



Consumer Care Obligations Consultation 2024
Electricity Authority Te Mana Hiko

The Salvation Army Te Ope Whakaora New Zealand, Fiji, Tonga, and Samoa Territory
10th September 2024

Summary

- The Salvation Army Te Ope Whakaora welcomes this consultation on proposed Consumer Care Obligations and the decision to make current guidelines binding obligations on retailers.
- It is those on the lowest incomes who are most impacted by the service from electricity retailers. People struggling to get by on low incomes are in greatest need of this essential service and are often facing energy hardship. We believe the new obligations will support the Electricity Authority (EA) to enforce the requirements on retailers to meet their social license as set out in the EA legislation to “protect the interests of domestic consumer... in relation to supply of electricity to those consumers” (Electricity Industry Act, Section 15(2)).
- Enforcement of the obligations is crucial, and this must include meaningful financial penalties and proactive enforcement activity by the EA as well as responsive and easy to use complaints processes.
- The proposed Consumer Care Obligations we believe do not go far enough to genuinely protect consumers on low incomes and those in energy hardship. Other areas where action is needed include banning disconnection fees, requiring retailers to advise customers whether they are on the cheapest plan for their energy needs and ensuring prepay fees are fair and align with other retail pricing plans.

Background

The mission of The Salvation Army is to care for people, transform lives and reform society through God’s love. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for one hundred and forty years. It provides a wide range of practical social, community and faith-based services around the country.

The Salvation Army employs almost 2,000 people in New Zealand, and the combined services support around 150,000 people annually. In the year to June 2023, these services included providing around 86,400 food parcels to families and individuals across 70 welfare centres, providing some 2,400 people with short-or long-term housing, over 2,900 families and individuals supported with social work or counselling, around 6,600 people supported to deal with alcohol, drug or gambling addictions, around 3,100 families and individuals helped with budgeting, and court and prison chaplains helped 5,000 people.

The comments below provide responses to the seven questions contained in the consumer consultation document. These comments have been prepared by the Social Policy and Parliamentary

Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. These comments have been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's New Zealand Fiji, Tonga, and Samoa Territory.

Q1: Do you agree with our approach to making operational improvements to the Guidelines?

We strongly agree with the goal of improving the way the Guidelines/Obligations operate. The proposal to introduce a new Part in the Electricity Industry Participation Code 2010 (Code), Part 11A, which will include the Consumer Care Obligations as a Schedule, seems an appropriate step.

The final report of the Energy Hardship Panel (EHP) report from July 2023 was publicly released after the 2023 Consumer Care Guidelines consultation. One of the EHP report key recommendations was to make the Guidelines mandatory and it is good to see this being acted on. Other findings of the EHP include calling for an enforceable set of rules with penalties for retailer who do not comply; requiring retailers to notify customers of the most affordable plan, and data relating to the use of prepay accounts and disconnections should be tracked and published. We believe it is important all possible steps are taken to implement these recommendations as soon as possible.

The winter of 2024 is proving a tough one for many of the people The Salvation Army works with. People struggle with multiple financial pressures on very low incomes. The Winter Energy Payment offers some relief for those on a welfare benefit, but there are many still needing to seek Work and Income hardship grants. Some seek high-cost lending to pay bills or go without essentials such as food in order to pay electricity bills or simply end up not paying their power bill.

We welcome the plan to publish a consumer-focused summary of the Consumer Care Obligations, so consumers can easily access clear and simple information about their rights and what to do if they feel their rights have not been met.

Power providers simply need to work harder at communicating with people and keeping in touch. In many of the cases that come to the attention of our financial mentors, there has not been much interaction with consumers before disconnection or threats of disconnection.

Home visits and traceable forms of contact are crucial for people who are marginalised and hard to engage with. Our experience of working with people in hardship is that disconnection from electricity further deepens hardship and that people often try to avoid engaging with suppliers. The requirement to visit in person or use a genuinely traceable form of contact is welcome. A read receipt on an app is not sufficient nor is a courier signature. Door knocking to make contact in person is important, but it is of course better for the service provider to do more at an earlier stage when payment issues emerge.

Q2. Do you agree with the new outcomes we have developed?

The new outcomes framework is a welcome addition, and the five outcomes identified seem appropriate to the Code. It is also important that people know their rights and are able to make complaints and it would be helpful if this is made explicit under the outcomes, such as additional wording in Outcome 1.

Q3. Do you have any concerns about retailers monitoring your electricity usage?

The current guidelines require retailers to work towards having the capability to monitor individual customer consumption and this would now become an obligation. The intention is to enable retailers to identify significant changes to consumption that might require support or change of payment plan. Making this information available to customers via website or mobile apps would be added support. But a key reason is that the earlier that issues with hardship and payment can be identified, the less likely it is that customers will face the risk of hardship or disconnection.

Pricing plans are a source of hardship for people. The complex and untransparent way pricing plans are presented mean that frequently people are not on the most cost-effective plan for their living situation. One way to help would be to require retailers to monitor use and recommend the best plan based on that usage.

Q4. Do you agree with the proposed operational improvements we have made to this area of the Guidelines? (Protecting consumers experiencing payment difficulties).

We emphasise that we do not believe people should be involuntarily disconnected from electricity. Being able to heat and light a home is a right and not simply a consumer good such as a magazine subscription that can be cancelled without causing harm or deepening hardship. The obligation to minimise harm to consumers caused by insufficient access to electricity is a welcome strengthening of the rules, but people will still be left without access to electricity under the proposed rules. The rules should also include penalties on retailers that breach the rules protecting those in payment difficulty as well as compensation for the people who are affected.

In our submission on the 2023 Guidelines, The Salvation Army argued for a 'provider of last resort' arrangement or other mechanisms that ensure all people can access electricity at a fair price. People with few resources and poor credit records have few options currently and prepay connections are more expensive and frequently lead to 'auto-disconnection' when people cannot afford to top-up their prepay accounts. Not-for-profit provider Toast Electric is a regional electricity provider in Wellington that has been helping assist low-income households to access electricity. They are the only option for those refused connections by all the other electricity providers, but this is only available in the Wellington region.

Q5. Do you agree on our proposed operational improvements for medically dependent consumers?

The proposed changes are an improvement, and we support their implementation. Given that any disconnection is potentially a highly dangerous step to take that can put the life of the affected

person at risk, there should be a requirement for companies to inform the Electricity Authority urgently (e.g. within 2 hours) if they disconnect a medically dependent consumer.

Similarly, the gravity of the action taken must be backed up by significant penalties if companies breach the rules. There should also be a right to appropriate compensation for consumers who are wrongly disconnected or otherwise disadvantaged.

Q6. Do you agree with our proposed approach to improve monitoring and compliance?

The four-pronged approach to monitoring seems reasonable and the retail data project will no doubt over time contribute to better understanding of what is happening in the sector and impacts on consumers.

There is no information provided in the consultation document about the enforcement activity that will be associated with the obligations. It would be helpful for all those involved for some summary of the kinds of enforcement that can be imposed on retailers for breaching the rules.

It is crucial that electricity consumers are properly and clearly informed about their rights in every bill and that it includes clear information about how to make a complaint. This should include phone contact number that is properly monitored and answered in a timely way.

The Electricity Authority needs to proactively monitor compliance, and sector mediation firm Utilities Disputes should inform the Authority of all instances of non-compliance, even if the issue is settled with an individual customer.

The Electricity Authority needs to impose penalties that are big enough to motivate companies to follow the rules. Penalties could be scaled depending on company size.

Compensation for consumers who are wronged would support compliance, so there is incentive to make a complaint. As noted above, there should be compensation for medically a dependent consumer who is disconnected; anyone disconnected without due process, or at a time that could endanger the household; or anyone charged incorrectly or charged unreasonable fees. Compensation should not only include repaying costs but also compensate them for stress, time and any other loss.

Q7. Do you agree with our assessment that the benefits of mandating the Consumer Care Guidelines will outweigh the costs?

The Salvation Army sees the costs of energy hardship in our work every day. There is no doubt that benefits from reduced harm through hardship and illness and other social and economic benefits of enforceable obligations will exceed any additional costs that might be associated with implementing them.

Do you have any other comments on the proposed Consumer Care Obligations?

The proposed Obligations are a welcome improvement, but we would like to see more done to ensure energy hardship is minimised.

Ensuring that bonds and fees reflect actual reasonable costs is important. The Commerce Commission approach to reasonable fees is an example to inform this work – a provider must be able to immediately justify fees on request from a consumer and show clearly how these relate to actual costs.

As noted above, we believe disconnection and reconnection fees relating to non-payment should be prohibited. These additional fees can quickly accumulate and lead to further financial hardship for people already struggling.

People with poor credit records are usually declined an account by retailers and prepay plans are generally more expensive than other forms of payment. This is unfair and has the large impact on marginalised consumers. We believe providers should be required to offer these connections at the same price as their cheapest account plans.

We would like to see a requirement on electricity retailers to check regularly that their customers are on the best plan for their energy use and inform them about this and whether another plan might be more affordable and meet their needs.

Conduct of debt collectors continues to be a major concern. Electricity retailers routinely use debt collectors, and their conduct is poorly regulated in this country. Retailers often require repayment within 12 weeks which is too little time for those already in hardship, and often results in the debt being referred to debt collection. Financial mentors have noted that the most common debt with some debt collectors is power company debt. The Salvation Army is advocating for the development of a Debt Collection Code of Conduct because there is currently no regulation or Code of Conduct for the sector. We urge the Electricity Authority to work with other regulators and sector stakeholders to support the development of a robust code that can ensure debt collection in the electricity sector is undertaken in a fair and reasonable. Australia has had such a Code since 2005, so a similar code in this country is long overdue.