

Disconnections and bonds

January 2006 – September 2009¹

Introduction

1. In November 2005, after consultation with consumers, social agencies, and retailers, the Electricity Commission (Commission) issued a 'Guideline on arrangements to assist low-income domestic consumers', consistent with the Government Policy Statement on Electricity Governance (GPS), current at that time². The arrangements were in the form of processes and policies that retailers would adopt regarding prepayment meters, alternative payment options, credit control, bonds, and standards for disconnections following non-payment. Later this guideline was updated and became the [Guideline on arrangements to assist low income and vulnerable consumers – 30 January 2008](#) (Guideline). The Guideline is currently under review and at the time of writing, a draft set of guidelines has been published for consultation. The end date for submissions on the consultation is Wednesday, 04 November 2009.
2. To support the November 2005 Guideline, the Commission also facilitated a '[Protocol between electricity retailers and social agencies](#)'. In this protocol the following statistics were required to be provided to the Commission by retailers:
 - (a) Number of disconnections for each retailer as a percentage of domestic consumers for each retailer in the quarter; and
 - (b) Number of consumers who have provided a bond as a percentage of domestic consumers for each retailer in the quarter.
3. This document provides the data received in response to these questions.

¹ Published 27 October 2009.

² The current GPS (paragraphs 44 and 45, 'Arrangements for the benefit of low income and vulnerable domestic consumers', May 2009) continues to ensure the protection of low income and vulnerable domestic consumers, but also includes provision for medically dependent consumers.

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Data source

4. These figures are provided by retailers at the end of each quarter. Initially this included data from the nine largest retailers and one distributor.³ From the quarter ended December 2008 a further three retailers have been added.

Quarters:

Q1 = January to March

Q2 = April to June

Q3 = July to September

Q4 = October to December

Commentary

5. When considering the tables it should be kept in mind that:
 - (a) Most retailers have specific geographic areas where they have significantly more customers than other retailers.⁴ These areas relate to historic network boundaries and there may be several network boundaries in a large city;
 - (b) A retailer may have the majority of consumers focussed around one larger area, or they may have areas throughout the country. These areas are important because economic or other circumstances may be indicative of the consumer's ability to pay their electricity accounts. These factors may include:
 - (i) the average socio-economic position of the majority of consumers in that area;
 - (ii) the climate in a given area which will affect consumption levels for heating and associated costs; and

³ The Lines Company is the only distributor which contracts directly with consumers for payment of lines services and has the option to disconnect for non-payment of that account. The Lines Company is included under the term 'retailer' throughout this document due to its direct relationship with consumers.

⁴ The term used to describe this is 'Incumbency'. The term relates to the retailer who inherited consumers in a network area at the time of the electricity reforms. Statistics show that many consumers have chosen to remain with the incumbent (or their subsequent owners), and so retailers who are incumbent in a particular area tend to have the largest market share in that area. The term incumbency does not exist after 1 May 2008 as a new settlement system was introduced.

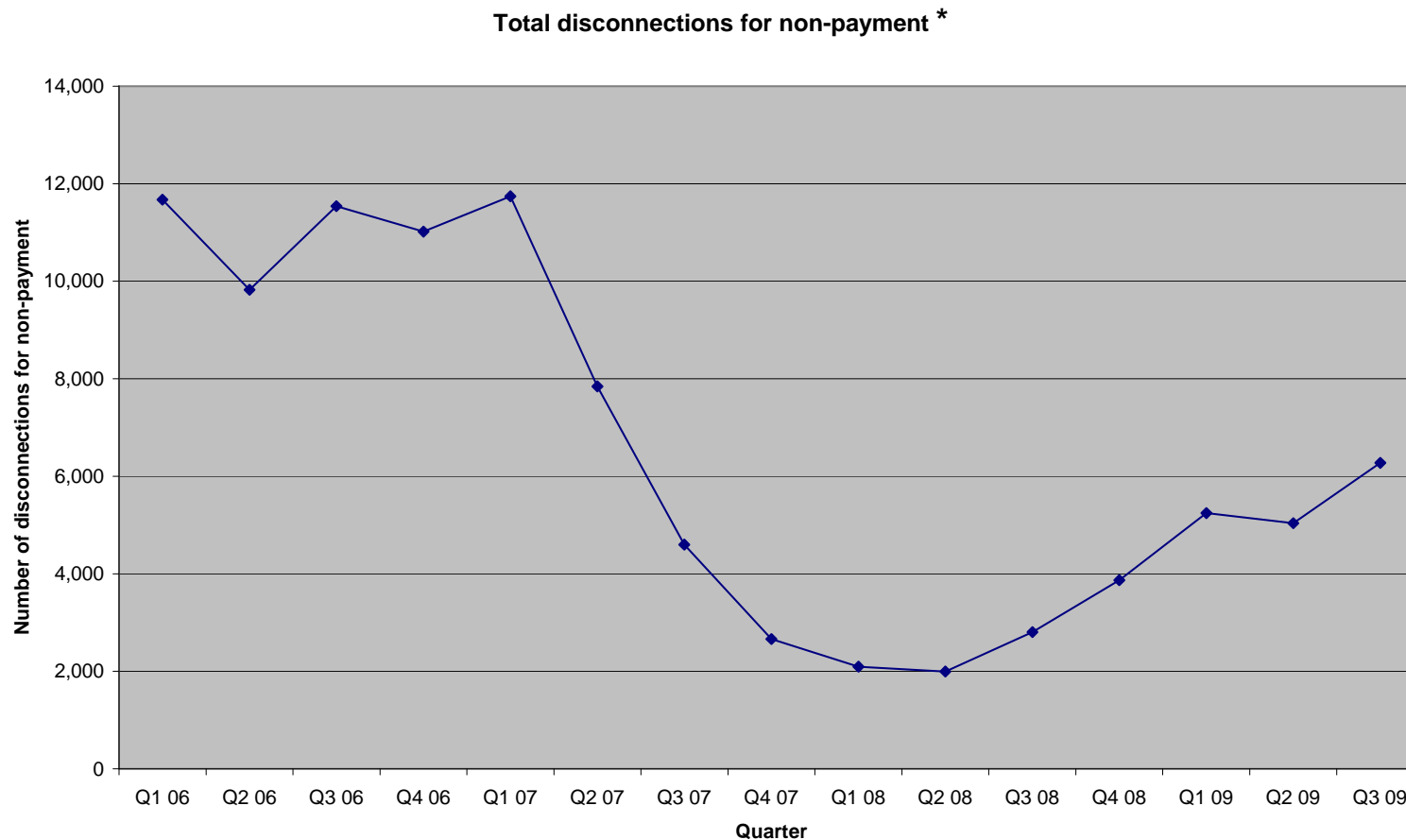
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- (iii) the availability of gas as an alternative fuel, which may lead to lower electricity accounts.
 - (c) Each retailer offers different tariffs and charges which, in turn, attract consumers from different socio-economic groups. For example, some consumers may be prepared to pay higher tariffs and charges in return for higher service levels. These consumers are less likely to be disconnected for non-payment. On the other hand, a retailer with low tariffs may attract more low income consumers and may subsequently report a higher proportion of disconnections for non-payment; and
 - (d) Retailers can choose whether to charge a bond.
6. Disconnection data must show the total number of domestic ICPs disconnected due to a contracted customer's arrears during that quarter. This figure should include:
- (a) any disconnection of a premise where a customer is registered at that address where the reason for disconnection is non-payment of account by that customer; and
 - (b) any disconnection of a premise where a customer is believed by the retailer to be resident at that address, and is in arrears, but when the technician disconnects the property it is reported back to the retailer that the house is no longer occupied.
7. This figure should not include the disconnection of any premise where:
- (a) there is no customer registered at that address (even if the property is registering consumption of electricity);
 - (b) the disconnection is unrelated to credit; and/or
 - (c) the disconnection is due to theft or fraud.

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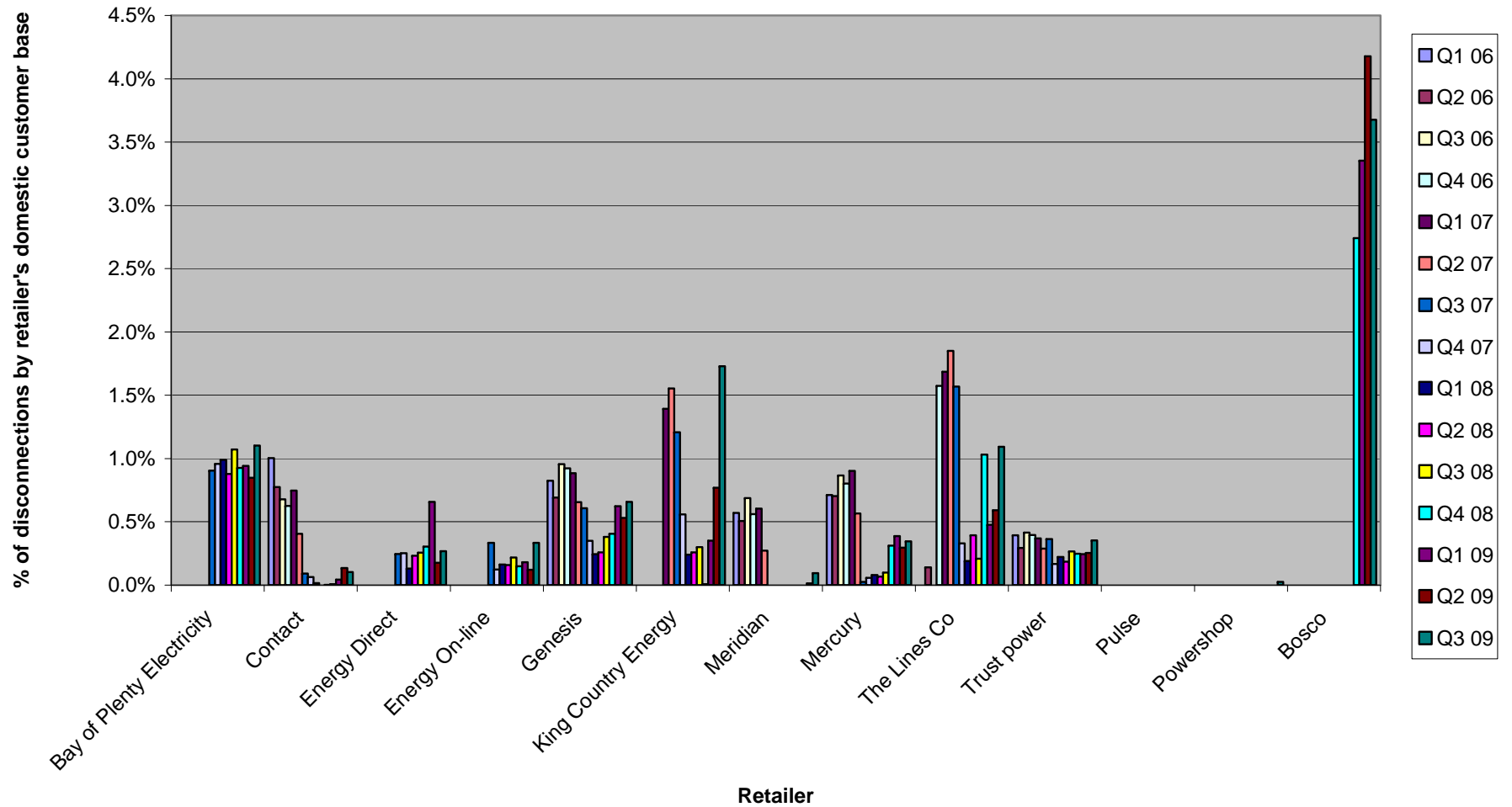


* Data provided from Bay of Plenty Electricity, Energy Direct and Energy On-line from Q3 07 onwards only. Data provided by Pulse, Powershop and Bosco from Q4 08. Furthermore, in Q1 09, two retailers provided revised historical data, as did a retailer in Q3 (for Q1 & Q2 of 2009), which has changed some values from previous publications of these statistics; however the overall trend has remained the same.

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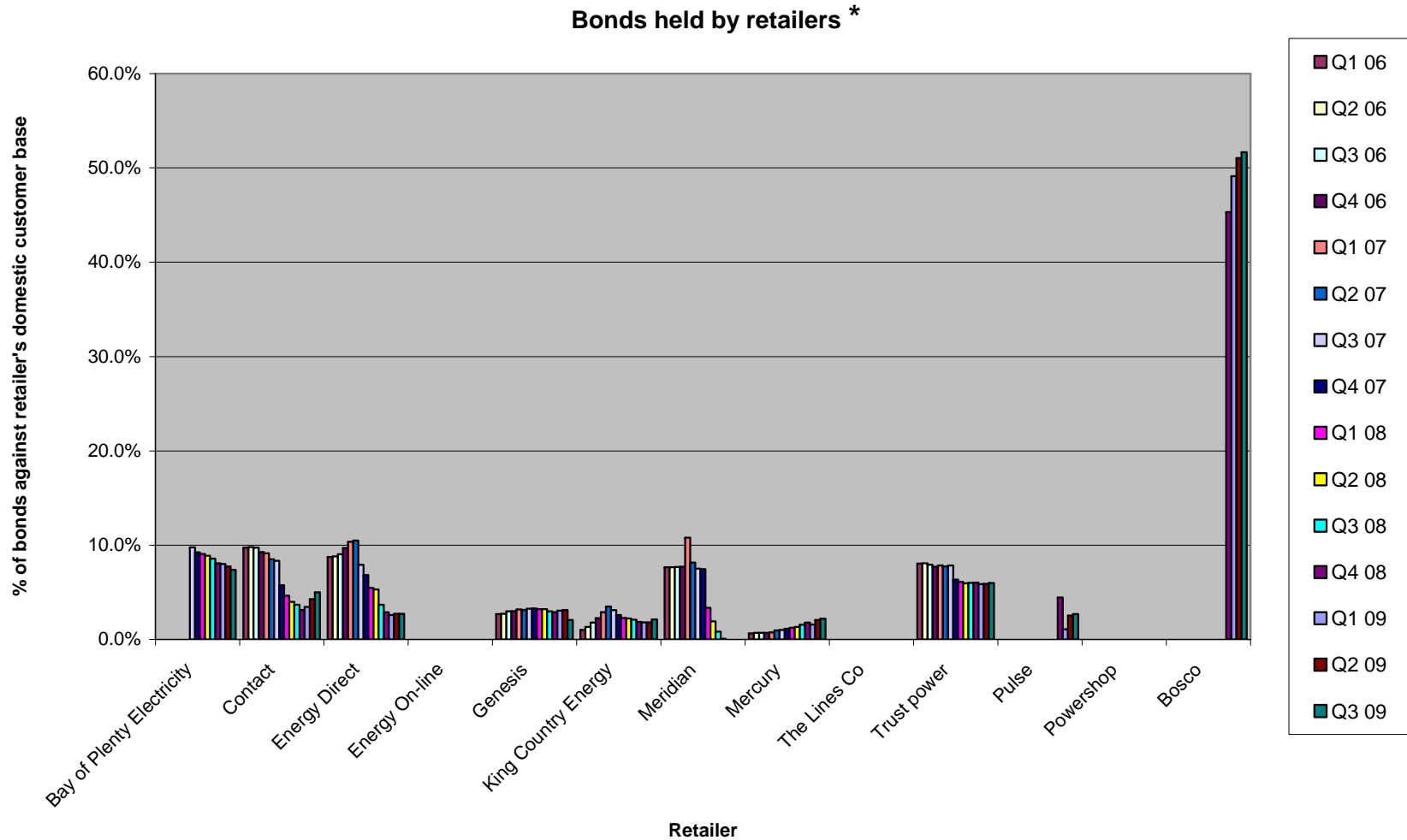
Disconnections for non-payment *



* Data provided from Q3 07 onwards only. Data provided by Pulse, Powershop and Bosco from Q4 08.

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