COUNTIESPOWER

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Electricity Price Review
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Electricity Price Review Options Paper

Counties Power welcomes the opportunity to provide feedback on the Electricity Price Review Panel's Options Paper (For Discussion) dated 18 February 2019.

This paper responds to the issues raised and the Panel's concluding position.

A. Strengthening the consumer voice

A1. Counties Power, as a consumer owned lines company, places the consumer at the centre of its objectives therefore Counties Power strongly supports this option.

A2. Counties Power supports the view that there should be explicit statutory responsibility for the Electricity Authority (Authority) and the Commerce Commission (Commission) to ensure they have obtained electricity consumer feedback. However, many of the issues are complex and the consumer advisory council would likely be the best mechanism for ensuring informed feedback. During the Transmission Pricing Review (TPR), which was too complex to expect informed public feedback, the upper North Island consumer owned EDBs performed this function on behalf of their consumers.

B. Reducing energy hardship

B1. Counties Power supports this option and agrees that this should be a priority.

B2. Counties Power supports this option and for this to be undertaken by the proposed cross-sector energy hardship group recommended in option B1.

B3. Counties Power supports this option in conjunction with options A1 and B1.

B4. Counties Power strongly supports this option. Home energy efficiency is the most effective long-term mechanism for lowering energy bills, reducing greenhouse emissions and for improving the living environment for those in energy hardship.

B5. Counties Power supports this option on the basis that it is funded by central government. However, this is likely a short-term measure given changes in government and the fact that household electricity costs will increase long-term as a result of transport electrification.

B6. Counties Power supports this option.

B7. Counties Power supports this option because it will ensure cost reflective electricity pricing and fair prices for those in the community who rely on their electricity retailer to provide the best pricing.

B8. Counties Power supports this option and notes that this could be extended to telecommunication services.

C. Increasing retail competition

C1. Counties Power supports the initiative encouraging retailer switching.

C2. Counties Power supports the proposal for increasing the awareness of Utilities Disputes. However, the onus should be on Utilities Disputes to increase its profile by promoting its service.

C3. Counties Power supports the proposal and believes that the industry should be moving to providing customers with at least daily access to their consumption data with a long-term goal of providing real-time consumption data.

C4. Counties Power does not support this option and disagrees with the view that the current Use of System Agreement acts as a barrier. All new retailers that have approached Counties Power's have signed Counties Power's Use of System Agreement and all, bar one, signed within days of requesting the agreement. There would be no benefit for new retailers in using standard use of system terms.

C5. We support the prohibition of win-backs.

C6. We support the proposal. However, a simpler option may be to simply require retailers to right-tariff customers at least once annually.

C7. Counties Power does not support this option.

D. Reinforcing wholesale market competition

D1. Counties Power supports this option.

D2. Counties Power supports mandatory market-making obligations and notes that the market is likely to become more fragile due to a lack of hydro storage coupled with increasing renewable generation and decarbonisation driving electricity demand.

D3. Counties Power supports the requirement for generator-retailers to release information about the profitability of their retailing activities but notes that this should also apply to their generation activities and hedge contracts.

D4. Counties Power supports this option.

D5. No comment.

E. Improving transmission and distribution

E1. Counties Power strongly supports the issuing of a government policy statement (GPS) on transmission pricing to direct the Authority. The GPS would provide the direction that the Authority requires to conclude the TPM process.

E2. Counties Power supports the issuing of a government policy statement on distribution pricing and recommends the GPS that has been drafted by the TPM Group. Counties Power notes the continued contradictions in the Authority's directions for EDB pricing regarding distributed generation.

The contradiction is that the Authority is seeking cost reflective pricing in part to reduce the uptake of uneconomic residential solar array investments while at the same time limiting distributed generation pricing to only recover the marginal EDB cost (under Part 6 of the Electricity Industry Participation Code 2010 (Code)). Cost recovery of distributed generation is an increasing issue for Counties Power because of the growth in commercial distributed generation that rely on a 'free' use of Counties Power's core network under Part 6 of the Code. This contraction should be addressed under the distribution GPS because it will increasingly mean that commercial distributed generators do not pay their fair share of overhead costs and this will come mass market customers are subsidising.

E3. Counties Power does not support the regulation of distribution cost-allocation principles because it would be intrusive regulation that would be subject to continuous legal challenge. Furthermore, there is no net benefit across the customer base, rather it is a reallocation of costs to existing customers (i.e. any gain will be through rebalancing prices rather than efficiency gains that lower overall costs).

E4. Counties Power does not support the additional controls being implemented on EDBs. However, if the Panel recommends the limiting of price shocks from distribution price increases, then these should exclude non-standard customers such as those with photovoltaics who are not currently paying their fair share of network costs.

E5. Counties Power strongly supports phasing out low fixed charge tariff regulations, which could be undertaken in conjunction with E4.

E6. Counties Power supports EDB access to smart meter data on reasonable terms and requests that conditions on access be reduced given the public good that this data provides. For Counties Power, where this data is already available, the public good enabled the development of its big data platform INDI that allows real-time low voltage outage management. These systems are critical in large scale storm events where normal practices start to breakdown because of the sheer volume of faults and customer calls.

E7. Counties Power does not support any of the options in E7 to strengthen the Commerce Commission's powers to regulate distributors' performance. The following was noted on the proposals:

- The Commerce Commission has enough powers without requiring the ability to remove exempt status. If the Panel did recommend this power, then there should be the ability for the exempt EDB to correct any shortfalls identified in the investigation before removing the exempt status.

- For a smaller EDB, the cost and complexity of a customised price path would outweigh any benefits, so while Counties Power does not support this proposal, if it were implemented it should only apply to the largest EDBs.

- Benchmarking of EDBs is complex because it involves correcting for factors such as the rural-urban mix and network density. Plus, EDB performance various depending on the performance measure, with some EDBs performing well on a cost per kilometre basis, and others on a cost per ICP basis or cost per employee basis. Furthermore, EDB cost performance outcomes will vary not because of efficiency but because of other factors including over/underinvestment in the network and annual variations in storm damage.

E8. Counties Power does not support the option to require small distributors to amalgamate. Small distributors are often key economic drivers of local communities, who encourage local growth and are accountable to their local community. The government has often relied on this fact for key infrastructure initiatives such as the national rollout of fibre under Crown Fibre Holdings. Counties Power believes that the small EDBs will provide similar regional initiatives as momentum gathers to decarbonise the economy.

E9. Counties Power supports the Panel's reasoning in rejecting this option.

F. Improving the regulatory system

F1. Counties Power does not support the Electricity Authority having more flexible powers to regulate network access for distributed energy services because the Panel has not identified a problem with network access and any such powers to regulate should rest with the government not the Authority.

F2. Counties Power supports the transfer of the Electricity Authority's transmission and distribution-related regulatory functions to the Commerce Commission. This would bring the transmission and distribution regulatory functions into alignment with the telecommunication sector. It would also allow the Authority to strengthen its area of expertise, which is in the management of the electricity market. As opposed to infrastructure regulation, where the Authority's inability to enact the TPM guidelines illustrates a core lack of expertise.

F3. Counties Power believes that the regulators should have an environmental goal of reducing greenhouse gases, rather than a broader environmental goal. Similarly, the fairness goals should be limited to the immediate equity impact to households, which the government represents, rather than allowing the regulators to consider the impacts on multinationals.

F4. Counties Power supports Electricity Authority decisions being appealed on their merits, as occurred with the Commerce Commission. This would ensure an improved consultation process by the Authority because it would be mindful of the need to mitigate this threat. Such a threat may have ensured that the Authority took more care before finalising and releasing the last TPM cost benefit analysis report.

F5. Counties Power supports this option.

F6. Counties Power would not support this option. Counties Power believes that gas reticulation is likely to become a marginal energy supply long-term because of energy decarbonisation and the high cost of green hydrogen (the only existing alternative to reticulated methane).

G. Preparing for a low-carbon future

G1. Counties Power strongly supports the establishment of a fund to encourage innovation. The industry faces significant technology disruption combined with pressure to decarbonise. To mitigate the resulting impact to the economy and consumers (e.g. higher electricity prices and reduced supply security) there is a need for new technological advances. The proposed fund would be critical to supporting new technology developments with the economic and public benefit outweighing the cost.

G2. Counties Power strongly supports a review of the security, reliability and resilience of electricity supply as New Zealand's low levels of hydro storage combined with a predicted doubling of electricity demand over the next 20 years, will result in significant electricity supply issues (price fluctuations and dry-year power shortages).

G3 Counties Power supports this option.

G4 Counties Power strongly supports improving the energy efficiency of new buildings because this can be undertaken at a marginal cost during construction and provides benefits for the building's lifetime. While Counties Power supports improving the energy efficiency of existing buildings, the costs of retrofitting are significantly higher and the benefits lower because on average the buildings remaining useful life would be less.

Yours sincerely

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