

28 April 2023

Energy Hardship Expert Panel
c/- Energy Use team, Ministry of Business, Innovation and Employment
15 Stout Street
Wellington 6140

Via email EnergyHardshipMBIE@mbie.govt.nz

Tēnā koutou,

Energy affordability, reliability and sustainability in a low carbon future

Electricity and gas distribution is part of the energy cost faced by consumers. Powerco is one of Aotearoa's largest gas and electricity distributors, supplying around 340,000 (electricity) and 112,000 (gas) urban and rural homes and businesses in the North Island. These energy networks provide essential services and will be core to Aotearoa achieving a net-zero economy in 2050.

The energy hardship discussion paper is more focused on electricity, which is therefore the focus of our response. In identifying the challenges and way forward with energy hardship, it is important to consider energy broadly. For example, potential pathways for Aotearoa's gas transition, the differences between electricity and gas distribution, and consumer decisions in energy options, will all impact energy affordability in different ways. We have responded on the Energy Affordability Kete in the attached submission form. Our summary views on the Energy Affordability kete are:

Energy Affordability

- A national approach will avoid energy access or equity issues linked to the geographical or market boundaries of energy businesses (including EDBs)
- Household support should be targeted for a household's energy circumstances.

We appreciate the engagement by the Energy Hardship Panel prior to finalising the strategy. We also note our support for the ENA submission, representing all electricity distributors. If you have any questions regarding this submission or would like to talk further on the points raised, please contact me (Andrew.Kerr@powerco.co.nz).

Nāku noa, nā,



Andrew Kerr
Head of Policy, Regulation, and Markets
POWERCO

Submission Form

Submission information

(Please note we require responses to all questions marked with an *)

Personal details and privacy	
Q1.	I have read and understand the Privacy Statement above. Please tick Yes if you wish to continue* [To check the boxes above: Double click on box, then select 'checked'] <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Q2.	What is your name?* Andrew Kerr
Q3.	Do you consent to your name being published with your submission?* <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Q4.	What is your email address? Please note this will not be published with your submission.* Andrew.kerr@powerco.co.nz
Q5.	Are you submitting as an individual or on behalf of an organisation?* <input type="checkbox"/> Individual (skip to Q8) <input checked="" type="checkbox"/> Organisation
Q6.	If on behalf of an organisation, we require confirmation you are authorised to make a submission on behalf of this organisation. <input checked="" type="checkbox"/> Yes, I am authorised to make a submission on behalf of my organisation
Q7.	If you are submitting on behalf of an organisation, what is your organisation's name? Please note this will be published with your submission. Powerco
Q8.	If you are submitting on behalf of an organisation, which of these best describes your organisation? Please tick one. <input type="checkbox"/> Iwi, hapū or Māori organisation <input type="checkbox"/> Energy retailer <input type="checkbox"/> Energy regulator

- Energy distributor
- Registered charity
- Non-governmental organisation
- Local Government
- Central Government
- Academic/Research
- Other. Please describe:

Q9. I would like my submission or parts of my submission to be kept confidential.*

Yes

No

Q10. If you answered yes to Q9 above, please provide your reasons and grounds under [section 9 of the Official Information Act](#) that you believe apply, for consideration by MBIE.

Q11. If you answered yes to Q9 above, please confirm you will provide publishable versions of your submission in both Word and in PDF by emailing them to the MBIE secretariat at energyhardshipMBIE@mbie.govt.nz - clearly labelling both "for publication"

Yes

No

Responses to questions

The Energy Hardship Expert Panel welcomes your feedback on as many sections as you wish to respond to, please note you do not need to answer every question.

Q12. Please tick those sections which you wish to provide feedback on:

- HEALTH OF THE HOME KETE
- KNOWLEDGE NAVIGATION KETE
- ENERGY ACCESSIBILITY AND CHOICE KETE
- ENERGY AFFORDABILITY KETE
- CONSUMER PROTECTION KETE

ENERGY AFFORDABILITY KETE

Affording the energy whānau need for their wellbeing

Challenge: Low income is a major barrier for many whānau to afford the energy they need for wellbeing in their home

Strategy AF1: Prioritise lack of energy access as an emergency issue and implement nationally consistent processes and timeframes for responding to requests for assistance from customers in energy hardship/their advocate/retailer, and establish clear and direct lines of communications between MSD and those customers/their retailer/advocate

Q65. Do you broadly support the proposed strategy AF1?

- Yes
- Somewhat
- No
- Don't know/Not sure

Q66. Please share your comments on the proposed strategy AF1. For example, you could include your thoughts on any benefits, costs, risks or limitations associated with this strategy.

A national approach is appropriate given

- the circumstances affecting the lack of access will not overlap equally with the market shares or geographical footprints of energy businesses
- it will avoid distorting competitive retail offerings to these customers in the future

Challenge: Low income is a major barrier for many whānau to afford the energy they need for wellbeing in their home

Strategy AF2: Provide extra Government financial support, needs-based and targeted at households in energy hardship, including those outside the existing beneficiary group. Possible mechanisms include better targeting of the Winter Energy Payment (WEP) eligibility criteria/funding levels, an energy-related income supplement, an energy bill rebate, and making a portion of energy-related grants non-recoverable

Q67. Do you broadly support the proposed strategy AF2?

- Yes
- Somewhat
- No
- Don't know/Not sure

Q68. Please share your comments on the proposed strategy AF2. For example, you could include your thoughts on any benefits, costs, risks or limitations associated with this strategy.

To be sustainable, this strategy will benefit from being targeted and sized at those households with low income. It would be assisted by a direct or implicit assessment of the degree of financial support needed given a household's living cost pressures. For example, the WEP doesn't scale for the number of household occupants, location, or housing quality (all which can affect energy requirements).

Challenge: Low income is a major barrier for many whānau to afford the energy they need for wellbeing in their home

Strategy AF3: Ensure all fees and costs charged to energy consumers are cost-reflective and reasonable (including pre-pay, disconnections, reconnections, top-ups, bonds, metering)

Q69. Do you broadly support the proposed strategy AF3?

- Yes
- Somewhat
- No
- Don't know/Not sure

Q70. Please share your comments on the proposed strategy AF3. For example, you could include your thoughts on any benefits, costs, risks, limitations associated with this strategy.

Effective implementation of the energy affordability strategies should support this outcome because financial support may involve paying some of these costs.

Q71. Do you have any alternative suggestions on how to address the challenge explained above? If so, please share these below.

Challenge: Pre-pay accounts often impose significantly higher costs on those most in need and self-disconnection is hidden

Strategy AF4: Review and monitor the use and pricing of pre-pay accounts to ensure they do not create or exacerbate disadvantage, including tracking and publishing self-disconnection (how many, how often, for how long) and reviewing pre-pay terms and conditions, fees, wraparound support

Q72. Do you broadly support the proposed strategy AF4?

- Yes
- Somewhat
- No
- Don't know/Not sure

Q72. Please share your comments on the proposed strategy AF4. For example, you could include your thoughts on any benefits, costs, risks, limitations associated with this strategy.

Understanding the link between disconnection data, behaviour, and cost will ensure any policy initiatives are targeted at the right situation.

Q74. Do you have any alternative suggestions on how to address the challenge explained above? If so, please share these below.

Challenge: Payment options may impact affordability and choice

Strategy AF5: Require retailers to include payment options that recognise the difficulty those in energy hardship face, e.g. cash payment, smooth pay, weekly or fortnightly billing/payment

Q75. Do you broadly support the proposed strategy AF5?

- Yes
- Somewhat

No

Don't know/Not sure

Q76. Please share your comments on the proposed strategy AF5. For example, you could include your thoughts on any benefits, costs, risks, limitations associated with this strategy.

Possibly better to address via the implementation of AF3.

Q77. Do you have any alternative suggestions on how to address the challenge explained above? If so, please share these below.

Challenge: Distribution pricing methodologies can impact affordability

Strategy AF6: Investigate and address the implications of network pricing methodologies for energy hardship, particularly in high cost-to-serve areas

Q78. Do you broadly support the proposed strategy AF6?

Yes

Somewhat

No

Don't know/Not sure

Q79. Please share your comments on the proposed strategy AF6. For example, you could include your thoughts on any benefits, costs, risks, limitations associated with this strategy.

Network costs (distribution and transmission) are a substantial component of a household's energy bill. Our response to AF2 noted that the circumstances affecting households with low income can be location and situation specific - they won't overlap equally with business boundaries. Pricing methodologies treat consumers (demand) equally and affect large groups of customers – they are not targeted.

We support a response funded at a national level (AF3) rather than being addressed by individual EDBs. At an EDB level, costs not paid by some customers will be implicitly paid for by other customers and businesses on that footprint, potentially exacerbating affordability for some other customers.

An understanding at a national level of how network and wholesale pricing affects affordability could be useful for implementing strategy AF3 (targeted support). For example, if wholesale and network prices are higher in region A vs region B, this could inform the nature and scale of support needed in the two regions.

Q80. Do you have any alternative suggestions on how to address the challenge explained above? If so, please share these below.

We suggest differentiating between “capital contribution” policies and pricing methodologies. Both are required to be published under Commerce Commission disclosure requirements, yet they relate to different aspects of the cost to a consumer. For example, for a customer looking to connect a new building (eg marae) a significant distance from the existing network, a distributor’s capital contribution policy will inform how the costs for the connection works will be recovered. The pricing methodology will inform the annual delivery charges.

We welcome the opportunity to explain how Powerco’s latest [pricing methodology](#) and [capital contribution guide](#) work in practice.

FINAL QUESTION FOR THE ENERGY AFFORDABILITY KETE:

Q81. Are there any other key challenges and/or corresponding solutions relating to the ENERGY AFFORDABILITY KETE that we have missed? If so, please outline these below.