

Proposed Consumer Care Obligations Consultation
Electricity Authority
via email
consumercareobligations@ea.govt.nz
10 September 2024

Dear Electricity Authority

Proposed Consumer Care Obligations – Consultation Paper

Thank you for the opportunity to submit on the Proposed Consumer Care Obligations – Consultation Paper ('Consultation').

Mercury's submission includes:

- this cover letter for a broad summary of our key issues ('Cover Letter'); and
- workbook entitled "Consumer Care Obligations - Mercury Workbook Submission FINAL" ('Workbook Submission') with a clause-by-clause analysis of the proposed Consumer Care Obligations ('CCOs').

A summary of our key issues is set out below.

Retailers will need a realistic transition period to enable compliance with the Consumer Care Obligations

Mercury is and continues to be supportive of mandating the Consumer Care Guidelines. We appreciate the efforts the Authority has made to engage with retailers to ensure the Consumer Care Obligations (CCOs) are operationally workable. However, in the transition from guidelines to obligations the highly prescriptive nature of some sections means that significant changes are needed to internal systems and processes to ensure compliance. In some cases, these might be simple to implement but in others we estimate the processes could take more than 12 months to have in place. It will be impossible for Mercury to fully comply with the CCO's by 1 January 2025. We therefore request the Authority to consider implementation options that recognise realistic timeframes for retailer compliance with the CCOs such as:

- postpone the date on which the CCOs will be mandated;
- introduce a transition period into the CCOs which will give retailers the time needed to become fully compliant; or
- adopt a phased approach to implementation via introducing less prescriptive obligations at phase one to be reviewed 12 months post implementation and strengthened at phase two if needed.

Consumer Care Obligations should be less prescriptive where possible

In our view the CCOs in their current format are too prescriptive. During workshops with the Authority leading up to the Consultation we were advised that a certain level of prescription was inevitable to ensure clarity around obligations in relation to customers experiencing payment difficulties, disconnections and medically dependent consumers (parts 6,7 and 8). We are surprised however that this level of prescription has been applied throughout the CCOs. The focus has moved away from retailers being required to achieve desired outcomes to retailers being required to adhere to prescribed actions at every key customer touch point. Some of these touch points are an opportunity for retailers to delight customers with new products and promotions (for example at sign up and when we contact customers to advise of any changes to their pricing plans). The new CCO requirements risk overwhelming customers with compliance-based information that may not even be relevant to their situation.

We recognise that it is difficult to balance improving outcomes for vulnerable consumers whilst not disengaging other customer segments. The Authority should however be mindful of the impact this may have on the Authority's other workstreams such as improving competition in the retail market through increased customer switching. Disengaged customers who fear longer sign-up times, overwhelming communications and extensive terms and conditions may be less likely to switch retailers if they dread the sign-up process. Reverting to less prescriptive and outcome focused obligations at the parts of the CCOs that are not dealing with payment difficulty arising, disconnection or medically dependent consumers, would ensure retailers are able to meet their obligations whilst still innovating to improve the customer experience.

Consumer Care Obligations should have built in mechanism for retailers to show their processes meet desired outcomes

In many cases the prescriptive nature of the CCOs at parts 6, 7 and 8 will require Mercury to replace an existing gold standard process with one that has not been tested. Mercury has over the past two years developed our "Here to Help" team whose purpose is to provide wrap around support to customers struggling to pay their electricity bills and use every available avenue to ensure that customers remain connected to electricity. Our approach epitomises the principles set out in the purpose statement at section 11A.1 of the CCOs where retailers are required to foster positive relationships with residential consumers to help them maximise their potential to access and afford a constant electricity supply and help minimise harm caused by insufficient access to electricity or payment difficulties. The success of our Here to Help Team's approach is shown by the fact that Mercury has made zero disconnections for payment arrears since June 2024. Part of this success is due to processes developed by our Here to Help Team to provide individualised care to our customers based around their own specific issues and needs.

The highly prescriptive nature of the CCOs will however take away the ability for retailers including Mercury to use their expert training to shape customer interactions that support the intention of the CCOs. We think it would be much better for the Authority to instead build in to the CCOs a mechanism for retailers to demonstrate that their processes meet the intent as set out at clause 11.A1 and the desired outcome of the relevant clause, even if this process differs from the one prescribed. This approach would be consistent with the purpose and overarching principles of the original Consumer Care Guidelines as outlined at Part 1.

Cost benefit analysis should consider the impact on customer experience

We largely agree with Concept Consulting's cost benefit analysis at Appendix C ('Analysis'). We do note however that the Analysis makes no mention of the cost to consumers in terms of reduced customer experience. Compliance with highly prescriptive CCOs will drastically alter the customer experience in the electricity sector in New Zealand. Customer facing representatives will have to read from lengthy scripts to avoid falling foul of regulations in much the same way the insurance sector does now. This is a factor that should have been considered in the Analysis, given that most consumers will not require the support of the CCOs but their interactions with their electricity retailer will now be a compliance-based transaction – the unintended consequence of which may be the disengagement of large segments of a retailer's customer base and consequent reduction in switching behaviours.

Please don't hesitate to contact me at jo.christie@mercury.co.nz or on 0212882276 if you have any questions in relation to the above or Mercury's Workbook Submission. We would welcome the opportunity to discuss our feedback with you in further detail.

Yours sincerely

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Jo Christie
Regulatory Strategist

