

6 September 2024: SUBMISSION TO ELECTRICITY AUTHORITY REGARDING THE PROPOSED CONSUMER CARE OBLIGATIONS

Entrust welcomes enhanced consumer protection

Kiwi households and families are facing financial pressures with the rising cost of living and the cost of electricity. This could get worse as high wholesale prices flow through into higher residential prices.¹ Over the last five years, lower electricity line charges have masked retail price increases.² That will no longer be the case after the price changes for line services scheduled from April next year.

The Consumer Care rules are important for protecting consumers but Entrust continues to be of the view that promotion of stronger competition is the best way to tackle affordability issues. Cheaper electricity can mean less payment problems and consumers are less likely to go without adequate heating to reduce their power bills.

Summary of Entrust's submission

- Entrust welcomes the Authority's review of the Consumer Care rules.
- Entrust supports mandating minimum consumer protection safeguards to ensure all retailers treat Kiwi households and families with respect and dignity.
- Entrust welcomes that the proposed new rules don't mandate retailers verify medical dependence. Entrust's view is that retailers should also have the flexibility to "request information" about potential medical dependence without the customer having to make an "application."
- Any verification requirements should provide consumers with ample time so they can avoid extra doctor visits.
- Retailers should have systems to identify where medical dependence is permanent, so they don't inappropriately seek re-verification.
- The proposed new rules remain unclear about the role of the support person. Consumers should be able to register someone as a "support person" who can speak to the retailer on their behalf.
- The proposed rules are less onerous for prepay suppliers than prepaid even though prepay can give rise to larger consumer protection concerns. The role of prepay warrants further attention:
 - Entrust does not believe retailers should be able to force consumers onto prepay.
 - Consumers should not pay more if they are on prepay.

¹ <https://www.stuff.co.nz/business/350384206/power-companies-withdraw-deals-due-price-squeeze>, <https://www.rnz.co.nz/news/national/524692/human-cost-of-energy-crisis-mounts-as-jobs-slashed>

² Entrust has raised concerns that electricity retailers have absorbed Vector line charge reductions rather than passing them on in full to consumers in numerous submissions. See most recently, for example, <https://www.entrustnz.co.nz/media/f2ehwdww/2024-submission-re-consumer-plan-comparison-and-switching-6-mar.pdf> and <https://www.entrustnz.co.nz/media/paopgsri/2024-07-03-submission-to-commerce-commission-regarding-dpp4-draft-decision.pdf>.

Entrust's submission

Entrust supports the adoption of minimum mandatory consumer protection safeguards for provision of electricity services to residential consumers.³ The Consumer Care rules are important for protecting all residential consumers, particularly vulnerable and medically dependent consumers.

Entrust welcomes the considerable work the Authority has put into the review. It is clear the rules have undergone a substantial overhaul and rewrite.

Entrust considers that further improvements can be made to help consumers.

Retailers should have more discretion over verification of medical dependence

Entrust welcomes that the proposed new rules don't mandate retailers verify medical dependence.

Verification can involve costs, such as additional visits to a doctor, the cost of getting there etc, that many households can ill-afford. We welcome giving retailers discretion as to whether and when they seek formal verification. For example, some retailers may be happy to accept their customer's confirmation there is a medically dependent consumer living at the house.

Any verification requirements should provide consumers with ample time so they can avoid having to make extra doctor visits. Retailers should be required to have systems to identify where medical dependence is permanent, so they don't inappropriately seek re-verification.

The Authority should also provide retailers with the flexibility to "request information" without having to ask the customer to make an "application" for medically dependent status. This change could help make verification less onerous for consumers.

Entrust would be concerned if some consumers didn't obtain, or lost, their medical dependence status because of the cost of a doctor's visit/complying with the verification requirements.

The role of "support person" should be clarified

Where a household is in some way vulnerable it can be important for them to have appropriate support. Different households and household members are likely to want or need different levels and types of support.

The proposed new rules remain unclear about the role of the "support person" and how they differ from an "alternative contact person."

Entrust considers that consumers should be able to register someone as a "support person" who can speak to the retailer on their behalf. This support role should be distinct from the "alternate contact person" which the proposed rules envisage the retailer would contact directly instead of the customer.

³ Our previous submission on the Consumer Care Guidelines detailed the nature of the minimum safeguards we consider most important: <https://www.entrustnz.co.nz/media/tmxlqftz/2023-10-02-consumer-care-options.pdf>.

Prepayment arrangements can harm vulnerable consumers

Entrust remains of the view that prepayment plans should be a major focus of the Consumer Care review. Entrust and many other stakeholders were concerned prepay arrangements didn't get sufficient attention when the current Guidelines were developed.

The experience in the United Kingdom highlights the importance of consumer protection in relation to prepay, and consumers on prepay are particularly vulnerable to exploitation.

The proposed new Consumer Care rules continue to adopt a light-handed approach to prepay. The contrast between the rules for prepay and post-pay is stark.

Entrust does not believe retailers should be able to force consumers onto prepay. Having a rule that retailers cannot "recommend" prepay doesn't go far enough. The Consumer Care rules should prevent retailers forcing consumers onto prepay as a condition of supply.

We remain of the view that the Authority should release/require disclosure of information on so-called prepay 'self-disconnection.' This would provide vital information on the extent to which vulnerable households are being harmed by prepay supply arrangements i.e. going without power because they are not able to top-up their credit/pay for electricity in advance.

The Authority is already aware "Most consumer advocacy groups highlighted the lack of information around prepay disconnections" as a major concern.⁴

Consumers should not pay more if they are on prepay

Entrust remains of the view consumers should not pay more if they are on prepay. Consumers who are on prepay are more likely to be on a low income and may otherwise be vulnerable for reasons including health (wider than medical dependence), age etc. They may not be on prepay by choice but as a condition of supply.

During the Electricity Price Review, we expressed unease about some prepayment practices that were potentially exploitive or may otherwise disadvantage low income consumers and households having difficulty paying their bills.⁵ Recent Consumer NZ commentary indicates the price of prepaid power continues to be a problem.⁶

We welcome that the Authority's "retail data project will gather data on fees and prepay prices". The Authority should already have this information though. The cost of prepay isn't a new issue.

The Authority's Consumer Care decisions earlier this year acknowledged consumer advocates suggested the Authority "address the disparities in tariffs and fees across prepay plans" and "collect and publish data on pre-pay plans and the varying associated costs."⁷

⁴ Electricity Authority, Updating and strengthening the consumer care guidelines Decision paper, 1 February 2024.

⁵ Entrust, Submission on the Electricity Price Review First Report, 24 October 2018: at <https://www.entrustnz.co.nz/media/a5got50y/submission-on-the-electricity-price-review-first-report-24-october-2018.pdf>.

⁶ <https://www.sunlive.co.nz/news/349375-the-scale-of-power-poverty-in-new-zealand.html>

⁷ Electricity Authority, Updating and strengthening the consumer care guidelines Decision paper, 1 February 2024.

We do not consider the proposed new requirement that retailers make their prepay customers aware “of any cost differential between post-pay and prepay” adequately deals with consumers paying more because they are on prepay. Some consumers have little or no choice but to accept prepay. We consider that the Authority should follow the United Kingdom’s lead on this matter.⁸

Concluding remarks

Energy affordability and consumer protection, particularly for vulnerable consumers and consumers that may have difficulty paying their bills, are becoming increasingly important issues.

Entrust wants to ensure electricity is supplied in an efficient and affordable way to all consumers, including the 365,000 households and businesses in central, east and south Auckland that are beneficiaries of Entrust.

Entrust is doing its bit to relieve financial pressures for consumers. The Entrust dividend is New Zealand’s largest dividend distribution. Last year, households and businesses that are beneficiaries of Entrust received \$334.

Entrust supports the adoption of mandatory minimum consumer protection standards for electricity services. The Consumer Care rules are important for providing safeguards for all consumers, particularly vulnerable and medically dependent consumers.

As part of the next stages of the review, we would like the Authority to address the harm prepayment arrangements can cause vulnerable and low income consumers.

While Consumer Care rules are important, the Authority should also address the major competition problems in the wholesale and retail markets. These problems are resulting in higher prices and less choice for residential consumers. Promotion of stronger competition is the best way to tackle affordability issues and reduce payment problems.

Kind Regards



Alastair Bell
Chair of Regulation and Policy Committee

⁸ <https://www.gov.uk/government/news/prepayment-meter-customers-to-pay-less-for-energy-from-today>