ELECTRICITY PRICE REVIEW

SUBMISSION FORM

Contact details

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Permission is given for the name Bern Sommerfeld to be used for summary purposes and no portion of this submission is confidential

Summary of questions

Part three: Consumers and prices

Consumer interests

1.	*What are your views on the assessment of consumers' priorities?*
	To have a reliable supply of electricity, affordable pricing and with the knowledge that when customers are unable to pay their account the supply of electricity is not cut off.
2.	***What are your views on whether consumers have an effective voice in the electricity sector?***
	The consumer can only participate at the retail level and has some leverage when dealing with the retailer over the cost of supply for electricity. Sometimes the real cost is hidden in the bundled deals in the contracts. The consumer has no voice in the distribution, transmission and generation.
3.	***What are your views on whether consumers trust the electricity sector to look after their interests?***
	Most consumers are unaware of the functions of the Electricity Authority, Commerce Commission and the Utilities Disputes. The consumer needs to know that this watch dog group exists; this would ensure some degree of trust in the Energy Sector.

Prices

4.	*What are your views on the assessment of the make-up of recent price changes?*

The Transpower reconducting project on the HVDC has been reviewed by the Commerce Commission and the findings cited the degraded standard of the ageing conductors as necessary work to ensure a high level of reliability. The cost of the conductors will have an influence on the overall distribution charges. This is essential work to ensure the security of the National Grid.

We are concerned that line companies will not carry out essential work for many years to ensure that payout dividends will provide maximum benefit to their share-holders.

The recent spike in wholesale prices with low lake levels will mean high prices for consumers who have supply contracts for time of use contracts.

5.	***What are your views on the assessment of how electricity prices compare internationally?***

New Zealand has approximately 80% renewable sources other than coal and gas. Our generation is too dissimilar to other countries to make accurate cost comparisons.

6.	***What are your views on the outlook for electricity prices?***

With the increased demand for electricity from electric transport and the predicted reduction of gas and coal generation because of the zero-carbon policy alternative sources of generation will be required to replace these plants. Roof top solar at the domestic level with battery storage would assist in the additional generation.

The off-peak demand for electric transport charging could reduce the loading on the distribution system and the need for extra national generation would be reduced, therefore, electricity prices could remain stable.

Affordability

7.	*What are your views on the assessment of the size of the affordability problem?*
	The approach that is taken on a national level will require cooperation with generators, transmission and distribution; working in isolation will not achieve the final goal of zero carbon. If developments are influenced by the rate of return to the shareholder we will have an unworkable situation. Restrictions imposed on lines companies may result in a better distribution network. Lines companies with adjacent boundaries should amalgamate to make cost structure more efficient.
8.	***What are your views of the assessment of the causes of the affordability problem?***
No answer provided	
9.	***What are your views of the assessment of the outlook for the affordability problem?***
No answer provided	

Summary of feedback on Part three

10. *Please summarise your key points on Part three.*
Roof top solar with battery storage for the domestic consumer, winter heating using an efficient log burner with a hot water boaster should help lower peak demand and reduce the need for more generation. Making the public aware of the Electricity Authority, Commerce Commission and Utilities Dispute is necessary and Lines companies should be able to combine to enable increased cost efficiency. Affordable consumer electricity prices and reliable supply certainty are required and community lines trusts be retained.

Solutions to issues and concerns raised in Part three

11. *Please* briefly describe any potential solutions to the issues and concerns raised in Part three.
No answer provided

Part four: Industry

Generation

12.	*What are your views on the assessment of generation sector performance?*

No answer provided

13.	***What are your views of the assessment of barriers to competition in the generation sector?***

No answer provided

14.	***What are your views on whether current arrangements will ensure sufficient new generation to meet demand?***

No answer provided

Retailing

15.	*What are your views on the assessment of retail sector performance?*

The retailers apart from the beginning point in the billing process for consumers are providing telecommunications, television and a full bundled package. However, no-frills retailers provide the consumer with a clear -cut package for electricity and a bill with transparent prices to the consumer.
Late payment from these retailers are not excessive as exercised by the prompt payment discounts. The average consumer may find a package that suits their lifestyle by shopping around.

16.	***What are your views on the assessment of barriers to competition in retailing?***

Retailers have an open market situation and should be able to engage in commercial operations that will mean a lower retail price to the consumer and provide an efficient service. Retailers and lines companies could work together to establish mini generation that is not part of the National grid and flatten out the spot prices in areas.
Retailers should have the flexibility to adjust rates for people on incomes of less than $50,000.00p.a. and should work with the Ministry of Social Development to establish disconnection rules for low income households who are unable to pay their power accounts.

Vertical integration

17.	*What are your views on the assessment of vertical integration and the contract market?*

No answer provided

18.	***What are your views on the assessment of generators' and retailers' profits?***

No answer provided

Transmission

19.	*What are your views on the process, timing and fairness aspects of the transmission pricing methodology?*
The process is reviewed by the Electricity Authority; charging by those who benefit for major grid investments is supported and should be confined to the area that benefits. If it is a global investment it should be a total cost for the whole grid. If the investment affects the North Island the cost should not be carried by the South Island.	

Distribution

20.	*What are your views on the assessment of distributors' profits?*
The distribution companies that are exempt from price quality regulation vary from 2% to 8%; they range from the lowest to the highest profit margins. Alpine Energy which is a locally owned distribution company with local body share-holders and a lines trust have a profit margin of about 4%. An overseas owned distribution company Powerco has a profit margin of about 6.5%. While we do not dispute the need to have a return on investment and lines trusts give a return to the community in which they operate, other distribution companies answer to their foreign share- holders. Both Alpine Energy and Powerco operate under default regulation.	
21.	***What are your views on the assessment of barriers to greater efficiency for distributors?***
No answer provided	
22.	***What are your views on the assessment of the allocation of distribution costs?***
No answer provided	
23.	***What are your views on the assessment of challenges facing electricity distribution?***
No answer provided	

Summary of feedback on Part four

24. *Please summarise your key points on Part four.*
No answer provided

Solutions to issues and concerns raised in Part four

25. Please briefly describe any potential solutions to the issues and concerns raised in Part four.
No answer provided

Part five: Technology and regulation
Technology

26.	***What are your views on the assessment of the impact of technology on consumers and the electricity industry?***

The impact of technology on consumers, in particular the uptake of electric vehicles will be dependent on affordability and the cost of fossil fuels and this uptake may be faster than has been originally planned. Another consumer move will be to solar installations on the domestic market. Proper government guidance to the electrical industry on these changes will be required and the influence on industry, manufacturing and farming etc. will need managing.

Stop start measures are not going to solve the changes.

27.	***What are you views on the assessment of the impact of technology on pricing mechanisms and the fairness of prices?***

The construction of wind turbines, with their high maintenance costs and battery storage requirements will constitute a major cost in the electricity price if they are to be of any assistance in supplying peak loadings when required.

For affordable electricity the domestic consumer would need to consider roof top solar, battery storage and selling back to the grid at a positive rate of return.

28.	***What are your views on how emerging technology will affect security of supply, resilience and prices?***

No answer provided

Regulation

29.	*What are your views on the assessment of the place of environmental sustainability and fairness in the regulatory system?*
	No answer provided
30.	***What are your views on the assessment of low fixed charge tariff regulations?***
	The comments made in Q.27 will only be a minority, our main concern are those households whose income is less than $50,000.0 p.a. These we classify as low-income households and would be included in the low fixed charge regulations. It is our view that this low fixed charge should be retained and the daily fixed supply charge should not be altered. When consumers exceed the threshold point for usage, the inflexibility of the rate means a higher power charge as determined by the 2004 Regulations low fixed charge tariff (LFC). Suggested methods for low-income power consumers who use power in excess of the threshold are: a. A new rate to apply re the excess of the threshold; above this point to charge at the std daily supply charge b. a smart meter to handle the numbers involved. Low income New Zealand households who have low fixed charge tariffs contract plans with their retailers will be driven into the energy poverty if the excessive daily supply charge, as has been put forward by the Energy Net Work Association is accepted. (the ENWA) wish to remove the LFC. It will mean more New Zealanders living in cold homes and having their power disconnected which in turn impacts on our already under -funded Public Health system.
31.	***What are your views on the assessment of gaps or overlaps between the regulators?***
	No answer provided
32.	***What are your views on the assessment of whether the regulatory framework and regulators' workplans enable new technologies and business models to emerge?***
	No answer provided
33.	***What are your views on the assessment of other matters for the regulatory framework?***

No answer provided

Summary of feedback on Part five

34. *Please summarise your key points on Part five*.

- Retention of the low fixed charge tariff for low income households.
- A change to the 2004 Regulations.
- consideration for a method of charging as outlined in Question 30.

Solutions to issues and concerns raised in Part five

35. ***Please briefly describe any potential solutions to the issues and concerns raised in Part five.***

The low fixed charge tariff solution:

- Change the2004 regulations to include low income households
- Retain the LFC
- power in excess of 8000 to 9000kWH annually (consider raising this threshold)
- new rate to apply in excess of monthly threshold, charge from this point at the std daily supply charge

Additional information

36. ***Please briefly provide any additional information or comment you would like to include in your submission.***

No answer provided