Social retailing: phase one

Problem definition and long-list of options

Report prepared for the Energy Hardship Expert Panel (Panel) and the Ministry of Business, Innovation and Employment (MBIE)

December 2022

What we were asked to do

- MBIE contracted Concept to undertake analysis of the issues that “social retailing” would seek to address and to develop a spectrum of social retailing options to address those issues.
- This work is to support the Panel’s consideration of social retailing options in its preparation of a discussion paper on possible options for addressing energy hardship.
- The work was divided into two phases:
  - Phase one: development of a framework that sets out the issues that social retailing would seek to address and a long list of potential social retailing options
  - Phase two: development and evaluation of social retailing options requiring further analysis.
- This report is Concept’s output for phase one of the project.

Executive summary/key conclusions (1 of 2)

We consider there are five key issues that social retailing could help address

- Our analysis suggests that there are five key issues that social retailing could help address. These issues are:

    1. Poor credit restricting energy accessibility and choice for many consumers. Issue is exacerbated if the consumer has no smart meter or also requires gas for heating.
    2. A combination of high energy prices, low income, and high energy needs making energy unaffordable for some consumers.
    3. Fees disproportionately affecting those in energy hardship.
    4. The difficulty that retailers can have engaging with some customers in energy hardship.
    5. Energy plan complexity making it difficult for many consumers to understand their bills, compare plans, or switch retailers.

- These issues may be transitory for some consumers, but longer-term for other consumers. Social retailing solutions should ideally address both transitory and longer-term energy hardship.

- Our analysis indicates that there are some regions of the country where some of these issues are larger – for example, some of the smaller networks, particularly in the South Island, have less prepay or social retailers (who are likely to take on a customer with a poor credit score) available, as well as low smart meter penetration.

There are already some social retailing services available

- There are already three retailers in existence that we consider to be social retailers—Nau Mai Rā, Our Power, and Toast Electric (Toast).

- Many of the more traditional retailers also offer some social retailing services and/or are in process in piloting social retailing services. For example, Pulse Energy (Pulse) allows customers to gift to a fund that helps other customers in energy hardship.

The are ten broad groups of social retailing options

- There is a wide spectrum of social retailing options that each address the issues in different ways—these options range from voluntary actions by retailers to address energy hardship, through to the establishment of integrated social generator-retailer(s).

- We consider the spectrum of social retailing options can be divided into ten broad groups:

    A. Bulk deals
    B. Social housing agencies as retailers
    C. Consumer care guideline changes
    D. Subsidised energy charges
    E. Energy bill caps
    F. Energy navigators
    G. Bonds
    H. Funding assistance for social retailers
    I. Establishment of one or more social retailers
    J. Establishment of integrated social generator-retailer(s).

- Within these ten broad groups there are also decisions to be made about who funds the social retailing solution(s)—solutions could be funded by retailers, community-run social agencies, generators, or the government (either through general taxation or an industry levy).

Executive summary/key conclusions (2 of 2)

We propose that four broad social retailing options be developed and evaluated in phase two

- We consider that the following options should be evaluated in phase two of the project:
    - **Option C – consumer care guidelines.** Phase two should consider whether there should be mandated minimum consumer care guidelines (eg, by moving some parts of the consumer care guidelines into the Electricity Industry Participation Code 2010 (Code)).
    - **Option H – funding assistance for social retailing.** Phase two should consider whether this is government funded (through general taxation or an industry levy) or generator funded.
    - **Option I – the establishment of a social retailer (or retailers).** The social retailer(s) would be funded by the government.
    - **Option J – the establishment of integrated social generator-retailer(s).** Phase two should consider two variations of this option – establishing just one integrated social generator-retailer or establishing a number of community/regional integrated social generator retailers.
- We consider that **Option D – subsidised energy charges**, **Option E – energy bill caps,** and **Option F – energy navigators** should not be evaluated in their own right in phase two of the project. However, they should be considered as features of options H, I, and J.

Outline

Executive summary/key conclusions

1. What are ‘social retailing’ and a ‘social retailer’?
2. What are the issues that social retailing could help address?
   a) Issues fall within four of the Panel’s five kete
   b) Energy accessibility
   c) Energy affordability
   d) Knowledge and navigation
   e) Consumer protection
   f) What are the key issues that social retailing could help address?
3. What social retailing is already in place in NZ?
4. Long list of social retailing options
5. Proposed list of social retailing options that require further analysis in phase two
6. Information sources

1. What are ‘social retailing’ and a ‘social retailer’?

1. What are ‘social retailing’ and a ‘social retailer’?

There is no agreed definition of social retailing or social retailer.

For the purposes of this project, we consider that **social retailing** should be defined as:

> ***Social retailing:*** *Energy retailing that provides additional support to consumers who are in energy hardship. Social retailing can be provided through “traditional retailers” or through a specialised “social retailer”.*

Where a **social retailer** is defined as:

> ***Social retailer:*** *An energy retailer (either publicly or privately owned) that focuses on providing social retailing.*

Examples of social retailing include:

- A winter bill cap that caps how much a customer will pay over winter.
- A gifting scheme, where customers of a retailer can gift to a hardship fund that supports customers of the retailer who are in energy hardship.
- A retailer having a specialist team that assists customers in energy hardship. Assistance provided by the team could include offering individualised payment plans, referring customers to support agencies, and one-off debt write-off.

In section 4 we present a long list of social retailing options which covers the spectrum of possible social retailing options.

2. What are the issues that social retailing could help address?

2a. Issues fall within four of the Panel's five kete

Issues fall within four of the Panel's five kete

The Panel's ***Energy Hardship Outcomes Framework and Focus Areas*** includes five 'kete' to focus its work on gathering information on priority problems and ideas for solutions.

Health of the home

Improving energy well-being through healthier homes

Issues include:

- heating
- insulation
- building quality and type
- home repairs
- building retrofit
- appliances
- rental and owner-occupied housing.

Social retailing options are <u>not</u> focused on improving the health of the home.

Knowledge & navigation

Supporting and empowering whānau in their energy decisions

Issues include:

- energy literacy and awareness
- education
- hard-to-reach consumers
- billing information
- comparing plans
- switching suppliers
- consumer information
- navigating support
- mātauranga Māori
- data and insights.

Energy accessibility

Accessing energy regardless of income or location

Issues include:

- network connection
- poor credit
- disconnection for non-payment
- digital access
- metering
- new technologies
- distributed energy resources
- availability of different energy sources.

Energy affordability

Affording the energy whānau need for their well-being

Issues include:

- energy prices
- plans and payment options
- fees
- pre-pay arrangements
- household composition and income
- people's ability to afford sufficient energy
- inequalities and income support.

Social retailing options largely seek to help address issues with ***energy accessibility*** and ***energy affordability***.

Consumer protection

Protecting energy consumers in their relationships with providers

Issues include:

- retail contracts
- consumer care guidelines
- mandatory standards
- consumers knowing their rights
- monitoring and enforcement
- tenant protections
- emerging technologies.

Social retailing options may also help improve ***knowledge and navigation*** and provide ***consumer protection***.

On the following slides we delve deeper into specific issues within the energy accessibility, energy affordability, knowledge and navigation, and consumer protection kete that social retailing options could help address. This includes getting a better understanding of relative size of the issues and how the issues vary depending on factors such as location within New Zealand.

2b. Energy accessibility – a snapshot of the issues

Energy accessibility

Accessing energy regardless of income or location

Poor credit

If a consumer has a poor credit score then they have less choice of retailer. Most retailers require a credit check to join, with the key exceptions being prepay plans and social retailers. The availability of prepay plans and social retailers varies by network region. This issue may be exacerbated for medically dependent consumers (MDC) because prepay is not a suitable product for MDCs.

Availability of different energy sources

Some households rely on **natural gas** for space heating, water heating, and cooking. Many retailers with a social retailing focus don't offer gas services. However, the proportion of more-deprived households with gas is low.

Metering

Some retailers (including prepay plans) require that a consumer has a smart meter to join the retailer. Smart meter penetration varies by network region.

Disconnection for non-payment

Disconnections have fallen materially over the past fifteen years, but don't include "self-disconnections" by prepay customers. Some retailers charge disconnection fees which can make it more difficult for a disconnected customer to reconnect.

Digital access

Some households lack digital access which can make it more difficult to access retail services. Internet access varies by household income and age. Even with internet access some consumers may not be comfortable or confident using digital platforms to access information, sign up to a retailer, and/or make payments.

Network connection, new technologies, distributed energy resources

We consider that these energy accessibility issues (to the extent they exist) are better dealt with initiatives other than social retailing.

Social retailing could help address these energy accessibility issues (to the extent the issues exist).

We explore each of these issues (including evidence for the size of each issue) in more detail on the following slides.

Key:

- A substantial issue that social retailing could help address.
- An issue that social retailing could help address.
- A secondary issue that social retailing might help address, but not a key focus of social retailing.
- Not an issue or not an issue that can or should be addressed by social retailing.

2b. Energy accessibility – poor credit ● (1 of 3)

Poor credit limits the choice of retailer

In general, accepting a residential consumer with a poor credit score increases the credit risk of the retailer (because the consumer has a history of not paying) and therefore the costs the retailer faces. For this reason, most NZ energy retailers will credit check potential customers and state in their terms or conditions that they may choose not to accept an application if a potential customer does not meet their payment, credit, or other criteria.*

Therefore, residential consumers with a poor credit score tend to have less choice of energy retailer. They are limited to:

- retailers that will accept customers with a poor credit score, or
- potentially a retailer that does a require a credit check ("credit-requirement retailer") but may accept a consumer with a poor credit score with additional conditions.

We have assessed the availability of retailers that accept consumers with a poor credit score and the implications of limited availability on energy accessibility for consumers with a poor credit history. The results of this assessment are set out on the following slides.

* For example, Meridian Energy's (Meridian) terms and conditions state "We may accept or decline your application at our sole discretion and, in making our decision, we will consider your ability to meet our payment, credit and other criteria. If you do not meet our criteria, we may decline your application or may offer to supply electricity to you if you agree to any extra terms and conditions that we consider necessary." (clause 2.1, Terms and conditions | Meridian Energy). Contact Energy's (Contact) terms and conditions state "We may choose not to accept your application if: you fail to meet our payment, credit or other criteria…, or you or someone occupying your premises has a debt owing to us or our agents from a previous account." (page 5, https://contact.co.nz/-/media/contact/mediacentre/forms-and-fact-sheets/general-terms-and-conditions). Other retailers have similar terms.

We also discuss what conditions a credit-requirement retailer may place on customer with a poor credit score and the implications of these conditions on energy accessibility for such consumers.

One of the implications of the limited availability of retailers that accept consumers with a poor credit score is that these consumers may end up paying more for energy than other consumers. This implication is related to energy affordability, so we consider it in the next section on energy affordability (2c).

Availability of retailers likely to take on a customer with a poor credit score

Retailers with prepay plans generally don't require a credit check because customers are required to pay in advance.* In addition, some social retailers also do not require credit checks. We are aware of the following retailers that may accept consumers who have a poor credit score:

- Prepay plans:
  - Contact PrePay
  - Globug
  - Wise Prepay (Wise)
- Social retailers:
  - Nau Mai Ra
  - Our Power
  - Toast (only customers on Energy Wellbeing programme).

In the following slides we refer to these six retailers as the *prepay and social retailers*.

We note that there may be other retailers that may accept consumers who have a poor credit score.

* Retailers with prepay plans may do a credit check prior to accepting a customer. However, in most cases a poor credit score will just make the customer ineligible for postpay plans and limit them to prepay plans.

2b. Energy accessibility – poor credit ● (2 of 3)

Availability of prepay and social retailers by network area

Most prepay and social retailers are only available on some (not all) networks. This means that some networks are less well served than other networks when it comes to retailers that are likely to take on customers with poor credit.

Figure 2.1 shows the availability of prepay and social retailers. It shows that:

- consumers in the Network Waitaki region only have one prepay or social retailer (Contact PrePay)
- most networks in the South Island (and a couple in the North Island) only have two prepay or social retailers
- most large cities have at least four prepay or social retailers (eg, Auckland, Hamilton, Tauranga, Wellington, and Christchurch)—the main exception is Dunedin with just two prepay or social retailers.

The blue dots in Figure 2.2 show that many of the smaller networks (with less than 50,000 ICPs*) only have two prepay or social retailers available, with one small network (Network Waitaki) only having one available. Aurora is the only network with more than 50,000 ICPs to have two or less prepay or social retailers to chose from.

Prepay retailers require a smart meter

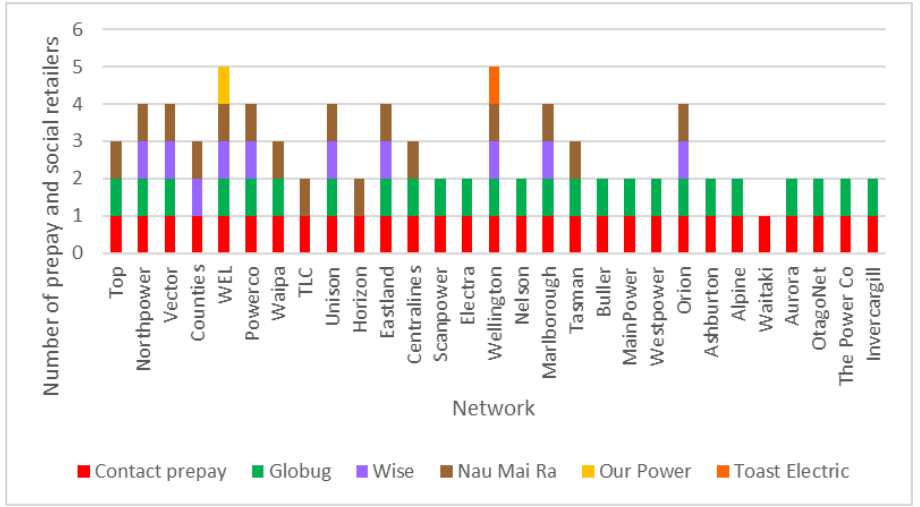
The choice of retailer for consumers with poor credit may be further limited if the consumer does not have a smart meter. Prepay plans require a smart meter to be installed, so a consumer with a poor credit score and no smart meter may only be able to access social retailers.

The red dots in Figure 2.2 show that 13 networks have no social retailers, while 14 networks only have one social retailer. The Wellington and WEL networks are the only networks where a consumer with a poor credit score may have the choice of more than one social retailer.

We consider in more detail the impact of metering on energy accessibility later in section 2b.

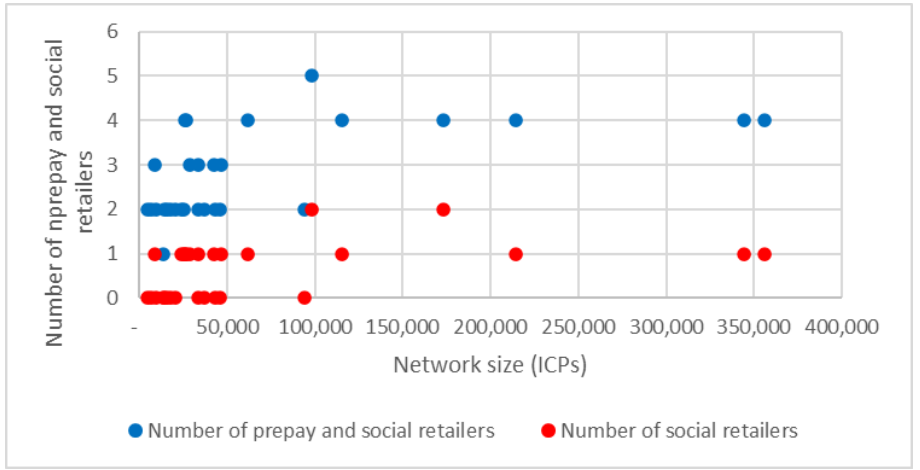
*An Installation Control Point (ICP) is a physical point of connection on a local network (or an embedded network). It is the point at which a retailer supplies electricity to a consumer.

Figure 2.1: Number of prepay and social retailers available on each network



Source: Concept analysis of Electricity Authority data

Figure 2.2: Number of prepay and social retailers available by network size



Source: Concept analysis of Electricity Authority data

2b. Energy accessibility – poor credit ● (3 of 3)

Medically dependent consumers (MDC) with a poor credit score may face even higher accessibility issues

Consumers with a poor credit history who are also medically dependent on electricity may face additional barriers to getting connected on an appropriate plan for their circumstances.

Prepay plans are not suitable for MDC due to risk of self-disconnection if the customer runs out of credit. The Consumer Care Guidelines states that retailers should not proactively recommend a prepay service to an MDC but may agree to provide a prepay service to an MDC if the consumer requests a prepay service (to avoid discriminating against the MDC). The Consumer Care Guidelines also advocate that if a prepay service is provided at a household where an MDC resides, the retailer should make sure the MDC understands the risk of there being no electricity supply if the prepay service runs out of credit.*

Half of the prepay and social retailers that may have plans available to consumers with a poor credit score are prepay plans, while and the other plans (provided by social retailers) have more limited availability across the country. According to our analysis (as shown above in figure 2.2), 13 of the 29 electricity networks do not have any social retailers that are likely to accept customers with a poor credit score. Eleven of those 13 networks are in the South Island. However, the number of networks with no social retailers has been reducing over time as Nau Mai Rā continues its national roll out.

*Consumer Care Guidelines (https://www.ea.govt.nz/consumers/what-are-my-rights-as-an-electricity-consumer/consumer-care-guidelines/), p26.

Credit check retailers may impose additional conditions on customers with poor credit

Some retailers that require potential customers to do a credit check may take on a customer with a poor credit rating but impose additional conditions on the customer to help manage the credit risk associated with the customer. However, discussions with retailers suggest this is not a widespread practice.

Additional conditions could include:

- requiring a bond
- requiring an income redirection (to pay the energy bill directly) through either WINZ or the customer's employer
- requiring the customer to pay by direct debit.

Anecdotally, we've been told that having weekly or fortnightly bill cycles (rather than monthly) also helps reduce credit risk as bill arrears become apparent more quickly. For this reason, the social retailers we talked to (Nau Mai Ra, Toast, and Our Power) all bill weekly.**

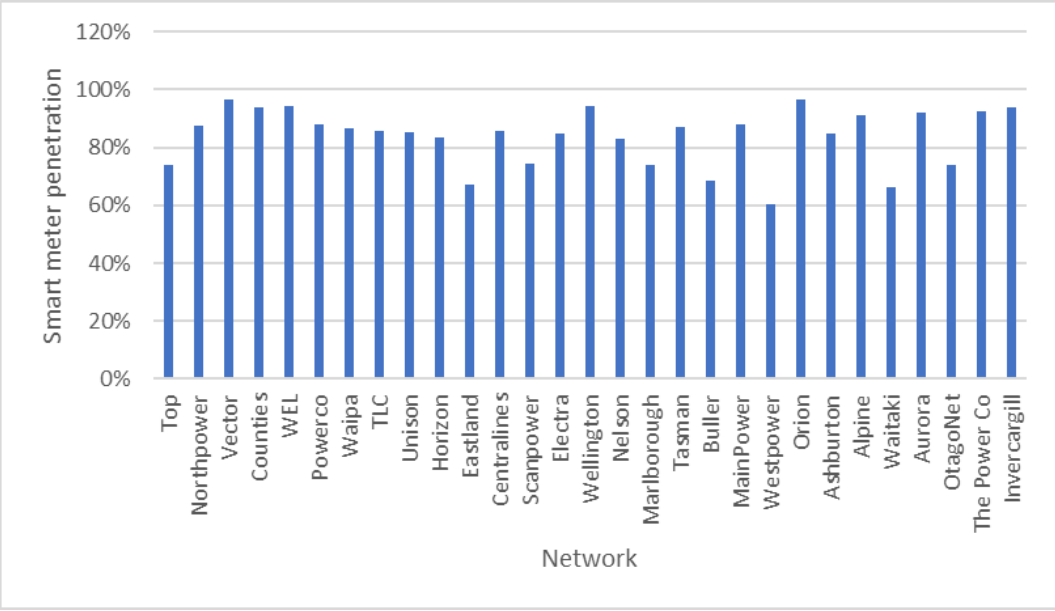
**Customers on Toast's Energy Wellbeing programme are billed weekly, but its regular customers are billed monthly.

2b. Energy accessibility – metering (1 of 2)

Consumers without a smart meter can't access prepay plans

To access prepay plans a consumer needs a smart meter. Nationally, about 91% of residential consumers have a smart meter. However, smart meter penetration varies substantially between networks. As shown in Figure 2.3, smart meter penetration ranges from just 60% on the Westpower network on the West Coast to over 96% on the Orion New Zealand network in central Canterbury and the Vector network in Auckland.

Figure 2.3: Smart meter penetration by network

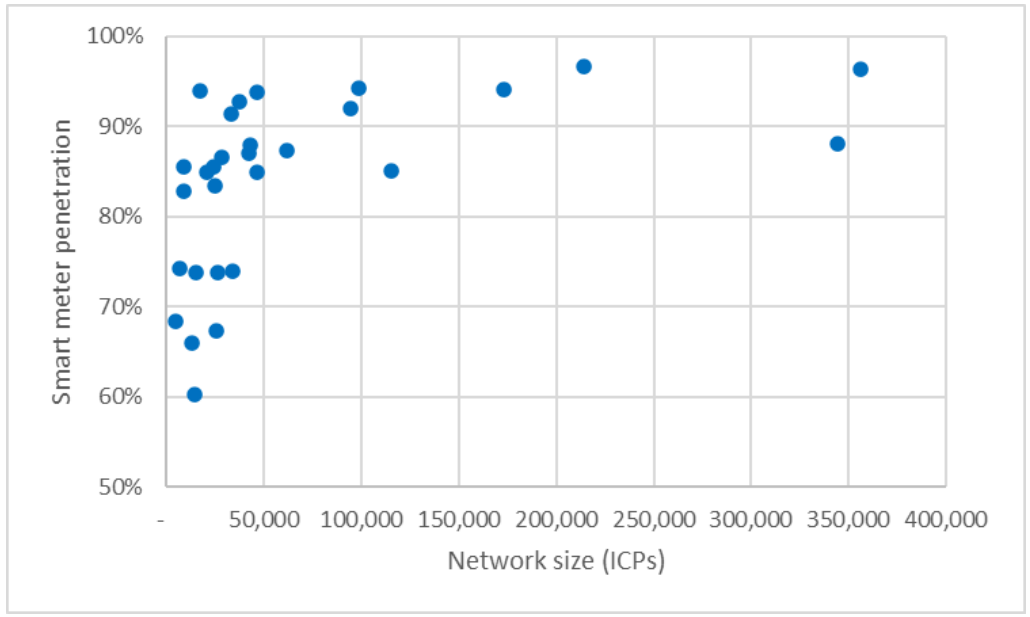


Source: Concept analysis of Electricity Authority data

Smart meter penetration is low on some on the smaller networks

Smart meter penetration is lowest on some of the smaller electricity networks as shown in Figure 2.4 below. The eight networks that have less than 80% smart meter penetration all have less than 50,000 ICPs on their network. Five of these eight networks are in the South Island—Marlborough Lines, Buller Electricity, Westpower, Network Waitaki, and OtagoNet. The other three networks are Top Energy, Eastland Network, and Scanpower.

Figure 2.4: Smart meter penetration by network size



Source: Concept analysis of Electricity Authority data

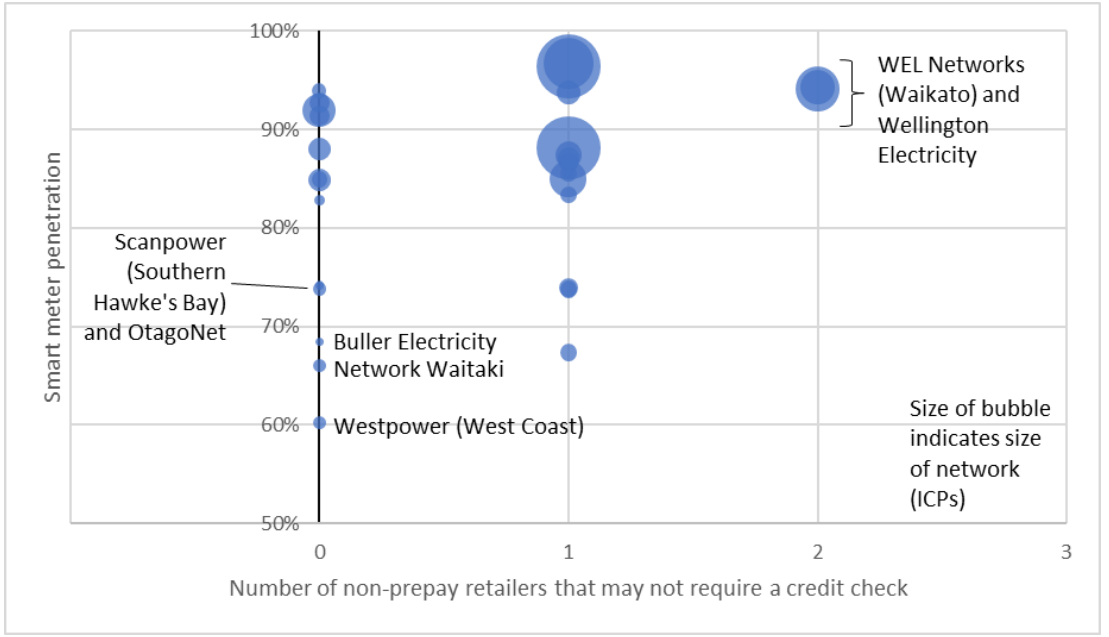
2b. Energy accessibility – metering (2 of 2)

Some customers with no smart meter have no access to a social retailer

If a consumer with poor credit also has no smart meter, then their access to an electricity retailer that will take them on may be very limited. On many networks the only retailers that may not require a credit check are prepay retailers (and therefore require a smart meter). These networks tend to be smaller networks (as shown in Figure 2.5, where the size of the bubble indicates the number of ICPs on the network and bubbles sitting on the y-axis (the black line) are networks where the only retailers that may not require a credit check are prepay retailers).

Some of these networks also have poor smart meter penetration—the worst of these are Westpower (West Coast), Network Waitaki, and Buller Electricity, followed closely by Scanpower (Southern Hawke's Bay) and OtagoNet. Four of these five networks are in the South Island where social retailer Nau Mai Rā has more limited availability.

Figure 2.5: Smart meter penetration and number of non-prepay retailers that may not require a credit check (ie, social retailers) by network



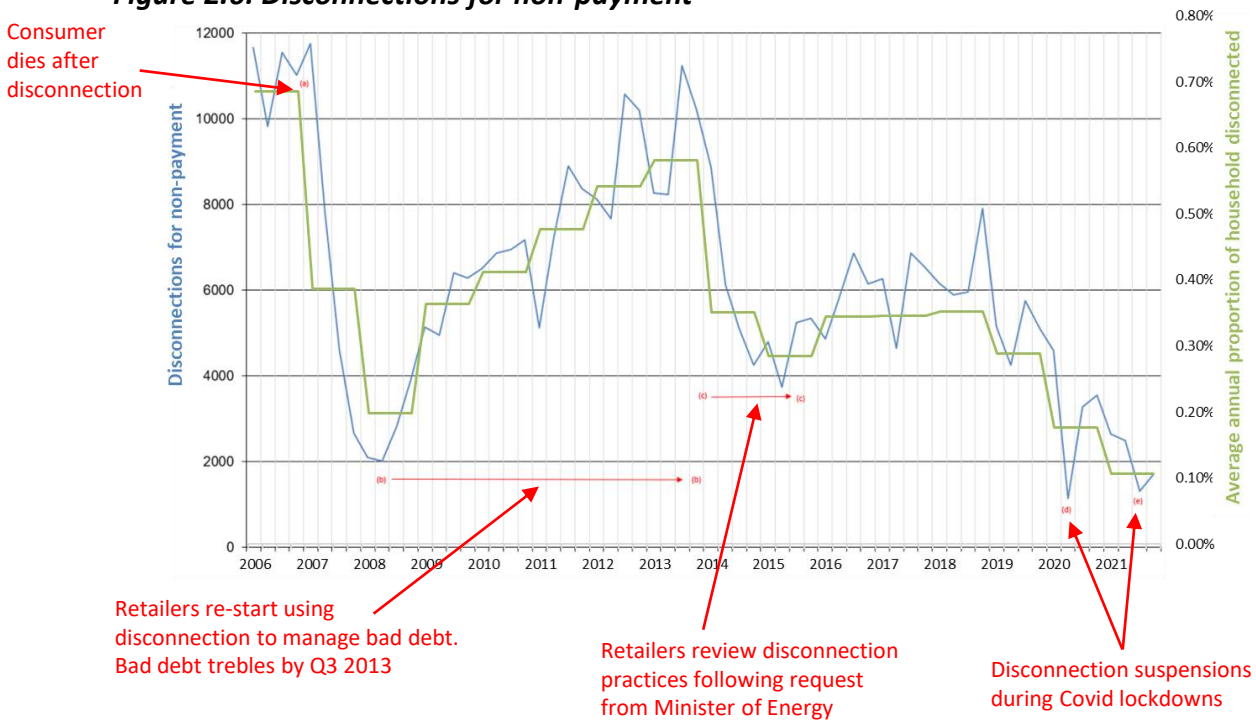
Source: Concept analysis of Electricity Authority data

2b. Energy accessibility – disconnection for non-payment

Disconnections have fallen over the past 15 years

Figure 2.6 shows that disconnections for non-payment have fallen substantially from the levels they were in 2006-07.

Figure 2.6: Disconnections for non-payment



Source: Electricity Authority plus additional Concept analysis (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022))

Disconnection data does not include prepay "self-disconnections"

The disconnection data does not include "self-disconnections" by customers on prepay plans. Unfortunately, we don't have a full dataset on the number of prepay self-disconnections occurring, how long customers remain self-disconnected, and the reasons why these customers are self-disconnecting. On the last point, some self-disconnections may be occurring for reasons other than energy hardship. For example, a prepay customer may decide to self-disconnect if they're going to be away from the property for an extended period.

Some retailers charge disconnection fees (and some reconnection fees) which make it difficult for the consumer to get re-connected again – we discuss this in more detail under energy affordability.

2b. Energy accessibility – digital access

Digital access is an issue for some consumers

We have heard anecdotally that digital access can be an issue for some energy consumers, particularly elderly consumers. For example, retailers have noted:

- Some customers don't have internet access or don't know how to use it. This means the retailer needs to rely on other methods of communication (phone calls, letters, and even visits).
- Some people struggle to pay online or by direct debit (although sometimes family members would help set up direct debits for their less tech savvy relatives).
- Some customers can require help setting up an email address and printing off bills if they join up with a retailer that offers an online-only service.

These comments by retailers indicate that communication and payment can be issues for customers that either don't have internet access or aren't comfortable using it. We'd expect that these customers would also have trouble accessing an energy retailer in the first place. This is because information about retailers, including their prices, is largely provided on the web, so consumers relying on non-digital means to decide on a retailer will be disadvantaged due to a lack of readily available information.

We are not clear how many energy consumers are in digital hardship, but it will be important for any social retailing solutions to ensure that these consumers are given access to social retailing services if they need them.

2b. Energy accessibility – availability of different energy sources

Some households use gas for heating or cooking

Electricity is the most important source of (non-transport) energy for households—electricity makes up 79% of total residential spending on non-transport energy. However, some households do use gas for space heating, water heating, and/or cooking.

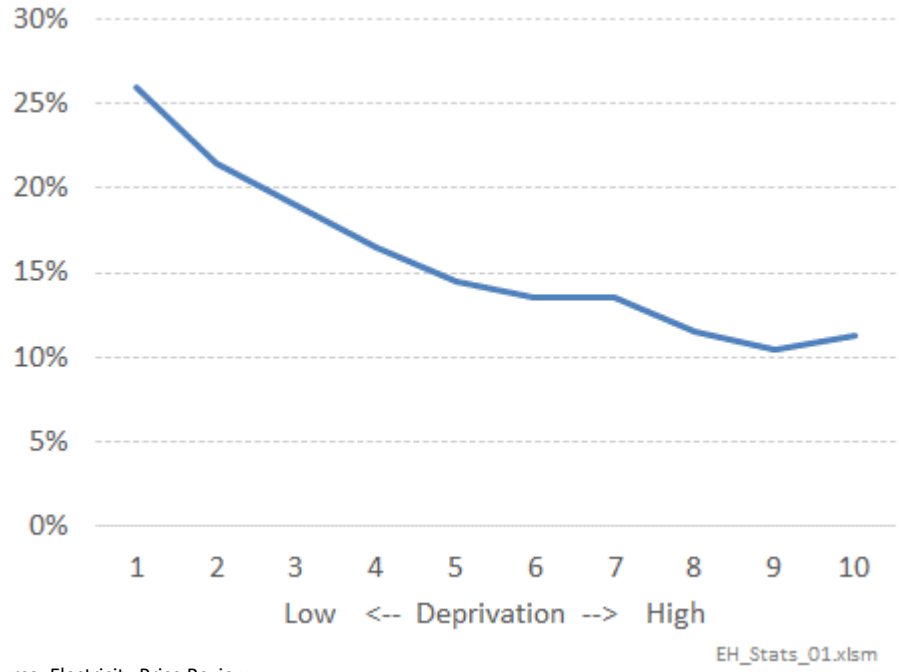
More deprived households are less likely to have gas

Analysis for the Electricity Price Review (EPR) showed that households that were higher on the deprivation index were less likely to have gas than less deprived households. This is shown in Figure 2.7. This suggests that most households in energy hardship will not rely on gas for some of their energy needs. However, there will be some households in energy hardship that will be reliant on gas.

All the prepay and social retailers don't offer gas

Households that do have gas and have a poor credit score may not be able to access a retailer providing gas. All the prepay and social retailers only sell electricity (Contact PrePay, Globug, Wise, Nau Mai Rā, Our Power, and Toast).

Figure 2.7: Proportion of households with gas



Source: Electricity Price Review

2b. Energy accessibility – summary

There are currently a range of energy accessibility issues that could be (at least partially) addressed by the provision of more social retailing services or better availability of social retailers. These issues are:

- consumers with poor credit have limited access to retailers (which is more limited in some network regions than others)
- some consumers don't have smart meters which, if combined with poor credit, can limit access to retailers even further
- while disconnections are significantly lower than they were 15 years ago, some customers on prepay are disconnecting frequently
- there are some consumers in digital hardship who may struggle to connect to a retailer, communicate with their retailer, and make payments
- households that rely on gas for heating or cooking may struggle to access a gas retailer if they have a poor credit score.

Our analysis indicates that there are some regions of the country where these issues are larger—some of the smaller networks, particularly in the South Island, have less prepay and social retailers available, as well as low smart meter penetration (as shown earlier in Figure 2.5). When considering the roll-out of any social retailing solutions these regions should be prioritized.

Social retailing solutions will also need to cater to consumers in digital hardship and those that need gas in addition to electricity.

2c. Energy Affordability – a snapshot of the issues

Energy affordability

Affording the energy whānau need for their well-being

High energy prices

There is significant variation between the best and worst energy prices, as well as variation by geographic location. In addition, consumers who are limited in their choice of retailer because they have a poor credit score may face higher prices than consumers whose choice is not limited.

Lack of income

Lower household income makes energy less affordable (all else equal). Low-income households spend a greater proportion of their income on energy. There is significant variation in income by geographic location.

Relatively high energy needs

Household energy needs vary by geographic location (with households in colder climates requiring more energy to adequately heat their home), housing condition (eg, level of insulation), and household composition (eg, the age of household occupants).

Timing and size of energy bills

Monthly energy billing mean that households can get large energy bills (particularly over winter), which is hard for some households to manage. Greater availability of weekly or fortnightly billing and smooth pay may mean this is a less of an issue than it has been in the past.

High fees

Most retailers charge a range of additional fees for disconnection and reconnection. These fees tend to hit households that are already struggling to pay their energy bill. Retailers may also require consumers with bad credit to pay a bond. Consumers on prepay plans may also pay more fees.

Over-variabilisation of electricity charges

Higher variable costs (with lower fixed charges) for electricity increases the cost of energy for households with high energy needs. In addition, as energy needs are generally higher in winter, over-variablisation of electricity charges increases winter electricity charges relative to summer electricity charges making in more difficult for households to afford to pay winter electricity bills.

Key:

- A substantial issue that social retailing could help address.
- An issue that social retailing could help address.
- A secondary issue that social retailing might help address, but not a key focus of social retailing.
- Not an issue or not an issue that can or should be addressed by social retailing.

Social retailing could help address these energy affordability issues. We explore each of these issues (including evidence for the size of each issue) in more detail on the following slides. Concept's earlier work for MBIE and the Panel *Quantitative analysis & compendium of past statistics on energy hardship* (24 May 2022) included substantial quantitative analysis of factors driving energy hardship and we have drawn on this analysis in defining the energy affordability issues that social retailing may help address.

2c. Energy affordability – high energy prices (1 of 3)

Some consumers pay higher energy prices than others

Energy prices are not the same for all residential consumers. There are a range of factors that affect the energy prices that a consumer pays, including:

- location
- whether the consumer is on one of the best or worst tariffs offered
- whether the consumer has a poor credit score and therefore is limited in their choice of retailer.

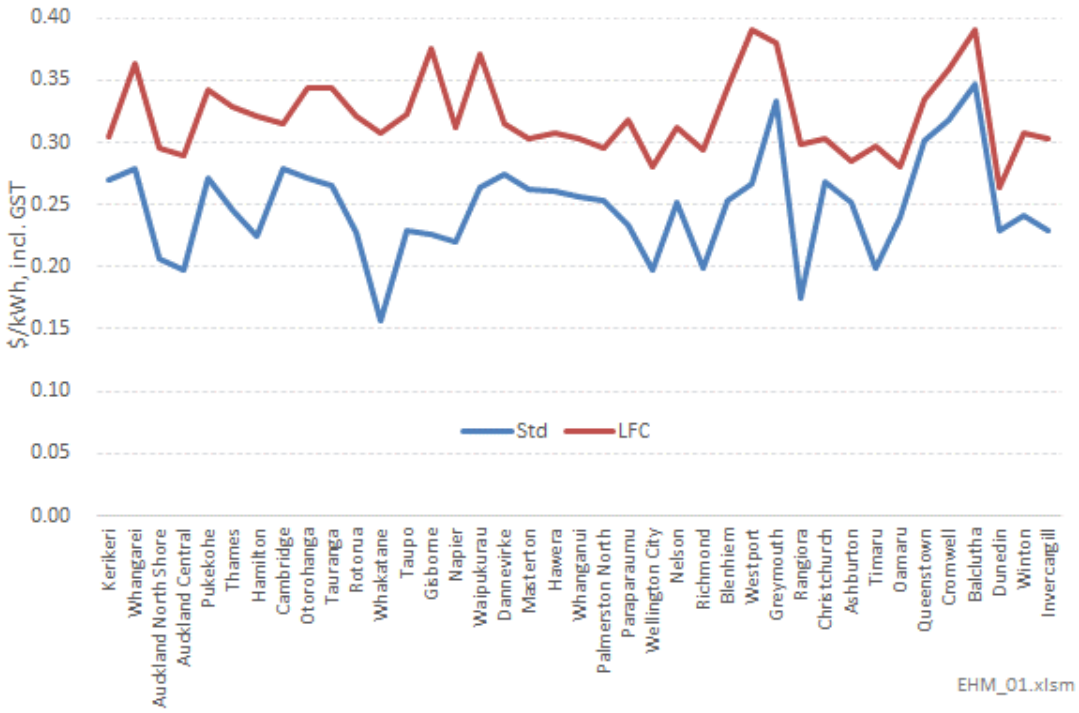
Electricity tariffs vary by network region

Figure 2.8 shows that variable electricity tariffs vary substantially across the country. For example, a low fixed charge residential consumer in Dunedin can pay a variable charge of just 26 cents per kWh, while a low fixed charge residential consumer in Westport or Balclutha can pay 39 cents per kWh (50% more than the Dunedin consumer).

Drivers of the variation in electricity tariffs across the country include:

- differences in network pricing approaches (eg, allocation of shared network costs between residential and business; proportion of costs to recover via fixed charges)
- underlying variance in network costs
- geographical variance in wholesale cost of electricity.

Figure 2.8: Variable electricity tariffs across New Zealand



Source: Concept analysis drawing on MBIE QSDEP data, plus published network tariffs (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022)). Std = standard retail plan, LFC = lower fixed charge retail plan.

2c. Energy affordability – high energy prices (2 of 3)

There is a significant difference between the best and worst electricity tariffs

A consumer may be paying more than other consumers if they are on a more expensive electricity plan.

Figure 2.9 shows the variation in bill size between different retail plans in three locations (Gisborne, Wellington, and Auckland) at the end of March 2022. It shows that in each location there is a big difference between the cheapest retail electricity plan and most expensive retail electricity plan for both a 'small' residential consumer (5,500 kWh/year, shown in pink) and a 'large' electricity consumer (10,000 kWh/year, shown in blue).

The average difference between the best ('min') and worst ('max') tariff is:

- $470 for a small consumer (26% of the average tariff)
- $870 for a large consumer (29% of the average tariff).

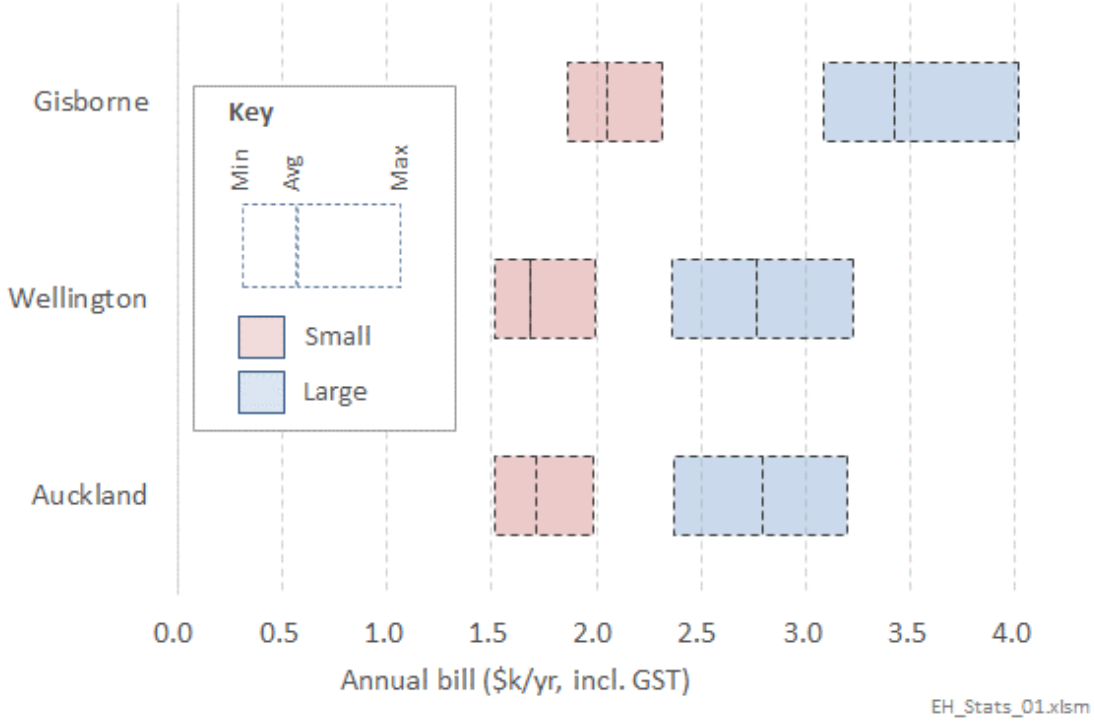
These differences include plans where a consumer is required to sign on for a set term (eg, 2 years). If these term deals are excluded, the differences do reduce, but are still substantial:

- $445 for a small consumer (24% of the average tariff)
- $730 for a large consumer (21% of the average tariff).

The results of this analysis are similar to the price differences found in analysis done for the EPR. That EPR analysis also looked at whether the most-deprived consumers were more likely to be on a worse pricing plan than the least-deprived consumers. It found that there was only very minor statistical correlation between being in a more deprived situation and being on a worse pricing plan.

This issue is an energy affordability issue but is also a knowledge and navigation issue. Some consumers won't be accessing the best electricity tariff because they find it difficult to navigate all the different pricing options.

Figure 2.9: Variation in electricity bills under different retailer tariffs for 'small' and 'large' residential consumers



Source: Concept analysis drawing on Powerswitch at end of March 2022 (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022)). Analysis assumes that consumer is on the correct low-user/standard tariff option. Being on the wrong tariff for size of consumption would increase the ranges between the cheapest and most expensive bills further.

2c. Energy affordability – high energy prices (3 of 3)

Consumers with a poor credit score may pay more

As discussed in section 2b on energy accessibility, consumers with a poor credit score are generally restricted to prepay plans or plans provided by social retailers. If these plans are more expensive than the cheapest plan available, then the consumer will be paying more for their electricity than they could if they didn't have a poor credit score.

Prices on prepay plans are similar to prices on some postpay plans. For example, Contact charges the same variable and fixed charges on prepay plans as it does on its postpay plans. However, because there are significantly more postpay plans available than prepay plans, it is likely that the cheapest postpay plan available in a network area will be cheaper than the cheapest prepay plan.

The recent establishment of some social retailers may be making it possible for consumers with poor credit to access the cheapest plan available. Nau Mai Rā promises potential customers that "you'll pay less or the same as what you pay now"*.

We haven't done detailed analysis of whether consumers with a poor credit score are paying more, but we have done an illustrated example by comparing the price of prepay and postpay electricity plans on Powerswitch for the Auckland Central area. This analysis relies on the consumer having a smart meter (given than prepay plans are only available with a smart meter). Nau Mai Rā (the only social retailer available in Auckland) does not publish its prices so we haven't included Nau Mai Rā in this comparison.

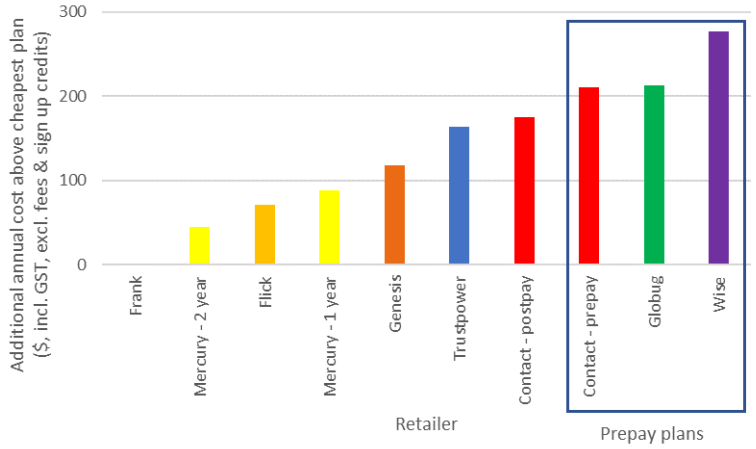
We found that the cheapest prepay plan is still considerably more expensive than the cheapest postpay plan:

- Figure 2.10 shows that in for a customer consuming 5,500 kWh of electricity per year, the cheapest prepay plan (Contact) is over $200 more expensive than the cheapest postpay plan (Frank Energy (Frank)).
- For a larger residential customer (10,000 kWh per year), the difference between the cheapest postpay plan (Mercury) and the cheapest prepay plan (Globug) is even more (about $300) (as shown in Figure 2.11).

This analysis excludes the impact of fees (which we discuss later in section 2c) and any sign-up credits. Including fees and sign-up credits are likely to make the differences even larger.

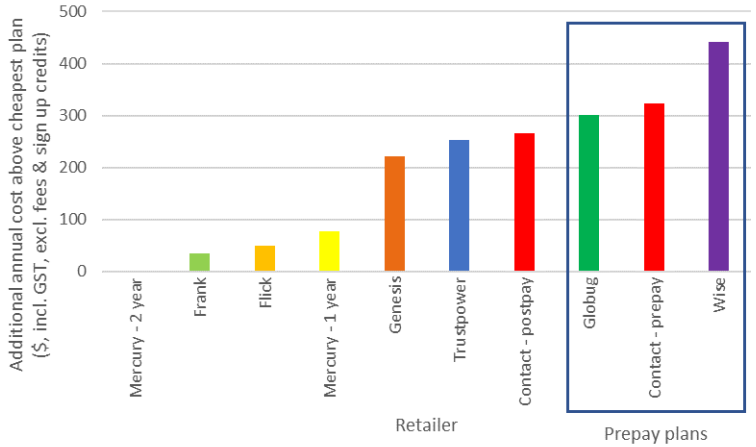
* https://www.naumaira.nz/learn-more

Figure 2.10: Comparison of prepay and postpay charges for a 'small' residential customer (5,500 kWh/year) in Auckland Central**



Source: Concept analysis of Powerswitch data

Figure 2.11: Comparison of prepay and postpay charges for a 'large' residential customer (10,000 kWh/year) in Auckland Central**



Source: Concept analysis of Powerswitch data

** Each chart shows (for the set consumption level) the cheapest six postpay plans, the cheapest Contact postpay plan (which in both cases is not one of the six cheapest postpay plans), and the cheapest prepay plan from each of the three prepay providers. The Contact postpay plans are cheaper than the Contact prepay plans because they are for a fixed term (which we have assumed are not available on prepay). Prices are prices available on Powerswitch on 18 October 2022.

2c. Energy affordability – lack of income (1 of 2)

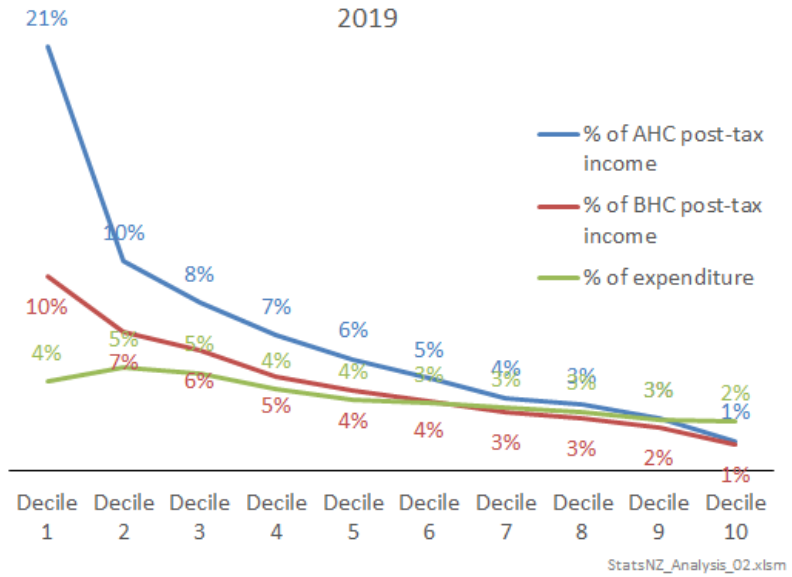
Lower income households are less able to avoid adequate energy to heat their home

In general, lower income households will have less money available to spend on energy that higher income households.

Analysis of energy costs as a proportion of income show that lower income households spent a much higher proportion of their income on energy than higher income households. This is shown in Figure 2.12—households in decile 2 spend 10% of their after-housing cost (AHC) post-tax income on energy, while households in decile 10 only spend 1% of their AHC post-tax income on energy.*

* The figures for decile 1 may be impacted by households with low levels of reported income captured by the Household Economic Survey (HES) but high levels of actual income derived from self-employment or investment returns. For this reason, we have compared decile 2 (instead of decile 1) with decile 10.

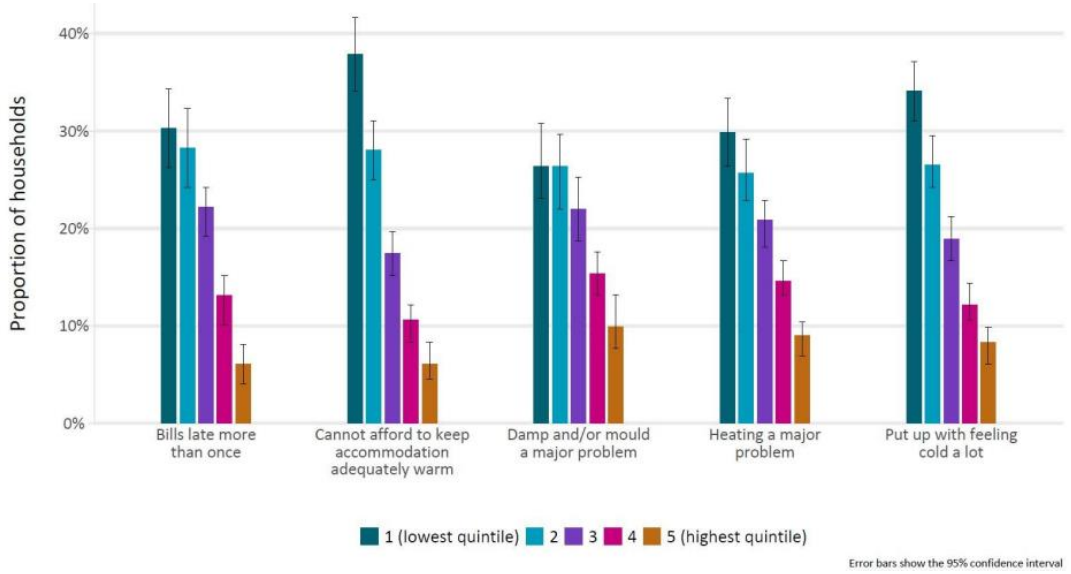
Figure 2.12: Energy costs as a proportion of income or expenditure



Source: Concept analysis of Stats NZ HES data (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022)).

However, these numbers are based on what households actually spend on energy. Many lower income households would need to spend more than this to adequately heat their home. Figure 2.13 shows that 37% of households in the lowest income quintile report having insufficient income to adequately heat their home.

Figure 2.13: Households that can't afford to effectively heat their home



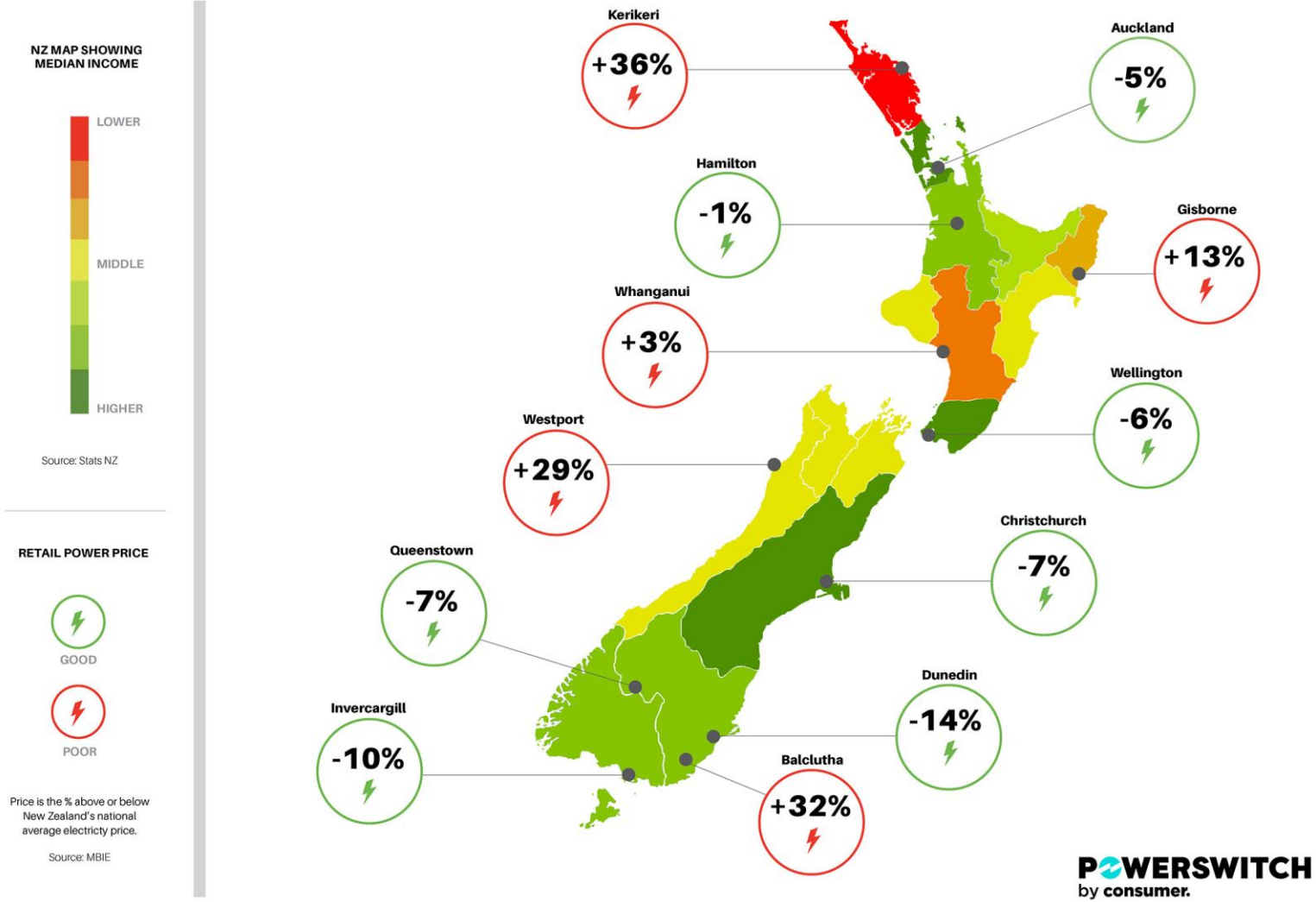
Source: Appendix D of 2021 MBIE "Defining energy hardship discussion document".

Incomes are often lower in the regions where electricity prices are higher

Unfortunately, income levels are generally lowest in the same regions that electricity prices are higher. This is shown on the next slide in a diagram provided by Consumer NZ (Figure 2.14). For example, in Kerikeri average incomes are low and retail electricity prices are high. Therefore, in this region the impact of high energy prices on energy affordability will be exacerbated by low incomes.

2c. Energy affordability – lack of income (2 of 2)

Figure 2.14: Regions outside major centres have to pay higher retail electricity prices and have lower average incomes



Source: Consumer NZ

2c. Energy affordability – relatively high energy needs (1 of 2)

Energy needs depend on several factors

The amount of energy a consumer needs to adequately heat their home will depend on:

- the climate where the home is located
- the heating regime in the home
- the type of heating in the home
- the level of insulation in the home.

Geographic location, required indoor temperature, and heating regime, cause huge variation in the amount of energy required to heat a home

Our earlier work for MBIE and the Panel included modelling that showed the impact of location, required indoor temperature, and heating regime on the amount of energy required to heat a home.

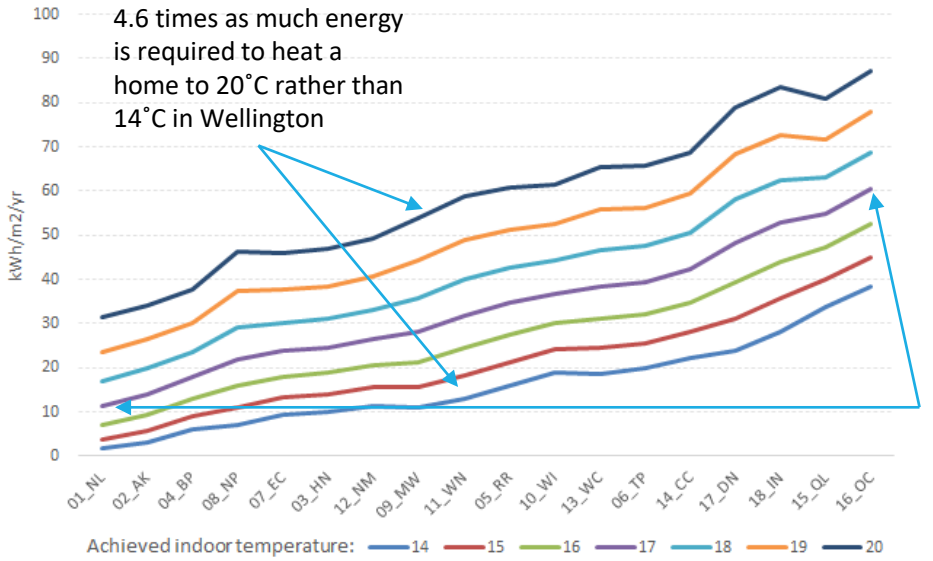
Figure 2.15 comes from this modelling and shows the amount of energy needed to heat a home for an 'evening-only-living' heating regime in different regions across New Zealand (ordered from north to south).

There are two clear conclusions we can make from this chart:

- The energy needed increases as the required indoor temperature increases (this is shown by the different coloured lines, where each colour represents a different temperature the home is heated to—for example, 4.6 times as much energy is required to heat a home to 20˚C rather than 14˚C in Wellington).
- Homes located further south (the right-hand side of the x-axis) generally require more energy to heat than homes located further north (the left-hand side of x-axis)—for example, 5.3 times as much energy is required to heat a home to 17˚C in Otago than in Northland.

Heating regimes also cause significant variation in energy needs. Figure 2.15 shows the energy required if only the living areas are heated in the evening. Heating all areas of the house 24 x 7 (which will be required in some households with small children, elderly, or an invalid) would take 5.5 times as much energy as only heating the living areas in the evening.

Figure 2.15: Impact of geographic location and required indoor temperature on the energy required to heat a home



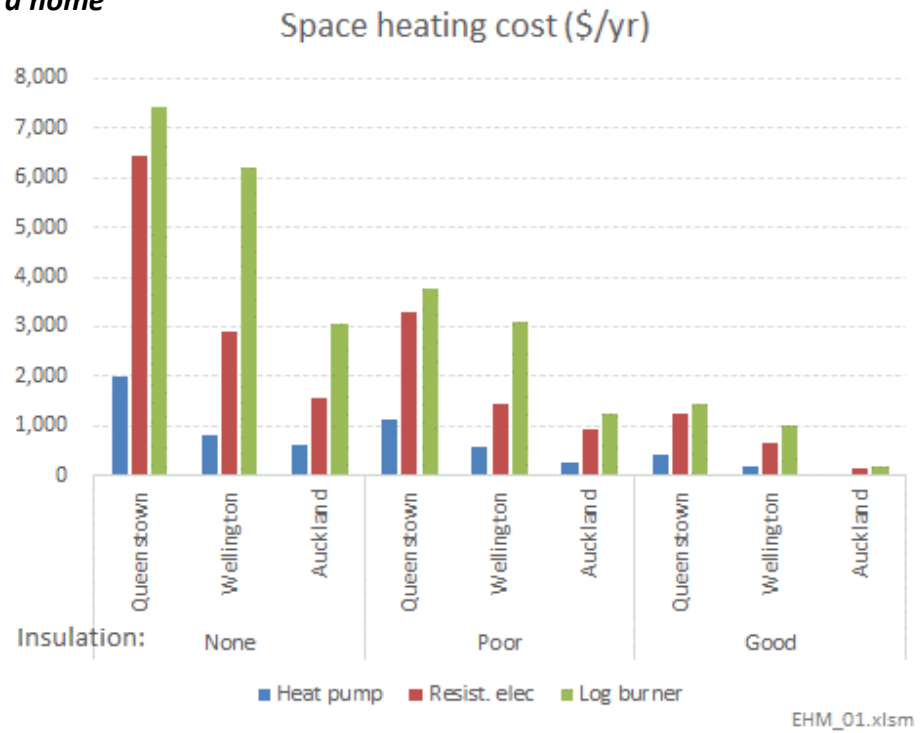
Source: Concept modelling drawing on EECA AccuRate data (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022)).

2c. Energy affordability – relatively high energy needs (2 of 2)

The type of heating and level of insulation in the home will also affect energy needs

A consumer living in a poorly insulated home and/or with inefficient heating will require more energy to adequately heat their home. This is illustrated in Figure 2.16. The space heating cost to adequately heat a house with no insulation (the left-hand side of the chart) is much higher than the heating cost for a house with good insulation (the right-hand side of the chart). It is also much cheaper to heat a house with a heat pump (blue bars) than it is with a resistance electric heater or log burner (red and green bars). Figure 2.15 also shows the affect of location on heating costs—it costs substantially more to adequately heat a home in a location where it gets very cold in winter (Queenstown) than in a location where it is relatively warm in winter (Auckland).

Figure 2.16: Impact of insulation and type of heating on the energy required to heat a home



Source: Concept modelling drawing on EECA AccuRate data. Cost approximates to morning and evening heating for living areas and evening heating for kitchen & bedrooms (chart is from Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' (May 2022)).

2c. Energy affordability – timing and size of energy bills

Monthly billing can be problematic for some consumers

Traditionally, energy retailers have billed customers monthly, which can be problematic for some consumers because:

- it may not align with the timing of when the consumer is paid
- it can be difficult to manage a large monthly payments.

However, some retailers now provide the option of more regular payments (either weekly or fortnightly). For example, Contact* can bill weekly.

Social retailers Nau Mai Ra** and Our Power*** both bill all their customers weekly (so don't give the option of longer bill cycles), while Toast also bills customers on its Energy Wellbeing Programme weekly.

While more frequent billing doesn't change the total amount a customer is paying for energy, allowing customers to pay their energy bill weekly or fortnightly rather than monthly (ie, smaller bills more often) can make it easier for some households to pay the energy bill as small payments are more manageable.

Lumpy energy bills can also be problematic

Higher energy bills due to high energy use (generally during winter) can also be difficult for some households to manage. Smooth pay payment options (where the customer pays the same amount each month) can make it easier for households to manage energy bills by reducing high winter energy bills. Contact, Nova, and Pulse all have versions of smooth pay.

* https://contact.co.nz/support#Weekly-or-fortnightly-billing-and-SmoothPay

** https://www.naumaira.nz/learn-more

*** https://www.ourpower.co.nz/consumer-care-policy-faq/

2c. Energy affordability – over-variabilisation of energy charges

Currently retailers 'over-variabilise' their retail charges

On average, approximately 50% of the costs of supplying electricity are driven by kWh volume of electricity and remaining 50% of costs are driven by the number of customers, network coverage, and number of network assets.

An efficient retail tariff structure would recover 50% from a variable charge, and 50% from a fixed charge. However, networks typically over-variablise their 'standard' charges, and both networks and retailers are forced to over-variablise their costs due to the low-fixed charge regulations.

In addition, some social retailers have decided to have no fixed charge at all (Nau Mai Rā and Our Power). We understand that these social retailers have decided to forgo a fixed charge to make their pricing plans simpler for customers.*

Earlier Concept analysis indicates that over-variablisation is resulting in $/kWh usage charges (variable charges) being 40-90% higher than they should be.**

*We are also aware that Contact has a "Bach Plan" where a customer (who has both their primary residence and their holiday home with Contact) only pays a variable charge for electricity consumed at the customer's holiday home. However, the customer does pay a fixed charge for their primary residence.

** See slide 6 of Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' prepared for MBIE (May 2022).

Over-variabilisation of energy charges harms consumers who are likely to be facing the greatest energy hardship

Variable charges that are higher than they should be means that 'large' residential consumers end up paying more than is efficient. Over-variabilisation of charges also creates higher winter bills and may create or increase an incentive to under-heat the home to 'save' money.

Over-variabilisation harms those with high energy requirements (particularly if they're also on a low income). These consumers may be in energy hardship (due to their high energy needs) even if retail charges weren't over-variabilised and the over-variabilisation harms them further.

2c. Energy affordability – high fees (1 of 2)

Disconnection and reconnection fees*

Postpay plans

Many postpay retailers (including the nine largest retailers) charge disconnection and reconnection fees which can make energy even more unaffordable for consumers who are already struggling to pay.

For the nine largest postpay retailers, disconnection and reconnection fees range from $25 for a remote disconnection of a smart meter (Meridian and Nova) to $225 for an after-hours reconnection (Genesis and Frank).

Disconnection and reconnection fees are often (but not always) lower for remote disconnection/reconnection of smart meters than for onsite disconnections and reconnections. For example, Genesis and Frank's remote disconnection fee (for a smart meter) is only $29 but they charge $192 for an onsite disconnection. However, this isn't always the case – Mercury charges $70 for a disconnection regardless of whether it is an onsite or remote disconnection.

Prepay plans

In terms of prepay plans:

- Globug doesn't charge for reconnection following a low balance disconnection (if a customer's balance falls below $10 they have until 11AM the next day to top up or they will get disconnected). Globug does charge for reconnection of new customers that have been disconnected by their previous retailer ($70-$120).
- Contact Prepay charges $10 per disconnection, but the first disconnection within each 12-month period is free.
- Wise does not appear to charge disconnection or reconnection fees for existing customers. However, they do charge for reconnection of new customers who were disconnected by their previous retailer (ranging from $20-$250).

Bonds

Some retailers can require a consumer with poor credit to pay a bond to join. However, this doesn't appear to be a widespread practice—it appears that many retailers won't accept a consumer with a poor credit score at all or will only accept them on a prepay plan.

Of the retailers we talked to:

- One said they sometimes ask for a $150 bond if a potential customer has an average credit score but there is a red flag. However, the retailer allows the customer to pay the bond over time so they didn't see it as a barrier to joining up. The bond will be returned after a period of good payment.
- One said they may ask for a bond if they think that it will help (if a customer doesn't meet threshold to get automatic credit approval). They will tend to ask for a bond that covers about a month's worth of consumption. However, they noted that not everyone has surplus cash available to pay a bond.
- Two retailers said they don't ask for bonds.

One retailer suggested that the Winter Energy Payment could be better directed by covering a bond or a guarantee of 1-3 months power supply.

* Disconnection and reconnection fees are from the retailers' websites. Information was sourced in September/October 2022.

2c. Energy affordability – high fees (2 of 2)

Payment fees*

Both prepay and postpay plans can include payment fees for certain types of payments. However, most plans do include a payment option that is free.

In the case of prepay plans:

- The only Globug top up method that is free is Work and Income (or a similar agency) redirections to Globug. The other top up methods all have a fee associated with them – Globug charges 20 cents for internet banking top ups, 40 cents for debit/credit card online payments, and 75 cents for instore top ups. Therefore, a Globug customer that tops up weekly would pay between $10.40 and $39.00 per annum in top up fees (depending on their method of payment).
- Wise and Contact Prepay don't charge for internet banking top ups but do charge for debit/credit card online top ups and instore top ups. However, in the case of Contact:
  - the prepay top up fees are the same as Contact's postpay payment fees
  - the online credit/debit card payment fee is a percentage of the amount paid (0.95%) so a prepay customer won't be paying more fees than a postpay customer even if they top up more regularly than monthly (the regular billing cycle).

There are also fees for certain payment methods on postpay plans, particularly debit or credit card payments and over the counter payments. For example:

- Contact charges a 0.95% fee for credit or debit card payments and $1.30 for over-the-counter payments
- Genesis charges a 1% fee for credit or debit card payments and $1.40 for payments made over the counter.

However, direct debit payment on postpay plans is usually free (including for Contact and Genesis).

* Payment fees are from the retailers' websites. Information was sourced in October 2022.

2c. Energy affordability – summary

There are currently a range of energy affordability issues that could be (at least partially) addressed by the provision of more social retailing services or better availability of social retailers. These issues are:

- consumers with some combination of high energy charges, low income, and high energy needs can struggle to afford energy
- some consumers struggle to pay large monthly bills
- high fees are disproportionately affecting consumers already in energy hardship.

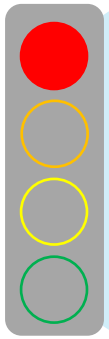
Over-variablisation of energy charges are also reducing energy affordability for high-energy-need households. It is not clear that social retailing can address this issue directly as it is due to networks over-variabilising their 'standard' network charges and requirements of the low fixed charge.

Our analysis indicates that there are some regions of the country where energy affordability issues may be larger—regions with colder winters (predominantly in the South Island) will generally have higher energy needs, while there is also significant variation in energy charges and income levels across the country.

2d. Knowledge and navigation – a snapshot of the issues

Knowledge & navigation

Supporting and empowering whānau in their energy decisions

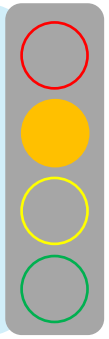


Lack of engagement

Some consumers aren't willing to (or struggle to) engage with their energy retailer, which means they may not be accessing support that the retailer can offer them (such as payment plans, putting them on a better plan, or referring them to a support agency).

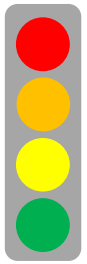
Complexity

Energy plan complexity, combined with navigation difficulties and a lack of knowledge can make it difficult for consumers to find the best energy plan for them. Energy plan complexity includes factors such as standard or low-fixed charge plans, flat variable rate or time-of-use, and consideration of additional offers like cash back or free hours of power.



A lack of knowledge and difficulties navigating information can make it more difficult for some consumers to access and afford the energy they need. Our conversations with retailers provided some insight into two issues related to knowledge and navigation—a lack of engagement by some consumers and energy plan complexity. We explore these two issues in more detail on the following slides.

Key:



- A substantial issue that social retailing could help address.
- An issue that social retailing could help address.
- A secondary issue that social retailing might help address, but not a key focus of social retailing.
- Not an issue or not an issue that can or should be addressed by social retailing.

2d. Knowledge and navigation – lack of engagement

Lack of engagement may prevent some consumers getting the support they can

Some consumers aren't willing to (or struggle to) engage with their energy retailer, which means they may not be accessing support that the retailer can offer them (such as payment plans, putting them on a better plan, or referring them to a support agency).

Retailers told us that:

- Some customers are hard to engage to with for various reasons. For example, a customer that has had debt collectors called on them previously may not engage because they don't trust the retailer; or a customer that is in digital hardship may struggle to engage with their retailer.
- A reasonably high proportion of customers won't engage with their retailer when they're in bill arrears. This could be because having a conversation about an outstanding bill isn't something that people want to do.
- Some customers won't engage with their retailer until they've been disconnected. This can be despite efforts to engage in multiple ways. Sometimes it is difficult to engage with a customer because they've had their phone disconnected (because they can't afford to pay for it).

2d. Knowledge and navigation – complexity

Complexity makes it difficult for consumers to compare plans

Navigation difficulties and a lack of knowledge can make it difficult for consumers to find the best energy plan for their situation. This is made more difficult because of energy plan complexity. For example, it can be difficult to determine what the best energy plan is when a consumer needs to consider:

- free hours of power
- whether it's better to lock into a fixed term
- cash back for signing for a fixed term
- flat variable rate or time-of-use
- standard or low-fixed charge plans
- bundling of product offers and sweeteners (such as free TVs)
- prompt payment discounts
- whether to get electricity and gas (and potentially broadband) from the same retailer or different retailers (if they are also needing gas) and the impact of dual fuel discounts.

This issue is amplified for consumers who lack energy, financial, and/or reading and writing literacy.

One retailer considered that complexity was the biggest issue for energy hardship. It commented that if you could get standardized bills across the industry this would help hugely.

2e. Consumer protection – a snapshot of the issues

Consumer protection is not one of the main goals of social retailing, but social retailing (especially social retailers) can help.

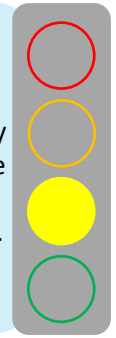
As noted in section 2d on knowledge and navigation, some vulnerable consumers are unwilling to reach out due to a fear of debt collectors being called or that they will be disconnected. This is a consumer protection issue as well as a knowledge and navigation issue.

Consumer protection

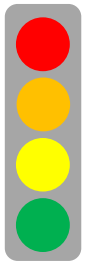
Protecting energy consumers in their relationships with providers

Consumer care and engagement

Some vulnerable consumers are unwilling to reach out to their energy retailer or respond to attempts by their energy retailer to contact them. This can be due to a lack of trust and fear of negative consequences such as debt collectors being called or disconnection. This is a consumer protection issue as well as an energy knowledge and navigation issue.



Key:



- A substantial issue that social retailing could help address.
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- Not an issue or not an issue that can or should be addressed by social retailing.

2f. What are the key issues that social retailing could help address? (1 of 2)

We think there are five key issues that social retailing could help address

Based on our assessment of energy hardship issues, we think there are five key issues that social retailing could help address. Table 2.1 sets out these five key issues and how social retailing could help address them. Social retailing is not the only way these issues could be addressed, so we also list alternative ways that these issues could be addressed.

Table 2.1: Key issues that social retailing could help address

Key issue	How can social retailing help?	Alternative ways to address issue
1. ***Poor credit*** restricting energy accessibility and choice for many consumers. Issue is exacerbated if the consumer has no smart meter or also requires gas for heating.	By increasing the choice of retailers for consumers with poor credit. Will need to ensure that any social retailing solution provides a pathway for consumers that require gas or don't have a smart meter to access the energy that they need.	• There are a number of ways to address this issue, from requiring retailers to take on consumers with poor credit through to government-backed bonds, however we consider that these options all fall within the spectrum of social retailing options (and are therefore included in our long list of options in section 4).
2. A combination of ***high energy prices, low income, and high energy needs*** making energy unaffordable for some consumers.	It could reduce energy prices for these consumers, thereby reducing the overall affordability issue.	• Additional income support for low-income households (however, income support isn't very effective at targeting the households who are actually in energy hardship).
3. ***Fees*** disproportionately affecting those in energy hardship.	Social retailing could remove or minimise fees.	• Legislation that sets or places limits on fees that retailers can charge.

4. ***The difficulty that retailers can have engaging*** with some customers in energy hardship.	If social retailing is provided by organisations/companies that consumers trust, customers may be more willing to engage with their retailer.	• Media campaign (including social media) that:
		  • highlights that energy retailers are there to help their customers
		  • encourages residential energy customers to contact their retailer if they're struggling to pay their bill.

5. ***Energy plan complexity*** making it difficult for many consumers to understand their bills, compare plans, or switch retailers.	Social retailing could include simplified plans or a guarantee to match prices provided by other retailers.	• Requiring all residential energy offerings to be standardised (eg, no bundling, no free hours of power, all prices quoted including gst) and potentially a standardised energy bill layout.

2f. What are the key issues that social retailing could help address? (2 of 2)

The extent of some of these issues may vary by location

The extent of energy accessibility and energy affordability issues may vary by location.

For example, in Westport:

- ***energy accessibility*** is restricted for consumers with poor credit because there are only two prepay providers (and no social retailers yet) and the lowest smart meter penetration in the country
- there are likely to be ***energy affordability*** issues for many consumers due to relatively high energy prices, low average income, and a higher-than-average cost to adequately heat a home (although lower than some other locations in the South Island).

Conversely, in Auckland:

- there is currently a choice of three prepay providers and one social retailer, and smart meter penetration is over 96%
- energy prices are lower than many other parts of the country, there is a high average income, and less energy is required to adequately heat a home than most of the country.

This suggests that energy accessibility and energy affordability are greater issues in Westport than they are in Auckland. However, while it may be the case that there is a greater proportion of households in energy hardship in Westport than in Auckland, the size of Auckland means that even a small percentage of households in energy hardship will be a sizable number of households. In addition, Auckland residents will likely face higher costs for other necessities (such as housing) which will have an impact on energy affordability.

Issues could be transitory for some consumers and longer-term for other consumers

Lastly, for some consumers being in energy hardship may only be temporary (eg, due to short-term unemployment, or an unexpected big bill), while other consumers may be in energy hardship longer term. It will be important to consider how social retailing can help consumers in both transitory energy hardship and longer-term energy hardship.

3. What social retailing is already in place in NZ?

3. What social retailing is already in place in NZ? (1 of 3)

There is already social retailing available in New Zealand

Recently there has been an uptick in social retailing services available in New Zealand. These services include social retailing provided by "traditional" retailers as well as social retailers.

Social retailers already in existence

There are currently three energy retailers in existence that we consider are social retailers.

The largest of these social retailers is **Nau Mai Rā**, which was founded in 2019. Nau Mai Rā currently has about 4,000 customers. These customers are spread over 16 of the 29 electricity networks, including 13 of the 15 networks in North Island and 3 of the 14 networks in the South Island. Nau Mai Rā's goal is to offer both Māori and non-Māori power customers security, affordability, and the ability to pay it forward via a power bill. A portion of each customer's power bill is directed to a Kaupapa of the customer's choice – by default this goes to Nau Mai Rā's whānau fund, which helps vulnerable consumers have a sufficient supply of power to keep their whānau warm.

In September 2022, the Sustainability Trust officially launched **Toast**. Toast is a not-for-profit electricity supplier that uses any profit they make to reduce the electricity costs for households struggling to afford sufficient electricity. Toast have an Energy Wellbeing Programme (EWP) that is open to customers referred by one of Toast's partner budgeting services. Customers on the EWP get a range of benefits to help them reduce their energy costs including a price cap. Toast is currently only available on the Wellington Electricity network.

Our Power is another retailer that could be considered a social retailer. While Our Power wasn't started as a social retailer, its main goal is to help the community that it serves. Our Power is owned by the WEL Network in Waikato, which in turn is owned by the community-based WEL Energy Trust. Our Power customers can choose to have an energy navigator. An energy navigator is one of a group of community organisations (eg, Habitat for Humanity and small community housing groups) that can provide a wrap-around service to customers. The energy navigator can see the customer's Our Power account and can therefore be proactive in dealing with any issues that arise (eg, unpaid bills). Our Power customers can also choose to make a weekly gift to another Our Power customer. Our Power has about 3,000 customers and is only available on the WEL Network.

Table 3.1 on the following slide summarises the key attributes of these three social retailers.

An integrated social generator-retailer has been proposed

Some are calling for the government to help fund an integrated social generator-retailer. The social generator-retailer would provide a guaranteed supply of electricity to those in energy hardship with its generation providing a natural hedge. It would take some time for its generation to be operational, so initially it would effectively be a social retailer only.

3. What social retailing is already in place in NZ? (2 of 3)

Table 3.1: Social retailers in New Zealand

	Nau Mai Rā	Toast	OurPower
Pricing	• Customers pay less or the same as what they pay with existing retailer. • No daily fixed charge.	• Claim tariffs are competitive. • Customers on Energy Wellbeing Programme (EWP) (customers referred to Toast by partner budgeting services) get their bills capped.	• Keep overheads down by being a self-service online retailer with no call centre. • No daily fixed charge.
Credit check required?	No	• Standard customers – yes • Customers on EWP – no	No
Where available?	• North Island: everywhere except southern Hawke's Bay, Kapiti and Horowhenua.* • South Island : Marlborough Lines, Network Tasman, and Orion NZ networks.* • Planning to roll out nationally.	Wellington Electricity network	WEL network (Waikato)
"Gifting"	A portion of each customer's power bill is directed to whānau fund.	Proceeds from standard customers are used to fund energy price cap for customers on EWP.	A customer can choose to make a weekly gift (added to their bill) to any other OurPower customer.
Gas available?	No	No	No
Size (31 August 2022)	4,144 ICPs	78 ICPs	2,973 ICPs
Website	https://www.naumaira.nz/info	https://www.toastelectric.nz/	https://www.ourpower.co.nz/

* These are the networks on which Nau Ma Ra has ICPs recorded in the market share statistics on EMI. Nau Mai Rā may also be available on some of the networks where it doesn't yet have any ICPs.

3. What social retailing is already in place in NZ? (3 of 3)

Retailers with some social retailing services

Many of the more traditional energy retailers include products or services targeted at helping their customers in energy hardship. These differ from social retailers in that these products or services are generally an add-on to the core services that the retailer provides. We are aware of several retailers who are providing social retailing services of various descriptions. We have listed some of these social retailing services here, but stress that this list is not exhaustive:

- **Pulse – Pay it Forward Programme:** Pulse started this programme during the first lockdown of 2020. The Pay it Forward Programme allows Pulse customers to gift $2 or more per month to a fund that Pulse uses to give credits to Pulse customers that are struggling to pay their energy bills. Pulse also put $150,000 into the fund when it started and is currently matching dollar-for-dollar any contributions made by customers.*
- **Pulse – partnership with Grey Power:** Pulse and Grey Power started a partnership in 2013. Pulse has created an energy plan for Grey Power members at a good price point.**
- **Genesis – Manaaki Kenehi:** Genesis launched Manaaki Kenehi in September 2020 to help support vulnerable customers. The programme attempts to proactively engage with customers who may find themselves in energy hardship.

Other retailers are also in the process of piloting or developing new social retailing initiatives.

* https://pulseenergy.co.nz/payitforward/
** https://www.greypowerelectricity.co.nz/grey-power-people/about-grey-power/

Prepay services can also have a role to play

As discussed in section 2b on energy accessibility, prepay services can be made available to consumers with a poor credit score who are struggling to access electricity services from any other retailers. Prepay retailers we have spoken to have also indicated that many prepay customers find it useful for managing their energy usage and can use it as a debt management tool. Prepay is not suitable for every consumer in energy hardship, but it may be appropriate for some customers who find it useful for managing their usage and debt. Prepay may also address energy accessibility issues for some customers.

4. Long list of social retailing options

4. Long list of social retailing options (1 of 3)

We have developed a long list of potential social retailing options. These options span a spectrum between little government intervention (eg, the government strengthening the consumer care guidelines), through to substantial government intervention (eg, the government setting up and running its own social retailer or social generator-retailer). We have not included a status quo option (ie, do nothing other than what is already planned or is in process)—the short list of social retailing options evaluated in phase two of the project will be assessed against the status quo.

Funding social retailing

Related to the level of intervention is who pays for the social retailing—the options in our long list are either funded by retailers, generators, community-run social agencies, or the government.

We consider there are disadvantages of social retailing being funded by retailers or community-run social agencies. If social retailing is funded by retailers, it means that "regular" customers (customers not using the social retailing service) will effectively be cross-subsidizing customers using the social retailing service. This may be acceptable if none of the regular customers are in energy hardship, but it will be difficult to ensure this is the case. Funding social retailing through community-run social agencies is also problematic—social agencies are likely already struggling to fund their existing services without requiring them (or guiding them) to provide further services.

Requiring generators (or some subset of generators) to fund social retailing services may be less problematic depending on which generators are required to fund the services. For example, existing renewable generators with relatively low variable costs who have (and are likely to in the future) benefit from periods of high wholesale electricity prices could be a possible source of funds.

Funding social retailing services through the government (either through general taxation or through an industry levy) may be the most appropriate option as it spreads the cost over the widest base.

We will consider these funding issues more fully when we evaluate the short list of social retailing options in phase two of the project.

Extent to which social retailing options address issues identified

We have done a high-level assessment of how well each social retailing option addresses the key issues identified in section 2f. Based on this high-level assessment we have developed a list of social retailing options that we believe require further analysis and should be developed and evaluated in more detail in phase 2 of the project. Our proposed list of social retailing options that should be developed and evaluated in phase 2 is set out in section 5.

Tables 4.1 and 4.2 set out the long list of social retailing options and our high-level assessment

Table 4.1 (on the next slide) sets out the long list of social retailing options. For each broad option (listed vertically) there is one or more options for the level of government intervention (listed horizontally). The colour of each option indicates whether the option is funded by retailers, generators, social agencies, or the government.

Table 4.2 then shows our high-level assessment of how well each social retailing option addresses the key issues identified.

4. Long list of social retailing options (2 of 3)

Table 4.1: Long list of social retailing options

Broad option	Level of intervention: Government guidance	Government requirements	Government funded	Government run
A. Bulk deals	Government encourages retailers to enter into bulk deals (eg, Grey Power deal with Pulse).		Government contracts for social tariffs in bulk deals.	
B. Social housing agencies as retailers	Government encourages social housing agencies to become retailers for their tenants.	Government requires all social housing agencies to become retailers for their tenants.		Kainga Ora becomes retailer for its tenants.
C. Consumer care guidelines	Strengthen consumer care guidelines.	Make some of the consumer care guidelines mandatory and include additional obligations on retailers (eg, requiring retailers to report regularly on their energy hardship initiatives; defining a process for assigning consumers to a retailer if the consumer is struggling to access a retailer (because of a poor credit score)).		
D. Subsidised energy charges	Government encourages retailers to set up gifting programmes where customers can gift to a fund that provides subsidised energy charges for consumers in energy hardship.	Require each retailer (over a certain size) to provide discounted energy charges to a set proportion of customers in energy hardship.	Government provides funding to retailers to provide discounted energy charges to customers that are in energy hardship.	
E. Energy bill caps	Government encourages retailers to set up gifting programmes where customers can gift to a fund that provides energy bill caps for customers in energy hardship.	Require each retailer (perhaps only over a certain size) to cap energy charges (eg, over winter) for a set proportion of customers in energy hardship.	Government funded energy caps (eg, over winter) for those in energy hardship.	
F. Energy navigators		Require retailers to fund energy navigators for customers in energy hardship. Energy navigators could provide services such as engaging with the retailer on the customer's behalf and ensuring the consumer is getting competitive tariffs. Could be an extension of an existing service (eg, EnergyMate).	Government contracts for energy navigators. Consumers can contact an energy navigator directly or be referred by their retailer. See column to left for examples of services that energy navigators could provide. Could involve extending an existing service (eg, EnergyMate).	
G. Bonds			Government funds bonds for consumers with poor credit score. Similar to ERANZ's Power Connect pilot.	
H. Funding assistance for social retailers		Require (some or all) generators to provide funding assistance for social retailers or social retailing initiatives. Funding could either be monetary assistance or discounted energy hedges.	Government provides funding to social retailers (who must meet certain criteria).	
I. Establishment of social retailer			Government contracts one or more retailers to act as a social retailer. The social retailer would provide a guaranteed supply of electricity to those in energy hardship.	Government runs a social retailer. The social retailer would provide a guaranteed supply of electricity to those in energy hardship.
J. Establishment of an integrated social generator-retailer			Government backs one or more organisations that run integrated social generator-retailer(s). The social generator-retailer(s) would provide a guaranteed supply of electricity to those in energy hardship with their generation providing a natural hedge.	Government runs an integrated social generator-retailer. The social generator-retailer would provide a guaranteed supply of electricity to those in energy hardship with its generation providing a natural hedge.

Key:

- Retailer funded
- Social agency (community-run) funded
- Generator funded
- Government funded

4. Long list of social retailing options (3 of 3)

Table 4.2: Extent to which social retailing options address issues identified

		Extent to which it could address issues related to					Comment
		1. Poor credit	2. High prices, low income, and high energy needs	3. Disproportionate fees	4. Engagement difficulties	5. Energy plan complexity	
Broad option	A. Bulk deals	✓	✓	✓		✓	Only helps consumers that have access to the bulk deal.
	B. Social housing agencies as retailers	✓	✓	✓	✓	✓	Only helps consumers that are in social housing.
	C. Consumer care guidelines	✓✓	✓	✓✓	✓✓	✓	Size (and type) of impact will depend on what changes are made.
	D. Subsidised energy charges		✓✓✓				Will improve energy affordability for consumers that can access subsidy, but risk that some consumers in energy hardship won't get access to subsidy (and if funded by retailers these consumers could end up paying more).
	E. Energy bill caps		✓✓✓				Will improve energy affordability for consumers that can access cap, but risk that some consumers in energy hardship won't get access to cap (and if funded by retailers these consumers could end up paying more).
	F. Energy navigators	✓	✓		✓✓✓	✓✓	A key focus of energy navigators would be engaging with the consumer and helping them navigate through complexities. However, energy navigators could also help with affordability (eg, by helping them get an appropriate payment plan) and accessibility.
	G. Bonds	✓✓		✓✓			Will provide initial energy accessibility to consumers with a poor credit score, but impact on long-term energy accessibility may be smaller.
	H. Funding assistance for social retailers	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	Greater funding of social retailers could have a substantial impact on energy accessibility and affordability for many consumers in energy hardship. Knowledge and navigation issues may also be addressed depending on how the social retailers operate. May be preferable to a government-run social retailer as some consumers may have a distrust of the government.
	I. Establishment of social retailer	✓✓	✓✓✓	✓✓✓	✓	✓	Accessibility may not improve for consumers that have a distrust of the government. May see a greater improvement in accessibility if the government contracts one or more retailers to act as a social retailer rather than run the social retailer itself.
	J. Establishment of an integrated social generator-retailer	✓✓✓	✓✓✓	✓✓✓	✓✓	✓	Accessibility may not improve for consumers that have a distrust of the government. If only one integrated social generator-retailer is established, could crowd out other social retailing services and therefore limit choice for consumers in energy hardship.

Key: ✓ Option addresses issue **slightly** or only addresses issue for a small subset of consumers in energy hardship; ✓✓ Option addresses issue **moderately** or addresses issue for a larger subset of consumers in energy hardship; ✓✓✓ Option addresses issue **significantly** (for many consumers in energy hardship)

5. Proposed list of social retailing options that require further analysis in phase two

5. Proposed list of social retailing options that require further analysis in phase two (1 of 1)

Table 5.1 sets out our assessment of which social retailing options warrant further consideration. We believe options A, B, and G should not be considered further as they either only address issues for a subset of consumers in energy hardship (options A and B) or they may not have a long-term impact (option G). These options are also not as complex as some of the other options so a more thorough assessment of these options will not be of much benefit at this time.

Of the remaining options, we consider:

- The following options should be evaluated in phase two of this project:
    - **Option C – consumer care guidelines.** Phase two should consider whether there should be mandated minimum consumer care guidelines (eg, by moving some parts of the consumer care guidelines into the Electricity Industry Participation Code 2010 (Code)).
    - **Option H – funding assistance for social retailing.** Phase two should consider whether this is government funded (through general taxation or an industry levy) or generator funded.
    - **Option I – the establishment of a social retailer (or retailers).** The social retailer(s) would be funded by the government.
    - **Option J – the establishment of integrated social generator-retailer(s).** Phase two should consider two variations of this option – establishing just one integrated social generator-retailer or establishing a number of community/regional integrated social generator retailers.
- **Option D – subsidised energy charges**, **Option E – energy bill caps,** and **Option F – energy navigators** should not be evaluated in their own right in phase two of the project. However, they should be considered as features of options H, I, and J.

Table 5.1: What options should be considered further

		Consider further?	Why?
Option	**A. Bulk deals**	No.	Only addresses issues for a subset of consumers in energy hardship.
	B. Social housing agencies as retailers	No.	Only addresses issues for a subset of consumers in energy hardship.
	C. Consumer care guidelines	Yes.	Depending on what changes are made to the guidelines could have a wide-ranging impact. Will help ensure that all retailers (at least over a certain size) are providing some type of social retailing.
	D. Subsidised energy charges	Yes.	These options could have a substantial impact on energy affordability for consumers in energy hardship. On their own they won't address other issues identified, but could be a feature of social retailers (either funded under option H or established under option I or J).
	E. Energy bill caps	Yes.	
	F. Energy navigators	Yes.	Likely to be the best option for addressing knowledge and navigation issues. Could be combined with option H, I, or J.
	G. Bonds	No.	It will improve energy accessibility to consumers with a poor credit score initially, but long-term impact may be smaller.
	H. Funding assistance for social retailers	Yes.	Likely to be the best option for addressing energy accessibility issues due to poor credit. Funding assistance could either come from the government (taxpayers or industry levy) or from generators.
	I. Establishment of social retailer	Yes.	Likely to have a significant impact on energy affordability and energy accessibility issues. However, could crowd out social retailing already in place and be high cost.
	J. Establishment of an integrated social generator-retailer	Yes.	Could have a significant impact on energy affordability and energy accessibility issues. However, could crowd out social retailing already in place and limit choice for consumers in energy hardship. Likely to be the most expensive option.

6. Information sources

6. Information sources

Our analysis relied on the following information sources:

- Discussions with Panel and MBIE staff
- Discussions with the energy retail and generation-retail sector
- Concept's 'Quantitative analysis & compendium of past statistics on energy hardship' prepared for MBIE (May 2022)
- Concept's 'Options for assisting customers in energy hardship' prepared for the Electricity Networks Association (November 2017) (available here: https://www.concept.co.nz/updates.html)
- Electricity Price Review (EPR) reports
- EMI data (https://www.emi.ea.govt.nz/)
- MBIE's 'Defining Energy Hardship: a discussion document on defining and measuring energy wellbeing and hardship in Aotearoa' (November – December 2021)

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