

From: energymarkets@mbie.govt.nz
To: [Energy Markets](#)
Subject: Electricity Price Review submission
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Region

Wellington

Category

Individuals, Researchers and Academics

Do you accept these terms & conditions?

Yes

A1. Establish a consumer advisory council

Yes

We strongly support this recommendation. However:

*In addition to the ministerial appointments, we recommend that a minority of the members of the council are appointed through an apolitical process(#) involving well-established consumer organisations.

* In addition to research and administrative support supplied through MBIE, we recommend that the council should have a budget to commission, where necessary, research external to MBIE/MHUD, and employ or second experts as necessary. It should also specifically be allowed (with appropriate privacy protocols) access to all data that may be necessary for that research (including ICP level usage data, at appropriate small time increments for the question under consideration, and appropriate small-area-level identifiers.

*We recommend that the council should have an appropriate budget to remunerate members, as many consumer organizations do not have the resources to provide dedicated personnel to participate without reimbursement.

*We recommend that the balance of representation on the Council is carefully considered. It will be critical that the representatives appointed from the perspectives of small consumers should not be outweighed by members coming from other perspectives. It may however be useful to have some electricity industry representation on the Council.

*We recommend that the council's remit be only small electricity users. We also suggest that the name of the council is chosen to reflect its focus on residential and

(possibly) small business consumers, to reduce the chance of electricity industry or large consumer capture.

In addition; it we consider will be appropriate to ensure that the council's recommendations are seriously considered through embedding consultation with it in the regulators goals. In the longer term, if the council is successful, it might be appropriate to set up parallel councils for other utility sectors rather than spread the expertise of the Small Electricity Consumer Advisory Council more widely.

We would support an interim council to be set up before any formal legislative changes requiring it. However we recommend that any interim council needs to also be designed to prevent industry/large consumer capture or constraint of the future council's work plan and processes.

We would welcome the ability to further discuss the appropriate make-up and remit of the Council.

Palast, G., J. Oppenheim and T. MacGregor (2003). *Democracy and Regulation: How the Public can Govern Essential Services*. London/ Ann Arbor, Pluto Press.

A2. Ensure regulators listen to consumers

Yes

We strongly support this recommendation. We agree that the Electricity Authority and Commerce Commission should be given an explicit statutory responsibility to consult electricity consumers, and the Small Electricity Consumer Advisory Council. Residential and small business consumers have often been excluded from prior consultation opportunities including advisory groups of the Electricity Authority. We recommend that the EA and CC should be explicitly required to listen to the interests of all consumer groups and explain how they have taken the sometimes conflicting viewpoints into account in their decisions. We note that in some recent decisions by the Electricity Authority there has been little evidence in the announced decision that all submissions were considered. We believe that the regulators should be required to spell out how small-consumers' concerns have been addressed.

We recommend that the regulators are required to listen to consumers and any newly established groups such as the Small Electricity Consumer Advisory Council or Cross-sector Energy Hardship Group.

Embedding a specific small consumer protection function in the regulators' goals may be the appropriate way of ensuring the consumer voice is actively listened to. We suggest that in order to ensure that regulators listen to residential consumers it may be necessary to amend the Electricity Act.

B1. Establish a cross-sector energy hardship group

Yes.

We strongly support this recommendation. We note the significant transactional costs to many NGOs of participating in such groups, and suggest that the group have a budget to commission research, or be allowed access to the resources of the Small Electricity Consumer Advisory Council to commission any necessary work. In addition to the stock-take and other tasks suggested, we believe that the group should analyse the effects of the proposed low-fixed charge regulations repeal on a

wide range of domestic consumer incomes and demand patterns.

We believe that the Electricity Authority, and the Commerce Commission should be required to consult this group when considering matters of relevance to vulnerable consumers.

We are concerned that the layout of the first report, with the section on the Low Fixed Charge Regulations, which are of great interest to many consumers, being placed in the back of the report far away from most of the direct consumer concerns, meant that many consumer-experience-oriented submitters, who might have had an opinion on the usefulness of the regulations, did not read that far through the report and so were denied the chance to give their opinions.

We would welcome the ability to further discuss the appropriate make-up and remit of the Group.

B2. Define energy hardship

Yes.

We support this option.

We support a definition of energy hardship that considers whether people can achieve an appropriate minimum of energy services considering their circumstances, rather than a definition solely involving actual-spend as our research(#) consistently finds that people in difficulty choose to economise in a variety of ways.

We would welcome the opportunity to further participate in defining Energy Hardship in New Zealand.

#For example

O'Sullivan, K., P. Howden-Chapman, J. Stanley and S. Hales (2013). "Kids in the cold: outcomes for New Zealand households with children using prepayment metering for electricity." *New Zealand Medical Journal* 126(1371): 71-81.

O'Sullivan, K., H. Viggers and P. Howden-Chapman (2014). "The influence of electricity prepayment meter use on household energy behaviour." *Sustainable Cities and Society* 13: 182-191.

Howden-Chapman, P., H. Viggers, R. Chapman, K. O'Sullivan, L. Telfar Barnard and B. Lloyd (2012). "Tackling cold housing and fuel poverty in New Zealand: A review of policies, research, and health impacts." *Energy Policy* 49: 134-142.

B3. Establish a network of community-level support services to help consumers in energy hardship

Yes

We strongly support this option.

We note that a lot of work is already done in this space, but better funding and coordination to target hard-to-reach consumers would improve existing schemes. Appropriate and consistent funding would allow standard packages to be developed and implemented.

We believe these services are a necessary part of working toward energy equity in New Zealand, but would be insufficient to ensure energy equity unless appropriate

regulation of energy pricing also occurs.

B4. Set up a fund to help households in energy hardship become more energy efficient

Yes.

We strongly support this option, and EECA administering the fund. We agree that energy efficiency is overall the most cost-effective way for New Zealand to reduce energy costs, a claim that is well-supported by our research evidence(#). However we are concerned that households should feel the benefit of energy efficiency measures, and caution that energy prices should be better controlled to prevent companies increasing costs to claw back profits lost through demand reduction due to energy efficiency.

#For example

Howden-Chapman, P., A. Matheson, J. Crane, H. Viggers, M. Cunningham, T. Blakely, C. Cunningham, A. Woodward, K. Saville-Smith, D. O'Dea, M. Kennedy, M. Baker, N. Waipara, R. Chapman and G. Davie (2007). "Effect of insulating existing houses on health inequality: cluster randomised study in the community." *British Medical Journal* 334(7591): 460-464.

Chapman, R., P. Howden-Chapman, H. Viggers, D. O'Dea and M. Kennedy (2009). "Retrofitting houses with insulation: a cost-benefit analysis of a randomised community trial." *Journal of Epidemiology and Community Health* 63(4): 271-277.

Viggers, H., M. Keall, K. Wickens and P. Howden-Chapman (2017). "Increased house size can cancel out the effect of improved insulation on overall heating energy requirements." *Energy Policy* 107: 248-257.

B5. Offer extra financial support for households in energy hardship

Yes

We strongly support this option. We consider the Winter Energy Payment an excellent start. We also favour using a targeted approach to ensure that such measures reach those in energy hardship and hard-to-reach households. We note that other countries (including the United States) make programmes for low income consumers a necessary part of their electricity utilities business plans, so do not consider that funding must automatically come directly from the Government.

B6. Set mandatory minimum standards to protect vulnerable and medically dependent consumers

Yes

We strongly support this option. We suggest that Australia's new Payment Difficulty Framework (https://www.esc.vic.gov.au/sites/default/files/documents/payment-difficulty-framework-energy-complianc-and-enforcement-policy-guidance-note-20171222_v2.pdf) is a good model to consider. This process is available to all consumers who engage with the process, with special consideration for vulnerable customers. The code includes a binding "Wrongful Disconnection Payment" which will encourage retailers to avoid skipping steps in the disconnection process.

We note that indebted and prepayment meter customers are prevented by their circumstances from shopping around (based on our previous research#), and should have strong protection measures to ensure that they cannot be exploited. Likewise, all vulnerable customers should be included in the protection, including those in unconventional housing situations such as trailer parks, or living in retirement

units.

We suggest that a procedure or form is developed, approved of by both budgeting agencies and electricity companies, for customers and advocates to use to communicate to the companies when a customer has agreed for an advocate to communicate with the company on their behalf. This would reduce the chance of miscommunication about who has the power to access information on an account.

#O'Sullivan, K., H. Viggers and P. Howden-Chapman (2014). "The influence of electricity prepayment meter use on household energy behaviour." *Sustainable Cities and Society* 13: 182-191.

B7. Prohibit prompt payment discounts but allow reasonable late payment fees

Yes

We strongly favour this option. We consider the size of the discounts, in many plans, are disproportionate to the costs to the company. We believe that the size of the discounts may act as a barrier for low-income consumers changing company. In addition the inclusion of prompt payment discounts makes it difficult to consumers to compare the offerings of different companies.

We suggest that late payment fees are either capped or required to be justified.

We conditionally support other demand-side pricing discounts that encourage energy efficient behaviours, for example Time of Use pricing, but we acknowledge that these are not an option for some households that require energy use at particular times and therefore caution must be taken to ensure that these initiatives do not create further energy inequity.

B8. Seek bulk deals for social housing and/or Work and Income clients

Yes

We strongly support this option. We consider that individual households should be able to opt out of any bulk deal if they choose. We think that a guaranteed good (if not best for specific circumstances) deal from a government agency would greatly reduce the band-width tax involved in changing companies for people who are by definition already stressed. We consider also that the guaranteed good deal for a substantial proportion of New Zealanders, would require the other electricity companies to act in a more competitive manner. We consider that these bulk deals should be extended to include other social housing providers such as councils, women's refugee, the Salvation Army etc. This could also be extended to dwellings where people are confined for home detention.

C1. Make it easier for consumers to shop around

Yes

We support this option, however we believe that it is unrealistic to expect stressed low income people to regularly shop around(#). As we said in our initial submission "We believe that as electricity is an essential service residential customers should not have to engage actively with the market in order to get a good deal." We however encourage as much transparency as possible with pricing.

In addition we note that consumers who are indebted or on pre-payment meters may not currently be able to shop around, we consider that finding ways for these

customers to move onto more affordable plans is highly important.

We recommend that a process of continued improvement be expected of the merged website. Improvements that could be made include: language support, a retailer-neutral phone line possibly with language support, ability to select retailers on characteristics other than price (such as renewables, or being a disruptor), access to the backend pricing plans and pricing plan archive.

In addition, we note, that the powerswitch and Whatsmynumber websites are much more difficult for researchers to extract power plan prices from than the government issued webpages that preceded them. In addition to making the switching process easier for consumers, we would advocate for the back end information to be more easily available to researchers and consumer advocates to monitor ongoing pricing.

Mullaninathan, S. and E. Shafir (2013). Scarcity: Why having too little means so much. New York, Times.

C2. Include information on power bills to help consumers switch retailer or resolve billing disputes

Yes

We support this option through bills, websites and wherever customers access their billing information, although again we note that it is unrealistic to expect stressed low income people to regularly shop around. We suggest that any requirements on disclosure include examples of acceptable wording, a minimum allowable font size, and minimum acceptable contrast to enhance legibility and readability. The disclosures should be readable by accessibility programmes used by customers with low or absent vision or other disabilities; images often cannot be easily verbalized by such programmes.

C3. Make it easier to access electricity usage data

Yes

We support this option. We consider that, as long as necessary privacy safeguards are in place, that access to one's own usage data is an essential part of transparency.

In addition we believe that usage data should be available, appropriately anonymized, for government, planning, and researcher use through the Integrated Data Infrastructure. This would enable researchers to better analyse the distributional and equity effects of electricity pricing and energy policy changes.

C4. Make distributors offer retailers standard terms for network access

Yes

We support this option, as anything that reduces unnecessary costs through the electricity system, should eventually result in lower prices to consumers.

C5. Prohibit win-backs

Yes

We strongly support this option. We believe this will:

*Potentially pro-actively lower the costs to all (residential) customers of the retailer

as it seeks to ensure its current (residential) customers will not wish to change.

*Specifically, not increase the costs to (residential) customers who, for their own reasons, are not active in the electricity market

*Allow the faster expansion of the market share of new-entrant retailers.

We suggest that both saves and winbacks are included in the prohibition.

C6. Help non-switching consumers find better deals

Yes

We support this option.

C7. Introduce retail price caps

No

We do not favour this option, but we do consider that it could be a job for the Small Electricity Consumer Advisory Council or Cross-sector Energy Hardship Group to bring to the attention of the Electricity Authority or Commerce Commission any exceptionally high prices, so that the companies may be held to account for abuse of market power.

Although we do not support absolute price caps, we would support companies being required to justify their fixed charges (especially if the Low Fixed Charge regime is abolished as in section E5). As households cannot avoid paying the fixed charges, they can be viewed as a tax, and therefore it is appropriate for the charges to not only be justified openly, but also to go to pay for infrastructure rather than either subsidizing marginal generation costs or contributing to company profits. We consider the appropriate format for the justification to be one that could be considered by the Small Electricity Consumer Advisory Council. Detailed consideration of which elements of cost are appropriate to be included in unavoidable fixed charges is outside the scope of this submission but deserves considerable analysis from a consumer oriented perspective, to contrast with the industry oriented perspective.

D1. Toughen rules on disclosing wholesale market information

Yes

We strongly support this option. In particular we support the EA being required to vigorously enforce the existing rules. The situation in New Zealand with a few large generator-retailers which are required to maximize their profits, is close to an oligopoly, and firm action by the regulator is needed to ensure the public interest.

We are concerned that the recent decision on the Undesirable Trading Situation, where several small retailers were nearly or actually forced out of the market, was found by the EA to have not breached provisions of the Electricity Code. The Code needs to be revised to enable small retailers to manage their risks. As the first report noted, the market is currently dominated by several large retailers, market conditions should be reformed to encourage the entry and survival of small retailers, and the development of mid-sized retailers. The mandate of the EA should be unambiguous to proactively safeguard the public interest

D2. Introduce mandatory market-making obligations

Yes

We strongly support this option (especially in light of D5 not being supported by the review). The situation in New Zealand with a few large generator-retailers, which are institutions set up to maximize their profits, is close to an oligopoly, and firm action by the regulator is needed to ensure the public interest. Large companies can exploit market power to reduce the viability of new or smaller companies, this is undesirable.

We again note that we are concerned that the recent decision on the Undesirable Trading Situation, where several small retailers were nearly or actually forced out of the market, was found by the EA to have not breached provisions of the Electricity Code. The Code needs to be revised to enable small retailers to manage their risks. As the first report noted, the market is currently dominated by several large retailers, market conditions should be reformed to encourage the entry and survival of small retailers, and the development of mid-sized retailers. The mandate of the EA should be clearly to proactively safeguard the public interest.

D3. Make generator-retailers release information about the profitability of their retailing activities

Yes

We support this option. This is an essential industry; monitoring by both the public and analysts is appropriate.

D4. Monitor contract prices and generation costs more closely

Yes

We support this option. This is an essential industry which requires monitoring. In addition to spot prices it would be appropriate to release the ongoing fixed costs, separating out those for maintenance of existing assets, building new assets, and any profits.

D5. Prohibit vertically integrated companies

Undecided

We believe, if not enacted as a result of this review, this option needs to be kept under consideration in case the other options suggested to improve the wholesale market do not work. Although prohibiting vertically integrated companies would cause much disruption it might be worth it if there was a fairer playing field for small retailers and distributed energy suppliers.

E1. Issue a government policy statement on transmission pricing

Yes

We support this option. We agree that the aims of transmission and distribution pricing should be concordant; and include the aims of fairness, affordability and limiting price shocks.

E2. Issue a government policy statement on distribution pricing

Yes

We support this option. We agree that the aims of transmission and distribution pricing should be concordant; and include the aims of fairness, affordability and limiting price shocks.

E3. Regulate distribution cost allocation principles

Yes

We strongly support this option. There is an almost inevitable tension between allocating distribution costs to larger and smaller users on networks. The larger users are typically more able to lobby effectively, leaving smaller users somewhat disenfranchised. The principles used could address the usage of the network at peak and near-peak times, as well as total usage, fairness and equity principles.

E4. Limit price shocks from distribution price increases

Yes

We support this option. We do not consider that this should discourage distributors from changing their price structures to reflect costs, and it would require price shocks to be limited and not prices to be constant. Changes to price structures could be instituted over several years to limit the price changes to acceptable amounts.

E5. Phase out low fixed charge tariff regulations

No

We are strongly opposed to this option. In our initial submission we indicated an openness for the regulations to be replaced with others that encouraged energy conservation and social pricing for vulnerable users. However none of the options suggested in the options paper will either protect low-income low-usage customers to the same extent as the current regulations, or encourage all consumers to adopt energy efficiency measures to the same extent.

We consider that the tariff could be amended by allowing for both the possibility to change the regions to which the thresholds apply; and also the change thresholds to reflect actual current average household usage. The regions and thresholds could become gazetted regulations rather than laws, to allow them to change more easily, perhaps on a 5-yearly cycle to ensure that they continue to reflect current usage. Changing regions and thresholds would allow the regulations to be used to accurately focus on actual low users in each area.

The current LFC regulations which allow a higher per kwh rate for low users effectively create a sliding scale up to the pivot point after which a constant charge applies. This is effectively a pragmatic compromise between a pure usage based infrastructure payment, and a lump-sum infrastructure payment.

The fixed charge, when considered on an annual basis is effectively a tax, as it is fundamentally impossible to avoid while connected to the network (even prepayment meter users whose electricity has been cut-off by the meter are forced to pay the fixed daily charge for days during which their meter has cut off their electricity). The only way a fixed charge can be justified is as an infrastructure tax. There are two consequences of this:

* It is not at all obvious that it is appropriate for infrastructure to be paid for through a lump-sum tax. Lump-sum taxes are regressive, as those with lower incomes must pay a higher percentage of income to cover it. In particular, it is not obvious that households which are both low usage and non-peaky, should pay the same infrastructure costs as households whose usage is higher and peaky. Households which are high use and/or peaky hasten the need for new storage, generation and distribution infrastructure, other households do not.

*All other taxes must be politically justified. The water network has similar issues with infrastructure costs, yet councils or regional councils must justify their rates and are subject to the electoral process if constituents are displeased. Electricity infrastructure fixed charges should be subject to equivalent scrutiny. The oversight should include: how much is proposed to be collected, the way the cost of the tax is distributed across society, and how it is proposed to be spent.

The documents presented by the review showed no analysis examining:

*whether low-user eligible households disproportionately stressed the network at peak times,

*the division of costs between maintaining existing infrastructure, building new infrastructure, and profit for the companies. It seems most appropriate for a tax to be used only to maintain existing infrastructure, and new infrastructure to be funded through usage-based charges. It seems highly inappropriate for any element of a tax to directly feed company profits.

*Whether high-use households in high-deprivation areas were in fact low income.

In the absence of this level of analysis, and other recommendations encouraging energy conservation and safeguarding the costs of low-income low-usage households it is inappropriate for the low-fixed charge tariff to be abandoned. Any changes to the tariff should be supported and justified by robust analysis.

We again note that we are concerned that the layout of the first report, with the section on the Low Fixed Charge Regulations, which are of great interest to many consumers, being placed in the back of the report far away from most of the direct consumer concerns, meant that many consumer-experience oriented submitters, who might have had an opinion on the usefulness of the regulations, did not read that far through the report and so were denied the chance to give their opinions.

E6. Ensure access to smart meter data on reasonable terms

Yes

We support this option. In addition to the suggestions of the review committee, we support these data being available, appropriately anonymized through the Integrated Data Infrastructure, for use by the government and researchers.

E7. Strengthen the Commerce Commission's powers to regulate distributors' performance

Yes

We support this option.

E8. Require smaller distributors to amalgamate

No

We encourage greater collaboration between small distributors, but do not see any current reason for forced amalgamations.

E9. Lower Transpower and distributors' asset values and rates of return

Yes

We consider the rates of return on transmission and distribution assets could be lowered. The profits from these businesses are some of the most secure available, and it is appropriate for the rate of return to be lower given the lack of risk in their investments.

F1. Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services

Yes

We support this option. There is a need for appropriate and fair regulation of distributed energy systems. In addition the EA should be given guidance on desired outcomes for distributed energy, including those for small scale local projects, in working toward a low-carbon future, and ensure that its regulations are aligned with future goals.

F2. Transfer the Electricity Authority's transmission and distribution-related regulatory functions to the Commerce Commission

Undecided.

We are unsure of any benefits of doing this, and it would be a complicated process. However the eventual formation of an electricity (and gas?) regulator may be an appropriate response to the rapid blurring of the distinction between monopoly (network) and competitive (generator and retailer) enterprises.

F3. Give regulators environmental and fairness goals

Yes

We strongly support this option.

In addition, we believe that it needs to be explicitly stated that the “long-term benefit of consumers” includes fairness and environmental sustainability. This would help ensure that EA decisions are explicitly future-proofed in an era of climate change. We acknowledge that explicitly stating this, and therefore requiring it to be part of the decision making process might make the EA feel pulled in many directions, but if so, that can only be because up until now it has not considered fairness and environmental sustainability as worthy considerations, and this needs to change. The job of the regulator is precisely to balance difficult trade-offs such as these. We agree, that government policy statements may usefully help guide a regulator, but believe that explicit statement of fairness and environmental concerns in their statutory objectives/function is also highly desirable.

We agree that protection of the interests of residential and small business electricity consumers should be an explicit function of the Electricity Authority.

We suggest that the Electricity Act, and all the subsequent documentation, regulations and guidance is rewritten to ensure concordant and clear direction is given that environmental and fairness concerns must be addressed.

F4. Allow Electricity Authority decisions to be appealed on their merits

Undecided.

Small consumers typically cannot afford to dispute the EA's decisions in the courts, therefore allowing them to be disputed at all would involve an asymmetry of power.

F5. Update the Electricity Authority's compliance framework and strengthen its information-gathering powers

Yes

We support this option.

We are concerned that the recent decision on the Undesirable Trading Situation, where several small retailers were nearly or actually forced out of the market, was found by the EA to have not breached provisions of the Electricity Code. The Code needs to be revised to enable small retailers to manage their risks. As the first report noted the market is currently dominated by several large retailers, market conditions should be reformed to encourage the entry and survival of small retailers, and the development of mid-sized retailers.

F6. Establish an electricity and gas regulator

Undecided.

We think this may eventually become necessary as monopoly businesses increasingly undertake competitive functions, such as investing in and controlling solar/ battery systems. We support a preliminary scoping effort.

G1. Set up a fund to encourage more innovation

Undecided.

We support more funding being available to support innovation toward a low carbon future, but believe it might be better to distribute any additional funding through existing channels, such as the Callaghan Institute, to save on overhead costs. We suggest that if any funding for innovation is distributed through existing agencies that the agencies are given clear guidance on how to distribute it.

G2. Examine security and resilience of electricity supply

Yes

We support this option. We suggest that increasing the resilience of the electricity supply through encouraging distributed energy, smart grids, and renewable energy sources will almost inevitably increase its security, especially after natural disasters. We encourage the review to include how policy guidance of the EA may help in ensuring its decisions are compatible with a distributed, low carbon future.

G3. Encourage more co-ordination among agencies

Yes

We support this option.

G4. Improve the energy efficiency of new and existing buildings

Yes

We highly support this option. We note that one aspect of encouraging retrofit of existing and above-code design of new buildings is to ensure that the building occupants gain both higher quality surroundings - supporting warmer and healthier homes, and lower energy bills due to the reduced energy use. It is therefore appropriate that electricity tariffs exist that reward low energy buildings.