

ELECTRICITY PRICE REVIEW

SUBMISSION FORM



BUSINESS SCHOOL

Retirement Policy and Research Centre

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

15 Stout Street

PO Box 1473

Wellington 6140

Contact details

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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

1. *What are your views on the assessment of consumers' priorities?*

This submission relates primarily to older citizens. Affordability and reliable supply are critically important to these residential consumers.

Fairness of the pricing structure matters because consumers (and SMEs) are charged disproportionately higher prices for electricity compared to commercial and industrial users.

Most unfair is the high cost of pre-paid electricity which entails no risk of non-payment for the supplier. Only people on low income choose to pre-pay, and it is grossly unjust that they are charged a higher price for their electricity.

The Electricity Price Review, First Report for Discussion, states on page 4:

About 103,000 households spent more than 10% of their income on domestic energy in 2015–16. People in this predicament are in what we call energy hardship.

Many of those people will be reliant solely on NZ Superannuation, and will be among those not heating their homes to healthy levels because they cannot afford the high cost of electricity. The Winter Energy Payment has been helpful, but it is an example of ordinary taxpayers subsidizing the greedy electricity sector. As the population ages, and home ownership decreases, more people will fall into the category of 'energy hardship.

Cold, damp housing is particularly harmful to children and older people. Respiratory problems and other health problems in older people caused by cold, damp homes are likely to require hospital care, imposing an avoidable cost on the individual and the wider community.

The case studies in the First Report provide good examples of the unnecessary hardship imposed by this overpriced utility.

For the elderly also, fear of disconnection creates an additional burden.

2. *What are your views on whether consumers have an effective voice in the electricity sector?*

Older consumers have advocacy groups like Grey Power and Age Concern to speak on their behalf, but these voices have not been effective at achieving fair and affordable prices for electricity.

3. *What are your views on whether consumers trust the electricity sector to look after their interests?*

The electricity sector has shown that excess profit is the motivator – not fair treatment of consumers and other customers. Clearly, the government needs to regulate to ensure fair treatment for consumers.

Prices

4. *What are your views on the assessment of the make-up of recent price changes?*

Distribution costs to residential consumers have increased, in addition to the transfer of costs to consumers from industrial and commercial users: *“Shifting costs from businesses to householders was the biggest factor in residential price increases between 1990 and 2018.... During this period, distribution charges for householders rose 548%, while those for commercial and some industrial businesses fell 58%.”* (First Report, p.21)

Residential consumers have been grossly abused by the electricity sector – because the sector is providing a utility, a service people cannot manage without.

5. *What are your views on the assessment of how electricity prices compare internationally?*

International comparisons mean little because electricity-generating and transmission conditions vary so greatly from country to country.

6. *What are your views on the outlook for electricity prices?*

Super-profits enjoyed in the past by the electricity companies need to cease. Electricity needs to be affordable. It is a necessity in the modern world, and a certain level of consumption has to be accessible and affordable for people on low incomes.

Affordability

7. *What are your views on the assessment of the size of the affordability problem?*

In 2016, 121,000 low income households spent more than 10% of their household income, after housing costs, on domestic energy. This energy poverty means the house is not as warm as it needs to be to maintain health in winter, meaning many elderly people finished up in hospital care. These hospital stays could be avoided if electricity was affordable and homes were adequately heated in winter.

For people on a low and fixed income, like NZSuper, every power bill is a crisis. Late payment can mean not only loss of the prompt payment discount, but also disconnection of the electricity supply. Reconnection is expensive. Depression can set in. Diminished mental and physical health can be a consequence of energy poverty.

8. *What are your views of the assessment of the causes of the affordability problem?*

New Zealand is known globally as a low income country. The elderly are largely reliant on a low, fixed pension income. Electricity is an essential service, yet suppliers are prioritizing excessive profits and excessive salaries for chief executives, over the wellbeing of consumers. The electricity sector's profits are imposing a high cost on the rest of society.

9. *What are your views of the assessment of the outlook for the affordability problem?*

The residential consumers should not be subsidizing other users. The affordability problem will not be solved by the electricity sector.

Summary of feedback on Part three

10. *Please summarise your key points on Part three.*

Affordability and reliable supply are critically important. Fairness of the pricing structure (residential, industrial, commercial) must be introduced. The residential consumers should not be subsidizing other users. The high cost of pre-paid electricity imposes a poverty penalty. Cold, damp housing makes it more likely the elderly will have respiratory problems, requiring hospital care. The electricity sector's profits are imposing a high cost on the rest of society.

Solutions to issues and concerns raised in Part three

11. *Please briefly describe any potential solutions to the issues and concerns raised in Part three.*

Regulation of the sector to ensure affordability of electricity for residential consumers, including a reduced price for pre-paid power.

Regulation of excessive salaries of chief executives of power companies.

Regulation of the sector to ensure reliability of supply, and greater tolerance of late payment of accounts.

Regulation around disconnection and reconnection of supply.