



15 August 2023

Electricity Authority Te Mana Hiko
distribution.pricing@ea.govt.nz

Tēnā koutou

ISSUES PAPER: TARGETED REFORM ON DISTRIBUTION PRICING

Unison Network Limited (**Unison**) is an electricity distribution business (**EDB**) operating in Hawke's Bay, Taupō and Rotorua. Centralines Limited (**Centralines**) is an EDB operating in Central Hawke's Bay.

Unison and Centralines consider that there is an urgent need for the Electricity Authority (**Authority**), Commerce Commission, and MBIE to provide more time between consultations (rather than multiple overlapping processes) to provide EDBs an opportunity to consider the significant proposals being raised, impacts and challenges for their operations, potential unintended consequences and what is best for consumers. There is an increasing risk of rapid reform without robust justification and unintended adverse consequences.

The purpose of this letter is to confirm Unison and Centralines support the Electricity Network Aotearoa's submission and highlight additional or supportive key feedback (as opposed to answering each question set out in the Issues Paper). In summary, the Authority should not advance untested pricing interventions at a time of ongoing reform in multiple areas and unclear residual problems to solve. The proposals put forward can form part of ongoing dialogue with the sector, be incorporated into guidance subject to robust justification, and be subject to measured progress and input through the existing scorecard mechanism.

We support

- a) The electricity sector's core role in decarbonising Aotearoa and we recognise the importance of distribution pricing in promoting the long-term interests of consumers.
- b) Continued distribution pricing reform cognisant of the constraints of LFC reform and retail price reflectivity.
- c) Capital contributions policies promoting the Authority's pricing principles.
- d) The current mechanisms to support EDBs implementing reform of prices pragmatically based on their circumstances and consumers. The annual scorecard review provides a forum for the Authority to engage with an EDB on specific issues (including pace, where that is a concern) and areas of interest.

We are concerned that

- e) In most instances the pace of reform is limited by:
 - the regulated phase out of the Low User Fixed Charge;
 - inability of many retailers to submit ICP consumption on distributor Time of Use plans; and
 - the mitigation of price shocks and other adverse impacts for consumers.
- f) The Issues Paper has not demonstrated why the current distribution pricing approaches or roadmaps are a barrier to decarbonisation or providing for consumers long-term interests.

- g) In respect of the proposal to approve contractors, in many instances the most efficient connection outcomes are achieved through in-house, or sole source models. The Commission has oversight of the prudence and efficiency of network expenditure and related party transactions. EDBs models are reflective of their individual circumstances and their consumers, including regional limitations.
- h) Prior to substantial regulatory intervention, there needs to be confidence that, despite other changes in the regulatory regimes and the significant decarbonisation investment required, there is still a problem to solve.

Further engagement is needed

- i) The Authority would benefit from more detailed engagement with EDBs about the actual issues and approaches used to allocate costs and design cost reflective and benefits-based pricing structures. Without that robust information to influence the significant proposals, there will, very likely be, unintended consequences – which may undermine the intended paths to decarbonisation and promoting energy wellbeing.
- j) At a time when reform is proceeding at pace in many areas, there is a strong case for a measured response, which aligns with guidance as a starting point.

Ngā mihi

Rachael Balasingam
REGULATORY MANAGER