

Submissions

Electricity Authority

PO Box 10041

Wellington 6143

Distribution Pricing Practice Note

Thank you for the opportunity to submit on this important topic.

No part of this submission is confidential and I am happy for all of it to be published.

This submission strongly supports the proposed refresh of the Distribution Pricing Practice Note. It:

- Notes the author's views on the urgency of this work have changed over the last 2 years as technology has evolved;
- Fully supports the proposed refresh of the Distribution Pricing Practice Note, noting the urgency of this work;
- Suggests it may be useful to consider outlining a regulatory backstop option.

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Author's Views Have Changed in Two Years - As Technology Changes

Back in 2019 I submitted on the original distribution pricing reform suggesting it was less urgent than proposed as solar panel roll out was not proving as fast as originally anticipated in the supporting analysis. Although this has proven to be the case I now submit suggesting this work is more urgent because a different technology (demand response) is evolving much faster than I had anticipated at that time. Which if nothing else proves the value of being technology agnostic in regulatory reform.

10 Hataitai Rd, Wellington 6021

Mobile +64 21 626 851

www.NWCL.co.nz, Email: Neil.Walbran@NWCL.co.nz

Fully Support Refresh of Distribution Pricing Practice Note

The approach taken by the Authority in developing the refreshed Distribution Pricing Practice Note seems well thought through and aimed to encouraging and enabling distributors to work together, with ENA, to develop best practice distribution pricing promptly. Thus supporting NZ in its climate change transition. This work, coupled with the work to update the regulatory settings for distribution networks is timely and should remain a key focus for the Authority in the coming year.

Urgency of Work May Justify Consideration of a Regulatory Backstop

I fully support the Authorities approach of encouraging distributors to develop best practice themselves in the distribution pricing area and the practice note both enables and encourages them to do so. However, I wonder if a regulatory backstop approach may have some merit as an incentive for distributors to collectively work together to further progress such initiatives as the ENA network transformation roadmap. It might be useful to start consideration early of what form such a regulatory backstop might take.

Regards

Neil Walbran

Managing Director

Response to specific consultation questions

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?

Yes, they lay out sufficient detail to enable Distributors to develop best practice with confidence.

Q2. Do you consider any of the material to be incorrect, subjective or superfluous?

No.

Q3. Are there edits or further explanation that you'd suggest to improve clarity?

No.

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.

I suggest that some accompanying guidance on expectations on a possible regulatory backstop plan might be useful.

Q5. Are the expectations laid out in the updated Practice Note on timing for reform achievable?

I can't comment on achievability but would comment on urgency. See my separate submission on review of regulatory settings for distribution networks. Where I suggested the economic gains of this reform may be materially understated as there is already some low hanging fruit in the demand response area.

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.

Updates would be useful, but should be limited to either industry feedback on material issues in implementation, or material change in emerging technologies, to the extent they require a material change in approach.

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?

Not that I am aware of.

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?

Not that I am aware of.

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?

I suggest the Authorities role should be limited to education. I think other players, such as retailers or flexibility traders, have strong incentives to encourage customer engagement.

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?

I suggest the Authority should initially adopt a hands off approach to allow retailers to develop their own practices on passing price signals on. Only if this proves inadequate should further regulatory intervention be considered.

Q11. Complexity in pricing structures could slow reform efforts. How do you see the Authority working with the sector to strike the correct balance?

I think the practice note already strikes the right balance in this area. I do not currently see the need for further intervention.

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?

No comment.

Q13. Are there aspects of LFC and its announced phase out that you see as an ongoing impediment to pricing reform?

No.

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?

No comment.

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?

No comment.

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.

See my suggestion above regarding giving consideration to starting work to outline a regulatory back stop option.

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.

No further information in this area.

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.

See above about possibly developing a regulatory back stop option.

Q19. Please consider the role that you see appropriate for the Authority to be proactively involved in pricing evolution.

See above about possibly developing a regulatory back stop option.

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

It could be useful to have the Authority engage with ENA on how it might assist ENA in progressing their Network Transformation Roadmap.