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Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Nova Energy Limited
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By email: network.pricing@ea.govt.nz

RE: Consultation Paper – Benchmark agreement and SRAM related Code changes

The Authority notes in its consultation paper the difficulty in ensuring that the benefits of the settlement residual allocation methodology (SRAM) flow through to consumers connected to embedded networks. That is just one of the disadvantages of dealing with embedded networks.

Embedded networks are an exception in the electricity market in that they do not incur direct competition, and do not come under price control regulation. This has resulted in growth in the number of embedded networks as the owners of large properties servicing multiple tenants identify they are able to arbitrage on the difference between the distribution charges they can apply to electricity retailers trading on their network, and the cost of connection to the wider electricity distribution business.

There are now more than twice as many embedded networks as grid connected networks, with some embedded network operators managing sites across multiple networks. These embedded networks create significant additional costs for retailers for no added value to consumers. Costs such as UoSA management, reconciliation, pricing, invoice processing and customer engagement, i.e. they require as much management time and processing as the large grid connected networks. For this reason, there are also comparatively few retailers offering services to customers on many of these networks. In Nova's case it is usually trading on an embedded network only because it was supplying the customer before the property owner decided to establish the embedded network, or an ICP in the network is associated with a larger supply contract covering a number of different networks.

Nova proposes the Authority should consider requiring embedded networks under the Code to become network extensions. That would vastly simplify the reconciliation processes and ensure retailers can compete on those networks without incurring significant additional costs. The SRAM payments likewise would flow through to consumers in the form of competitive pricing by retailers (as opposed to prices marked-up to cover the additional costs associated with trading on those embedded networks).

Nova has no comment on the proposed changes to the benchmark agreement.

Yours sincerely



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