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Submissions
Electricity Authority
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Via email: ccc@ea.govt.nz

CONSUMER CARE CONSULTATION PAPER – SUBMISSION FROM ERANZ

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback to the Electricity Authority on the 'Proposed Consumer Care Obligations' consultation paper and proposed new Part 11A on the Code from August 2024.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERANZ supports the Authority's work on moving from the Consumer Care Guidelines to the Consumer Care Obligations.

ERANZ submits that the Code wording requires modest and practical improvements to ensure they strike the right balance between clarity for consumers and workability for electricity retailers. These suggested changes are detailed in the body of our submission below, and our members will put forward further evidence in their individual submissions.

ERANZ submits that retailers require greater time between the Authority's publication of final decisions, sometime in December 2024, and the commencement date of 1 January 2025. A period of less than four weeks across the Christmas and New Year holiday period is not enough time for retailers to implement the system and process changes required.

Background

ERANZ's members developed and established the inaugural guidelines for consumer care over ten years ago. All ERANZ members align with the new Consumer Care Guidelines and have undertaken extensive work to ensure this. This means almost 90 per cent of all residential consumers have the

protection of the Guidelines from ERANZ members, along with other medium and small retailers boosting the covered population even higher.

Retailers have worked hard to develop systems to help those in hardship manage their debt and avoid disconnection, which ERANZ members have long treated as an absolute last resort. Indeed, the Authority-led project to refresh the Guidelines in 2020 built on ERANZ's cross-sector working group looking at this exact issue, with representatives from retailers, distributors, consumer advocates, government officials and regulator working together to improve the previous guidelines to support customers in need.

ERANZ is incredibly proud of the progress the sector has made to better connect budgeting support agencies with customers who need a helping hand. Providing early and proactive support is one of the best ways to ensure families can affordably access the power they need.

ERANZ welcomes the findings of the latest Consumer NZ customer survey. Since the survey began in 2016, the average satisfaction score for electricity retailers has steadily increased over time. Currently, 83% of customers are "satisfied" or "very satisfied" with their electricity retailer. However, there is still more work to do to support customers, particularly as the cost of living rapidly rises in difficult economic times. Retailers continue to support customers in managing their bills, find savings in how they use and pay for their energy, and offer assistance through accredited financial mentoring agencies.

Submission on the proposed Code change

Clause 11(b)(ii): Advice to declined customers

It is unclear what further advice the Authority is expecting an electricity retailer to provide to declined consumers beyond the information already required across Clauses 11(a) and 11(b)(i). By definition, Clause 11(b)(ii) relates to information a retailer would be expected to provide regarding other retailers' appetite to take on new customers. This would be constantly changing, and a retailer's contact centre staff cannot be expected to stay up-to-date on other retailers taking on new customers.

Additionally, any changes a consumer makes in response to the advice they receive might not lead to a successful contract with another retailer leading to frustration, confusion, and an erosion of trust in retailers.

ERANZ recommends deleting this requirement on retailers to advise

Clause 13: Advising all new customers of unpaid bill processes:

Requiring retailers to advise every new post-pay customer of the retailer's process that will be followed if an invoice is not paid when due does not provide the information at a useful time to the customer. A customer is not thinking about not paying their bills when they sign up for an electricity supply contract, and they are unlikely to recall the detailed steps involved many months or years down the track when they actually find themselves in this situation. Further clauses, for example,

Clause 27(b), require retailers to supply this information to customers in arrears and this is the relevant stage at which to have this conversation.

In addition, not all customers go into debt and even fewer get to the disconnection stage. Therefore, it is not appropriate to mandate telling all customers about this because many will find it offensive that there is a presumption they will not pay their account.

ERANZ recommends that retailers should have the flexibility to do this only on a case-by-case basis, such as when there are evident signs of hardship or when onboarding high credit risk applicants.

Clause 15(1)(b): Preferred days or times to be phoned:

Requesting that retailers must request the customer's preferred day or days of the week to be phoned by the retailer and the suitable times within those days appears sensible but will become less useful over time. A customer might change their work shifts, personal circumstances or many other things, which means their preferred days and times will change – however, they are unlikely to inform their electricity retailer of this. Therefore, the information becomes outdated, yet retailers are required, through subsequent clauses, to continue to act on this information.

ERANZ recommends removing with clause.

Clause 15(1)(c): Recording a customer's preferred language:

Requesting that retailers must request a customer's preferred language implies to the customer that the retailer will act on that information. Yet, it is impossible for a retailer to serve customers in every language in the world. While retailers offer a range of the most commonly spoken languages in New Zealand, some also utilise multilingual communication options via outsource partners. Despite these efforts, there are many languages that retailers simply cannot accommodate.

ERANZ recommends changing this clause so retailers state the language options offered by the retailer to the consumer if appropriate.

Clause 25(2)(b): Customers experiencing payment difficulties

This clause defines customers as experiencing payment difficulties if they miss “a payment for more than one billing cycle”. It appears the word “consecutive” is missing from this statement, otherwise the gap between missed billing cycles is undefined and could span years. Customers miss payments for many reasons, some innocuous and accidental.

Additionally, the requirement in the following subclause for a customer's consumption changes to indicate payment difficulties should not be a singular factor. While consumption changes in conjunction with other information may lead a reasonable retailer to consider a customer in payment difficulties, consumption changes alone vary due to a large number of factors including seasonal effects, household composition, specific appliance changes, and more. Given the purpose of this list is illustrative only, it means retailers can still take consumption changes into account, but it is not a primary indicator.

ERANZ recommends inserting the word “consecutive” into Clause 25(2)(b) so that it reads “...more than one consecutive billing cycle...”

ERANZ recommends deleting the phrase “consumption changes” from Clause 25(2)(c).

Clause 30: Monitoring increases and decreases in customer consumption:

Many customers find their electricity retailer actively monitoring their usage and then asking them why their usage has either increased or decreased to be highly intrusive. As an alternative, retailers enable customers to view their usage data via website and mobile phone apps, including usage comparison charts on customer bills.

Subclauses (2) and (3) are moderated somewhat by only requiring action for customers on a payment plan. However, the subjective nature of “sudden increase” and “material decrease” in consumption is problematic and it is uncertain exactly what benefits will accrue to customers from these requirements.

ERANZ recommends limiting this requirement to retailers running high bill exception reporting and attempting to discuss potentially high bills with customers to prevent bill shock.

Clause 37 & Clause 43: High-cost communication methods:

These clauses are the highest compliance cost clauses of the proposed Code changes, yet the evidence of effectiveness is mixed. For example, the requirement to use in-person visits or signed courier letters to warn of disconnections is costly, impractical, and ineffective - especially when customers are already unresponsive to multiple previous contact attempts.

Signed courier letters are not a guarantee that the account holder has received the letter. In retailers’ experience, letters are left in mailboxes, returned to sender, or refused to be signed for.

ERANZ recommends the Code does not specify high-cost yet ineffective types of communications channels; instead, retailers should be required to use communications channels that either the customer prefers, has used successfully in the past, or can be proven to have been received, such as in-app messages with read receipts.

Additional submission points

Commencement date

The period between the Authority’s final decision in December 2024 and the commencement of the new Code only weeks later, on 1 January 2025, is too short.

The consultation document states:

“Following consultation, we intend to release a decision paper in December 2024. We will continue to prepare monitoring, compliance, and education strategies to support the

implementation of the proposed Consumer Care Obligations from 1 January 2025.”

All ERANZ members fully comply with the current Consumer Care Guidelines and the guidelines allow for retailers to meet the objectives in the guidelines using alternative means as long as consumers are protected. In addition, the Authority is proposing, and currently still consulting on, changes between the guidelines and the Code. Therefore, retailers will still have to go through their own change and assurance processes to ensure adherence to the mandatory Code obligations.

In addition to requiring time to change processes, this is the traditional holiday period when many of the retailers' staff will be on annual leave. It is impossible to estimate the amount of change retailers will have to implement until the Authority's final decision is delivered some time in December.

ERANZ recommends the Authority delay the commencement of the Code until all retailers have had time to change system and processes to comply with the Code.

Complaints against the Code

The consultation paper does not specify how consumer complaints against retailers allegedly breaching the Code will operate. While the Authority will want to maintain a monitoring and reporting function overseeing retailer compliance, ERANZ strongly recommends the Authority utilise the existing Utilities Disputes Limited ('UDL') process to handle the day-to-day complaints from customers. UDL is the dispute resolution scheme provider for the electricity sector under Section 95 of the Electricity Industry Act 2010.

A potential change to the Authority's responsibilities to include consumer complaint handling and resolution is significant, yet there has been virtually no consultation with the industry and stakeholders so far and an intended commencement of the Code change inside the next four months.

UDL is already a familiar and trusted organisation that reviews consumer complaints and is currently advertised to customers on all retailer bills and communications. They are experienced practitioners with a 20-year track record of logging, managing, resolving and reporting on the wide variety of complaints they receive. If the Authority, as a regulator, was to seek to duplicate a customer-facing process, it would incur unnecessary compliance costs for the Authority as well as confuse consumers who already have an existing channel for complaints.

In similar industries, such as telecommunications services, the appropriate body is the Telecommunications Dispute Resolution organisation and for banking services it is the Banking Ombudsman. While the Financial Markets Authority has a complaints function, it is for specialist investor complaints and refers consumer-level complaints to relevant organisations such as the Banking Ombudsman, the Financial Dispute Resolution Service, or the Police.

ERANZ recommends the Authority utilise Utilities Disputes Limited as the organisation responsible for handling complaints against the Electricity Industry Participation Code 2010's new Part 11A Consumer Care.

Information requests

The Authority's reason for including new Section 11A.5 in the proposed Code – requiring retailers to provide the Authority with information on request – is unclear given the existing Electricity Industry Act already empowers the Authority to request information from retailers.

ERANZ recommends the Authority clarify how Section 11A.5 interacts with the Authority's existing information request powers under the Act.

Conclusion

ERANZ would like to thank the Authority for its continued work on consumer care. ERANZ is happy to provide any further information on this submission if needed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Clark', with a long horizontal flourish extending to the right.

Kenny Clark
Policy Consultant