

10 September 2024

Nova Energy Limited
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Submissions
Electricity Authority

By email: ccc@ea.govt.nz

Re: Consumer Care Obligations

Nova Energy (**Nova**) appreciates the opportunity to provide feedback again on the proposed Consumer Care Obligations (**Obligations**). It also acknowledges the open, two-way dialogue with retailers this year, and improvements made to the Obligations.

Nova's primary concern with the Obligations is that they are creating significant compliance costs for little real gain.

Nova's track record, including zero disconnections for non-payment in 2023, demonstrates it has an effective approach to dealing with vulnerable and medically dependent consumers, and the positive relationships it fosters with its customers.

Nova will be required to undertake significant systems changes and faces increasing engagement time when signing up new customers. Nova will also have to conduct additional staff training, dedicate resources to trying to connect with 'customers' at vacant properties, and allow a small proportion of challenging customers to draw power for much longer periods than should be necessary. These points have been made to the Electricity Authority (The Authority) during discussions.

As such, Nova is not convinced the cost benefit analysis conducted by Concept Consulting for the Authority is correct in its costings or conclusion. The net result remains; retailers will need to recover additional costs in their pricing, including from the majority of residential consumers who regularly pay their bills on time.

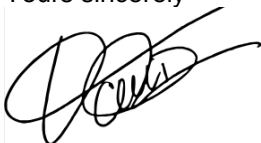
Nova is also concerned about the feasibility of implementing systems changes and additional staff training by the planned start date of 1 January 2025. An extension of the deadline for Part 4 of the proposed Code would be more realistic.

Regarding the specific content of the guidelines, Nova notes:

- The new compliance requirements in 11A.4 are excessive. Nova suggests that a compliance report is sufficient to replace the current certificate of alignment.
- The requirement to inform all customers, at the time of sign up, of late payment consequences should the customer not engage with the retailer (clause 13) has the potential to undermine customer relationships rather than achieve anything positive.
- The monitoring of customer consumption, as proposed, will be excessively intrusive on consumers' privacy. There are many valid reasons for an individual's electricity consumption fluctuating. Having your energy company contacting you when this happens is heavy-handed and likely to cause annoyance, create distrust around being monitored and likely to upset some customers who may consider that their privacy is being breached.

Thank you for considering Nova's feedback. We look forward to further discussions and collaboration with the Authority on this to ensure the proposed Obligations are both practical and beneficial for both consumers and retailers.

Yours sincerely



Tamiris Robinson
Regulatory Advisor

Nova submission: Consumer Care Obligations

Question	Response
<p>Q1. Do you have any feedback on our approach to making operational improvements to the Guidelines, to ensure the proposed Consumer Care Obligations are clear and workable?</p>	<p>Nova acknowledges the operational improvements reflected in the revised guidelines. However, the process appears to overlook the necessity for incentives and penalties to promote reasonable behaviour from both consumers and retailers. Specifically, the current approach overly favours customers who engage in behaviour beyond acceptable limits.</p> <p>As stated to the Authority several times before, Nova understands the need to protect customers whose reliance on electricity supply is most important, but some of these obligations remain highly impractical and will only result in additional costs to retailers for no better outcomes for customers.</p> <p>Nova is further concerned about the Authority's decision to mandate the Consumer Care Guidelines beginning January 1, 2025. This timeline gives retailers unreasonably limited time to implement these substantial changes (specially as system changes required in clauses 15, 16 and 17 of proposed part 4), and is insufficient. The brief interval between the Authority's final decision and the compliance deadline will be extremely challenging, especially considering the usual end-of-year demands on staff.</p> <p>Nova urges the Authority to reconsider this date. Extending the timeframe would allow retailers to make the necessary adjustments more effectively to support customers and ensure they can fully comply with the new obligations. The current deadline seems to prioritise procedural deadlines over providing the necessary support for retailers to achieve compliance and deliver the best possible consumer care.</p>
<p>Q2. Do you have any feedback on the proposals to clarify the application of the proposed Consumer Care Obligations?</p>	<p>The term “residential consumer” seems adequate and is a term that Nova already uses on its website section on Nova’s Customer Care Policy.</p>
<p>Q3. Do you have any feedback on the purpose statement for the proposed Part 11A of the Code?</p>	<p>The Authority states it has “<i>not included the remainder of Part 1 in the proposed Code amendment as the overarching principles and intended outcomes are explanatory only and do not need to be included to mandate the Guidelines</i>”. However, this omission excludes key principles that benefit retailers, such as their right to receive payment for offered services and the Authority's support for competition and innovation. Nova is concerned the purpose statement disproportionately favours customers, providing insufficient support for retailers. This lack of support from the Authority may reinforce the perception among customers that retailers are the 'bad guys,' exacerbating existing biases.</p>

<p>Q4. Do you have any feedback on the compliance monitoring provisions in the proposed Part 11A of the Code, or on the Authority's new outcomes framework?</p>	<p>The proposed compliance requirements are onerous.</p> <p>As stated in the paper, the Code already has several other compliance requirements and adding another one as excessive as this is unreasonable, considering the high level of voluntary compliance that already exists, and in particular, the care offered to vulnerable and medically dependant customers. A compliance report as per 11.A4 (1) and (2), replacing the current certificate of alignment is sufficient.</p> <p>The proposed new outcomes framework is unreasonable.</p> <p>Outcome 1 is unnecessary. Retailers strive to attract and retain customers by treating them with respect and care. Concerning Outcome 3; while retailers can help assess the suitability of their plans to some extent, customers may not fully disclose their circumstances or may only share information that is convenient or comfortable for them. This partial disclosure can significantly impact the advice given. Therefore, the Authority should maintain an open-minded approach when evaluating retailer behaviour related to this outcome and when considering potential penalties for retailers.</p>
<p>Q5. Do you have any feedback on the proposed improvements to terminology?</p>	
<p>Q6. Do you have any feedback on the proposal to align standards of behaviour in the proposed Consumer Care Obligations?</p>	<p>That is fine.</p>
<p>Q7. Do you have any feedback on Part 2 of the proposed Consumer Care Obligations relating to consumer care policies and related matters?</p>	<p>Nova appreciates the improvements in Part 2.</p>
<p>Q8. Do you have any feedback on Part 4 of the proposed Consumer Care Obligations relating to</p>	<p>Nova acknowledges that, from an operational standpoint, some of the changes proposed under <u>Clause 15</u> could offer advantages by facilitating a more targeted approach to customer contact. However, implementing these</p>

<p>information and records relating to consumer care?</p>	<p>changes would necessitate significant system upgrades, which, for Nova, would take time (longer than 3 to 4 months) and entail considerable costs.</p> <p>Nova is already making considerable efforts to communicate effectively with customers who may have difficulties with English, but it is also important to recognise that customers bear some responsibility for understanding the agreements they enter.</p>
<p>Q9. Do you have any feedback on Part 3 of the proposed Consumer Care Obligations relating to when a customer signs up or is denied a contract?</p>	<p>Expecting retailers as per clause 13, to inform every new post-pay customer of the consequences of late or non-payment can easily undermine the principles for building a positive customer relationship. While the delivery of this requirement can make a difference, customers could respond to it very differently depending on their personal circumstances and feel threatened, offended or judged, as this clause requires the retailer to threaten the consumer of actions it will take if the customer does not engage to resolve payment issues. As such it is totally contrary to efforts to make customers feel respected and cared for.</p> <p>Should a customer fail to meet their payment obligations, that is then the time to outline to them the options the retailer has to secure payment, but even then, it is better to focus on constructive solutions for settlement rather than effectively outlining the path to disconnection. In some cases, such threats will lead to an immediately antagonistic relationship and both parties being worse off as a result.</p> <p>While Nova understands the Authority's intention are good, this requirement fails to give weight to the importance of fostering positive, rather than negative, relationships with customers.</p> <p>The Authority holds Nova's statistics regarding disconnections due to late or non-payment. For instance, Nova's performance in maintaining low disconnection rates over the past decade is well-documented, including the zero disconnections for non-payment recorded in 2023. These achievements are a result of Nova's targeted approach to managing customer accounts and the trust established with its customers.</p>
<p>Q10. Do you have any feedback on Part 5 of the proposed Consumer Care Obligations relating to business-as-usual account management?</p>	

<p>Q11. Do you have any feedback on Parts 6 and 7 of the proposed Consumer Care Obligations relating to customers experiencing payment difficulties and disconnections?</p>	<p>Nova maintains that aiming to monitor customer consumption, as per proposed <u>clause 30</u>, is excessively intrusive. This process involves complex analysis, incorporating a variety of other data and factors. For instance, consumption patterns can vary significantly with the use of certain appliances across different seasons or among different demographic groups (i.e. elderly individuals versus a family of six). Consequently, what constitutes a material change in consumption for one customer may not be so significant for another.</p> <p>Other scenarios where a change in consumption can occur include when the customer has visitors staying for a period, they go on holiday, a new person(s) moves in, someone moves out of the property, or they are doing house repairs or renovations. Having your energy company contacting you when your consumption goes up or down is likely to cause annoyance, create distrust around being monitored and upset some customers who may consider that their privacy is being breached.</p> <p>Nova provides a mobile App (Nova Hub) that provides hourly, daily, monthly electricity usage data, This App is promoted to all our customers as a way to track usage and compare previous consumption patterns.</p> <p>Despite Nova's excellent track record of managing customer relationships with comparatively low disconnection rates, it believes that certain elements within the Obligations (i.e: clause 30) are impractical for full compliance without incurring excessive costs. As previously suggested, the authority could conduct spot audits of cases where customers are disconnected and carry out assessments of how each case was handled. This would be more cost-effective than the current expectations in the proposed obligations.</p>
<p>Q12. Do you have any feedback on Part 8 of the proposed Consumer Care Obligations relating to medically dependent consumers?</p>	<p>Reasonable approach and amendments to the clauses.</p>
<p>Q13. Do you have any feedback on Part 9 of the Consumer Care Obligations relating to fees, bonds, and conditional discounts?</p>	<p>Minor amendments and wording simplification offering some operational flexibility to retailers seems appropriate.</p>
<p>Q14. Do you have any feedback on the proposed Code obligations for distributors?</p>	

<p>Q15. Do you agree that the benefits of the proposed Code amendment outweigh its costs?</p>	<p>Nova acknowledges the Obligations will benefit the minority of consumers that, for various reasons struggle to pay their power bills and engage with the retailers or social agencies to resolve payment issues, although it must be recognised that most retailers are already very responsive to customer needs. It is clearly difficult to quantify that versus the alternative of relying on competition and voluntary code arrangements. As is common with most social issues, are the costs borne by the majority to support the Obligations reasonable in terms of improved social cohesion?</p> <p>As Nova previously submitted to the Authority, the proposed Obligations will lead to higher costs for retailers, including increased debtors outstanding, credit management costs, debt write offs and call handling times.</p> <p>Nova believes the evaluation also does not give sufficient consideration to the cost to retailers of a minority of anti-social elements that will employ any and every method available to them to avoid paying for electricity they use. By codifying the Obligations, the retailers' 'hands are tied' in terms of how they can address those situations.</p> <p>In the short term the changes required to retailers' systems to support some of the new mandatory Obligations is likely to result in significant costs (cost of system changes and upgrades and appropriate testing, personnel training and time, and potentially non-compliance penalties). The timing of these changes is exceptionally difficult given a start date of 1 January 2025.</p> <p>Nova therefore asks that an extension of time be allowed on parts of the Code, and specifically for implementing Part 4 Information and records relating to customer care.</p>
<p>Q16. Do you have any comments on the drafting of the proposed amendment?</p>	<p>The revised drafting is clearer than the previous guidelines, and the improved order improves enhances readability and comprehension. Nova appreciates the Authority taking in feedback to make the proposed obligations more understood and practical.</p>