

Hon. Minister Megan Woods notes that household electricity prices in NZ have risen much faster than in countries we compare ourselves with – Electricity Price Review First Report 30 August 2018.

1) Here is one often overlooked example why, which the Commerce Commission, nor the EA seemed to have picked up on, or have bothered to address and which we, the Taumarunui Residents' & Ratepayers' Association believe deserves a lot more scrutiny. In our view this constitutes gross inequality in lines charges.

In the King Country residents are being forced by The Lines Company, due to it being a monopoly to pay way more than other areas to maintain the grid, or face disconnection. We are talking double and in some cases triple what is paid for actual power usage. And none of the so called regulators have done a thing about it.

The NZIER report had this to say: “Regulatory agencies may be reluctant to intervene because this is seen as a unique case (which it is, given TLC is the only lines company direct billing in this manner) or primarily an issue about distribution of costs and hence more concerned about equity than efficiency matters. However, compared to international practice in peak pricing the current demand charge appears at odds to the time-reflective pricing of peak loads in international practice, and also of questionable consistency with the Electricity Authority’s Distribution Pricing Principle. (p.12 under Regulatory Oversight

<https://www.thelinescompany.co.nz/site/uploads/Disclosures/Pricing/PricingReview/2011-NZIER-Report-to-RDC.pdf>

Whether “unique” or not, it is still wrong. So is our Deputy Prime Minister, Rt. Honourable Winston Peters right when he said it’s because **our watchdogs have no teeth?**

See full speech on The Lines Company by Rt. Honourable Winston Peters at:

<https://www.youtube.com/playlist?list=PLXuekEs6sJIj9E5971E08k2Ftqcj7udrb>

So why were the people in the King Country, especially those struggling on fixed incomes left to suffer like this for over 10 years now? Why could our regulatory watchdogs not be bothered?

Past editions of PWC’s business disclosure compendiums show that from 2006 to 2010 The Lines Company in the King Country **achieved substantially larger increases in variables such as lines charge revenue, regulated profit and ODV value of assets than the average of New Zealand lines companies.** For example **its earnings before interest and tax per ICP increased by an annual average of 30% to surpass, in 2010 the national average for all lines companies, which had averaged EBIT growth of 7.5% per year over the same period.** Source: NZIER from TLC’s Pricing Methodology papers & PWC (2010) "Electricity Line Businesses

- 2010 Information Disclosure Compendium" PriceWaterhouseCoopers October 2010 (and previous years)

and

<http://www.thelinescompany.co.nz/docs/Line%20Charges%20Methodology%20%28Amended%2029%20March%202010%29.pdf> which is a page that the TLC website can conveniently no longer find.

See page 10 at

<https://www.thelinescompany.co.nz/site/uploads/Disclosures/Pricing/PricingReview/2011-NZIER-Report-to-RDC.pdf>

4.1.1 Themes from reported impacts

a) Rising costs

Customers across a range of sectors have reported steep increases in the lines charges over the past 5 years.

Common concerns raised were:

- The rapid rise in electricity lines bills in recent years
- That lines charges now exceed electricity consumption bills for some properties, and continue at their high level even when no power is used
- Variation in bills according to which method is used to set charges, with the installation of demand meters commonly being accompanied by a steep increase in assessed peak load and associated bill throughout the year.

In fact, it has been publicly stated by industry experts, like ENA that the **lines component of a bill should only be around 25% of the total bill**. I can assure you that in the King Country, that percentage is around the **50% mark on average and in some cases up to 75%!!!** Why has this been overlooked for 10 years when many have raised this issue in the media, not once, but many times over, including our current deputy prime minister? In fact, The Lines Company issue in the King Country has been documented in Parliament, when NZ First's **Fletcher Tabuteau debated Judith Collins**, the then Minister of Energy and made a speech about it in the House afterwards.

See: <https://www.parliament.nz/en/watch-parliament/ondemand?itemId=181165>

and <https://www.parliament.nz/en/watch-parliament/ondemand?itemId=181195>

Rt. Honourable Winston Peters himself came to tell residents of Taumarunui that **we were being ripped off**, not once but three times during his pre-election speech.

See: <https://www.youtube.com/playlist?list=PLXuekEs6sJl9E5971E08k2Ftqcj7udrb>

There has also been extensive coverage on:

Maori TV,

<http://www.maoritelevision.com/news/national/native-affairs-power-play-part-1>
<http://www.maoritelevision.com/news/national/native-affairs-power-play-part-2> &
<http://www.maoritelevision.com/news/national/native-affairs-power-play-part-3>

The Hui on TV3,

<https://www.newshub.co.nz/home/shows/2018/04/power-to-the-people-king-country-residents-get-electricity-alternative.html>

Seven Sharp on TV1,

<https://www.tvnz.co.nz/one-news/new-zealand/angry-king-country-power-customer-calls-royal-commission-into-pricing-nationwide>

and prime time news on TV3's Newshub the same night as The Hui.

The people's plight has also been aired on radio:

Newstalk ZB <https://yourlisten.com/Jacques.Windell/tlc-newstalkzb-drive-interview-4-october-2016> & Radio NZ

and print media in the NZ Herald, Waikato Times, Stuff, Whanganui Chronicle, Waitomo News, Ruapehu Press, Ruapehu Bulletin, etc. And yet none of our regulatory watchdogs did anything about it. **So no, we don't believe consumers have an effective voice in the electricity sector. Not even close!**

In the King Country I can safely say that a very small percentage of consumers trust the electricity sector to look after their interests, especially after the way The Lines Company has treated them. Our facebook page **TLC SET US FREE!!! Taumarunui** proves that point very well.

2) Your report states that between 1990 and 2018 **distribution charges for householders rose 548 per cent**, while those for **commercial and some industrial businesses fell 58 per cent**. That is shocking! Why was this allowed to happen and why was no measures put in place to regulate this? Will any be put in place now? Who is accountable? The EA / Commerce Commission?

We can assure you that a very large number of residents in the King Country spend way more than 10 per cent of their household income on domestic energy. And now with holiday homes paying less with the new pricing being introduced that percentage is set to rise and it's our tamariki and elderly who suffer the most. **My friend's son fought for his life in ICU last year from a black mould infection. Do we have to bury our kids before measures are put in place to protect them?**

A huge injustice has occurred in the King Country and it needs to be addressed, not brushed aside, because it's in the too hard basket. People's lives and livelihoods are being seriously affected. Many have lost a lot of money being unnecessarily overcharged over an extended period of time and some have even lost their businesses and lives!

3) **No audits are being done either** on how many poles for example lines companies actually own. Rumour is that TLC claims Chorus poles as their own. There are no checks on how this monopoly spends its money.

How do we know that the asset valuations are not being exaggerated or that the assets even exist? What are they based on? How did TLC's assets jump \$50m in value in 2013?

How do we know that consultancy firms, which may or may not be owned by TLC directors, aren't sucking millions out of the pockets of the elderly and low income families, **in the name of grid maintenance?** People struggling during Winter to keep their homes warm being taken advantage of?

How do you know that **the management component of the business is not being inflated in order for friends of directors to suck out more money than the management of a company reasonably should**, again putting major stress on the vulnerable? Rumour has it that this is happening.

How do you know until you investigate? Or until you put measures in place to keep on top of these things? We have been trying to get an investigation underway into The Lines Company for years now, especially as it only makes up 1% of the industry, but accounts for 35% of the complaints. Surely that in itself is **a red flag which warrants closer scrutiny? Our Deputy Prime Minister has told us we're being ripped off, yet nothing changes...**

If the government can insist oil companies open their books, surely TLC, with all their red flags can be forced to do the same, as it affects our residents and businesses way more, including our two main export earners.

We also have a facebook page, TLC SET US FREE!!! dedicated to the lines issue with just under 5000 members and if you read through those comments, you'll soon see what we mean.

4) Affordability is a real issue for the people of the King Country mainly due to The Lines Company charges.

5) The other worrying stat is this. Consumer NZ found that **25,317 homes had power disconnected** last year, because of unpaid bills, compared to 19,106 in 2015. That's huge for NZ! See:

<https://www.radionz.co.nz/news/national/359094/surge-in-electricity-disconnections-over-unpaid-bills>

We see that trend continuing, especially with the new Time of Use pricing TLC will now be introducing. Two of our friends went onto the TLC trials and it clearly showed that **their bills will be tripling this October when ToU is introduced and quadruple during next year's Winter months. How will struggling families cope?**

6) Businesses in nearby areas like Raetihi and Taupo, which are not on the TLC network, or subject to its charge increases appear to have a competitive advantage. This seriously hampers economic development in Ruapehu around the mountain, which stunts job creation.

7) How is this perceived rort even **sustainable**, not just for the people suffering under this, but also for the network, **if it keeps on losing customers?** It means less people have to take up the slack of those disconnected. Holiday homes, which account for roughly 40% of Ruapehu's housing stock, for example, will, in all probability be paying less now too, even though their daily rate is set to increase. Why? Because, by and large they will only be paying for the time they use electricity. More pressure on those that live in the Ruapehu. And the more that are disconnected, the more will be, because they won't be able to sustain the increases that will come to make up the shortfall. We believe this will have a serious domino and social welfare effect in our area.

We suspect it's more to do with maintaining six figure salaries in an over-inflated management structure and maintaining an army of consultants, but can't be sure, because there's been no investigation.

8) We also believe that there is a huge apathy in this country regarding standing up for rights and that people by in large **believe they can't change anything anyway**, so they just accept it. That is why we believe your **retail satisfaction survey does not paint the true picture**, because if people knew what the mark-ups really were and their supposed justification, they would not be happy. The fact that you don't have that data makes the question you pose in your report pointless. Because let's be honest, **you don't know for a fact that the retail profits are not excessive, because you admit you don't have the data.**

9) We are also **very dependent on hydro power in this country. One earthquake** in the wrong place and **we could well be back relying on fossil fuels again.** Already several motel owners have opted for diesel generators, which is a step backwards if

we want to honour lower greenhouse gas emission commitments made at the **Paris Accord**.

During droughts, which is being forecast for the next 5 years, NZ falls back onto coal. How will that work with the Paris Accord and the Powering Past Coal Coalition we are now signed up to?

10) What is the answer? In my view it is **SOLAR FARMS** to ensure that we stop the number of households being disconnected, putting less pressure on low income families. Such farms are currently taking off in Australia, with the biggest one in the world being planned right now for North Queensland. Six are being proposed by Supercharged Energy in NZ in the 6 high priority areas.

The idea is to lower the load on the national grid by harnessing power from the sun and passing those savings on to those that need it the most through Supercharged Energy's power retail arm. That will go a long way to sustain the grid, especially in the King Country and the other 5 priority areas identified by the provincial growth fund.

The beauty of solar farms is that it will actually negate the effects of pricing structures staying the same, as is the concern in the first report. Lower-income households will actually **not** bear some of the costs that better-off households will avoid by installing solar panels. **Solar farms will actually halve their retail power bill.** The report refers to "Targeted social welfare measures that can help reduce energy hardship." Partnering with a company like Supercharged Energy could really give those measures a lot more bang for buck, helping deal with the additional stress EVs will place on the grid. The more "free" power from the sun, after initial set-up, the greater the benefit for all New Zealanders. Having that crucial photovoltaic back-up will also benefit our two largest exports; tourism and agriculture.

We find it very strange that solar accounts for such a small percentage of the total NZ generation landscape when the USA, China, India and Australia seem to be investing in it massively!

Just to give you an idea of how popular solar is becoming. **The first trillion dollar company in the world, Apple has gone 100% renewable.**

<https://www.apple.com/nz/newsroom/2018/04/apple-now-globally-powered-by-100-percent-renewable-energy/>

In North Queensland they're currently building a solar farm with 2.3m solar panels! The biggest farm in the world is being planned currently up there too. It will have 4-5m panels. Why? Because solar farms work!

China too has invested billions into solar and is since 2015 the hands-down leader in buying and manufacturing solar panels. **They are also using solar to help their poor in China's back-blocks.** By the end of 2016, cumulative photovoltaic capacity

increased by more than 75 **gigawatt** (GW) and reached around **303 GW**. To put that in perspective, 1 GW is around the output of a large natural gas or nuclear plant. On several occasions, Germany has met over 50% of the nation's daily energy needs from solar power.

The top installers of 2016 were China, the United States, and India. There are more than **24 countries** around the world with a cumulative PV capacity of more than one gigawatt. **Austria, Chile, and South Africa**, all crossed the one gigawatt-mark in 2016. **Italy, Germany and Greece** can produce between 7% and 8% of their respective domestic electricity consumption. If the top 3 economies in the world are going after solar, perhaps we should too, especially being on the ring of fire. **Our hydro dams could be knocked out by a massive earthquake, which is currently happening throughout the ring of fire and then we'll be in real trouble. We can't afford to have so many eggs in one basket.**

These countries are proving that **solar power** is a legitimate answer to the world's search for alternatives to fossil fuels.

https://en.wikipedia.org/wiki/Solar_power_by_country However this information flies in the face of your report which says solar is not really viable in NZ? My question is how many solar companies were approached for their opinions, or were they not contacted? Was this a pre-conceived notion of members of the panel or based on hard evidence?

Supercharged Energy is happy to engage with any government department regarding ideas on how to get solar farms off the ground and how effective they are. Massive savings can also be had by the 800 odd government departments themselves installing solar on their roofs, doing their bit to reduce the demand on the national grid.

Just think if all NZ government departments went solar. Treasury's power bill is just over \$100 000 a year. Times that with 800 = \$80m a year and **\$2bn** over the lifespan of the panels which the **government could save taxpayers.** That's pretty significant. What about all the money we could save our **2000 schools? Civil defence would also do well not being solely dependent on the grid.**

We agree with the report that there should be strong incentives to invest in generation; especially solar farm generation, which clearly is the way of the future globally, **even though the authors of this report are seemingly trying to cast doubt on this fact by saying solar solar panels and batteries, will disrupt the electricity market and its business models. Perhaps consider changing the models to EMBRACE the new technologies? Because as you rightly point out it has the potential to cut people's overall energy costs. Isn't that the aim?**

Or is the aim to protect the status quo because it is easier and more beneficial to individual back pockets in high places?

You go on to say: **“The proliferation of solar panels has nearly overwhelmed the capacity of some countries’ networks and threatened their reliability.” Really, where did you get that information from?** And if so and I seriously doubt it, was it because their electricity market’s business models couldn’t handle the new technology / that they did not factor in the great benefits to the end consumer and that shrunk the pie way too quickly for some?

Perhaps if solar companies / solar experts from other countries were asked for their opinions, it may alter the pre-conceived notions that seem so entrenched in this report. Could it be that subsidies have ceased in Germany because they now produce 50% of their power through solar, so the objectives they were created to achieve have been achieved and the point about solar’s efficiency actually proved?

Again Supercharged Energy, which the association has consulted would be more than happy to enlighten the panel if they are given half a chance with the real facts. These are the people who see the results of solar, first hand every day, because they monitor them daily.

Many thanks for the opportunity to submit though. We hope that the King Country will finally get the justice it deserves for being forced to overpay a monopoly for over a decade now, with no protection from the government. Paying double and sometimes triple power usage on lines is simply preposterous! It has raised both eye brows of our deputy prime minister. Hopefully that will prompt others to take a closer look and ensure this never happens again. Sadly our people have given up holding their breaths during National’s reign, who actually caused all our woes, but maybe just maybe the right person in the new government will read this submission and have the foresight we have been desperately seeking for a decade now to ACT. We live in hope :)

Taumarunui Residents’ & Ratepayers’ Association