



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

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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?*

Generally it comes down to price, paying less and set and forget. It would be good to have better visibility of what I am using and when I am using it. Time of Use pricing and how to get the best out of it too. I am concerned with the comparison websites. The Powerswitch one does not back calculate well and does not have night rate options and many of the others you actually cannot get the rates that they say are in there

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

I think the retail sector in is competitive enough. The issue is the Lines companies are not interested in helping to reduce pricing, they are monopolies that only think of outages and are well top heavy. The main centres should be much cheaper

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

Retailers Yes, Lines Companies no

Prices

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

Lines companies are charging too much

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

Generally high in NZ

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

Steady –competition has bought prices down. It is a matter whether the smaller guys can get enough ICP's to make it more competitive

Affordability

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

Power poverty is real. I think the government paying superannuatants and low income people is a good idea but it is ridiculous that this is a cash payment. This could have been leveraged so much more if this went through the power companies as a credit on their bills. This would have helped some competition over giving these people a better deal too.

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

- (1) The Low user tariff means that people with low use have higher rates, it does not make sense as the retailer loses money on the daily rates (eg meter daily rental is 25c, the lines charges are 15c/day however the retailer only can charge 30c per day therefore making a loss.) Therefore has to charge more to make up for this
- (2) Orion Peak Charges: These make pricing in the Canterbury area extremely difficult as retailers cannot predict in advance what Orion are going to charge for their peak charges. This also gets them out of the low fixed charge rates. Therefore it makes things extremely difficult from a retailers point of view to give good rates. Orions Peak Charge rates must go. (These are based on the highest peaks on the Orion network – last years main peaks were during the school holidays where the outside temperature barely got over 4C) look at <http://www.oriongroup.co.nz/assets/Company/Corporate-publications/ScheduleOfDeliveryPrices.pdf> for how these are calculated.
- (3) The same goes for Unaccounted for Electricity – it should not be back calculated by the networks but be part of their upfront pricing. Vector include it, Orion do not.
- (4) 92% of people are still with the top 5 retailers and 97% of people with the top 7 retailers. Somehow there needs to be more of an incentive for people to move
- (5) Retention teams are aggressive. When trying to switch due to getting a lower rate the encumbant retailer who had no intention of dropping prices earlier will offer a discount to keep people. This makes it very hard to get people to switch and therefore keeps the new retailers small. Then they ratchet the prices back up again. There needs to be a compulsory code of conduct to stop retention teams stopping customers switching.

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

The key is in growing competition of the smaller companies to allow them to compete. Then you will see prices dropping rather than increasing. A lot of this is around being able to get predictable pricing from the lines companies and from a good hedging market.

Summary of feedback on Part three

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

The biggest issue from a retailers point of view is getting good consistent pricing from especially the network companies of which Orion is clearly the worst, King Country also needs to be sorted.

A reining in of the retention teams from the big players will help smaller more cost effective electricity companies compete better. Switch saving protection should be mandatory <https://www.ea.govt.nz/operations/retail/retailers/switch-saving-protection-scheme/> and policed hard.

There are 29 Distribution companies that are all monopolies acting in their own way. Surely this should be simplified to potentially 1 (Like Transpower). Then there will be a lot less cost replicating all the boffins who are all trying to do the same thing and adding lots of cost to the system.

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.*

- 1) Remove the LFC tariff structure
- 2) Amalgamate Lines companies
- 3) Lines companies to charge including losses
- 4) Kill Orions ability to charge a retrospective Peak tariff
- 5) Make Switch Save compulsory and enforce this
- 6) Target the winter warmer grant to go through the power bill rather than as a cash grant
- 7) Sort out King Country Lines

Part four: Industry

Generation

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

Very fickle, prices are too unstable

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

Lines companies charging tariffs for Distributed Generation
Government removing incentives on smaller generators
Non-coordinated shutdowns give peaks in spot pricing

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

Not many incentives on installing new generation

Retailing

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

Becoming more competitive however the big boys are bullies especially with the retention programs they have in place

Competition will come as the smaller retailers grow

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

The Whats my number / powerswitch calculator is way out in terms of reality and does not back calculate well.

Rentention teams make it hard to keep a switch.

EECA are difficult to deal with, their calculators are poorly done whether it is the Whats my Number one or the Solar One and they do not listen to industry.

Vertical integration

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

The split has helped in competition and is slowly growing momentum in terms of new retailers being able to offer better pricing

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

It looks as though these are reducing every year

Transmission

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

This is done well in advance which is needed for longer contract pricing.

Distribution

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

It is not the profits that are the problem as these are well mandated. The issues are in the complex pricing methodology. Orion is clearly the worst with the peak pricing model and not taking into account losses. The smaller regions are generally doing much better than the main centres in giving consistent pricing that is easy to pass through even though they have less people paying their bills and cover a larger area. It is the main centres that are overpriced. Most of the major centres lines companies are over staffed with overpaid execs and they do not know who their customers are.

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

Distributors are only really worried about outages, they are not really worried about costs. The local distributors make up the largest cost of the cost of electricity and need to work through how to reduce this.

Competition needs to come in with new lines companies connecting directly to Transpower, and there needs to be a reduction in the number of lines companies (potentially to just 1).

Orion and King Country Powers pricing mechanisms need to be overhauled as they are expensive, unfair and impossible to work back to calculate forward pricing. If this risk can be reduced so can the prices

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

Far too high

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

Peak demand especially with EVs coming in, in greater numbers and increasing of population density. On the other scale is servicing remote areas

Summary of feedback on Part four

24. *Please summarise your key points on Part four.*

Line companies are the old post office workshops of today. Overstaffed and overpaid. Too many PhD's making decisions and there are too many lines companies all with their own way of doing things.

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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.

- **Reduce the number of line companies to potentially 1**
- **Simplify tariffs so there are no back calculations to enable more cost effective pricing models**
- **Continue the role out of Smart and Smarter meters**
- **Promote the use of Time of Use Metering**

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?*

This will be huge but we are still in the dark ages in terms of what we can see in terms of what effects our bills. There is lots to come quickly in this space especially with the ability to store and use bi data

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

Will make this much easier to enable reduction of bills especially with interaction with smart appliances

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

EV's will have a negative impact however still much better than using fossil fuels. Time of Use pricing will have the biggest effect coupled with Smart appliances

Regulation

29. *What are your views on the assessment of the place of environmental sustainability and fairness in the regulatory system?*

Big fan of both,

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

Terrible the LFC is actually doing the reverse of what it is suppose to do. People who cannot afford good insulation double glazing, LED bulbs and efficient heating and appliances are all high users therefore do not get the benefit of LFC. The people who can afford it do.

LFC from a retailers point of view also does not make sense. 15c from the line company and 25c from the MEP means that the Daily cost for a customer is at minimum 40c whereas the LFC fixed charge is 30c meaning a 10c per day loss to the retailer on that part of their bill. It is hard to get good honest pricing when the LFC regs hamper this.

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

No opinion

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

No problem here

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

Just how it effects the distributors – especially regarding Orions peak charge and washups

Summary of feedback on Part five

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

Low fixed charge regulation must go or change radically

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.*

Low fixed charge regulation must go or change radically

Additional information

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