

Disconnections for non-payment

January 2006 - March 2019
Information paper

30 June 2019



1 Introduction

- 1.1 The Electricity Authority (Authority) collects aggregated domestic consumer data on a quarterly basis from each retailer.
- 1.2 The Authority currently publishes the total number of disconnections for non-payment and for each retailer the percentage of their residential consumers that are disconnected.

2 Data sources

2.1 Data is requested quarterly from 34 retailers and one distributor:

- Bay Of Plenty Energy¹
- Body Corporate Limited
- Bosco Connect Limited (Bosco)
- Club Energy
- Contact Energy
- Ecosmart
- Ecotricity
- Electrica
- Electric Kiwi
- EMH Trade
- Energy Online
- Flick Energy (Flick)
- Genesis Energy
- Giving Energy
- GloBug
- Hunet Energy (Hunet)
- ID Power
- Lighthouse
- Kea Energy
- Mercury Energy
- Meridian Energy (Meridian)
- NextGen
- Norske Skog
- Nova Energy (Nova)
- OurPower
- Pioneer Energy (Pioneer)
- Plus Energy
- Powershop
- Prime Energy
- Pulse Utilities (Pulse)
- Supercharged Energy
- Switch Utilities
- The Lines Company²
- TrustPower
- Wise Pre Pay

2.2 This is not a complete list of retailers operating in New Zealand. The Authority only reports on disconnections by parties that have a material number of consumer connections and a core business of supplying electricity services to consumers. From Q3 2016 a material number of consumers is defined as more than 100 domestic Installation Control Points (ICPs).³

2.3 Note that disconnection data was initially provided for January – March (Q1) 2006 by six retailers and one distributor. Since then the data for other retailers have been added as follows:

¹ The data for Bay of Plenty Energy has been reported as part of the Nova Energy data since the second quarter of 2012.

² The Lines Company is the only distributor that contracts directly with consumers for payment of lines services and has the option to disconnect for non-payment of that account. The Lines Company is included under the term 'retailer' throughout this document due to its direct relationship with consumers.

³ Installation Control Point: the point of connection between the electricity distribution network and a consumer's premises.

- Contact Energy, Genesis Energy, Meridian Energy, Mercury, The Lines Company and Trustpower from Q1 2006
- King Country Energy from Q1 2006 until Q3 2018
- Bay of Plenty Energy, and Energy Online from Q3 2007
- Energy Direct from Q3 2007 until Q3 2016
- Powershop, Pulse and Bosco in Q4 2008
- Nova from Q1 2011
- GloBug from Q2 2013
- Hunet from Q4 2013
- Payless Energy from Q4 2013 until Q3 2018
- Flick from Q1 2014
- Ecotricity, Electric Kiwi, EMH Trade, Giving Energy, Norske Skog, from Q1 2015
- Simply Energy from Q1 2015 until Q3 2018
- Body Corporate Power from Q2 2015
- Electra Limited from Q3 2015 until Q2 2017
- Wise Pre Pay from Q4 2015
- EMHTrade from Q2 2016
- Opunake Hydro from Q2 2016 until Q3 2018
- Property Power from Q1 2016 until Q1 2017
- Electrica from Q3 2016
- NextGen, Pioneer, Plus Energy and Prime Energy from Q2 2017
- Ecosmart from Q4 2017
- Club Energy, ID power, OurPower, Kea Energy and Supercharged Energy from Q1 2018.

3 Types of disconnections included in the data

- 3.1 Disconnection data supplied to the Authority shows the total number of ICPs disconnected due to a contracted consumer's arrears during that quarter. This figure should include:
- any disconnection of a premise where a consumer is registered at that address and where the reason for disconnection is non-payment of account by that consumer (does not include instances where a consumer does not top up a pre pay meter)
 - any disconnection of a premise where the retailer believes a consumer to be resident at that address and is in arrears, but when the technician disconnects the property it is reported back to the retailer that the house is no longer occupied.
- 3.2 Note that a consumer that is disconnected multiple times within each quarter will have each disconnection counted as a separate disconnection within that quarter.
- 3.3 This figure should not include the disconnection of any premise where:

- (a) there is no consumer registered at that address (even if the property is registering consumption of electricity)
- (b) the disconnection is unrelated to credit
- (c) the disconnection is due to theft or fraud.

4 Interpretation of the results for each retailer

- 4.1 Each retailer will have a different distribution of customers. While some may have the majority of their consumers located primarily in one geographic area, others will have consumers throughout New Zealand⁴. The areas where a retailer is active are an important consideration because economic or other circumstances in an area may be indicative of the ability of consumers in that area to pay their electricity account. These factors may include:
- (i) the socio-economic position of consumers in that area
 - (ii) the climate in a given area, which will affect consumption levels for heating and the resulting costs
 - (iii) the availability of natural gas or liquefied petroleum gas as an alternative fuel, which may lead to lower electricity bills.
- 4.2 Each retailer offers different tariffs and charges that might, in turn, attract consumers from different socio-economic groups. For example, some consumers may be prepared to pay higher tariffs and charges in return for higher levels of service. On the other hand, a retailer with low tariffs may attract more low-income consumers.
- 4.3 Most pre pay business models will disconnect automatically either before, or shortly after, debt is incurred. These automatic disconnections are accepted by customers as part of their product and are not included in the disconnection data provided. Only disconnections that are manually initiated by the pre pay retailer are included in the disconnection data provided.
- 4.4 Wise Pre Pay are a niche prepay retailer with less than 5000 ICPs. Wise Pre Pay operate a different pre pay business model and do not automatically disconnect. When a customer's account goes into debt Wise Pre Pay will review the customer's account and, if it meets their disconnection criteria, will manually initiate a disconnection for non-payment. Wise Pre Pay may wait a period of time before disconnecting a consumer for non-payment. Because a disconnection is manually initiated, it is similar to disconnections initiated by post-pay retailers, and is therefore included in the data provided. In Q4 2017, Wise Pre Pay changed the way they managed their credit disconnection criteria.

Corrections

- 4.5 Data corrections advised by retailers
- (a) In the Q4 2013 report, Meridian advised the Authority that it had historically been providing statistics which were for the number of disconnections initiated rather than disconnections actually completed, but was now reporting correctly. A large proportion of the disconnections that are initiated are not completed. For the Q2 2014 report Meridian provided corrected historical data for the period Q2 2012 to Q4 2013 and the figures and tables provided in this report have been adjusted accordingly.

⁴ The data is reported to the Authority on a national basis, i.e. there is no information provided on where the disconnections have occurred.

- (b) In July 2014, Bosco advised the Authority that there was an error in the data that it had reported over the period Q4 2009 to Q2 2013. The data that had been reported for this period was the number of disconnections initiated rather than disconnections actually completed. The data from Q3 2013 had been reported correctly. Bosco has provided corrected information for the affected period, and the figures and tables in this document have been updated accordingly. The impact of this error on the statistics reported by Bosco was significant (actual disconnections over the affected period were 1.2%, compared with the average of 2.9% from the incorrect data).
- (c) In July 2014, Powershop advised the Authority that there was an error in the data that it had reported over the period Q3 2010 to Q1 2014. The data that had been reported for this period was the number of disconnection work requests initiated, rather than disconnections actually completed. Powershop has provided corrected information for the affected period, and the figures and tables in this document have been updated accordingly.
- (d) In September 2018, Genesis advised the Energy Online ICP count had included gas ICPs during 2017. This was corrected for the Q2 2018 report. Genesis have provided corrected information where possible and the figures and tables have been adjusted accordingly.

5 Interpretation of the aggregate results

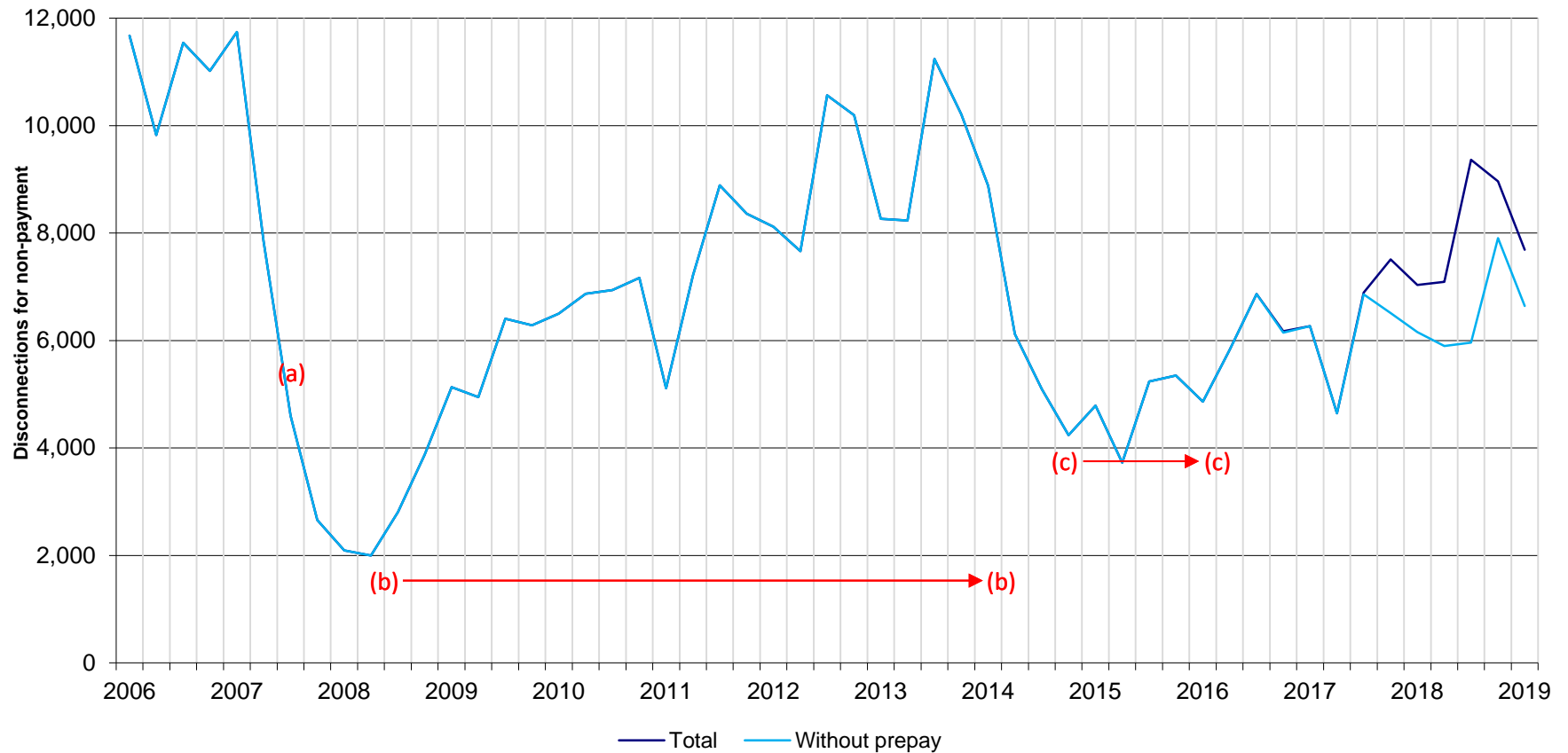
5.1 Figure 1 on the following page graphically presents the total quarterly credit disconnections of domestic consumers.

5.2 The following trends are notable on the graph:

- (a) Disconnection rates followed a rising trend from Q1 2008 to Q1 2013 as retailers sought to stem rising levels of debt due to non-payment. Debt levels had trebled by Q3 2013. This period is marked (b) on the graph.
- (b) Disconnection rates declined rapidly from Q3 2013 to Q4 2014 in response to previous adverse publicity about rising disconnection rates and in response to a request from the Minister of Energy and Resources to retailers to review their processes for dealing with indebted customers. This period is marked (c) on the graph.
- (c) During Q2 2007 (29 May 2007), a consumer died less than three hours after the electricity supply was disconnected to her house due to an outstanding balance. The circumstances of her death brought the case to national attention and as a result all retailers dramatically reduced disconnections of consumers with outstanding debt. This event is marked as point (a) on the graph.

Figure 1: Total domestic consumer disconnections for non-payment

Figure 1 shows the total number of disconnections of domestic consumers for non-payment, by quarter, between 1 January 2006 and 31 March 2019 across all retailers that supply the Authority with this data.



Source: Electricity Authority

	Bay of Plenty Electricity	Bosco	Club Energy	Contact	Ecotricity	Electra	Electric Kiwi	EMH Trade	Energy Direct	Energy On-line	Flick Energy	Genesis	Giving Energy	Glo-Bug	Hunet Energy	ID Power	King Country Energy	Meridian	Mercury	Nextgen	Nova Energy	Payless Energy	Pioneer	Plus Energy	Powershop	Property Power	Pulse	Supercharged	Switch Utilities	The Lines Co	TrustPower	OurPower	Wise Pre Pay	Total for all retailers		
																																		Number	%	
Q3 16		0.6%		0.5%	0.1%	0.0%	0.4%	0.0%		0.6%	0.1%	0.8%	0.3%	0.0%	0.4%		0.4%	0.1%	0.1%		0.1%	0.0%			0.2%	0.0%	0.4%		0.0%	0.4%	0.3%		0.0%		6,867	0.38%
Q4 16		0.4%		0.4%	0.8%	0.0%	0.2%	0.0%		0.5%	0.1%	0.7%	0.0%	0.0%	0.1%		0.4%	0.1%	0.1%		0.1%	0.0%	0.0%		0.2%	0.0%	0.5%		0.0%	0.3%	0.2%		1.1%		6,171	0.34%
Q1 17		0.5%		0.3%	0.1%	0.3%	0.3%	0.0%		0.7%	0.0%	0.8%	0.3%	0.0%	0.7%		0.4%	0.1%	0.1%		0.1%	0.0%	0.0%		0.2%	0.7%	0.3%		0.0%	0.3%	0.3%		0.0%		6,267	0.35%
Q2 17		0.2%		0.3%	0.5%		0.1%	0.0%		0.6%	0.0%	0.5%	0.2%	0.0%	0.5%		0.3%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%		0.1%	0.0%	0.3%		0.0%	0.3%	0.2%		0.0%		4,646	0.26%
Q3 17		0.7%		0.4%	0.5%		0.3%	0.0%		1.1%	0.1%	0.8%	0.3%	0.0%	0.6%		0.5%	0.2%	0.1%	0.0%	0.1%	0.0%	0.0%		0.2%	0.0%	0.3%		0.0%	0.3%	0.2%		1.7%		6,894	0.38%
Q4 17		0.6%		0.3%	0.6%		0.2%	0.0%		1.1%	0.0%	0.8%	0.3%	0.0%	0.2%		0.3%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%		0.3%	0.0%	0.6%		0.0%	0.4%	0.2%		52.1%		7,510	0.41%
Q1 18		0.3%	0.0%	0.2%	1.0%		0.3%	0.0%		1.0%	0.1%	0.6%	0.0%	0.0%	0.6%		0.4%	0.1%	0.1%	0.0%	0.0%	0.2%	0.0%		0.3%	0.0%	0.9%	0.0%	0.0%	0.2%	0.2%		47.5%		7,036	0.39%
Q2 18		0.3%	0.5%	0.3%	0.0%		0.3%	0.0%		1.1%	0.2%	0.6%	0.1%	0.0%	0.7%	0.0%	0.6%	0.1%	0.1%	0.0%	0.0%	0.2%	0.0%		0.2%	0.0%	0.6%	0.0%	0.0%	0.3%	0.2%	0.0%	68.5%		7,091	0.39%
Q3 18		0.5%	0.4%	0.3%	0.1%		0.4%	0.0%		0.0%	0.2%	0.7%	0.2%	0.0%	1.5%	0.2%		0.1%	0.1%	0.1%	0.0%		0.0%		0.2%	0.0%	0.5%	0.0%	0.0%	0.3%	0.2%	1.3%	172.7%		9,362	0.50%
Q4 18		0.5%	1.7%	0.3%	0.1%		0.4%	0.0%		2.1%	0.0%	0.8%	0.1%	0.0%	0.9%			0.1%	0.1%		0.0%		0.0%	0.0%	0.3%	0.0%	0.6%		0.0%	0.1%	0.2%		48.8%		8,965	0.48%
Q1 19		0.4%	0.9%	0.2%	0.3%		0.3%	0.0%		1.7%	0.4%	0.7%	0.0%	0.0%	1.5%			0.1%	0.0%		0.1%		0.0%	0.0%	0.2%	0.0%	0.4%		0.0%	0.0%	0.2%		49.3%		7,688	0.41%

Source: Electricity Authority