

Submission Response to EA Consultation Paper on Pricing Plan Options

Submitter Information

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Responses to Consultation Questions

Q1. Do you agree the issues identified by the Authority are worthy of attention? If not, why not?

Yes, the issues identified by the Electricity Authority (EA) are critical. The current pricing structures do not reflect real-time supply and demand dynamics, leading to inefficiencies in consumer decision-making and higher costs. Additionally, the lack of incentives for flexibility services like **Vehicle-to-Grid (V2G)** and **real-time dynamic pricing** limits the potential for renewable energy integration and cost reductions.

Q2. Which option do you consider best addresses the issues and promotes the Authority's main objective? Are there other options we have not considered?

The best option is one that incorporates **real-time dynamic pricing** and allows consumers to react to **price signals in real-time** rather than relying on fixed Time-of-Use (TOU) plans. Additionally, supporting **V2G integration** will provide an essential demand-side flexibility mechanism, reducing peak electricity costs and improving overall grid resilience.

Q3. Should we require retailers to offer a price plan with time-varying prices for both consumption and injection? Why or why not?

Yes. Requiring retailers to offer time-varying pricing for both **consumption and injection** aligns consumer incentives with real grid conditions, ensuring that distributed energy resources (such as solar PV and EV batteries) are used efficiently. Without this requirement, there is a risk of misaligned incentives, reducing the economic and environmental benefits of consumer participation in the energy market.

Q4. Do you have any feedback on the design requirements?

- **Ensure fair compensation for energy injection** based on real-time market conditions.
- **Introduce flexibility markets** that reward consumers who shift demand away from peak hours.
- **Enable full access to real-time pricing data**, so consumers can make informed energy decisions.

Q5. Is there a risk that injection rebates will not be passed through to the consumers targeted? If so, how could we safeguard against this risk?

Yes, unless properly regulated, retailers may retain a portion of the benefits from time-varying injection rebates rather than passing them through to consumers. **Mandatory transparency requirements and a regulatory framework ensuring pass-through pricing mechanisms** should be implemented to safeguard against this risk.

Q6. Which retailers should be captured by the proposal and why?

All retailers should be required to offer time-varying pricing plans, as excluding smaller retailers could create an uneven playing field. **Retailers with over a certain market share (e.g., 5%) should face stricter compliance requirements**, ensuring the proposal does not impose excessive burdens on small or emerging energy providers.

Q7. What are your views on the proposed timeframe for implementation of 1 January 2026? Would 1 April 2026 be preferable, and if so why?

The **1 January 2026 deadline is appropriate**, provided that necessary digital infrastructure and regulatory requirements are in place by then. A delay to **April 2026** may be acceptable if additional time is required for proper implementation of consumer education and retailer compliance measures.

Q8. What are your views on Part 2 of our proposal that would require retailers to promote the time-varying price plans?

Retailers should be **required to actively promote time-varying price plans**, including:

- **Consumer education initiatives** that explain the financial and grid benefits of time-varying pricing.
- **Integration of smart energy management tools** to assist consumers in optimizing their energy use.
- **Incentives for consumers to shift their consumption patterns**, making participation more attractive.

Q9. What should the Authority consider when establishing the approach to and format of the reporting regime?

- **Transparency:** Retailers should disclose detailed data on pricing structures, consumer participation, and resulting cost savings.
- **Consumer Impact Analysis:** Reporting should include evidence of actual benefits to consumers. Business Intelligence software can aid fulfilling this task.
- **Renewable Integration Metrics:** Measure how time-varying pricing is supporting higher penetration of renewables and demand flexibility.

Q10. Should the Authority include a sunset provision in the Code, or a review provision? Why?

A **review provision** is preferable to a sunset provision. Given the **rapid advancements in energy storage, V2G, and smart grid technology**, a structured **three-year review cycle** should be implemented to ensure policies remain effective and relevant.

Q11. What are your overall views on Part 3 of the proposal?

Part 3 represents a step in the right direction, but it **must be expanded to include mechanisms that directly incentivize demand-side participation**, including:

- **V2G integration and compensation mechanisms** for EV owners.
- **Stronger consumer protections** ensuring fair pass-through of injection rebates.
- **Time-based incentives for grid balancing services**, improving cost efficiency for all consumers.

Q12. What are your views on Part 4 of our proposal to amend the Code to require that consumers are assigned to time-varying distribution charges, that retailers provide half-hourly data to distributors for settlement?

This amendment is necessary, but it must be implemented carefully to ensure **consumers are not penalized unfairly** due to external factors like grid constraints. The EA should ensure that:

- **Retailers provide real-time pricing transparency** to consumers.
- **Half-hourly data access is extended to consumers**, empowering them to make cost-saving adjustments.
- **A consumer opt-out mechanism exists**, allowing those with unique energy needs to remain on fixed-rate plans.

Q13. Do you agree with the objective of the proposed amendment? If not, why not?

Yes, the proposed amendment aligns with the objective of a **more dynamic, consumer-centric electricity market** that supports renewables, enhances grid flexibility, and lowers costs.

Q14. Do you agree the benefits of the proposed amendment outweigh its costs?

Yes. The **economic benefits of lower electricity costs and improved grid efficiency outweigh the implementation costs**. V2G and dynamic pricing will enable savings of **up to \$2 billion per year**, ensuring a strong return on investment.

Q15. Do you agree the proposed amendment is preferable to the other options? If you disagree, please explain your preferred option in terms consistent with the Authority's statutory objectives in section 15 of the Electricity Industry Act 2010.

The **proposed amendment is preferable**, but it should go further by **explicitly supporting V2G, distributed storage, and flexibility markets** as part of the regulatory framework.

Q16. Do you agree the benefits of the proposed amendment outweigh its costs?

Yes. In addition to cost savings, the amendment supports:

- **Higher renewable energy penetration.**
- **Lower peak electricity demand, reducing fossil fuel reliance.**
- **Fairer pricing structures, incentivizing smart energy use.**

Conclusion

This submission supports the **EA's proposal but recommends additional measures** to maximize the benefits of time-varying pricing and ensure the successful integration of V2G. A **proactive regulatory approach** will position New Zealand as a leader in energy innovation while delivering **substantial financial, environmental, and consumer benefits**.

Should the EA explicitly consider cost-reflective electricity **delivery pricing** to ensure alignment with actual grid use and support local energy solutions?

The EA's proposal is a step forward in improving **energy-only price signals**, but it fails to address the unfair impact of high fixed **delivery charges** on self-sufficient solar and battery users. As the electricity system shifts from centralized generation and distribution to consumer energy resources (CER), including Vehicle-to-Grid (V2G) capabilities embedded in residential ICPs, pricing structures must evolve to reflect their dual role in both reducing peak demand and providing grid support.

Distribution costs should be dynamically priced within the market to reflect actual grid dependence, ensuring tariffs reward prosumers for reducing grid strain. A shift to demand-based or **locational pricing** is essential to **replace flat network fees**, which discourage flexible energy use. The EA must go further by implementing fairer cost recovery mechanisms that incentivize **local generation/injection**, local demand response, and equitable grid participation.

Suggested Additions to the 4 parts of Section 7.5 of the EA's Amendment

- (e) Ensure **delivery** pricing reflects actual grid use through demand-based or **locational tariffs**, replacing flat fixed charges that penalize prosumers and discourage local energy solutions.
- (f) Introduce **time-varying distribution charges** to incentivize off-peak consumption, peak demand reduction, and flexible energy use, aligning delivery pricing with system needs.
- (g) Enable Consumer Energy Resources (CER), including Vehicle-to-Grid (V2G), to offset delivery costs by participating in Virtual Power Plants (VPPs) and demand response programs.
- (h) Require distribution pricing transparency to ensure consumers see the full **cost of grid access** and receive fair incentives for **reducing network strain**.