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To: [Energy Markets](#)
Subject: Electricity Price Review submission
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Region

Wellington

Category

Distribution Companies and Associations, Trusts, Transpower

Do you accept these terms & conditions?

Yes

A1. Establish a consumer advisory council

Yes

Wellington Electricity Lines Limited (WELL) supports a consumer advisory council to advise regulators of consumer feedback.

A2. Ensure regulators listen to consumers

Unsure

Like the panel, WELL is unsure about this option.

B1. Establish a cross-sector energy hardship group

Yes

WELL strongly supports implementing an energy hardship group. To be effective, it will need to coordinate with existing social services, leveraging their existing consumer channels. Care should be taken not to duplicate existing services and functions.

B2. Define energy hardship

Yes

WELL supports the need to define energy hardship and agrees with the review panel that to manage a problem it needs to be defined.

Energy hardship needs to consider energy choices in the context of household income and other household expenditure.

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

Yes

WELL strongly supports community level support, especially providing energy use coaches and building the skills of community groups in energy use. Many initiatives that are designed to reduce long term electricity costs depend on consumers having the knowledge and tools to make good energy decisions.

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

Yes

WELL supports establishing the fund, provided it is well governed and only effective initiatives are selected. Care needs to be taken that the fund does not just raise costs to all consumers.

B5. Offer extra financial support for households in energy hardship

Yes

Social agencies should be the channel to seek the support of funding for customers needing financial support. WELL supports the funding coming from government as a form of welfare, rather than from the electricity sector. This will reduce the risk of pricing signals within the industry being distorted by the welfare adjustments.

A key focus should be the continued improvement of insulation in New Zealand houses to improve energy efficiency.

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

Yes

WELL supports a minimum standard. Retailers currently have the responsibility for this through their customer relationships.

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

Yes

WELL supports prohibiting prompt payment discounts. WELL agrees with submissions that prompt payment discounts disproportionately hurt low-income consumers.

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

Yes

WELL supports exploring where it is possible for bulk deals to benefit customers in energy hardship. However, there should be some prerequisites for home insulation and guidance on energy behaviors useful for the implementation of a bulk scheme.

C1. Make it easier for consumers to shop around

Yes

WELL supports merging the two price comparison websites and improving the quality of the price comparisons. A single enhanced website will improve a consumer ability to compare and change retailers and will reduce costs.

The enhanced website should also be supported with real time usage data so that

consumers can make accurate decisions.

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

Yes

WELL supports this initiative and believes it should be extended to electronic bills and the participant's website. These mediums would need to provide consumers with links to resources to help them with disputes and considering other providers.

WELL also recommends that all participants' websites have a clear link to the UDL and an explanation of UDLs role within the industry.

C3. Make it easier to access electricity usage data

Yes

WELL strongly supports this option. Quick and easy access to consumption data is essential for making efficient energy decision. The data should be made available to the whole electricity supply chain to allow consumers to make informed energy choices and to encourage suppliers to offer more efficient services.

WELL believes energy data should be made available centrally to all users and suppliers. The Electricity Authority could identify a service provider to manage Meter Equipment Provider (MEP) data as a central registry.

C4. Make distributors offer retailers standard terms for network access

Yes, if the terms are reasonable

WELL supports the concept of standard terms with retailers and agrees that it could reduce transaction costs. However, WELL's support assumes that the agreed terms are reasonable and supports a distributor's ability to provide efficient services. It would also follow that the retailers reflect the standard terms of the network to customers.

The standard terms could be a useful vehicle to improve the efficiency of distribution services and prices – the terms could include the provision of meter data, how retailers will apply efficient pricing structures and the requirement for the mandatory notification of the installation of electricity vehicles, solar and other new technology.

C5. Prohibit win-backs

Yes, if it would increase competition

WELL agrees with prohibiting win-back offers where they are directly contributing to the undesirable two-tier market and/or if they reduce competition.

C6. Help non-switching consumers find better deals

Yes

WELL supports the Electricity Authority helping non-switching consumers find a better deal. The example provided by the UK trial suggests there could be value in exploring a similar service in New Zealand.

The ability to offer this type of service highlights the need for meter data to be made available to the electricity supply chain. Making customer consumption data

available to all retailers will also allow retailers to customize their offers to potential new customers, making switching easier and stimulating more competition.

C7. Introduce retail price caps

Initially no

WELL does not support price caps initially. WELL agrees with the panel's view that there will be a risk of distorted price signals causing long term inefficiencies. The inefficiencies caused by the low fixed charge on distribution prices highlights the risks of restricting prices.

However, WELL thinks this could be an option 'of last resort' if the other changes aren't effective. If the market isn't working to create competition, then government set prices could result in prices coming down.

D1. Toughen rules on disclosing wholesale market information

Yes

WELL supports the enforcement of current information disclosure requirements and strengthening information disclosure where gaps have been identified. WELL agrees that for market participants to make informed decisions, prices must reflect the value of the electricity being traded.

D2. Introduce mandatory market-making obligations

No comment

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

Yes

WELL supports new information disclosure rules that would require separate financial performance reporting for the generator and retailer components. WELL agrees with the Review Panel that this will promote transparency and market confidence.

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

Yes

WELL supports providing clear guidance for transmission pricing – highlighting what the government wants prices to achieve. WELL supports including the impact price changes might have on customers in that guidance.

E2. Issue a government policy statement on distribution pricing

No

WELL does not support the issuing of a government policy statement on distribution pricing. WELL is concerned that a government level policy, in addition to the Electricity Authority's pricing principals, could create conflict.

The Electricity Authority's pricing principles are the appropriate mechanism to provide the objectives of distribution prices and the characteristics those prices should have.

E3. Regulate distribution cost allocation principles

No

WELL does not support the need to regulate cost allocation principles. An electricity distribution business's cost allocation principles are already guided by the Electricity Authority's pricing principles and are required to be disclosed as part of the Commerce Act Part 4 regulation.

WELL supports the allocation of costs between commercial and residential customers being cost reflective.

E4. Limit price shocks from distribution price increases

Yes

WELL supports phasing out low fixed charge tariffs as it makes the introduction of efficient distributor prices complex for the industry. EDBs have to offer multiple price sets reflecting the legacy low fixed charges. The legacy prices will also distort consumer choices when they consider the new prices.

E5. Phase out low fixed charge tariff regulations

Yes

WELL supports phasing out low fixed charge tariffs as it makes the introduction of efficient distributor prices complex for the industry. electricity distribution businesses have to offer multiple price sets reflecting the legacy low fixed charges. The legacy prices will also distort consumer choices when they consider the new prices.

E6. Ensure access to smart meter data on reasonable terms

Yes

WELL supports ensuring access to smart meter data for the reasons outlined in the options paper. The data is also essential for the calculation of efficient distribution prices and providing accurate information on published loss factors.

WELL is concerned around the potential price for access. Consumers have already paid for the provision of smart meter data so any future prices should be limited to just the incremental cost of making it available to the supply chain. Otherwise customers are at risk of paying additional costs for data they already provide for no additional benefit.

WELL believes energy data should be made available centrally to all users and suppliers. The Electricity Authority could identify a service provider to manage Meter Equipment Provider (MEP) data as a central registry.

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

No

WELL believes that there are already sufficient powers for the Commerce Commission to regulate distributor's performance.

The default price path reset, customized price path application, information requests and breach mechanisms are all available to the Commission to correct electricity distribution businesses' behaviors and therefore there is no need to include further regulation. Providing the Commerce Commission with additional powers to determine a business' direction would remove their independence and impartiality.

WELL disagrees with using bench-marking in the price/quality setting process. The variability in different networks size, mix of customer demands, equipment, customer types and demand makes bench-marking ineffective. WELL would be happy to engage with the advisory panel to discuss specific examples of our concerns.

E8. Require smaller distributors to amalgamate

No

A better alternative to amalgamating small distributors is to promote shared services that would also provide the benefits of economies of scale.

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

No

WELL does not support this option for the reasons outlined in the options paper. Many investors have bought distribution businesses based on current asset valuation rules. Changing the rules now could impose unexpected losses on such investors and harm New Zealand's investment reputation.

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

Yes

WELL supports refining section 54V of the Commerce Act to ensure the Commission and Electricity Authority co-ordinate their functions. WELL would expect this to include coordinating how any changes in distributor's responsibilities will be funded.

WELL agrees that it's important that the Electricity Authority remains flexible in ensuring the relationships between a distributor and a generator or retailer remain at arm's-length.

The Electricity Authority must carefully balance avoiding cross subsidisation, information asymmetry while incentivising competition and innovation.

Distributors will need to reinforce guidelines and standards for the network operation to ensure distributed energy resources compete on an equitable level and do not interfere with the quality of supply of other customers. This will require standards to be assigned to DER equipment so that it can respond to voltage limits which will occur with two way power flows from solar, EV charging and battery storage.

Distributors will initially offer cost reflective prices to incentivise EV charging at non-congested times. Distributors could also offer more sophisticated services models which allow EV charging and discharging cycles to coordinate with network demand.

If electricity distribution businesses are unable to coordinate retailers and customers to provide services which manage congestion, they will have to increase their investment in the network which will increase long term cost to customers.

Distributors should also publish network standards to help inform consumers of their responsibilities. The standards should include how congestion is defined and for network congestion to be disclosed so DER can be incentivised to provide network relief.

WELL supports the mandatory reporting to distributors the location of distributed energy resources so that they can be safely integrate into the network.

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

No

WELL does not support this suggestion. WELL understands that such a change would be complex, time consuming.

F3. Give regulators environmental and fairness goals

No

WELL does not support this option for the reasons provided. Fairness is implicit in regulation as actions are judged against the long term benefit to consumers.

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

Yes

WELL supports separating the functions of the Electricity Authority's rule-maker and rule-enforcer functions for the reasons provided. WELL also supports increasing the information gathering powers provided the information is not already available through the Commerce Commission Information Disclosure process to ensure there is no double handling or inefficiency.

F6. Establish an electricity and gas regulator

Unsure

WELL is unsure if the benefits would outweigh the costs.

G1. Set up a fund to encourage more innovation

Yes

WELL strongly supports this initiative. The current distributor's regulatory model does not provide the ability to fund trials of new technology needed to help manage congestion and defer future capital expenditure on a distributor's network. The trials are needed to provide the evidence to support a business case to fund a new operating model for distributors.

Other jurisdictions in the United Kingdom (Ofgen Network Innovation Fund) and Australia (ARENA fund) provide panels which review innovative business cases and award funds which are then included in a distributor's price path. The results

are then shared so that other participants can also benefit from the innovative ideas.

G2. Examine security and resilience of electricity supply

Yes

WELL supports for the reasons provided. The Advisory Board are invited to engage with Wellington Electricity who are prepared to demonstrate how this works effectively through the Commerce Commission Price/Quality path.

G3. Encourage more co-ordination among agencies

Yes

WELL supports for the reasons provided. The co-operation should also include the impact any changes will make on both market and regulated participants and whether additional funding will be needed.

G4. Improve the energy efficiency of new and existing buildings

Yes

WELL strongly agrees for the reasons provided.