Distribution pricing consultation submission template

Supporting reform to efficient distribution pricing: a refreshed Distribution Pricing Practice Note
Q1. Do expectations laid out in the updated Practice Note on what 'good looks like' for efficient pricing provide a useful guide?
Submission from solarZero, Eric Pyle, Director Public Affairs and Policy This submission focuses on residential households only. Our overall view is that lines pricing regimes need to look ahead 5-10 years. By the time a part of the network is congested, the incentives on lines companies are strongly to build out the constraint. Pricing regimes need to signal potential constraints so that limits are not reached, transformers are not overloaded and so on. That means that lines companies need to be looking at 5-10 years and setting pricing regimes to influence consumer behaviour (or the actions of their flexibility traders) over a timeframe of 5-10 years into the future. It is hard to imagine many urban areas that will not be congested in the next 5-10 years, due to EV uptake, gas heater replacement and the like, i.e. the electrification of the economy as part of the reducing carbon emissions. Government policy is to encourage EV uptake and we are seeing EV uptake increase exponentially in some developed countries, and can expect to see similar ramping in New Zealand as EV costs reduce. Lines companies, particularly those covering urban areas should be starting to plan for substantial uptake of EV as has been outlined by Wellington Electricity in their EECA funded project. The EA should be expecting to see ToU in nearly all urban areas across NZ, now.
Q2. Do you consider any of the material to be incorrect, subjective or superfluous?
Q3. Are there edits or further explanation that you'd suggest to improve clarity?
Q4. Is there material missing that would also be useful? *Note: Where you are asking us to include more material in the Practice Note, we would appreciate you explaining what you are seeking in as much detail as possible, to ensure that any further changes we make meet the need identified.* *Please also consider whether any additional material is best developed and agreed with industry, or if the Authority is best placed to provide the directive solely.*
One option that the guidance may wish to consider is the idea of "Opt In" tariffs. These tariffs could be for customers (or their flexibility traders) who want to respond to a particular price, use technology in certain ways and so on, or retailers who want to opt in. The special tariff that

Distribution pricing consultation submission template

Aurora Energy has put in place in Upper Clutha is an example of an "opt in" tariff. Wellington Electricity had an "opt in" tariff for EV and battery owners.
Q5. Are the expectations laid out in the updated Practice Note on timing for reform achievable?
Q6. Do you believe it is useful for the Practice Note to become a 'living document' that is refreshed regularly to update for the Authority and industry's understanding? *Note: Considerations include, the frequency of updates and the associated consultation with stakeholders being most useful; the level of detail that provides useful guidance, and what focus future iterations could have.*
Yes, the document should be seen as a living document. However, flexibility traders do require some certainty of lines pricing regimes. So there is a balance to be struck between ensuring lines pricing regimes (or advice on these) are relevant and certainty for flexibility traders.
Q7. Where questions of data access or use do not fall into the Updating regulatory settings for distribution networks consultation, is there any specific pricing-relating data concerns that the Authority should know, or be involved in?
Q8. Where questions of customer contact data access or use do not fall into the Updating regulatory settings for distribution networks consultation, is there any specific pricing relating data concerns that the Authority should know, or be involved in?
Q9. Engaged customers are more likely to respond and in a more predictable manner than disengaged customers. What role do you see the Authority has in supporting consumer engagement on pricing?
Flexibility traders are likely to play a key role in managing customer load and injection into the network (via batteries). In an ideal scenario, customers would not be turning appliances on or off and may not necessarily be particularly engaged – smart control systems will do that for them resulting in an efficient power system and no reduction in customer wellbeing (e.g. in terms of a warm house, EV charged when the customer wants and so on). Policy that supports flexibility traders will assist with supporting consumer engagement – the flexibility trader will engage on behalf of the consumer. At the very least EV owners should be encouraged to charge at off peak times. The EA has a role in promoting understanding of ToU so that EV owners are aware of ToU and how to benefit from it.

Distribution pricing consultation submission template

Q10. Ensuring that targeted pricing signals impact decision makers is important in distribution pricing reform. What role do you see the Authority has in supporting an industry Consultation paper: a refreshed Distribution Pricing Practice Note Page | 15 discussion on ensuring price signals reach consumers, taking into account the need to comply with the Commerce Act 1986?
Q11. Complexity in pricing structures could slow reform efforts. How do you see the Authority working with the sector to strike the correct balance?
Data and information standards together with standardised formats should help achieve the right balance and avoid complexity. Lines charges could vary geographically or in terms of, for example, the relationship a flexibility trader may have with a lines company. What is important is some kind of standardisation in framework for the pricing regime so that uploading and incorporating the pricing regime into models is straight forward.
Q12. Can you provide feedback on how bill shock can be managed by industry and the Authority, to support ongoing reform of prices and not unduly impact on groups of customers?
Q13. Are there aspects of LFC and its announced phase out that you see as an ongoing impediment to pricing reform?
In some areas at some times the fixed charge may need to be very low to enable consumers to get a clear signal of a ToU price or similar. The higher the fixed cost the less the ToU signal. High fixed charges are an impediment to clearly signalling to consumers potential congestion and encouraging consumers/flexibility traders to shift demand/inject power at the most desirable times. Very low fixed charges could be part of “opt in” tariffs that encourage particular behaviour from consumers/flexibility traders.
Q14. We are interested to better understand what ongoing limitations LV visibility issues might have that could constrain future pricing reform, how industry can respond to them and what, if any, role you see for the Authority in addressing this area?
Flexibility traders collect significant amounts of data at the distribution level. Lines companies need to form relationships with flexibility traders (and visa versa) to access data, which can potentially be provided in near real time, providing opportunities for dynamic management at the LV level.
Q15. Currently, installation of energy intensive devices such as EV fast chargers are not required to be notified to distributors. Do you see this this as an impediment to advancing pricing reform, and what role do you see the Authority having in this area, and how this could be done?

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Depends on the size of the fast charger – where the threshold is set. It also depends on how smart the charger is. This is an area that needs ongoing monitoring and advice could be updated as part of the “living document” concept above.
Q16. As we develop our thinking on further initiatives, tools or regulation, we will engage appropriately with the sector. We welcome any immediate suggestions you have regarding how we could better promote faster pricing reform.
“Opt in” tariffs as discussed elsewhere in this submission is a tool that lines companies are using and could be highlighted more strongly in the document.
Q17. Do you consider that the Authority has not properly understood any of the constraints listed in this paper, or has missed other issues that constrain efficient pricing reform progress and how they could be addressed? *Note: Where you provide further issues, please provide as much detail as possible. Please also consider whether any additional issues are best addressed by industry, or if the Authority is best placed to address the issue solely.*
Pricing needs to be forward looking and influence consumer behaviour (or consumer agents/proxy’s, e.g. flexibility traders). Pricing regimes that are put in when there is a constraint (e.g. due to increased load) may be too late – the lines company is then in a position of having to rapidly address that constraint. Pricing regimes need to look out 5-10 years and aim to influence consumer behaviour (or their flexibility traders) over that timeframe, i.e. the pricing regime needs to be looking out 5-10 years. With electrification of the economy it is hard to imagine many parts of lines networks that *will not* become constrained in the next 5-10 years.
Q18. Please do not limit your feedback to the above questions - we also welcome feedback on any other ways the Authority could work constructively with industry and consumers to support and drive accelerated pricing reform.
Pricing reform needs to clearly acknowledge that the economy will be electrified in the coming decade and that demand will grow substantially. The electricity system uses capital inefficiently. With this huge change in electricity demand coupled with new technology (solar, batteries and smart control) there is a one-off opportunity to substantially improve the efficiency of the power system. Pricing reform needs to reflect this one-off opportunity and encourage the development of a much more efficient power system as the economy is electrified. Having smart tariffs well after the economy begins the electrification process is too late.
Q19. Please consider the role that you see appropriate for the Authority to be proactively involved in pricing evolution.
The EA needs to work closely with the ComCom. Industry does not want to see conflicting policy/directions from these two agencies. Overall both agencies should be driven by increasing efficiency in the use of capital in the power system while maintaining consumer wellbeing. Competition by itself may not be relevant to the distribution network. The EA’s core expertise does appear to be around encouraging competition, particularly at the wholesale level. The EA may need to develop new skills and expertise to enable it to be an effective player in proactively influencing pricing at the distribution level.

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Q20. How the Authority could engage more with industry, either individually or through structured channels, and in formal and informal ways.