



To

Electricity Authority

March 26, 2025

Energy Competition Task Force

Submission to the Electricity Authority on the Consultation Paper 2B: Time-Varying Retail Pricing for Consumption and Injection

This consultation paper relates to initiative 2A to 'consider requiring distributors to pay a rebate when consumers export electricity at peak times', under the Task Force's intended outcome to 'provide more options for end-users of electricity'

Introduction

Thank you for the opportunity to provide feedback on the Electricity Authority's consultation paper on time-varying retail pricing for consumption and injection.

LightForce Solar recognizes the importance of these objectives in the context of New Zealand's evolving electricity system, which faces rising electricity demand, growing peak loads, and increasing reliance on intermittent renewable generation.

The proposed amendments to the Electricity Industry Participation Code (Code) introduce obligations on retailers and distributors to offer time-varying pricing plans that better reflect the cost of electricity supply. These measures are intended to provide stronger incentives for consumers to shift consumption to off-peak periods and enhance the value of distributed generation, such as rooftop solar and battery storage. However, we have concerns regarding the practical implementation, cost implications, and potential unintended consequences of the proposed approach.

In 2014, the Electricity Networks Association (ENA) submitted a comprehensive report to the Commerce Commission titled "Options and Incentives for Electricity Distribution Businesses to Improve Supply and Demand-Side Efficiency." This report underscored the potential of demand-side management strategies, particularly the implementation of Peak Time Rebates (PTR), to alleviate network congestion during peak periods. PTR programs incentivize consumers to reduce their electricity consumption during high-demand intervals by offering financial rebates, thereby enhancing overall network efficiency and potentially deferring the need for costly infrastructure upgrades. The ENA's advocacy for PTR highlighted its effectiveness in promoting consumer engagement and achieving demand reduction during critical times

Furthermore, the ENA report emphasized the integration of Distributed Generation (DG) coupled with battery storage systems as a pivotal strategy for enhancing grid resilience and efficiency. By enabling consumers to generate and store electricity on-site, particularly through renewable sources like solar photovoltaic panels, DG with battery storage can supply energy during peak demand periods, reducing strain on the distribution network. This approach not only supports the grid during critical times but also empowers consumers to manage their energy usage more effectively, contributing to a more sustainable and decentralized energy system.

To ensure that current initiatives do not miss the opportunities identified in previous efforts, it is imperative that the present proposal and accompanying work plan are meticulously developed and clearly articulated. Drawing lessons from past experiences, a well-defined strategy should encompass clear objectives, actionable steps, and measurable outcomes to effectively implement time-varying retail pricing and integrate distributed energy resources. In this context, LightForce Solar appreciates the opportunity to contribute to the consultation process and wishes to raise several issues and concerns outlined in the consultation paper. We urge the Authority to consider these insights to make more informed decisions that will ultimately benefit consumers and enhance the efficiency and sustainability of New Zealand's electricity market.

Key issues raised in the consultation paper include:

- The lack of variable buy-back rates offered by major retailers despite the increasing adoption of distributed generation.
- The need for a clear framework to monitor the impact of distributed energy resources on network investment deferrals and peak demand reductions.
- The effectiveness of time-varying pricing plans in encouraging consumer participation, particularly for households and small businesses.
- The feasibility of the proposed compliance and reporting requirements for retailers and distributors.

Our submission addresses these key concerns, provides observations on the proposed amendments, and offers recommendations to improve the effectiveness and fairness of the new pricing framework.

Observations

1. The proposal suggests requiring all retailers above a certain size to offer variable buy-back rates to reflect the higher value of electricity supply at peak times.
2. None of the largest retailers currently offer a plan with a variable buy-back rate.
3. Clause 2.10 mentions only stored rooftop solar energy as a cheaper alternative to generating electricity at peak times. It is unclear whether this applies exclusively to Energy Storage Systems (ESS) co-located with rooftop solar or includes other forms of storage.
4. The Sapere report referenced in Clause 2.10 does not provide a clear indication of the savings achieved through deferred investments in poles and wires. The cost of electricity line charges should reflect savings

due to time-of-use supply by end users. How does the Authority plan to monitor the contributions of solar PV/BESS in deferring the need for grid reinforcements?

5. There are currently 40 retailers in the market, with just nine controlling 94% of all customers. Five major retailers serve 83% of consumers.
6. Five of the largest retailers do not offer time-varying price plans accessible to all mass-market customers.

Feedback on Key Questions

Q4: Design Requirements

- The proposal lacks detail on how the Authority will ensure that retailers internalize the full costs of their contribution to peak demand.
- There is no clear mechanism for ensuring that consumers are made fully aware of the costs they impose on the system, limiting transparency.
- What are the transaction and implementation costs of this approach, and how will they be reflected in fixed-cost users' bills?
- The Market Development Advisory Group (MDAG) report recommends that price signals should reflect full costs and benefits to drive competition and innovation. How will this be achieved under the current proposal?
- Clause 6.6 states that the Authority will not regulate how retailers set prices. However, without adequate oversight, retailers may introduce time-of-use plans with minimal differentiation from existing low injection payments. This could lead to inefficiencies, reduced competitiveness, and limited improvements in system reliability.
- Clause 6.7 mentions the development of "high-quality" retail plans to manage peak demand. However, "high quality" is not well defined, leading to subjectivity in compliance assessment.
- Clause 6.8 states that retail plans must meet high-level design requirements. Again, these requirements lack clear definitions and could lead to inconsistencies in implementation.
- How does the Authority plan to monitor and evaluate retailers' economic costs and financial benefits provided to consumers?
- What is the cost of implementing and operating this approach for retailers? Has a cost-benefit analysis been conducted? Ring-fencing this approach is crucial to ensuring fair deployment.
- The compliance burden on retailers needs to be better articulated, along with its implications for consumers.

Q5: Risk of Injection Rebates Not Being Passed Through

- The proposal does not account for scenarios where an unplanned outage leads to shortfalls in supply, which may not be captured in the price signals.

- If there is a supply shortfall due to a transmission or generation failure during the day, time-of-use offsets may not be reflected in normal operating practices. The Authority should consider mechanisms to address such scenarios.

Q6: Which Retailers Should Be Captured by the Proposal?

- We agree with the Authority's view that the threshold should be set at 5% market share by parent company.

Q8: Implementation Timeframe

- Has the Authority engaged with retailers and IT service providers to assess realistic implementation timelines and associated costs?
- Would an alternative date, such as 1 April 2026, provide a more practical transition period for compliance?

Q9: Reporting Regime Considerations

- The parameters for compliance are not well defined, making it difficult for retailers to demonstrate adherence to design requirements.
- The proposal states that retailers must provide "high-quality" information to prove compliance. However, without clear definitions, this requirement is ambiguous and difficult to enforce.
- What will be the cost and frequency of the compliance education package? How will these costs be distributed among stakeholders?

Conclusion

We appreciate the Authority's efforts to develop a more efficient and cost-reflective electricity pricing structure. However, the current proposal raises concern about cross-subsidization, market competitiveness, and the clarity of implementation details.

We urge the Authority to provide further clarity on:

- The financial impact on consumers and retailers.
- The specific criteria for defining "high-quality" price plans.
- The cost-benefit analysis of implementing the proposed approach.
- The mechanisms for ensuring transparency in consumer pricing.



We look forward to further engagement and refinements to the proposal to ensure a fair and efficient electricity pricing framework for all stakeholders.

Kind regards

On behalf of Lightforce Solar,

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