

Guideline on arrangements to assist low income domestic consumers

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Abbreviations used in the guideline

Commission	Electricity Commission
Rules	Electricity Governance Rules 2003

Introduction

This guideline articulates the Commission's expectations of electricity retailers¹ in dealing with low income consumers in line with the Government Policy Statement².

The guideline covers:

- Alternative payment options, including prepayment meters, smoothed payments and redirection of income;
- Bonds;
- Vulnerable consumers;
- Standards for disconnection and reconnection, and
- Other recommendations as appropriate.

This guideline is intended to:

- be advisory – (in line with its objective to encourage rather than regulate, the Electricity Commission recommends that this guideline be followed);
- provide choice for consumers;
- enable consumers to enter into the most appropriate contracts for their needs;
- ensure that minimal disconnections occur, with standards for such disconnections;
- ensure consumers who have health and/or disability issues have a process for identifying themselves to their retailers;
- not cause unreasonable credit risk for electricity retailers; and
- be complemented by a protocol between retailers and social agencies.

The Commission will monitor the performance of this guideline and if the uptake of the guideline is not satisfactory, there may be a need to recommend regulation.

What is a low income domestic consumer?

The definition of low-income consumers that will be used is

“Those consumers whose low income, whether temporary or permanent, makes it genuinely difficult for them to pay their electricity bill.”

This guideline is not intended to cover consumers who through bad faith do not intend to pay their electricity bill and/or could be considered fraudulent defaulters.

¹ This guideline also covers distributors who direct bill their consumers. However, for simplicity, the term "retailer" has been used throughout the document.

² "Arrangements for the benefit of low income consumers" (paragraphs 18-19 of the Government Policy Statement, October 2004).

Payment alternatives

Retailers should offer consumers who are having difficulty paying their bills a range of alternatives to standard monthly billing. These options should include prepayment meters, smoothed payments and redirection of income.

Prepayment meters

Although it is recognised that the use of prepayment meters has its shortcomings, in some cases this may be the best option for ensuring a consumer can manage their electricity consumption and finances.

It is recommended that:

1. Retailers should endeavour to provide prepayment metering;
2. Prepayment meters be used as an alternative to a bond where there are separate legal parties living in a single household (for example, student flats);
3. Retailers investigate the use of prepayment meters to recover other electricity debts. For example, a certain percentage of each prepayment could go towards debts; the rest towards electricity; and
4. Where a retailer is unable to provide pre-payment meters, it should assist consumers who request prepayment meters to switch to a retailer who can.

Smoothed payments

Smoothed payment contracts are contracts where consumers pay an amount that varies little from one payment period to another. After a meter reading the payment is reassessed, but any arrears are not recovered at once, but over time.

It is recommended that:

5. Retailers promote smoothed payment contracts to those on low incomes;
6. Smooth payment options be combined with more frequent billing periods where this would assist the consumer;
7. Consumers using a smoothed payment option should still be able to access prompt payment discounts where appropriate; and

8. Refunds for overpayment on smoothed payments should be made as soon as possible (within reason, i.e. there is little point in making a repayment to a consumer just before winter).

Redirection of income

To avoid disconnection, retailers could agree with consumers to have dedicated automatic payments, or direct income redirection.

It is recommended that:

9. Redirected income payments be smoothed so that consumers have more certainty around their remaining income;
10. The amount and frequency of redirected income be a matter of agreement between retailer and consumer;
11. Consumers on redirection of income should still be able to access prompt payment discounts where appropriate; and
12. Where the consumer is a beneficiary, the retailer should discuss with Work and Income the appropriateness of redirection of benefit for that consumer, and follow any protocols established with that agency.

Bonds

A bond is an up-front payment of a lump sum as a condition of some electricity agreements for connections to provide security to retailers. In the case of non-payment of a bill, the retailer can use the bond to recover debts.

The Commission considers that bonds can cause undue hardship on some consumers and therefore should not be used unless:

- the consumer refuses any other suitable arrangement that would provide credit security to the retailer;
- there has been tampering or interfering with equipment; and/or
- the consumer refuses to allow access to premises.

Where a bond is used, it is recommended that:

13. The consumer should be informed of the reason for the bond;
14. The amount of the bond should not exceed \$150;

15. The bond should normally be refunded after 12 months of the consumer paying all bills on time. If the period is extended a reason should be provided to the consumer;
16. Retailers should comply with the clauses that pertain to bonds in the Model Contract for Domestic Consumers; and
17. Retailers should comply with section C17 of the Electricity and Gas Complaints Commission Code of Practice.

Vulnerable consumers

Some consumers, through health or disability issues, may face additional challenges compared to the average household if their power is cut off. For the purposes of this Guideline, they shall be referred to as “vulnerable consumers”.

It is recommended that:

18. Consumers who consider that they would face excessive hardship should their electricity be disconnected should identify themselves to their retailer;
19. Information should be made available to all consumers on the process for self-identifying as a vulnerable consumer;
20. Where the retailer has concerns about the validity of the vulnerable consumer claim, the retailer can require verification from a third party such as the consumer’s general practitioner, budgeting agency, Work and Income (if the consumer is a beneficiary), or from any source trusted by the retailer;
21. Before seeking external verification of a consumer’s circumstances, the retailer must seek the consumer’s permission;
22. Vulnerable consumers should identify one or more preferred contact who have agreed to assist if a disconnection is pending. The preferred contact could be a family member or friend, or a social agency. The preferred contact’s role may only be to communicate with the consumer to ensure they fully understand the situation, or they may offer to provide financial assistance to prevent a disconnection.
23. Social agencies should be able to arrange for a consumer to be on the vulnerable consumers list (with the consumer’s consent) if they provide their own details as a preferred contact. In this way, a social agency may prevent a consumer only contacting them seeking assistance after they have been disconnected; and

24. No verified vulnerable consumer should be disconnected before the retailer has made reasonable endeavours to make contact with any listed preferred contacts, and has offered alternative payment arrangements.

Disconnection and reconnection standards

This section concerns disconnection for non-payment. It is not concerned with disconnections for fraud or vandalism.

It is recognised that if consumers continue to be uncooperative or avoid efforts to make contact, disconnection may be the only feasible option.

It is recommended that:

25. Retailers make reasonable efforts to contact consumers before a disconnection takes place. This includes:
- making telephone calls outside normal working hours to try to contact a consumer who is about to be disconnected; and/or
 - obtaining the mobile telephone numbers of their consumers (if applicable), and contact consumers on their mobile telephones before disconnection.
26. If it is the first time in an 18 month period that a consumer has faced disconnection (i.e. has received a warning letter for non-payment), it is recommended that the retailer should:
- discuss alternative contractual arrangements that could assist the consumer in meeting future responsibilities (e.g. more frequent payments, automatic payments, or a prepayment meter);
 - advise consumers of available assistance from government agencies and social agencies;
 - make amicable arrangements to recover the debt within a reasonable time frame that does not create an adverse credit situation for the retailer or hardship for the consumer; and
 - follow up any preferred contacts if the consumer has been identified as a vulnerable consumer.

27. If the consumer has faced disconnection more than once in an 18 month period and is about to be disconnected again, it is recommended that the retailer:
- propose an alternative payment acceptable contractual arrangement;
 - advise consumers of available assistance from government agencies and social agencies;
 - recover its debt over a reasonable time period that does not create an adverse credit situation for the retailer or hardship for the consumer; and
 - follow up any preferred contacts if the consumer has been identified as a vulnerable consumer.
28. Retailers should comply with the clauses in the section “Our Supply of Electricity to You” of the Model Contract for Domestic Consumers.
29. Retailers should comply with section C18 of the Electricity and Gas Complaints Commission Code of Practice.

Other recommendations

In addition to those above, it is recommended that:

30. All bills should have the due date clearly marked on the invoice;
31. Where a consumer is having difficulty meeting their payments, and it is clear to the retailer that they are not on the best tariff for their consumption, the retailer should advise the consumer of any more appropriate tariff options available, and assist them to move to that tariff;
32. Retailers should be aware of which budgeting services operate in the relevant area;
33. Retailers should follow any protocols agreed with social agencies; and
34. Retailers should comply with the frequency of meter reading clause in the Model Contract for Domestic Consumers.

Sources of additional information

If you require further assistance, please contact the Electricity Commission:

Electricity Commission
P O Box 10041
Wellington

Attention: Market Administrator

Telephone: 04 460 8860
Fax: 04 460 8879
Email: info@electricitycommission.govt.nz