

**From:** energymarkets@mbie.govt.nz  
**To:** [Energy Markets](#)  
**Subject:** Electricity Price Review submission  
**Date:** Thursday, 21 March 2019 1:35:41 p.m.

---

**Name (full)**

Kieran Robinson

**Company (if applicable)**

WEL Networks

**Email**

[kieran.robinson@wel.co.nz](mailto:kieran.robinson@wel.co.nz)

**Contact number**

**Region**

Waikato

**Category**

Distribution Companies and Associations, Trusts, Transpower

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

Yes

**A1. Establish a consumer advisory council**

While WEL agrees that the establishment of a consumer advisory panel is important in enabling consumers to share their views and shape the electricity sector, this is only part of the solution.

We have encountered a few common concerns from consumers: one being a lack of trust within the industry. We have also noticed very few consumers understand the market and are consequently unable to voice a valid argument. Therefore, we also suggest the development of more educational initiatives to ensure consumers have access to all information necessary to make informed contributions.

It is important to consider who is on the consumer advisory panel. How will we ensure that the advisory panel is representative of a diverse consumer group? If it is hard to get diverse representatives, they could consider commissioning community-based research that would also inform the panel.

**A2. Ensure regulators listen to consumers**

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

WEL agrees that a group to oversee and stocktake current initiatives will provide valuable information in what is and what is not working, along with providing solutions from key findings on cost-effective solutions. It is important to consider who is on the panel, particularly, as advising at policy, strategy, and implementation levels require different skillsets and backgrounds. A stocktake will help to identify both the gaps and opportunities for addressing energy hardship. WEL believes B1 should be carried out in conjunction with B2.

**B2. Define energy hardship**

WEL supports this option and the priority given to defining energy hardship. Without a comprehensive understanding of “energy hardship” it is difficult to measure what is and what is not working, a well-defined “benchmark” will allow a clearer pathway for the sector to address energy hardship. It is also important to be able to determine what measures indicate an initiative as effective, for example, are consumers said to have left energy hardship when they are consistently paying their energy bills on time? Or has energy hardship been resolved when consumers have

healthy homes (as stated in your introduction) and are efficient energy users? Along with the formed energy hardship group, defining the problem will help with implementing the correct policies and regulations for the reduction and/or elimination of energy hardship.

Why is energy hardship of great concern to WEL? WEL is a community owned EDB, we strive to improve the well-being of our stakeholders, that is, the families of Waikato. WEL does this via its Trust, the WEL Energy Trust. Next year it will inject \$14.5 million for the development and improvement of the Waikato community. WEL is also implementing other energy projects to further reduce electricity prices for the everyday consumer.

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

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

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

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

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

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

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

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

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

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

**C5. Prohibit win-backs**

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

**C7. Introduce retail price caps**

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

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

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

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

**D5. Prohibit vertically integrated companies**

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

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

**E3. Regulate distribution cost allocation principles**

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

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

WEL agrees that the LFC removal is a priority to the electricity sector, with technology ever evolving we need to be allowed to keep reforming our pricing structures to be able to give more efficient signals. While the LFC does not stop pricing reform, it does impair efficient pricing, cause cross-subsidisation, and poorly targets those in hardship.

EDBs are largely fixed cost businesses with approximately 80% of EDB cost structures attributed to fixed costs. 57% of WEL's residential customers are on the LFC, restricting our maximum fixed charge to 15 cents per day. We recover only 6% of revenue from LFC customers through this fixed rate, the remainder comes from variable charges.

WEL also agrees that the removal of the LFC will need to be spread over multiple years to minimise the price shock effects on customers. Permitting EDBs and retailers freedom to remove the LFC will allow them to use their knowledge and data to implement the best case scenario for the areas they serve. Using existing data, analysis shows with a removal period of three/four years customers will

experience average price shocks of approximately 3.5%, 2.5% respectively, depending on retailer pass through.

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

WEL strongly agrees with this option and highlights this as a matter of priority. Allowing EDBs access to smart meter data on reasonable terms creates opportunities for improving network efficiencies, improving customer service, and reducing costs.

Greater benefit could be gained from meters if the data was available to distributors for network management purposes.

Unlike many EDBs, WEL has smart metering data and it has provided numerous benefits.

- Smart meter data has improved CAPEX. It has enabled WEL to improve its asset management plans, defer projects, and identify priority projects.
- Smart meter data available in real time can confirm if and where power is out and if it has been restored to normal levels, which has dramatically reduced our fault call outs. WEL has seen an average reduction of approximately 39% in fault call outs.
- Improved customer experience. By detecting LV faults, we are able to fix issues usually before the customer even notices there is a problem.
- Improved health and safety. Smart meter data has given us the ability to detect faulty neutrals, identify DG and unauthorised energy export. This data allows us to monitor the environment for our staff and customers.
- Smart meter data offers a level of revenue assurance by confirming load control is operational, confirming site capacity, modelling TOU, and identifying potential theft.
- The future of distribution network management is DSO, this requires real time LV data, available from meters.

These benefits allow WEL to develop competitive cost structures that flow onto pricing efficiencies for consumers and WEL believes smart meter data is paramount to improving efficiencies across the supply chain. WEL will observe the working group recommendations closely.

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

#### **E8. Require smaller distributors to amalgamate**

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

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

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

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

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

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

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

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

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

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

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