

# Prepayment electricity metering leaves NZ children in the cold

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A study by the University of Otago, Wellington just published in the *New Zealand Medical Journal* finds that households with children that use prepayment meters to pay for electricity experience greater levels of economic hardship.

Problems reported by families running out of credit, or 'self-disconnecting' as the industry describes it, included not being able to heat baby's bottles, cook for or bathe their children, and increased family tension.

Based on the most recent national figures, about 28,000 households with children are estimated to use prepayment metering for [electricity](#). About three out of five households with children using prepayment have one or two children and two in five have three or more children living at home.

The study by Kimberley O'Sullivan, Professor Howden-Chapman, Geoff Fougere, and Drs Simon Hales and James Stanley, investigated the advantages and disadvantages of using prepayment metering, in cooperation with three major electricity companies.

Results from two nationwide postal surveys, the Electricity Prepayment Meter Users' Survey undertaken in late 2010 and the follow-up survey undertaken in 2011 found that households with children were more likely to cut back on grocery spending to afford electricity, and indicated greater [financial hardship](#) than other households.

Most households using prepayment meters report experiencing cold indoor temperatures. Households with [children](#) were more likely to report seeing their breath condensing indoors on at least one occasion during the winter, an indicator of unhealthy indoor conditions.

Prepayment meters are predominantly used by low-income households, and may be the only option offered to households that have been disconnected for non-payment of [electricity bills](#), or who have debt on their electricity accounts. Comparisons by both O'Sullivan in 2009 and 2010, and Consumer New Zealand last year found that prepayment metering is always the most expensive way to buy electricity.

"Successive governments have asked the mostly state-owned enterprises in the electricity sector to operate as corporate businesses and maximise profit and dividends. This market-driven model has seen prices disproportionately rise for residential consumers compared to commercial consumers," Kimberley O'Sullivan says.

"This is what corporate social responsibility looks like when it comes to the retail of electricity to residential consumers – where more expensive electricity sold through prepayment meters predominantly used by low-income households carries the punitive risk of automatic disconnection when payments cannot be made," says O'Sullivan.

"This way of operating forces parents to prioritise between heating and eating. Even these tough choices are not preventing some families from having no electricity when there is no money left at the end of the week."

The study results highlight that regulatory reform of prepayment metering could reduce the burden of fuel poverty in New Zealand by protecting consumers against some of the pitfalls, while harnessing the advantages of prepayment metering. These advantages include increased

awareness of household electricity use and the reduced risk of bill shock when an unexpectedly high monthly account is received.

"We urge the Government to address the problems we've identified with prepayment metering before any asset sale of power companies, which is likely to increase prices and fuel poverty, especially for this group," Kimberley O'Sullivan says.

Fuel poverty has been defined as the inability to acquire adequate household energy services by spending less than 10% of household income. This includes everything energy is used for within the home setting, including heating to WHO-recommended safe indoor temperatures for health of at least 18C.

"Estimates by our He KaingaOranga/Housing and Health Research Programme suggest that around 25% of New Zealand [households](#) are suffering fuel poverty, often in thermally poor homes" Professor Howden-Chapman says.

**More information:** Study: [Nationwide Postal Survey of Electricity Prepayment Metering Consumers – research from He Kainga Oranga, the Housing and Health Research Programme website.](#)

Provided by University of Otago

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