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Submissions
Electricity Authority
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SUBMISSION ON THE “IMPROVING PRICING PLAN OPTIONS FOR CONSUMERS: TIME-VARYING RETAIL PRICING FOR ELECTRICITY CONSUMPTION AND SUPPLY” CONSULTATION PAPER

The Electricity Retailers' Association of New Zealand ('ERANZ') welcomes the opportunity to provide feedback on the Electricity Authority's consultation paper 'Improving pricing plan options for consumers: time-varying retail pricing for electricity consumption and supply' from February 2025.

ERANZ is the industry association representing companies that sell electricity to Kiwi households and businesses. Collectively, our members supply almost 90 per cent of New Zealand's electricity. We work for a competitive, fair, and sustainable electricity market that benefits consumers.

Executive summary

ERANZ does not believe the issues raised in this consultation meet the threshold for intervention from the Authority. Many retailers, including four of the five largest retail brands (Contact, Genesis, Meridian and Powershop), already offer time-of-use plans and so consumers who wish to take advantage of this type of plan are already well served.

Furthermore, ERANZ is concerned that mandating time-of-use pricing and over-selling its perceived cost advantages could lead to higher electricity bills for those who are unable to shift their energy usage patterns and those who are most sensitive to energy prices.

As regards injection rebates, only a small fraction of customers have the necessary infrastructure to take full advantage of these rebates. In addition, the rebates themselves are negligible, estimated at 0-72 cents per month, and will not drive any significant change in consumer behaviour.

Given these concerns, ERANZ advocates for maintaining the status quo, allowing retailers to continue to offer time-of-use plans where there is consumer demand, rather than imposing a regulatory requirement. The existing competitive market has already driven innovation in pricing plans without the need for such intervention.

ERANZ believes the Authority should reconsider its proposal and ensure that any regulatory changes genuinely serve the interests of all electricity consumers.

Consultation feedback

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

ERANZ considers that customers who wish to take advantage of time-of-use pricing are already well served by existing offerings. The Authority's proposal applies only to retailers who have more than 5% market share, of which there are six (Mercury, Contact, Genesis, Meridian, Powershop and Frank), four of which already offer a time-of-use plan. By forcing all retailers to offer time-of-use pricing, the Authority runs the risk of distorting the retailer market in ways that could increase prices for all electricity consumers.

It is also worth remembering that only a very small percentage of households in New Zealand have the type of solar and battery connection that would be able to take advantage of time variable injection plans.

Only 3% of New Zealand households have solar panels that would be capable of exporting energy to the grid. Of those, only a small subset also have the battery technology that would enable these households to export to the grid at times where this would provide value to the grid – typically cold winter evenings and mornings when the sun isn't shining. An even smaller subset of customers however will have sufficient battery capacity to both offset their own usage (typically the reason people invest in solar and battery systems) and export excess energy to the grid at peak times, making the target customers for this initiative an extremely small subset of a subset of electricity customers.

Added to this, the Authority's complementary Task Force initiative 2A paper estimates the monthly rebate amounts for this extremely small number of customers to be in the range of 0-72 cents per month. ERANZ submits that the Authority's time and attention would be better spent elsewhere.

The Authority should also be careful to exercise caution to make sure its proposals do not create a situation where it signals to lower income households that time-of-use plans are a primary mechanism to save money. While savings are possible, time-of-use plans rely on behaviour changes which must stick over time, and for some households, they will not be able to change or stick to those changes, which may end up costing them more in the long run.

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?

ERANZ believes that the status quo is preferable to the Authority's proposal, in that consumers who are interested in using time-of-use pricing to change their consumption and/or generation habits already have options available to them in the current retail market.

Electricity retailers operate in a competitive market, and as a start point should have the right to design, market, and sell electricity plans as they see fit, in accordance with what consumers demand.

For consumers who want time-of-use plans, and are prepared to accept the associated usability tradeoffs, these plans are available. For the majority of customers who just want to cook dinner or heat their house on a cold night without thinking about what power tariff they are currently on, fixed price power bills continue to be the best option.

Time-of-use plans require more thought, consideration and planning from the customer as to how they use their power. For customers on shift work or families who need to cook dinner at a certain time, time-of-use plans are unlikely to be the best option for them, no matter what the network would prefer.

The status quo allows consumers who wish to learn about these plans and change their behaviour to take advantage, while allowing the majority of customers to simply use the power they need, when they need it. If time-of-use plans were heavily marketed as a cost-saver to customers whose use cases are unsuitable, or presented as the default option, then these customers could see unexpected increases in their power bills.

Instead, load management plans are increasingly offered by electricity retailers which offer consumers slightly discounted rates but with the ability to lessen loads on distribution networks during peak periods. This appears to be a more relevant way to achieve the policy objectives without the downsides of forcing more consumers on to time-of-use plans.

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

ERANZ does not believe the Authority should be mandating that retailers provide plans with time-varying pricing.

Export back into the distribution network is not always of value to the network, even during peak periods. Furthermore, households with the financial ability to install solar panels and batteries may end up being subsidised by other consumers, including those unable to afford the upfront installation costs of solar panels and batteries.

Market forces have already led to many retailers developing these plans of their own accord without Authority intervention, and if these plans are successful, market forces dictate that more of these plans will become available. Intervention from the Authority will only serve to distort the retail electricity market, reduce its efficiency and lead to increased electricity costs for all consumers.

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

ERANZ emphasises the competitive nature of the retail market, and the need for retailers to be free to design consumer plans that allow for innovation and ensure market competition, which in turn keeps electricity prices lower for consumers.

ERANZ notes that the design requirements largely reflect current market practices amongst retailers who offer time-of-use plans. ERANZ therefore questions the need for the Authority to regulate this.

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?

To characterise this as a risk is to misunderstand the environment retailers operate within. Electricity retailers exist in a competitive market, where retailers' pricing and plan offerings are driven by customer demand, and the costs of administering rebates and other commercial factors must also be considered in the end pricing that retailers offer to consumers.

If rebates eventuate, and retailers see value in passing through the rebates directly as a way to entice customers in a competitive market, then they will choose to offer these plans. ERANZ submits that the 0-72 cent monthly rebate projected in the Authority's complementary Task Force initiative 2A consultation document does not justify such an intervention into a competitive market by the Authority.

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

As the Authority notes in this consultation document, its proposal will come with compliance costs, which will necessarily be passed on to consumers in the form of higher electricity prices. ERANZ questions the need for the Authority to capture any retailers with this proposal, given that retailers who have considered it desirable to offer time-of-use plans have already done so.

It seems particularly perverse that those retailers who have already decided to offer time-of-use plans will be subject to compliance costs in order for the Authority to examine the time-of-use plans they offer.

ERANZ submits that it would be cheaper for everyone involved, most of all consumers, if retailers are left to decide for themselves which types of plans they should offer. In some cases, this will include the development of time-of-use pricing plans such as those already available, which will achieve the objective the Authority is seeking without imposing onerous compliance costs to regulate a market that is already working.

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?

As outlined earlier in this submission, ERANZ does not support this proposal coming into effect at all.

The electricity market is currently experiencing significant regulatory shifts, with the Commerce Commission and the Authority proposing a raft of changes to the sector. Some of these will genuinely improve the state of New Zealand's electricity sector, but the cumulative effect of all this change places a high compliance load on industry participants.

ERANZ suggests that the Authority's energies could be better spent elsewhere, rather than intervening in a market that is already working, where the benefits are insignificant and apply only to an extremely small subset of customers.

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

Requiring retailers to work out which customers are best suited to time-of-use plans by analysing their power consumption and generation habits will add significant compliance costs to retailers, which would likely offset the modest savings customers may see through switching to a time-of-use plan.

As the Authority points out, and as discussed earlier in this submission, time-of-use plans will not be best power plan option for all consumers. For many customers who are unable or unwilling to shift their consumption habits, their power bills may increase as a result of going onto these plans. At a time where a number of price-sensitive customers are already

experiencing energy hardship, the Authority must take care not to sell them on a plan which is not well suited to their needs.

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

As discussed earlier in this submission, ERANZ does not believe that time-of-use pricing plans require the level of regulation, monitoring and enforcement that the Authority is proposing. The plans are already available to consumers on the open market, and only an extremely small number of households have the technology and circumstances to realise the limited benefits the Authority is proposing.

Any reporting regime should take note of this and fold compliance requirements into existing mechanisms wherever possible, to reduce the costs and burden on retailers, and the costs the Authority itself incurs monitoring a component of the electricity network that is not dysfunctional.

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

ERANZ submits that a sunset provision would be preferable to a review position.

However, we also believe that the potential risks the Authority raises in paragraph 6.70 are valid concerns which question the viability of the proposal as a whole. This intervention will impact the competitive position of retailers, and distract them from innovating in other valuable ways. These concerns would apply from the moment the proposal became part of the Code, not just after five years as the imposition of a sunset clause would suggest.

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

ERANZ's views on Part 3 of the proposal are captured in answers to questions 9 and 10.

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, and that distributors must use this information?

This proposed change to the Code could lead to significant implementation costs for retailers, which will take time to implement. Meters for these plans must not only be smart, but must be communicative as well.

The Authority should be careful to ensure that any obligations on retailers to provide granular data to distributors aligns with the data formats the Authority expects when it requests data, and also with the Consumer Data Right obligations that the Authority is working with the Ministry for Business, Innovation and Employment to develop. Care should be taken to avoid any duplication which would lead to excessive compliance costs that would quickly exceed any modest benefit the Authority's proposal may provide.

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

ERANZ agrees with the objective of giving consumers more opportunities to manage their electricity costs, and finding ways to reduce the peak load on distribution networks to lower costs for all consumers in the long term.

However, ERANZ believes that the best way to achieve this is not through forcing retailers to provide time-of-use plans that their market assessments have not indicated are worthy of development. Electricity retailers exist in a competitive market that is driven by innovation and finding ways to retail electricity at the lowest cost to themselves and consumers. Any interventions by the Authority which override this run the risk of distorting the market and increasing costs for all.

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

ERANZ does not agree that the benefits of the proposed amendment outweigh its costs.

The stated efficiency benefits assume that customers who wish to be on a time-of-use plan are somehow prohibited by the current system from doing so, which is untrue. With the advent of Powerswitch and online forms, switching power companies has never been easier. Customers who are motivated by the allure of a time-of-use plan already have every opportunity to sign up for one.

The Authority is also assuming that “strong efficiency benefits” will be seen as a result of more efficient investment decisions by consumers into distributed generation capacity. However, only an extremely small number of customers would actually be able to take advantage of these price signals, and the modest savings they may see as a result of these proposals are not likely to drive a significant increase in investment into these technologies.

ERANZ also does not agree with the Authority’s assessment that the implementation costs will be “minor and concentrated in the first year of implementation”.

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.

As explained in our response to Question 2, ERANZ believes the status quo is preferable to the Authority’s proposal.

Q16: Do you have any comments on the drafting of the proposed amendment?

ERANZ has no further comments to make on the drafting of the proposed amendment.

Conclusion

ERANZ would like to thank the Authority for considering our submission.

Yours sincerely,

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