

## ELECTRICITY PRICE REVIEW

## ECOTRICITY SUBMISSION

22<sup>nd</sup> MARCH 2019



19 March 2019

Miriam R Dean CNZM QC  
Chair

**Electricity Price Review**

Secretariat, Ministry of Business, Innovation and Employment  
PO Box 1473  
Wellington 6140

By email: [energymarkets@mbie.govt.nz](mailto:energymarkets@mbie.govt.nz)

**RE: Ecotricity - Electricity Price Review Submission**

Dear Miriam and fellow Panel Members

We would like to express our gratitude for the opportunity to submit to, and discuss with, the Electricity Price Review Panel (EPR) the changes required within the electricity industry.

The focus of this submission is how a level playing field for competition can be implemented to ensure the sustainability of independent retail, this is critical for consumers as without independent retailers there will be little constraint on electricity prices. A two tier market has evolved in both the retail market and wholesale market because of gentailer market power where:

- Retail market - price discrimination between 'switcher' customers and 'loyal' customers increases the cost of acquisition; and
- Wholesale market - preferential pricing and access to risk products is provided to gentailer retail arms compared with what is available to independent retailers.

These raise classic anti competitive concerns of refusal to deal, vertical margin squeeze and misuse of information. These issues have become more acute since 'Spring 18' and undermine the competitive impact of independent retailing .

Level playing field measures, such as those proposed by the Panel and additional measure we've described, are important for ensuring development and growth of a healthy competitive market. They are necessary to ensure that success or failure in the retail market is based on a firm's ability to meet customer needs and do so most efficiently, not because of their control over generation or position as an incumbent.

These are the steps that must be taken to level the playing field:

1. For the Electricity Authority to immediately mandate Market Making with objectively set stress tests, trading policies aligning with these should be signed off by Gentailer Board. Refer comments on option D2.
2. The Electricity Authority's statutory objective should be clarified or changed so it is consistent with the Commerce Commission, which would require the Electricity Authority to take into account both

wealth transfer (price impact) and efficiency benefits to consumers. Refer comments on option F1.

3. The Electricity Industry Act should be amended to ensure that Gentailers do not provide preference to their internal retail business versus an independent purchaser/retailer, and must comply with non-discrimination/arms-length rules. Refer comments on option D5.
4. Comprehensive operational/virtual separation measures should be implemented via the Code to ensure that Gentailer discrimination is prevented to the greatest extent possible in the absence of ownership separation, and that it can be detected. Refer comments on options D3 and D5.
5. The Code is amended in line with telecommunication industry rules to prevent save/winback activity. Refer comments on options C5.

### **Board Accountability**

We would like to request that the most important solutions recommended by the EPR have participant Board accountability.

We have seen with a number of proposals or tests put forward by the EA, gentailers have taken every opportunity to circumvent the intent of rule changes or sought to expose any loopholes.

For that reason we recommend accountability is held by the gentailers and other participants at Board level to recognize the intent and importance of the changes recommended. An overarching intent for instance, is that gentailers must act as if they were vertically separated.

### **Urgency**

Finally, it is with urgency that some of the changes are made in order to serve the consumer better and to avoid more participant failures. A number of independent retailers have been under sustained and extreme pressure to survive over the last 5 months.

We have highlighted the changes that require urgency or Board accountability in our submission.

Best regards  
Al Yates



Ecotricity  
CEO

<b>A</b>	<b><i>Strengthening the customer voice</i></b>	
A1	Establish a consumer advisory council	WE SUPPORT.
A2	Ensure regulatory listen to consumers	WE SUPPORT.  We do believe the EA (and / or Electricity Regulator) and Commerce Commission should specifically be required to consult the consumer advisory council established in A1 above.
<b>B</b>	<b><i>Reducing energy hardship</i></b>	
B1	Establish a cross-sector energy hardship group	WE SUPPORT.
B2	Define energy hardship	WE SUPPORT.
B3	Establish a network of community-level support services to help consumers in energy hardship	WE SUPPORT.
B4	Set up a fund to help households in energy hardship to become more energy efficient	WE SUPPORT.
B5	Offer extra financial support for households in energy hardship	WE SUPPORT.
B6	Set mandatory minimum standards to protect vulnerable and medically dependent consumers	WE SUPPORT.
B7	Prohibit prompt payment discounts but allow reasonable late payment fees	WE SUPPORT.  We would like to further note that any other discounts offered, but under another name, should first be approved by the EA (or appointed

		<p>Regulator) to ensure they are neither;</p> <ul style="list-style-type: none"> <li>A. A prompt payment discount</li> <li>B. A Saves and Win Back discount</li> </ul>
B8	Explore bulk deals for social housing/ WINZ clients	<p>WE SUPPORT.</p> <p>A bulk tender for social housing/ WINZ clients should be progressed. We believe client tenders could be run by network area this will allow a number of retailers to participate as the volume could be manageably hedged.</p> <p>However, in order for a tender to be successful in reducing energy costs it will be necessary for Government to underwrite the credit risk otherwise it is very unlikely that there will be much interest in participating and offers would reflect the credit risk and higher administration costs of this group.</p> <p>We believe this approach will still stack up because it would mean Government avoids the administration and cost of emergency grants etc. Additionally, these households are likely to benefit from using more energy to keep warm, this will have a positive impact on their health and wellbeing and reduce healthcare costs.</p> <p>This is predicated on the assumption that Mandatory Market Making (D2) is in operation, and there are no transfer prices between generators and their retail operations. And that Saves and Win Back Prohibition (C5) is achieved</p>
<b>C</b>	<b>Increasing retail competition</b>	
C1	Make it easier for consumers to shop around.	<p>WE SUPPORT.</p> <p><b>Merging Powerswitch and Whatsmynumber</b></p> <p>We agree these two organisations should be merged.</p> <p>We also recommend that meter data, including half hour data, is made available to Powerswitch in order to more accurately compare time of use (TOU) price plans based on consumption.</p> <p><b>Switch Agents Flat Fees</b></p> <p>We have seen early signs of Switching Agents, not including Powerswitch, whereby an increasing bounty is being paid by gentailers to get their price plans in front of customers over and above other retailers.</p> <p>For example, one retailer will offer \$100 to a switching agent instead of</p>

		<p>\$50 for the same customer by another retailer. This is another form of Saves and Winbacks, but via a third party. This should also be prohibited.</p> <p>We therefore recommend that Switching Agents (including Powerswitch and WhatsMyNumber) must use an industry standard retailer flat rate fee for new customers, currently \$50, and not support any other financial contributions from one retailer to promote over another.</p>
C2	Include information on power bills to help consumers switch retailer or resolve billing disputes	<p>WE SUPPORT.</p> <p>Many retailers including ourselves are already providing information regarding the Utilities Disputes on their invoices and websites.</p> <p>We agree also that by adding Consumer Powerswitch information would help consumers get better deals but also will improve consumer trust in the industry.</p>
C3	Make it easier to access electricity usage data	<p>WE SUPPORT.</p> <p>We agree that electricity usage data should be made more readily available.</p> <p>We recommend that the single source of meter data to third parties is established by the Meter Equipment Providers (MEPs) as the source of this consumption data.</p> <p>We also recommend that all MEPs over time move to a single data format for retailers, distributors and Powerswitch.</p>
C4	Make distributors offer retailers standard terms for network access.	WE SUPPORT.
C5	Prohibit win-backs	<p>WE SUPPORT.</p> <p>There is ample evidence both overseas and in New Zealand that shows Saves and Winbacks are not in the interests of the consumer, and indeed has created a Two Tier market.</p> <p>Saves and Winbacks also create consumer mistrust of the electricity industry and has added substantial costs to the industry which is being passed onto the consumer.</p> <p>We should however note that prohibition of Saves and Winbacks should be applied to all ICPs including <b>commercial ICPs</b> as we have seen evidence of Saves and Winbacks occurring in the commercial market.</p> <p>Gentailers have often flaunted and sought to circumvent the intent of</p>

		<p>Saves and Winback schemes with little or no consequence from the EA. <b>Constant Monitoring</b> is therefore required for the prohibition of Saves and Winbacks.</p> <p>For this reason we also strongly recommend that there are Participant <b>Board of Directors penalties</b> if the intent of Saves and Winbacks prohibition is circumvented.</p>
C6	Help non-switching consumers find better deals	WE SUPPORT.
	TECT limitation on competition in Tauranga	<p>WE SUPPORT.</p> <p>TECT discounts tied to Trustpower patronage do limit competition. This should be addressed immediately by the Panel rather pushing it to the Commerce Commission.</p>
C7	Introduce retail price caps	<p>WE DO NOT FAVOUR THIS OPTION.</p> <p>We agree with the panel's assessment that there are other measures that should be taken to address problems of the two-tier market.</p> <p>Experience in the UK illustrates that price caps can damage competition, in that market 10+ independent retailers have exited in the last year and many attribute it to a squeeze as wholesale prices have risen making independent retailing unsustainable.</p> <p><a href="https://www.bbc.com/news/business-47133564">https://www.bbc.com/news/business-47133564</a></p> <p>We consider that the level of price discrimination should be monitored. It's important to be clear that the problem of a Two Tier Market is many consumers are paying significantly more than they should be because of a 'loyalty tax'. If retailers are persistently charging premiums to some customers for exactly the same service this is not good or trustworthy behaviour, at a minimum it needs to be called out and intervention may be appropriate.</p> <p>To date the Electricity Authority has not seen price discrimination as problematic, we consider this troubling and counter to international regulatory and consumer protection trends<sup>1</sup>. We believe the EA needs to have a sharper focus on it including a responsibility to minimise wealth transfers from consumer to producers.</p>

<sup>1</sup> <https://www.accc.gov.au/speech/companies-behaving-badly>

<https://www.ft.com/content/57ea8542-0470-11e9-99df-6183d3002ee1>



		'Loyalty taxes' have eroded trust and confidence in the sector, paying too much for electricity also has negative social and productivity implications.
<b>D</b>	<b><i>Reinforcing wholesale market competition</i></b>	
D1	Toughen rules on disclosing wholesale market information	<p>WE SUPPORT.</p> <p>14.2 of the Code needs to be tightened by removing the confidentiality exclusion.</p> <p>Further, The Financial Markets Authority (FMA) needs to be directed to enforce insider trading laws in the electricity industry.</p>
D2	Introduce mandatory market making obligations	<p>WE SUPPORT.</p> <p>We should note this is of utmost importance and urgent action is required before more retailers fail.</p> <p>The goal of introducing Mandatory market making is to ensure Gentailers act as if they were vertically separated to create a competitive wholesale market for all participants.</p> <p>For this reason we also strongly recommend that there are Participant <b>Board of Directors penalties</b> if mandatory market making rules are circumvented. Penalties should include the requirement for gentailers to be split into generation and retail.</p> <p><b>SHORT TERM</b></p> <p><b>Liquidity</b></p> <p>In the immediate term, we stress that <b>urgent</b> action is required to return liquidity to the market within the coming days / weeks.</p> <p><b>Monitoring</b></p> <p>Concurrently, EMI has the data and ability to report on <b>traded</b> liquidity immediately. Note, we have been requesting this from the EA for over three years now.</p> <p>Volumes traded on the hedge market as a multiple of total physical volumes is a true indicator of liquidity. Open interest is not a measure of liquidity, if it is not traded.</p> <p>Spread is another indicator that needs to be monitored. We recommend that historic spreads, and liquidity, are reported for the last 10 years in</p>



	<p>addition to current spreads to compare how the market is working.</p> <p>In the UK the British hedge market went from ~1.6% to ~0.6% when mandatory market making was introduced.</p> <h2>MEDIUM TERM - 5 MONTHS</h2> <h3>Operational Vertical Separation</h3> <p>The key objective of Mandatory Market Making is to ensure gentailers act as if they are vertically separated. The following are recommended rules and targets for Mandatory Market Making:</p> <ul style="list-style-type: none"> <li>• All gentailer owned retailers to purchase all hedges through the ASX. This is the case with a number of established markets worldwide.</li> <li>• Ban internal transfer pricing, except potentially for large industrial consumers above 200 gWh and in which case these transfer prices need to be reported to the market. Transfer prices and/ or discriminatory prices are banned in a number of established markets including the US and the EU<sup>2</sup>.</li> <li>• Set a baseline target of liquidity of 150%, of monthly volume traded versus volume generated on the ASX on a monthly basis.             <ul style="list-style-type: none"> <li>○ Spreads will reduce naturally as Gentailers would be both buyers and sellers in the same market. In the UK, spreads of ~1.6% reduced to ~0.6% after mandatory market making was introduced.</li> </ul> </li> <li>• In the absence of a complete vertical separation or the ban of transfer pricing, non-discrimination rules should apply such that, before an offer is made between a generator and its retail operations, the offer should first be put through the ASX on an anonymous basis.</li> <li>• Increase the term available for contracts from 3 to 8 years. This increases certainty for retailers to invest long term, reduce</li> </ul>
--	--

<sup>2</sup> <https://ecotricity.co.nz/nz-powercos-noncompliant-under-eu-us-rules/>

		<p>costs to consumers, and for renewable generation investment to have more certainty.</p> <ul style="list-style-type: none"> <li>Consider a government and corporate renewable contracts model, in order to get more renewables into the grid to reach our 100% renewable targets.</li> <li>Participants require a license to operate in the electricity market. It is not an automatic right. If gentailers are unable to comply with mandatory market making measures, then the option should be made available for them to vertically separate.</li> </ul>
D3	Make generator-retailers release information about their profitability of their retailing activities	<p>WE SUPPORT.</p> <p>We support the requirement to introduce financial reporting and disclosure requirements for the incumbent gentailers.</p> <p>It will be important to ensure robust rules for cost allocation and related party transfers (RTP), to ensure that cost allocation isn't used to mask profitability and/or cross-subsidies.</p> <p>The views expressed by ERANZ and the incumbent gentailers in their submissions to the Commerce Commission during its statutory review of the Input Methodologies under Part 4 of the Commerce Act - in relation to new technology, and cost allocation and RTP rules for EDBs - are directly relevant to the issue of gentailer disclosure.</p> <p>We therefore consider it useful to review these submissions when considering the type of financial reporting and disclosure requirements that should be introduced, particularly in relation to the incumbent retailers' concerns about the need for tight rules (which minimise the suppliers' ability to manipulate its cost allocations), and concerns about particular types of cost allocation methodologies.</p>
D4	Monitor contract prices and generation costs more closely	WE SUPPORT.
D5	Prohibit vertically integrated companies	<p>WE SUPPORT.</p> <p>Vertical ownership separation is considered the gold standard for eliminating the incentives for anti-competitive and discriminatory behaviours.</p> <p>We appreciate however that the Government is not prepared to force this structural change however there are operational separation measures that must be implemented to ensure a level playing field and</p>

		<p>safeguard competition.</p> <p>A market with a level playing field does not allow preference or discrimination between parties. Practically this means a vertically integrated firm offering the same terms for wholesale supply to an independent retailer as it does its own retail operation.</p> <p>As a result success or failure in the retail market would be determined by how effectively and efficiently retailers serve customers.</p> <p>Gentailers have submitted analysis that suggests that vertical integration is more efficient than contracting because a vertically integrated generator can adjust generation in response to changes in retail demand. We think this is disingenuous and overstates contracting costs. The same dynamic could be simply achieved through a customer number limited fixed price variable volume contract with an external retailer where the fluctuations in demand would be comparable to the internal retailers. Putting in place contracts like this does not involve significant transaction costs, however in practice it typically comes with a price premium to a fixed volume contract and internal transfer prices.</p> <p>Currently we have a market that allows a Gentailer retail operation to be given preference over external independent retailers because they are 'insulated' from market price risk giving them an input cost advantage. This occurs because there are not clear operational boundaries between the retail and wholesale operations of integrated businesses and there is no monitored and enforced obligation of equal access to wholesale supply.</p> <p>Measures to prevent discrimination could be implemented through the Code and regulations. We believe ex-ante measures that prescribe actions are required to prevent anti-competitive behaviour before it occurs.</p> <p>In addition to improvements to market making, we believe the following measures must be implemented to level the playing field:</p> <ul style="list-style-type: none"> <li>• Separate accounting of retail and wholesale activities - this will allow better assessment of efficiency and discrimination.</li> <li>• An explicit obligation on vertically integrated firms to provide wholesale access with internal and external parties on equivalent terms.</li> <li>• Ban transfer prices.</li> <li>• Separate Prudential obligations for the retail division to reflect the total financial cost.</li> <li>• Audited chinese walls to protect trading information of external parties.</li> </ul>
--	--	---

		<p>These measures could be implemented swiftly because there is limited functional integration between retail and wholesale operations of gentailers (compared with unbundling network/ retail/ wholesale or telecommunications).</p> <p>If integrated firms are found to act in a discriminatory way full vertical separation would be necessary. This would need to be coupled with measures to constrain market power of generators.</p>
<b>E</b>	<b><i>Improving transmission and distribution</i></b>	
E1	Issue a government policy statement on transmission pricing	WE SUPPORT.
E2	Issue a government policy statement on distribution pricing	<p>WE SUPPORT.</p> <p>We agree there should more consistency across distribution networks with regards to charging structures and certainty of pricing for residential consumers and small business.</p> <p>Where there is the potential for network price shocks, these should be replaced with more consistent long term cost structures.</p> <p>GXP post peak demand charges effectively increase the risks, therefore costs for the retailer, to the consumer. We therefore support the abolishment of GXP distribution pricing which is currently being phased out by all networks with the exception of Orion.</p> <p>We recommend all networks offer Time of Use charges for residential and commercial charges to promote off peak usage.</p>
E3	Regulate distribution cost allocation principles	<p>WE SUPPORT</p> <p>As noted in the 2018 Electricity Price Review First Report, there has been a substantial and inequitable shift of distribution cost allocation from business to residential customers between 1990 and 2004.</p> <p>It should also be noted that in many networks, small to medium business (SME) network costs are similar to residential costs.</p> <p>We therefore support a gradual adjustment back to more equitable cost allocation levels of large business in favour of, and therefore reducing costs to, residential and SME consumers.</p>
E4	Limit price shocks from	WE SUPPORT.

	distribution price increases	We support the limitation of price shocks across all distribution networks. This however can be addressed through Regulation of distribution of cost allocation principles noted in E3 above.
E5	Phase out low fixed charge tariff regulations	WE DO NOT SUPPORT.  Low Fixed tariffs are an important tool for small and lower income families and should not be phased out.
E6	Ensure access to smart meter data on reasonable terms	WE SUPPORT.  We agree that distributors should have unfettered access to meter consumption data.  The data however should not be able to be used by the networks for end user competitive offers, only for network maintenance and development purposes.  As noted in section C3, we recommend, in order for the efficient management of meter usage data is administered by the Meter Equipment Providers.
E7	Strengthen the Commerce Commission's powers to regulate distributors' performance	WE SUPPORT.
E8	Require small distributors to amalgamate	WE SUPPORT.  Our preference is for amalgamation of a number of the networks based primarily around regional areas.  In the absence of amalgamation however we request a consolidation of services and pricing amongst all networks to ensure virtual economies of scale are achieved.
E9	Lower Transmission and distributor's asset values and rates of return	WE DO NOT SUPPORT.  We appreciate there is a cost to maintain and develop transmission networks. As noted in E8 above however, we do request a consolidation of services and pricing amongst all networks to ensure virtual economies scale are achieved and costs are brought down where possible.
<b>F</b>	<b><i>Improving the regulatory system</i></b>	

F1	Give the Electricity Authority clearer, more flexible powers to regulate network access for distributed energy services	<p>WE SUPPORT.</p> <p>It is important that distributors are not able to use competitive information available only to them to compete in non-regulated markets.</p> <p>If a network is seeking to provide service to support their own network using non-regulated assets, such as solar and batteries, this must be through a third party provider.</p>
F2	Transfer the Electricity Authority's transmission and distribution-related regulatory functions to the Commerce Commission	<p>WE SUPPORT.</p> <p>The EA performance to date on a number of competition and structure issues, including transmission (ACOT in particular) has been long winded and the outcomes unfair.</p>
F3	Give regulators environmental and fairness goals	<p>WE SUPPPORT IN ITS ENTIRETY.</p> <p>We support the option put forward in the EPR options paper in its entirety including Consumer Protection, but also Greenhouse Gas Emission (GHG) Reductions.</p> <p><b>Greenhouse Gas Emission Reductions</b>  <b>Electrification of Transport, Industrial Heat and Manufacturing</b></p> <p>We do not believe however that the reduction of Greenhouse gas emissions should be omitted from the EPR recommendation.</p> <p>The electrification of a number of sectors including transport, industrial heat and manufacturing is a critical component to the reduction of New Zealands GHGs.</p> <p>Increasing amounts of renewable energy is critical to meeting our GHG reduction targets.</p> <p>Further, by supporting the uptake of more renewables this will decrease the wholesale costs to the wholesale market and therefore to the consumer. Overseas Markets where increased amounts of renewables have been introduced to the grid are seeing a reduction in wholesale costs.</p> <p>This is also evident in the New Zealand context, when the wind blows, wholesale prices drop. When the lakes are full, wholesale prices drop. More of both, plus solar will bring down wholesale costs.</p> <p>A number of protocols, policy statements and Acts are reflective of the need to reduce GHGs, including but not limited to;</p> <ul style="list-style-type: none"> <li>• Zero Carbon Act<sup>3</sup>.</li> </ul>

<sup>3</sup> <https://www.mfe.govt.nz/have-your-say-zero-carbon>



		<ul style="list-style-type: none"> <li>Government targets on the uptake of electric vehicles, soon to be updated and increased<sup>4</sup>.</li> <li>Government Policy Statement on Gas Governance, a greenhouse gas in itself, “... <i>delivered to existing and new customers in a safe, efficient, fair, reliable and <b>environmentally sustainable</b> manner.</i>”<sup>5</sup></li> </ul>
F4	Allow Electricity Authority decisions to be appealed on their merits	We have no view on this section.
F5	Update the Electricity Authority’s compliance framework and strengthen its information-gathering powers	<p>WE SUPPORT.</p> <p>When information requests have been placed on participants by the EA, there should be no delay or inaccuracy in supplying that data.</p> <p>Ecotricity requested the EA review commercial Fixed Price Variable Volume contracts which took months for Gentailers to respond to<sup>6</sup>. The suspicions of Ecotricity were confirmed, in that Gentailers were indeed undercutting ASX pricing.</p>
F6	Establish an electricity and gas regulator	<p>WE SUPPORT THE ESTABLISHMENT OF AN ELECTRICITY REGULATOR.</p> <p>It is clear from a number of participants that the Electricity Authority is failing in its performance with regards to matters of anti-competition.</p> <p>This is evident on a number of topics and over an extended period of time.</p> <p>Lack of liquidity in the forward wholesale market, the complete failure of the Saves and Winback programme to name a few, are issues that have not been addressed by the EA to any acceptable level.</p> <p>Approaches by a number of participants to the EA to remedy the issues with proven approaches used overseas, has resulted in little or no action. This has occurred over a completely unacceptable period of 4 – 5 years for some participants.</p> <p><b>Failure of MDAG and WAG</b></p> <p>Furthermore, and more concerning.</p> <p>Attempted responses of the EA via the Market Design Advisory Group</p>

<sup>4</sup><http://www.mfe.govt.nz/sites/default/files/media/Climate%20Change/Reducing%20Barriers%20to%20Electric%20Vehicle%20Uptake%2C%20Behavioural%20Insights%2C%20Analysis%20and%20Review-final.pdf>

<sup>5</sup> [https://www.parliament.nz/en/pb/papers-presented/current-papers/document/48DBHOH\\_PAP16517\\_1/gas-governance-government-policy-statement-from-the-minister](https://www.parliament.nz/en/pb/papers-presented/current-papers/document/48DBHOH_PAP16517_1/gas-governance-government-policy-statement-from-the-minister)

<sup>6</sup> <https://www.ea.govt.nz/monitoring/enquiries-reviews-and-investigations/2017/review-of-fixed-price-variable-volume-commercial-offers/>

		<p>(MDAG) and Wholesale Advisory Group (WAG) would appear to show that Design Groups are designed and appointed by the EA:</p> <ul style="list-style-type: none"> <li>• To serve as vehicles for the EA to underwrite pre-ordained outcomes the EA is seeking.</li> <li>• Are stacked with Gentailer heavy and Gentailer supportive panels.</li> <li>• Seek to largely follow the status quo.</li> </ul> <p>This leads to a conviction by many in the industry, including Ecotricity, that there is a long term systemic Board and senior management failure within the EA.</p> <p><b>Market Design and Issues of Competition should be transferred to the Regulator or Commerce Commission</b></p> <p>For the above reasons, we support the transfer of market design and matters of competition to either a newly formed electricity regulator or the Commerce Commission.</p>
<b>G</b>	<b><i>Preparing for a low-carbon future</i></b>	
G1	Set up a fund to encourage more innovation	<p>WE DO NOT SUPPORT.</p> <p>There are a number of companies that have invested heavily in innovation.</p> <p>Setting up a fund to support more innovation may have unintended consequences and undermine existing participants in the market who have already invested heavily.</p> <p>Grid support for instance being supported by solar and battery combinations is already being provided into the market by a number of entities.</p> <p><b>Biofuel Generation Options</b></p> <p>The only exception is where biofuels on both large and small scales can be used to support the grid during seasonal peaks or on a continual basis.</p>
G2	Examine security and resilience of electricity supply	<p>WE SUPPORT.</p> <p>As per the recent Transpower Transmission Planning report<sup>7</sup>, there is likely to be a substantial increase in wind and solar generation.</p>

<sup>7</sup> <https://www.transpower.co.nz/resources/2018-transmission-planning-report>

		Further, static and electric vehicle batteries will allow for substantially higher rates of renewable generation to be deployed, and offering a more resilient and cheaper grid to the consumer.
G3	Encourage more co-ordination among agencies	WE SUPPORT.
G4	Improve the energy efficiency of new and existing buildings	WE SUPPORT.

**From:** energymarkets@mbie.govt.nz  
**To:** [Energy Markets](#)  
**Subject:** Electricity Price Review submission  
**Date:** Friday, 22 March 2019 10:33:14 a.m.

---

**Name (full)**

Thomas Land

**Company (if applicable)**

Ecotricity

**Email**

[tom.land@ecotricity.co.nz](mailto:tom.land@ecotricity.co.nz)

**Contact number**

9(2)(a)

**Region**

Auckland

**Category**

Generators/Retailers, Generators, Retailers and Associations

**Do you accept these terms & conditions?**

Yes

**A1. Establish a consumer advisory council**

I support

**A2. Ensure regulators listen to consumers**

I support

**B1. Establish a cross-sector energy hardship group**

I support

**B2. Define energy hardship**

I support

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

I support

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

I support

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

I support

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

I support

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

I support. These are effectively a tax on people less well off.

Other discounts offered need to be approved by an effective appointed regulator.

To ensure that they are not effectively another form of prompt payment discount or saves and win back discount.

**B8. Seek bulk deals for social housing and/or Work and Income clients**

I support , although there needs to be a way to underwrite or ensure that social housing or WINZ clients still pay their bills. There is considerable credit risk with these clients and this needs to be considered.

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

I support

Powerswitch and whats my number should merge.

There needs to be flat fees for retailers so that this body does not favour one retailer over another.

It would be helpful to have meter data, including half hour data, so that TOU price plans can be compared.

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

I support

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

I support

All MEPs need to move to a single data format.

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

I support

**C5. Prohibit win-backs**

I support. There needs to be penalties for directors and an appropriate regulatory body to enforce this.

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

I support

**C7. Introduce retail price caps**

I do not support this as price caps damage competition. In the UK 10 retailers have exited the market as retailing as become unsustainable.

High prices are a result of electricity wholesale market failure and gentailers voluntary participation in the market.

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

I support

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

I support. This needs to happen rapidly as winter is approaching and electricity prices are three times what they were at the same time last year.

There needs to be penalties for directors if mandatory market making rules are circumvented.

Urgent action is required to return liquidity to the market.

I believe that if mandatory market making does not fix the market then the gentailers will need to be vertically split. Similar to what happened to Telecom and Chorus. The telecom market is now 40-50% cheaper than what it was prior to separation.

Set a baseline target of 150% of monthly volume traded versus volume generated on the ASX.

Increase the term available for contracts from 3 to 8 years as this favours investment in renewable generation which will reduce the cost of electricity and help us to meet our climate change obligations.

In Mexico they increased there electricity contracts to 10 years and this has seen a large increase in the amount of renewable energy generation in the country.

Consider a government and corporate renewable contracts model in order to encourage more renewable generation.

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

I support

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

I support

**D5. Prohibit vertically integrated companies**

I support

Vertical ownership separation is necessary to reduce the current anti-competitive and discriminatory behaviour of the gentailers.

This is effecting the competitiveness of New Zealand businesses and causing energy hardship with the New Zealand public. The current system is broken and needs to be fixed.

Gentailers are insulated from market risk and have an unfair cost advantage over independent retailers

In order to make the market work it is necessary to ban transfer prices and increase the liquidity of the ASX.

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

I support

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

I support.

There needs to be consistency across the distribution networks.

All networks need to offer TOU pricing to promote off-peak consumption.

**E3. Regulate distribution cost allocation principles**

I support

The current system places unfair charges on residential and SME sites while giving



cheaper rates to large businesses.

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

I support

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

I do not support. Low income and small families should not be penalised with higher per day charges.

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

I support

Although this data should not be used by networks for end user competitive offers, only for network maintenance and development purposes.

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

I support

**E8. Require smaller distributors to amalgamate**

I support

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

I do not support

There is considerable cost to maintain and develop transmission infrastructure.

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

I support

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

I support

The Electricity Authority's performance to date has been substandard and indicative of collusion with the gentailers. Their hands-off, nothing to see here, approach to the failure of the market indicates a reluctance to do perform their function and in my opinion the EA requires a cultural and systemic overhaul.

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

I support

I believe that a reduction in Greenhouse Gas Emissions needs to be considered in the EPR recommendation.

The electrification of a transport, industrial heat and manufacturing and the gradual increase in New Zealand's population will place consider pressure on our environment and on NZ's emissions. For this reason the EPR has to place importance on increasing the length of electricity contracts to at least 8 years and should also consider renewable energy targets.

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

I have no view on this.

**F5. Update the Electricity Authority's compliance framework and strengthen its**

**information-gathering powers**

I support

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

I support this. The EA needs either a complete overhaul or to be replaced by a new electricity regulator.

The EA have had years to address the failure of the market and anti-competitive behaviour and yet they have not performed to an acceptable level.

The EA wishes to change nothing while the Gentailers make record profits and New Zealand Business, SMEs and the New Zealand Public are being put at a disadvantage.

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

Perhaps for Bio Fuel on large and small scale, however considerable investment has already been made to improve technology and this fund may result in unintended consequences.

There may be options for the incorporation of electric vehicles to stabilise the grid.

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

I support

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

I support

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

I support

**From:** energymarkets@mbie.govt.nz  
**To:** [Energy Markets](#)  
**Subject:** Electricity Price Review submission  
**Date:** Friday, 22 March 2019 10:45:37 a.m.

---

**Name (full)**

Mark Yates

**Company (if applicable)**

Ecotricity

**Email**

[Mark.Yates@Ecotricity.co.nz](mailto:Mark.Yates@Ecotricity.co.nz)

**Contact number**

9(2)(a)

**Region**

Auckland

**Category**

Generators/Retailers, Generators, Retailers and Associations

**Do you accept these terms & conditions?**

Yes

**A1. Establish a consumer advisory council**

We Support

**A2. Ensure regulators listen to consumers**

We Support

**B1. Establish a cross-sector energy hardship group**

We Support

**B2. Define energy hardship**

We Support

It seems counterproductive that the big 5 electricity companies are making very large profits, much of which goes off shore to non NZ residents shareholders.

WINZ then has to pay grants for those in hardship. This money go round is inefficient for the Government and not equitable for all.

Reduced wholesale prices will facilitate lower electricity prices to all Kiwis, including those in Energy hardship and Kiwi businesses who in turn should be more competitive in the international markets.

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

We Support

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

We Support

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

We Support

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

We Support

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

We Support

**B8. Seek bulk deals for social housing and/or Work and Income clients**

We Support

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

We Support

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

We Support

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

We Support

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

We Support

**C5. Prohibit win-backs**

We Support

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

We Support

**C7. Introduce retail price caps**

We do not favour this option

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

We Support

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

We Support

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

We Support

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

We Support

**D5. Prohibit vertically integrated companies**

We Support

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

We Support

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

We Support

**E3. Regulate distribution cost allocation principles**

We Support

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

We Support

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

We do not support

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

We Support

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

We Support

**E8. Require smaller distributors to amalgamate**

We Support

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

We do not support

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

We Support

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

We Support

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

We Support

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

No view

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

We Support

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

We Support establishment of Electricity Regulator

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

We Do NOT Support

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

We Support

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

We Support

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

We Support