10 September 2024

Electricity Authority
By email to: ccc@ea.govt.nz

Tēnā koutou,

Proposed Consumer Care Obligations

Thank you for the opportunity to provide feedback on the proposed consumer care obligations.

Contact Energy supports the move to mandatory minimum consumer care standards. Electricity is a critical service for New Zealand homes and consumers have the right to be treated fairly, particularly when they are at their most vulnerable.

Contact has been compliant with the Consumer Care Guidelines since they were implemented in 2021, and we continue to be so. Shifting to a mandatory obligation ensures that all retailers adhere to a similar standard.

However, there are a number of the proposed obligations that would not meet the intended purpose, either directly harming consumers, or adding costs that will ultimately be borne by consumers for little or no benefit.

By and large, these are not new concerns, and there is growing frustration across the industry that the Authority has not fully considered these matters, nor understood the implications of what is now being mandated.

In this submission we first raise concerns with the policy design of the obligations, focussing on the weaknesses of the cost benefit analysis and the lack of an implementation period. We then highlight five of the most important problems with the proposed obligations that must be resolved before they are finalised:

- The requirement to visit customers premises if they have not engaged with us
- The requirement for a technician to provide a physical copy of an invoice prior to manual disconnections
- Safety concerns with the pre-pay reconnection requirements
- The requirement to spread fees over multiple months.
- The requirement to use a traceable form of contact for uncontracted properties

The costs and benefits have not been properly assessed

We do not consider that the benefit cost analysis undertaken for the implementation of these obligations is sufficient to meet the Authority's requirement in the Electricity Industry Act 2010.[1]

This is because of some incorrect underlying assumptions that means many relevant factors have not even been considered. In particular, the analysis assumes that the costs of shifting

[1] S39(2)(b) Electricity Industry Act 2010.

from guidelines to obligations is “likely to be very low for the majority of retailers who are already fully aligned with the Guidelines”. For many parts of the guidelines this assumption is incorrect and needs to be revised.

There are two reasons why the costs of implementation are significantly higher than assumed:

- There are a number of new or altered obligations that did not appear in the guidelines and will incur significant cost. The Authority has a 47-page long document detailing these changes, none of which are considered in the benefit cost analysis.
- In the explanatory note of the existing guidelines clause ix states: “Retailers can align with the guidelines by adopting the recommended actions and/or taking alternative actions that achieve the purpose and outcomes in Part 1”. This clause allowed retailers to comply with the spirit of the guidelines while choosing implementation methods that kept costs reasonable. This same approach does not apply to the obligations, so will significantly increase the costs of compliance.

We also object to only assessing the costs and benefits of the guidelines as a whole, rather than a clause by clause analysis. We support the majority of clauses, but as below there are some that will impose significant costs for very little benefit. A more granular analysis is required to understand the impact of the changes proposed.

No implementation period has been allowed

The Authority has proposed to finalise the Consumer Care Obligations in December and then have them in effect on 1 January 2025, effectively allowing no time to be compliant. This is absurd, and means that the entire industry will be uncompliant for a sustained period of time, undermining the legitimacy of the Code.

As noted above, there are 47 pages of changes from the guidelines to the obligations, and the ability to comply by taking alternative actions has been removed. That means every retailer will have a significant implementation project to become compliant. This is because a number of the obligations will require systems changes that will take months to develop, test and implement. For example:

- The new requirement to spread fees greater than 20% of an average bill over multiple months. This did not appear in the guidelines, but will require back end changes to our billing system, and a method to engage with customers on this.
- The new requirement to undertake regular check-ins with customers on payment plans. This will require changes to our customer management system, which will take time to develop and test.
- The new requirement to allow customers to elect to pay electricity services ahead of bundled services. This will require changes to our back-end billing and debt management system, and changes to how we interact with customers, possibly requiring IT and website changes.

We propose allowing a six-month implementation window, with the first assessment of compliance focussing on the following year.

Requiring retailer visits to a property prior to disconnection will be a poor outcome for consumers

Clause 37(2)(c) and 37(3) together require that a retailer must successfully use a traceable form of contact, or attempt to visit the premise prior to disconnection.

We do not consider that we will be able to successfully use a traceable form of contact for customers who do not wish to engage with us. In practical terms email read-receipts are not reliable as there are often false positives, and can easily be ignored by customers who do not want to engage.[2] We expect similar challenges for signature required post packages, and we already know some customers do not answer our calls.

That means that these clauses effectively require all retailers to have in place a team of people that visit customers who are unwilling to engage with us in other ways. We have two serious concerns with this:

- Most importantly it would create significant risk for the retailer's representative visiting the property. Some customers who have reached disconnection will be verbally and physically abusive to any representative from a retailer. We are not confident that we can ensure the safety of our staff or contractors to undertake that function.
- This requirement is likely to impose significant additional costs. Around 90% of all disconnections and reconnections are performed fully remotely, implementing this requirement would add the full costs of property visits; it would not be incremental to existing visit requirements. It will therefore require all retailers to set up representatives across the country, or pay the representative to travel significant distances for some customers. We expect that this will have a material negative impact on consumers for two reasons:
    - We recently implemented a policy to not charge for disconnections or reconnections related to debt. We would not be able to retain this policy if this significant cost were imposed on us, we would have to move back to some sort of user fee, either to all disconnections, or specifically to those customers who we are required to send a representative to. We are happy to talk to the Authority about the costs of this service and why we would not be able to absorb it.
    - It may encourage some retailers to not offer services in certain regions if they are harder to reach with a physical representative. This reduction in competition is likely to be a significant detriment to these consumers.

We are frustrated that the Authority continues to ignore these legitimate and significant concerns. Ultimately we expect this requirement to result in a poor outcome for consumers, and be a significant challenge for the industry to comply with.

In the consultation paper the Authority points to the experience of the 'Knock to Stay Connected' trial in Australia. However, this programme is significantly different to what has been proposed by the Authority. For starters it is a voluntary code, and the role of door knocking sits with the distributor, who may be received more kindly than a party the customer is in debt to. Distributors will also have more of a local presence and therefore be able to keep costs down. The programme also encompasses a wider range of support material for vulnerable customers, such as relevant community services.

If the Authority considers that a similar programme is important in New Zealand it should be properly designed to meet the often complex mix of needs of customers who are unable to pay for their electricity bills. We propose a separate programme is designed together with the Ministry of Social Development, including:

[2] Under the guidelines we met this requirement by relying on bounced-emails, however, this no longer appears to be sufficient in the Obligations.

- A clear intervention logic, and benefit-cost analysis
- Decisions around the appropriate funding mechanism for this service. Should this be charged to customers facing disconnection as will be the case under the Authority's proposal, or should it be funded by government appropriations?
- The design and service partners to deliver this service. As in Australia this may be better delivered by distributors, or possibly local MSD case workers. In both cases there is an existing workforce that may be lower cost than the duplication that would be required by electricity retailers.
- The package of wider support programmes that can be made available to the customer to make the intervention successful
- Mechanisms put in place to ensure the safety of the representatives visiting the premises
- A management layer to ensure a consistent approach for all consumers
- A programme for running trials, and a formal evaluation to test the validity of the benefit-cost analysis

The requirement to provide a physical invoice upon physical disconnection is problematic

Clause 37(1)(f)(iv) requires that for physical disconnections a technician must provide a physical copy of the final notice of disconnect to the customer, or leave it at their premise. This requirement has a number of challenges that make it unworkable:

- As with the requirement above to visit a consumer's property it would put the technician in a challenging situation, risking their physical safety.
- There is a significant privacy risk if the technician accidentally provides the wrong letter to the client. They will likely have a number of letters on them at any one time, and as it is a human process, there is a high chance of error.
- The administrative burden of implementing this would be significant. For privacy reasons the technician would not be able to print the letters themselves, so the retailer would need to print and seal a set of letters, and send them to the technician's office, creating a number of extra process steps, and costs ultimately borne by the consumer.

We propose that instead of the technician leaving individualised final warning notices that they instead leave an information sheet in the letterbox saying that they have been, and how to contact their retailer to get reconnected. This would ensure that the customer understands what has happened, and how to get reconnected, which appears to be the intent of the obligation. However, it would have significantly lower privacy risk and would have a much lower administrative burden, and therefore cost to the consumer.

The obligations relating to prepay reconnection are unsafe

Clause 52 of the obligations requires that a retailer must reconnect a prepay customer within 30 minutes of completing their purchase transaction for new credit. We are unable to comply with this requirement as it would cause a safety issue.

We only reconnect prepay customers when they have made a purchase transaction and then contacted us. This is to ensure that the property can be safely livened, eg there are no

appliances turned on in an unsafe place. The proposed obligations would lead to unsafe situations, with uncertain liability.

We note that clause 47 says that for remote reconnection of post-pay customers we are unable to connect a premise unless we are reasonably satisfied that it can be done safely. We are unsure why this same obligation does not apply to prepay customers, and in effect the obligations would prevent us from assessing safety for prepay customers?

We also note that the speed of reconnection largely sits with the metering providers. It may be appropriate for this reconnection timeframe obligation to apply to both retailers and metering providers. While we can replicate this obligation in our service agreements with metering providers, in cases where it is breached it may be more appropriate for liability to sit with the metering provider rather than having the retailer in the middle.

Managing the cost of fees does not require a new obligation

Clause 79 creates a new requirement for retailers to offer to spread the costs of fees over multiple months. We understand that this is to avoid bill shock for vulnerable customers.

We note that for customers facing payment difficulty the obligations also require us to offer payment plans. These two obligations appear to be duplicative, and we are not sure if the additional obligation on spreading the cost of fees is necessary.

If this obligation is retained we would request that the definition of fees is further refined. As currently drafted fees are all costs except monthly charges. However, it does not appear appropriate to have this obligation for many customer requested services. For example, we do not consider it appropriate for retailers to act as a form of bank to spread the costs of moving a meter during a property renovation. It may be appropriate to exclude certain customer requested services from this requirement.

Requiring a traceable form of contact for uncontracted premises is a poor way to meet the policy objective

Clause 43 requires retailers to attempt to use a traceable form of contact before disconnecting uncontracted properties. While we can comply with this, it will likely impose material costs that will be borne by consumers, and it is unclear how successful it will be.

In this case, we are likely to rely on signed courier envelopes to meet this requirement. In the majority of cases these premises will be vacant, so these letters will not be signed. In the cases where the property is in use (potentially someone who has moved in, but has not yet set up an electricity contract), we expect that in many cases the letters will remain unsigned too. This is because the residents may not be home when the letter arrives, and there is a high chance that the post service will have no way of contacting them (ef if they have only recently moved in).

We expect that a more carefully designed intervention would likely deliver a better outcome for consumers than what is currently proposed.

Please contact me at brett.woods@contactenergy.co.nz if you wish to discuss any of the matters in this submission further.

Ngā Mihi,

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