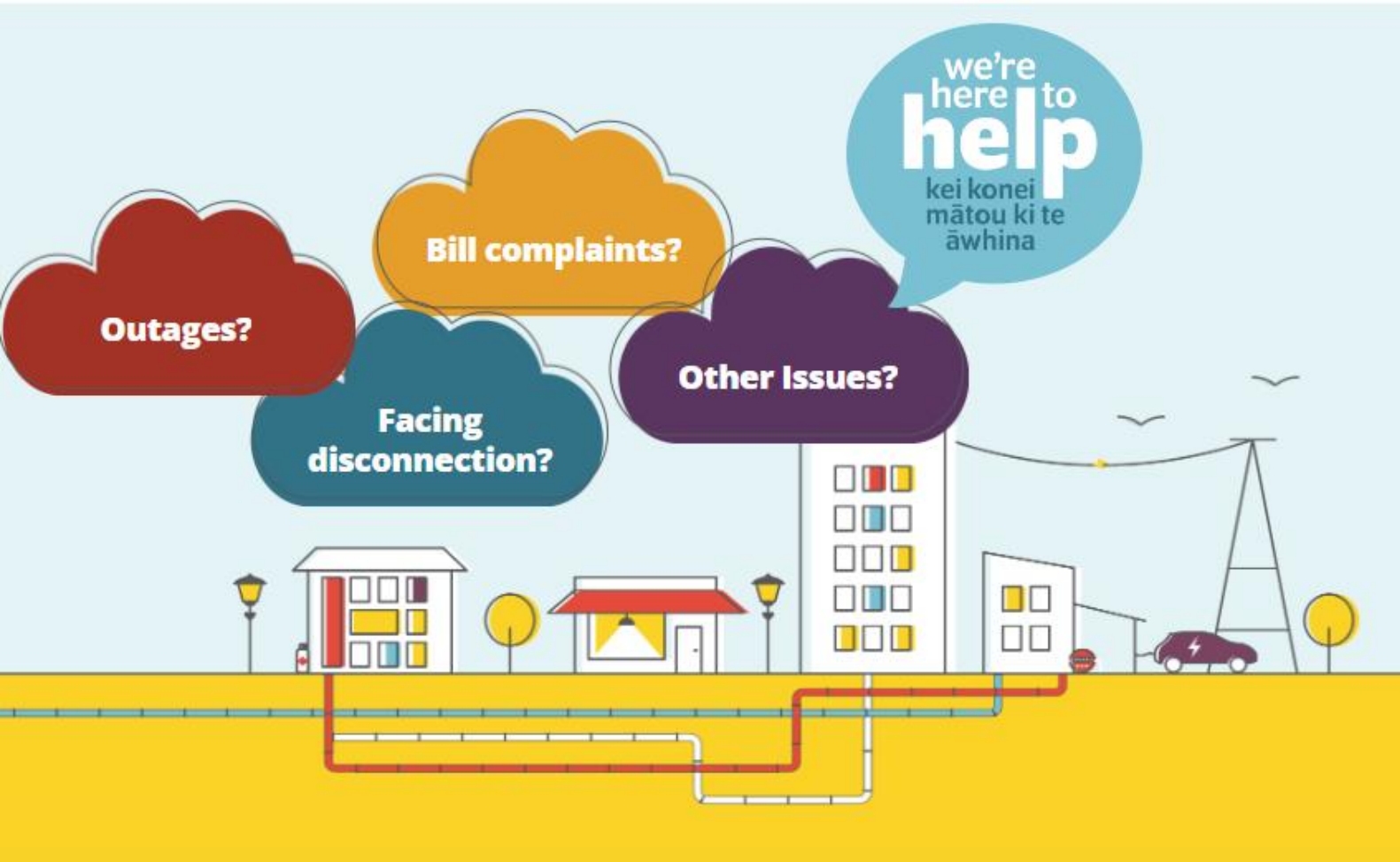




UTILITIES
DISPUTES
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WHAIPAINGA



Independent dispute resolution

Cost benefit analysis

NZIER report to Utilities Disputes Limited (UDL)

12 November 2024

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Key points

Utilities Disputes Limited (UDL) makes three contributions to improving customer welfare

UDL services is one of three parallel, partially connected initiatives that address customer service issues. The others are the utilities internal complaint services, and the standards set by the Electricity Authority.

UDL improves the efficiency of the resolution of customer complaints in three ways:

- Lower cost resolution of customer complaints (than other channels) where the supplier and customer have reached an impasse.
- Identification of systemic issues that affect individual utilities and making recommendations to improve processes for the utilities.
- Identification of industry-wide issues and make recommendations to either the utilities to improve their processes or to the industry regulator for consideration.

Complaint volumes and cost

We estimate that the total number of complaints to energy utilities is about 90,000 to 120,000 per year, and the cost of time spent by customers and utilities on complaint processes varied between \$15m and \$22m annually over the period 2021 to 2024 (see Table 1 and Table 2).

These complaints have impacts on consumers' time, ease of access to utility services, financial wellbeing and utility competitiveness that range from:

- Low impact: isolated miscommunication or misunderstanding that causes minor inconvenience or nuisance and requires a small amount of time to be resolved.
- Moderate impact: process weaknesses that cause errors in billing or short delays in the delivery of service that have a time and direct financial impact on the consumer.
- High impact: errors in billing or delays in restoring access to services cause the consumer unexpected additional costs or financial hardship, leave the utility unable to collect the full amount it charged and expose the consumer and the utility to the consequences of disconnection. Examples of this type of complaint include prolonged errors in metering leading to much larger than normal catch-up bills, which are collected by direct debit, exposing the consumer to the inability to meet other regular payments.

The role of UDL in low impact complaints is to quickly rectify miscommunication, indicate the similarity of the complaint to other situations and suggest a resolution based on normal practice. For moderate and high impact complaints, UDL's role is more complex and involves careful analysis of the situation to establish the cause of the complaint and consideration of the complaint against both consumer legislation as well as industry regulations and codes of conduct to propose and then recommend a fair and reasonable resolution.

Cost of complaint resolution

We assess that:

- UDL processes for resolving complaints are at least \$2.9m to \$4.2 m less expensive in 2024 than alternative dispute resolution processes would have been, assuming customers could have accessed them.
- UDL also helps utilities reduce the risk of revenue that has to be written off due to billing process errors identified as the root cause of a complaint, which may affect other customers.
- UDL communication and training to utilities helps them to improve the efficiency of their complaint resolution processes and reduce both the time spent on complaints and the damage to the relationship with the customer.
- UDL's application of voluntary consumer service standards to its decisions, referral of complaint root cause issues to regulators and submissions on regulatory reforms all lift the standard of consumer service above what it would be without the existence of UDL. They also provide the regulator with a cross-check on the compliance of utilities that complements utility self-assessment and regulator audits and allows the scope of regulator audits to be updated to monitor new issues.

Data gaps

Placing these service components into a quantitative cost benefit framework has been severely hampered by a lack of data on the frequency and cost of complaint resolution.

Analysis of Consumer Survey data suggests that the complaints to UDL are a small proportion of complaints by customers, but we have not been able to cross-check this against complaint volumes for retailers. Only one large retailer (Genesis) publishes data on a subset of complaint volumes and does not publish data on the costs of settlements.

The impact of UDL on customer services through the identification of utility-wide or systemic process errors can be illustrated by example, but we cannot estimate the share of customers potentially affected by the error and, therefore, estimate the potential total benefit to affected customers by UDL identification of utility process failures that are the root cause of complaints.

Similarly, there are anecdotal examples of UDL advice and training to utilities on how to resolve disputes, but no quantitative estimates of time and cost saved.

Change in complaints and service standards

UDL operates in a changing environment driven by variations in complaint numbers, more complex utility service offerings and higher service standards.

Electricity utilities have improved customer service standards over time, as the approach to disconnection has changed and the industry and the Electricity Authority (EA) have developed a set of Consumer Care Guidelines/Obligations which were voluntary but the EA intends to make mandatory in 2025.

The volume of complaints tends to increase as utility prices increase or customers are affected by cost-of-living increases. The recent increase in inflation relative to income over



the past three years and the projected increases in electricity and gas prices are both expected to drive increased complaint volumes over the next two to three years.

Utilities are increasing the complexity and variety of their service offering through a greater variety of price plans, bundling of traditional electricity and gas supply with the provision of telecommunications services. In the medium term, the complexity of electricity utilities 'service offerings will be increased by the purchase of energy from customers with solar or battery (a two-way rather than predominantly one-way supply arrangement) and the development of consumer demand response (where the consumer signals a reduction in load in advance.)



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1 Dispute resolution scope and approach

1.1 Disputes considered by UDL

Utilities Disputes Limited (UDL) provides an independent dispute resolution service under three schemes:

- A mandatory scheme for electricity and gas disputes, which accounts for the bulk of UDL activity
- A broadband property dispute access scheme
- A voluntary scheme for water utilities that covers 2 million consumers throughout New Zealand spread over 500,000 households.

The bulk of complaints to UDL are about electricity and gas retailers and distribution businesses (owners of the networks of wires and pipes that are used to transport electricity and gas to consumers).

UDL's primary objective is to resolve complaints and promote trust between consumers and their energy companies. UDL's specific focus is on complaints where the provider and the complainant are having difficulty reaching a timely and acceptable resolution based on the following criteria:¹

- *20 working days have passed since you first raised the complaint to your provider, or*
- *the provider has made it clear that they intent to do nothing about the complaint, or*
- *you would suffer unreasonable harm from waiting longer for a response, or*
- *it would be otherwise unreasonable for you to wait any longer.*

In the last three years, UDL has invested a great deal in assisting people in resolving complaints before they reach the impasse stage – providing complaint-handling training for providers, increasing resources available to the public to respond to enquiries pre-deadlock and drafting complaint summaries at 'First Contact'.

1.1.1 Where does UDL fit in the dispute resolution process

UDL complements utilities' internal dispute resolution processes and is nominated by utilities as the next step in the complaint process if the customer is not happy with the outcome of utilities' internal complaint process.

Utilities' internal dispute resolution processes aim to:

- Resolve complaints to maintain a relationship with the customer
- Meet utility responsibility to actively collaborate with consumers experiencing hardship under the Consumer Care Guidelines/Obligations² set by the Electricity Authority (EA).

¹ Downloaded from <https://www.udl.co.nz/en/making-a-complaint/can-we-look-into-your-complaint/> on 20 Sep 2024.

² The words 'Guidelines' and 'Obligations' are used in the title because they are in transition from a voluntary to a mandatory code of conduct.

UDL is an independent and specialised service available at no charge to customers to resolve disputes with electricity and gas utilities. UDL also offers dispute resolution for Milford Sound Infrastructure, Watercare and Wellington Water (if they refer the complaint to UDL), for broadband property access disputes as well as a voluntary telecommunications complaint scheme. As UDL does not require hearings, it is much more accessible and has a lower cost than alternatives such as the Disputes Tribunal or the District Court. UDL's decisions are binding on the providers but not the complainant.³ This means the complainant does not have to worry about the enforcement of a decision.

UDL is the only operator of its kind in New Zealand that delivers dispute resolution services for water, telco, and energy, and actively promotes the benefits of one service for all utility providers. The analysis in this report focuses on the resolution of electricity and gas disputes, as these represent most of UDL's activities.

1.1.2 How does UDL improve dispute resolution outcomes?

Disputes referred to UDL have typically reached a point where the parties cannot agree on a satisfactory resolution. Without access to a low-cost or free third-party dispute resolution⁴ service, the customer options are limited to paying any disputed amount and continuing with the current supplier or changing suppliers (either on their own initiative or on disconnection). The utility's options are to offer a settlement or pursue the claimed amount and potentially disconnect the customer.⁵ Both the customer and the utility would benefit from a quicker and more balanced resolution than these options. As an independent dispute resolution scheme with an overview of complaints to all energy utilities and a focus on resolving issues that have reached an impasse, UDL can contribute to:

- Low cost and quick resolution of disputes by providing an independent assessment of a fair and reasonable settlement based on consumer care legislation and industry best practice.
- Faster resolution of complaints within utilities through advice and training on how to improve complaint resolution processes.
- Accelerated dissemination of best practice customer service standards and dispute resolution techniques across the industry from UDL advice and training on how to resolve disputes.

Beyond the resolution of the dispute:

- The customer needs to be satisfied that they can trust the utility to deliver what is an essential service on the terms the customer expects, preferably without further disputes.
- The utility needs to ensure that it minimises the harm from the dispute with respect to the following:

³ We understand from UDL, that in the few cases where the customer did not accept the resolution proposed by UDL and submitted a complaint to the Disputes Tribunal the utility presented UDL's decision, and the Disputes Tribunal referee agreed with UDL decision.

⁴ The general dispute resolution alternatives are the Disputes Tribunal or the District Court. The barriers (consumer ability required to navigate the process and cost of advice) to consumers to access these alternatives is much higher than for UDL. Also, these alternatives do not have the specialist knowledge and focus on utility service delivery standards that UDL has. This comparison is described in more detail in section 2.1.2.

⁵ In practice these options may be further narrowed by customer circumstances.

- Direct cost of resolving the dispute and the potential additional cost of losing the business of the customer to another utility.
- Diagnosis of the root cause and commonality of the dispute to assess whether the dispute indicates an error in the application of the utility’s otherwise sound complaint management processes or whether the processes need to be changed.
- Assessment of whether the complaint indicates the utility’s service offering and delivery is not competitive with that of other utilities and exposes it to erosion of its customer base and increased cost of attempting to maintain market share.
- Assessment of how well the utility is meeting expectations for customer service standards (held by customers and industry regulators).

UDL’s independence and specialist knowledge of both utility consumer service standards and retail processes assure consumers that the complaint settlement is fair and provides a starting point for rebuilding trust between the utility and the customer.

Contribution of UDL to delivering long-term benefits to consumers

UDL is part of an overall approach to customer complaint management that complements other complaints resolution mechanisms. The other key components of the complaint resolution and customer service improvement processes are:

- The EA Consumer Care Guidelines/Obligations - currently a voluntary code but will be made mandatory and enforceable from 1 January 2025
- Individual utility’s internal complaint management services that include:
 - Initiatives to maintain or improve customer satisfaction to preserve the existing customer base and the opportunity to cross-sell other services.
 - Processes for managing disconnections and energy hardship. (Over the past 10 years, utilities have shifted from using disconnections to avoid bad debts to avoiding disconnections – see Appendix E).
- Alternative dispute resolution mechanisms such as the Disputes Tribunal or lawyers.

The biennial NZ Consumer Survey results on the resolution of complaints in general (see Table 11) indicate that, up to 2022, about 80 percent of complaints are resolved with the utility, and of the remaining 20 percent, about half are referred to UDL.

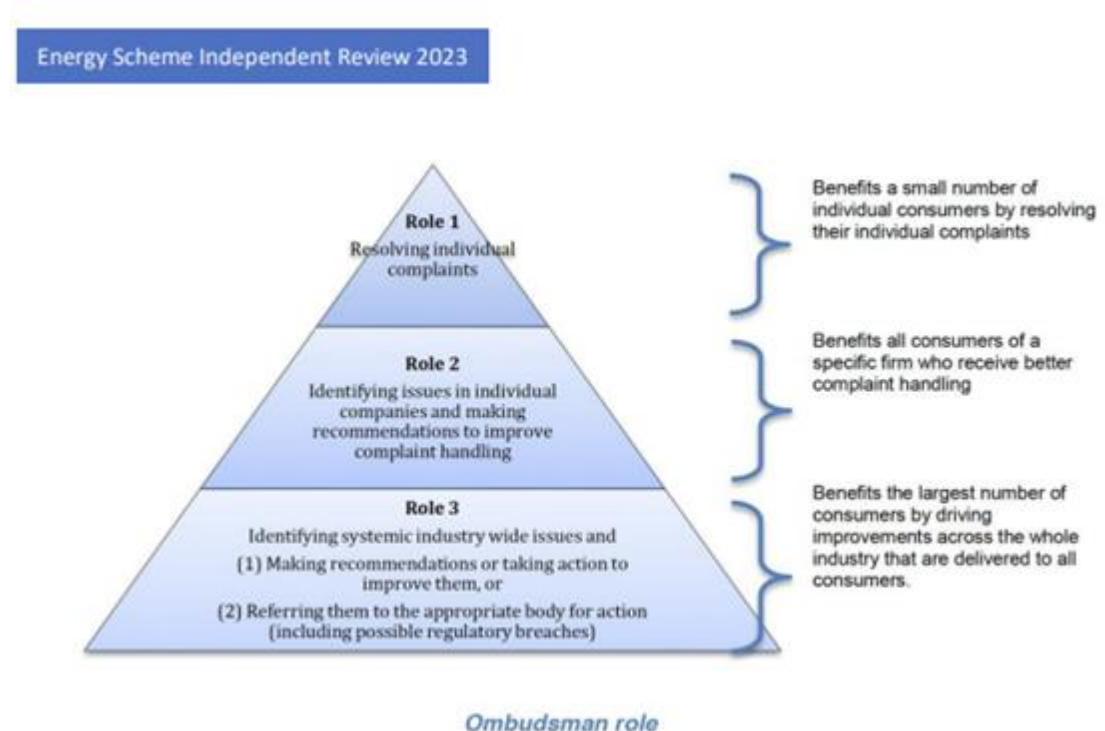
1.2 Benefit analysis framework

The most recent independent review of UDL (2023) included the ‘Ombudsman Role’ framework shown in Figure 1. We have used this framework to organise our analysis of the benefits of UDL services as follows:

- Role 1: Resolution of individual complaints: UDL is able to resolve the majority of complaints that have reached an impasse much more quickly than the time taken to resolve disputes indicated by the NZ Consumer Survey.
- Role 2: Identifying issues for individual companies and making recommendations to improve company processes. In practice, this impact is hard to separate from the overall benefit of improvements to the complaint process across the entire industry. UDL reports data on the ‘accepted deadlocked’ issues by the utility.

- Role 3: Identifying industry-wide issues and making recommendations to either the utilities to improve their processes (Role 3 (1)) or refer them to the industry regulator for consideration (Role 3 (2)).
 - With respect to Role 3 (1), improving utility processes, UDL reports practice statements and case examples. The practice statements most relevant to our benefit analysis cover the following issues: UDL scope, complaint resolution and metering issues⁶. The case examples indicate the less routine complaints that UDL reviews.
 - With respect to Role 3 (2) referring issues to the regulator, UDL makes submissions on proposals by both the EA and the Commerce Commission. More importantly, UDL has applied the EA voluntary code of electricity utility practice to its dispute resolution processes and decisions on deadlocked complaints.

Figure 1 Ombudsman role



Source: 2023 Independent Review⁷

While the Ombudsman framework is useful for grouping benefits by type, it is not a close match to the available data on the time and cost of complaint resolution. Also, the presentation of the framework pyramid with the lower layers affecting larger numbers of

⁶ The practice statements relevant to UDL scope cover the application of the Consumer Guarantees Act including indemnity claims, UDL jurisdiction, and UDL approach to additional services. The practice statements that are most relevant to this benefit analysis are advice on complaint resolution: 'Resolving a complaint' and 'Listen more – talk less'. UDL has also issued a practice statement on smart meter installation (which is also the subject of two "Notices to Providers". Issues around the installation and performance of smart meters).

⁷ Paterson R. (2023). '2023 Independent Review of the UDL Energy Complaints Scheme' page 21. downloaded from <https://www.udl.co.nz/assets/Publications-and-schemes/Consultations/Independent-Review-of-the-UDL-Energy-Complaints-Scheme.pdf>

customers is difficult to match to the quantification of benefits or the relative benefits from each of the three roles. This is because the data on the time and cost of actual complaints combined with UDL data on complaints processed is sufficient for rough estimates of the difference in time to resolve complaints with and without UDL intervention (Role 1).⁸ The benefits of UDL intervention under this role include both monetary cost savings and avoidance of harm for both consumers and the utilities themselves.

However, this reasoning is difficult to apply for Role 2 and Role 3 due to the lack of data and the difficulty in constructing a credible assumption about the likely cost and profile of complaints in the absence of UDL.

To estimate the impact of Role 2, evidence of utilities attracting a higher rate of complaints than average or good practice and then reducing their share of complaints to the level of average or good practice is required. UDL data on deadlocked complaints does not provide a clear indication of this type of shift – let alone a shift that could be attributed to a particular change.

To estimate the impact of Role 3 (1), we used examples from UDL that relate to systemic issues. These examples provide a description of the issue and the cost of the issue for individual customers. We then develop scenarios about the number of customers that could be affected by the systemic issue before either the regulator or the utilities themselves detect and rectify the systemic issue. The benefit of UDL intervention in Role 3 (1) intervention is accelerating the utilities' response to systemic issues.

To estimate the impact of Role 3 (2), we consider the gains to consumers of the systemic issues raised by the UDL with the regulator that have led to changes in regulation. The strongest example of this affect is the UDL application of the voluntary Electricity Authority (EA) consumer guidelines in its decisions. This process contributes to encouraging utilities to fully adopt the guidelines and accelerates the path to making the guidelines compulsory and universal.

Overall, the Ombudsman framework does not represent the UDL perspective of priority of the services it offers. The UDL perspective inverts the pyramid⁹ and describes the approach of 'Prevent Educate Resolve' with a move beyond dispute resolution to a focus on '*lessons learnt, how to better manage complaints and, ultimately how to avoid them.*' This approach focuses on two key aspects of the approach:

- For the vast majority of complaints, UDL reviews the facts of the complaint and shares its views along with the path to resolution with the customer and the utility without going to the end of the process and formally recommending a settlement.
- UDL uses the analysis of the root causes of complaints and the key process steps for resolution as the basis for advice and training for utilities on how to improve their dispute resolution process and advice and submissions to regulators on the monitoring and improvement of customer service standards.

⁸ Role 1 benefits include a combination of a large number of 'errors' in the utilities' complaint process where an impasse is swiftly resolved by the intervention of a third party UDL and a small number of harder issues which need to move up through decision-making levels of higher discretion at both UDL and the utility before a resolution is agreed.

⁹ Moreau Hammond N. (2021) 'Utilities Disputes Ltd Tautohetohe Whaipanga, 20 Years of History' page 85

2 Benefit estimates

Our estimates of the benefits based on our modified approach to the framework are described for each of the benefits separately in the following sections. Our estimates are based on a conservative (low) estimate of what we think would happen to customer complaints in the absence of UDL. Our key assumptions are:

- The volume of complaints where the customer and the utility reach an impasse would be the same irrespective of whether or not UDL existed.
- If the UDL service was not available the customers would take their complaints to the Disputes Tribunal or attempt additional negotiation with other advisors. We have assumed the additional cost is driven by additional preparation time (4 hours) but this is low estimate as explained in more detail in section 2.1.4.
- The advice UDL provides on improved complaint management and correction of complaint root causes to utilities and the advice to industry regulators on compliance with customer service codes and potential improvement of those service would not be available.

In addition, some customers may feel unable to:

- Approach the Disputes Tribunal because they do not feel they have the skills or the time to prepare and present their complaint and are uncomfortable with a more adversarial hearing.
- Attempt additional negotiation because of the cost and time required to obtain this advice and the uncertainty around the outcomes from this approach.

Therefore, there is a risk, that without UDL a proportion of the complaints referred to UDL would be 'resolved' by the customer having to accept the utilities' decision or refuse to pay, risk debt recovery action and attempt to change providers. We have not been able to quantify the likely cost of this impact.

2.1 Role 1 benefit assessment

As an independent arbiter of disputes where the customer and the utility have reached an impasse, UDL makes three contributions:

- Efficient resolution of routine disputes where utility complaint resolution processes have 'failed' or not been escalated to the appropriate decision-making level within the utility.
- Resolution of disputes that fall outside the common range of utility provider problems and indicate a need for a different approach to resolution.
- Independent cross-check and monitoring of the utilities' internal dispute resolution services.

The focus of our quantitative analysis in this section is to estimate the difference between the time and effort required to resolve complaints not referred to UDL and the complaints resolution process for complaints that are referred to UDL.

2.1.1 Number of complaints

The total number of complaints is estimated at 90,000 to 120,000 complaints per year based on the rate of complaints for utilities over a two-year period (from the NZ Consumer Survey data see Table 10) multiplied by the number of electricity installation control points (ICPs) from UDL Annual Deadlock Complaint reports (see Table 6).

Table 1 Estimate of utility complaints

Number of electricity connections and NZ Consumer Survey on Utilities

| Provider | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| ICPs | 2,608,178 | 2,620,680 | 2,504,090 | 2,564,475 | 2,600,725 | 2,708,506 | 2,645,989 |
| Problem incidence ¹ | 12% | | 11% | | 15% | | 8% |
| Two-year adjuster | 50% | | | | 50% | | 50% |
| Took action ² | 79% | | 83% | | 86% | | 85% |
| Estimated complaints ³ | 123,628 | 118,913 | 113,623 | 192,336 | 195,054 | 92,089 | 89,964 |

Notes:

- 1 Proportion of NZ Consumer Survey respondents who purchased utility services over the two years before the survey. This definition includes electricity, gas and water. We assume the complaint rate is the same for water as for the other utilities. This 'Problem incidence' value is multiplied by 0.5 to estimate the problem incidence in each year
- 2 Proportion of NZ Consumer Survey respondents who experienced a problem with a utility purchase and took action. The NZ Consumer Survey for 2020 did not include a summary of responses for utilities. The value in the table is the average of the values for 'Took action' in 2018 and 2022.
- 3 Estimated complaints (annual) calculated as 'ICPs' multiplied by 'Problem incidence' multiplied by 'Two-year adjuster' multiplied by 'Took action'. The values from the NZ Consumer Survey cover the year of the survey and the previous year.

Source: NZIER

2.1.2 Cost of complaint process

We estimate the cost of the complaint process as the time spent by consumers on complaints from NZ Consumer Survey responses (see Table 13) multiplied by a ratio of the time spent by utilities in processing consumer complaints. Both time estimates are multiplied by an estimated hourly cost of \$20 (in 2018), rising to \$32 per hour (in 2024).¹⁰ The time spent by consumers on complaints is estimated as the midpoint of the time bands up to 10 hours and set at 14 hours for band 'More than 10 hours' as reported in the Consumer Survey (see Table 13). The estimated cost of the time spent in the complaint process is shown in Table 2 below. Most of the volatility in the total time and cost values is due to the fluctuation in 'Problem incidence' in Table 1, which varies from 8 percent in 2024 to 15 percent in 2022.

We do not have independent data on the time required by utilities to process consumer complaints. As a starting point we assume that the time required by utilities to resolve these complaints is 50 percent of the time spent by customers and the cost per hour is the same.

¹⁰ This value is the '1 hour citizen compliance burden - Cost of an individual's time' from the New Zealand Treasury 'CBAX Spreadsheet Model Updated December 2023' available at <https://www.treasury.govt.nz/publications/guide/cbax-spreadsheet-model>

Table 2 Estimated cost of time spent on utility complaints

Number of electricity connections and NZ Consumer Survey on Utilities

| Time band | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Time (hours) | | | | | | | |
| Less than 1 hour | 12,981 | 13,080 | 12,499 | 22,119 | 22,431 | 6,907 | 6,747 |
| 1–2 hours | | | | | | 40,059 | 39,134 |
| 3–5 hours ¹ | 170,606 | 173,019 | 165,322 | 294,274 | 298,433 | 58,937 | 57,577 |
| 5–10 hours | 213,258 | 182,829 | 174,695 | 259,653 | 263,323 | 48,347 | 47,231 |
| More than 10 hours | 121,155 | 124,859 | 119,304 | 215,416 | 218,461 | 348,097 | 340,063 |
| Total | 518,000 | 493,788 | 471,820 | 791,461 | 802,649 | 502,347 | 490,752 |
| Cost (\$m) | | | | | | | |
| Less than 1 hour | 0.3 | 0.3 | 0.3 | 0.6 | 0.6 | 0.2 | 0.2 |
| 1–2 hours | | | | | | 1.2 | 1.3 |
| 3–5 hours | 3.4 | 3.8 | 4.0 | 7.7 | 8.4 | 1.8 | 1.8 |
| 5–10 hours | 4.3 | 4.0 | 4.2 | 6.8 | 7.4 | 1.5 | 1.5 |
| More than 10 hours | 2.4 | 2.7 | 2.9 | 5.6 | 6.1 | 10.4 | 10.9 |
| Total | 10.4 | 10.9 | 11.3 | 20.6 | 22.5 | 15.1 | 15.7 |

Notes:

- 1 This range is 1–5 hours for the NZ Consumer Survey years of 2018 and 2022 which are used to calculate customer time spent on complaints for the years 2021 to 2022 inclusive.

Source: NZIER

2.1.3 UDL complaint process stages

The stages in the UDL process are:¹¹

- Intake:
 - First contact team receives complaints and queries. They often write a complaint summary for the provider and will handle any cases relating to disconnection, whether completed or impending.
- Early resolution:
 - If a complaint reaches deadlock, UDL’s Early Resolution Team (ERT) will use shuttle negotiation, short investigations or conciliation to try to resolve the complaint before acceptance.
- Conciliation and investigation:
 - If the complaint is still not resolved, UDL will accept the case for further investigation by its conciliation and investigation team
- Commissioner decision:

¹¹ UDL data for NZIER for cost benefit analysis.

- If the case is not resolved during conciliation and investigation, the Commissioner may issue a recommendation or a final determination

2.1.4 UDL can resolve most 'impasse' complaints faster than the estimated alternative

Estimating the contribution that UDL makes to reducing the time required for 'efficient resolution of routine disputes' is based on comparing the following:

- How long does UDL take to resolve complaints? The UDL data reports energy resolution time per complaint at the following stages:
 - 'First contact': 81 percent of the complaints to UDL are resolved at this stage, with 50 percent of those complaints resolved within 0.1 hours and a further 25 percent of complaints resolved within 0.5 hours
 - 'Early resolution': 13 percent of the complaints to UDL are resolved at this stage, with 25 percent of those complaints resolved within 0.8 hours; a further 25 percent of complaints resolved within 1.6. hours, and a further 25 percent of complaints are resolved within 3.2 hours
 - 'Conciliation': 4 percent of the complaints to UDL are resolved at this stage, with 25 percent of those complaints resolved within 1.6 hours; a further 25 percent of complaints resolved within 4.4. hours and a further 25 percent of complaints were resolved within 9.7 hours.
 - 'Commissioner decision': 1 percent of the complaints to UDL reach this stage. We do not have information on the time required.
- How long would it take to resolve a complaint that is at an impasse if UDL was not involved? Our approach is based on the following assumptions:
 - As the complaints are referred to UDL because the customer and the utility have reached an impasse, we assume that:
 - the time spent by the consumer before referral to UDL is more likely to be at the upper end of the time bands reported by the NZ Consumer Survey – more than 5 hours.
 - the time spent by UDL on resolving intractable complaints will be lower than would be spent by the customer and the utility in resolving the dispute. We use this assumption to put complaints with a resolution time above the 75th percentile to one side.
 - To illustrate the benefit of the UDL resolution process, we consider the time required for two alternative processes and compare these to the UDL approach:
 - A hearing at the Disputes Tribunal, which would cost the customer a minimum fee of \$59, probably requires at least 4 hours of preparation by the customer and a hearing of 1 hour. For the comparison in Table 3 below, we equate the Dispute Tribunal fee to 1.84 hours of customer time.
 - An additional round of negotiation with the utility supported by advice from a third party such as Citizens Advice Bureau or Community Law Centre.



Table 3 Complaint process cost comparison – time per complaint

Hours saved by UDL process per complaint compared with Dispute Tribunal or additional negotiation

| Stage | Dispute Tribunal | | | Additional negotiation | | |
|-------------------------|------------------|---------|------|------------------------|---------|------|
| | Customer | Utility | UDL | Customer | Utility | UDL |
| First contact | | | | | | |
| 50 percent | 6.8 | 3.0 | -0.1 | 4.6 | 2.0 | -0.1 |
| Next 25 percent | 6.7 | 2.9 | -0.5 | 5.4 | 1.9 | -0.5 |
| Early resolution | | | | | | |
| 25 percent | 6.6 | 2.8 | -0.8 | 5.3 | 1.8 | -0.8 |
| Next 25 percent | 6.4 | 2.6 | -1.6 | 5.1 | 1.6 | -1.6 |
| Next 25 percent | 6.0 | 2.2 | -3.2 | 4.7 | 1.2 | -3.2 |
| Conciliation | | | | | | |
| 25 percent | 6.4 | 2.6 | -1.6 | 5.1 | 1.6 | -1.6 |

Source: NZIER

Table 4 Complaint process cost comparison – estimated time saving 2024

Hours saved by UDL process compared with Dispute Tribunal or additional negotiation

| Stage | Dispute Tribunal | | | Additional negotiation | | |
|-------------------------|------------------|---------------|---------------|------------------------|---------------|---------------|
| | Customer | Utility | UDL | Customer | Utility | UDL |
| First contact | | | | | | |
| 50 percent | 45,348 | 19,785 | -665 | 30,426 | 13,135 | -665 |
| Next 25 percent | 44,683 | 19,120 | -3,325 | 35,746 | 12,470 | -3,325 |
| Early resolution | | | | | | |
| 25 percent | 1,520 | 641 | -183 | 1,212 | 412 | -183 |
| Next 25 percent | 1,474 | 595 | -366 | 1,167 | 366 | -366 |
| Next 25 percent | 1,383 | 503 | -732 | 1,075 | 275 | -732 |
| Conciliation | | | | | | |
| 25 percent | 193 | 78 | -48 | 153 | 48 | -48 |
| Total | 94,601 | 40,722 | -5,319 | 69,780 | 26,705 | -5,319 |

Source: NZIER

The estimated efficiency gain from complaints resolved through UDL rather than through the Disputes Tribunal process with the assumptions described above in Table 3 is 130,000 hours valued at \$4.16m. The size of the estimated efficiency gain is heavily dependent on the preparation time assumed for the customer to use alternative dispute resolution channels. The estimated efficiency gain from complaints resolved through UDL rather than through additional negotiation with the assumptions described above in Table 3 is 91,165 hours, valued at \$2.92m.

We used an estimate of four hours because this seemed to fit with the time spent on disputes over the past three NZ Consumer Survey (see Table 13Table 12). However, the



responses in Table 13 for 2024 also showed a sharp increase over the previous two surveys in the proportion of disputes requiring more than 10 hours to resolve. We understand from discussions with UDL that the preparation time for customers approaching the Disputes Tribunal would be 5 to 10 hours and could be longer depending on the complexity of the complaint. To illustrate the impact of the preparation time assumption on our estimate of efficiency gain, if the preparation time was 10 hours the estimated efficiency gain from complaints resolved through UDL rather than through the Disputes Tribunal process would be 256,000 hours valued at \$8.20m.

The direct value of complaint resolution to suppliers is evidenced by the importance they attach to measures of customer feedback. This is measured by the net promoter scores but also has tangible benefits to the companies in terms of their ability to supply customers, avoid having to recruit new customers, and the opportunity to sell additional products to consumers.

2.2 Role 2 Recommendations to individual utilities

We have attempted to assess the benefit of UDL advice on complaint root causes to individual utilities by looking at changes in the number of deadlocked complaints and the information on a sample of complaints.

2.2.1 Number of accepted deadlocked complaints

UDL data on deadlocked complaints by suppliers is a starting point for the identification of utilities that had higher than average rates of complaints. The analysis includes:

- Identifying utilities with shares of deadlocked complaints well above their share of customers
- Assessing the issues that drive the higher volume of complaints and whether adopting 'good' industry practice returns the rate of complaints to the industry average.

Our initial hypothesis was that the level of deadlocked complaints would be higher for new entrants or smaller utilities as they may have less well-developed complaint resolution. Our analysis of the share of deadlocked complaints compared to the share of ICPs did not support this hypothesis.

Table 5 lists the number of deadlocked complaints that have been accepted for consideration by UDL by utility and Table 6 lists the number of ICPs by utility.



Table 5 UDL Accepted deadlocked complaints

History of the number of accepted deadlocked for main energy retailers active in 2024

| Provider | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|-----------|------------|------------|------------|------------|-----------|------------|
| Generator retailers | | | | | | | |
| Contact | 6 | 11 | 14 | 7 | 4 | 1 | 7 |
| Genesis Energy | 7 | 20 | 12 | 15 | 3 | 12 | 32 |
| Frank Energy | 0 | 0 | 0 | 0 | 3 | 1 | 2 |
| Mercury | 8 | 14 | 12 | 13 | 10 | 8 | 27 |
| GLOBUG | 1 | 4 | 2 | 1 | 1 | 4 | 0 |
| Powershop | 1 | 0 | 6 | 10 | 12 | 11 | 10 |
| Meridian Energy | 17 | 11 | 12 | 10 | 25 | 19 | 15 |
| Nova Energy | 5 | 5 | 9 | 7 | 4 | 5 | 6 |
| Trustpower | 5 | 13 | 25 | 14 | 3 | 1 | 0 |
| Subtotal | 50 | 78 | 92 | 77 | 65 | 62 | 99 |
| Independent retailers | | | | | | | |
| Electric Kiwi | 0 | 4 | 0 | 10 | 5 | 14 | 13 |
| Flick Electric Co | 3 | 4 | 6 | 0 | 1 | 1 | 0 |
| Pulse Energy | 3 | 8 | 3 | 3 | 8 | 3 | 3 |
| 2degrees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Orcon Power | 0 | 1 | 1 | 4 | 0 | 1 | 1 |
| Slingshot Power | 0 | 4 | 5 | 7 | 5 | 0 | 6 |
| Subtotal | 6 | 21 | 15 | 24 | 19 | 19 | 23 |
| Other | 21 | 34 | 39 | 23 | 20 | 17 | 13 |
| Total | 77 | 133 | 146 | 124 | 104 | 98 | 135 |

Source: NZIER



Table 6 Number of ICPs for utilities with accepted deadlocked complaints

History of the number of ICPs for main energy retailers active in 2024

| Provider | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Generator retailers | | | | | | | |
| Contact | 524,533 | 478,525 | 479,015 | 477,436 | 503,216 | 498,280 | 503,747 |
| Genesis Energy | 566,185 | 566,276 | 564,567 | 562,475 | 649,731 | 677,912 | 571,576 |
| Frank Energy | 0 | 0 | 0 | 0 | 12,214 | 12,923 | 136,223 |
| Mercury | 398,284 | 400,838 | 376,874 | 358,964 | 375,770 | 648,965 | 666,537 |
| GLOBUG | 27395 | 25668 | 23169 | 21589 | 0 | 0 | 0 |
| Powershop | 64,954 | 0 | 85,203 | 98,185 | 0 | 0 | 123,088 |
| Meridian Energy | 223,100 | 229,053 | 234,021 | 239,463 | 363,134 | 367,735 | 252,373 |
| Nova Energy | 106,671 | 112,122 | 133,549 | 145,318 | 145,870 | 134,172 | 113,377 |
| Trustpower | 295,020 | 307,928 | 308,070 | 308,915 | 314,326 | 36,112 | 0 |
| Subtotal | 2,206,142 | 2,120,410 | 2,204,468 | 2,212,345 | 2,364,261 | 2,376,099 | 2,366,921 |
| Independent retailers | | | | | | | |
| Electric Kiwi | 0 | 36,132 | 0 | 74,584 | 77,220 | 76,808 | 68,420 |
| Flick Electric Co | 23,084 | 20,702 | 20,240 | 0 | 23,720 | 26,569 | 0 |
| Pulse Energy | 73,507 | 80,222 | 83,115 | 92,721 | 92,125 | 88,485 | 88,469 |
| 2degrees | 0 | 0 | 0 | 0 | 0 | 50,887 | 0 |
| Orcon Power | 0 | - | 0 | 0 | 0 | 0 | 9,575 |
| Slingshot Power | 0 | - | 0 | 0 | 0 | 0 | 33,874 |
| Subtotal | 96,591 | 137,056 | 103,355 | 167,305 | 193,065 | 242,749 | 200,338 |
| Other | 305,445 | 363,214 | 196,267 | 184,825 | 43,399 | 89,658 | 78,730 |
| Total | 2,608,178 | 2,620,680 | 2,504,090 | 2,564,475 | 2,600,725 | 2,708,506 | 2,645,989 |

Source: NZIER

2.2.2 Sample of complaints that appear to be utility-specific

We have reviewed a sample of 14 deadlocked complaints for individual utilities. While the frequency of complaints is low, their root causes indicate system weaknesses in utility services. Most are related to either billing errors or damage caused by the physical delivery of the service (power outages or surges related to alleged failure to manage vegetation hazards or maintain network equipment).

Most billing errors have the following characteristics:

- Accumulation of unpaid services of \$5,000 to \$50,000 over a period of time due to underbilling due to reliance on estimated rather than actual metre readings or meter failure.
- An attempt to recover the underpayment in a lump sum. An aggravating feature in some complaints is the attempt by the utility to recover the underpayment using direct debit without notifying the customer, potentially leaving the customer without sufficient money to make regular payments.



- The system failure in these cases is the lack of intelligence in billing systems to detect and flag unusual changes in usage or billing amounts and allowing them to be processed.
- The UDL approach in these situations is to assess a fair allocation of the disputed amount, essentially comparing what the utility has supplied against what the customer feels they should have paid. The cost to the utility is an unbillable amount. The impact on the customer is the stress of having to meet a large cost that they were not aware of and typically were not causing in any conscious way.

Quantifying the benefit to the utility of advice from UDL that this type of billing problem has occurred is difficult because the potential frequency of the problem is unknown.

Other billing errors were caused by incorrect wiring of the meters for multi-dwelling buildings, which allocates usage incorrectly across different users. These errors require expert knowledge of electricity retailer processes to diagnose.

Damage caused by outages or power surges. The approach by UDL is to compare how the service offered by the utility compares to the service required under the terms and conditions of the relevant regulations and recommend an allocation of responsibility and costs between the customer and the utility that settles the matter.

2.3 Role 3(1) Recommendations to utilities on systemic issues

UDL makes two contributions to addressing systemic issues with complaint resolution:

- Identification of systemic process issues that will generate complaints. This benefit can be assessed by estimating the number of customers that will be affected by the issue and multiplying it by the expected time required per complaint to resolve the issue. There are also two secondary benefits that are harder to quantify:
 - Avoidance of any compensation payments or discounts above the amount in dispute that the utility may need to settle the claim.
 - Early containment and correction of the issue.
- Advice to utilities on the improvement of the efficiency of their complaints' resolution processes. The time required for UDL to resolve most complaints that have reached an impasse at UDL's 'First contact' and 'Early resolution' process stages seems to be much lower than the time spent on complaints, as reported in the NZ Consumer Survey. UDL also regards complaint summaries as a highly effective tool for resolving complaints.

2.3.1 Systemic issue identification

UDL has provided several examples of recent systemic issues that it has identified and raised with utilities. These issues, along with an approach to assessing the benefit of UDL intervention, are described in Table 7.



Table 7 Complaints indicating systemic issues

Based on examples provided by UDL

| Issue | Resolution | Benefit calculation approach |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Switching leads to meter reading error and back bill of \$3,000 covering 12 months. Estimated use was incorrectly treated as an actual meter reading.</p> | <p>Back bill discounted by 50% as utility had not verified accuracy of information. Electricity Authority changed audit process to include this issue.</p> | <p>Estimate error rate based on the number of customers switching multiplied by the expected inaccuracy in meter reading. Process time saved: number of switching customers per year multiplied by estimated error rate multiplied by compliant process time. Avoided utility cost: Discount multiplied by expected error rate.</p> |
| <p>Direct debit of back bill of \$7,000 after 6 months of bills based on estimated usage and 9 months of no bills. Direct debit overdrew the customer’s account.</p> | <p>Bill was discounted by 50%. Utility failed to detect its infrequent billing or notice that the bill was much higher than previous bills.</p> | <p>Estimate error rate based on the proportion of customers affected by infrequent billing. Process time saved: number of switching customers per year multiplied by estimated error rate multiplied by compliant process time. Avoided utility cost: Discount multiplied by expected error rate.</p> |
| <p>Metering upgrade from 2G to 4G stopped the meter from sending information to the utility because of the location of the meter. Utility asked customer to switch to another utility.</p> | <p>Electricity Authority advised of potential constraint on the use of 4G meters by some customers.</p> | <p>Issue that needs to be resolved.</p> |
| <p>Disconnection of a bundled customer after a period of non-payment without following the requirements for disconnection of electricity services.</p> | <p>Discount of 50 percent on the outstanding debt due to failure to follow disconnection process guidelines. Recommendation that utility should have a process in place to separate electricity charges from other service charges when considering disconnection.</p> | <p>Estimate error rate based on disconnections that do not follow the correct process multiplied by the share of customers with bundled services. Process time saved: number of switching customers per year multiplied by estimated error rate multiplied by compliant process time. Avoided utility cost: Discount multiplied by expected error rate.</p> |
| <p>Aggressive sales tactics from an electricity and broadband provider. Broadband customers were offered electricity services</p> | <p>UDL wrote to the utility and advised it was concerned with this practice.</p> | <p>Cannot be quantified.</p> |

Source: NZIER



2.3.2 Improving utility complaint resolution services.

The approach used to assess the benefit to customers and utilities in resolving complaints that have reached an impasse can be extended in principle to the adoption by utilities of UDL complaint processes, including the benefit of complaint summaries.

2.4 Role 3 (2)

UDL¹² is part of the regulatory structure of the energy sector and operates the approved Energy Complaints Scheme under the Electricity Industry Act 2010, and the Gas Act 1992. The benefits from UDL operation of the approved scheme can be assessed in the context of the scheme's contribution to the objectives of the:

- Electricity Authority (EA) which are:^{13,14}
 - The main objective: - *'to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.'*
 - The additional objective: - *'to protect the interests of domestic consumers and small business consumers in relation to the supply of electricity to those consumers.'*
- Consumer and Commercial Regulatory System which is *'enabling consumers and businesses to transact with confidence. The system helps consumers to:*
 - *access and understand the relevant information*
 - *be protected from high levels of detriment from actions outside of their control*
 - *have access to appropriate redress avenues if things go wrong.*¹⁵

By providing timely access to independent 'fee-free' dispute resolution, the UDL scheme assists the delivery of long-term benefits to consumers by giving customers confidence that:

- They can expect utilities to provide full, honest, comprehensible information about their service offering and to deliver services that match the offering.
- Cost, the expectation of lengthy delay or fear of withdrawal of service are not barriers to making a complaint.
- They can consider switching between utilities, knowing that the same standards of information and delivery of service offered apply to all utilities. (This simplifies the switching decision to a comparison of the attributes of the service offered and reduces the need for the customer to make judgements about the credibility of retailers' description of the service.)
- A judgement about the trustworthiness of the supplier.

¹² UDL's role has extended over time to broadband services offered by some energy utilities.

¹³ Electricity Industry Act 2010, section 15.

¹⁴ The Electricity Industry Act 2010 section 113(b) also enables regulation *'promoting the fair treatment by distributors and retailers of domestic consumers and small business consumers.'*

¹⁵ Downloaded from <https://www.mbie.govt.nz/cross-government-functions/regulatory-stewardship/regulatory-systems/consumer-and-commercial-regulatory-system>



UDL applies industry standards, regulations, and legislation during the complaint process and when drafting decisions. This includes the Electricity Authority's Minimum Terms and Conditions, Consumer Care Guidelines as well as the Consumer Guarantees Act as it refers to electricity and gas.

UDL sends anonymised decisions as well as potential code breaches and systemic issues, and general complaints reporting to the EA, Commerce Commission, Electricity Retailers Association of New Zealand and the Electricity Networks Association.¹⁶

UDL has also contributed to the wider industry through working with the Government Centre of Dispute Resolution (GCDR).¹⁷ This included:

- Regular participation in industry forums, presentations and other events.
- Membership of a panel to design and promote a New Zealand-specific standard for dispute resolution schemes, with the aim of guiding and improving the industry.
- Input into the design of dispute resolution schemes.

2.4.1 Accelerated adoption of consumer care standards

UDL can accelerate the improvement of consumer service levels by applying best practice to the framework it uses to assess complaints. The development of consumer service standards has been gradual.

The EA has had voluntary guidelines in place for vulnerable customers for some time. See the Electricity Authority's *Guideline on arrangements to assist medically dependent consumers*, 19 August 2016 and *Guidelines on arrangements to assist vulnerable consumers*, 19 August 2016.¹⁸ There were also the Electricity Authority's *Voluntary good contracting principles and minimum terms and conditions for domestic contracts*, 28 September 2018 and unwritten industry conventions that, in effect, provide a backstop retailer for medically dependent customers. However, the Electricity Price Review in 2018-2019, called for greater protections of vulnerable and medically dependent consumers.¹⁹

In response, the EA developed the Consumer Care Guidelines that covered all customers rather than focusing on vulnerable and medically dependent customers, and they were released in 2021. In 2022, the EA was given a new objective *to protect the interests of domestic and small business consumers in relation to the supply of electricity to those consumers*. (This objective relates to the dealings of industry participants with domestic and small business consumers.)

In June 2023, the EA published the results of retailers' self-assessment of compliance with the guidelines.²⁰ The self-assessment indicated the following:

¹⁶ The Electricity Networks Association represents the owners of the infrastructure (substations, transformers, poles and wires that carry electricity from the national grid to customers.

¹⁷ The GCDR was (part of the Ministry of Business Innovation and Employment (MBIE) but was disestablished 2024.

¹⁸ Also see, the Electricity Retailers' Association of New Zealand's webpage "Better outcomes for those struggling to pay their electricity bills", <https://www.eranz.org.nz/news-and-insights/better-outcomes-for-those-struggling-to-pay-their-electricity-bills/> See the Electricity Authority's *Guideline on arrangements to assist vulnerable consumers* Version 2.1, 1 November 2010, page B See Electricity Price review Final Report May 2019 page 26

¹⁹ <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price>

²⁰ Electricity Authority. 1 June 2023 *Summary of Retail Brands' self-assessments of alignment with the Consumer Care Guidelines*



- Alignment was described by the EA as ‘mixed’. *Of the 29 retail brands who provided self-assessments, 20 stated they were fully aligned with the Guidelines (67% of the ICP market / 69% of retailers / 1,305,070 ICPs).*
- Genesis was the only major retailer to report non-compliance with the ‘Account management’, ‘Disconnections’ and ‘Medically dependent consumer’ sections of the guidelines.’
- *Four of the six medium sized retail brands who provided self-assessments stated full alignment (8.5% of the market). Two others stated that they did not align with three or four parts of the Guidelines, respectively, which is a significant proportion of the Guidelines.*

The EA noted that the Consumer Care Guidelines *were developed in 2020 through an intensive and collaborative process with industry and stakeholders.* The consultation included a discussion on whether the Consumer Care Guidelines should be voluntary or mandatory. Although the EA agreed that the Guidelines should be voluntary, it expected that retailers would fully align with the Guidelines by 31 December 2021.

The EA has now announced it will make the Guidelines mandatory in 2025. UDL has treated the EA Guidelines as a set of mandatory standards in its complaint resolution work since they were published in 2021. This combined with the reporting of systemic non-compliance issues by UDL to the EA, has helped to accelerate the adoption of the standards in the guidelines.

2.5 Querulant customers

As an independent dispute resolution service, UDL can assist utilities in minimising the cost of dealing with persistent complainants. We have not been able to find data on the proportion of persistent complainants from the UDL data, but we understand a rule of thumb is that they can account for 3 percent of complaints by number but 26 percent by the time required to resolve the complaints.

3 Conclusion

We assess that:

- UDL processes for resolving complaints as \$2.9m to \$4.2m less expensive in 2024 than alternative dispute resolution processes would have been assuming customers could have accessed them.
- UDL communication and training to utilities helps them to improve the efficiency of their complaint resolution processes and reduce both the time spent on complaints and the damage to the relationship with the customer. UDL also helps utilities reduce the risk of revenue that has to be written off due to process errors indicated by the complaint that may occur with other customers.
- UDL’s application of voluntary consumer service standards to its decisions, referral of complaint root cause issues to regulators and submissions on regulatory reforms all lift the standard of consumer service above what it would be without the existence of



UDL. They also provide a cross-check on the compliance of utilities that complements utility self-assessment regulator audits.

However, our quantification of the benefits offered by UDL has been hindered by a lack of data on the number of complaints and the contribution of UDL to improving utilities' dispute resolution services. A more formal processes for the collection of information from the utilities on the volume of complaints, the nature of the dispute and time required to resolve complaints would help to improve the customer service levels and measure the on-the-ground effectiveness of customer care standards.



Appendix A NZ Consumer survey – utilities

A.1 Use of consumer survey data

The Consumer Survey data on customer propensity to complain, the process used to make complaints, time required and the impact of complaints on the customer have been a key input into quantifying the contribution of UDL to dispute resolution. However, the responses to repeated survey questions vary over time, and new questions have been added to the survey for 2022 and 2024. The following sections describe the information that was used in the preparation of this report.

A.2 Purchasing frequency and value

Table 8 Purchasing experience

Purchased product within the last two years

| Description | 2016 | 2018 | 2020 | 2022 | 2024 |
|------------------|-------|-------|-------|-------|-------|
| Utility services | 67% | 63% | 61% | 65% | 74% |
| Home-based telco | 66% | 63% | 55% | 59% | 58% |
| Mobile telco | 81% | 80% | 71% | 74% | 76% |
| Base | 1,227 | 2,592 | 1,734 | 2,011 | 3,500 |

Source: NZIER

Table 9 Value of purchase for consumers with problem – utilities =

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------|------|------|------|------|
| Up to \$50 | 2% | | | 1% |
| \$51 to \$100 | 14% | | 7% | 25% |
| \$101 to \$500 | 47% | | 46% | 49% |
| \$501 to \$5,000 | 20% | | 38% | 16% |
| Over \$5,000 | 11% | | 8% | 4% |
| Base | | | | |

Source: NZIER



A.3 Problem incidence

Table 10 Problem incidence

Any problem with product purchased within the last two years

| Description | 2016 | 2018 | 2020 | 2022 | 2024 |
|------------------|---------|-----------|-----------|-----------|-----------|
| Utility services | 14% | 12% | 11% | 15% | 8% |
| Home-based telco | 35% | 31% | 27% | 25% | 12% |
| Mobile telco | 23% | 20% | 19% | 21% | 10% |
| Base | 801-968 | 250-2,250 | 345-1,458 | 330-1,794 | 481-2,909 |

Notes:

- 1 **Q14b:** *And for each of the following product or service categories, did you experience any problems with purchases you made in the past two years?*²¹

Source: NZIER

A.4 Problem resolution method

Table 11 Ways in which problems were resolved

For all disputes covered by the survey²²

| Description | 2016 | 2018 | 2020 | 2022 | 2024 |
|--------------------------------------|------|------|------|------|------|
| With business | 86% | 88% | 84% | 88% | 78% |
| Dispute resolution service/mediation | 3% | 1% | 4% | 4% | 11% |
| Disputes tribunal or court | 1% | 1% | 2% | 1% | 3% |
| Through lawyer | 1% | 1% | 1% | 4% | 3% |
| Other | 9% | 8% | 5% | 1% | 4% |

Source: NZIER (Survey 2022, Figure 37: Ways in which problems were resolved, page 50 and Survey 2024, Figure 23: Ways in which problems were resolved, page 40)

²¹ NZ Consumer Survey 2024 Report, Figure 6, page 20.

²² The NZ Consumer Survey did not include questions about how complaints for different types of product or service were resolved until 2024.



Table 12 Problem dispute resolution - utilities

How the problem was resolved

| Description | 2024 |
|---------------------------------------------------------------|------|
| Directly with the business | 76% |
| Through a dispute resolution service or third-party mediation | 16% |
| Through the Disputes Tribunal or a court | 7% |
| Through a lawyer | 0% |
| Other | 0% |
| Base | 59 |

Source: NZIER (Survey 2024, Figure 88: How problem was resolved by problem sector)

A.5 Problem resolution time

Table 13 Time spent resolving problem – utilities

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|--------------------|------|------|------|------|
| Less than 1 hour | 21% | | 23% | 15% |
| 1–2 hours | | | | 29% |
| 3–5 hours | 46% | | 51% | 16% |
| 5–10 hours | 23% | | 18% | 7% |
| More than 10 hours | 7% | | 8% | 27% |
| Base | 58 | | 41 | 59 |

Source: NZIER, NZ Consumer Survey 2024 Figure 83, page 107, NZ Consumer Survey 2022, Figure 47, page 61, NZ Consumer Survey 2018, Figure 33, page 48.

A.6 Impact of the problem on customers

New questions were added to the 2024 survey. Also, some of the questions that covered all products and services together in earlier surveys were asked separately for individual categories of products and services.



A.6.1 Survey: 2018 to 2022

Table 14 Impact of problem²³

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|-------------|------|------|------|------|
| Severe | 12% | 11% | 9% | |
| Moderate | 36% | 29% | 29% | |
| Light | 39% | 42% | 46% | |
| None | 14% | 17% | 16% | |
| Base | 1385 | 647 | 1010 | |

Source: NZIER

A.6.2 Survey: 2024

Table 15 Monetary cost of fixing problem²⁴

Any problem with product purchased within the last two years. New question in 2024.

| Description | 2024 |
|-------------------|------|
| None | 47% |
| Up to \$50 | 12% |
| \$51 to \$100 | 9% |
| \$101 to \$500 | 11% |
| \$501 to \$5,000 | 12% |
| More than \$5,000 | 7% |
| Prefer not to say | 3% |

Source: NZIER

²³ New Zealand Consumer Survey 2022 ,Figure 30: Impact of most recent problem on everyday life.

²⁴ NZ Consumer Survey 2024, Figure 11: Monetary cost of resolving problem, page 29.



Table 16 Non-monetary cost of resolving problem²⁵

Any problem with product purchased within the last two years. New question in 2024.

| Description | 2024 |
|---------------------------------------------------------------------|-------|
| Time | 50% |
| Impact on mental health and wellbeing (including stress) | 26% |
| Impact on ability to trust other people | 20% |
| Impact on ability to trust institutions (e.g. banks) | 15% |
| Feel less confident using the internet / no longer use the internet | 9% |
| Impact on ability to work | 8% |
| Impact on personal relationships | 8% |
| Identity theft | 3% |
| Impact on ability to get loans | 2% |
| Other | 1% |
| None of the above | 23% |
| Base | 1,433 |

Notes:

- 1 Significantly more likely to be impacted by...
 - a Impact on mental health/wellbeing ... Health (49%), Utility (46%), Insurance (43%), 35–54 years old (31%), Females (30%)
 - b Impact on ability to trust institutions ... Banking products/services (43%), Insurance (41%), Utility (27%)
 - c Impact on ability to work ...
 - d Health (49%), Home-based telecom (20%), 18–34 years old (12%)
- 2 *Getting hold of a real person to discuss problems is much more difficult nowadays, hence takes up so much of personal time! On the phone, always a long waiting time sometimes up to one hour or so!*

Source: NZIER

²⁵ NZ Consumer Survey 2024 Report, Figure 14: Non-monetary cost of resolving problem, page 31.



Table 17 Status of the problem – utilities

Any problem with product purchased within last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------------------|------|------|------|------|
| Resolved to satisfaction | 40% | | 56% | 51% |
| Resolved not satisfied | 32% | | 11% | 23% |
| Still in progress | 17% | | 16% | 14% |
| Unlikely to be resolved | 11% | | 15% | 12% |
| Base (those who took action) | 58 | | 41 | 51 |

Source: New Zealand Consumer Survey 2018, page 48, New Zealand Consumer Survey 2022, page 61 and New Zealand Consumer Survey 2024, page 100.

Source: NZIER

Appendix B NZ Consumer Survey – telecommunications

B.1 Problem incidence

Table 18 Value of purchase for consumers with problem – Home-based telco

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------|------|------|------|------|
| Up to \$50 | 5% | 7% | | 5% |
| \$51 to \$100 | 37% | 30% | 42% | 47% |
| \$101 to \$500 | 44% | 31% | 38% | 28% |
| \$501 to \$5,000 | 9% | 18% | 15% | 8% |
| Over \$5,000 | 0% | 1% | 5% | 2% |

Source: NZIER

Table 19 Value of purchase for consumers with problem – mobile

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------|------|------|------|------|
| Up to \$50 | 19% | 18% | | 37% |
| \$51 to \$100 | 23% | 21% | 60% | 23% |
| \$101 to \$500 | 27% | 29% | 29% | 20% |
| \$501 to \$5,000 | 26% | 24% | 9% | 14% |
| Over \$5,000 | 2% | 0% | 2% | 2% |

Source: NZIER



B.2 Problem resolution time

Table 20 Time spent resolving problem – home-based telco

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|--------------------|------|------|------|------|
| Less than 1 hour | 13% | 9% | 18% | 11% |
| 1–2 hours | | | | 25% |
| 3–5 hours | 44% | 26% | 52% | 28% |
| 5–10 hours | 17% | 26% | 16% | 7% |
| More than 10 hours | 21% | 29% | 11% | 24% |

Source: NZIER

Table 21 Time spent resolving problem – mobile

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|--------------------|------|------|------|------|
| Less than 1 hour | 22% | 23% | 37% | 25% |
| 1–2 hours | | | | 32% |
| 3–5 hours | 52% | 40% | 35% | 26% |
| 5–10 hours | 9% | 14% | 13% | 12% |
| More than 10 hours | 15% | 12% | 11% | 1% |

Source: NZIER

Table 22 Status of the problem – home-based telco

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------------------|------|------|------|------|
| Resolved to satisfaction | 48% | 51% | 39% | 50% |
| Resolved not satisfied | 29% | 25% | 45% | 28% |
| Still in progress | 12% | 14% | 8% | 10% |
| Unlikely to be resolved | 11% | 10% | 8% | 12% |
| Base (those who took action) | 194 | 93 | 97 | 72 |

Source: NZIER



Table 23 Status of the problem - Mobile

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|------------------------------|------|------|------|------|
| Resolved to satisfaction | 51% | 39% | 50% | 52% |
| Resolved not satisfied | 25% | 41% | 21% | 29% |
| Still in progress | 8% | 9% | 4% | 3% |
| Unlikely to be resolved | 16% | 11% | 25% | 17% |
| Base (those who took action) | 122 | 51 | 58 | 73 |

Source: : New Zealand Consumer Survey 2018, page 49, New Zealand Consumer Survey 2020, page 50, New Zealand Consumer Survey 2022, page 55 and New Zealand Consumer Survey 2024, page 97.

Source: NZIER

B.3 Mixed utilities and telecommunication responses

Table 24 Resolution of the complaint

Any problem with product purchased within the last two years

| Description | 2018 | 2020 | 2022 | 2024 |
|----------------------------------------------------|------|------|------|------|
| Directly with business | 88% | 84% | 88% | 78% |
| Dispute resolution service/ mediation | 1% | 4% | 4% | 11% |
| Disputes Tribunal / court | 1% | 2% | 1% | 4% |
| Through lawyer | 1% | 1% | 1% | 3% |
| Other | 8% | 5% | 4% | 4% |
| Base (Those whose problem was (being) resolved) | 852 | 532 | 596 | 888 |

Source: NZIER



Table 25 Resolution of the complaint 2024

Any problem with product purchased within the last two years

| Description | Utilities | Home-based telco | Mobile telco |
|---------------------------------------|-----------|------------------|--------------|
| Directly with business | 78% | 68% | 85% |
| Dispute resolution service/ mediation | 16% | 14% | 11% |
| Disputes Tribunal / court | 7% | 1% | 3% |
| Through lawyer | 0% | 4% | 1% |
| Other | 0% | 13% | 0% |
| Base (resolved the problem) | 45 | 63 | 61 |

Source: NZ Consumer Survey 2024, Figure 69: Home-based telecommunications, Figure 71: Mobile telecommunications services and Figure 74: Utility services.

Source: NZIER

Table 26 Easiness of resolving by problem sector 2024

Any problem with product purchased within the last two years

| Description | Utilities | Home-based telco | Mobile telco |
|-----------------------------|-----------|------------------|--------------|
| 1 – Not easy | 32% | 28% | 12% |
| 2 | 17% | 25% | 29% |
| 3 | 33% | 24% | 29% |
| 4 | 11% | 16% | 12% |
| 5 – Very easy | 8% | 7% | 18% |
| Base (resolved the problem) | 45 | 63 | 61 |

Source: NZ Consumer Survey 2024, Figure 69: Home-based telecommunications, Figure 71: Mobile telecommunications services and Figure 74: Utility services.

Source: NZIER

Table 27 Ease of resolving by problem

Any problem with product purchased within the last two years

| Description | 2016 | 2018 | 2020 | 2022 | 2024 |
|---------------|------|------|------|------|------|
| 1 – Not easy | 19% | 18% | 17% | 17% | 14% |
| 2 | 16% | 21% | 21% | 20% | 16% |
| 3 | 23% | 26% | 28% | 28% | 25% |
| 4 | 20% | 14% | 16% | 14% | 20% |
| 5 – Very easy | 22% | 21% | 15% | 20% | 25% |

Source: 2022 Consumer Survey, Figure 39: Ease of resolving problems and 2024 Consumer Survey Figure 25

Source: NZIER



Table 28 Compliant data analysis framework

| Role In framework | NZ Consumer survey | Genesis | UDL | Outputs |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Complaint volumes | Proportion of purchasers who have complained. Multiplied by number of ICPS as an estimate of complaints per year. | Number of complaints received for Genesis and Frank Energy. | Number of complaints received by UDL (classified as first contact). | Each source is used to estimate a baseline for the volume of complaint activity and the trend in compliant volumes. |
| Method of resolution | Proportion resolved with the supplier, UDL, Disputes Tribunal or lawyer. | No usable data on method of resolution. | Complaints referred to UDL are reported by the stage at which they are resolved. | NZ Consumer survey data allows an estimate for the complaint resolution through different channels based on UDL data. |
| Time required to resolve disputes | Proportion resolved in time bands. | No usable data. | Median time spent by UDL staff at each stage. 'first contact', 'early resolution', 'conciliation and 'Commissioner decision'. | Make assumption about counterfactual for disputes not resolved through UDL and apply this to the disputes resolved by UDL. |
| Time spent at each stage | | | Number of days spent at each stage. | Secondary estimate of the time taken to resolve complaints. |
| Cost of resolving the complaint | 2024 survey only | | | |
| Systemic issues affecting a company | | | Reporting of the number of complaints that require process change. | |
| Systemic issues that affect all companies | | | | |

Source: NZIER



Appendix C Genesis complaint volumes

We have not been able to find industry data on the volume of complaints; therefore, the share of complaints is represented by UDL data. However, Genesis Energy does report complaint data in some detail, as described in the following table based on Genesis' annual reports.

Table 29 Genesis complaint data

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|---------|---------|---------|---------|---------|
| Genesis | | | | | |
| Customers | 484,687 | 474,325 | 471,012 | 483,721 | 496,596 |
| Complaints ¹ | 983 | 1,130 | 1,252 | 1,269 | 1,002 |
| UDL deadlock ² (count) | 12 | 15 | 3 | 12 | 32 |
| Frank Energy | | | | | |
| Customers | | | | | |
| Complaints | | 254 | 346 | 410 | 399 |
| UDL deadlock ² (count) | | | 3 | 1 | 2 |
| UDL deadlock retailers | 146 | 124 | 104 | 98 | 135 |

Note:

- 1 Complaints to Genesis requiring escalation to 'Team leader'.
- 2 Deadlock complaint accepted by UDL

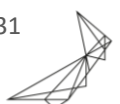
Source: NZIER



Appendix D UDL submissions

In the last three months, UDL has also submitted the following (let me know if you'd like to view any of these submissions in detail):

- Electricity Authority's (EA) document Code Amendment Omnibus Four (Omnibus 4) (<https://www.ea.govt.nz/projects/all/code-amendment-omnibus/consultation/code-amendment-omnibus-4/>)
- EA's Consultation Paper – Improving Retail Market Monitoring: Amended Information Notice and Updated Analysis <https://www.ea.govt.nz/projects/all/improving-retail-market-monitoring/consultation/amended-information-notice-and-updated-analysis/>
- EA's Proposal Document Addressing: Harmonics, Voltage, and Frequency <https://www.ea.govt.nz/news/general-news/consultation-open-to-resolve-common-quality-issues-in-the-code/>
- EA's Consultation Paper: Proposed Consumer Care Obligations <https://www.ea.govt.nz/projects/all/consumer-care-guidelines/consultation/proposed-consumer-care-obligations/#:~:text=The%20proposed%20Code%20amendment%20will,retailers%2C%20improving%20transparency%20and%20accountability.>
- MBIE's Consultation paper: Exploring a Consumer Data Right for the Electricity Sector - <https://www.mbie.govt.nz/have-your-say/exploring-a-consumer-data-right-for-the-electricity-sector>
- EA's Follow-up Consultation – Proposed Changes to the Default Distributor Agreement - <https://www.ea.govt.nz/projects/all/default-distributor-agreements/consultation/proposed-changes-to-the-default-distributor-agreement/#:~:text=These%20four%20proposals%20aim%20to,to%20use%20of%20moneys%20adjustments.>
- Customer and Product Data Bill – submission to the Economic Development, Science, and Innovation Committee - <https://www.mbie.govt.nz/have-your-say/seeking-feedback-on-the-customer-and-product-data-bill-consumer-data-right>



Appendix E Customers service standards are higher

E.1 Change in service standards

The change in the industry approach to disconnection for non-payment illustrates the long-term shift in accepted standards for customer service. Historically, disconnections were used as a tool to limit bad debts from customer non-payment. However, the acceptability of disconnection has declined over time to the point where it is seen as a last resort, as briefly explained in the following sections.

E.2 Disconnection history – 2006 to 2021

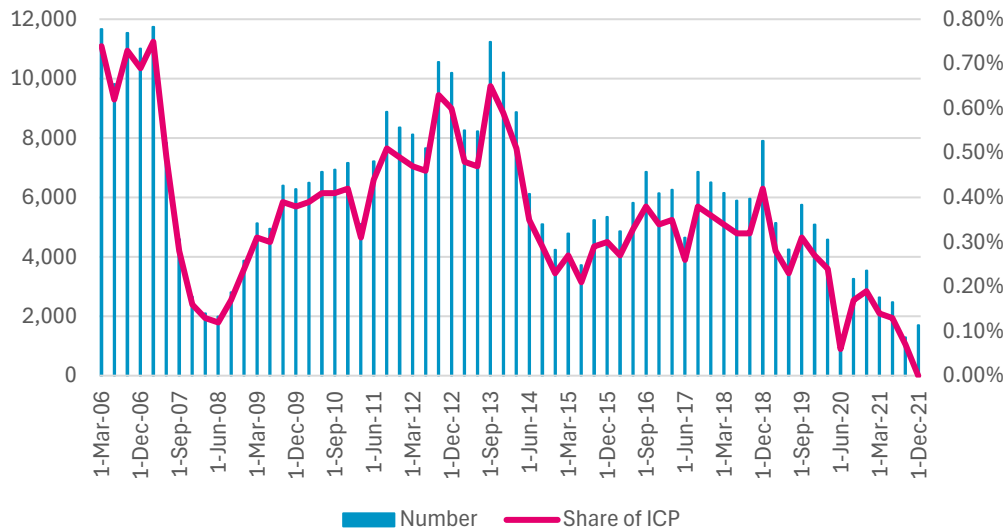
The EA report on disconnections²⁶ describes a massive change in the approach to disconnections over the period 2006 to 2021, as shown in Figure 2 below. Disconnection policies have oscillated between limiting customer debt and responding to avoid adverse impacts on customers as follows:

- Disconnection rates were reduced by about 80 percent between June 2007 and December 2007 following the death of a medically dependent customer 3 hours after disconnection on 29 May 2007.
- Disconnection rates increased to about 60 percent of Mar 2007 levels as retailers attempted to lower debt levels, which had trebled by September 2013.
- Disconnection rates were lowered over the last six months of 2014 in response to adverse publicity and a request from the *Minister of Energy and Resources to retailers to review their processes for dealing with indebted customers*.
- Suspension of disconnections during the lockdowns for COVID-19 (April to May 2020 and August 2021).

²⁶ Electricity Authority 1 March 2022 'Disconnections for non-payment, January 2006 – December 2021, Information paper'. The comments in section E.1 are paraphrased from page 5 of the EA report and Figure 2 is drawn using the data in 'Table 1: Disconnections as a percentage of total number of domestic ICPs for each retailer 2006-2021' on pages 6 and 7.



Figure 2 Disconnections, number and share of ICP from 2006 to 2021



Source: NZIER

E.3 Detailed disconnection data – October 2021 to August 2024

The EA collects data on ICP numbers at various stages of the disconnection process, the level of debt and write-offs of debt and the number of medically dependent customers. The data is collected monthly from retailers with more than 1,000 ICPs and includes:

- Counts of the number of ICPs that have asked about a repayment plan, are in various stages of the disconnection process or are medically vulnerable. The data for these categories shows actual disconnections are a small fraction of the number of ICPs in difficulty or receiving disconnection notices.
- Debt from ICPs in various stages of the disconnection process and total debt written off.

The categories for counts of ICPs and total debt levels are the same for *'Debt from customer accounts more than 30 days overdue and not scheduled for disconnection?'* which allows the average debt to be calculated for ICPs in this group – a measure of the potential loss per ICP.



Table 30 Customers at various stages of the disconnection process and medically dependent customers

Summary of monthly counts of customers over October 2021 to August 2024

| Description | Number | | | Share of ICPs | | |
|---------------------------------------------------------------------------------|---------|--------|--------|---------------|-------|-------|
| | Average | Low | High | Average | Low | High |
| Customer enquiries received about payment flexibility or payment deferral | 18,912 | 15,557 | 23,070 | 0.97% | 0.81% | 1.20% |
| Customers on a deferred or revised payment plan with increased credit terms | 43,150 | 7,067 | 61,063 | 2.22% | 0.36% | 3.15% |
| Customer accounts more than 30 days overdue and not scheduled for disconnection | 49,296 | 36,198 | 58,946 | 2.54% | 1.88% | 3.01% |
| Customer accounts sent disconnection warning notices | 37,132 | 18,336 | 55,230 | 1.91% | 0.96% | 2.88% |
| ICPs disconnected for non-payment for a period more than 24 hours | 534 | 215 | 734 | 0.03% | 0.01% | 0.04% |
| Customer accounts flagged as being medically dependent or vulnerable | 43,150 | 7,067 | 61,063 | 2.22% | 0.36% | 3.15% |

Source: NZIER

Table 31 Amount owed by customers

Summary of monthly debt over October 2021 to August 2024

| Description | Total \$m | | | \$ per ICP | | |
|-------------------------------------------------------------------------------------------|-----------|-------|-------|------------|-----|------|
| | Average | Low | High | Average | Low | High |
| Debt from customer accounts more than 30 days overdue and not scheduled for disconnection | 21.85 | 15.30 | 33.13 | 443 | 383 | 562 |
| Debt from customer accounts where ICP disconnection is scheduled and not yet actioned | 1.18 | 0.52 | 1.97 | | | |
| Debt from customers disconnected for non-payment | 0.54 | 0.14 | 0.85 | | | |
| Total customer debt written off during the reporting period | 1.56 | 0.72 | 4.30 | | | |

Source: NZIER



The EA intended to monitor retailer performance against the following outcomes:²⁷

- *All residential consumers receive care and respect in every interaction with their retailer.*
- *Customers receive a consistent minimum level of care from their retailer, ensuring equitable treatment across the electricity sector.*
- *Customers are on the most suitable plan for their circumstance.*
- *Customers experiencing payment difficulties are connected and supported, with retailers only using disconnection as a last resort measure.*
- *Medically dependent consumers are not disconnected.*

²⁷ Concept Consulting. 18 July 2024 *Assessment of the costs and benefits of mandating the proposed Consumer Care Obligations*, page 13.