



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	Phase-out of the low fixed charge tariff regulations	<b>Date to be published</b>	28 October 2021

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
September 2021	Phase-out of the low fixed charge tariff regulations	Office of the Minister of Energy and Resources
1 September 2021	Phase-out of the Low Fixed Charge Tariff Regulations CBC-21-MIN-0083	Cabinet Office
September 2021	Regulatory Impact Assessment: Phase-out of the Electricity Low Fixed Charge Tariff Regulations	MBIE

### Information redacted

### YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



# Cabinet Business Committee

## Minute of Decision

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### Phase-Out of the Low Fixed Charge Tariff Regulations

**Portfolio**                      **Energy and Resources**

On 1 September 2021, the Cabinet Business Committee:

- 1        **noted** that in December 2019, the Cabinet Economic Development Committee agreed, as part of progressing the Electricity Price Review recommendations, that officials should engage with parties most likely to be affected by the phase-out to help with the development of a more robust and fair approach to phasing out the Electricity (Low Fixed Charge Tariff Option for Domestic Consumers) Regulations 2004 (the LFC regulations) [DEV-19-MIN-0325];
- 2        **noted** that officials completed a programme of engagement with representatives of parties most likely to be affected by the phase-out of the LFC regulations, and the outcomes of that engagement have informed the recommendations included in the paper under CBC-21-SUB-0083;
- 3        **agreed** that the LFC regulations should be phased out through a five-year transition under the following configuration:
  - 3.1      in the first year, from 1 April 2022, the maximum charge of \$0.30/day for the fixed component of LFC tariffs will be raised by \$0.30, to \$0.60/day;
  - 3.2      in the second year, from 1 April 2023, the maximum charge of \$0.60/day for the fixed component of LFC tariffs will be raised by \$0.30, to \$0.90/day;
  - 3.3      in the third year, from 1 April 2024, the maximum charge of \$0.90/day for the fixed component of LFC tariffs will be raised by \$0.30, to \$1.20/day;
  - 3.4      in the fourth year, from 1 April 2025, the maximum charge of \$1.20/day for the fixed component of LFC tariffs will be raised by \$0.30, to \$1.50/day;
  - 3.5      in the fifth year, from 1 April 2026, the maximum charge of \$1.50/day for the fixed component of LFC tariffs will be raised by \$0.30, to \$1.80/day; and
  - 3.6      at the end of the phase-out, from 1 April 2027, the LFC regulations will be revoked, allowing for a market-determined adjustment of fixed charges;
- 4        **noted** that during the phase-out period, the existing split between the maximum fixed charge for distributors and retailers will be retained, so that the maximum fixed charge for distributors remains at 50 percent of the maximum fixed charge for retailers;

- 5 **invited** the Minister of Energy and Resources to issue drafting instructions to the Parliamentary Counsel Office to give effect to the decision in paragraph 3 above;
- 6 **authorised** the Minister of Energy and Resources to make decisions on any further details or matters that arise in the implementation of the proposals in the paper under CBC-21-SUB-0083, including on any minor and technical issues that may arise during the drafting process;
- 7 **noted** that approximately 60 percent of households (970,000) in New Zealand could experience lower annual electricity bills as a result of the removal of the LFC regulations;
- 8 **noted** that approximately 16 percent of households (270,000) are low-income households that could benefit, in some cases significantly, by the removal of the LFC regulations;
- 9 **noted** that approximately 40 percent of households (~690,000) could face an increase in their electricity bill in one or more years of the five year phase-out period;
- 10 **noted** that approximately 14 percent of households (~ 235,000) are low-income, low-use households currently on LFC tariffs, and that these could be particularly adversely affected by the removal of the LFC regulations;
- 11 **noted** that electricity distribution businesses and the major retailers have agreed to fund a \$5 million ‘power credits’ scheme to support low-income, low-use households through the phase-out;
- 12 **noted** that funding from electricity distribution businesses and the major retailers for the power credits scheme is subject to assurance that the scheme will be compliant with competition law;
- 13 **agreed** that there should be a review on the progress of the LFC phase-out in late 2023 to determine whether the phase-out mechanism is resulting in any adverse impacts for low-income households and whether additional support measures may be necessary;
- 14 **directed** the Ministry of Business, Innovation and Employment to report to the Minister of Energy and Resources annually on any notable changes to fixed charges observed in the market as a result of the phase-out mechanism.

Jenny Vickers  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern (Chair)  
Hon Grant Robertson  
Hon Kelvin Davis  
Hon Dr Megan Woods  
Hon Carmel Sepuloni  
Hon Andrew Little  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Poto Williams  
Hon Damien O’Connor  
Hon Stuart Nash  
Hon Kris Faafoi  
Hon Dr David Clark  
Hon Jan Tinetti  
Hon Aupito William Sio

**Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet