives (such as energy navigators) to help customers engage more. 	It is likely to be preferable to set the requirements based on the outcomes the government is wanting the integrated social generator-retailer to achieve rather than inputs to ensure it doesn't prevent innovative thinking by the integrated social generator-retailer.
Which consumers would the integrated social generator-retailer need to provide supply to?	<ul style="list-style-type: none"> The integrated social generator-retailer could be required to accept all consumers in energy hardship. The integrated social generator-retailer could be required to accept all residential consumers. 	<ul style="list-style-type: none"> If the integrated social generator-retailer is only required to accept consumers in energy hardship, the government will need to specify how energy hardship is determined. If the integrated social generator-retailer is required to accept all residential consumers, then the integrated social generator-retailer would likely have customers receiving social retailing services that don't need them. If these social retailing services include discounted energy prices (that are funded in part by the government), the integrated social generator-retailer would have an unfair competitive advantage over other retailers in the market. This would dampen retail competition and likely involve some retailers exiting the market.
How and who would decide which generation is developed or acquired by the integrated social generator-retailer?	<ul style="list-style-type: none"> The integrated social generator-retailer could decide which generation to invest in. The government could decide which generation the integrated social generator-retailer will invest in. The integrated social generator-retailer and government could agree which generation the integrated social generator-retailer will invest in. 	The government may want some say in which generation the integrated social generator-retailer invests in given it is providing funding. However, the government may not be best placed to make efficient investment decisions. The government could ensure that the integrated social generator-retailer has the expertise required to make these decisions.

9c. Benefits of Option J1

Table 9.3: Benefits of option J1 – Government support for an integrated social generator-retailer

Government support for an integrated social generator-retailer			
Benefits		Score	
Extent to which it addresses issues	1. Poor credit and disconnection	<ul style="list-style-type: none"> Requiring the social generator-retailer to guarantee supply to all consumers in energy hardship will ensure that all consumers, regardless of their credit score, are able to access energy. However, this option may squeeze out existing social retailers and therefore limit choice for consumers with a poor credit score to the social generator-retailer and potentially prepay plans. Disconnection for non-payment may be reduced if integrated social generator-retailer does not disconnect (or only disconnects in limited circumstances) customers. 	✓✓
	2. High prices, low income, and high energy needs	<ul style="list-style-type: none"> If the integrated social generator-retailer provides discounted energy charges for customers in energy hardship this will reduce prices for those customers of the integrated social generator-retailer. However, it may not reduce energy prices for other consumers in energy hardship (who are with another retailer). One way that energy charges could be discounted is through energy bill caps (eg, capping energy charges over winter months) which will reduce total charges for those customers (with the biggest impact likely to be for customers with high energy needs (depending on how the cap is designed)). 	✓✓
	3. Disproportionate fees	Could include requirement on the integrated social generator-retailer to limit (or eliminate) fees. However, not likely to have an impact on fees charged by other retailers.	✓✓
	4. Engagement difficulties	Some consumers may be more likely to trust (and therefore engage with) the integrated social generator-retailer, but it will be difficult for one social generator-retailer to operate in such a way that it engages all its customers.	✓
	5. Energy plan complexity	This option could help with energy plan complexity if the integrated social generator-retailer has a simple energy charge structure and simple invoicing. However, it won't make it much easier to compare these simpler plans with other plans.	✓
Flexibility	It may be difficult to change how one large integrated social generator-retailer operates to meet the needs of residential consumers. This option has a high sunk cost (investing in or acquiring generation) which will not be easily undone if the integrated social generator-retailer is not meeting the needs of consumers in energy hardship.	✓	

9d. Costs of Option J1

Table 9.4: Costs of option J1 – Government support for an integrated social generator-retailer

Government support for an integrated social generator-retailer	
Costs	
Implementation cost	<ul style="list-style-type: none"> • Very high. • Largest cost is associated with developing or acquiring generation, but there will also be cost associated with setting up the retail arm of the integrated social generator-retailer. Furthermore establishing a new, large scale, generator-retailer from scratch is likely to be challenging.
Ongoing cost	<ul style="list-style-type: none"> • Medium. • In time the integrated social generator-retailer may not need much (if any) funding support. However, this is likely to take many years given the time it will take to develop or acquire generation.
Risk of unintended consequences	<ul style="list-style-type: none"> • Likely to crowd out social retailers (both those already established and those who may have been established in the future) and other retailers providing social retailing services. • Integrated social generator-retailer may get an unfair competitive advantage in the retail market and therefore lessen retail competition. • Potential for inefficient generation investment decisions to be made. <p>See next slide for more discussion on market impacts.</p>

9e. Market impacts of Option J1

Table 9.5: Market impacts of option J1 – Government support for an integrated social generator-retailer

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<ul style="list-style-type: none"> • Potential for inefficient generation investment decisions to be made (eg, investment in higher cost generation). • If the government funds the integrated social generator-retailer through an industry levy (rather than through general taxation), generators/suppliers may increase wholesale market offer prices, which will increase wholesale energy prices if the marginal offer in the market is increased. 	<ul style="list-style-type: none"> • If prices in the wholesale electricity market increase, retailers may pass through this increased cost through higher retail prices. • If the integrated social generator-retailer is required to accept all residential consumers, then the integrated social generator-retailer would likely have customers receiving social retailing services that don't need them. If these social retailing services include discounted energy prices (that are funded in part by the government), the integrated social generator-retailer would have an unfair competitive advantage over other retailers in the market. This would dampen retail competition and likely involve some retailers exiting the market. • May crowd out existing social retailers and social retailing programmes from the market. • May create a two-tier retail market with most residential consumers receiving retailing services from "standard" retailers and those in energy hardship receiving "social retailing" from the integrated social generator-retailer. May be difficult for consumers to move out of social retailing into standard retailing.

10. Option J2: Government support for community/regional integrated social generator-retailers

10a. Description of Option J2

Table 10.1: Description of Option J2 – Government support for community/regional integrated social generator-retailers

Government support for community/regional integrated social generator-retailers	
Description	Government provides funding for community/regional integrated social generator-retailers to be established (and potentially to meet some ongoing cost). Social generator-retailers would be expected to be on a community level and could rely on small-scale distributed generation.
Purpose	Small-scale distributed generation would provide a natural hedge for providing social retailing, allowing the social generator-retailers to charge competitive (or lower) energy charges to its customers. Generator-retailers would be community or regionally focussed on the assumption that organisations in the community are more aware and better placed to address the community's needs.
Key features	<ul style="list-style-type: none">• Many community-based social generator-retailers established.• Generation would be (mostly) small-scale distributed generation.• Social generator-retailers may need to reapply for funding periodically if they need ongoing funding support or to support expansion.
Scale	Medium

10b. Design questions for Option J2

Table 10.2: Design questions for Option J2 – Government support for community/regional integrated social generator-retailers

Question	Possible answers	Comment
Where would the government source its funding?	<ul style="list-style-type: none"> From general taxation. From an industry levy. 	<p>Funding using general taxation will have the smallest impact on energy markets (both retail and wholesale) due to the wide funding base (ie, all taxpayers). Sourcing funds from an energy industry levy may lead to generators, suppliers, and retailers increasing their prices/offers. See slide 10e for more discussion on market impacts.</p>
What type of funding assistance would the government provide to the integrated generator-retailers?	<ul style="list-style-type: none"> Government could just provide funding for start-up of community/regional integrated social generator-retailers. Funding could be provided as: <ul style="list-style-type: none"> a loan that social generator-retailer repays over time a grant, or some combination of a loan and grant. In addition to providing funding for start-up, the government could also provide ongoing funding support to community/regional integrated social generator-retailers. This funding support could be scaled down as the social generator-retailers develop or acquire more generation. 	<p>Could be decided on a case-by-case basis using an application process.</p>
What requirements would the community/regional integrated social generator-retailers need to meet?	<p>To access government funding the community/regional integrated social generator-retailers could be required to meet some requirements. These requirements could include that they must:</p> <ul style="list-style-type: none"> accept all local consumers regardless of their credit score not disconnect any customers (or only disconnect in very limited circumstances) limit fees include initiatives (such as energy navigators) to help customers engage more. 	<p>It is likely to be preferable to set the requirements based on the outcomes the government is wanting the community/regional integrated social generator-retailers to achieve rather than inputs to ensure it doesn't prevent innovative thinking. Instead of setting requirements the government could assess applications based on the outcomes it wants to achieve.</p>
How would the government determine which community/regional integrated social generator-retailers it will fund?	<ul style="list-style-type: none"> Government could run an application process. Government could prioritise community/regional integrated social generator-retailers that are operating in regions where there are higher levels of energy hardship. 	<p>This option is likely to require an application process for community/regional integrated social generator-retailers to get funding. Government could disclose prior to application process any preferences/priorities for applications (eg, regions or ethnicities that have higher levels of energy hardship).</p>

10c. Benefits of Option J2

Table 10.3: Benefits of option J2 – Government support for community/regional integrated social generator-retailers

Government support for community/regional integrated social generator-retailers			
Benefits		Score	
Extent to which it addresses issues	1. Poor credit and disconnection	<ul style="list-style-type: none"> Greater availability of social retailing (through the community/regional integrated social generator-retailers) would likely improve accessibility and increase choice for consumers with a poor credit score. This assumes that the community/regional integrated social generator-retailers take on customers with a poor credit score (which could be a requirement of the scheme). Community/regional integrated social generator-retailers may be less likely to disconnect customers. 	✓✓✓
	2. High prices, low income, and high energy needs	<ul style="list-style-type: none"> If community/regional integrated social generator-retailers provide discounted energy charges for customers in energy hardship this will reduce prices for those customers. One way that energy charges could be discounted is through energy bill caps (eg, capping energy charges over winter months) which will reduce total charges for those customers (with the biggest impact likely to be for customers with high energy needs (depending on how the cap is designed)). 	✓✓✓
	3. Disproportionate fees	Could include requirements on community/regional integrated social generator-retailers to limit (or eliminate) fees.	✓✓✓
	4. Engagement difficulties	Some consumers are more likely to trust a community-based organisation, so community/regional integrated social generator-retailers may find it easier to engage with these consumers than more traditional retailers.	✓✓
	5. Energy plan complexity	This option could help with energy plan complexity if community/regional integrated social generator-retailers have simple energy charge structures and simple invoicing. However, it won't make it much easier to compare these simpler plans with other plans.	✓
Flexibility		Settings (eg, the application process, level of funding available, requirements for community/regional integrated social generator-retailers) could be changed over time as required. Each funding process, the government could change what its looking for in applications to help ensure that approved community/regional integrated social generator-retailers are meeting the needs of consumers in energy hardship at the time.	✓✓✓

10d. Costs of Option J2

Table 10.4: Costs of option J2 – Government support for community/regional integrated social generator-retailers

Government support for community/regional integrated social generator-retailers	
Costs	
Implementation cost	<ul style="list-style-type: none"> • Medium-high (compared to other options). • Costs associated with setting up scheme (including application process). • Costs associated with initial funding for community/regional integrated social generator-retailers.
Ongoing cost	<ul style="list-style-type: none"> • Medium. • Cost of funding pool. • Cost of application process. • May also be some monitoring cost (to ensure that community/regional integrated social generator-retailers are meeting any requirements set out in their approval for funding). • Eventually the ongoing funding cost should be lower than funding assistance for social retailing (option H2) because it would be hoped that once community/regional integrated social generator-retailers have their generation running they wouldn't need ongoing funding support.
Risk of unintended consequences	<ul style="list-style-type: none"> • Could reduce incentive for other retailers to provide social retailing services. • Potential for inefficient generation investment decisions to be made.

10e. Market impacts of Option J2

Table 10.5: Market impacts of option J2 – Government support for community/regional integrated social generator-retailers

Potential impacts on wholesale energy markets	Potential impacts on retail energy markets
<ul style="list-style-type: none">• Potential for inefficient generation investment decisions to be made (eg, investment in higher cost generation).• If the government funds the community/regional integrated social generator-retailers through an industry levy (rather than through general taxation), generators/suppliers may increase wholesale market offer prices, which will increase wholesale energy prices the marginal offer in the market is increased.	<ul style="list-style-type: none">• If prices in the wholesale electricity market increase, retailers may pass through this increased cost through high retail prices.

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