

Electricity Price Review– Recommendations from Final Report

Recommendation	Government Response / Comment
Strengthening the consumer voice	
Establish a consumer advisory council	The Government agrees with this recommendation and will direct officials to establish the council. Members will be appointed in the near future.
Ensure regulators listen to consumers	The Government will issue open letters to the Commerce Commission and the Electricity Authority setting out its expectations that they improve their consumer engagement and take urgent and meaningful action to this effect.
Reducing Energy Hardship	
Establish a cross-sector energy hardship group.	The Government is establishing a cross-sector energy hardship group to help ensure that energy hardship initiatives are well-considered, carefully co-ordinated and properly implemented.
Define energy hardship	The Government has directed officials to start work developing statistical indicators of energy hardship. This will assist the measurement and tracking of energy hardship over time, to assess the effectiveness of measures to reduce hardship.
Establish a network of community-level support services to help consumers in energy hardship	This network will progressively link and expand existing support services to establish a nationwide network of organisations offering credible, independent, electricity-specific advice and support services to those in energy hardship. This work will be facilitated by cross-sector energy hardship group.
Set up a fund to help households in energy hardship become more energy efficient	This fund will sit alongside other Government energy efficiency programmes, but be more targeted at energy hardship. It is expected to work alongside the network of community-level support services recommendation.
Set mandatory minimum standards to protect vulnerable and medically dependent consumers	The existing voluntary arrangements do not provide adequate protection for vulnerable and medically dependent electricity consumers. Work on this will start immediately.
Prohibit prompt payment discounts but allow reasonable late payment fees	The Government welcomes this recommendation, however rather than immediately regulate retailers, the Minister of Energy and Resources will write to the industry setting out the findings of the Review and the

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	expectation that they make discounts available to all consumers and reflect the true costs of managing late payments from their customers. When Meridian did this, it handed \$5 million back to consumers. Should the companies not follow suit, we will regulate.
Encourage bulk deals for social housing and/or Work and Income clients	<p>Many in social housing or receiving Work and Income assistance are disengaged from the electricity market and may pay more for power than they need to.</p> <p>Kāinga Ora (formerly Housing New Zealand) already has work underway exploring ways to help its customers. The Associate Minister of Housing and Minister for Social Development will be kept informed of lessons learnt from the Housing New Zealand’s initiatives and determine how such initiatives can be applied further.</p>
Offer extra financial support for households in energy hardship	The Government will consider this recommendation alongside ongoing reforms to the social welfare system, including in response to the recommendations from the Welfare Expert Advisory Group.
Increasing Retail Competition	
Merge the Electricity Authority and Consumer NZ price comparison websites: Whatsmynumber and Powerswitch	Merging the two comparison websites will create a new and improved website to enable consumers to make more informed decisions. The Government will ask the Electricity Authority to work collaboratively with Consumer NZ to merge their price comparison websites
Improve consumer awareness of Powerswitch and Utilities Disputes	The Government supports the recommendation and will request the Electricity Authority gives it appropriate priority.
Develop a streamlined way to process customer requests for consumption data	<p>This is expected to strengthen competition and make it easier for innovative retail services to enter the retail market (subject to effective privacy protections).</p> <p>The Government expects the Electricity Authority to action this recommendation with high priority, and if there are any barriers to this process, it expects timely advice on the options to overcome them.</p>
Make distributors offer retailers standard default terms for network access	<p>This will remove barriers and reduce costs for retailers expanding into new areas, and consequently increase retail competition in those areas.</p> <p>The Electricity Authority has already released a consultation paper that progresses this recommendation. The Government supports this project and encourages the Electricity Authority to complete it.</p>
Prohibit saves and win-backs	There is evidence to suggest the practice of “saves and win backs” is facilitating a “two tier” market that favours some consumers, whilst disadvantaging others. The Government believes saves and win backs should be prohibited for a set period of time so that its impact on consumers can be properly evaluated.

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	<p>The Government will convey to the Electricity Authority its concerns about the adverse impact of this practice on retail competition and consumers, and that the Authority impose a ban or moratorium on win backs followed by a full evaluation of the impacts on consumers.</p>
<p>Establish a pilot scheme to help non-switching consumers find better deals</p>	<p>The Review found that a large number of consumers are disengaged and have not switched retailers in many years. These consumers could receive better price deals but for certain reasons do not shop around. The Review recommended the Electricity Authority pilot a scheme to help these consumers.</p> <p>The Government will urge the Electricity Authority to develop a business case for a pilot scheme as recommended by the Review.</p>
Reinforcing wholesale market	
<p>Improve availability of wholesale electricity and gas market information</p>	<p>The Review identified that there are gaps in the information disclosure rules for the wholesale electricity and gas markets. It recommended the Electricity Authority and Gas Industry Company review their respective disclosure rules to close those gaps in order to promote better performance.</p> <p>The Government will make it clear to the Electricity Authority and the Gas Industry Company that it expects them to promptly close any gaps in their information disclosure rules, as recommended by the Review.</p>
<p>Introduce mandatory market-making obligations unless the sector develops an effective incentive-based scheme</p>	<p>The Review found that the voluntary wholesale electricity hedge market does not always work effectively. This undermines the ability of independent retailers to manage their exposure to volatile spot prices. Without this, these retailers will struggle to grow retail competition, which is vital for competition.</p>
<p>Make generator-retailers release information about the profitability of their retailing activities</p>	<p>The Government welcomes this recommendation. There are ongoing questions about whether generators are making excessive profits at the expense of consumers. This risks undermining confidence in the wholesale market. Whilst the Review found no evidence to support this contention, it recommended the Electricity Authority require vertically integrated companies to report separately on the financial performance of their retail and generation operations using a common set of rules. This will assist market participants and others assess whether generators are making excessive profits.</p>
<p>Monitor contract prices and new-generation costs more closely</p>	<p>Similar to the previous recommendation, there are ongoing questions about whether generators are making excessive profits at the expense of consumers. I will urge the Electricity Authority to expand its monitoring of the wholesale market to include periodic comparisons of wholesale contract prices with new-generation costs.</p>

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Improving transmission and distribution	
Issue a Government Policy Statement on transmission pricing	<p>The Electricity Authority began consulting on a new transmission pricing proposal in August, with a view to making final decisions around April next year.</p> <p>The Government will wait for this process to run its course. However, if it becomes apparent that further Government guidance in this area is warranted, the Minister of Energy and Resources will consult with the Electricity Authority (as required by statute) on a draft GPS, then report back to Cabinet for approval to issue the Statement.</p>
Issue a Government Policy Statement on distribution pricing	<p>The Electricity Authority is also working on reform of electricity distribution pricing, which has the potential to result in price shocks for some consumers. As such, the Government proposes to issue a distribution GPS to provide guidance to the Electricity Authority in this area. This will be combined with any GPS on transmission pricing.</p>
Ensure distributors have access to smart meter data on reasonable terms	<p>Having access to metering data will allow improved management of distribution networks. The Electricity Authority has already begun work to address this issue. The Government will ask the Electricity Authority to expedite its work and ensure distributors have access to metering data.</p>
Give the Commerce Commission more powers to regulate distributors	<p>The Commerce Commission needs the right tools to regulate and ensure the electricity distribution sector operates efficiently. The Government has asked officials to work through the various issues and report back in mid-2020 on options for improving the Commission's regulatory tools.</p>
Improving the regulatory system	
Give the Electricity Authority more powers to regulate network access	<p>An emerging issue is electricity distributors offering services in emerging markets. However, this might discourage or suppress competition from other parties due to a distributor's monopoly position as the owner/operator of the distribution lines. The Government has tasked officials to come back with specific proposals to amend legislation in response to this recommendation.</p>
Give the Electricity Authority an explicit customer protection function	<p>The Electricity Authority administers industry guidelines for vulnerable and medically dependent consumers, but it needs specific powers to better protect consumers. The Minister of Energy and Resources will report back to Cabinet with specific proposals to amend legislation to give the Electricity Authority a consumer protection function.</p>
Update the Electricity Authority's	<p>The Review found that the Electricity Authority's compliance framework lacks the ability to respond</p>

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compliance framework and strengthen its information-gathering powers	proportionately to complaints and code infringements, and is bound by overly prescriptive procedures. Its information gathering powers also need reviewing. This recommendation will be considered as part of a broader review of institutional arrangements for energy policy and regulation.
Phase out low fixed charge tariff regulations	The Review found a number of shortcomings in the low fixed charge regulations. These include being poorly targeted, producing a cross subsidy potentially making some households in energy hardship worse off, and potentially hampering distribution price reform that will support the adoption of new technologies that is needed for decarbonisation. The Government has tasked officials to develop specific proposals to phase-out the regulations.
Preparing for a low-carbon future	
Encourage more energy sector innovation	Ministers responsible for Electricity Authority, Commerce Commission, Callaghan Innovation, Endeavour Fund, New Zealand Venture Investment Fund, Strategic Science Investment Fund and Innovation Partnership programmes will encourage their agencies to facilitate more innovation in the energy sector, particularly new technologies and alternative business models that support a low-carbon future. Following consultation, a GPS will be issued to the Electricity Authority and the Commerce Commission to have regard to the Government's objectives for more energy sector innovation.
Examine the security and resilience of electricity supply	The Government will write to the Electricity Authority and request it commence work on this recommendation within the next 12 months, and report back on progress within 18 months.
Explore new institutional arrangements for energy policy and regulation	The Government welcomes this proposal. It has tasked official to develop further detail on the scope and timeframe of this review. The objectives will include ensuring the sector can accelerate investment in renewables, reduce emissions and maximise the consumer benefits from new technologies, all while ensuring consumers have affordable and reliable power. The review will also take into account the importance of maintaining investor confidence, which is critical to ensuring investment in renewable generation and to promote supply security and affordability.
Improve building energy efficiency	The Government welcomes this recommendation. The Building Code can set minimum standards for new buildings and is a key lever for improving energy efficiency. Current work being undertaken by MBIE on maintaining and updating the Building Code may contribute to energy efficiency for specific building types. Energy efficiency is also being considered as part of a work programme seeking to advise the Minister for Building and Construction on how the building regulatory system could support the government's climate

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	change goals.

Ensuring implementation of specified recommendations

Many of the recommendations for immediate action fall to the Electricity Authority to address. The Electricity Authority is an independent agency which the Government cannot direct to regulate in specific ways. While the Government is confident the Electricity Authority will give due consideration to the Review's recommendations that the Government accepts, we consider it is prudent to create, through legislation, a backstop power that will enable the Minister of Energy and Resources to give effect to the recommendations if the Electricity Authority does not do so to the Government's satisfaction within a specified timeframe. There is precedence for this in the form of a mechanism previously used in the Electricity Industry Act 2010.