



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Electricity Price Review: Government Response to Final Report	Date to be published	3 October 2019

List of documents that have been proactively released

Date	Title	Author
25 September 2019	Electricity Price Review: Government Response to Final Report	Office of the Minister of Energy and Resources
25 September 2019	Electricity Price Review: Government Response to Final Report DEV Minute	Cabinet Office

Information redacted

YES / NO

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Some information has been withheld to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and Officials.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Government Response to the Final Report of the Electricity Price Review

Portfolio Energy and Resources

On 25 September 2019, the Cabinet Economic Development Committee (DEV):

Background

- 1 **noted** that the Electricity Price Review Panel was appointed in April 2018 to investigate whether the electricity sector, as it exists at present, is delivering a fair price to consumers, and whether the electricity market and the regulatory framework will continue to be appropriate in the future, and particularly with the emergence of new technologies [ENV-18-MIN-0004 and APH-18-MIN-0039];
- 2 **noted** that:
 - 2.1 the final report of the Electricity Price Review (the Review) makes 32 recommendations;
 - 2.2 the Minister of Energy and Resources intends to publish the Review's final report, together with a summary of the government's response to that report;

Strengthening the consumer voice

- 3 **noted** that the Review recommended that a consumer advisory council be established to strengthen the consumer voice, and that regulators be required to listen to consumers;
- 4 **invited** the Minister of Energy and Resources and the Minister of Commerce and Consumer Affairs to:
 - 4.1 report back to DEV with detailed proposals to establish a consumer advisory council, including its form, governance and budget;
 - 4.2 write to the Electricity Authority and the Commerce Commission respectively setting out the government's expectations that they take urgent and demonstrable action to lift the effectiveness of their engagement with electricity consumers;

Reducing energy hardship

- 5 **noted** that the Review found that more than 100,000 households cannot afford to heat their homes adequately, and made a suite of recommendations directed at reducing energy hardship, including to:
- 5.1 establish a cross-sector energy hardship group;
 - 5.2 define energy hardship;
 - 5.3 establish a network of community-level support services to help consumers in energy hardship;
 - 5.4 set up a fund to help households in energy hardship to become more energy efficient;
 - 5.5 offer extra financial support to households in energy hardship;
 - 5.6 set mandatory minimum standards to protect vulnerable and medically dependent consumers;
 - 5.7 prohibit prompt payment discounts but allow reasonable late payment fees;
 - 5.8 encourage bulk deals for social housing and/or Work and Income clients;
- 6 **invited** the Minister of Energy and Resources, in consultation with the Ministers of Housing, Social Development, Commerce and Consumer Affairs, and Child Poverty Reduction, to report back to DEV on progress on the matters outlined in paragraphs 5.1 to 5.4 above (cross-sector energy hardship group, defining energy hardship, establishing a network of community-level support services, and establishing a fund to help households in energy hardship) by December 2019;
- 7 **noted** that the Review's recommendation (referred to in paragraph 5.5 above) to offer extra financial support to households in energy hardship is consistent with broader commitments by the government to improve people's financial wellbeing and to reduce child poverty;
- 8 **invited** the Minister for Social Development to consider the affordability of power for households in energy hardship as part of ongoing work to reform the welfare system, including in response to the Welfare Expert Advisory Group's recent report;
- 9 **invited** the Minister of Energy and Resources to report back to DEV with proposals to set mandatory minimum standards to protect vulnerable and medically dependent consumers (referred to in paragraph 5.6 above) by March 2020;
- 10 **agreed** that electricity retailers' prompt payment discounts and/or late payment fees should reflect no more than the reasonable costs of recovering overdue payments;
- 11 **invited** the Minister of Energy and Resources to write to electricity retailers requesting that they ensure any prompt payment discounts and late payment fees reflect no more than the reasonable costs of recovering overdue payments, and to report back to DEV with proposals to regulate if the Minister is unsatisfied with the retailers' responses;

Increasing retail competition and reinforcing wholesale market competition

- 12 **noted** that the Review made a suite of recommendations to improve competition in the wholesale and retail electricity markets, including to:
- 12.1 merge the Electricity Authority and Consumer New Zealand price comparison websites;
 - 12.2 improve consumer awareness of Powerswitch and Utilities Disputes;
 - 12.3 develop a streamlined way to process customer requests for consumption data;
 - 12.4 make distributors offer retailers standard default terms for network access;
 - 12.5 prohibit saves and win backs;
 - 12.6 establish a pilot scheme to help non-switching consumers find better deals;
 - 12.7 improve the availability of wholesale market information;
 - 12.8 introduce mandatory market-making unless the sector develops an effective incentive-based scheme;
 - 12.9 make generator-retailers release information about the profitability of their retailing activities;
 - 12.10 monitor contract prices and new generation costs more closely;
- 13 **invited** the Minister of Energy and Resources to write to the Electricity Authority setting out the government's expectation that it will give priority in its work programme to the matters referred to in paragraph 12 above and will report regularly on its progress;

Improving the electricity transmission and distribution sectors

- 14 **noted** that the Review made a number of recommendations to improve the electricity transmission and distribution sectors, including to:
- 14.1 issue a Government Policy Statement on electricity transmission and distribution pricing;
 - 14.2 ensure electricity distributors have access to smart meter data;
 - 14.3 give the Commerce Commission more powers to regulate distributors' performance;
- 15 **invited** the Minister of Energy and Resources and the Minister of Commerce and Consumer Affairs to prepare and report back to DEV with a proposed Government Policy Statement on electricity transmission and distribution pricing, after consulting with the Electricity Authority and the Commerce Commission;
- 16 **invited** the Minister of Energy and Resources to write to the Electricity Authority setting out the government's expectation that it will ensure distributors have access to smart meter data on reasonable terms;
- 17 **invited** the Minister of Commerce and Consumer Affairs, in consultation with the Minister of Energy and Resources, to report back to DEV by 30 June 2020 with policy proposals to give the Commerce Commission more powers to regulate electricity distribution businesses;

Improving the regulatory system

- 18 **noted** that the Review made a number of recommendations to improve the electricity regulatory system, including to:
- 18.1 give the Electricity Authority more powers to regulate network access;
 - 18.2 give the Electricity Authority an explicit customer protection function;
 - 18.3 phase out low fixed charge tariff regulations;
 - 18.4 update the Electricity Authority's compliance framework and strengthen its information-gathering powers;
- 19 **invited** the Minister of Energy and Resources to report back to DEV by December 2019 with proposals for legislation and regulation addressing the matters in paragraphs 18.1 to 18.3 above;
- 20 **agreed** that the Review's recommendation referred to in 18.4 above be considered as part of further work on institutional arrangements for energy policy and regulation, referred to in paragraph 26 below;

Ensuring implementation of specified recommendations

- 21 **invited** the Minister of Energy and Resources to report back to DEV by December 2019 with policy proposals to amend the Electricity Industry Act 2010 to give the Minister the ability to amend the Electricity Industry Participation Code to address specified matters, if the Minister is unsatisfied with the Electricity Authority's progress on those matters;

Preparing for a low carbon future

- 22 **noted** that the Review made a number of recommendations to prepare New Zealand and its electricity sector for a low carbon future, including to:
- 22.1 encourage more energy sector innovation;
 - 22.2 examine the security and resilience of electricity supply;
 - 22.3 explore new institutional arrangements for energy policy and regulation;
 - 22.4 improve building energy efficiency;
- 23 **invited** the Minister of Energy and Resources and the Minister of Commerce and Consumer Affairs to write to the Electricity Authority and the Commerce Commission respectively setting out the government's expectation that they will prioritise efforts to support innovation in the electricity sector, consistent with their statutory objectives;
- 24 **invited** the Ministers responsible for the Callaghan Innovation, the Endeavour Fund, the New Zealand Venture Investment Fund, the Strategic Science Investment Fund and Innovation Partnership programmes to write to their respective agencies encouraging them to ensure that their funding objectives and allocation criteria give sufficient priority to innovation in the energy sector;
- 25 **invited** the Minister of Energy and Resources to write to the Electricity Authority requesting it to examine the security and resilience of the electricity sector, with input from the Security and Reliability Council, and report its findings and recommendations within 18 months;

- 26 **invited** the Minister of Energy and Resources to report back to DEV by the end of 2019 with the proposed scope and timeframe for a review of energy institutional arrangements, noting the importance of investor confidence, energy security and affordability, and alignment with the broader renewable and affordable energy strategy work programme;
- 27 **noted** that the Ministry of Business, Innovation and Employment has a work programme underway to advise the Minister for Building and Construction on how the building regulatory system could support the government's climate change goals, including energy efficiency considerations that may also support energy affordability and the health and wellbeing of building occupants;
- 28 **invited** the Ministers responsible for Housing New Zealand to consider improving the energy efficiency of new and existing public housing stock.

Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Grant Robertson (Chair)
Hon Phil Twyford
Hon Dr David Clark
Hon Nanaia Mahuta
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Shane Jones
Hon Kris Faafoi
Hon James Shaw

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard-copy distribution:

Minister of Energy and Resources