

POWER CREDITS AND THE LOW FIXED CHARGE PHASE-OUT

What's happening with the low fixed charge?

From 1 April 2024, electricity consumers on low-use plans may notice a change in their power bill. The fixed charge that helps pay for their connection to the grid will rise up by 30 cents a day to a maximum of \$1.20 a day.

This daily fixed charge is lower for people on low-use plans compared to standard plans - it doesn't fully cover the cost of their grid connection. The government is phasing out the low fixed charge, so that eventually everyone will pay the same fixed daily amount for their grid connection, regardless of how much power they use.

The low fixed charge removal is taking place in phases from 2022 to 2027. In most cases, the phases are implemented every April, which is when customers will see it reflected in bills for low-use plans.

What does the low fixed charge phase-out mean for customers?

Between 2022 and 2027, the fixed charge for most customers on low-use plans will gradually increase every year. But for the average customer, this will be offset by a fall in the variable charge - which is the price paid for each unit of electricity used.

What help is available for customers?

The electricity sector has established the Power Credits scheme for customers who are affected by the change and are experiencing hardship.

The scheme, financed by participating electricity retailers and distributors, will provide \$5 million in credit to customers over the five-year phase-out period.

In its first year, Power Credits distributed more than \$1 million in credits to eligible customers.

How does Power Credits work?

Power credits are available to households who are, or have been, on a low-use power plan in the last six months and who are experiencing hardship.

The customer must be with one of the electricity retailers participating in the scheme - Contact, Meridian, Mercury, Genesis, Nova, Wise, Globug, Powershop, Frank, or Sustainability Trust (Toast).

Once a customer's eligibility is confirmed, the power company issues a credit of \$110 to their account. A maximum of two power credits in a 12 month period can be claimed by each eligible customer.

Retailers can issue the first power credit straight away. Customers can only receive a second if they have received budgeting support from a financial mentor.

But why remove the low fixed charge in the first place?

Because it was having an unfair impact. Keeping the fixed charge lower for low-use customers meant not everyone was treated the same - customers on standard plans were paying more.

That won't happen when the low fixed charge is fully phased out in 2027, all customers will be treated equally and pay the same for connecting power to their homes.

The government sought expert advice, which found high-energy users, including large families in poorly insulated homes, were effectively subsidising lower users, typically smaller households or those able to afford things like energy efficient heat pumps or solar panels.

Many of those paying extra were on low incomes and living in damp, draughty homes that needed a lot of power to keep the whānau warm and healthy.

The government accepted the expert advice to remove the low fixed charge, phasing it out over five years from April 2022.

What additional support is available for customers through the change?

There are other ways power companies can support customers who are struggling to pay their bills.

This could include setting up affordable payment plans, referrals to budgeting support services, and working with customers to ensure their credit rating is not impacted by debt.

Power companies can also help customers access specialist advice through programmes like EnergyMate and provide information about initiatives like the government's Winter Energy Payment.

More information about the LFC phase out is available here:

<https://www.eranz.org.nz/for-consumers/explaining-the-low-fixed-charge-removal-2>