



ELECTRICITY PRICE REVIEW

SUBMISSION FORM

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

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Contact details

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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

What are your views on the assessment of consumers' priorities?

I think that the review has done a disservice by structuring the conversation in market terms. A major topic of the review document is the failure of the market to deliver to the needs of New Zealand. Framing the debate as if the market is of necessity part of the solution was a mistake. For example, while the path from our current position to fully government run national electricity supply is dubious, that final position is obviously preferable to our current predicament. Given that the market is the source of the problems that we have currently, we can not expect that market to provide the solutions, unless government makes significant changes to the market.

I also feel that the assessment of consumer's priorities is misguided in that it is reporting on the recent past, instead of forecasting the foreseeable future. The problems of affordability and the impacts of climate change are increasing. The review ought to be considering the likely position in 2025, not the position from 2017.

That being said, I agree with the review's assessment that New Zealanders have a variety of needs and concerns, and that affordability, environmental impact, and humanitarian concerns are foremost.

What are your views on whether consumers have an effective voice in the electricity sector?

It is ridiculous to suggest that consumers have an effective voice. If that were true prices would be lower, pricing easy to understand, and electricity deprivation much more rare.

What are your views on whether consumers trust the electricity sector to look after their interests?

Aesop's proverb, "familiarity breeds contempt", applies to the electricity sector. Those who pay the sector no attention have the same feelings about it as they do for the rest of the country, which for most of us are positive. I can't recall speaking to anyone familiar with the industry or working in the industry who says that they trust the industry to work in the best interests of New Zealanders, as we all know that the industry acts in the interests of its executives and shareholders. It is clear to be, and to everyone I know, that those interests are not in good alignment with the interests of New Zealanders.

Prices

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

I think that the review's focus on recent changes is a mistake. The important questions are: Are prices fair? No prices are not fair. Do prices drive appropriate behaviours? No prices are not driving appropriate behaviours.

I find no fault in the review's repeated evidence that commercial rates are inappropriately low and that residential rates are inappropriately high.

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

This international assessment is deceitful.

New Zealand is not an average OECD country. We have a low population density, less than half of the OECD average (http://archive.stats.govt.nz/browse_for_stats/government_finance/central_government/nz-in-the-oecd/population.aspx). We also generate most of electricity with hydro power. Our appropriate peer group are Canada and the Nordic countries, amongst which we have by far the highest cost of electricity.

Secondly, including taxes with the electricity price completely changes the ranking. The fact being concealed is that New Zealand's electricity prices before taxes are well above average. They are more than double the prices in Norway, who are an appropriate international peer for comparison.

What are your views on the outlook for electricity prices?

The current market and system of regulation provide incentives for generators to limit production in order to create shortages of supply. I believe that this collusion amongst generators to strangle New Zealand is coming to an end. Electric cars, large-scale batteries, and consumer owned renewable generation are all already diminishing the generators ability to limit supply. These forces will only accelerate, and the market will become increasingly functional.

Affordability

What are your views on the assessment of the size of the affordability problem?

The review's assessment certainly understates the size of the affordability problem. The review does not include the direct medical costs of treatment for illnesses caused by poorly heated homes. Nor does the review include the follow on costs to society of illness. Nor does the review mention the excess winter mortality problem, which has been said to be caused by lack of heating. <https://www.noted.co.nz/currently/social-issues/1600-deaths-attributed-to-cold-houses-each-winter-in-new-zealand/>

What are your views of the assessment of the causes of the affordability problem?

Again, this assessment is badly flawed in that it attempts to frame the discussion in market terms. This assessment assumes that the market is functioning well. I dispute that assessment: the market is not functioning well.

The problem is not affordability. The problem is people getting sick and dying from lack of heat in their homes. New Zealanders have a right to adequate housing, under article 25 of the UN Declaration of Human Rights and Article 11(1) of the International Covenant on Economic, Social and Cultural Rights. That right includes sufficient heating. Instead of talking about affordability and putting the responsibility on society's most vulnerable people to take care of themselves, we ought to defend our rights and make heating the government's responsibility.

What are your views of the assessment of the outlook for the affordability problem?

Like prices, the current system of collusion between the generators can not stand in the face of technological improvements. Therefore affordability will improve.

Summary of feedback on Part three

Please summarise your key points on Part three.

Adequate housing is a human right. Our system of electricity generation and distribution is failing to address that right. Rather than placing the interests of the system at the centre of the discussion on how to fix the system, we are obliged to place the interests of New Zealanders at the centre.

Solutions to issues and concerns raised in Part three

Please briefly describe any potential solutions to the issues and concerns raised in Part three.

In philosophical alignment with Universal Basic Income, we ought to establish Universal Basic Electricity Allotment. Every new Zealander ought to be provided, free of charge to a location of their choosing, 1KW of electricity. Practically, this might be allocated as 24KWh/day.

Part four: Industry

Generation

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

The assessment is flawed.

By the review's own data, both the wholesale cost and the cost of new generation are far below even the industrial price of electricity and have been for decades. Yet, little new generation is being built. By your own assessment there is already a decade of growth's worth of consented generation which has not been built. I can only conclude that the market has failed, and that the generation sector is intentionally limiting generation because the market rewards the limited supply with higher prices.

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

The important barrier to competition is the Electricity Authority's failure to enforce "net metering" for consumers. <https://www.mysolarquotes.co.nz/about-solar-power/faqs/> "Net Metering", which allows everyone connected to the grid to be paid for generating electricity, is standard in the OECD. New Zealand does not have net metering, which is why we have such a low rate of renewable energy generation in homes and businesses.

New Zealand needs fundamental change to remove the barriers that prevent any individual from being fairly compensated for electricity which they generate.

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

The current arrangements will not be sufficient. New Zealand needs more power in order to meet our obligation to provide everyone with adequate housing. We need to reduce pollution, especially our green house gas emissions. Yet we persist with a system where the generators are not building the generation for which they have consent, and everyone other than the generators faces legal barriers to meeting their own needs in whole or in part.

Retailing

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

The retail sector is exploitative and predatory. At a minimum the government needs to intervene to ensure that retailers treat New Zealanders fairly. As I have already suggested, I am in favour of significant restructuring of the retail market. I would rather see retail returned to a government monopoly that provides everyone with a the warm home which is their human right, than the current system.

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

I agree that retailers ensure that their prices are non-standard in order to deceive their customers and circumvent regulation. However, I fail to see how we can have a retail market where the product is identical and the price structures are identical.

I believe that the very existence of the retail market is a mistake that should be corrected. Everyone should purchase power on the same terms from a single supplier, which could be any one of the existing non-retail bodies or a new government agency.

Vertical integration

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

I believe that vertical integration is the primary source of the disfunction in generation. Our generators are not increasing supply to meet the increased demand. I believe that this is because they profit from the insufficient supply, largely because they are also the retailer.

I believe that government ought to intervene to break up retailers and generators into separate entities.

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

The profits of the companies in the industry are not even on the scale of my priorities for the electricity markets. If everything else was functioning well then the companies can make whatever profit they like. The fact of the matter is that they have insufficient supply, predatory behaviour from retailers, and people dying from living in cold, damp homes.

Transmission

What are your views on the process, timing and fairness aspects of the transmission pricing methodology?

The emphasis on price is nothing more than a distraction from the core issues. The obvious fact is that the transmission grid is not capable of delivering power when it is needed. If it were then there would be level prices regardless of time of day. We have a transmission problem, not a price problem.

Distribution

What are your views on the assessment of distributors' profits?

The primary concerns with distributors have nothing to do with profits.

What are your views on the assessment of barriers to greater efficiency for distributors?

The whole situation with the smart meter data is a disaster. There is a compelling need for the government to step in to make this data available to everyone so that the industry has the data that it needs to function. Your examples of the outage data for Counties and Vector are just the tip of a large iceberg of failures which have real costs for New Zealand.

What are your views on the assessment of the allocation of distribution costs?

We ought to have a law that prevents the current distribution pricing. Residential and commercial pricing ought to be the same.

I am not in favour of different prices for urban and rural customers. However, I fail to see the problem with people disconnecting from the grid

What are your views on the assessment of challenges facing electricity distribution?

We know that batteries and on-site generation are going to be increasingly important factors. The industry is by and large fighting against these developments, instead of adopting them to solve our existing problems. The need to distribution is going to decrease as electricity is generated on-site. The peak demand problem will disappear if we make intelligent use of batteries.

New Zealanders need this review to remove the barriers that prevent individuals from being part of the solution, specifically we need to mandate net metering.

Summary of feedback on Part four

Please summarise your key points on Part four.

Our electricity market is more dysfunctional than it is functional.

The very existence of difference in price according to time of day is proof of insufficient generation and transmission capacity.

The industry, and particularly its regulators, are fighting against the very technological developments that they ought to be embracing to improve electricity for New Zealand.

Finally, I will point out that the hydro generators are using a public resource, namely water, for which they do not pay. That is an accident of history. The government ought to be paid by the generators for every litre that flows into the reservoirs.

Solutions to issues and concerns raised in Part four

Please briefly describe any potential solutions to the issues and concerns raised in Part four.

1. We ought to break up the gentailers into retailers and generators
2. We ought to standardize pricing models across retailers
3. We ought to make it possible for everyone to sell electricity back to the grid on reasonable terms.

Part five: Technology and regulation

Technology

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

Electric cars, electricity generation by consumers, and large scale batteries are all real technologies which are already in New Zealand and whose growth is extremely probable. The other technologies mentioned may or may not become significant.

The idea of peer to peer trading is misguided. Perhaps that will occur, or perhaps it will not. What we desperately need is to establish the right for every New Zealander to sell power to the grid at market price.

What are your views on the assessment of the impact of technology on pricing mechanisms and the fairness of prices?

I am disappointed by this analysis.

We ought to stop treating New Zealanders as if they are too stupid to understand the simple mechanism of fluctuating prices. This concept is well established in most areas of their lives. More to the point, our smart devices will increasingly be able to lookup the price data themselves and schedule themselves accordingly, if the market is changed to allow them to do so.

The point on distribution costs really disappoints me. The whole analysis hinges on the obvious falsehood that customer-generators are only going to be charged for distribution on the power they buy but not on the power they sell. Obviously distribution charges must apply to both, which renders the rest of the analysis moot. More to the point, both batteries and local generation reduce the need for distribution, especially peak distribution, and therefore lower distribution costs system wide.

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

Technology is going to improve supply, resilience, and prices. Large scale batteries will remove the transmission bottleneck that creates the evening peak prices. Those same batteries create resilience. And by increasing supply at peak times, they will reduce prices.

Regulation

What are your views on the assessment of the place of environmental sustainability and fairness in the regulatory system?

Environmental sustainability, fairness and energy efficiency should be made key objectives for the Electricity Authority, and every other agency with has a role in regulating electricity.

What are your views on the assessment of low fixed charge tariff regulations?

The proposals for the improvement of the fixed-low-charge plans are good ones. However, they fall considerably short of meeting our collective obligation to provide every New Zealander with warm and dry housing. To that end they need to be augmented with non-market initiatives.

What are your views on the assessment of gaps or overlaps between the regulators?

The Electricity Authority's inability to adapt to meet the industry's needs is an artefact of its statutory nature. We can't expect a shuffling of responsibilities to make it responsive.

What New Zealand needs are agencies that are empowered to improve the electricity supply. As long as those agencies are outside of core government their duties will have to be detailed in their Acts. In this time of changing technology, we need flexibility which can not be written into statutes. We need to bring the EA, and the other regulatory bodies, under direct Ministerial control so that they can adapt to change.

What are your views on the assessment of whether the regulatory framework and regulators' workplans enable new technologies and business models to emerge?

Peer to peer trading is not a solution to our needs. We need to level out the daily peaks with batteries. We need to increase renewable generation. All over the OECD private citizens are contributing to these needs by linking their generation and batteries to the grid. We in New Zealand are inhibiting this progress because of our regulations. We need to switch that barrier into an enabler. We have a pressing need for net metering.

What are your views on the assessment of other matters for the regulatory framework?

The Electricity Authority's decisions must be made accountable to the courts.

If the desire is for the Electricity Authority to be a voice for consumers, then wholesale changes are needed in the agency as it fails utterly to meet that need.

Summary of feedback on Part five

Please summarise your key points on Part five.

We have an electricity system which is failing to meet our needs and obligations. The review had detailed many of these failings, and I have raised others.

The solutions to the pressing problems are in the review. Technology will be a key enabler, if we can free it from the regulations that are currently oppressing it.

There is a need to restructure the industry, and in all probability its regulators.

Solutions to issues and concerns raised in Part five

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

1. Encourage widespread adoption of batteries to time shift our supply problem and remove the evening peak. This will also have the added benefit of reducing the average cost of power, possibly by something like 50%.
2. Encourage the widespread adoption of wind and solar power generation by all New Zealanders. Overseas there are regions with less wind than New Zealand and lower electricity prices where every farm has a multi-megawatt wind turbine because those turbines are profitable. We need to enable this private investment into our collective future.
3. Restructure the retail pricing model, to present true demand prices to all New Zealanders. This might have the additional benefit of getting rid of the retail market, who provide no benefits and yet contribute over 20% of the costs.
4. Bring the EA into core government so that its operations can be adjusted day to day to meet the needs of New Zealanders, rather than being fixed once a decade by statute.

Additional information

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

Of course, all of this submission has viewed consumption as a positive, when it is in fact the opposite. We ought to take pride in reducing our electricity consumption. Better insulation and more efficient heating are much better investments than more generation and distribution. Public transit and tele-commuting are much better ideas than electric cars.

We do have a legitimate need to increase electricity supply. But we should not make the mistake of making that supply a goal in itself. Electricity enables us to meet our other obligations. It is not a good in itself.