



ELECTRICITY PRICE REVIEW

SUBMISSION FORM

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

1. *What are your views on the assessment of consumers' priorities?*

Affordability, reliable supply, environmental sustainability are all important to residential consumers. Fairness of the pricing structure also matters. Consumers (and SMEs) are charged disproportionately higher prices for electricity compared to commercial and industrial users. Most unfair is the high cost of pre-paid electricity.

Only low income families would choose to pre-pay, and it is truly unjust that they should have to pay a higher price for their electricity.

Importantly, the assessment of consumers' priorities contains little mention of children's needs, yet the Report recognizes "*children are over represented in households experiencing energy hardship*" (Electricity Price Review, First Report for Discussion, p. 4).

The First Report also notes (p. 11): "*At present, 55% of homes lack adequate insulation, and such cold, damp housing can harm the health of occupants, whether renters or homeowners*".

Cold, damp housing is particularly harmful to children, making it more likely they will have respiratory problems, fevers, sore throats, headaches and skin problems, and recurring respiratory problems can result in a lifetime of compromised health. "*With New Zealand's high rate of excess winter mortality and children hospitalised for housing-related diseases, cold housing should be addressed.*" (Lara Rangiwhetu, Nevil Piere, Helen Viggers and Philippa Howden-Chapman, Cold New Zealand Council Housing Getting an Upgrade, *Policy Quarterly* V.14, I.2)

Businesses that provide an essential service/product, which to otherwise live without would impede upon citizens' rights and ability to live a normal life, should prioritise reducing hardship as a social responsibility. An ethic of prioritising people over profit should be established.

2. *What are your views on whether consumers have an effective voice in the electricity sector?*

Residential consumers do not have an effective voice in the sector – as evidenced by the dramatic increase in the cost of electricity in the last 30 years: "*Since 1990, residential prices have risen 79%, while commercial prices have fallen 24%, and industrial prices have risen 18 per cent*" (First Report, p. 5).

In addition, Geof Bertram's work in recent years has identified the excessive profits being made in the electricity industry in New Zealand.

There may be many voices in the mix, but the onus is on the utility, the supplier of the necessary service, to treat customers fairly.

Consumers may be overwhelmed by the number of service providers and 'deals' on offer, which are sold via telemarketers and door to door sales, selecting to change

service provider based on better deals. However they lack control and voice when it comes to pricing schedules when the terms of their contracts expire. These various deals give the illusion of choice, - but the continued rise in price to domestic consumers shows they have little real effect. Furthermore, electricity usage packs may be hard to understand, and consumers are largely driven by the cost.

3. *What are your views on whether consumers trust the electricity sector to look after their interests?*

The evidence shows that the electricity sector cannot be trusted to look after the best interests of residential consumers.

Prices

4. *What are your views on the assessment of the make-up of recent price changes?*

“Shifting costs from businesses to householders was the biggest factor in residential price increases between 1990 and 2018.” (First Report, p.21)

Evidence shows the increase in (mainly) distribution costs to residential consumers, in addition to the transfer of costs to consumers from industrial and commercial users.

This means in particular that for low-income families the proportion of household income spent on their essential needs is likely to be much higher than other wealthier households, therefore prioritising the needs of businesses over households is likely to have a damaging effect on children living in low-income households.

5. *What are your views on the assessment of how electricity prices compare internationally?*

OECD comparisons are largely irrelevant as we have natural gas, hydroelectric capability, and increasingly wind and solar sources which not all countries enjoy.

6. *What are your views on the outlook for electricity prices?*

Prices for residential consumers need to become affordable.

The latest information shows that one in five households are considered to be energy poor, and may have to scrimp on electricity usage over colder months in order for their electricity expenditure to remain affordable. A Winter Energy Payment instated by the current Government does not have the kind of reach into low-income households for it to be reliable as a means of ensuring that energy is affordable. Almost 40% of families who have incomes below 60% of the national median after housing costs income (considered to be “poverty line”) have at least one parent in full-time work, and these families are not eligible for the Government’s Winter Energy Payment.

Affordability

7. *What are your views on the assessment of the size of the affordability problem?*

After housing costs, in 2016, 121,000 low income households spent more than 10% of their household income on domestic energy. Children were part of most of these households. This energy poverty means the house is not as warm as it needs to be to maintain health in winter, and it can promote crowding the family into one heated room. Overcrowding, and uncomfortably cold, is not good for children.

Then there is the problem of paying for the electricity. For families on a low income, every power bill is a crisis, and a potential slide into the debt spiral. Late payment can mean loss of the prompt payment discount, and then worse: disconnection of the electricity supply. Bad credit due to overdue power bills deferred to a debt collector may mean that low-income families may be asked to seek a third-party guarantor for new electricity accounts. Reconnection is expensive. For many families, their only option is to borrow the necessary money from a high-cost provider. Climbing out of the debt spiral is almost impossible.

8. *What are your views of the assessment of the causes of the affordability problem?*

Households reliant on benefits have barely only received CPI adjustments, and that is a flawed measure of increasing costs. Those households reliant on wages have seen an increase in precarious work, and stagnant wages. All renting households have seen increased rents, increased transport costs and massively increased electricity costs. The unaffordability problem is widespread and increasingly severe.

Electricity is an essential service, yet suppliers are prioritizing excessive profits and excessive salaries for chief executives, over the wellbeing of consumers.

9. *What are your views of the assessment of the outlook for the affordability problem?*

The excessive cost of pre-paid electricity is not given enough weight in the Report. Pre-paying is one way for a low income family to attempt to ensure security of supply and ability to pay. It is cruel and unnecessary to charge a higher price for their consumption.

“Low fixed charge tariff plans have cut bills for many low-income, low use households, but raised them for low-income, high use households most likely to be in energy hardship.” (First Report, p. 28).

In addition, low-income consumers are often rejected by energy retailers because of poor credit histories and previous disconnections. The poverty penalty is writ large in the energy sector.

The affordability problem will not be solved by the electricity sector.

Summary of feedback on Part three

10. *Please summarise your key points on Part three.*

Affordability, reliable supply, environmental sustainability are all important. Fairness of the pricing structure (residential, industrial, commercial) is critical. The high cost of pre-paid electricity imposes a poverty penalty. Cold, damp housing is particularly harmful to children, making it more likely they will have respiratory problems, fevers, sore throats, headaches and skin problems, and recurring respiratory problems can result in a lifetime of compromised health.

Solutions to issues and concerns raised in Part three

11. *Please briefly describe any potential solutions to the issues and concerns raised in Part three.*

Regulation of the sector to ensure affordability of electricity for residential consumers, including a reduced price for pre-paid power.

Regulation of excessive salaries of chief executives of power companies.

Regulation of the sector also to ensure reliability of supply, and greater tolerance of late payment of accounts.

Regulation around disconnection and reconnection of supply.