



ELECTRICITY PRICE REVIEW

SUBMISSION FORM

How to have your say

We are seeking submissions from the public and industry on our first report into the state of the electricity sector. The report contains a series of questions, which are listed in this form in the order in which they appear. You are free to answer some or all of them.

Where possible, please include evidence (such as facts, figures or relevant examples) to support your views. Please be sure to focus on the question asked and keep each answer short. There are also boxes for you to summarise your key points on Parts three, four and five of the report – we will use these when publishing a summary of responses. There are also boxes to briefly set out potential solutions to issues and concerns raised in the report, and one box at the end for you to include additional information not covered by the other questions.

We would prefer if you completed this form electronically. (The answer boxes will expand as you write.) You can print the form and write your responses. (In that case, expand the boxes before printing. If you still run out of room, continue your responses on an attached piece of paper, but be sure to label it so we know which question it relates to.)

We may contact you if we need to clarify any aspect of your submission.

Email your submission to energymarkets@mbie.govt.nz or post it to:

Electricity Price Review

Secretariat, Ministry of Business, Innovation and Employment

15 Stout Street

PO Box 1473

Wellington 6140

Contact details

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Use of information

We will use your feedback to help us prepare a report to the Government. This second report will recommend improvements to the structure and conduct of the sector, including to the regulatory framework.

We will publish all submissions in PDF form on the website of the Ministry of Business, Innovation and Employment (MBIE), except any material you identify as confidential or that we consider may be defamatory. By making a submission, we consider you have agreed to publication of your submission unless you clearly specify otherwise.

Release of information

Please indicate on the front of your submission whether it contains confidential information and mark the text accordingly. If your submission includes confidential information, please send us a separate public version of the submission.

Please be aware that all information in submissions is subject to the Official Information Act 1982. If we receive an official information request to release confidential parts of a submission, we will contact the submitter when responding to the request.

Private information

The Privacy Act 1993 establishes certain principles regarding the collection, use and disclosure of information about individuals by various agencies, including MBIE. Any personal information in your submission will be used solely to help develop policy advice for this review. Please clearly indicate in your submission whether you want your name to be excluded from any summary of submissions we may publish.

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Summary of questions

Part three: Consumers and prices

Consumer interests

1. *What are your views on the assessment of consumers' priorities?*

2. *What are your views on whether consumers have an effective voice in the electricity sector?*

3. *What are your views on whether consumers trust the electricity sector to look after their interests?*

Prices

4. *What are your views on the assessment of the make-up of recent price changes?*

5. *What are your views on the assessment of how electricity prices compare internationally?*

6. *What are your views on the outlook for electricity prices?*

Affordability

7. *What are your views on the assessment of the size of the affordability problem?*

8. *What are your views of the assessment of the causes of the affordability problem?*

9. *What are your views of the assessment of the outlook for the affordability problem?*

Summary of feedback on Part three

10. *Please summarise your key points on Part three.*

Solutions to issues and concerns raised in Part three

11. *Please briefly describe any potential solutions to the issues and concerns raised in Part three.*

Part four: Industry

Generation

12. *What are your views on the assessment of generation sector performance?*

13. *What are your views of the assessment of barriers to competition in the generation sector?*

14. *What are your views on whether current arrangements will ensure sufficient new generation to meet demand?*

Retailing

15. *What are your views on the assessment of retail sector performance?*

16. *What are your views on the assessment of barriers to competition in retailing?*

Vertical integration

17. *What are your views on the assessment of vertical integration and the contract market?*

18. *What are your views on the assessment of generators' and retailers' profits?*

Transmission

19. *What are your views on the process, timing and fairness aspects of the transmission pricing methodology?*

Distribution

20. *What are your views on the assessment of distributors' profits?*

It is unclear to what extent profit is a valid indicator of the ultimate cost to customers. Profit in simple terms is a measure of the return on capital investment. Can more analysis be completed on the efficiency of capital investments and operating costs in providing the utility to customers?

21. *What are your views on the assessment of barriers to greater efficiency for distributors?*

Increasingly solar to be installed with batteries, and load control devices. There is rapid innovation in adaptive and intelligent demand side technologies that can respond to a wide range of inputs such as TOU pricing, demand signals/pricing, and consumer needs such as hot water and EV charge capacity.

It is my view that analysis to date has been simplistic and misleading where it considers solar PV generation in isolation. Analysis should consider the suite of technologies, and associated business models that could be used to increase the efficiency. It has been shown where implemented that these technologies can increase the efficiency of distribution company assets (flat energy demand profiles resulting in more energy distributed to the property with lower peaks), and lower costs for consumers.

The report predominately considers the situation retrospectively. I believe it would be beneficial to consider what pricing and regulatory structure needs to be in place to allow the most efficient use of the existing distribution assets. The current pricing model encourages distribution companies to invest in their network to respond to the demand, but does not incentivize innovation by other parties in technologies or business models that could increase the efficiency of the use of distribution assets. A model would need to be in place that remunerates parties for the benefit that they provide. E.g. reducing peak demand and the associated reduction in capital expenditure that would be required.

I don't think it is realistic to expect consumers to change their behavior in response to price signals on an ongoing basis, however it is realistic to consider that technology could do this for them if there was the right incentive in place to (or barrier removed).

The pricing and regulatory structures that do exist clearly create perverse incentives. One example as cited in the report for consumers to invest in solar energy systems. Another example however is for distribution companies to invest in conventional high cost solutions. Significant investments in poles and wires are being made, where demand response, energy storage and generation assets would almost certainly be a lower cost solution and provide other benefits such as increase resilience. Both of these examples do not result in the most efficient use of capital and must be addressed.

Access to better information is a fundamental requirement of a competitive market and it seems compelling to provide this in an open way to distribution companies. For the same reason access to this data could be used by consumers who should own this information.

If an online service could be developed to allow consumers to share their with third parties new services could be incentives that could increase competition. For example services that automatically determined and switched customers to the lowest cost plan. If this data included the customers tariffs, services could be implemented to respond to pricing signals to reduce demand or store energy for use at a later time.

22. *What are your views on the assessment of the allocation of distribution costs?*

Allocation of distribution costs by customer does not appear to reflect the costs.

We recently enquired of Vector if we could halve the fuse size to a residential property and receive a discount on the associated distribution charges. Vector advised that there was no pricing mechanism to charge less even if the property had a lower demand than the neighbor.

This particular property had invested significantly in efficiency, avoiding the need for heating completely, heating water from solar and controlling boost loads to off peak times, along with efficient appliances, and lighting. Despite these investments the customer could receive no reduction in the distribution costs, and is effectively subsidizing higher demand sites even in the same street, let alone rural locations.

23. What are your views on the assessment of challenges facing electricity distribution?

The role of a distributor will and needs to change. In their current role and mode of operation there is a risk that they act to slow down the adoption of technologies that could increase the efficiency of the electricity system. They must be transformed into an entity that can facilitate the rapid transition to a more sophisticated and distributed electrical system.

From the options identified in the report the later, “the platform provider” seems closer to realizing this, however this perhaps does not go far enough, and still takes a retrospective view.

Summary of feedback on Part four

24. Please summarise your key points on Part four.

Solutions to issues and concerns raised in Part four

25. Please briefly describe any potential solutions to the issues and concerns raised in Part four.

- Implement pricing and regulatory models that do not create perverse incentives for investment by consumers or distributors.
- Provide open access to meter data to consumers, distributors, and third parties by allowing customers to opt into sharing in return for some benefit.
- Allow third parties to provide distributed solutions to current and future challenges in scaling the distribution network by providing them access to the benefits and perhaps some of the regulated profit from investment that is available to distribution companies.

Part five: Technology and regulation

Technology

26. *What are your views on the assessment of the impact of technology on consumers and the electricity industry?*

It is my view that technology could reduce costs, and increase resilience for consumers in the future.

The statement that large scale adoption of solar requires large areas of land is incorrect and misleading. There is significant available area of building roofs and it would be most likely for economic reasons in New Zealand that solar will be implemented in this form. This is not adequately recognized in the report.

27. *What are your views on the assessment of the impact of technology on pricing mechanisms and the fairness of prices?*

Perverse incentives must be removed to allow technology to be effectively utilized and incentivized. Well implemented this could result in investments in new generation and control technologies by wealthier households and businesses increasing the efficiency of the electrical system and lowering the cost for all consumers.

28. *What are your views on how emerging technology will affect security of supply, resilience and prices?*

Perverse incentives must be removed to allow technology to be effectively utilized and incentivized. Well implemented this could result in investments in new generation and control technologies by wealthier households and businesses increasing the efficiency of the electrical system and lowering the cost for all consumers.

It should be recognized that the rapid transition to electrification is likely to result in more deferrable load than uncontrolled generation. Electric cars at 3.6 – 7.4kW plus hot water cylinders at 3kW represent 6 – 10kW of easily controllable and deferrable load. This alone is a significant opportunity for increase resilience and lower prices for consumers. When batteries and energy generation are added to this scenario resilience could be further increased.

Regulation

29. *What are your views on the assessment of the place of environmental sustainability*

and fairness in the regulatory system?

30. What are your views on the assessment of low fixed charge tariff regulations?

31. What are your views on the assessment of gaps or overlaps between the regulators?

The current regulation only allows distributors to benefit from the distribution network savings from the use of batteries or demand control technologies. Allowing others to access these benefits in the form of a regulated payment would increase competition in providing these alternative solutions and should be enabled.

32. What are your views on the assessment of whether the regulatory framework and regulators' workplans enable new technologies and business models to emerge?

33. What are your views on the assessment of other matters for the regulatory framework?

Summary of feedback on Part five

34. *Please summarise your key points on Part five.*

Solutions to issues and concerns raised in Part five

35. *Please briefly describe any potential solutions to the issues and concerns raised in Part five.*

Additional information

36. *Please briefly provide any additional information or comment you would like to include in your submission.*