

# Counties Power Consumer Trust Response to Electricity Price Review Options Paper

22 March 2019

## A: STRENGTHENING THE CONSUMER VOICE

### A1 Establish a consumer advisory council

Counties Power Consumer Trust, (CPCT), recognises that this option has widespread support. As a consumer trust owning an EDB, we – like other electricity trusts – represent our consumers, and are in daily contact with them both through our own activities, and through our company, Counties Power Ltd. Provided that the suggested CAC is given an effective role we would certainly support it, and would expect to see consumer trusts well represented on it directly and through ETNZ.

### A2 Ensure regulators listen to consumers

We accept the EPR's views on this.

## B: REDUCING ENERGY HARDSHIP

### B1 Establish a cross-sector energy hardship group

We support the ETNZ suggestion that this should be a sub-committee of the proposed CAC if it is to be given an effective voice. We do not support the proliferation of entities with similar roles.

### B2 Define energy hardship

Distinguishing energy hardship from other aspects of hardship would be difficult and would have the potential to lead to inequitable support processes. We would prefer to see retailers encouraged to identify customers who are having problems making payments or who are constrained in purchasing sufficient electricity to meet acceptable household needs. Support could be directed at those people.

### B3 Establish a network of community-level support services to help consumers in energy hardship

If this option is adopted then we will follow its progress and decide then on any support that we may offer. Like many energy trusts, CPCT supports programmes that we (and our consumers) understand, such as EECA initiatives to provide healthy homes.

#### **B4 Set up a fund to help households in energy hardship become more energy efficient**

This appears to be close to some of EECA's existing roles, with scope to be funded through the EECA portion of the Electricity Authority levy along with partner support programmes that a number of trusts take part in. We would prefer to see EECA take the lead here, rather than have another agency take on a similar role in promoting energy efficiency.

EDBs and their trusts would have more scope to contribute to energy efficiency support measures if the Commerce Commission took a more progressive view of its responsibilities under s54Q of the Commerce Act.

#### **B5 Offer extra financial support for households in energy hardship**

We believe strongly, that the Ministry of Social Development is the most appropriate agency to provide such assistance. The *Winter Energy Payments* arranged through the Department's Work & Income branch would have provided useful experience in delivering support of this type. We note, too, that energy hardship is likely to be a sub-set of wider hardship issues, including sub-standard housing and constraints on spending on welfare. Again, this points to a role for the MSD in ensuring that households get the overall support they require.

#### **B6 Set mandatory minimum standards to protect vulnerable and medically dependent consumers**

We support this option. Measuring and assessing the efforts that individual retailers make to protect vulnerable customers would be important. For example, more vulnerable customers may be drawn into retailer options that leave them exposed e.g. to wholesale price spikes where they have no option except to reduce load or, (in the case of bulk deals with rest homes etc.), that mean they do not receive support from Trusts.

#### **B7 Prohibit prompt payment discounts but allow reasonable late payment fees**

We support prohibition of non-cost reflective prompt payment discounts, as these tend to result in cross-subsidies from poorer consumers to wealthier ones.

#### **B8 Explore bulk deals for social housing and/or Work and Income clients**

This appears to be an attractive option. However, we would be concerned to see such bulk buying arrangements leading to the loading of fixed transmission and distribution charges onto households that are outside those arrangements. Cost-reflective line charges should not be rebundled and

apportioned selectively. Instead, bulk deals should simply involve the energy component of retailers' bills.

## **C: INCREASING RETAIL COMPETITION**

### **C1 Make it easier for consumers to shop around**

Merging and enhancing the Powerswitch/Whatsmynumber sites would be a useful step.

We would also support a move to rationalise and simplify the various retailer price options on the market.

### **C2 Include information on power bills to help consumers switch retailer or resolve billing disputes**

We support this.

We would also support a move to rationalise and simplify the various retailer billing terms and options. A number of Counties Power customers have reported that their retailer has increased 'line charges' by significantly more than the actual increase in such charges.

### **C3 Make it easier to access electricity usage data**

We support the proposals in the Options Paper.

### **C4 Make distributors offer retailers standard terms for network access**

While we support the ENA-led programme to rationalise distributors' use-of-system agreements, we believe that consumers are best served by continuing to allow those agreements to be tailored to meet the needs of local consumers.

All EDBs have network connections that have non-standard needs, such as dairying and irrigation loads or mainly rural consumer loads. Allowing retailers to impose a default tariff on their customers by refusing to accept a more customer-focussed option, probably to reflect their own procurement and hedging situations ahead of customer needs, would mean extending the top-down signals that currently inhibit demand-side activities.

### **C5 Prohibit win-backs**

We support the prohibition of win-backs. As far as we are aware the telecommunications industry in New Zealand follows a code that disallows win-backs and similar activity, and this appears to work well.

## **C6 Help non-switching consumers find better deals**

We also support this proposal, perhaps by extending the promotion of the merged Powerswitch/Whatsmynumber site.

## **C7 Introduce retail price caps**

While we recognise that the Review is unlikely to change its position on this, a useful alternative would be regular regulatory assessments of 'best deals' available to retailers' customers.

## **D: REINFORCING WHOLESALE MARKET COMPETITION**

With regard to this section, we note the submission from Waitaki Trust and agree that a focus on the wholesale market, and on the arrangements between generators and their retail arms, would produce far more price benefits for consumers than other issues addressed in the Options paper.

### **D1 Toughen rules on disclosing wholesale market information**

We support the approach recommended in the Options paper.

### **D2 Introduce mandatory market-making obligations**

We support the approach recommended in the Options paper.

### **D3 Make generator-retailers release information about the profitability of their retailing activities**

We support the approach recommended in the Options paper.

### **D4 Monitor contract prices and generation costs more closely**

We support the approach recommended in the Options paper.

### **D5 Prohibit vertically integrated companies**

If vertical integration of the major generator-retailers is to continue then we believe that the excessive market power that those combines enjoy should be balanced by some form of enhanced regulatory over-sight involving mandatory disclosure of key information.

## **E: IMPROVING TRANSMISSION AND DISTRIBUTION**

### **E1 Issue a government policy statement on transmission pricing**

We believe that such a GPS would create a route past the stalled Transmission Pricing Methodology reform, and would be worthwhile for that reason. We would expect an open and inclusive period of consultation on the GPS as it is drafted.

## **E2 Issue a government policy statement on distribution pricing**

We recognise that consultative work on such a GPS is underway. We would like to see an open and inclusive consultation stage on the emerging GPS before it is promulgated.

## **E3 Regulate distribution cost allocation principles**

We support the stance taken in the Options paper against this.

## **E4 Limit price shocks from distribution price increases**

Adequate mechanisms already exist to prevent distribution price shocks. As distribution is typically only a relatively small component of delivered electricity charges to consumers we would prefer to see a focus on restricting retail price shocks, which may create better pressures to secure adequate hedging arrangements.

## **E5 Phase out low fixed charge tariff regulations**

We support this, including the proposed transition arrangements.

## **E6 Ensure access to smart meter data on reasonable terms**

A number of distributors require improved access to metering data, in order to best serve consumers. Others, with their own meters, already have good data available. We are waiting on the proposed Electricity Authority metering reform package to emerge, before forming a view on the best outcomes.

## **E7 Strengthen the Commerce Commission's powers to regulate distributors' performance**

Options presented in the Options paper:

- **Advise the Minister of Commerce and Consumer Affairs to remove a distributor's exempt status ...**

Counties Power's exempt status has not been raised as an issue that our consumers are concerned about. We regularly survey consumer opinions, and are confident that there is very little consumer interest in having further regulatory requirements loaded onto the company. We have supplied ETNZ with data from our most recent consumer survey, to be passed on to the EPR.

Castalia submitted to MBIE on the costs and benefits of regulating consumer trust-owned EDBs in June 2007<sup>1</sup>, and we believe that the issue was adequately canvassed in that paper.

- **Require a distributor to move...to more stringent customised price-quality regulations ....**

While our company is not subject to DPP control, we do not believe that widespread moves to CPPs would be in the best interests of consumers, due to the added costs, delays and investment uncertainties that would be involved as this transition occurred.

It would be useful to see an independent review of the costs and benefits associated with the CPPs that have been imposed on EDBs.

- **Apply higher maximum penalties to deter big distributors from breaching price-quality regulations**

We oppose any move to single out electricity distributors for more stringent penalties. We are unaware of any pattern of regulatory transgressions that might justify such a move.

- **Compare distributors' performance when setting price-quality regulations. Comparative benchmarking would be used cautiously as one input in setting prices.**

We do not support of benchmarking for price-quality regulation, and agree with the points made in the ETNZ submission on this.

- **Greater use of ComCom existing powers (a standard for Asset Management Plans; forward-looking quality standards; publishing details of collaborative activities to encourage others).**

We agree that more publicity of the numerous collaborative activities undertaken by distributors would be useful. We note that ENA is providing the Review with a detailed list of current activities of that type. Beyond this we see no need for additional ComCom powers. Too much regulatory effort already goes into in-depth study of EDB operations, and this effort would be more likely to benefit consumers if it were redirected to overseeing the behaviour of vertically integrated gentailers.

## **E8 Require small distributors to amalgamate**

We agree with the conclusion in the Options paper that this should not occur.

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<sup>1</sup> Regulation of Consumer Owned Utility Businesses, Castalia, June 2007

## **E9 Lower Transpower and distributors' asset values and rates of return**

We support the Review's reasoning in rejecting this option.

## **F: IMPROVING THE REGULATORY SYSTEM**

### **F1 Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services**

We support the points made on this in the ETNZ response, repeated below:

The justification for this that the Review uses, of giving regulators "flexibility to deal with unforeseen developments in the future", is a worrying one. We believe that regulatory powers should be applied consistently and predictably, and conferring broad additional roles on the EA just in case something unforeseen happens would undermine this consistency and predictability. The correct approach is to seek such powers when, and if, the situation they are needed to correct materialises. We are not aware of any developments at present that demonstrate that such an extension of the EA's powers is necessary.

If further powers to regulate access are recommended then it would seem sensible to look first at extending Part 2 of the Commerce Act, rather than focussing just focussing on access to electricity networks by creating additional EA powers.

Distributors face a host of regulatory issues already. Their primary focus for price-quality control is directed at the Commerce Commission, which is also the appropriate body for dealing with any anti-competitive activity. Adding a new layer of EA-led powers to the existing mix implies additional confusion and unsatisfactory overlaps of regulatory responsibilities.

We are surprised that consideration is being given to creating powers to advance emerging technologies ahead of any need for them, when adequate powers have existed for many years for regulation to be used to promote distributed energy services delivering energy efficiency and demand-side management, and these have barely been utilised. Thus, the Commerce Act carries a very strong instruction to the regulator to do that:

#### **54Q Energy efficiency**

The Commission must promote incentives, and must avoid imposing disincentives, for suppliers of electricity lines services to invest in energy efficiency and demand side management, and to reduce energy losses, when applying this Part in relation to electricity lines services.

Section 54Q: inserted, on 1 April 2009, by [section 4](#) of the Commerce Amendment Act 2008 (2008 No 70).

As mentioned in workshop discussion, the Commission has shown little willingness to progress the objectives of this clause over the past decade, despite the unusual use of the word 'must' (“must promote incentives” and “must avoid imposing disincentives”). In contrast, the EA is taking active steps to remove 'ACOT' - the most significant regulatory incentive currently available for demand-side investment in technologies such as solar and in other ventures that lessen the demand for transmission-dependant generation and associated energy losses. Here we see no reason why the two regulators should not be acting in a way that is consistent with the Commerce Act.

### **F2 Transfer the Electricity Authority’s transmission and distribution-related regulatory functions to the Commerce Commission**

We don’t disagree with the view of the EPR on this point.

### **F3 Give regulators environmental and fairness goals**

We don’t disagree with the view of the EPR on this point.

### **F4 Allow Electricity Authority decisions to be appealed on their merits**

We do disagree with the EPR on this point. We are charged with protecting the interests of our consumers, on matters electricity that affect them. We believe that there may well be occasions when a decision of the EA works against that.

### **F5 Update the Electricity Authority’s compliance framework and strengthen its information-gathering powers**

We have no comment on this issue.

### **F6 Establish an electricity and gas regulator**

We have no comment on this issue.

## **G: PREPARING FOR A LOW-CARBON FUTURE**

### **G1 Set up a fund to encourage more innovation**

We agree with ETNZ that a better option would be to develop arrangements that promote investment by EDBs and their owners in innovation, and in activities that are consistent with the objectives of s54Q of the Commerce Act.

### **G2 Examine security and resilience of electricity supply**

We support the Review's views on this issue.

### **G3 Encourage more co-ordination among agencies**

We believe that more effective and focussed regulation would result from a mechanism that ensured all regulation of electricity industry participants was focussed on identical legislative policy objectives.

### **G4 Improve the energy efficiency of new and existing buildings**

We support this recommendation. Ensuring that EDBs and their owners were able to extend their efforts in promoting energy efficiency, through more flexible application of price caps, would be a very helpful step. On this point we again stress that an approach by the ComCom that encourages EDBs and their owners to promote outcomes that meet the objectives of s54Q of the Commerce Act would be a very useful step.