



15 August 2023

Submission to the Electricity Authority's Targeted Reform of Distribution Pricing — Issues paper

Electra Limited (Electra) owns and operates the electricity lines and assets in the Kapiti and Horowhenua districts. We welcome the opportunity to submit to the Electricity Authority's *Targeted Reform of Distribution Pricing — Issues paper*, 5 July 2023 (the Issues Paper). Nothing in this submission is confidential.

Our submission focuses on the Authority's concerns about the lack of retailer response to distribution pricing signals deterring some distributors from progressing with pricing reform. We want to take this opportunity to provide the Authority with more context about why retailer response is a factor in progressing our pricing strategy and what the Authority can do to make progress in this area without needing to make Code amendments.

Our views on the questions raised by the Authority are represented by the Electricity Networks Aotearoa (ENA) submission to the Issues Paper.

The Authority has misunderstood the underlying causes of the problem

In its Issues Paper, the Authority asserts that retailers are disincentivised from responding to distributors' pricing signals due to distributors' behaviours, including;

- (a) continued use of deemed or residual profiles for energy and network billing for ICPs with advanced meters
- (b) overly permissive assignment policies for transitioning ICPs to non-uniform distribution tariffs.¹

We use residual profiles and have retained uniform tariffs as 'stop gaps' to give the retailers the time they need to solve legacy billing shortfalls, which we are told make it difficult, if not impossible, to execute our TOU prices. The stop gaps are not in place to circumvent a weakness in our pricing policy or processes. We would gladly remove our standard non-TOU prices if we could access half-hourly metering data for all ICPs on

¹ The Issues Paper, paragraph 8.18.

our network. However, we cannot readily access metering data, and several retailers have asked us to retain our uniform standard prices.

We have discussed these circumstances with the Authority on several occasions. On this basis, we were surprised at the Authority's assertion that the lack of retailer response to the introduction of TOU prices by us has been due to pricing policy limitations of the EDBs and not the retailers.

To remedy the problem, we concur with the Authority and would also prefer to see:

- (a) retailers billed on actual half-hourly usage for energy and network costs for all ICPs with capable meters, which includes almost 90% of ICPs
- (b) distributors providing very limited (or zero) grounds for opting out from non-uniform tariff options.²

There are two material barriers to us removing residual profiles and moving to an 'opt-out' approach to our TOU pricing; access to smart (advanced) metering data and retailer readiness.

Access to advanced metering data continues to be ignored

The lack of focus and urgency from the Authority on the unresolved issue of access to data that has been raised repeatedly with the Authority is frustrating and disappointing. It puts into question whether the Authority has adequately scoped the problem.

The only reference to data access in the Issues Paper can be found in paragraph 2.13(a)—

'In summary, in submissions to [the *Updating the Regulatory Settings for Distribution Networks — Issues paper*, December 2022], there was some consensus that the key themes/areas of focus include:

- (a) Access to consumption and power quality data to better see what is happening on the low voltage network – residual EV charging a key concern for many distributors.³

The Authority identifies access to data as an 'ongoing workstream' and—

'Using the insights gained from this consultation process, the Authority will conduct a more detailed analysis of submissions to develop a work programme addressing issues and proposals discussed. The Authority plans to publish its work programme and will develop and publish detailed issue-by-issue proposals for further consultation with industry.'⁴

Access to metering data is the Achilles heel to progress pricing reform. We urge the Authority to acknowledge the issue and present solutions. Continuing to ignore the issue is not effective.

² The Issues Paper, paragraph 8.20.

³ The Issues Paper, page 11.

⁴ The Issues Paper, paragraph 2.14.

Amending the EIEP3 file format is a pragmatic solution

We support transitioning to billing on actual data⁵ and believe there is a pragmatic solution for the Authority to solve the underlining data access problem without needing Code amendments. The Authority could amend the EIEP3 to mandate half-hourly data for all ICPs with an advanced meter, irrelevant of retailer or customer tariff section.

The Electricity Information Exchange Protocols (EIEP) were created by the Authority to streamline the exchange of information between market participants. Some EIEPs are regulated, and others are not. The existing EIEP3: Half-hour metering information is a regulated protocol and allows—

‘ a) traders to provide half-hour metering information to distributors at an ICP level to enable distributors to invoice traders for fixed and variable network charges associated with ICPs where half-hour metering information is required, to meet the distributor’s network planning, pricing design, and regulatory information disclosure requirements, and provide information to the extended reserve manager.’⁶

The limitations of the EIEP3 files are that traders are not required to provide half-hour metering data where:

- A. there is no advanced metering⁷; or
- B. where an EIEP1 file can provide the information required for billing network charges.⁸

EIEP1 data is used for non-TOU prices, and TOU profiles can be created to apply to TOU prices where half-hour metering data is not available or forthcoming.

The decision as to whether to provide half-hour data through the EIEP3 or less detailed data through the EIEP1 lies with the retailer (i.e., trader) and not with the distributor. Therefore, the Authority’s assertion that the retailers are disincentivised by the distributor’s use of residential profiles for TOU rather than actual metering data is misplaced and does not reflect reality. The reality is that, by necessity, we will create profiles based on EIEP1 files, where the retailer does not give us EIEP3 data.

In our view, there is a pragmatic fix; amend the EIEP3 so that it is mandatory for traders to provide half-hour metering data for all ICPs with a smart meter, even when an EIEP1 file can provide the information required for billing of network charges. Mandating the exchange of half-hour metering data for all ICPs with an advanced meter is within the Authority’s existing powers and would not require a Code change. Several rounds of consultation may be required to work through the practicalities.

Retailers may not be ready for TOU pricing, but they might be by 1 April 2025

When we introduced standard user time-of-use (TOU) in 2019, a uniform price allowed the retailers to ‘opt-in’ to our TOU prices or a standard price. At first, not many opted in; over time, more have, and now approximately 55% of consumers are on TOU prices.

⁵ The Issues Paper, paragraph 8.21(c).

⁶ Electricity Authority, EIEP3: Half hour metering information, Regulated, 1 April 2021, page 1.

⁷ Such a circumstance is a reasonable exception as it is unreasonable to require a trader to provide metering data that is non-existent.

⁸ *Supra* n6.

We have engaged extensively with retailers, encouraging them to shift their customers to TOU prices, enabling us to phase out our uniform prices. The retailers do not support such a move. The biggest issue, we understand, is their legacy billing platforms. Configuration is difficult and expensive, and ‘Electra is not worth the trouble’.

With the Authority’s support, we would be pleased to mandate our TOU prices and retire our uniform prices from 1 April 2024. However, given it is already mid-August, we would need to do this without consulting the retailers or with very limited consultation.

We do not believe such an approach aligns with the consultation provisions’ intent in the Default Distributor Agreement (DDA). Accordingly, we intend to consult with retailers on this change, and potentially other changes, for 1 April 2025, giving the appropriate amount of time for a ‘good faith’ consultation. Should the Authority want us to ‘move faster’ on this issue, we would require it to mandate such a move and support us when executing it.

Closing comments

In our opinion, the progression of pricing reform has gone as far as it can by addressing the ‘low-hanging fruit’ identified by the Authority to date. The remaining barriers are significant, difficult to address, and not insurmountable. Resolving access to data will go a long way to us to progress our pricing further and continue to meet the Authority’s cost-reflective pricing expectations. Amending the EIEP3 presents the Authority with a pragmatic solution that is within its powers and does not require a Code change.

Yours sincerely



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