POWER CREDITS

POWER CREDIT SCHEME

THE DETAIL

WHAT IS HAPPENING WITH ELECTRICITY AND THE LOW FIXED CHARGE?

In April 2022, the government began implementing a recommendation from the 2019 Electricity Price Review ('EPR') to phase out the low fixed charge regulation over five years.

This review found the regulations were no longer fit for purpose and penalised low-income customers living in poor quality housing.

By creating financial incentives for households to use less electricity, the regulations run counter to moves to support wellbeing by having a warm, dry home. They were also a disincentive for households to transition from fossil fuels to electric power for things like running their vehicle and heating their home.

As part of phasing out the low fixed charge, electricity retailers and distributors created a $5 million Power Credits scheme to help consumers experiencing energy hardship over the five-year period by offsetting some of the price impacts.

WHY IS THE LOW FIXED CHARGE BEING PHASED OUT?

The phased removal of the low fixed charge relates to the daily fixed charge component of a bill, which typically comprises about 15% of a customer's total bill.

Under the low fixed charge regulation, electricity retailers were required to offer at least two different daily fixed rates: cheaper daily fixed rate for "low users" using below 8000 kWh per year[1].

A higher daily rate for households using over 8000 kWh per year.

Around half of all New Zealand households use over 8000 kWh per year and many of these are larger households, living in less energy-efficient, low-quality homes

Also, some of these households underheat their homes to manage their electricity costs below the 8,000 kWh threshold, which is counter to achieving warm and healthy homes.

In short, the 2019 Electricity Price Review found that an unintended consequence of the low fixed charge regulation was that half New Zealand households were subsiding the other half of consumers benefiting from the low fixed charge - and it was an ineffective regulation in targeting the people who needed the most support.

All households are expected to benefit from the regulation being removed in the long term.

[1] 9,000 kWh per year in parts of the South Island.

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HOW DOES THE POWER CREDITS SCHEME WORK?

The Power Credits scheme has been put in place by industry to ensure a smooth phase out of the low fixed charge regulation and will run for five years from winter 2022.

Retailers and Distributors fund the scheme, which will see $5 million spent over five years to assist households experiencing energy hardship.

Power Credits are available:

- **To residential customers on the account for their primary residence;**
- **When households are experiencing energy hardship and are, or have been, on a low-fixed charge in the last 6 months;**
- **In the form of a fixed lump sum credit of $110 (funded equally by participating retailers and distributors);**
- **Up to a maximum of two credits per household per 12 month period – a second Power Credit can only be issued if the customer has received professional budgeting advice.**

The power credits will be released in a controlled manner so that there are credits available throughout the five- year transition process.

WHAT ADDITIONAL SUPPORT IS AVAILABLE FOR CUSTOMERS THROUGH THE CHANGE?

Electricity retailers have a number of ways they can support customers facing energy hardship, in addition to the Power Credits scheme. For more information, customers should talk to their retailer.

The electricity sector continues to support customers through initiatives like 'EnergyMate', a programme providing free energy coaching so people can make the most of their electricity. Retailers also assist customers to set up affordable payment plans and connect them into other support services.