

21 March 2019

Electricity Price Review  
Secretariat  
Ministry of Business, Innovation and Employment  
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SUBMISSION on  
Electricity Price Review: Options Paper

1. Introduction

- 1.1 Thank you for the opportunity to make a submission on the Electricity Price Review Options Paper. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial and comprehensive consumer information and advice.

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2. General comments

- 2.1 Consumer NZ strongly supports proposals in the options paper to improve opportunities for consumer representation in decision-making, reduce energy hardship and remove pricing practices that discriminate against vulnerable consumers.
- 2.2 We would like to see these proposals given priority. As stated in our previous submission, electricity is an essential service and it must be available at an affordable price to ensure all consumers are able to meet household needs.
- 2.3 If and when the proposals are implemented, their effectiveness will need to be carefully monitored. If they fail to address affordability problems, we consider price caps or other interventions to constrain prices will need to be reconsidered.
- 2.4 Our response to the proposals is set out below.

3. Section A: Strengthening the consumer voice
  - 3.1 We strongly support option A1. The establishment of a consumer advisory council will be a significant step towards ensuring consumer interests are represented in decision-making about the price, quality and reliability of electricity.
  - 3.2 We consider the council should be established by legislation. However, we support an interim advisory council being set up as soon as possible. The Interim Climate Change Committee provides a model that could be followed.
  - 3.3 The immediate tasks of the council should include reviewing the voluntary standards to protect vulnerable and medically dependent consumers. We consider priority should be given to updating these standards and making them mandatory.
  - 3.4 To support the work of an interim council, Consumer NZ would be happy to make its meeting rooms available. We would also be willing to offer office space for a coordinator, should this be required.
  - 3.5 We consider regulators should be given a specific obligation to consult with the advisory council. We therefore recommend amending option A2 to require regulators to ensure they consult with the council on matters relevant to the energy sector.
4. Section B: Reducing energy hardship
  - 4.1 We support establishing a cross-sector energy hardship group, as proposed in option B1.
  - 4.2 We also support energy hardship being defined, as proposed in option B2. We recommend this work consider the Payment Difficulty Framework recently developed in Victoria, Australia, to help consumers who have difficulty meeting the cost of their electricity and gas bills.
  - 4.3 We support establishing a network of community-level support services to help consumers in energy hardship, as proposed in option B3. We would be happy to provide support to this network. As the provider of Powerswitch, we are well-placed to provide training on **the website's use**.
  - 4.4 We support option B4 (setting up a fund to help households in energy hardship to become more energy efficient) and option B5 (offering additional financial support for households in energy hardship).
  - 4.5 We consider priority should be given to setting mandatory minimum standards to protect vulnerable and medically dependent consumers (option B6). These standards must include protections for consumers on prepay plans who may have no other choice of provider. At a minimum, the standards should ensure:
    - prepay customers are treated fairly and do not face disproportionate charges;
    - prepay rates are set at a level that recognises prepay customers receive a more restrictive electricity service.

- 4.6 We strongly support prohibiting prompt payment discounts (PPDs) (option B7). They are effectively a late payment fee and analysis of billing data shows these charges disproportionately impact low-income households.
- 4.7 Some retailers have defended PPDs on the grounds they give consumers **"choice"**, stating they offer plans both with and without PPDs, where the **cost to the consumer is the same. This is not "choice": this is an example** of confusing pricing that works against consumers and adds further weight to the case for banning PPDs.
- 4.8 We support option B8.
- 5. Section C: Increasing retail competition
  - 5.1 We support options C1 to C4.
  - 5.2 We agree it would be in the best interests of consumers to invest in a single, independent energy comparison site, such as Powerswitch, to ensure consumers have access to reliable and accurate price information. **We don't support** developing competing sites.
  - 5.3 As stated in our earlier submission, we consider the site should be fully funded at a level sufficient to provide for maintenance, development and promotion. To improve access, it would also be useful to fund a language line, an after-hours help line and a chat bot.
  - 5.4 In regard to option C3, progress could be made by immediately introducing a requirement for retailers to put annual usage data on customer bills. We are aware this is already done by some retailers. The figure below provides an example.

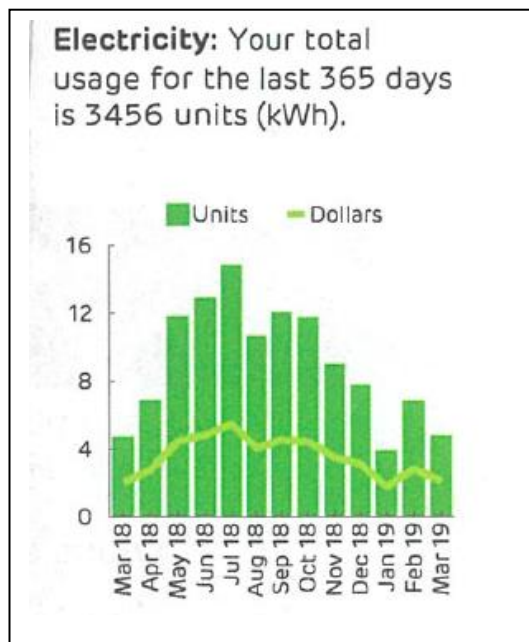


Figure 1: Example of annual usage (kWh) shown on an electricity bill.

- 5.5 We also consider retailers should be required to review customers' plans at least annually and let them know whether they are on the right plan. This requirement should be subject to regular audit by the regulator. Penalties should apply for non-compliance.
- 5.6 Retailers are currently required to inform customers annually of whether a low-fixed tariff plan is a better option for them. However, data published by the review shows many people who would benefit from a low-fixed tariff plan are on a standard plan. It appears there has been no monitoring of this requirement. This failure needs to be addressed to ensure retailers meet any current and future obligations.
- 5.7 To further improve price transparency, we also recommend publishing average prices. This information would help consumers gauge whether they were paying above the market average and assist them in reviewing their options.
- 5.8 We support option C5. However, we consider the proposal will not adequately address the problem of selected, high-value customers being offered special prices that are not widely available to other consumers.
- 5.9 One consequence of banning win-backs is likely to be an increase in door-to-door sales, which are a continued cause of complaint. In a recent case, a power company sales rep called on a 92-year-old woman, who felt pressured by the rep to switch retailers. As the transaction was done on an iPad and no written documentation was provided, **the woman didn't know which company she'd agreed to switch** to and it appears was not informed of her cancellation rights. We consider there should be a mandatory standard stipulating the conduct required by **power companies'** door-to-door sales reps.
- 5.10 We support option C6. **Most consumers don't switch power companies** and we support interventions to help people reduce their power costs.
6. Section D: Reinforcing wholesale market competition
- 6.1 We support options D1 to D4.
7. Section E: Improving transmission and distribution
- 7.1 We support options E1 to E4.
- 7.2 In regard to option E5, we agree low-income households with high use **don't benefit from the** low-fixed charge tariffs. However, we recommend more consideration is given to phasing out the tariffs. We suggest the consumer advisory council be given the opportunity to look at the best options for consumers before a decision is made.
- 7.3 We support options E6 and E7.
8. Section F: Improving the regulatory system
- 8.1 We support option F1.

- 8.2 We support **the panel's proposal under** option F3 to give the Electricity Authority a consumer protection function. Given electricity is an essential service, we also consider it should have environmental and fairness goals.
- 8.3 We support option F5. We also support further investigation of the option of establishing an electricity and gas regulator, as proposed in option F6. We consider it would be more efficient to have these two sectors under one regulator.
9. Section G: Preparing for a low-carbon future
- 9.1 Rather than establishing a new fund as proposed in option G1, we consider it would be more efficient to look at distributing any new funding through existing funding pools.
- 9.2 We support the Electricity Authority undertaking a thorough review of the security, reliability and resilience of the electricity supply, as proposed in option G2.
- 9.3 We support more **co-ordination among agencies to support New Zealand's** move to a low emissions economy, as proposed in option G3.
- 9.4 We also support option G4 - an amendment to the building code to strengthen the energy efficiency of new buildings and strengthen regulations governing the quality of rental housing.

Thank you for the opportunity to make a submission. If you require any further information, please do not hesitate to contact me.

Yours sincerely

Aneleise Gawn  
Consumer advocate