

By email: [distribution.pricing@ea.govt.nz](mailto:distribution.pricing@ea.govt.nz)

Re: Targeted Reform of Distribution Pricing - Issues Paper

Flick Electric

## Questions

Q1. Are there other options that you think the Authority should consider?

**We are encouraged, and supportive, to see the Authority taking a broad view of regulatory options.**

Q2. Do you have any comments on the options outlined?

**Under section 3.5, there are three aspects of use-of-system pricing in which we assume that are centred around energy use/consumption (kWh). We would like to understand, given that role that distributed energy resources could play in supporting network performance, how the regulatory framework is able to support the signalling of value (pricing) by networks for non-kWh-based services, e.g., voltage support, deferred investment, etc. and what approach is most appropriate to encourage timely pricing/market innovation. Assuming that adopting this is of value for the positive long-term outcomes for consumers.**

Q3A. Do you agree that a combination of TOU tariffs and load control (appliance) tariffs would be useful for the smart management of peak demand?

**Yes, we agree.**

Q3B. Do you consider that TOU pricing could have unintended consequences for congestion on the LV network?

**It has the possibility to create secondary peaks, eg if enough incentive is given to shift load to after 9pm.**

Q3C. Do you consider that use of shoulder pricing as part of the TOU price structure could be an effective way to mitigate this risk? What other ways could be effective?

**Any price innovation should be primarily focused on driving towards our collective ambition for our electricity system. The more complex the pricing, the less likely retailers are to directly pass on the price signals and therefore reach intended outcomes.**

Q4. Do you agree with the assessment of the current situation and context for peak period pricing signals? What if any other significant factors should the Authority be considering?

**We agree that the current situation is messy and overly complex around how peak period pricing is signalled. We are encouraged by the Authority continual work to provide greater visibility for consumers and other market participants. We would hope to see a shift toward standardised approaches with visible exceptions aligned with network specific challenges/opportunities in time. Solving this is likely to reduce investment barriers and provide greater visibility and trust in our electricity system.**

Q5. Do you agree with the problem statement for peak period pricing signals?

**We agree there are not consistent or robust methodologies presented in the development of peak price signals, and often these are not passed through to the end customer. We note distributors have often taken a gentle approach to peak/off-peak pricing, with a view to expanding the differentials over time.**

Q6. Do you have any comments on the Authority's preferred pricing for peak periods?

**Broadly supportive of the Authority's preferred pricing approach. In regards to 4.30, this can be an industry wide shared risk and would encourage collaboration with retailers to understand how we can transition in a way that limits impacts on energy hardship.**

Q7. Are there other options you think the Authority should consider for improving peak period pricing?

**This paper clearly illustrates the challenges that are faced by network companies and that there are a range of options available to them. How did we arrive in a situation where we need to push innovation on these entities? How can the regulatory environment be changed to reduce the need for future intervention? (Intervention that may be required on a frequent basis given the rapid change in development. Risking additional cost in the system and a risk of regulatory overreach)**

Q8. Which if any of the above options do you consider would best support distribution pricing reform around peak pricing signals and why?

Q9. Do you agree with the assessment of the current situation and context for off-peak pricing signals? What if any other significant factors should the Authority be considering?

**In general, we agree with the Authority's assessment. We wish to understand if the Authority's understanding holds up under a bi-directional electricity system, i.e., is the distributed generation/usage at off peak times typically near zero? We do not have the information to validate this assumption.**

Q10. Do you agree with the problem statement for off-peak pricing signals?

**Generally agree with the statement.**

Q11. Do you have any comments on the Authority's preferred pricing for off-peak usage?

**We believe that further consideration and thought is required around how distributors should size customers for the purpose of residual costs.**

Q12. Are there other options you think the Authority should consider for improving off-peak pricing?

**We note no other suggestions, however caution mandating pricing caps for off peak, noting the scope of different network situations in the country.**

Q13. Which if any of the above options do you consider would best support distribution pricing reform around off-peak pricing signals and why?

**Isolating Off Peak pricing out of a full TOU pricing suite could lead to unintended consequences, and we suggest a pricing cap is too blunt an instrument to produce consistent results.**

Q14. Do you agree with the assessment of the current situation and context for target revenue allocation? What if any other significant factors should the Authority be considering?

Comment

Q15. Do you agree with the problem statement for target revenue allocation?

Comment

Q16. Do you have any comments on the Authority's preferred pricing?

Comment

Q17. Are there other options you think the Authority should consider for improving target revenue allocation?

Comment

Q18. Which if any of the above options do you consider would best support distribution pricing reform around targeted revenue allocation?

Comment

Q19. Do you agree with the assessment of the current situation and context for connection pricing? What if any other significant factors should the Authority be considering?

Comment

Q20. Do you agree with the problem statement for connection pricing?

Comment

Q21. Do you agree with the Authority's preferred pricing approach for connection charges?

Comment

Q22. Do you have any thoughts on the complementary measures mentioned above and to what extent work on these issues could lead to more efficient outcomes for access seekers?

Comment

Q23. Are there other options you think the Authority should consider for connection pricing?

Comment

Q24. Which if any of the above options do you consider would best support distribution pricing reform in the area of connection pricing?

Comment

Q25A. Do you agree with the assessment of the current situation and context for retailer response? What if any other significant factors should the Authority be considering?

**In general we agree with the assessment.**

**We would note the distinction between ICPs being reconciled with the clearing manager on residual profiles, and reporting peak/off-peak in network reconciliation. It is not infrequent to have ICPs reporting on time of use line items in EIEP1s to distributors, but still using profiles for energy reconciliation purposes. Where retailers are not submitting peak/off-peak to distributors, this is primarily through ‘default’ flat pricing made available by the network, rather than through the use of a profile.**

Q25B. [*for retailers*]: What plans do you have for responding to distribution price signals as distributors reform their price structures? What barriers do you see to responding efficiently?

**Flick offers all residential customers the option of an Off-Peak tariff, which customers can choose rather than a ‘flat’ tariff. A significant proportion of our customers are on this option. Our Off-Peak tariff amplifies distribution price signals by incorporating energy costs into our TOU pricing.**

Q25C. [*for distributors*]: What plans do you have to increase the proportion of your customers that face time-varying charges (for example, making TOU plans mandatory for retailers whose end-users have an AMI meter installed)?

Q26. Do you agree with the problem statement for retailer response?

**Flick’s billing, reconciliation and customer experience systems are based on smart meter data. We do not use deemed or residual profiles. Timelines for retailers to update legacy systems have been stretched significantly, given distribution ToU pricing has been in place for the best part of a decade.**

Q27A. Do you have any comments on the Authority's preferred pricing?

Q27B. [**for retailers**]: What use do you make of deemed and residual profiles? Please explain the reasons for this. What barriers do you see to phasing out use of deemed and residual profiles?

Comment

**Flick's billing, reconciliation and customer experience systems are based on smart meter data. We do not use deemed or residual profiles. There has been many years of notice given to retailers about requirements to report peak/off-peak pricing in network reconciliation.**

Q28. Are there other options you think the Authority should consider for retailer response?

Comment

**Retailing is a competitive market and retailers that offer products that customers want should be rewarded for their innovation. A call-in or control approach to retail pricing is the same as using a hammer to crack a nut. We agree with MDAG's observation that "vertically integrated generator-retailers have dampened incentives to utilise DSF".**

**The use of profiling for AMI meters should be banned as soon as possible, and networks should follow through on making 'mandatory' TOU pricing actually mandatory. (eg by pricing all 'default' pricing at a peak rate). Some exemptions for non-communicating meters will still be required.**

**This also raises the question about whether or when NZ can get to 100% smart meter penetration so that all consumers benefit.**

Q29. Which if any of the above options do you consider would best support distribution pricing reform in the area of retailer response?

**We note the Authority's preferred approach and provide the following feedback:**

**a) transition to actual billing on actual meter data - Flick supports this (see answers to Q27B and Q28 above)**

**b) we assume this is 'not applicable' to retailers (but note any increase in complexity in distribution tariffs increases costs for retailers)**

**c) We provided the following feedback to MDAG regarding their proposal to increase monitoring:**

*Flick suggests there has to be clear articulation of the problem this monitoring would solve. We also query whether the costs associated with setting up an ongoing monitoring function – involving all retailers – will achieve a net benefit and the desired outcome. Time of use tariffs have had large uptake over the past few years. Flick's view is that this is largely driven by the*

*fact that these are the plans which have been heavily promoted and discounted by the retailers offering them. This does not necessarily translate to greater off-peak usage.*