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Energy Hardship Expert Panel
Ministry of Business, Innovation and Employment
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SUBMISSION ON THE ENERGY HARDSHIP EXPERT PANEL DISCUSSION PAPER

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Energy Hardship Expert Panel discussion paper 'Te Kore, Te Pō, Te Ao Marama: Energy hardship: the challenges and a way forward' from March 2023.

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

Overall comments

Overall, discussion paper from the Energy Hardship Expert Panel ('the Panel') proposes many sound ideas that ERANZ supports. In particular, we support the focus on making homes healthier and better informing people on their energy use. We note that some initiatives require additional resources and we support the discussion paper's proposals to request government funding through the relevant department or agency.

The discussion paper does contain a large number of initiatives. While we appreciate the Panel's thoughtful and comprehensive approach, we recommend the Panel identify a hierarchy of their priorities and place most attention on those initiatives likely to deliver the most benefit to consumers. We look forward to continuing to engage with the Panel and MBIE officials as you select which elements to progress and explore in further detail.

ERANZ considers there are four key areas that require further consideration from the perspective of electricity retailers in New Zealand:

- Simplify energy bills and information access, improve comparability across electricity tariff structures, and improve price comparison services (KN6).
- Identify and address the barriers to completing smart meter roll-out, prioritising areas of low coverage, and requests from households in energy hardship (AC3).
- Explore ways to facilitate and support social retailing which can provide post-pay supply to those in energy hardship with low credit scores, deliver targeted wrap-around services, and provide tailored pricing and payment plans (AC5).
- Review and strengthen the Consumer Care Guidelines including expanding to include mandatory consumer care obligations on all electricity retailers (CP1).

The five kete

ERANZ supports all the initiatives contained in the 'Health of the home' kete. As mentioned below in our submission, lifting the quality and performance of kiwi homes will significantly improve their energy efficiency and therefore the wellbeing of those living there.

ERANZ supports most of the initiatives contained in the 'Knowledge and navigation' kete. Energy bill changes and price comparison services is a complex area which we comment on below.

ERANZ considers the 'Energy accessibility and choice' kete to have multiple complex initiatives which require additional investigation before progressing. In particular, we comment in detail on smart meters and social retailing below.

ERANZ supports many of the initiatives contained in the 'Energy affordability' kete, but notes several of the proposed policies are already in place. Our members already offer a variety of payment terms and options to customers (AF5), and are continually seeking to improve communications with government and community support agencies (AF1). In particular, we strongly support better targeting of the Winter Energy Payment which would deliver a greater level of financial assistance by only giving it to those in genuine need (AF2).

ERANZ supports many of the initiatives contained in the 'Consumer protection' kete. ERANZ members consider the Consumer Care Guidelines as a vital tool in supporting customers. Further comments on the making the Guidelines compulsory are below.

Simplifying energy bills

Simplify energy bills and information access, improve comparability across electricity tariff structures, and improve price comparison services (KN6).

Energy bills and information:

Regarding the proposal to standardise energy bills, ERANZ appreciates the Panel's recognition of the challenges. Some customers can find it difficult to understand their electricity bills due to the various formats and content used by retailers. However, we believe that standardising bills across all retailers may not necessarily be the best solution.

There is a wide variation in the level of interest and engagement of consumers - some customers seek detailed information whilst others prefer to 'set and forget'. Choice in products and services is valued by some customers and are an important part of the competition and innovation that drives the energy sector. Furthermore, customers increasingly want to use digital tools yet this recommendation appears predicated on the concept of a paper bill.

The residential electricity market of the future will have an increasing number of components - flexibility services, time-of-use charging, multiple trading relationships - and these will need to be reflected in retailer offerings to customers. Bill standardisation and simplification does not address the need for consumer choice and transparency of information from their electricity retailer.

Focusing on bill standardisation and simplification does not address the issue of a consumer's lack of understanding in how to read and understand the important information contained in a bill. Most retailers provide additional tools to assist consumers in navigating their bills and monitoring energy use, particularly through their websites and apps. Instead of bill standardisation, we suggest the Panel engages with the Consumer Advocacy Council to develop voluntary guidance on which key elements help make bills clearer, simpler and easier to understand.

Electricity price comparison websites:

With regard to electricity price comparison websites, ERANZ recognises that they provide a valuable service to customers by enabling them to compare plans and tariffs from different retailers. However, these websites can struggle to account for bundled services or complex products, which can lead to inaccurate comparisons and sub-optimal outcomes for customers. This issue will only compound as the complexity of the electricity market increases through the use of greater technology for new services.

ERANZ supports the idea of improving the functionality of the price comparison services by including broader information, such as plan options, tariff options including solar panel and EV options, payment options, social offers and customer support services provided.

Tariff structures:

ERANZ believes the current range of options available to consumers allows them to choose the best option for their needs. We believe that streamlining tariffs may reduce consumer choice and limit the amount of savings they could potentially make, making them worse off rather than better off.

Instead, we believe that retailers should focus on providing clear and transparent information about their tariff structures, and working with customers to identify the best option for their needs. In addition, retailers understand some customers do value very simple, straightforward tariffs and so seek to support these customers by offering suitable tariffs that are easy to understand including single rate tariff plans and set price plans.

Expanding smart meter coverage

Identify and address the barriers to completing smart meter roll-out, prioritising areas of low coverage, and requests from households in energy hardship.

Examine barriers to smart meter roll-out:

Smart meters are a valuable tool for households to gain greater control and understanding of their energy use, and access to additional tools and services. New Zealand has reached about 90% penetration through the smart-meter roll out (Intellihub report 2021). However, the remaining locations tend to be remote with low communications connectivity in isolated areas.

ERANZ agrees it is important to identify mechanisms to prevent landlords or building managers from unreasonably withholding consent for tenants who would like a meter change.

For individual consumers where connectivity is not an issue, ERANZ members consider requests for smart-meter upgrades on a case-by-case basis. Metering companies charge retailers for installing smart meters and this cost must land somewhere. Absorbing these costs mean that all customers end up paying.

Obligations on retailers/meter providers:

While it is important for customers to know what meter they have and what tariffs and plans are available to them, this could complicate bills and run counter to the earlier argument for simpler bills. Instead, retailers should provide clear and easily accessible information on their website or through other channels to ensure that customers can make informed choices about their energy use.

Social retailing

Explore ways to facilitate and support social retailing which can provide post-pay supply to those in energy hardship with low credit scores, deliver targeted wrap-around services, and provide tailored pricing and payment plans.

Options may include one or more of:

- a. Provide support for accredited social retailers eg through an industry fund, social generation hedge obligations or government funding.*
- b. Government contracts one or more retailer(s) to act as a social retailer.*
- c. Government support for community/regional integrated social generator-retailers.*
- d. Government support for a nationwide integrated social generator-retailer (links to AC1, AC2, CP1).*

Best practice by ERANZ retailers (all of which have invested in energy wellbeing initiatives and dedicated hardship support mechanisms) demonstrates that the market-led competitive industry can deliver for all consumers. This includes supporting customers doing it tough as they go through periods of temporary hardship. Consideration of social retailing should take into account this substantial work by our members, which due to the large number of customers each one has, supports the vast majority of households requiring assistance. By virtue of their scale, continuous improvement by traditional retailers is likely the most effective way to reach customers in a timely way.

Continuous improvement will mean:

- Further developing linkages and connections between retailers' customer service teams and social service support eg. MSD, Moneytalks, EnergyMate, Energy Wellbeing Sector Network.
- Streamlining the referral pathways to already established and reputable government and community social services.

Under current settings we are seeing existing social retailers already playing an important role alongside traditional retailers in engaging with the hardest-to-reach customers. Social retailers, such as Nau Mai Ra and the Sustainability Trust, have been able to be quite innovative in a way that government is rarely able to be. Organisations representing their communities tend to get a greater level of trust and buy-in than traditional retailers are likely to be able to replicate. This can be particularly important for customers experiencing energy hardship.

While it is important to explore the potential benefits and risks of the preferred social retailer models in the discussion paper, ERANZ notes existing social retailers have already sprung up without the forms of government support listed in the paper. We urge that any further analysis of social retailing should tightly link back to the problem definition, consider the context of existing efforts across traditional retailers and social retailers, and examine how the government could best contribute to existing players.

The challenge households have is that any hardship is applicable across all major expense categories including housing, food, clothing, transport as well as energy. While households may struggle to pay their energy bills, this could be because they are prioritising their food bills for example. And vice versa, there are families paying their power bill every month who struggle to afford petrol for their car. The core issue is inadequacy of income, rather than any fundamental characteristic of the electricity sector.

Having said that, the main characteristic which results in wide variations of power bills is housing quality. A poorly insulated and damp house with inefficient heat sources is far more expensive to run. This is where the greatest opportunity for alleviating energy hardship lies, in ensuring everyone has a warm dry house. The government has made important strides with recent improvements to building and tenancy standards, alongside initiatives such as 'Warmer Kiwi Homes', but there is still a long way to go.

If the government was to set up or substantially fund its own large, subsidised electricity retailer, if not well designed, could lead to unintended consequences for the very consumers we are trying to help.

- Absolves retailers of their responsibility to provide support to customers through periods of temporary hardship by shifting customers to dedicated social retailers instead.
- Creates a dependency on price mechanisms as the primary source for assistance which are difficult to move customers away from without significant bill shocks.
- Creates a two-tier system of support for customers – which potentially takes away choice and locks people into a limited service.

Compulsory Consumer Care Guidelines

Review and strengthen the Consumer Care Guidelines including expanding to include mandatory consumer care obligations on all electricity retailers.

ERANZ and its members were fundamental to progressing the 2020 review and refresh of the previous Consumer Care Guidelines. We are proud of the work we have done to lift protections for consumers and provide greater transparency on consumer support. ERANZ members already follow the new Consumer Care Guidelines. ERANZ supports the proposed strategy to strengthen the guidelines because it creates a consistent approach to consumer care for all customers regardless of which retailer they are signed up to.

ERANZ reassures the panel our members only disconnect a customer for non-payment as a last resort already. Historically low rates of disconnection for non-payment illustrates that retailers are working hard to proactively assist their customers in hardship. No member will ever knowingly disconnect a medically dependent consumer for non-payment.

Details of which elements of the Guidelines could be made mandatory needs to be considered in consultation with retailers.

Conclusion

ERANZ would like to thank the Energy Hardship Expert Panel for its ongoing efforts to improve the energy wellbeing of New Zealanders. We are happy to provide any further information on this submission as required.

ERANZ looks forward to engaging with the Panel and MBIE officials further as the government further develops its thinking and possible policy initiatives to improve energy wellbeing and support those who need it most.

Yours sincerely



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