

Guideline on arrangements to assist low income and vulnerable consumers

30 January 2008

Introduction

This guideline sets out the Electricity Commission's (Commission) expectations of electricity retailers¹ in dealing with low income and vulnerable consumers in line with the Government Policy Statement².

The guideline covers:

- vulnerable consumers;
- alternative payment options, including prepayment meters, smoothed payments, redirection of income and arrangements to recover debt;
- bonds;
- standards for disconnection and reconnection of low income and vulnerable consumers; and
- other recommendations as appropriate.

This guideline is intended to:

- define low income consumer;
- define vulnerable consumer;
- ensure no consumer who meets the definition of vulnerable consumer is inappropriately disconnected for non-payment;
- ensure that no consumer who is dependent on electricity for critical medical support is disconnected for non-payment;
- ensure that minimal disconnections for non-payment occur, with standards for such disconnections;
- ensure all consumers are aware of the payment options and services offered by retailers and social agencies;
- ensure retailers have a process for identifying preferred contacts for consumers in the event of non-payment;
- ensure that consumers enter into the most appropriate contracts for their needs; and
- be complemented by the protocol between retailers and social agencies.

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, nor does this guideline intend to imply a guaranteed supply of electricity (from time to time temporary outages may occur).

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 2006).

Compliance

Retailers must report annually on their level of compliance with the guideline, and where the guideline has been deviated from, provide reasons for each type of deviation. The information received will be made publicly available on the Commission's web site.

The Commission will monitor the performance of retailers in complying with the guideline and if the uptake of the guideline is not satisfactory, will consider recommending regulation

Low income domestic consumers

1. The definition of low-income consumers for the purposes of this guideline is:

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

2. Low income consumers who have difficulty meeting their electricity bills and face disconnection could include consumers who are reliant on medical equipment to maintain life or are otherwise vulnerable consumers.

Vulnerable consumers

3. The definition of a vulnerable consumer for the purposes of this guideline is:

A consumer is vulnerable if for reasons of age, health or disability disconnection of electricity presents a clear threat to their or a member of their household's health or wellbeing.

4. A vulnerable consumer who is dependent on electricity for critical medical support is called a 'medically dependent vulnerable consumer'.

5. Retailers must take the following steps to give consumers an opportunity to identify themselves as a potentially 'vulnerable consumer' or a 'medically dependent vulnerable consumer' :

- provide details on their website of the opportunity for consumers to notify the retailer that they consider themselves to be a vulnerable consumer or a medically dependent vulnerable consumer;
- inform all new consumers when they first join of the opportunity to notify the retailer that they consider themselves to be a vulnerable consumer or a medically dependent vulnerable consumer;
- inform all consumers in writing at least once annually of the opportunity to notify the retailer that they consider themselves to be a vulnerable consumer or a medically dependent vulnerable consumer; and
- inform consumers in any late payment notice that has a reference to potential disconnection of the opportunity to notify the retailer that they

consider themselves to be a vulnerable consumer or a medically dependent vulnerable consumer.

6. Retailers must also have a process to ascertain whether a consumer is a potentially vulnerable consumer or a medically dependent vulnerable consumer at the time that a disconnection is imminent, consistent with clauses 7 to 13 below.
7. If there is any indication the consumer may meet the vulnerable consumer definition (whether due to self selection, third party intervention, or at the time a disconnection is imminent), a verification process may be undertaken by the retailer.
8. 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.
9. Where a consumer has been verified as being a vulnerable consumer, retailers will record on the consumer's file the information received in paragraphs 5 and/or 6 and verified in 7, and must ensure the consumer has been offered all appropriate arrangements recommended in this guideline, or any other arrangements more favourable than those set out in the guideline that the retailer negotiates with the consumer.
10. Where, in spite of the retailer's assistance, a vulnerable consumer is still unable to pay their electricity bill, then prior to initiating any disconnection, the retailer must consult with Work and Income who will ensure all financial or other assistance has been provided, if the retailer has permission to do so from the consumer.
11. The communication between the retailer and Work and Income will be in line with the retailer/social agencies protocol and retailers will need to obtain authorisation from the consumer to disclose information to Work and Income in accordance with the Privacy Act.
12. At no time during these processes can a retailer disconnect a vulnerable consumer for reasons of non-payment.
13. If a vulnerable consumer does not cooperate or, without good cause, seriously breaches arrangement agreed after the process has been followed, the retailer may disconnect the consumer.

Consumer dependent on electricity for critical medical support

14. Any consumer who is dependent on electricity for critical medical support (a 'medically dependent vulnerable consumer') will not be disconnected for reasons of non-payment.
15. A District Health Board will notify the retailer supplying a household if a person in that household has equipment issued by the District Health Board that requires electricity to provide critical medical support.

16. Where a District Health Board is not able to establish directly from the consumer which electricity retailer they are supplied by, retailers will assist them in the identification of the correct retailer for the premises involved.
17. Retailers will maintain a register of medically dependent vulnerable consumers that they have been notified of.

Advice to all consumers

18. It is required that retailers ensure all consumers are informed that payment options are available from the retailer, and that budgeting and other advice and assistance may be available from social agencies.
19. This information should be clearly communicated to all consumers at least once every 12 months.
20. Consumers must be informed that, if they believe that at some time in the future they may have difficulties with their payments or with communicating with their retailer, they may provide one or more 'preferred contacts' who have agreed to assist if a disconnection or payment issue is pending. (The preferred contact could be a family member or friend, or a social agency. The preferred contact's role may 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.)
21. The retailer may not initiate the disconnection process in this guideline for a consumer who has provided preferred contact(s)' details until it has:
 - made reasonable endeavours to make contact with those preferred contacts; and
 - has offered alternative payment arrangements to the consumer via a preferred contact.

Payment alternatives

22. Retailers must offer consumers who are having difficulty paying their bills a range of alternatives to standard monthly payments. They must offer arrangements to recover debt within a reasonable time frame that do not create an adverse credit situation for the retailer and minimise hardship for the consumer. Payment options should include prepayment meters, smoothed payments, and redirection of income

Prepayment meters

23. Although it is recognised that the use of prepayment meters may have 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:
 - Retailers endeavour to provide prepayment metering;

- 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);
- 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;
- 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; and
- Retailers should strongly recommend that pre-payment meters not be installed in premises where there is a medically dependent vulnerable consumer. Where a medically dependent vulnerable consumer requests a pre-payment meter the retailer must ensure that the consumer has been fully informed of the risk of self-disconnection before installing the meter so that the consumer can make a fully informed choice.

Smoothed payments

24. Smoothed payment contracts are contracts where consumers pay an amount that varies little from one payment period to another. The payment is reassessed periodically with respect to actual consumption, but any arrears are recovered over time, not all at once. It is recommended that:
- Retailers promote smoothed payment contracts to those on low incomes;
 - Smooth payment options be combined with more frequent payment periods where this would assist the consumer;
 - Consumers using a smoothed payment option should still be able to access prompt payment discounts where appropriate; and
 - Refunds for substantial overpayment on smoothed payments should be offered 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

25. To avoid disconnection, retailers could agree with consumers to have direct income redirection. It is recommended that:
- Redirected income payments be smoothed so that consumers have more certainty around their remaining income;
 - The amount and frequency of redirected income be a matter of agreement between retailer and consumer;
 - Consumers on redirection of income should still be able to access prompt payment discounts where appropriate; and
 - Where the retailer has been made aware that 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

26. 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.
27. 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.
28. Where a bond is used, it is recommended that:
 - the consumer should be informed of the reason for the bond;
 - the amount of the bond should not exceed \$150;
 - 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;
 - retailers should comply with the clauses that pertain to bonds in the Model Contract for Domestic Consumers; and
 - retailers should comply with section C17 of the Electricity Consumer Code of Practice.

Disconnection and reconnection standards

29. For the avoidance of doubt, this section concerns disconnection for non-payment. It does not deal with disconnections for fraud, vandalism or safety.
30. Retailers must make reasonable efforts to contact and inform the affected consumer before a disconnection takes place. "Reasonable efforts" are defined as:
 - compliance with section C18 of the Electricity Consumer Code of Practice, which sets out detailed procedures and timing for disconnection;
 - ensuring that all notices that have a reference to disconnection include the following information:
 - that there is a vulnerable consumer process;
 - that payment options are available through the retailer; and
 - how the consumer can contact Work and Income.
 - if applicable, making telephone calls (including at least one call outside normal working hours if necessary) to try to contact a consumer who is about to be disconnected;

- other contact options where practicable, consisting of a mobile telephone call, text message, facsimile and one visit to the consumer's premise (which may or may not be the visit referred to in paragraph 31).
31. If a consumer has not responded to any of the notices sent by the retailer and the retailer has been unable to contact the consumer prior to disconnection, then the retailer must:
- ensure that the retailer's representative that goes to disconnect the property makes an effort to contact the consumer (unless there is a health and safety risk) and advises them to contact the retailer, providing a link to enable them to do so if necessary; and
 - once contact with the consumer has been made, ascertain whether there are reasons why the disconnection should be put on hold, including whether the consumer is potentially a vulnerable consumer, in which case the retailer will follow the process for vulnerable consumers (as per clauses 6 to 12).
32. If there is no one at home, or there is a health and safety risk involved with making an effort to contact the consumer, when the retailer's representative goes to disconnect the property as per paragraph 31 then the retailer may disconnect the property.
33. If the property disconnected as per paragraph 32 is subsequently identified as housing a potentially vulnerable consumer, then the retailer must reconnect the property and follow the process for vulnerable consumers set out in paragraphs 7 to 13.
34. Retailers should comply with the clauses in the section "Our Supply of Electricity to You" of the Model Contract for Domestic Consumers.

Other requirements

In addition to those above:

35. Retailers must ensure consumers are able to arrange re-connection as soon as possible after suitable payment arrangements have been put in place. As such, no disconnections should be undertaken where re-connection on the same day would be problematic. For example, on Fridays, the day before a public holiday, during severe weather events or civil emergency;
36. All bills must have the 'due date' clearly marked on the invoice and any notice that has a reference to potential disconnection must detail the costs which will be incurred if disconnection takes place;
37. 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 must advise the consumer of all appropriate tariff options available, and assist them to move to the most appropriate tariff;
38. Retailers must follow any protocols agreed with social agencies; and
39. Retailers must comply with the frequency of meter reading clause in the Model Contract for Domestic Consumers.

40. Retailers must provide suitable training to staff and contractors who interact with consumers with overdue bills or who are involved in the identification of potentially vulnerable consumers.

Sources of additional information

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

Electricity Commission
P O Box 10041
Wellington

Attention: Director Retail
Telephone: 04 460 8860
Fax: 04 460 8879
Email: retailoperations@electricitycommission.govt.nz