



Press Release

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Electricity retailers welcome low fixed-charge tariff review

Electricity retailers welcome a review of the low fixed-charge tariff, as announced by Energy Minister Judith Collins this week.

The Chief Executive of the Electricity Retailers Association of New Zealand (ERANZ), Jenny Cameron, says retailers agree with the Minister that the fact that some of the poorest people are cross-subsidising wealthier households because of the low fixed charges is the opposite of what was intended when they were introduced in 2004, and therefore warrants a review.

“Retailers have been calling for some time for the low fixed-charge to be looked at, so asking the Ministry of Business, Innovation and Employment (MBIE) to review it is a welcome development.

“The International Energy Agency highlighted in their 2017 report on New Zealand’s energy sector that a review was needed. They identified that artificially low fixed charges result in some customers paying higher tariffs for their electricity consumption and have the potential to distort the market at the expense of consumers.

“In March, Concept Consulting released a report that covered the social impact of the low fixed charge. That report found that while helping some poorer consumers, much of the benefit flows to middle- and higher-income consumers.

“The report estimated that only 5 per cent of the total benefit flows to households in the most deprived category. The low fixed-charge scheme also hurts those poorer households that have average or above-average electricity usage.

“This charge needs to be replaced if we are to do better by low-income households.

“Retailers are willing to work with MBIE and other government agencies to find a more targeted solution for those who need the most help to meet their energy needs.

“It’s a complex issue. It’s linked to income, housing quality, and appropriate appliances, as well as education and behaviour, and needs to be looked at with a cross-sectoral, targeted investment approach involving the public and private sector.”

About ERANZ

The Electricity Retailers Association of New Zealand was established in August 2015 to represent the electricity retail industry on important sector-wide issues such as delivering value to stakeholders and consumers, and supporting the continued development of an open, competitive, sustainable and effective electricity market.

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