



**MINISTRY OF SOCIAL
DEVELOPMENT**

TE MANATŪ WHAKAHIATO ORA

07 SEP 2017

Dear Sir/Madam

On 28 July 2017, you emailed the Ministry requesting, under the Official Information Act 1982, the following information:

- *All information held by the ministry relating to the composition of the Manuals and Procedures entry 'Appropriate use of Powerswitch', published on the Work and Income website today.*

The Ministry uses the Powerswitch calculator which was created by Consumer NZ to inform assessments of additional power costs because the information is publicly available and considered to be a reliable estimate of power usage. There's no other reliable or publicly available source of estimated power usages for various household sizes. The Powerswitch estimates give Ministry staff a better gauge of the amount of additional power a client may be using because of their health condition, injury or disability. The assessment of additional power is done on a case-by-case basis and the amount of additional power assessed is discretionary, based on a conversation between the client and Case Manager.

On 28 July 2017, the Ministry updated the 'Appropriate use of Powerswitch' Manuals and Procedures page to inform Case Managers that when assessing additional power costs for Disability Allowance applications, the Powerswitch calculator should be used as a guide only. As they are only guidelines and are intended to be used as general advice, decisions about the level of support a client receives will be made only when all aspects of their circumstances have been carefully considered. The guide will form one part of that over-all decision. Case Managers are advised to discuss the client's individual circumstances with them and to assess each case on its merits.

More information about how Case Managers assess additional power costs can be found online at: www.workandincome.govt.nz/map/income-support/extra-help/disability-allowance/assessment-of-additional-power-01.html

Please find enclosed copies of the following documents which relate to the updated version of the Manuals and Procedures page 'Appropriate use of Powerswitch':

- Briefing paper for the Ministry of Social Development - March 2017
- Operational Policy and Practice Scoping Document - December 2016
- Consumer NZ / Powerswitch Update (Email) - November 2016

You will note that the names of some individuals are withheld under section 9(2)(a) of the Official Information Act 1982 Act in order to protect the privacy of natural persons. The need to protect the privacy of these individuals outweighs any public interest in this information.

The principles and purposes of the Act under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public shortly. The Ministry will do this by publishing this letter and attachments on the Ministry of Social Development's website. Your personal details will be deleted and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding the Manuals and Procedures page '*Appropriate use of Powerswitch*', you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ruth Bound', with a stylized, flowing script.

Ruth Bound
Deputy Chief Executive, Service Delivery

consumer.
powerswitch

Briefing Paper for
Ministry of Social Development

March 2017

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

1. Background

- 1.1. On 1 March 2017 Consumer NZ staff met the Ministry of Social Development (MSD) to discuss the implications of the use by MSD of the Consumer Powerswitch (PSW) website as a tool in its assessment of clients' energy use.
- 1.2. It is understood MSD staff complete PSW sessions on behalf of clients and use the results as a tool to assist in determining if their client's energy costs are impacted by their situation to the extent they require assistance from MSD to meet these costs.
- 1.3. From discussions in the meeting it became apparent the information MSD had about the nature and purpose of PSW was limited. As such this impacted on its ability to provide guidance to staff on the appropriate use of PSW as an assessment tool.
- 1.4. It was agreed Consumer NZ would provide a briefing paper to assist MSD in building an informed understanding of PSW.

2. Powerswitch overview

- 2.1. Consumer Powerswitch website is a free service owned and operated by Consumer NZ.
- 2.2. PSW was developed to provide users with price comparisons to assist them in making informed decisions when choosing an energy retailer.
- 2.3. No other potential uses of PSW by third parties was considered, or accounted for, in its development.
- 2.4. PSW has two methodological approaches when producing estimates. The first involves users providing their consumption data. The second is where the user does not have consumption data and PSW uses consumption from a typical household to make the comparison.
- 2.5. The household sizes given in PSW for the second approach are there to provide the best available comparison between retailers in the situation where there is little information about the PSW user's energy use. While the typical use levels may not apply to any given individual they allow for appropriate ranking of the costs of different retailers, though the estimated costs may not match those the user actually incurs.
- 2.6. It is understood MSD only uses the approach using consumption from a typical household in its assessments, so this briefing is limited to an explanation of this approach within PSW.
- 2.7. All aspects of the PSW model were set in 1999 at its launch or during reviews conducted in 2008 and 2011. All values used in the model were based on external source material. In 1999 and in the subsequent reviews all aspects of the model underwent industry and stakeholder consultation.

3. Powerswitch operation

- 3.1. Powerswitch operates by users choosing whether they are in a 1-2, 3-4 or 5+ person household then answering a range of questions about their household energy use.
- 3.2. Each typical household has a base annual consumption figure comprising three components, general use (lighting, cooking and appliances), hot water

- heating, and space heating. This figure is adjusted according to the users identified location and their answers to the energy use questions.
- 3.3. The adjusted annual consumption figure is then used with the current tariffs from each retailer to determine an estimate of the annual cost for that retailer.
 - 3.4. In each location the comparison is done for the type of plan (metering configuration) which the information from network company disclosures shows is the most common in that region. The type of plan chosen differs depending on whether or not the user indicates they have an electric hot water cylinder and/or a night store heater.

4. Typical households

- 4.1. There are three typical households (small, medium, large). The base typical household is assumed to be in Wellington, have a Grade A hot water cylinder and uses plug in electric heating.
- 4.2. The consumption amounts for each household size, and the split of this consumption across the different uses (general, hot water, space heating) are based on the results of the BRANZ Household Energy End use Project and the values published by various agencies at the time.
- 4.3. The values were set in 1999 and reviewed in 2008 and 2011. The reviews did not result in any changes to the consumption levels.

5. Household adjustments

- 5.1. The consumption values for the household size selected by the user are adjusted according to the information provided by them.
- 5.2. The space heating component is adjusted for the location the user is in. The weighting used is based on mean sunshine hours for the region indexed against Wellington.
- 5.3. The space heating component is adjusted for the impact of the following items:
 - Use of non-electricity heating sources (solid fuel, LPG etc).
 - Use of heat pumps.
 - Use of multiple heating options.
- 5.4. The hot water heating component is adjusted for the impact of the following:
 - Use of non-electricity heating sources (gas, wet backs, etc).
 - Use of solar units, and heat pump.
 - Use of continuous/instant heating systems.
 - Use of multiple heating options.
- 5.5. General energy use is adjusted for:
 - Use of gas cookers
 - Use of reverse cycle heat pumps as air conditioning units.

6. Other aspects of the Powerswitch consumption model

- 6.1. The PSW consumption model also takes account of known seasonal variations in energy use both for space heating and hot water heating. These adjustments impact on the estimates for retailers who offer summer/winter pricing (mainly in the lower South Island), spot price products or whose pricing varies month to month (e.g. Powershop).
- 6.2. The electricity low user regulations govern the offering of low user pricing for consumers using less than 8,000 kWh/annum (9,000 in the lower South

Island). PSW results filter out Low User or Standard tariffs at these boundaries +/- 500 kWh.

7. Use of Powerswitch model for comparisons by MSD

- 7.1. As stated MSD's use of Powerswitch falls outside of the purpose for which PSW was designed. However, given the current understanding of how the MSD uses PSW the following comments are pertinent.
- 7.2. When setting the consumption values for the different house sizes no account was taken for the potential deflating effect of lower socioeconomic status on energy consumption. That is the potential PSW estimates would be higher than would be expected for a low socioeconomic household.
- 7.3. The PSW model is sensitive to the answers to the user energy use questions. Any inaccuracies in the information entered will invariably generate results based on inappropriate consumption values.
- 7.4. PSW results are based on the most common plan/metering configuration for the household based on their answers to the energy use question. If the household has a different metering configuration then a comparison with PSW is inappropriate. PSW results show the plan and metering configuration used.
- 7.5. Any attempt to 'refine' PSW results to create results for specific household sizes (eg attempting to adjust a 1-2 household estimate for a 1-person household) is not justifiable from the data on which PSW consumption values are based and would be inappropriate.
- 7.6. We understand, PSW results are being compared with annualised estimates of MSD client energy use. Also this will at times be based on only short term (eg one or a few months) actual use. If annualisation does not take into account seasonal variations in energy use this could distort the annual values being compared to PSW results.
- 7.7. Retailers are required to provide customers (and past customers) details of their last two years' consumption data on request. Information on how to obtain this data is listed on the PSW retailer pages.



MINISTRY OF
SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

Operational Policy and Practice Scoping Document

Consumer Powerswitch SSAA decision
December 2016

Author:	s 9(2)(a) OIA	
Version:	1.0	
File Ref:		

Work item name	[INITIAL SCOPING AND BRIEFING OF PROJECT] Consumer Powerswitch SSAA decision	
Operational Policy and Practice Lead	s 9(2)(a) OIA	Operational Policy and Practice
Operational Policy and Practice Team manager	s 9(2)(a) OIA	Operational Policy and Practice
Other business units involved	<p>Teams having input:</p> <ul style="list-style-type: none"> Partnerships & Programmes s 9(2)(a) OIA Operational Policy & Practice s 9(2)(a) OIA s 9(2)(a) OIA Operational Support s 9(2)(a) OIA <p>The following teams will work with OPP as a consult when required:</p> <ul style="list-style-type: none"> Operational Support Partnerships & Programmes Design & Improvement (explore other avenues) <p>OPP are required to report progress to:</p> <ul style="list-style-type: none"> Operational Performance GM Operational Policy and Practice NM (OPP) 	
Background	<p>The SSAA recently made a decision regarding a call the Ministry made in relation to a client receiving extra power costs as part of their Disability Allowance (DA) and Temporary Additional Support (TAS).</p> <p>The current operational policy for deciding whether to grant additional money for extra power needs uses a public tool from Consumer called Powerswitch. This tool estimates average power use for households with 1-2 people and allows case managers to see if client's disability is causing them to use more power than average.</p> <p>The direction to use the tool appears in MAP under the process for estimating potential power needs. The website is currently down and the Ministry has been notified by Consumer that they no longer want us to use their public tool in official decisions. Potential options are</p> <ul style="list-style-type: none"> A bespoke tool created by Consumer to meet our requirements. A tool created by the Ministry of Social Development to replicate the results from the public tool. <p>The Ministry is exploring alternative options going forward, whether that be to use a bespoke tool designed by Consumer or an internally developed Ministry tool.</p>	
Objectives		
Desired outcome once work completed	<ul style="list-style-type: none"> A tool that allows frontline staff to accurately determine the eligibility for DA and SLP clients to receive extra money for power costs caused by their medical condition. 	
Operational Policy deliverables	<p>OPP will complete deliverables for this item. This will assist Partnerships & Programmes to progress with assessing the viability of implementing the proposed changes.</p> <p>OPP deliverables include the following:</p> <ul style="list-style-type: none"> An internal scoping document is completed Give a brief of tool we require to Consumer 	

	<ul style="list-style-type: none"> An options paper is drafted with new processes proposed and a cost benefit analysis to determine which process is the most viable. 	
Risks	Risks <i>Consumer have stated they no longer want us to use their public tool</i> <i>Inaccurate results from older, less accurate process of determining power usage.</i>	Mitigation options Frontline have been using the old method of using the operating costs of appliances and determining if the client is using more than average because of a medical condition.
Out of Scope		

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s 9(2)(a) OIA

From: Karen McDonald s 9(2)(a) OIA
Sent: Thursday, 16 March 2017 10:46 a.m.
To: s 9(2)(a) OIA
Cc:
Subject: Consumer NZ / Powerswitch Update

Follow Up Flag: Follow up
Flag Status: Flagged

Hi s 9(2)(a) OIA

s 9(2)(a) OIA

I'm following after our meeting with yourself, [redacted] and [redacted] on the 1st of March.

We agreed the issues with MSD using Powerswitch to establish beneficiary disability allowances payments were as follows:

- Using Powerswitch as a measure of typical use (beneficiaries power usage may be less than typical use due to budgetary restraints)
- Inability of Powerswitch to break household size down beyond small, medium and large.

Action points from the meeting were as follows:

- CNZ to provide further information about the Powerswitch model for MSD to be aware of when using it for working out disability payments. (W/C 13 March)
- MSD to refresh guidelines for Case Managers clarifying constraints of Powerswitch model. MSD to provide to CNZ to ensure we are happy with these.

s 9(2)(a) OIA has drafted a briefing paper for you with key topline points summarized at the end. I'd just like our CEO to review this before I send it to you. [redacted] is away till mid- next week.

So it will be with you as soon as possible after that. s 9(2)(a) OIA

In regard to the appliance running costs data. This will be reviewed during the course of this month. I will stay in touch with the staff members involved and advise you if this is to be updated. The word at present is that it is likely to stay stable but I'll keep you posted.

Cheers, Karen

Karen McDonald
Deputy CEO
Head of Marketing and Business Development

s 9(2)(a) OIA

consumer.org.nz



consumer.
now you know

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