Office of Hon Gerry Brownlee

MP for Ilam
Minister for Economic Development
Minister of Energy and Resources
Leader of the House
Associate Minister for the Rugby World Cup

- 4 AUG 2009

ERGB 09-10/0082

Liz Baxendine
President
Age Concern New Zealand
PO Box 10-688
WELLINGTON 6143

Dear Ms Baxendine

Thank you for your letter of 25 May 2009 regarding the electricity costs faced by older New Zealanders. I apologise for the delay in responding.

I do fully appreciate consumers' concerns about increases in electricity charges. That is why, as part of the Ministerial Review of the Electricity Market which I announced on 1 April, I included in the Terms of Reference a requirement for the review to look at efficient and fair pricing to all classes of consumer – in other words, the ongoing affordability of electricity. You will find my full media release and background information on the internet at:

www.beehive.govt.nz/release/ministerial+review+electricity+market

This review will obviously take some time to complete, but I am optimistic that we will be able to let people know before the end of this year about the improvements that we will adopt.

The government very recently announced a major new initiative to fund the installation of insulation and clean, efficient heating in houses built before 2000. This programme is baing managed by the Energy Efficiency and Conservation Authority and will be of interest to many of your members. Full details are on the Authority's website at:

www.energywise.govt.nz/funding-available/insulation-and-clean-heating

Some of your members may not be aware the current electricity regulations require retailers to offer a low fixed charge tariff option to domestic consumers for their primary place of residence. The low fixed charge tariff option must have a fixed charge no greater than 30 cents per day, excluding GST and after the deduction of any prompt payment discount. Those households interested in conserving power and can organise their electricity arrangements to consume less than 8,000 kilowatt-hours (units) of electricity each year can benefit from switching to this plan. This relieves them of the burden of paying a high fixed monthly charge no matter how hard they work at minimising their actual monthly power consumption. For *those* consumers in the lower South Island (Christchurch and points south excluding Westland), the upper limit is 9,000 units in recognition of the lower average temperatures experienced in those areas.

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It *is* acknowledged that those consumers whose annual usage is close to the relevant figure given above would see a minimal benefit from changing, but the further their consumption is below that figure the greater would be the annual saving from switching to this tariff. *It* is a matter of choice for the individual, who can readily obtain assistance from their electricity retailer to determine whether the change would be worthwhile.

It is, of course, important that your members periodically look at the tariffs available to them from other electricity retailers operating in their area, as there may be significant savings from switching to another retailer. A useful tool in assessing their options is the Consumer NZ "PowerSwitch" website at www.powerswitch.org.nz. By examining their options, and switching if appropriate, they will be encouraging competition between retailers, and thereby helping to ensure that the market delivers the most cost-effective supply of electricity to consumers.

Thank you again for writing.

Yours sincerely

Hon Gerry Brownlee
Minister of Energy and Resources