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**Region**

Canterbury

**Category**

Individuals, Researchers and Academics

**Do you accept these terms & conditions?**

Yes

**A1. Establish a consumer advisory council**

YES....in principle.

Comment: This option needs greater clarity regarding:

(a) the 'reach' of its work, and relationships with other players in the sector (e.g. are they dependent relationships, with the proposed advisory council reliant on MBIE (for example) for servicing, analysis etc?)

(b) expectations of influence (e.g. who/what organisations should be influenced, what form should that take?),

(c) organisational structure e.g. should it be a single grouping with broad representation of consumer and user groups or should it be structured more like Energy Consumers Australia (ECA) with a small governance board structure, a larger Reference Committee representing various consumer interests, and a dedicated staff resource. Note that ECA is large enough, and with sufficient funding, to stand alone as an independent player. Is this appropriate for New Zealand?

I believe the longer term success of a consumer advisory council will depend on properly scoping out these issues and working through potential options.

Finally, the Consumer Interests workshop canvassed whether large businesses should be included. In my view this is not appropriate – they have an effective organising voice through MEUG.

**A2. Ensure regulators listen to consumers**

YES....in principle, but....

Comment: .... the key issue is not necessarily one of requiring regulators to listen. Being 'listened to' and then having views discounted is a common complaint of consumer interests when interacting with authorities. The issue is the weight that will be given to consumer interests (including particular sub-groups of consumers). It may be that this concern is covered in recommended option F3. But regardless, my preference is for a transparent process, linked to A1 above. When consumer interests on an issue are presented to the relevant authorities, the authorities must

provide a formal response – whether they accept the consumer view in full or in part, or if not the reasons for not accepting.

There is also the need to accept that a unified ‘consumer view’ will not necessarily exist on some issues. Representing a diversity of views on some issues will need to be accepted as part of the process.

## **B1. Establish a cross-sector energy hardship group**

YES

Comment: As per comments on Option A1 more thought and clarity is required re appropriate composition and structure for the group. This should be informed by the role for the group, the organisations that are seen to be the primary focus of the group’s recommendations, and the immediate tasks to be undertaken. The main tasks identified in the document are:

1. Carry out detailed stocktake of existing initiatives – what’s working well and where are the gaps (and associated questions of how to measure success or otherwise)
2. Define energy hardship, including identifying measures for measuring (e.g. a set of indicators)
3. Help initiate a network of community-level support services to help those in energy hardship
4. Key role in co-ordinating the energy efficiency fund for those in energy hardship
5. Provide advice on the nature of the proposed additional financial support for households in energy hardship
6. Participate/review mandatory minimum standards to protect vulnerable and medically dependent customers
7. Assist in the development of bulk power deals.

Other associated issues might include

1. Review and comment on plans to remove low user tariffs, and monitor impact of removal (if approved)
2. Review pricing, policies and information around pre-payment meters with a view to minimise potential harm from regular self-disconnection.

Some, if not most, of this work will require significant support-staff resource for analysis, options assessment and policy implications. I think it would be instructive for the EPR team to look at the experience of the UK’s Committee on Fuel Poverty (formerly called the Fuel Poverty Advisory Committee (FPAG)). Their work has been supported and serviced by government agencies. In their earlier iteration as FPAG the group was larger in number with a much wider representation from community and energy interests. In its current form the committee is smaller in number, comprising independent expert members. This change has not been without critics. But I think understanding these changes, the reasons for them, and the effectiveness of the different approaches would greatly assist the likelihood of success for establishing an energy hardship group in New Zealand.

## **B2. Define energy hardship**

YES....this is a priority

Comment: Largely covered in comments to Option B1. I would add that I think the group should develop, and be guided by key principles for defining and measuring energy hardship. A few years ago I set out some principles re defining fuel poverty\*, which was largely based around a critique of the then UK definition of required energy cost being at least 10% of income, but which may be a useful

starting point for an energy hardship definition:

- should be defined in a way that captures real need – not perceived need.
- definition needs to avoid setting a single cut-off where people are deemed to be either in energy hardship or not. A definition needs to encompass a ‘gradient’ of needs.
- Avoid complicated and administratively burdensome definitions – ideally the definition should lend itself to a rapid on-the-ground assessment of individual households.

(\*Ian McChesney, 2008. Reflections and Wrap-Up. Fuel Poverty Workshop 4 June 2008. Community Energy Action)

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

YES

Comment: I think it is important to choose credible organisations with a long-term record of providing appropriate assistance, staffed by people with appropriate skills, qualifications and personal attributes. Ideally ‘joined up’ services should be encouraged because energy hardship is often associated with other issues that need addressing concurrently.

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

YES....in principle

Comment: This is an important aspect to include, and to get right. My main observation is to ensure that this fund has flexibility. Government energy efficiency funding over the last 2 decades has largely been heavily prescribed, allowing only a limited range of improvements. I would hope that a specific energy hardship fund focuses on just that and has the flexibility to support a range of improvements as determined by expert assessment.

**B5. Offer extra financial support for households in energy hardship**

YES....in principle

Comment: It is important that any additional support is

- (a) well targeted to needs,
- (b) has flexibility to deliver support in appropriate ways,
- (c) can be determined through appropriate local jurisdictions and can be delivered in a timely manner, and
- (d) is delivered through accountable processes.

I hope that the proposed Energy Hardship Group will have a strong role to play in establishing rules and accountability around this fund, but also that the group would have oversight of all of the various forms of assistance available with a view to achieving a coherent, integrated and inclusive approach.

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

YES

No further comment

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

YES

Comment: I suggest that allied to this should be an industry agreed best practice code for customer debt management. A number of retailers are performing well in this area. It is not something that should be a form of competitive advantage, so sharing these approaches and developing/adopting a best practice code should be of benefit to all. The aim should be, as much as possible to prevent the debt burden for customers occurring in the first place (without simply pushing customers to pre-payment meters).

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

YES....but qualified

Comment: I agree there may be potential benefits in doing this, and agree that agencies should explore the possibilities. However I also agree with the point made in the report on the limitations of a one-size-fits-all approach. Many of the other options I think are of higher priority for addressing energy hardship.

**C1. Make it easier for consumers to shop around**

YES

Comment: rationalisation of web-based searching for price comparisons to a single, high performing site run by Consumer NZ makes a lot of sense. Perhaps an advisory panel or similar could also be set up to help provide continuous improvement and testing of options.

Regarding the variation to require retailers to disclose all price offers, I strongly agree with this suggestion and would go further. The problem with not requiring all offers to be disclosed is that customers offered a bespoke or special deal are getting it at the expense of those not offered the deal (perhaps not dissimilar in principle to cross subsidy between high and low fixed charge users). For fairness alone, I believe any deal offered to a customer should be transparent so that other similar customers can (if they wish) request the same deal. The retailer would be required to honour this request.

There would likely be flow-through implications to retailer responses to a switching request. Any deal offered may become more muted because the retailer would be obliged make the deal transparent (e.g. list it as a tariff option on their website) and to offer the same deal to a similar customer if requested. But it may also mute save and win-back offers.

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

YES

Comment: Suggest that as well as switching and billing disputes, contact details for advice/support services (i.e. Option B3) is also required. There could be a standardised, agreed format for the way contact information is displayed for all three services, across all power bills (all providers) and on retailer/distributor websites.

**C3. Make it easier to access electricity usage data**

YES

No further comment

**C4. Make distributors offer retailers standard terms for network access**

YES

No further comment

**C5. Prohibit win-backs**

YES....but qualified

Comment: despite supporting this option in response to the earlier discussion document, reflecting on the discussion at the Consumer Interests workshop I wonder whether preventing 'saves' might be a more justified way of providing for fair retailer competition (unless the save was achieved by the retailer presenting a tariff option/ incentive that is transparently available to all similar customers).

A qualification on the win-back option might be that a cooling-off period is brought in which allows a customer to revert back to the original retailer with no penalty within a certain timeframe (but no win-back deal either).

**C6. Help non-switching consumers find better deals**

YES

No further comment

**C7. Introduce retail price caps**

NO....in general, but qualified

Comment: In general, in a competitive market, there should not be the need for price caps. However, there may be circumstances where considering a price cap may be a useful policy option, and hence should not be discounted. For example, the market for providers of pre-payment tariffs (with off-site recharge facilities) is barely competitive at all. If we are serious about creating a fairer system and tackling energy hardship I consider that an examination of the pre-payment market is needed (which might include, for example, the provider and types of service offered, recharge facilities, customer profile of those using the service, prices paid, behavioural responses). A quick perusal of the Powerswitch website (21-3-2019) comparing the cost of a Globug pre-payment plan with the cheapest debit plan available for a medium usage house in a number of rural locations (which already have higher-than-average prices) showed the cost of Globug to be 10-29% higher. In Auckland (Manukau) the margin was 20% higher. If there is a desire to narrow that margin a price cap might be one policy option worth considering (regardless of whether one can think of options that may be more advantageous).

**D1. Toughen rules on disclosing wholesale market information**

No comment

**D2. Introduce mandatory market-making obligations**

No comment

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

No comment

**D4. Monitor contract prices and generation costs more closely**

No comment

#### **D5. Prohibit vertically integrated companies**

No comment

#### **E1. Issue a government policy statement on transmission pricing**

No comment

#### **E2. Issue a government policy statement on distribution pricing**

YES

Comment: A number of the issues discussed in Section E of this paper could usefully be considered for inclusion in a Government Policy Statement (GPS). I also agree with the assessment that the GPS could provide a unifying and co-ordinated framework that addresses other measures proposed in this current document.

A central tenet of a GPS should be a forward-looking approach that examines new models based around distributed renewable energy and storage (and potential roles for distributors).

#### **E3. Regulate distribution cost allocation principles**

YES to a review: unsure on regulation

Comment: This option seems to actually be two options – (a) a review of cost allocation and principles, (b) regulation to stipulate principles. Since (b) surely depends on the findings of (a) the commitment at this stage should just be to undertake the review

#### **E4. Limit price shocks from distribution price increases**

YES....qualified

Comment: This option seems to be premised on some inevitability of ongoing instances of distribution price increases with resultant price shocks. I don't accept that there should be this inevitability, yet it does seem inevitable because issues raised in the initial Discussion Document and which I commented on (e.g. the ongoing increase in the proportion of a power bills being comprised of lines charges) do not appear to have been satisfactorily addressed.

I would hope that further review of these issues would be covered within a deep review for a distribution pricing GPS.

#### **E5. Phase out low fixed charge tariff regulations**

NO....qualified

Despite agreeing that the low fixed charge policy is poorly targeted, and in spite of the impression I might have given at the Consumer Workshop, at this stage I don't support removal of the low charge regulations until there is:

- greater clarity on how distribution costs might be better allocated,
- better understanding of the extent of downsides for some consumers, particularly those in hardship, and
- how these downsides can be mitigated where necessary.

It is not clear to me that simply changing the 'pivot point' would be sufficient. It is also not clear to me that distribution pricing, based on better pricing principles (such as time of use pricing – which also includes generation pricing) would be introduced. Much of the discussion seems based on simply transferring an energy

charge to a fixed charge. This carries a number of downsides including disincentivising energy efficiency investment and disincentivising distribution company efficiencies.

I would like to see more specificity on a phase-out – perhaps this can form part of the brief of a major review for a GPS.

**E6. Ensure access to smart meter data on reasonable terms**

YES

No further comment

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

YES

No further comment

**E8. Require smaller distributors to amalgamate**

Unsure

Comment: The points made in the options paper and in the previous discussion document about the possible cost impost of small distributors seem valid. While my inclination is to support community owned and local scale, sometimes the two become intertwined because moving beyond small scale is regarded as a loss of community control. It needn’t be so. While I accept that the ENA may be encouraging collaboration, the overall recommendation from the Options Paper doesn’t seem particularly pro-active.

**E9. Lower Transpower and distributors’ asset values and rates of return**

No further comment – see previous comments in this section

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

YES

Comment: Agree with the argument that flexibility to deal with new models, technologies etc., involving distributed energy services is important. It is important to be open to new ideas and ways of achieving fair and efficient outcomes, and to avoid sole reliance on approaches grounded in the past.

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

No comment

**F3. Give regulators environmental and fairness goals**

YES....somewhat qualified

Comment: Previously I argued against regulatory bodies being arbiters of trade-offs between objectives (e.g. fairness, vs competition, vs efficient operation). This is still my position, if environmental and fairness goals are inserted without specific guidance. However we are moving into new frameworks of thinking about how issues are addressed and resolved. For example the Treasury’s Wellbeing framework explicitly factors in environmental concerns (natural capital) and human wellbeing concerns (social, and human capital). The Electricity Authority is largely

concerned just one of the 4 capitals (financial and physical capital), and while this is stated to be all for the 'long term benefit of consumers', the interpretation of the later term is unclear.

I would like to see these broader aspect of wellbeing being brought into the remit of those in charge of regulating the electricity sector. I suggest roles would be quite specifically defined by the government, perhaps set out as specific functions rather than an open ended broad objective. But to not do so seems to me to leave regulators blind to obvious realities such as climate change mitigation and adaptation, and concerns about fair access to energy services.

Regarding the EPR recommendation to give the Electricity Authority a consumer protection function, it's not clear to me how much difference this would make (compared with 'the long term benefit of consumers' objective).

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

No comment

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

No comment

**F6. Establish an electricity and gas regulator**

No opinion, although agree that a preliminary exploration of the idea would be useful.

**G1. Set up a fund to encourage more innovation**

NO – qualified.

Comment: This option seems a little confused – it appears to be a broad-ranging innovation fund, with some examples having little or nothing to do with preparations for a low-carbon future which is the focus of the section (e.g. energy hardship in the Lines Company area). That said I think the document is correct in identifying the other support mechanisms available for innovation, and hence the caution exercised towards this option.

**G2. Examine security and resilience of electricity supply**

YES

No further comment

**G3. Encourage more co-ordination among agencies**

YES

Comment: I think it would be useful to make transparent the actions taken to achieve more co-ordination and joined up thinking, and outcomes achieved. For instance, the example provided of the Council of Energy Regulators – can we see some ongoing and visible evidence on the issues being discussed and actions taken? Publication of agendas and minutes might provide useful transparency. In that regard I commend the Electricity Authority for its regular and timely posting of agendas, papers and minutes of its advisory group meetings.

**G4. Improve the energy efficiency of new and existing buildings**

YES



Comment: New Zealand has been on a very slow journey of energy efficiency improvement in buildings. This is characterised by a lot of stop-start incentivisation of energy efficiency in existing housing (programme formulation is rarely consistent for more than a few years), and new build standards that have changed only marginally in the last two decades and have some significant gaps (e.g. prevention of summer overheating). A more focused effort, with clear objectives (which may be locally driven in some cases e.g. peak load reduction) is required.

The example given of the Lines Company is interesting, and an example of local problems requiring local solutions (from a 'basket' of potential interventions). Solutions need to include non-electricity options (e.g. efficient wood burners in rural areas, in particular), as well as much 'deeper' energy efficiency retrofits than has been the norm in New Zealand to date. How these are funded is a perennial issue. One option I would like to see explored is the ability to capitalise the winter energy payment (WEP) so that forward payments of the WEP can be capitalised to the present to enable purchases of approved energy efficiency measures. For example a couple owning their own home and eligible for the WEP could be offered a discounted lump sum payment (e.g. 5 years of the WEP @ \$700 per year) to enable a heat pump purchase in lieu of yearly payments. Perhaps ideas such as this could be examined by the Energy Hardship Group.