From:	energymarkets@mbie.govt.nz
To:	Energy Markets
Subject:	Electricity Price Review submission
Date:	Thursday, 21 March 2019 1:53:55 p.m.

Name (full)

Simon Harry ARNOLD

Company (if applicable)

National Energy Research Institute

Email

simon@neri.org.nz

Contact number

9(2)(a) [redacted]

Region

Wellington

Category

Individuals, Researchers and Academics

Do you accept these terms & conditions?

Yes

A1. Establish a consumer advisory council

n/a

A2. Ensure regulators listen to consumers

n/a

B1. Establish a cross-sector energy hardship group

n/a

B2. Define energy hardship

n/a

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

n/a

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

The National Energy Research Institute's submission on the Review's First report identified three emerging issues (social, technologies & environmental) whose impact, in our assessment, differed from those assumed in the Report.

Our answer here relates to the Social issue we identified: Affordability is more than just pricing, and requires a wider review. In particular we submitted energy hardship needed to be addressed in the wider context of the welfare system.

We note that by and large these recommendations recognise our submission on the importance of co-ordinating across the welfare system, however some further comment is warranted on this recommendation B4.

As written the commentary focuses narrowly on energy efficiency.

This should be explicitly broadened to include reducing the cost of electricity by better management of the electricity loads, particularly the thermal loads that dominate domestic demand.

Ripple control is the classic example, but much lower cost demand management tools are becoming available and their uptake should be encouraged (this may require supplier involvement to allow the benefits to be passed to the consumer and could also be a feature of Recommendation B8 “bulk deals”).

A caveat on this recommendation is the likelihood that fixed charges will become a larger proportion of electricity bills (and hence less avoidable) and this reduces the impact of efficiency gains on consumers bills. It brings into focus the importance of lowering the fixed costs of the generation and supply network (more efficient use of these assets) and the importance of Recommendations C – E.

B5. Offer extra financial support for households in energy hardship

n/a

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

n/a

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

n/a

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

See comment on B4.

C1. Make it easier for consumers to shop around

n/a

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

n/a

C3. Make it easier to access electricity usage data

n/a

C4. Make distributors offer retailers standard terms for network access

n/a

C5. Prohibit win-backs

n/a

C6. Help non-switching consumers find better deals

n/a

C7. Introduce retail price caps

n/a

D1. Toughen rules on disclosing wholesale market information

n/a

D2. Introduce mandatory market-making obligations

n/a

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

n/a

D4. Monitor contract prices and generation costs more closely

n/a

D5. Prohibit vertically integrated companies

n/a

E1. Issue a government policy statement on transmission pricing

n/a

E2. Issue a government policy statement on distribution pricing

n/a

E3. Regulate distribution cost allocation principles

n/a

E4. Limit price shocks from distribution price increases

n/a

E5. Phase out low fixed charge tariff regulations

See coment on B4

E6. Ensure access to smart meter data on reasonable terms

n/a

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

n/a

E8. Require smaller distributors to amalgamate

n/a

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

n/a

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

The National Energy Research Institute's submission on the Review's First report identified three emerging issues (social, technologies & environmental) whose impact, in our assessment, differed from those assumed in the Report.

Our answer here relates to the Technologies issue we identified:
The significance of DG in NZ. We submitted that this would be a much less important issue in the medium-term than storage (including increasing distributed storage with EVs).

This recommendation addresses our concern.

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

n/a

F3. Give regulators environmental and fairness goals

n/a

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

n/a

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

n/a

F6. Establish an electricity and gas regulator

Note this recommnedation is relevant to our comments on G2, but not a solution.

G1. Set up a fund to encourage more innovation

Further to our comments on G2 this recommendation focuses on innovation within the electricity system while the more difficult issues are likely to lie on its boundaries and beyond. If the fund is to be established they should be explicitly included.

G2. Examine security and resilience of electricity supply

The National Energy Research Institute's submission on the Review's First report identified three emerging issues (social, technologies & environmental) whose impact, in our assessment, differed from those assumed in the Report.

Our answer here relates to the Environmental issue we identified:
We submitted that the electricity system alone can't reduce its GHGs so electricity pricing needs to be not just even-handed inside the electricity system; it needs to be even-handed in terms of alternatives outside it.

These recommendations will not address our concern.

Alternatives will be essential to the security and resilience of electricity supply (particularly winter/dry years and other aspects of inter-seasonal variability). In our earlier submission we had given three such examples of potential alternatives: biomass for thermal loads, better buildings and non-electricity energy buffering. There will be others.

Yet recommendation G2 is completely electricity system-centric.

Recommendation G4 does pick up one of the alternatives but not the wider systemic issue that needs to be addressed .

The EA's Security and Reliability Council is the appropriate group to deal with issues inside the electricity system, but the security and reliability issues that arise in reducing GHG emissions from the electricity system are wider energy issues and will require a more broadly based group to address them.

Recommendation: the proposed group be broadened to include other relevant representatives and not necessarily be part of the EA, OR a separate process be set up to address these wider issues (including buildings).

G3. Encourage more co-ordination among agencies

Based on the comments in G2 the grouping needs to be wider e.g. MBIE building and housing, MPI incl. forestry etc.

G4. Improve the energy efficiency of new and existing buildings

Supported but see comments on G2.