

From: energymarkets@mbie.govt.nz
To: [Energy Markets](#)
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Region

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Category

Individuals, Researchers and Academics

Do you accept these terms & conditions?

Yes

A1. Establish a consumer advisory council

Worthwhile only if it can address pricing complaints (unlike earlier exercises of this sort)

A2. Ensure regulators listen to consumers

Should always have been the case. If regulators have a non-listening culture then some heads may need to roll.

B1. Establish a cross-sector energy hardship group

Better to break the price-gouging culture of the industry and to outlaw the "Ramsey Pricing" that loads the biggest burdens on the most captive and vulnerable consumers in the name of "efficiency". Time for common decency to get some attention.

B2. Define energy hardship

Not rocket science. There is an extensive academic literature to call on. If you're really interested I'll be happy to suggest some.

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

Many already exist. Their problem is that they are up against powerful vested interests backed by the law of the land. Breaking the monopolistic elements in the industry, and changing the Commerce Act to prohibit excess profits (which the 2008 Amendment failed to do) would help.

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

Taxpayers underwrite industry profits? This is a familiar refrain and is basically an incentive for the industry to continue price-gouging, when that strategy might eventually fail due to growing consumer resistance. Government subsidies in the absence of structural change are quite likely to be counter-productive.

If this is proceeded with it ought to be funded by a levy on the generator-retailers.
Or a water royalty.

B5. Offer extra financial support for households in energy hardship

Should already be provided through WINZ and MSD. Nice but tackling just symptoms, not causes.

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

Should have been the case from the start. If not, ask why not.

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

Definitely - would be a useful precedent against predatory pricing, given the total failure of the Commerce Act 1986 to provide any.

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

Good luck with that.

C1. Make it easier for consumers to shop around

Trivial - consumer "choice" is superficial window dressing on the facade of a deeply uncompetitive industry.

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

Should always have been the case. If not, ask why not.

C3. Make it easier to access electricity usage data

Sure, why not, for those with time and energy. Again, fiddling on the margins.

C4. Make distributors offer retailers standard terms for network access

Go back and read the 1989 Taskforce report about wheeling services on networks. Standard terms were central to the whole idea.

C5. Prohibit win-backs

Could turn out positive or negative. Some people know how to manipulate these successfully; others are just sucked into time-wasting and frustrating haggling. On balance probably good, but only trivial fiddling with symptoms in a dysfunctional market.

C6. Help non-switching consumers find better deals

Massive resources and huge deadweight burden for customers over the past decade have produced zero serious gains, in the face of entrenched power of incumbents. Switching is not a solution to the real problems.

C7. Introduce retail price caps

Can't hurt, might help, but again you're just fiddling with symptoms.

D1. Toughen rules on disclosing wholesale market information

Sure, but don't underestimate the ability of incumbents to deceive.

D2. Introduce mandatory market-making obligations

Yes. This is the first of your options that might actually make some real difference. But in isolation and without rigorous ("heavy handed") enforcement it would probably turn out to be just tokenism.

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

retailing activities

Yes. As usual, this should always have been required. Segmental reporting in annual reports has been patchy and usually unhelpful.

D4. Monitor contract prices and generation costs more closely

Only if whoever does the monitoring has the power and the will to do something about revealed abuses.

D5. Prohibit vertically integrated companies

Definitely. Here at last, if only briefly, we get serious. Generation and retail need to be separated, because of familiar market power problems that were obvious from the moment in 1999 that integration was allowed.

But note that there is a strong pro-competitive case for removing the ban on integration of lines and energy at local level, where distribution network businesses can get economically worthwhile synergies from participation in, e.g., rooftop solar, distributed solar arrays, micro-hydro, and battery storage schemes.

Integration is not always or necessarily bad. But in New Zealand in the particular case of generation and retail it has been toxic for competition and for consumer welfare

E1. Issue a government policy statement on transmission pricing

Sure, why not.

E2. Issue a government policy statement on distribution pricing

Sure, why not? But unless it addresses asset overvaluations it's just tokenism.

E3. Regulate distribution cost allocation principles

Maybe, if the regulator has the skill and time to do something with the resulting information.

E4. Limit price shocks from distribution price increases

Unclear how you would do this.

E5. Phase out low fixed charge tariff regulations

No. These may have some undesired consequences, as industry lobbyists keep insisting, but the force with which the big vested interests have been pushing for this makes it crystal clear that the regulations need to be defended to the last ditch. They were intended to protect the poor from price gouging, and I have no doubt that to a limited extent, and with all the much-publicised exceptions, they have done this to some extent for some poor people. I would prefer far more heavyweight and effective regulatory interventions to curb monopolistic profiteering, but in the absence of anything better we should keep what little we have,

E6. Ensure access to smart meter data on reasonable terms

Depends what 'reasonable' means.

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

Only if the Commission itself gets to take its regulatory mandate seriously, and that mandate gets tightened up by amending the Commerce Act. Otherwise it's largely a charade going on in the regulatory space, costing us all a lot of scarce resources that would be better used for purposes other than rent-seeking.

E8. Require smaller distributors to amalgamate

No. Small local enterprises have a major and special role in the New Zealand economy. Forced amalgamation that dispossesses local people from ownership and control of local activities is a mistake. The 1992 Energy Companies Act was a disaster for local ownership, control and identity which never came close to delivering any of the promised offsetting gains. In the age of 'wellbeing', when unvarnished profit-seeking is getting into well-earned disrepute, it's time to take local sentiment and local interests seriously.

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

Absolutely. Do it now and do it properly. Focus on asset values, which have perpetuated the function-less rent-taking flowing from mass mugging of consumers back in the 1990s. Having got the rates of return down, make sure dividend income is not demanded from Transpower by a voracious Treasury.

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

Not the present Authority. It was set up[to be, and continues to function as, largely a public-relations advocate for the big industry players. I would not trust it to regulate anything, if consumer welfare is seriously the goal.

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

From the frying pan to the fire, basically. Neither is really a credible regulator. The Commerce Commission does have a small edge on the Authority, though.

F3. Give regulators environmental and fairness goals

No. Environmental matters are dealt with under the RMA, where many more teeth are needed. Fairness is impossible to define usefully, as demonstrated by the Price Review's own equating of fairness with respect for entrenched property rights, regardless of whether they have been justly acquired.

If fairness is to be defined, let Parliament do it.

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

No. Appealing on the merits from supposedly expert adjudicators boils down to repeated victories for those with the deepest pockets. Consumer interests are better served by crisp clear regulations enforced with resolute determination and backed by a Parliament that is willing to face down corporate monopoly. The drawbacks of appeal-on-merits in Australia have been well explained by the electricity inquiry over there.

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

Just abolish the Authority and set up something serious and worthwhile.

F6. Establish an electricity and gas regulator

A bit late in the day, after the really big chances to get industry structure right have gone by. Unclear what if anything such a regulator could not achieve - apart from further entrenching and legitimating the status quo.

G1. Set up a fund to encourage more innovation

The need is not specific to the electricity industry. Who pays for this? One would hope a levy on the industry's excess profits, but in reality it would probably turn out to be everyone else (taxpayers/consumers).

Better than a fund would be breaking the stranglehold the incumbents are maintaining to block new competitive entry by distributed renewables. Anti-competitive practices are the big barrier to innovation - not funding.

G2. Examine security and resilience of electricity supply

To what end?

G3. Encourage more co-ordination among agencies

Go ahead.

G4. Improve the energy efficiency of new and existing buildings

Sure, good idea, but miles away from electricity pricing.

Here as throughout this submission form there is no space for engagement with issues and options outside the carefully-selected, largely trivial ideas the Price Review has come up with.

Credibility for a Review such as this requires far more honest in-depth engagement with the issues the Minister has passed to you, than anything in the Options paper. To date the review exercise has been a wasted opportunity and risks leaving the Government devoid of solid ideas beyond tinkering with the window-dressing. Considering the resources made available to you, I grade your work to date a failure, both of imagination and of will.